EnQuest PLC

Results for the six months ended 30 June 2020

Strong production performance and targeted free cash flow breakeven on track

3 September 2020

Unless otherwise stated, all figures are on a Business performance basis and are in US Dollars.
Comparative figures for the income statement relate to the period ended 30 June 2019 and the Balance Sheet as at 31 December 2019.
Alternative performance measures are reconciled within the 'Glossary – Non-GAAP measures' at the end of the Financial Statements.

Good performance in a challenging environment

- Group net production averaged 66,055 Boepd in the six months to end June 2020; full year production guidance range of 57,000 Boepd to 63,000 Boepd maintained, although currently expect to be towards the upper part of this range
    - Operations materially unaffected by COVID-19
    - Strong performance on Kraken with gross production of 38,967 Bopd (net 27,472 Bopd), c.19% higher than the same period in the prior year. Full year production is expected to be towards the upper part of the 30,000 Bopd to 35,000 Bopd (gross) guidance range
- Revenue of $450.7 million (2019: $858.2 million) and EBITDA of $274.9 million (2019: $525.9 million), reflecting strong production volumes and the benefit of the Group's hedging programme, partially offset by lower market prices
- Operating expenditure decreased to $174.3 million (2019: $248.4 million) with unit operating costs reduced to $14.4/Boe (2019: $20.1/Boe), reflecting strong production and cost control
- Robust cash generated from operations at $283.2 million (2019: $426.2 million); cash capital expenditure of $101.4 million (2019: $124.6 million), with full year guidance of c.$120 million unchanged
    - Free cash flow generation of $87.5 million (2019: $138.3 million) has enabled further debt reduction
- Lower oil price assumptions resulted in non-cash post-tax impairments of $251.6 million, and non-cash de-recognition of undiscounted deferred tax assets of $432.6 million. EnQuest retains access to its tax losses and allowances

End June net debt reduced by $61.9 million from year end

- At 30 June 2020, net debt was reduced to $1,351.1 million (end 2019: $1,413.0 million) with cash and available bank facilities amounting to $269.5 million (end 2019: $288.6 million)
    - Tanjong Baram Project Finance Facility of $31.7 million fully repaid in June; Sculptor Capital Facility reduced by $31.8 million in the period to end June
- For full year 2020, the Group's hedge programme covers c.11.4 MMbbls. Approximately 10.3 MMbbls are hedged at an average floor price of $43/bbl, with a further 1.1 MMbbls hedged with an average floor price of c.$52/bbl in accordance with the Sculptor Capital facility agreement

Significant, low-cost 2C resource addition in the UK North Sea

- Signed sale and purchase agreement for 40.81% equity interest in and operatorship of Bressay licences in July
- Low-cost addition of up to 115 MMbbls (net) 2C resources; opportunity for long-term, low-risk, phased sub-sea tie-back project

EnQuest Chief Executive, Amjad Bseisu, said:

"The Group continues to perform well in challenging conditions, including COVID-19 and the early shutdown of a number of our assets. The safety of our people and our assets remains our priority. With our ongoing focus on operational excellence, we have continued to exceed our operational targets, including production of around 66,000 Boepd in the first half of 2020.

"Our difficult and early decisions to shut down our higher cost assets have resulted in a substantial cost reduction programme, which is on track. We remain confident that we will achieve our 2020 targets, with free cash flow breakeven for the full year at c.$33/Boe. We continue to target free cash flow breakeven of c.$27/Boe in 2021.

"Even with the most challenging macro and oil price environment since our genesis as a company, we have been able to generate around $87 million of free cash flow in the period and reduced our net debt. We remain focused on continuing to reduce our debt and strengthening our balance sheet.

"Looking further ahead, I am delighted we have agreed the acquisition of a material operating interest in the Bressay field. The addition of up to 115 MMbbls of net 2C resources materially increases our 2C resource base and provides EnQuest an opportunity to demonstrate further its proven capabilities in low-cost drilling and heavy oil."

Production and financial information

	H1 2020	H1 2019	Change %
Production (Boepd)	66,055	68,548	(3.6)
Revenue and other operating income ($m)[1]	450.7	858.2	(47.5)
Statutory reported revenue and other operating income ($m)[2]	439.4	815.4	(46.1)
Realised oil price ($/bbl)[1]	43.6	66.1	(34.0)
Average unit operating expenditure ($/Boe)	14.4	20.1	(28.3)
Gross profit ($m)	39.8	269.9	(85.3)
Statutory reported gross profit ($m)	19.3	223.0	(91.3)
Profit before tax & net finance costs ($m)	24.6	264.5	(90.6)
EBITDA ($m)	274.9	525.9	(47.7)
Statutory reported profit/(loss) after tax ($m)	(619.0)	44.3	-
Statutory reported basic earnings/(loss) per share (cents)	(37.4)	2.7	-
Cash generated from operations ($m)	283.2	426.2	(33.6)
Cash capex ($m)	101.4	124.6	(18.6)
	End June 2020	**End 2019**	
Net (debt)/cash ($m)	(1,351.1)	(1,413.0)	(4.4)

[1] Including net realised gains of $35.2 million (2019: net realised gains of $7.6 million) associated with EnQuest's oil price hedges
[2] Including net realised and unrealised gains of $23.9 million (2019: net realised and unrealised losses of $35.3 million) associated with EnQuest's oil price hedges

Summary financial review of H1 2020

Revenue was $450.7 million for the six months ended 30 June 2020 compared with $858.2 million for the same period in 2019. This decrease was primarily driven by the material reduction in the oil price and moving from a net overlift to a net underlift position at the end of 30 June 2020. Group revenue is predominantly derived from crude oil sales and for the six months ended 30 June 2020, crude oil sales totalled $375.5 million compared with $761.9 million for the comparative period in 2019. Revenue from the sale of gas and condensate in the period was $27.6 million (2019: $79.9 million), reflecting significantly lower market prices for gas.

The commodity hedge programme resulted in realised gains of $35.2 million in the first half of 2020 (2019: realised gains of $7.6 million). Consequently, the Group's average realised oil price was $43.6/bbl for the six months ended 30 June 2020, compared to $66.1/bbl received during the first half of 2019. Excluding the impact of hedging, the average realised oil price was $39.9/bbl in the first half of 2020, compared to $65.4/bbl received during the first half of 2019.

Cost of sales were $410.9 million for the six months ended 30 June 2020 compared with $588.3 million for the same period in 2019. Operating costs decreased by $74.1 million to $174.3 million, primarily reflecting the Group's focus on cost control, including the decision to cease production at Heather and Thistle. The Group's average unit operating cost has decreased by 28.3% to $14.4/Boe (2019: $20.1/Boe). Other cost of sales decreased by $103.3 million to $236.6 million (2019: $339.9 million), reflecting the change from a net overlift to a net underlift position, and the lower cost of Magnus-related third-party gas purchases following the reduction in the market price for gas, partially offset by a $19.0

million inventory write down recognised in the first half of the year, which primarily relates to inventory held at assets scheduled for decommissioning.

EBITDA for the six months ended 30 June 2020 reduced to $274.9 million compared with $525.9 million for the same period in 2019. This was driven by lower revenue partially offset by lower cost of sales.

The tax credit for the six months ended 30 June 2020 was $71.5 million (2019: $36.2 million tax charge).

Remeasurement and exceptional items were a net loss of $308.1 million before tax for the six months ended 30 June 2020 (2019: loss of $120.0 million). Revenue included unrealised losses of $11.3 million in respect of the mark-to-market movement on the Group's commodity contracts (2019: unrealised losses of $42.9 million). Pre-tax non-cash impairment charges of $409.8 million on the Group's tangible oil and gas assets were recognised, reflecting a reduction in oil price assumptions. Other remeasurement and exceptional items in the first half of 2020 also includes a $161.9 million gain in relation to the fair value recalculation of the Magnus contingent consideration reflecting the reduction in oil price assumptions and a $6.2 million provision in relation to the Group's transformation programme referred to below.

The Group's reported cash generated from operations for the six months ended 30 June 2020 was $283.2 million (2019: $426.2 million) primarily as a result of lower revenue. Free cash flow for the six months ended 30 June 2020 was $87.5 million (2019: $138.3 million).

EnQuest's net debt decreased by $61.9 million from $1,413.0 million at the end of 2019 to $1,351.1 million at 30 June 2020. Net debt at 30 June 2020 includes $166.2 million of inception to date interest that has been capitalised to the principal of the senior credit facility and bonds ('PIK'), compared to $133.3 million at 31 December 2019.

In January 2020, EnQuest voluntarily repaid $35.0 million of the senior credit facility early, resulting in no further amortisations due in 2020. The next amortisation payment of $65.0 million is due by 1 April 2021.

In June 2020, EnQuest made an early voluntary repayment of the entire $31.7 million of the Tanjong Baram project finance facility having received the first of three instalments from PETRONAS for reimbursement of outstanding net capital expenditure of around $50 million relating to the Tanjong Baram project. The remaining two reimbursement instalments are due from PETRONAS in the second half of the year.

The strong production performance at Kraken has driven a $31.8 million reduction in the Sculptor Capital facility in the first six months of the year.

The Group continues to have access to its full UK corporate tax losses of $3,086.8 million at 30 June 2020 (2019: $2,903.4 million).

Operating review

Production details

Net daily average production on a working interest basis	1 Jan' 2020 to 30 Jun' 2020	1 Jan' 2019 to 30 Jun' 2019
	(Boepd)	**(Boepd)**
Magnus	18,806	17,774
Kraken	27,472	23,107
Other North Sea	11,471	19,068
Total UKCS	**57,749**	**59,949**
Total Malaysia	**8,306**	**8,599**
Total EnQuest	**66,055**	**68,548**

Magnus

Average production in the six months to end June was 18,806 Boepd, 5.8% higher than the same period in 2019. This increase was driven by high production efficiency of 86% and also high water injection efficiency of 91%. Combined with two new wells coming onstream in March, which are performing in line with expectations, this has partially offset gas compressor performance issues experienced in the first quarter. Production optimisation activities are continuing and the Group expects to complete a one-week maintenance shutdown in the fourth quarter to carry out essential works,

Kraken

Gross production during the first six months of 2020 averaged 38,967 Bopd (net 27,472 Bopd), an increase of 18.9% and ahead of the top end of guidance. This was driven by a good performance from the floating, production, storage and offloading ('FPSO') vessel, with high production efficiency of 86%. Overall subsurface and well performance remains good and the Group continues to optimise production through improved injector-producer well management following the completion of well testing in May and June. Drilling at Worcester was completed during the first half of the year, with the new producer-injector pair coming onstream late in the second quarter.

In June 2020, Kraken reached three years since the delivery of first oil, with output significantly increasing from 7.7 MMbbls in the first 12 months of operation to over 14.2 MMbbls in its third year. Cargo pricing has improved over the same period and remains robust, with the Group continuing to optimise sales into the shipping market with Kraken oil being a key component of IMO 2020 compliant low-sulphur fuel oil.

In the third quarter, repairs were required to the DC1 riser, resulting in two producer wells shut in for approximately two weeks. In addition, a one-week planned shutdown of operations is planned in the third quarter to allow for essential maintenance work to be undertaken.

With the better than expected performance so far this year, production is currently expected to be towards the upper part of the 30,000 Bopd and 35,000 Bopd (gross) full year guidance range.

Other North Sea operations

Production in the six months to end June averaged 11,471 Boepd, 39.8% lower than the same period in 2019. This decrease was primarily driven by the decision not to restart production at the Heather/Broom and Thistle/Deveron fields, which contributed c.9,000 Boepd in the same period in 2019. Elsewhere, lower water injection and a lack of gas lift, along with gas compressor downtime and underlying natural declines, impacted production at the Dons. These reductions were partially offset by strong production efficiency at Alma/Galia, with production in line with expectations, while performance was significantly improved at Scolty/Crathes following the completion of the pipeline replacement project during the third quarter of 2019. Alba continues to perform in line with the Group's expectations, with the Group continuing to deliver stable operations and plant availability at the Sullom Voe Terminal.

In June, a cessation of production ('CoP') application for the Heather asset was accepted by the regulator, which allows preparations to begin for decommissioning and lowers EnQuest's share of costs to 37.5% (from 100.0%). The platform remains shutdown and is depressurised. The Group expects to recommence the well abandonment programme in 2021.

The Thistle/Deveron CoP application was lodged with the regulator in July and once accepted, the decommissioning phase will begin, resulting in EnQuest's share of post-tax costs reducing to 6.1% (from 99.0%). Project activities related to the removal of the redundant crude oil storage tanks at Thistle continued, with the successful removal of the tanks completed in July. The facility is expected to remain permanently unmanned for the remainder of 2020, with a well abandonment programme targeted for 2021.

At the Dons, given the impacts on gas supply for gas lift as a result of the shutdown at Thistle and the resulting lower production, the Group is working with its partners and the regulator to seek the necessary regulatory approvals in respect of CoP. Operations are expected to cease in the second quarter of 2021.

At Alma/Galia, CoP occurred on 30 June 2020 as planned. The EnQuest Producer FPSO will shortly move off station and sail to the oil terminal jetty at Nigg. The Group continues to explore a number of options regarding its future.

Following the decisions to pursue CoP at the Heather, Thistle/Deveron and the Dons assets, the Group has re-organised its UK North Sea business into three directorates that report to Bob Davenport, Managing Director – North Sea. These directorates are Upstream, Midstream and Decommissioning[1]. With the changing operational footprint of the Group, support functions have also been reviewed. Given the scale of change, with the number of employee and contractor roles in the UK reduced by approximately 40%, the UK workforce has undergone an open and transparent collective consultation process to ensure all employees were treated fairly and with respect. This consultation process, which included the appointment of employee representatives to work with management to ensure the proposed changes did not compromise safety and to minimise the impact on the Group's people and operations, gave all employees at EnQuest the opportunity to nominate themselves for relevant roles within the new organisation structure. Feedback received from the employee representatives was positive. This transformation enables the Group's directorates to focus on the most appropriate activities that deliver operational excellence and safe results at each of its assets.

[1] Upstream includes: Magnus, Kraken, the Greater Kittiwake Area and Scolty/Crathes, and Alba. Midstream includes: the Sullom Voe Terminal and the Group's pipeline operations. Decommissioning includes Heather/Broom, Thistle/Deveron, the Dons and Alma/Galia

Malaysian operations

Average production in Malaysia in the six months to end June 2020 of 8,306 Boepd was broadly in line with the same period in 2019. Continued high production efficiency, which averaged c.96%, and the impact of idle well restoration activities, combined with higher gas sales, largely offset the loss of volumes from Tanjong Baram, which was shut-down ahead of the termination of the small field risk service contract.

In June, a short planned maintenance shutdown was successfully completed on PM8/Seligi, with a total production outage of around two days being achieved, well within the original planned five day outage.

Business development and growth opportunities

In July, the Group announced that it had signed a binding sale and purchase agreement with Equinor for an equity interest in the Bressay licenses. Under the agreement, EnQuest will assume operatorship of the licenses with a participating interest of 40.81% for an initial consideration of £2.2 million, payable as a carry against 50% of Equinor's net share of costs. It is expected that up to115 MMbbls, net to EnQuest, will be added to the Group's 2C resources. With no near-term capital commitments, Bressay offers the Group the opportunity for a long-term, low-risk, phased sub-sea tie-back project, potentially to the Kraken field, which could reduce emissions, costs and extend Kraken's field life.

Further to the addition of 2C resources potential at Bressay, EnQuest has a large volume of reserves and resources within its portfolio, providing opportunities for long term and low-cost drilling when conditions are supportive. Magnus offers 2C resources of c.38 MMbbls and around 250 million barrels of movable oil still to evaluate. Kraken continues to offer further near-field opportunities through the evaluation and development of the western area, which holds an estimated 70-130 MMbbls of STOIIP. In Malaysia, EnQuest has c.22 MMboe of 2P reserves and c.76 MMboe of 2C resources. Subsurface studies are ongoing on Block PM409, which is a proven hydrocarbon area containing several undeveloped discoveries contiguous to the Group's existing PM8/Seligi PSC.

Environmental, Social and Governance

The safety of its people will always be a top priority for EnQuest. The Group continues to monitor actively the impact on operations from COVID-19 and has implemented a number of mitigations to minimise the impact, adopting an approach based upon the principles of safety and welfare of people and security of supply. The Group has remained aligned and supportive of the government position and remained compliant with Dubai, Malaysia and UK government and industry policy. The Group has also been working with a variety of stakeholders, including industry and medical organisations, to ensure its operational response and advice to its workforce is appropriate and commensurate with the prevailing expert advice and level of risk. Appropriate restrictions on offshore travel have been implemented, such as self-declaration by, and isolation of, individuals who are symptomatic. Pre-mobilisation testing and temperature checks are also in operation for all operational staff prior to travelling to the Group's UK North Sea onshore and offshore operating facilities. EnQuest's normal communicable disease process has been updated specifically in respect of COVID-19, with additional offshore isolation capability and agreements in place to transport impacted individuals back onshore in dedicated helicopters. At the Sullom Voe Terminal, the same processes have also been implemented, with isolation capability at local accommodation. These measures have been robust, resulting in EnQuest having a strong record of minimising the impact of COVID-19 on our people, with only three cases of COVID-19 confirmed offshore, across all producing assets. Across the Group's onshore office locations, appropriate risk assessments have been undertaken with any necessary procedural and office layout alterations implemented to minimise the risk as the Group's workforce gradually returns to the office in line with relevant government guidelines. At the time of publication of EnQuest's half year results, the Group's day-to-day operations continue without being materially affected by COVID-19.

The Group expects its Scope 1 and 2 emissions to be around 15% lower in 2020 compared to 2019, reflecting the pursuit of several emission reduction projects and the Group's decisions to cease production at its Heather, Thistle/Deveron and Alma/Galia assets. Based on current estimates for the existing portfolio, the Group expects to deliver a reduction in emissions of c.10% over the next three years. EnQuest is also a participant in the Energy Hub, an initiative being developed by the Shetland Islands Council and the Oil and Gas Technology Centre aiming to deliver a clean, sustainable energy future for Shetland and the UK. In the meantime, the Group continues voluntarily to limit emissions in Malaysia below the regulatory limit and optimise sales of Kraken cargoes directly to the shipping market, avoiding emissions related to refining and helping reduce sulphur emissions in accordance with the IMO 2020 regulations. The Group Safety & Risk Committee has also concluded its assessment of whether 'climate change' should be categorised as a standalone risk area within the Group's risk management framework (in addition to the recognition already accorded to climate change related issues across the existing principal risk areas) and concluded that it should be categorised as such.

The Group remains committed to improving workforce diversity across the business. At present, around 20% of EnQuest's country leadership teams are female and the Group is committed to improving this further.

EnQuest has continued to provide support to the communities in which it works. In Malaysia, EnQuest is sponsoring one university student to study STEM-related subjects at University Malaya and has also signed a Memorandum of Agreement to sponsor the IChemE accreditation of the Chemical Engineering programme at The National University of Malaysia. This accreditation is expected to improve the employability of graduating students, anticipated to be some 80-100 individuals for each intake year.

In March, Howard Paver was appointed as the Senior Independent Director, replacing Helmut Langanger who retired from the Board, while in May, Howard replaced Laurie Fitch as Chair of the Remuneration Committee. Laurie remains a member of the Committee.

Liquidity and net debt

At the end of June 2020, net debt was $1,351.1 million, down $61.9 million from $1,413.0 million at 31 December 2019, reflecting strong operational performance and the impact of the Group's commodity hedge programme in the first quarter, partially offset by the settlement of the Group's high yield and retail bond interest as payment in kind through the issuance of additional notes. Total cash and available facilities were $269.5 million, including ring-fenced accounts associated with Magnus, the Sculptor Capital facility and other joint venture accounts totalling $89.3 million.

In June, the Group made an early voluntary repayment of the remaining $31.7 million of the Tanjong Baram project finance facility, having received the first of three instalments from PETRONAS for settlement of the outstanding net capital expenditure of around $50 million relating to the Tanjong Baram project. The remaining two reimbursement instalments are due from PETRONAS in the second half of the year.

As a result of the material decline in the oil price in the first quarter, the Group pre-emptively sought a waiver of the liquidity test for the remainder of 2020 from the lenders in the Senior Credit Facility which was granted in the second quarter.

By the end of June, c.5.9 MMbbls of oil hedges had been settled. Approximately 5.2 MMbbls had an average floor price of c.$49/bbl, while c. 0.7 MMbbls associated with the Sculptor Capital facility had an average floor price of c.$52/bbl. For the remaining six months of 2020, EnQuest has c. 5.5 MMbbls of oil hedges in place. Approximately 5.1 MMbbls are hedged at an average price of c.$36/bbl, with a further c.0.4 MMbbls hedged with an average floor price of c.$52/bbl in accordance with the Sculptor Capital facility agreement.

2020 outlook reaffirmed

Group production performance in the period was above the top end of guidance at 66,055 Boepd. Full year production guidance of 57,000 and 63,000 Boepd is maintained, although the Group currently expects to be towards the upper part of this range. During the second half of 2020, the strong production performance from the first half of the year is expected to be partially offset by planned maintenance shutdowns, the cessation of production at Alma/Galia in June, lower expected production from the Don’s and natural field declines.

Implementation of the Group’s 2020 cost savings and reduction in free cash flow breakeven remain on track, with operating expenditure expected to be around $335 million and cash capital expenditure around $120 million, in line with previous guidance.

While debt repayment remains the priority, the Group continues to assess its large and low-cost 2C resource base for future development when conditions are supportive.

- Ends -

For further information please contact:

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Presentation to Analysts and Investors
A presentation to analysts and investors will be held at 09:00 today – London time. The presentation and Q&A will also be accessible via an audio webcast, available on the investor relations section of the EnQuest website at www.enquest.com. A conference call facility will also be available at 09:00 on the following numbers:

Conference call details:

UK: +44 (0) 800 376 7922

International: +44 (0) 207 192 8000

Confirmation Code: EnQuest

Notes to editors

This announcement has been determined to contain inside information.
Identity of the person making this notification: Stefan Ricketts, Company Secretary

EnQuest PLC

ENQUEST

EnQuest is an independent production and development company with operations in the UK North Sea and Malaysia. The Group's strategic vision is to be the operator of choice for maturing and underdeveloped hydrocarbon assets by focusing on operational excellence, differential capability, value enhancement and financial discipline.

EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm. Its UK operated assets include Thistle/Deveron, Heather/Broom, the Dons area, Magnus, the Greater Kittiwake Area, Scolty/Crathes, Alma/Galia and Kraken; EnQuest also has an interest in the non-operated Alba producing oil field. At the end of June 2020, EnQuest had interests in 17 UK production licences and was the operator of 15 of these licences. EnQuest's interests in Malaysia include the PM8/Seligi and PM409 production sharing contracts, both of which the Group operates.

Forward-looking statements: This announcement may contain certain forward-looking statements with respect to EnQuest's expectations 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 announcement should be construed as a profit forecast. Past share performance cannot be relied upon as a guide to future performance.

FINANCIAL REVIEW

Financial Overview

Unless otherwise stated, all figures are on a Business performance basis and are in US Dollars.
Comparative figures for the Statement of Comprehensive Income relate to the period ended 30 June 2019 and the Balance Sheet as at 31 December 2019.
Alternative performance measures are reconciled within the 'Glossary – Non-GAAP measures' at the end of the Financial Statements.

Production on a working interest basis decreased by 3.6% to 66,055 Boepd, compared to 68,548 Boepd in the first half of 2019.

Revenue for the six months ended 30 June 2020 was $450.7 million, 47.5% lower than the comparative 2019 six month period (2019: $858.2 million).

The Group's operating expenditures of $174.3 million were 29.8% lower than the comparative period (2019: $248.4 million). Unit operating costs decreased by 28.3% to $14.4/Boe (2019: $20.1/Boe).

EBITDA for the six months ended 30 June 2020 was $274.9 million, 47.7% lower than the comparative period (2019: $525.9 million).

	Business performance	
	H1 2020 $ million	H1 2019 $ million
Profit from operations before tax and finance income/(costs)	**24.6**	264.5
Depletion and depreciation	**252.3**	255.4
Inventory write-down	**19.0**	5.7
Net foreign exchange (gains)/losses	**(21.0)**	0.3
EBITDA	**274.9**	525.9

EnQuest's net debt decreased by $61.9 million from $1,413.0 million at the end of 2019 to $1,351.1 million at 30 June 2020. Net debt at 30 June 2020 includes $166.2 million of inception to date interest that has been capitalised to the principal of the facilities pursuant to the terms of the Group's November 2016 refinancing ('PIK'), compared to $133.3 million at 31 December 2019.

	Net debt/(cash)	
	30 June 2020 $ million	31 December 2019 $ million
Bonds	**991.4**	971.9
Multi-currency revolving credit facility ('RCF')	**440.8**	475.1
Sculptor Capital facility[1]	**91.1**	122.9
Tanjong Baram Project Finance Facility	**-**	31.7
SVT Working Capital Facility	**11.2**	31.9
Cash and cash equivalents[2]	**(183.4)**	(220.5)
Net debt	**1,351.1**	1,413.0

Notes:
1 Sculptor Capital facility was previously known as the Oz Management facility
2 Includes restricted cash of $1.6 million (see note 10)

In January 2020, EnQuest voluntarily repaid $35.0 million of the RCF early, resulting in the Group having repaid all the amortisations due in 2020. The next amortisation payment of $65.0 million is due 1 April 2021.

In June, EnQuest made an early voluntary repayment of the entire $31.7 million of the Tanjong Baram Project Finance facility having received the first of three instalments from PETRONAS for reimbursement of outstanding net capital expenditure of around $50 million relating to the Tanjong Baram project. The remaining two reimbursement instalments are due from PETRONAS in the second half of the year.

$32.2 million of bond interest was settled through the issue of additional notes ('PIK') and capitalised to the principal of the facilities in the period, reflecting an average oil price of less than $65/bbl over the relevant cash payment condition period in accordance with the terms of the bonds.

The strong production performance at Kraken has driven a $31.8 million reduction in the Sculptor Capital facility in the first six months of the year.

The Group continues to have full access to its UK corporate tax losses of $3,086.8 million at 30 June 2020 (31 December 2019: $2,903.4 million). In the current environment, no material corporation tax or supplementary corporation tax is expected to be paid on UK operational activities for the foreseeable future. The Group paid cash corporate income tax on the Malaysian assets, which will continue throughout the life of the production sharing contract.

Income Statement

Revenue

On average, market prices for crude oil in the first half of 2020 were lower than in the same period in 2019. The Group's average realised oil price excluding the impacts of hedging was $39.9/bbl for the six months ended 30 June 2020, 39.0% lower than the comparative period (2019: $65.4/bbl). Revenue is predominantly derived from crude oil sales, which for the six months ended 30 June 2020 totalled $375.5 million, 50.7% lower than the comparative period (2019: $761.9 million), primarily reflecting the significantly lower oil prices and moving from a net overlift to a net underlift position at the end of 30 June 2020. Crude oil sales for the period ended 30 June 2020 were 9.4 MMbbls (2019: 11.6 MMbbls). Revenue from the sale of condensate and gas in the period was $27.6 million (2019: $79.9 million), reflecting significantly lower market prices for gas. Tariff and other income generated $12.4 million (2019: $8.9 million). The Group's commodity hedges and other oil derivatives contributed $35.2 million of realised gains (2019: gains of $7.6 million), including a gain of $5.6 million of non-cash amortisation of option premiums (2019: gain of $4.7 million).

Cost of sales

	Business performance	
	H1 2020 $ million	H1 2019 $ million
Production costs	**137.7**	210.2
Tariff and transportation expenses	**36.1**	39.2
Realised loss/(gain) on FX derivatives related to operating costs	**0.5**	(1.0)
Operating costs	**174.3**	248.4
Change in lifting position and inventory	**(48.5)**	29.4
Depletion of oil and gas assets	**248.4**	250.4
Other cost of sales	**36.7**	60.1
Cost of sales	**410.9**	588.3
	$/Boe	$/Boe
Operating cost per barrel		
- Production costs	**11.4**	16.9
- Tariff and transportation expenses	**3.0**	3.2
Average unit operating cost	**14.4**	20.1

Cost of sales were $410.9 million for the six months ended 30 June 2020, 30.2% lower than the comparative period (2019: $588.3 million). Operating costs decreased by $74.1 million, primarily reflecting the Group's focus on cost control, including the decision to cease production at Heather and Thistle. The Group's average unit operating cost has decreased by 28.3% to $14.4/Boe.

The credit relating to the Group's lifting position and inventory was $48.5 million (2019: $29.4 million debit). This reflects a switch to a $23.5 million net underlift position at 30 June 2020 from a $28.6 million net overlift position at 31 December 2019.

Depletion expense of $248.4 million was 0.8% lower than the comparative period (2019: $250.4 million).

Other cost of sales of $36.7 million was lower than the comparative period (2019: $60.1 million). This primarily reflects the lower cost of Magnus-related third-party gas purchases following the reduction in the market price for gas partially offset by the $19.0 million inventory write down recognised in the first half of the year, which primarily relates to inventory held at assets scheduled for decommissioning.

Other income and expenses

Net other expense of $11.7 million (2019: net other expenses of $0.3 million) is primarily $45.9 million recognition of the increase in the decommissioning provision of the fully impaired assets offset by foreign exchange gains of $21.0 million and the $10.4 million gain on the termination of the Tanjong Baram risk service contract.

Finance costs and income

Finance costs of $90.9 million were 14.9% lower than the comparative period (2019: $106.8 million). The charges include $52.8 million of interest payable on loans and borrowings and bonds (2019: $69.7 million), $26.1 million of finance charges related to lease liabilities (2019: $26.8 million), $7.1 million unwinding of discount on provisions and liabilities (2019: $7.0 million), together with other facility fees such as commitment fees, and the amortisation of bond fees.

Finance income was a total of $1.1 million for the six months ended 30 June 2020 (2019: $1.1 million).

Taxation

The tax credit for the six months ended 30 June 2020 is $71.5 million (2019: $36.2 million tax charge).

Remeasurements and exceptional items

Remeasurements and exceptional items resulting in a net loss of $308.1 million before tax have been disclosed separately for the six months ended 30 June 2020 (2019: loss of $120.0 million).

Revenue included unrealised losses of $11.3 million in respect of the mark-to-market movement on the Group's commodity contracts (2019: unrealised losses of $42.9 million). Pre-tax non-cash impairment charges of $409.8 million on the Group's tangible oil and gas assets were recognised, reflecting a reduction in oil price assumptions. Other remeasurement and exceptional items in the first half of 2020 also includes a $161.9 million gain in relation to the fair value recalculation of the Magnus contingent consideration reflecting the reduction in oil price assumptions and a $6.2 million redundancy provision in relation to the Group's transformation programme (2019: increase in contingent consideration on the 75% acquisition of Magnus and associated infrastructure of $26.9 million, $28.1 million unwinding of discount on the end 2018 contingent consideration balance and the provision for settlement of the historical KUFPEC claim of $15.6 million).

A net tax charge of $317.1 million (2019: credit of $41.7 million) has been presented as exceptional, representing the non-cash de-recognition of undiscounted deferred tax assets of $432.6 million given the Group's lower oil price assumptions, partially offset by the tax impact of the above items. The exceptional de-recognition of the undiscounted deferred tax asset balance is made up of de-recognition of previously recognised tax losses and allowances of $363.5 million and the immediate de-recognition of the notional tax-credit of $24.4 million arising on business performance in the six months to June 2020 and ring-fenced expenditure supplement uplift of $44.7 million recognised in the period to 30 June 2020. EnQuest continues to have access to its full UK corporate tax losses of $3,086.8 million at 30 June 2020.

Profit/(loss) for the period

Total pre-tax losses for the period to 30 June 2020 were $373.4 million (2019: profit of $38.7 million), primarily reflecting non-cash impairments. Total post-tax losses for the period to 30 June 2020 were $619.0 million (2019: profit of $44.3 million), and include the partial de-recognition of deferred tax assets.

Cash flow and liquidity

Net debt at 30 June 2020 amounted to $1,351.1 million, including PIK of $166.2 million, compared with net debt of $1,413.0 million, including PIK of $133.3 million, at 31 December 2019. The Group has remained in compliance with financial covenants under its debt facilities throughout the six month period. The movement in net debt was as follows:

	$ million
Net debt 1 January 2020	**(1,413.0)**
Net cash flows from operating activities	275.1
Cash capital expenditure	(101.4)
Net cash received on termination of Tanjong Baram risk service contract	17.1
Lease payments	(56.1)
Magnus contingent consideration	(25.8)
Net interest and finance costs paid	(21.4)
Non-cash capitalisation of interest to principal of bond and debt facilities	(33.3)
Other movements, primarily net foreign exchange loss on cash and debt	7.7
Net debt 30 June 2020	**(1,351.1)**

The Group's reported net cash flows from operating activities for the six months ended 30 June 2020 were $275.1 million, 32.7% down compared to the comparative period (2019: $409.0 million). The main drivers for this decrease are the impact of a significantly lower oil price and lower sales volumes.

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

	H1 2020 $ million	H1 2019 $ million
North Sea	99.4	122.8
Malaysia	1.9	1.7
Other	0.1	0.1
	101.4	124.6

Cash capital expenditure primarily relates to Kraken and Magnus drilling activities.

Balance Sheet

The Group's total asset value has decreased by $974.8 million to $3,801.8 million at 30 June 2020 (31 December 2019: $4,776.6 million), mainly due to impairment charge on the Group's tangible oil and gas assets, the non-cash partial de-recognition of the Group's undiscounted deferred tax assets and depletion of oil and gas assets. Net current liabilities have decreased by $69.1 million to $213.6 million as at 30 June 2020 (31 December 2019: $282.7 million). Included in the Group's net current liabilities are $88.6 million of estimated future obligations where settlement is ring-fenced to the financial performance at Kraken and Magnus (31 December 2019: $178.7 million).

Property, plant and equipment ('PP&E')
Property, plant and equipment has decreased to $2,809.1 million at 30 June 2020 from $3,450.9 million at 31 December 2019. This decrease is explained by impairment charges of $409.8 million, depletion and depreciation charges of $252.3 million, change in decommissioning provision of $10.6 million and the termination of the Tanjong Baram risk service contract ($41.6 million), offset by capital additions of $72.5 million. Capital additions are set out in the table below:

	H1 2020 $ million
North Sea	**71.8**
Malaysia	**0.7**
	72.5

Intangible oil and gas assets
Intangible oil and gas assets have remained consistent at $27.6 million at 30 June 2020 (31 December 2019: $27.6 million).

Trade and other receivables
Trade and other receivables have decreased by $17.7 million to $261.8 million at 30 June 2020 compared to $279.5 million at 31 December 2019. The decrease is driven by a reduction in joint venture debtors, due to timing, partially offset by an increase in the Groups underlift position.

Cash and net debt
The Group had $183.4 million of cash and cash equivalents and $1,351.1 million of net debt, including PIK and capitalised interest of $174.1 million, at 30 June 2020 (31 December 2019: $220.5 million cash and cash equivalents and $1,413.0 million of net debt, including PIK and capitalised interest of $140.7 million). Net debt comprises the following liabilities:

- $219.2 million principal outstanding on the £155 million retail bond, including interest capitalised as PIK of $28.2 million;
- $772.2 million principal outstanding on the high yield bond, including interest capitalised as PIK of $122.2 million;
- $440.8 million of the credit facility, comprising amounts drawn down of $425.0 million and interest capitalised as PIK of $15.8 million;
- $91.1 million on the Sculptor Capital facility, comprising amounts drawn down of $83.2 million and capitalised interest of $7.9 million; and
- $11.2 million relating to the SVT Working Capital Facility.

Provisions
The Group's decommissioning provision increased by $27.9 million to $739.8 million at 30 June 2020 (31 December 2019: $711.9 million). The movement is driven primarily by change in estimate $20.4 million, interest unwinding of $7.1 million and additions of $7.5 million offset by utilisation of $7.1 million.

Contingent consideration
The contingent consideration relating to the Magnus acquisition decreased by $152.3 million to $505.0 million at 30 June 2020 (30 December 2019: $657.3 million). In the six months ended 30 June 2020, EnQuest repaid $28.9 million to BP and recognised a change in fair value estimate charge of $161.9 million, offset by an unwinding of discount of $39.7 million.

Income tax
The Group has a corporation tax liability at 30 June 2020 of $2.8 million, compared to $4.1 million at 31 December 2019. This primarily represents tax payable in relation to the activity in Malaysia.

Deferred tax
The Group's net deferred tax asset has decreased from $555.1 million at 31 December 2019 to $311.8 million at 30 June 2020, primarily reflecting the non-cash partial de-recognition of undiscounted deferred tax assets given the Group's lower oil price assumptions. The exceptional de-recognition of the undiscounted deferred tax asset balance is made up of de-recognition of previously recognised tax losses and allowances of $363.5 million and the immediate de-recognition of the notional tax-credit of $24.4 million arising on business performance in the six months to June 2020 and ring-fenced expenditure supplement uplift of $44.7 million recognised in the period to 30 June 2020. EnQuest continues to have access to its full UK corporate tax losses carried forward at the half year amounting to $3,086.8 million (31 December 2019: $2,903.4 million).

Trade and other payables
Trade and other payables of $305.7 million at 30 June 2020 decreased from $419.9 million at 31 December 2019, reflecting settlement of previously deferred capital expenditures and a reduced cost base following the Group's transformation programme.

Lease obligations
As at 30 June 2020, the Group held a lease liability of $680.6 million (31 December 2019: $716.2 million).

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 allow availability of cash flow for reinvestment in capital programmes that are driving business growth.

During the six months ended 30 June 2020, commodity derivatives generated a total gain of $24.0 million, with revenue and other operating income including a realised gain of $35.2 million. The unrealised losses of $11.2 million relate mostly to open swaps.

Foreign exchange

EnQuest's functional and presentational 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.

EnQuest continually reviews its currency exposures and, when appropriate, looks at opportunities to enter into foreign exchange hedging contracts. During the six months ended 30 June 2020, these contracts resulted in an unrealised loss of $3.0 million recognised in the income statement.

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 results, to ensure that 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 costs. These forecasts and sensitivity analyses are designed to allow management to mitigate liquidity or covenant compliance risks in a timely manner. Management has also repaid the term loan on or ahead of schedule, with no further scheduled payments due in 2020.

The Group continues to monitor actively the impact on operations from COVID-19 and has implemented a number of mitigations to minimise the impact, adopting an approach based upon the principles of safety and welfare of people and security of supply. The Group has remained aligned and supportive of the government position and remained compliant with Dubai, Malaysia and UK government and industry policy. The Group has also been working with a variety of stakeholders, including industry and medical organisations, to ensure its operational response and advice to its workforce is appropriate and commensurate with the prevailing expert advice and level of risk. Appropriate restrictions on offshore travel have been implemented, such as self-declaration by, and isolation of, individuals who are symptomatic. Pre-mobilisation testing and temperature checks are also in place for all operational staff prior to travelling to the Group's UK North Sea onshore and offshore operating facilities. EnQuest's normal communicable disease process has been updated specifically in respect of COVID-19, with additional offshore isolation capability and agreements in place to transport impacted individuals back onshore in dedicated helicopters. At the Sullom Voe Terminal, the same processes have also been implemented, with isolation capability at local accommodation.

At the time of publication of EnQuest's Half year Report and Accounts, the Group's day-to-day operations continue without being materially affected by COVID-19.

The Group reviewed each of its assets and related spending plans in response to the material decline in oil price in March 2020. The plan remains not to restart production at the Heather/Broom and Thistle/Deveron fields and CoP at the Dons field is planned in Q2 2021. At the same time, the Group continues to implement its operating cost and capital expenditure reduction programme and this is assumed in the Base case.

The Base case is in line with the Group's production guidance and uses an oil price assumption of $40/bbl for the remainder of 2020, $47/bbl for 2021, with a longer-term price assumption of $60/bbl and are broadly in line with current consensus.

The Base case has been subjected to stress testing by considering the impact of the following plausible downside risks (the 'Downside case'):

- 10.0% discount to Base Case prices;
- Corporate production risking of circa 2.0% for 2020 and circa 3.5% for 2021; and
- Potential restriction of cash associated with additional decommissioning security agreements.

The Base case and Downside case indicate that the Company is able to operate within its existing borrowing facilities for 12 months from the date of approval of the Half year Report and Accounts. The Directors have also performed reverse stress testing with the breakeven price for liquidity in the Going Concern period being c.$17/bbl.

The quarterly liquidity covenant in the facility (the 'Liquidity Test') requires that the Group shows it has sufficient funds available to meet all liabilities when due and payable for the period commencing on each quarter and ending on the date falling 12 months after the final maturity date which is 1 October 2021. The Liquidity Test assumptions include a price deck of the average forward curve oil price, minus a 10% discount, of 15 consecutive business days starting from approximately the middle of the previous quarter.

Under these prices the Group forecasts no breaches in the Base case for the Liquidity Test. The Group also obtained pre-emptive waivers for the remaining quarters in 2020 meaning the next applicable test date is 31 March 2021. By applying the 10% discount stipulated in the Liquidity Test and an additional reduction in excess of 9% on Base case prices, across all periods, the Group would breach this covenant, prior to any mitigations such as asset sales or other funding options. Under a lower oil price scenario, there is a risk of a potential covenant breach, which would therefore require a further covenant waiver to be obtained. The Directors are confident that obtaining further waivers from the facility providers would be forthcoming. Should circumstances arise that differ from the Group's projections, the Directors believe that a number of mitigating actions, including refinancing, asset sales or other funding options, can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and in order to maintain liquidity.

Outside of the going concern period, the RCF expires in October 2021 (see note 12). The Directors are confident the Group will be able to repay or refinance the RCF based on the Group's Base case cash flow projections.

After making appropriate enquiries and assessing the progress against the forecast, projections and the status of the mitigating actions referred to above, the Directors have a reasonable expectation that the Group will continue in operation and meet its commitments as they fall due over the going concern period. Accordingly, the Directors continue to adopt the going concern basis in preparing these financial statements.

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Risk and uncertainties

The Group's risks and uncertainties were set out in the Annual Report and Accounts 2019. This was published in April 2020 and the below risks and uncertainties reflect the impacts of COVID-19 on the business, where relevant. Although the Group's risks and uncertainties are substantially unchanged from those disclosed in the Group's Annual Report and Accounts 2019, the Safety & Risk Committee has now concluded its assessment of whether 'climate change' should be categorised as a standalone risk area within the Group's risk management framework (in addition to the recognition already accorded to climate change related issues across the existing principal risk areas) and concluded that it should be categorised as such.

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 by their nature complex, with HSE risks covering many areas, including major accident hazards, personal health and safety, compliance with regulatory requirements, asset integrity issues and potential environmental impact, including those associated with climate change.

- **Oil and gas prices:**
  - A material decline in oil and gas prices adversely affects the Group's operations and financial condition.

- **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; potential for significant unexpected shutdowns; and unplanned expenditure (particularly where remediation may be dependent on suitable weather conditions offshore).
  - Lower than expected reservoir performance or insufficient addition of new resources may have a material impact on the Group's future growth.
  - The Group's delivery infrastructure in the UK North Sea is, to a significant extent, dependent on the Sullom Voe Terminal.
  - Longer-term production is threatened if low oil prices or prolonged field shutdowns requiring high-cost remediation bring forward decommissioning timelines.

- **Project execution and delivery:**
  - The Group's success will be partially dependent upon the successful execution and delivery of development projects.

- **Subsurface risk and reserves replacement:**
  - Failure to develop its contingent and prospective resources or secure new licences and/or asset acquisitions and realise their expected value.

- **Financial:**
  - Inability to fund financial commitments or maintain adequate cash flow and liquidity and/or reduce costs.
  - The Group's term loan and revolving credit facility contains certain financial covenants (based on the ratio of indebtedness incurred under the term loan and revolving facility to EBITDA, finance charges to EBITDA and a requirement for liquidity testing). Prolonged low oil prices, cost increases, including those related to an environmental incident, and production delays or outages, could threaten the Group's liquidity and/or ability to comply with relevant covenants.
  - Inability to provide appropriate security for decommissioning liabilities.
  - Further information is contained in the going concern paragraph in the Financial Review.

- **Human resources:**
  - The Group's success continues to be dependent upon its ability to attract and retain key personnel and develop organisational capability to deliver strategic growth. Industrial action across the sector, or the availability of competent people given the potential impacts of COVID-19, could also impact the operations of the Group.

- **Reputation:**
  - The reputational and commercial exposures to a major offshore incident, including those related to an environmental incident, or non-compliance with applicable law and regulation, are significant.

- **Fiscal risk and government take:**
  - Unanticipated changes in the regulatory or fiscal environment can affect the Group's ability to deliver its strategy/business plan and potentially impact revenue and future developments.

- **Joint venture partners:**
  - Failure by joint venture parties to fund their obligations.

Risk and uncertainties

  - 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 primarily concentrated in the UK North Sea around a limited number of infrastructure hubs and existing production (principally oil) is from mature fields. This amplifies exposure to key infrastructure (including ageing pipelines and terminals), political/fiscal changes and oil price movements.

- **International business:**
  - While the majority of the Group's activities and assets are in the UK, the international business is still material. The Group's international business is subject to the same risks as the UK business (e.g. HSEA, 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.

- **IT security and resilience:**
  - The Group is exposed to risks arising from interruption to, or failure of, IT infrastructure. The risks of disruption to normal operations range from loss in functionality of generic systems (such as email and internet access) to the compromising of more sophisticated systems that support the Group's operational activities. These risks could result from malicious interventions such as cyber-attacks.

For full details of these risks and uncertainties, please see the Group's Annual Report and Accounts 2019.

HALF YEAR GROUP STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Notes	**2020** Business performance	**2020** Remeasurements and exceptional items (note 4)	**2020** Reported in period	2019 Business performance	2019 Remeasurements and exceptional items (note 4)	2019 Reported in period
		$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
		Unaudited	***Unaudited***	***Unaudited***	*Unaudited*	*Unaudited*	*Unaudited*
Revenue and other operating income	5	**450,671**	**(11,278)**	**439,393**	858,248	(42,859)	815,389
Cost of sales		**(410,870)**	**(9,201)**	**(420,071)**	(588,317)	(4,098)	(592,415)
Gross profit/(loss)		**39,801**	**(20,479)**	**19,322**	269,931	(46,957)	222,974
Net impairment (charge)/ reversal to oil and gas assets		**–**	**(409,800)**	**(409,800)**	–	(3,186)	(3,186)
General and administration expenses		**(3,538)**	**–**	**(3,538)**	(5,137)	–	(5,137)
Other income	6	**34,307**	**161,908**	**196,215**	490	1,256	1,746
Other expenses	6	**(45,964)**	**–**	**(45,964)**	(787)	(43,049)	(43,836)
Profit/(loss) from operations before tax and finance income/(costs)		**24,606**	**(268,371)**	**(243,765)**	264,497	(91,936)	172,561
Finance costs		**(90,909)**	**(39,733)**	**(130,642)**	(106,839)	(28,088)	(134,927)
Finance income		**1,050**	**–**	**1,050**	1,115	–	1,115
Profit/(loss) before tax		**(65,253)**	**(308,104)**	**(373,357)**	158,773	(120,024)	38,749
Income tax		**71,469**	**(317,120)**	**(245,651)**	(36,203)	41,746	5,543
Profit/(loss) for the period attributable to owners of the parent		**6,216**	**(625,224)**	**(619,008)**	122,570	(78,278)	44,292
Total comprehensive income/(expense) for the period, attributable to owners of the parent				**(619,008)**			44,292
Earnings per share	7	**$**		**$**	$		$
Basic		**0.004**		**(0.374)**	0.075		0.027
Diluted		**0.004**		**(0.374)**	0.074		0.027

There was no other comprehensive income/(expense) in the current or prior period.

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GROUP BALANCE SHEET
At 30 June 2020

	Notes	30 June 2020 $'000 *Unaudited*	31 December 2019 $'000 *Audited*
ASSETS			
Non-current assets			
Property, plant and equipment	8	**2,809,135**	3,450,929
Goodwill		**134,400**	134,400
Intangible oil and gas assets	9	**27,546**	27,553
Deferred tax assets		**322,254**	576,038
Other financial assets	14	**2**	11
		3,293,337	4,188,931
Current assets			
Inventories		**56,371**	78,644
Trade and other receivables		**261,823**	279,502
Current tax receivable		**–**	–
Cash and cash equivalents	10	**183,374**	220,456
Other financial assets	14	**6,889**	9,083
		508,457	587,685
TOTAL ASSETS		**3,801,794**	4,776,616
EQUITY AND LIABILITIES			
Equity			
Share capital and premium	15	**345,420**	345,420
Merger reserve		**662,855**	662,855
Share-based payment reserve		**1,531**	(1,085)
Retained earnings		**(1,067,137)**	(448,129)
TOTAL EQUITY		**(57,331)**	559,061
Non-current liabilities			
Borrowings	12	**438,443**	493,424
Bonds	13	**987,025**	966,231
Leases liability	18	**568,165**	614,818
Contingent consideration	16	**442,541**	545,550
Provisions	17	**690,397**	706,190
Deferred tax liabilities		**10,498**	20,919
		3,137,069	3,347,132
Current liabilities			
Borrowings	12	**102,374**	165,589
Leases liability	18	**112,447**	101,348
Contingent consideration	16	**62,472**	111,711
Provisions	17	**108,792**	56,769
Trade and other payables		**305,687**	419,855
Other financial liabilities	14	**27,492**	11,073
Current tax payable		**2,792**	4,078
		722,056	870,423
TOTAL LIABILITIES		**3,859,125**	4,217,555
TOTAL EQUITY AND LIABILITIES		**3,801,794**	4,776,616

EnQuest PLC

GROUP STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020

	Share capital and share premium $'000 *Unaudited*	Merger reserve $'000 *Unaudited*	Share-based payments reserve $'000 *Unaudited*	Retained earnings $'000 *Unaudited*	Total $'000 *Unaudited*
Balance at 31 December 2018 (as previously reported)	**345,331**	**662,855**	**(6,884)**	**(17,750)**	**983,552**
Adjustment on adoption of IFRS 9/IFRS 16	–	–	–	18,922	18,922
Balance at 1 January 2019	**345,331**	**662,855**	**(6,884)**	**1,172**	**1,002,474**
Profit/(loss) for the period	–	–	–	44,292	44,292
Total comprehensive income/(expense) for the period	–	–	–	44,292	44,292
Share-based payment	–	–	2,141	–	2,141
Balance at 30 June 2019	**345,331**	**662,855**	**(4,743)**	**45,464**	**1,048,907**
Balance at 1 January 2020	**345,420**	**662,855**	**(1,085)**	**(448,129)**	**559,061**
Profit/(loss) for the period	–	–	–	**(619,008)**	**(619,008)**
Total comprehensive income/(expense) for the period	–	–	–	**(619,008)**	**(619,008)**
Share-based payment	–	–	**2,616**	–	**2,616**
Balance at 30 June 2020	**345,420**	**662,855**	**1,531**	**(1,067,137)**	**(57,331)**

EnQuest PLC

GROUP STATEMENT OF CASH FLOWS
For the six months ended 30 June 2020

	Notes	2020 $'000 *Unaudited*	2019 $'000 *Unaudited*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	20	**283,227**	426,170
Cash (paid)/received on sale/(purchase) of financial instruments		**4,417**	4,936
Decommissioning spend		**(7,082)**	(5,997)
Income taxes paid		**(5,458)**	(16,114)
Net cash flows from/(used) operating activities		**275,104**	408,995
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(101,385)**	(122,904)
Purchase of intangible oil and gas assets		–	(1,661)
Net cash received on termination of Tanjong Baram risk service contract	6	**17,086**	–
Payment of Magnus contingent consideration – Profit share	16	**(21,088)**	–
Interest received		**696**	472
Net cash flows (used)/from in investing activities		**(104,691)**	(124,093)
FINANCING ACTIVITIES			
Repayment of loan facilities	20	**(118,906)**	(200,675)
Repayment of Magnus contingent consideration – Vendor loan	16	**(4,675)**	(33,077)
Repayment of obligations under leases	18	**(56,139)**	(60,623)
Interest paid		**(21,000)**	(51,919)
Other finance costs paid		**(1,118)**	(944)
Net cash flows (used)/from financing activities		**(201,838)**	(347,238)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(31,425)**	(62,336)
Net foreign exchange on cash and cash equivalents		**(4,974)**	2,616
Cash and cash equivalents at 1 January		**218,199**	237,200
CASH AND CASH EQUIVALENTS AT 30 JUNE		**181,800**	177,480
Reconciliation of cash and cash equivalents			
Cash and cash equivalents per statement of cash flows	10	**181,800**	177,480
Restricted cash	10	**1,574**	2,645
Cash and cash equivalents per balance sheet		**183,374**	180,125

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2020

1. Corporate information

EnQuest PLC ('EnQuest' or the 'Company') is a public limited company incorporated and domiciled in England and Wales, whose shares are publicly traded on the London Stock Exchange plc's main market for listed securities and on the Stockholm NASDAQ OMX.

The principal activities of the Company and its subsidiaries (together the 'Group') are to enhance hydrocarbon recovery and extend the useful lives of mature and underdeveloped assets and associated infrastructure in a profitable and responsible manner.

The Group's half year condensed financial statements for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors on 2 September 2020.

2. Summary of significant accounting policies

Basis of preparation

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The presentation currency of the Group financial information is United States Dollars and all values in the Group financial information are rounded to the nearest thousand ($'000) except where otherwise stated.

The interim report does 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 2019. The principal risks and uncertainties have not substantially changed since the date of the last annual report, which are detailed in the Group's annual financial statements as at 31 December 2019.

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

Consolidated statutory accounts for the year ended 31 December 2019, on which the auditors gave an unqualified audit report, have been filed with the Registrar of Companies. The report contained a material uncertainty related to going concern.

The financial statements have been prepared on the going concern basis. Further information relating to the use of the going concern assumption is provided in the 'Going Concern' section of the Financial Review as set out on page 12. The interim financial statements have been reviewed by the auditor and its report to the Company is included within these interim financial statements.

Accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements for the six months ended 30 June 2020 are materially consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. Any other standard, interpretation or amendment that was issued but not yet effective has not been adopted by the Group. Critical accounting judgements and key sources of estimation uncertainty remain consistent with those disclosed in the 2019 annual report and accounts.

New and amended standards adopted by the Group

The following new standards became applicable for the current reporting period, no material impact was recognised upon application:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
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3. Segment information

Segment information for the six month period is as follows:

Period ended 30 June 2020 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations[i]	Consolidated
Revenue:						
Revenue from contracts with customers	377,808	33,277	–	411,085	–	411,085
Other income	4,147	–	210	4,357	23,951	28,308
Total Group revenue	**381,955**	**33,277**	**210**	**415,442**	**23,951**	**439,393**
Segment profit/(loss) [ii]	**(291,439)**	**10,847**	**16,443**	**(264,149)**	**20,384**	**(243,765)**

Period ended 30 June 2019 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations[i]	Consolidated
Revenue:						
Revenue from contracts with customers	773,493	71,643	–	845,136	–	845,136
Other income	5,285	–	262	5,547	(35,294)	(29,747)
Total Group revenue	**778,778**	**71,643**	**262**	**850,683**	**(35,294)**	**815,389**
Segment profit/(loss) [ii]	**180,999**	**28,484**	**1,482**	**210,965**	**(38,404)**	**172,561**

The following table presents total assets for the Group's operating segments as at 30 June 2020 and 31 December 2019:

Period ended 30 June 2020 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations[i]	Consolidated
Assets						
30 June 2020	3,620,819	164,802	16,173	3,801,794	–	3,801,794
31 December 2019	4,593,665	173,175	9,776	4,776,616	–	4,776,616

(i) Finance income and costs and gains and losses on derivatives are not allocated to individual segments as the underlying instruments are managed on a Group basis

(ii) Inter-segment revenues are eliminated on consolidation. All other adjustments are part of the reconciliations presented further below

Reconciliation of profit/(loss):

	Period ended 30 June 2020 $'000	*Period ended 30 June 2019 $'000*
Segment profit/(loss)	**(264,149)**	210,965
Finance costs	**(130,642)**	(134,927)
Finance income	**1,050**	1,115
Gains/(losses) on oil and foreign exchange derivatives	**20,384**	(38,404)
Profit/(loss) before tax	**(373,357)**	38,749

4. Remeasurements and exceptional items

Period ended 30 June 2020 $'000	**Fair value remeasurement (i)**	**Impairments and write offs (ii)**	**Other (iii)**	**Total**
Revenue and other operating income	**(11,278)**	**–**	**–**	**(11,278)**
Cost of sales	**(3,039)**	**–**	**(6,162)**	**(9,201)**
Net impairment (charge)/reversal on oil and gas assets	**–**	**(409,800)**	**–**	**(409,800)**
Other income	**161,908**	**–**	**–**	**161,908**
Finance costs	**–**	**–**	**(39,733)**	**(39,733)**
	147,591	**(409,800)**	**(45,895)**	**(308,104)**
Tax on items above	**(58,090)**	**158,188**	**15,372**	**115,470**
De-recognition of undiscounted deferred tax asset(iv)	**–**	**(432,590)**	**–**	**(432,590)**
	89,501	**(684,202)**	**(30,523)**	**(625,224)**

Period ended 30 June 2019 $'000	**Fair value remeasurement (i)**	**Impairments and write offs (ii)**	**Other (iii)**	**Total**
Revenue and other operating income	(42,859)	–	–	(42,859)
Cost of sales	(4,074)	(24)	–	(4,098)
Net impairment (charge)/reversal on oil and gas assets	–	(3,186)	–	(3,186)
Other income	–	–	1,256	1,256
Other expenses	(26,900)	(519)	(15,630)	(43,049)
Finance costs	–	–	(28,088)	(28,088)
	(73,833)	**(3,729)**	**(42,462)**	**(120,024)**
Tax on items above	29,510	1,492	10,744	41,746
	(44,323)	**(2,237)**	**(31,718)**	**(78,278)**

(i) Fair value remeasurements include unrealised mark-to-market movements on derivative contracts and other financial instruments and the impact of recycling realised gains and losses (including option premiums) out of 'Remeasurements and exceptional items' and into 'Business performance' profit or loss. Other income includes the fair value adjustment relating to the contingent consideration on the 75% acquisition of Magnus and associated infrastructure of $161.9 million (note 16) (2019: Other expenses include the fair value adjustment relating to the contingent consideration on the 75% acquisition of Magnus and associated infrastructure of $26.9 million (note 16))

(ii) Impairments and write offs include an impairment of tangible oil and gas assets totalling $409.8 million (2019: $3.2 million) (note 8)

(iii) Other expenses mainly relate to unwind of discounting on contingent consideration on the 75% acquisition of Magnus and associated infrastructure of $39.7 million (note 16) and the redundancy provision in relation to the Group's transformation programme of $6.1 million (2019: Other expenses mainly includes the unwind of discounting on contingent consideration on the 75% acquisition of Magnus and associated infrastructure of $28.1 million (note 16) and the provision for settlement of the historical KUFPEC claim of $15.6 million)

(iv) Non-cash partial de-recognition of undiscounted deferred tax assets given the Group's lower oil price assumptions

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5. Revenue and other operating income

The Group generates revenue through the sale of crude oil, gas and condensate to third parties, and through the provision of infrastructure to its customers for tariff income. Further details are described in the last annual financial statements.

	Period ended 30 June 2020 $'000	*Period ended 30 June 2019 $'000*
Revenue from contracts with customers		
Revenue from crude oil sales	**375,518**	761,850
Revenue from gas and condensate sales	**27,574**	79,941
Tariff revenue	**7,993**	3,345
Total revenue from contracts with customers	**411,085**	845,136
Rental income	**3,532**	3,524
Realised gains on oil derivative contracts (note 14)	**35,229**	7,565
Other operating revenue	**825**	2,023
Business performance revenue	**450,671**	858,248
Unrealised losses on oil derivative contracts[(i)] (note 14)	**(11,278)**	(42,859)
Total revenue and other operating income	**439,393**	815,389

(i) Unrealised gains and losses on oil derivative contracts are disclosed as fair value remeasurement items in the income statement (see note 4)

6. Other income/expense

(a) Other income

	Period ended 30 June 2020 $'000	*Period ended 30 June 2019 $'000*
Net foreign exchange gains	20,971	–
Gain on termination of Tanjong Baram risk service contract	10,412	–
Other	2,924	490
Business performance other income	**34,307**	490
Change in fair value of contingent consideration (note 16)	161,908	–
Write down of receivable	–	1,203
Other exceptional items	–	29
Total other income	**196,215**	1,746

On 3 March 2020, the Group terminated the Tanjong Baram small field risk service contract with PETRONAS. Following the termination, the Group will receive three instalments from PETRONAS for the reimbursement of net outstanding capital expenditure of c.$50 million. The Group received $24.4 million from Petronas in June 2020, of which $7.3 million was received on behalf of the non-operating partner and immediately transferred. The amount has been presented net in the statement of cash flows to represent the substance of the transaction, with the remaining two instalments due from PETRONAS in the second half of the year and recognised net within receivables. On termination, the Tanjong Baram assets were carried at c.$40 million resulting in the $10.4 million gain (see note 8).

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2020

(b) Other expense

	Period ended 30 June 2020 $'000	*Period ended 30 June 2019 $'000*
Net foreign exchange losses	–	(308)
Change in provisions (note 17)	(45,879)	–
Exploration and evaluation expenses: Pre-licence costs expenses	(66)	(30)
Other	(19)	(449)
Business performance other income	**(45,964)**	(787)
Change in fair value of contingent consideration (note 16)	–	(26,900)
KUFPEC provision (note 17)	–	(15,630)
Exploration and evaluation expenses: Written off and impaired	–	(519)
Total other expense	**(45,964)**	(43,836)

7. 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 /(loss) after tax Period ended 30 June		Weighted average number of Ordinary shares Period ended 30 June		Earnings per share Period ended 30 June	
	2020	*2019*	***2020***	*2019*	***2020***	*2019*
	$'000	*$'000*	***million***	*million*	***$***	*$*
Basic	**(619,008)**	44,292	**1,654.8**	1,628.6	**(0.374)**	0.027
Dilutive potential of Ordinary shares granted under share-based incentive schemes	**–**	–	**6.9**	30.7	**–**	–
Diluted	**(619,008)**	44,292	**1,661.7**	1,659.3	**(0.374)**	0.027
Basic (Business performance)	**6,216**	122,570	**1,654.8**	1,628.6	**0.004**	0.075
Diluted (Business perfomance)	**6,216**	122,570	**1,661.7**	1,659.3	**0.004**	0.074

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
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8. Property, plant and equipment

	Oil and gas assets	*Office furniture, fixtures and fittings*	*Right-of-use assets*	*Total*
	$'000	*$'000*	*$'000*	*$'000*
Cost:				
At 1 January 2020	**8,547,769**	**62,453**	**857,089**	**9,467,311**
Additions	71,452	1,016	–	72,468
Disposals/termination of Tanjong Baram risk service contract	(83,312)	(143)	(936)	(84,391)
Change in decommissioning provision (note 17)	(10,591)	–	–	(10,591)
At 30 June 2020	**8,525,318**	**63,326**	**856,153**	**9,444,797**
Accumulated depletion and impairment:				
At 1 January 2020	**5,797,924**	**46,568**	**171,890**	**6,016,382**
Charge for the period	204,461	2,148	45,716	252,325
Disposals/termination of Tanjong Baram risk service contract	(42,501)	(113)	(231)	(42,845)
Impairment charge for the period	301,640	–	108,160	409,800
At 30 June 2020	**6,261,524**	**48,603**	**325,535**	**6,635,662**
Net carrying amount:				
At 30 June 2020	**2,263,794**	**14,723**	**530,618**	**2,809,135**
At 31 December 2019	2,749,845	15,885	685,199	3,450,929
At 30 June 2019	3,527,479	17,006	737,582	4,282,067

Impairment testing of oil and gas assets

Impairments to the Group's producing oil and gas assets and reversals of impairments are set out in the table below:

	Impairment (charge)/reversal		Recoverable amount(i)	
	Period ended 30 June 2020 $'000	Year ended 31 December 2019 $'000	**30 June 2020 $'000**	31 December 2019 $'000
North Sea	**409,800**	(637,500)	**628,090**	46,462
Malaysia	–	–	–	–
Net impairment reversal/(charge)	**(409,800)**	(637,500)		

(i) Recoverable amount has been determined on a fair value less costs of disposal basis. The amounts disclosed above are in respect of assets where an impairment (or reversal) has been recorded. Assets which did not have any impairment or reversal are excluded from the amounts disclosed

The interim report does 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 2019. The key sources of estimation uncertainty and the discount rate applied have not changed since the date of the last annual report. Future oil prices are a key driver of estimation and the oil price assumptions based on an internal view of forward curve prices at 30 June 2020 are $40.0/bbl (2020), $47.0/bbl (2021) and $60.0/bbl real thereafter, inflated at 2.0% per annum from 2023 (30 December 2019: $63.0/bbl (2020), $65.0/bbl (2021), $67.0/bbl (2022) and $70.0/bbl real thereafter, inflated at 2.0% per annum from 2024). The impairment in the period related to North Sea assets, mainly reflecting these changes in oil price assumptions.

The Group's recoverable value of assets is highly sensitive, inter alia, to oil price achieved and production volumes. Sensitivities have been run on the oil price assumption, with a 10% change being considered to be a reasonable possible change for the purposes of sensitivity analysis. A 10% reduction in oil price would increase the net pre-tax impairment by approximately $440.1 million, with the additional impairment attributable to the fields in the North Sea and goodwill.

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9. Intangible oil and gas assets

	Cost $'000	Accumulated impairment $'000	Net carrying amount $'000
At 1 January 2020	174,964	(147,411)	27,553
Additions	175	–	175
Change in decommissioning provision (note 17)	(182)	–	(182)
Write-off of relinquished licences previously impaired	(12,858)	12,858	–
At 30 June 2020	**162,099**	**(134,553)**	**27,546**

10. Cash and cash equivalents

	Period ended 30 June 2020 **$'000**	Year ended 31 December 2019 $'000
Available cash		
Cash at bank	**91,323**	137,365
Short-term deposits	**2,753**	6,849
Total available cash	**94,076**	144,214
Ring-fenced cash		
Joint venture accounts	**66,211**	32,365
Operational accounts	**21,513**	41,620
Total ring-fenced cash	**87,724**	73,985
Cash at bank and in hand	**181,800**	218,199
Restricted cash – Cash subject to currency controls or other legal restrictions		
Cash held in escrow	**1,574**	1,611
Cash collateral	**–**	646
Total restricted cash – Cash subject to currency controls or other legal restrictions	**1,574**	2,257
Total cash and cash equivalents	**183,374**	220,456

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11. Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities:

30 June 2020	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000	$'000
Financial assets measured at fair value:				
Derivative financial assets at FVPL				
Oil commodity derivative contracts(i)	**4,510**	–	**4,510**	–
Other financial assets at FVPL				
Quoted equity shares	**2**	**2**	–	–
Liabilities measured at fair value:				
Derivative financial liabilities at FVPL				
Oil commodity derivative contracts(i)	**26,385**	–	**26,385**	–
Foreign currency derivative contracts(i)	**1,107**	–	**1,107**	–
Other financial liabilities measured at FVPL				
Contingent consideration(ii)	**505,012**	–	–	**505,012**
Liabilities for which fair values are disclosed				
Interest-bearing loans and borrowings	**543,092**	–	–	**543,092**
Obligations under leases	**680,612**	–	–	**680,612**
Retail bond	**174,900**	**174,900**	–	–
High yield bond	**467,316**	**467,316**	–	–

31 December 2019	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	$'000	$'000	$'000	$'000
Financial assets measured at fair value:				
Derivative financial assets at FVPL				
Oil commodity derivative contracts(i)	288	–	288	–
Foreign currency derivative contracts(i)	1,932	–	1,932	–
Other financial assets at FVPL				–
Quoted equity shares	11	11	–	–
Liabilities measured at fair value:				
Derivative financial liabilities at FVPL				
Oil commodity derivative contracts(i)	11,073	–	11,073	–
Other financial liabilities measured at FVPL				
Contingent consideration(ii)	657,261	–	–	657,261
Liabilities for which fair values are disclosed				
Interest-bearing loans and borrowings	661,638	–	–	661,638
Obligations under leases	716,166	–	–	716,166
Retail bond	195,948	195,948	–	–
High yield bond	655,462	655,462	–	–

(i) Valued by the counterparties, with the valuations reviewed internally and corroborated with readily available market data
(ii) Contingent consideration is measured at fair value through profit/loss ('FVPL') using level 3 valuation process (see note 14)

There have been no transfers between Level 1 and Level 2 during the period (2019: no transfers).

12. Loans and borrowings

The Group's loans are debt instruments carried at amortised cost as follows:

	30 June 2020			31 December 2019		
	Principal	**Fees**	**Total**	*Principal*	*Fees*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Credit facility[(i)]	**440,792**	**–**	**440,792**	475,097	–	475,097
Sculptor Capital facility	**91,055**	**(2,275)**	**88,780**	122,912	(2,625)	120,287
SVT Working Capital Facility	**11,245**	**–**	**11,245**	31,899	–	31,899
Tanjong Baram loan	**–**	**–**	**–**	31,730	–	31,730
Total loans	**543,092**	**(2,275)**	**540,817**	661,638	(2,625)	659,013
Due within one year			**102,374**			165,589
Due after more than one year			**438,443**			493,424
Total loans			**540,817**			659,013

(i) At 30 June 2020, the total carrying amount of the credit facility on the balance sheet was $441.7 million, comprising the loan principal drawn down of $425.0 million, $15.8 million of interest capitalised to the PIK amount and $0.9 million accrued interest (2019: full carrying amount $477.4 million, comprising the loan principal drawn down of $460.0 million, $15.1 million of interest capitalised to the PIK amount and $2.3 million accrued interest). The maturity date of the credit facility is October 2021. Further details on the credit facility are included in the Group's Annual Report and Accounts 2019.

13. Bonds

The Group's bonds are debt instruments carried at amortised cost as follows:

	30 June 2020			31 December 2019		
	Principal	**Fees**	**Total**	*Principal*	*Fees*	*Total*
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
High yield bond[(i)]	**772,168**	**(3,487)**	**768,681**	746,056	(4,483)	741,573
Retail bond[(ii)]	**219,191**	**(847)**	**218,344**	225,747	(1,089)	224,658
Total bonds due after more than one year	**991,359**	**(4,334)**	**987,025**	971,803	(5,572)	966,231

(i) The total carrying value of the bond as at 30 June 2020 is $782.4 million. This includes bond principal of $772.2 million, bond interest accrual of $11.3 million and liability for the IFRS 9 Financial Instruments loss on modification of $2.4 million less unamortised fees of $3.5 million (2019: $754.8 million. This includes bond principal of $746.1 million, bond interest accrual of $11.0 million and liability for the IFRS 9 Financial Instruments loss on modification of $2.2 million less unamortised fees of $4.5 million)

(ii) The total carrying value of the bond as at 30 June 2020 is $233.9 million. This includes bond principal of $219.2 million, bond interest accrual of $5.7 million and liability for the IFRS 9 Financial Instruments loss on modification of $9.8 million less unamortised fees of $0.8 million (2019: $241.1 million. This includes bond principal of $225.7 million, bond interest accrual of $6.0 million and liability for the IFRS 9 Financial Instruments loss on modification of $10.5 million less unamortised fees of $1.1 million)

14. Other financial assets and financial liabilities

(a) Summary

	30 June 2020		31 December 2019	
	Assets	**Liabilities**	*Assets*	*Liabilities*
	$'000	**$'000**	*$'000*	*$'000*
Fair value through profit or loss:				
Derivative commodity contracts	4,510	26,385	288	11,073
Derivative foreign exchange contracts	–	1,107	1,932	–
Amortised cost:				
Other receivables	2,379	–	6,863	–
Total current	6,889	27,492	9,083	11,073
Fair value through profit or loss:				
Quoted equity shares	2	–	11	–
Total non-current	2	–	11	–

(b) Commodity contracts

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

During the six months ended 30 June 2020, gains totalling $24.0 million (2019: losses of $34.2 million) were recognised in respect of commodity contracts designated as FVPL. This included realised gains totalling $35.2 million (2019: gains of $8.7 million) on contracts that matured during the period, and mark-to-market losses totalling $11.2 million (2019: losses of $42.9 million). Of the realised amounts recognised during the period in Business performance revenue, $5.6 million (2019: $4.7 million) was in respect of the amortisation of premiums on these options. The premiums received and paid are amortised into Business performance revenue over the life of the option.

(c) Foreign currency contracts

The Group enters into a variety of foreign currency contracts, primarily in relation to Sterling. During the six months ended 30 June 2020, these contracts resulted in an unrealised loss of $3.0 million recognised in the income statement (2019: loss of $2.0 million).

(d) Income statement impact

The income/(expense) recognised for commodity, currency and interest rate derivatives are as follows:

	Revenue and other operating income		***Cost of sales***	
Period ended	***Realised***	***Unrealised***	***Realised***	***Unrealised***
30 June 2020	***$'000***	***$'000***	***$'000***	***$'000***
Commodity options	**20,711**	**4,972**	**–**	**–**
Commodity swaps	**9,556**	**(16,223)**	**–**	**–**
Commodity futures	**4,962**	**(27)**	**–**	**–**
Foreign exchange swaps	**–**	**–**	**(528)**	**(3,039)**
	35,229	**(11,278)**	**(528)**	**(3,039)**

	Revenue and other operating income		*Cost of sales*	
Period ended	*Realised*	*Unrealised*	*Realised*	*Unrealised*
30 June 2019	*$'000*	*$'000*	*$'000*	*$'000*
Commodity options	8,053	(47,649)	–	–
Commodity swaps	2,604	4,848	–	–
Commodity futures	(1,985)	(58)	–	–
Commodity collar on prepayment transaction	(1,107)	–	–	–
Foreign exchange swaps	–	–	(42)	(2,012)
Carbon forward contracts	–	–	1,006	(2,062)
	7,565	(42,859)	964	(4,074)

(e) Other receivables

	Other receivables $'000
At 1 January 2020	**6,874**
Change in fair value	(8)
Utilised/(collected) during the period	(4,760)
Unwinding of discount	275
At 30 June 2020	**2,381**
Comprised of:	
BUMI receivable	2,379
Other	2
Total	**2,381**
Classified as:	
Current	2,379
Non-current	2
	2,381

Other receivables

In August 2016, EnQuest agreed with Armada Kraken PTE Ltd ('BUMI') that BUMI would refund $65 million (EnQuest's share being $45.8 million) of a $100.0 million lease prepayment made in 2014 for the FPSO for the Kraken field. This refund was receivable during 2018 and onwards. Included within other receivables at 30 June 2020 is an amount of $2.4 million representing the discounted value of EnQuest's share of these repayments (31 December 2019: $6.9 million). A total of $4.8 million was collected during the period.

15. Share capital and premium

The share capital of the Company as at 30 June 2020 was $118.3 million (31 December 2019: $118.3 million) comprising 1,695,801,955 Ordinary shares of £0.05 each (31 December 2019: 1,695,801,955) and share premium of $227.1 million (31 December 2019: $227.1 million).

16. Contingent consideration

	Magnus 75% *$'000*	*Magnus decommissioning-linked liability* *$'000*	*Total* *$'000*
At 1 January 2020	**641,400**	**15,861**	**657,261**
Change in fair value	(159,527)	(2,380)	(161,907)
Unwinding of discount	38,940	793	39,733
Paid	(28,900)	(1,174)	(30,074)
At 30 June 2020	**491,913**	**13,100**	**505,013**
Classified as			
Current	61,643	829	62,472
Non-current	430,270	12,271	442,541
	491,913	**13,100**	**505,013**

75% Magnus acquisition contingent consideration

On 1 December 2018, EnQuest completed the acquisition of the additional 75% interest in the Magnus oil field ('Magnus') and associated interests (collectively the 'Transaction assets') which was part funded through a vendor loan and profit share arrangement with BP. This acquisition followed from the acquisition of initial interests completed in December 2017.

The consideration for the acquisition was $300 million, consisting of $100 million cash contribution, paid from the funds received through the rights issue undertaken in October 2018, and $200 million deferred consideration financed by BP. The deferred consideration, which is repayable solely out of cash flows which are in excess of operating cash outflows, including capital expenditure, from Magnus, is secured over the interests in the Transaction assets and accrues interest at a rate of 7.5% per annum on the deferred consideration. The consideration also included a contingent profit sharing arrangement whereby EnQuest and BP share the net cash flow generated by the 75% interest on a 50:50 basis, subject to a cap of $1 billion received by BP. Together, the deferred consideration and contingent profit sharing arrangement are known as contingent consideration.

The contingent consideration was fair valued at 30 June 2020, which resulted in a decrease in fair value of $159.5 million and unwinding of discount of $38.9 million was charged to finance costs during the period, both recognised through remeasurements and exceptional items in the consolidated income statement. The contingent profit sharing arrangement cap of $1 billion is not forecast to be reached in the latest life of field present value calculations. A total of $28.9 million was repaid during the first half of 2020. At 30 June 2020, the fair value of the contingent consideration was $491.9 million (31 December 2019: $641.4 million).

Magnus decommissioning-linked contingent consideration
As part of the Magnus and associated interests acquisition, EnQuest agreed to pay additional consideration in relation to the management of the physical decommissioning costs of Magnus. At 30 June 2020, the amount due to BP by reference to 30% of BP's decommissioning costs on Magnus on an after-tax basis was $13.1 million (31 December 2019: $15.9 million).

17. Provisions

	Decommissioning provision	*Other provisions*	*Total*
	$'000	*$'000*	*$'000*
At 1 January 2020	**711,898**	**51,061**	**762,959**
Additions	7,462	6,162	13,624
Changes in estimates	20,377	–	20,377
Changes in fair value	–	7,267	7,267
Unwinding of discount	7,116	398	7,514
Utilisation	(7,082)	(5,625)	(12,707)
Foreign exchange	–	155	155
At 30 June 2020	**739,771**	**59,418**	**799,189**
Classified as			
Current	77,908	30,884	108,792
Non-current	661,863	28,534	690,397
	739,771	**59,418**	**799,189**

Decommissioning provision
An additional provision of $20.4 million was recognised mainly in relation to the accelerated decommissioning profile of Heather offset by the impact of exchange rates on the Group's underlying Sterling and Malaysian Ringgit cost estimates. At 30 June 2020, an estimated $77.9 million is expected to be utilised within the next year, $223.5 million between one and five years, $161.0 million between six and ten years, and the remainder in later periods.

Other provisions
At 30 June 2020, the amount due to BP by reference to 7.5% of BP's decommissioning costs on Thistle and Deveron on an after-tax basis was $47.6 million (31 December 2019: $39.8 million). The increase was primarily driven by the earlier than expected cessation of production at Thistle/Deveron.

During 2019, the Group finalised and settled the historical breach of warranty claims with KUFPEC, the Group's field partner in respect of Alma/Galia. The settlement completed all outstanding claims and a provision of $22.5 million was recognised, in 2019, for the payments to be made to KUFPEC. A total of $5.6 million was paid by June 2020, with $5.6 million disclosed within current provision as scheduled for repayment (31 December 2019: $11.3 million).

At 30 June 2020 the Group recognised a redundancy provision of $6.2 million in relation to its transformation programme. The Group expects to settle this liability by year end.

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2020

18. Leases

Right-of-use assets and lease liabilities

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets $'000	Lease liabilities $'000
As at 31 December 2019	**685,199**	**716,166**
Depreciation expense	**(45,716)**	
Impairment	**(108,160)**	–
Disposal/de-recognition	**(705)**	**(726)**
Interest expense	–	**26,093**
Payments	–	**(56,139)**
Foreign exchange movements	–	**(4,782)**
As at 30 June 2020	**530,618**	**680,612**
Current	–	**112,447**
Non-current	–	**568,165**
	–	**680,612**

Amounts recognised in profit or loss

	Period ended 30 June 2020 $'000
Depreciation expense of right-of-use assets	**45,716**
Impairment of right-of-use assets	**(108,160)**
Interest expense on lease liabilities	**26,093**
Rent expense – short-term leases	**1,988**
Rent expense – leases of low-value assets	**21**
Total amounts recognised in profit or loss	**(34,342)**

19. Contingencies

Contingencies

The Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. The Company is not, nor has been during the past 12 months, involved in any governmental, legal or arbitration proceedings which, either individually or in the aggregate, have had, or are expected to have, a material adverse effect on the Company's and/or the Group's financial position or profitability, nor, so far as the Company is aware, are any such proceedings pending or threatened.

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2020

20. Cash flow information

Cash generated from operations

	Period ended 30 June 2020 $'000	*Period ended 30 June 2019 $'000*
Profit/(loss) before tax	**(373,357)**	38,749
Depreciation	**3,941**	5,077
Depletion	**248,384**	250,366
Exploration costs impaired/(reversed) and written off	**–**	519
Net impairment charge/(reversal) to oil and gas assets	**409,800**	3,186
Write down of inventory	**18,959**	5,679
Write down/(back) of asset	**–**	(1,203)
Impairment (reversal)/charge to investments	**8**	–
Share-based payment charge	**2,616**	2,141
Gain on termination of Tanjong Baram risk service contract	**(10,412)**	–
Change in deferred consideration	**(122,175)**	54,988
Unwind of decommissioning provision	**7,116**	6,713
Change in other provisions	**6,560**	15,936
Amortisation of option premiums	**(5,587)**	(4,654)
Unrealised (gain)/loss on commodity financial instruments	**11,278**	42,859
Unrealised loss/(gain) on other financial instruments	**3,039**	4,074
Unrealised exchange (gain)/loss	**(18,371)**	(412)
Net finance (income)/expense	**82,345**	98,675
Operating profit before working capital changes	**264,144**	522,693
(Increase)/decrease in trade and other receivables	**52,639**	(42,353)
(Increase)/decrease in inventories	**3,129**	5,786
Increase/(decrease) in trade and other payables	**(36,685)**	(59,956)
Cash generated from operations	**283,227**	426,170

Changes in liabilities arising from financing activities

Period ended 30 June 2020	***Loans and borrowings $'000***	***Bonds $'000***	***Lease liabilities $'000***	***Total $'000***
At 1 January 2020	**(661,282)**	**(995,983)**	**(716,166)**	**(2,373,431)**
Cash movements:				
Repayments of loans and borrowings	118,906	–	–	118,906
Repayment of lease liabilities	–	–	56,139	56,139
Cash interest paid in year	17,863	–	–	17,863
Non-cash movements:				
Unwinding of finance discount	(18,711)	(34,117)	(26,093)	(78,921)
Fee amortisation	(350)	(1,241)	–	(1,591)
Foreign exchange adjustments	809	15,176	4,782	20,767
Disposal/de-recognition of leases	–	–	726	726
Other non-cash movements	1,074	3	–	1,077
At 30 June 2020	**(541,691)**	**(1,016,162)**	**(680,612)**	**(2,238,465)**

Reconciliation of carrying value	***Loans and borrowings $'000***	***Bonds $'000***	***Lease liabilities $'000***	***Total $'000***
Principal	(543,092)	(991,359)	(680,612)	**(2,215,063)**
Unamortised fees	2,275	4,334	–	**6,609**
Accrued interest	(874)	(29,137)	–	**(30,011)**
At 30 June 2020	**(541,691)**	**(1,016,162)**	**(680,612)**	**(2,238,465)**

EnQuest PLC

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 2019 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 a true and fair review of the information required by 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

2 September 2020

Independent review report to EnQuest PLC

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 2020 which comprises the Group statement of comprehensive income, the Group balance sheet, the Group statement of changes in equity, the Group statement of cash flows and related notes 1 to 20. 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.

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 Guidance 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 (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council 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 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 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of Report

This report is made solely to the company 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

London, United Kingdom

2 September 2020

Glossary – Non-GAAP measures

The Group uses Alternative Performance Measures ('APMs') when assessing and discussing the Group's financial performance, financial position and cash flows that are not defined or specified under IFRS. The Group uses these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, to provide stakeholders with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business. The Group believes these APMs provide additional useful information by adjusting for exceptional items and certain remeasurements which impact upon IFRS measures or, by defining new measures, to aid the understanding of the Group's financial performance, financial position and cash flows.

Business performance net profit attributable to EnQuest PLC shareholders	**Period ended 30 June 2020 $'000**	Period ended 30 June 2019 $'000
Reported net profit/(loss) (A)	**(619,008)**	44,292
Adjustments – remeasurements and exceptional items (note 4):		
Unrealised gains/(losses) on oil derivative contracts (note 5)	**(11,278)**	(42,859)
Unrealised (gains)/losses on foreign exchange derivative contracts	**(3,039)**	(2,012)
Unrealised (gains)/losses on carbon derivative contracts	**–**	(2,062)
Net impairment (charge)/reversal to oil and gas assets (note 8)	**(409,800)**	(3,186)
Redundancy provision (note 17)	**(6,162)**	–
Unwind of contingent consideration (note 16)	**(39,733)**	(28,088)
Change in contingent consideration (note 16)	**161,908**	(26,900)
KUFPEC provision (note 17)	**–**	(15,630)
Write down of receivable	**–**	1,203
Exploration and evaluation expenses: Written off and impaired	**–**	(519)
Other exceptional items	**–**	29
Pre-tax remeasurements and exceptional items (B)	**(308,104)**	(120,024)
Tax on remeasurements and exceptional items (C)	**(317,120)**	41,746
Post-tax remeasurements and exceptional items (D = B + C)	**(625,224)**	(78,278)
Business performance net profit attributable to EnQuest PLC shareholders (A - D)	**6,216**	122,570

EBITDA	**Period ended 30 June 2020 $'000**	Period ended 30 June 2019 $'000
Reported profit/(loss) from operations before tax and finance income/(costs)	**(243,765)**	172,561
Adjustments:		
Pre-tax remeasurements and exceptional items	**268,371**	91,936
Depletion and depreciation (note 8)	**252,325**	255,443
Inventory revaluation	**18,959**	5,679
Net foreign exchange (gain)/loss	**(20,971)**	308
Business performance EBITDA (E)	**274,919**	525,927

EBITDA is calculated on a 'Business performance' basis, and is calculated by taking profit/(loss) from operations before tax and finance income/(costs) and adding back depletion, depreciation, foreign exchange movements, inventory revaluation and the realised gain/(loss) on foreign currency and derivatives related to capital expenditure.

Glossary – Non-GAAP measures (continued)

Total cash and available facilities	**Period ended 30 June 2020 $'000**	Year ended 31 December 2019 $'000
Available cash	**94,076**	144,214
Ring-fenced cash	**87,724**	73,985
Restricted cash	**1,574**	2,257
Total cash and cash equivalents (F)	**183,374**	220,456
Available credit facilities	**513,900**	535,000
a. RCF- Tranche A	***425,000***	*460,000*
b. RCF- Tranche B	***75,000***	*75,000*
c. Trade creditor facility	***13,900***	–
Credit facility – Drawn down (appendix)	**(425,000)**	(460,000)
Letter of credit	**(2,754)**	(6,849)
Available undrawn facility (G)	**86,146**	68,151
Total cash and available facilities (F + G)	**269,520**	288,607

Net debt	**Period ended 30 June 2020 $'000**	Year ended 31 December 2019 $'000
Borrowings (note 12):		
Credit facility – Drawn down	**425,000**	460,000
Credit facility – PIK	**15,792**	15,097
Sculptor Capital facility	**88,780**	120,287
SVT working capital facility	**11,245**	31,899
Tanjong Baram project financing facility	–	31,730
Borrowings (H)	**540,817**	659,013
Bonds (note 13):		
High yield bond	**768,681**	741,573
Retail bond	**218,344**	224,658
Bonds (I)	**987,025**	966,231
Non-cash accounting adjustments:		
Unamortised fees on loans and borrowings	**2,275**	2,625
Unamortised fees on bonds	**4,334**	5,572
Non-cash accounting adjustments (J)	**6,609**	8,197
Debt (H + I + J) (K)	**1,534,451**	1,633,441
Less: Cash and cash equivalents (F)	**183,374**	220,456
Net debt/(cash) (K – F) (L)	**1,351,077**	1,412,985

Glossary – Non-GAAP measures (continued)

Net debt/EBITDA	**Period ended 30 June 2020 $'000**	Year ended 31 December 2019 $'000
Net debt (L)	**1,351,077**	1,412,985
12-month Business performance EBITDA (E)	**755,542**	1,006,535
Net debt/EBITDA (L/E)	**1.8**	1.4

Cash capex	**Period ended 30 June 2020 $'000**	Period ended 30 June 2019 $'000
Reported net cash flows from/(used in) investing activities	**(104,691)**	(124,093)
Adjustments:		
Net cash received on termination of Tanjong Baram risk service contract	**(17,086)**	–
Payment of Magnus contingent consideration – Profit share	**21,088**	–
Interest received	**(696)**	(472)
Cash Capex	**(101,385)**	(124,565)

Free cash flow	**Period ended 30 June 2020 $'000**	Period ended 30 June 2019 $'000
Net cash flows from/(used in) operating activities	**275,104**	408,995
Net cash flows from/(used in) investing activities	**(104,691)**	(124,093)
Net cash flows from/(used in) financing activities	**(201,838)**	(347,238)
Adjustments:		
Repayment of loans and borrowings	**118,906**	200,675
Free cash flow	**87,481**	138,339

Free cash flow is the net change in cash and cash equivalents less net (repayments)/proceeds from loan facilities

Revenue sales	**Period ended 30 June 2020 $'000**	Period ended 30 June 2019 $'000
Revenue from crude oil sales (note 5) (M)	**375,518**	761,850
Revenue from gas and condensate sales (note 5) (N)	**27,574**	79,941
Realised (losses)/gains on oil derivative contracts (note 5) (P)	**35,229**	3,345
Total revenue	**438,321**	845,136

Glossary – Non-GAAP measures (continued)

Barrels equivalent sales	**Period ended 30 June 2020 kboe**	Period ended 30 June 2019 kboe
Sales of crude oil (Q)	**9,417**	11,645
Sales of gas and condensate	**1,923**	2,302
Total sales (R)	**11,340**	13,947

Average realised prices	**Period ended 30 June 2020 $/Boe**	Period ended 30 June 2019 $/Boe
Average realised oil price, excluding hedging (M/Q)	**39.9**	65.4
Average realised oil price, including hedging ((M + P)/Q)	**43.6**	66.1
Average realised blended price, excluding hedging ((M + N)/R)	**35.5**	60.4
Average realised blended price, including hedging ((M + N + P)/R)	**38.7**	60.9

Operating costs	**Period ended 30 June 2020 $'000**	Period ended 30 June 2019 $'000
Reported cost of sales	**420,071**	592,415
Adjustments:		
Pre-tax remeasurements and exceptional items	**(9,201)**	(4,098)
Depletion of oil and gas assets	**(248,384)**	(250,366)
(Credit)/charge relating to the Group's lifting position and inventory	**48,535**	(29,438)
Other cost of sales	**(36,755)**	(60,077)
Operating costs	**174,266**	248,436
Realised (gain)/loss on derivative contracts	**(528)**	964
Operating costs directly attributable to production	**173,738**	249,400
Comprising of:		
Production costs (S)	**137,650**	210,200
Tariff and transportation expenses (T)	**36,088**	39,200
Operating costs directly attributable to production	**173,738**	249,400

Barrels equivalent produced	**Period ended 30 June 2020 kboe**	Period ended 30 June 2019 kboe
Total produced (working interest) (U)	**12,022**	12,407

Unit opex	**Period ended 30 June 2020 $/Boe**	Period ended 30 June 2019 $/Boe
Production costs (S/U)	**11.4**	16.9
Tariff and transportation expenses (T/U)	**3.0**	3.2
Total unit opex ((S + T)/U)	**14.4**	20.1