EnQuest PLC

Results for the six months ended 30 June 2023

5 September 2023

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 2022 and the Balance sheet as at 31 December 2022. Alternative performance measures are reconciled within the 'Glossary – Non-GAAP measures' at the end of the Financial Statements.

EnQuest Chief Executive, Amjad Bseisu, said:

"Strong operational performance, including the efficient return to service of Kraken, has enabled free cash flow generation totalling $140 million in the first half of 2023, driving further reduction in EnQuest net debt to $592 million. Within the core business, we have a significant work programme in the second half of the year, including further drilling at Magnus and at Golden Eagle and a continuation of well plug and abandonment activities at Heather and Thistle, which we expect to deliver in line with 2023 guidance.

"EnQuest continues to play an active role in supporting the UK's twin objectives of delivering energy security and decarbonisation. Following the successful awards of carbon capture and storage licenses, I'm delighted that the Board has established a commitment for EnQuest to reach net zero for scope 1 and scope 2 emissions by 2040.

"The UK's oil and gas sector faces significant challenges and loss of competitiveness due to uncertainty following the adverse changes to the fiscal regime. While we appreciate the Government's intentions to improve the attractiveness of the sector through the Energy Security Investment Mechanism, we believe timely legislative reform is required to restore confidence in the UK oil and gas sector to protect jobs and deliver both energy security and decarbonisation.

"As we navigate the challenges posed by the EPL, we remain focused on further strengthening our Balance sheet, to unlock organic and inorganic growth opportunities, as well as our differentiated tax advantage, to grow the business and deliver returns to shareholders."

H1 2023 performance

- Group net production averaged 45,480 Boepd (2022: 49,726 Boepd)
- Revenue and other operating income of $732.7 million (2022: $943.5 million) and adjusted EBITDA of $399.2 million (2022: $536.3 million) reflects lower realised oil prices of $75.8/Boe (2022: $89.9/Boe) and lower production
- Operating costs were $162.7 million (2022: $208.4 million), reflecting higher lease charter credits reflecting unplanned downtime at Kraken, as well as lower maintenance and well intervention costs at Magnus and at PM8/Seligi
- Reported profit before tax was $112.9 million (2022: $182.6 million). Reported loss after tax was $21.2 million (2022: profit of $203.5 million) driven by the impact of the UK Energy Profits Levy
- Reported cash generated from operations was $370.4 million (2022: $522.7 million); with cash capital expenditure of $80.0 million (2022: $54.7 million) and cash abandonment expenditure of $29.3 million (2022: $28.2 million)
- Free cash flow generation, including favourable working capital movements, of $140.0 million (2022: $332.1 million)
- Awarded four carbon storage licences by the North Sea Transition Authority

End June EnQuest net debt reduced by $125.0 million from year end; EnQuest net debt to adjusted EBITDA maintained at 0.7x

- At 30 June 2023, EnQuest net debt reduced to $592.1 million (end 2022: $717.1 million). EnQuest net debt to last-12 months adjusted EBITDA ratio as at 30 June 2023 remains at 0.7x, as it was at the end of 2022
  - At the end of June, $247.0 million (end 2022: $400.0 million) remained outstanding on the Group's senior secured debt facility ('RBL') following accelerated repayments totalling $153.0 million
  - At 30 June, EnQuest retained strong liquidity with total cash and available facilities of $385.2 million (end 2022: $348.9 million)
- At 31 August 2023, EnQuest net debt increased to $615.2 million due to the July payment of $50 million contingent consideration in relation to the Golden Eagle acquisition.
  - The outstanding RBL, which matures in April 2027, was reduced by a further $7.0 million to $240.0 million
- In August 2023, the Group agreed a term loan facility totalling $150.0 million, maturing in July 2027, which will rank junior to the existing RBL as a secured second lien instrument within the capital structure. The loan proceeds, which can be used for general corporate purposes, provide an additional source of liquidity for the Group in advance of the October settlement of the 7% Sterling retail bond
- The remaining October 2023 7% Sterling retail bond in issue is £111.3 million and is expected to be settled in cash at maturity

Guidance and outlook

- 2023 average net Group production is still expected to be within the guidance range of 42,000 Boepd to 46,000 Boepd reflecting strong first half performances across the majority of the portfolio and the efficient return to service at Kraken, which mitigated losses associated with a period of production shut-in following the decision to accelerate maintenance work originally planned for the third quarter

- Operating costs, cash capital and abandonment expenditures are all expected to be in line with prior guidance of c.$425 million, c.$160 million and c.$60 million, respectively, with operating costs expected to be higher in the second half of the year in line with increased activity
- EnQuest has hedged a total of c.3.8 MMbbls in the second half of 2023 with an average floor of c.$60/bbl through the use of put options. For the first half of 2023, the Group hedged a total of c.5.9 MMbbls with an average floor price of c.$57/bbl and an average ceiling price of c.$76/bbl applicable to 3.1 MMbbls
- EnQuest has hedged a total of c.3.2 MMbbls in 2024 and a total of 0.1 MMbbls in 2025 through the use of put options, all with the same floor of $60/bbl

Production and financial information

Business performance measures	**For the period to 30 June 2023**	**For the period to 30 June 2022**	**Change %**
Production (Boepd)[1]	45,480	49,726	(8.5)
Revenue and other operating income ($m)[2]	732.7	943.5	(22.3)
Realised oil price ($/bbl)[2,3]	75.8	89.9	(15.7)
Operating costs ($m)	162.7	208.4	(21.9)
Average unit operating costs ($/Boe)[3]	19.7	22.7	(13.2)
Adjusted EBITDA ($m)[3]	399.2	536.3	(25.6)
Cash expenditures ($m)	109.3	82.9	31.8
Capital	80.0	54.7	46.3
Abandonment	29.3	28.2	4.0
Free cash flow ($m)[3]	140.0	332.1	(57.8)
	30 June 2023	**31 December 2022**	
EnQuest net debt ($m)[3]	(592.1)	(717.1)	(17.4)

Statutory IFRS measures	**For the period to 30 June 2023**	**For the period to 30 June 2022**	**Change %**
Reported revenue and other operating income ($m)[4]	770.4	838.8	(8.2)
Reported gross profit ($m)	287.1	252.8	13.6
Reported profit/(loss) after tax ($m)	(21.2)	203.5	-
Reported basic earnings/(loss) per share (cents)	(1.2)	11.1	-
Cash generated from operations ($m)	370.4	522.7	(29.1)
Net increase/(decrease) in cash and cash equivalents ($m)[5]	(18.1)	99.5	-

Notes:
[1] Production figure for first half of 2023 includes 660 Boepd associated with Seligi gas
[2] Including realised losses of $22.2 million (2022: realised losses of $162.3 million) associated with EnQuest's oil price hedges
[3] See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 32. Note, EnQuest defines net debt as excluding finance lease liabilities
[4] Including net realised and unrealised gain of $15.4 million (2022: net realised and unrealised losses of $267.0 million) associated with EnQuest's oil price hedges
[5] Excludes foreign exchange impact of $(0.3) million (2022: $(16.4) million)

Summary financial review

(all figures quoted are in US Dollars and relate to Business performance unless otherwise stated)

Revenue for the six months ended 30 June 2023 was $732.7 million, 22.3% lower than the same period in 2022 ($943.5 million), reflecting lower realised prices and lower production. Revenue is predominantly derived from crude oil sales, which for the first half of 2023 totalled $540.1 million, 36.5% lower than in the same period of 2022 ($851.2 million). Revenue from the sale of condensate and gas in the period was $213.2 million (2022: $252.9 million), primarily reflecting lower market prices. Gas revenue mainly relates to the onward sale of third-party gas purchases not required for injection activities at Magnus.

The Group's commodity hedges and other oil derivatives contributed $22.2 million of realised losses (2022: realised losses of $162.3 million), as a result of the timing at which the hedges were entered into. The Group's average realised oil price excluding the impact of hedging was $79.0/bbl for the six months ended 30 June 2023, compared to $111.0/bbl received during the first half of 2022. The Group's average realised oil price including the impact of hedging was $75.8/bbl in the first half of 2023, 15.7% lower than during the first half of 2022 ($89.9/bbl).

Total cost of sales were $493.1 million for the six months ended 30 June 2023, 15.8% lower than in same period of 2022 ($585.6 million).

Operating costs decreased by $45.7 million to $162.7 million, primarily reflecting lower production costs for the first half of 2023. This decrease was driven by higher lease charter credits, reflecting unplanned downtime at the Kraken Floating, Production, Storage and Offloading ('FPSO') in the second quarter of 2023, and lower maintenance and well intervention costs at Magnus and at PM8/Seligi. Unit operating costs decreased by 13.2% to $19.7/Boe (2022: $22.7/Boe), primarily reflecting lower costs partially offset by lower production.

Total cost of sales included non-cash depletion expense of $147.9 million, 15.1% lower than in the same period in 2022 ($174.2 million), mainly reflecting lower production volumes.

Also within cost of sales, the credit relating to the Group's lifting position and hydrocarbon inventory for the six months ended 30 June 2023 was $15.3 million (2022: credit of $29.9 million). The credit in the period reflects an increase in the net underlift position to $15.8 million at 30 June 2023 from a $0.8 million net underlift position at 31 December 2022.

Other cost of sales, which forms part of the total cost of sales balance, for the six months ended 30 June 2023 of $197.9 million were lower than the same period in 2022 ($232.9 million), reflecting the lower cost of Magnus-related third-party gas purchases following the decrease in the market price for gas and which is offset by gas sales presented in revenue.

Adjusted EBITDA for the six months ended 30 June 2023 was $399.2 million, down 25.6% compared to the same period in 2022 ($536.3 million), driven by lower revenue offset partially by lower operating costs.

The tax charge for the six months ended 30 June 2023 of $131.8 million (2022: $142.4 million tax charge), reflects a $45.5 million non-cash deferred tax impact on the Group's profit before tax, $10.3 million overseas current tax charge and a $76.0 million current tax charge associated with the EPL (noting EPL was substantively enacted in July 2022).

Remeasurements and exceptional items resulting in a post-tax net loss of $27.9 million have been disclosed separately for the six month period ended 30 June 2023 (2022: profit of $23.5 million).

Revenue included unrealised gains of $37.6 million in respect of the mark-to-market movement on the Group's commodity contracts (2022: unrealised losses of $104.7 million). Cost of sales included unrealised gains of $9.9 million relating to the mark-to-market movement on the Group's foreign exchange contracts and forward UKA purchase contracts (2022: unrealised losses of $0.5 million). Other remeasurements and exceptional items includes a non-cash impairment charge of $96.5 million (2022: $10.1 million reversal) and a $43.5 million gain (2022: $31.0 million loss) in relation to the fair value recalculation of the Magnus contingent consideration reflecting an increase in the discount rate. A net tax charge of $2.3 million, which includes a net tax charge of $5.8 million related to the EPL, (2022: credit of $163.4 million, with nil impact from EPL) has been presented as exceptional, representing the tax effect on the above items. While the Group has lowered its near-term oil price assumptions, there is no change in recognition of undiscounted deferred tax assets at 30 June 2023 (2022: $107.9 million recognition due to the Group's increased short-term oil price assumptions) as there remains sufficient headroom in the Group's forecast future cash flows to support full recognition of relevant tax losses.

The Group's IFRS profit before tax was $112.9 million (2022: profit of $182.6 million), and IFRS loss after tax was $21.2 million (2022: profit of $203.5 million). The Group's effective tax rate for the period was 118.8% (charge), primaily reflecting the current tax impact of EPL and its high level of non-deductible expenditures related to financing and decommissioning costs (2022: (11.5)% credit, primarily reflecting the non-cash recognition of $107.9 million of undiscounted deferred tax assets).

EnQuest has recognised UK North Sea corporate tax losses of $2,318.8 million at 30 June 2023 (31 December 2022: $2,497.7 million).

The Group's reported net cash flow from operations for the six months ended 30 June 2023 was $371.0 million (2022: $498.4 million), and included favourable working capital movements, including the receipt of a joint venture advance cash call, and the March refund of the Group's EPL instalment payment in December 2022. Free cash flow for the six months ended 30 June 2023 was $140.0 million (2022: $332.1 million) which was utilised as part of the Group's repayments totalling $153.0 million on the

Reserve Based Lending ('RBL') facility.

EnQuest net debt at 30 June 2023 was $592.1 million, a decrease of 17.4% compared to 31 December 2022 ($717.1 million) and includes $26.3 million of payment in kind interest ("PIK interest") that has been capitalised to the principal of the facility and bonds (31 December 2022: $25.1 million). As at 31 August 2023, EnQuest net debt had increased to $615.2 million due to the $50 million Golden Eagle contingent payment made in July. In August 2023, the Group entered into a new $150.0 million term loan facility, maturing in July 2027, which will rank junior to the existing RBL as a secured second lien instrument within the capital structure. The loan proceeds, which can be used for general corporate purposes, provide an additional source of liquidity for the Group ahead of the October settlement of the remaining October 2023 7% Sterling retail bond in issue of £111.3 million.

Operating review

Production details

Average daily production on a net working interest basis	For the period to 30 June 2023 (Boepd)	For the period to 30 June 2022 (Boepd)
UK Upstream		
- Magnus	16,530	12,754
- Kraken	13,082	19,527
- Golden Eagle	4,545	7,060
- Other Upstream[1]	3,105	4,081
Total UK	**37,262**	**43,422**
Total Malaysia[2]	**8,218**	**6,304**
Total EnQuest	**45,480**	**49,726**

[1] Other Upstream: Scolty/Crathes, Greater Kittiwake Area and Alba
[2] Malaysia production figure for first half of 2023 includes 660 Boepd associated with Seligi gas

Upstream operations

UK operations

Magnus

Average production for the first six months of 2023 was 16,530 Boepd, 29.6% higher than the first half of 2022 (12,754 Boepd). Production efficiency for the period was 91.4% (2022: 73.0%), driven by improvements to rotating equipment performance, including gas compressors and power generation units, following 2022 investment to optimise equipment and reduce obsolescence. Other improvements relate to the test separator system, where enhancements have been made to enable the resumption of well testing and increase the Group's understanding of well composition and characteristics. The Group's drilling programme is ongoing, with the North West Magnus injector brought online in May to provide pressure support for the production well. In addition, slot recovery activity continued to enable the delivery of future infill drilling opportunities, with the completion of the B6 well plug and abandonment ('P&A'). Subsequently, the new B6 infill well came online on 4 August. The programme in the second half of the year includes the completion of a further infill well.

Work is ongoing to optimise the ongoing maintenance shutdown, originally planned for 24 days, with the Magnus team aiming to align to the Ninian Central outage and shorten the shutdown duration.

Kraken

Average production of 13,082 Boepd (18,556 Boepd gross) (2022: 19,527 Boepd net; 27,698 Boepd gross) reflected an efficient return to service of the FPSO following the anomalous failure of hydraulic submersible pump ('HSP') transformer units during May. Working alongside the vessel owner, Bumi Armada, the EnQuest asset team limited the impact on production, resuming production on a single train basis on 12 June and then reaching 80-90% production capacity through the refurbishment and reinstatement of a transformer unit in July. On 7 August, a further transformer unit was brought back into service, following a rebuild, returning Kraken to full production. New transformer units were proactively ordered from the manufacturer and are due for delivery in September, providing further resilience to production capacity.

The Group reacted quickly to mitigate production losses by executing maintenance work, originally planned for the third quarter shutdown during two periods of single train operations. No further planned maintenance outages are anticipated during 2023.

In light of the direct impact of the EPL on the Group's available cash flow and the indirect contribution to underlying inflationary pressures through incentivisation of industry-wide investment within a defined timeline, the Group took the decision to delay its plans to progress the Kraken drilling programme. However, near-field drilling and subsea tie-back opportunities continue to be assessed, with interpretation of 3D seismic data ongoing to access the significant opportunity in terms of main field side-track drilling opportunities, along with further drilling within the Pembroke and Maureen sands, with c.33 Mmboe of 2C resources available at Kraken. Until drilling resumes, Kraken production will be subject to natural field decline.

Golden Eagle

Average production in the first half of the year was 4,545 Boepd net (2022: 7,060 Boepd), while production efficiency remained high at 91% (2022: 95%). The planned 26-day shutdown was optimised to a 12-day programme of work, which was completed during August.

The delayed 2022 drilling campaign was completed in the first half of 2023, with first oil from the new well delivered on 24 June 2023. Preparations are underway for the next drilling campaign, which includes a two-well infill programme, with further well options, utilising a heavy duty jack up rig and which is expected to run from September 2023.

Other Upstream assets

Production for the first six months of 2023 averaged 3,105 Boepd (2022: 4,081 Boepd). This was driven by uptime of 95% (2022: 92%) at the Greater Kittiwake Area ('GKA'), and the positive impact of the reinstatement of the Grouse well. The planned three-week GKA shutdown was deferred from April and has recently been completed, with production resuming on 19 August following a shutdown of 23 days.

At Bressay, we continue to progress evaluation of the project through creative development options with potential partners, in light of the EPL.

Malaysia operations

For the first six months of 2023, average production in Malaysia was 8,218 Boepd, representing a 30% increase over the same period last year. This increase includes 660 Boepd associated with Seligi gas, to which Petronas hold the entitlement, and which is produced and handled by EnQuest in exchange for a gas handling and delivery fee. In addition, production in the first half of the year has benefitted from the workover campaign and three horizontal wells delivered during 2022. Thus far in 2023, two well workovers have been completed which, when coupled with the delivery of idle well restoration work, is expected to add an incremental 2.5 kboed to PM8/Seligi production.

The planned three-week shutdown at PM8/Seligi to undertake asset integrity and maintenance activities was optimised and the updated 14-day work programme was completed ahead of schedule during August, with the completed scopes expected to help improve reliability and efficiency at the field. Well P&A work will also continue, primarily funded by a centralised investment fund to which EnQuest contributes, with six well abandonments planned for 2023 with one delivered to date.

The Group continues to undertake preparatory work ahead of plans to drill a multi-well infill programme during 2024.
On Block PM409, an area containing several undeveloped discoveries and situated close to the Group's existing PM8/Seligi PSC hub, the Group is currently drilling its commitment well, with results expected in our next operational update.

Decommissioning

Heather and Thistle P&A campaigns are progressing well with seven wells completed at Heather and a further seven wells completed at Thistle during the first half of 2023. The Group continues to demonstrate and develop capability in delivering these significant decommissioning projects and remains on track to complete the P&A of 23 wells (12 at Heather and 11 at Thistle) in 2023.

The Heather project team is looking for further opportunities to perform P&A activities using supplementary equipment, which will increase efficiency of the main platform rig, and will further underpin its expectation that the target to disembark the platform in the fourth quarter of 2024 will be met. At Thistle, the team aim to complete disembarkation by the end of the third quarter of 2025. Both assets remain on track to meet their post-cessation of production well P&A targets of 39 wells at Heather and 41 wells at Thistle by the end of 2024.

EnQuest is also planning the P&A of 33 subsea wells at the Alma/Galia, Dons and Broom fields and aims to be execution-ready during the second quarter of 2024 and, to that end, aims to put in place a rig commitment by the end of 2023. The EnQuest team continues to work on the basis that subsea decommissioning activities can be optimised by utilising a portfolio approach across the fields.

The EnQuest Producer FPSO remains in warm stack at Nigg Energy Park while the Group continues to evaluate options, which include utilisation on a future project or sale.

Infrastructure and New Energy

The Sullom Voe Terminal (‘SVT’) and its related infrastructure maintained safe and reliable performance, with 100% export service availability during the first half of 2023.

EnQuest continues to develop cost-effective and capital-efficient plans to transform the terminal and prepare and repurpose the site to progress decarbonisation opportunities at scale, focused on carbon capture and storage (‘CCS’), production of green hydrogen and derivatives and electrification. The terminal site offers several unique competitive advantages, including a 1,000-acre tier 1 COMAH industrial site with access to existing utilities, oil and gas pipeline infrastructure, a deep-water port and jetties, the highest wind capacity factor across Europe, and a highly skilled workforce and local supply chain. In advancing its Infrastructure and New Energy business, the Group will maintain its focus on capital discipline and, having secured exclusive rights from the Shetland Islands Council to progress new energy opportunities on the site, the Group is well placed to deliver on its new energy ambitions alongside strategic delivery partners in a capital-light manner. Delivery of these opportunities is anticipated to create material value for EnQuest, the Council and the Shetland Community, contribute to emissions reduction and retain and create significant local jobs.

Carbon Capture and Storage

The availability of the deep-water port and jetties and a pipeline network linked to several well-understood offshore reservoirs presents the opportunity to repurpose infrastructure to import and permanently store material quantities of CO_2 from isolated emitters in the UK, Europe or further afield.

EnQuest has successfully secured four carbon storage licences, incorporating storage sites in the Magnus and Thistle fields currently operated by EnQuest, as well as the non-operated Tern and Eider fields. These sites are large, well characterised deep storage formations connected by significant existing infrastructure to the Sullom Voe Terminal ('SVT') in Shetland. EnQuest plans to have carbon dioxide ('CO2') shipped to SVT in liquid form, received at the existing jetties at the terminal before being transported via the existing East of Shetland pipeline for injection and permanent storage offshore. The flexibility afforded by a shipped solution for carbon storage is expected to enable a service to be provided to isolated emitter clusters in the UK, Europe and further afield who may not otherwise be able to access storage infrastructure. The capability of the existing infrastructure, including the EnQuest-operated East of Shetland pipeline system, and storage sites is expected to support a project that could store up to 10 million tonnes of CO_2 per annum. This quantity of potential carbon storage represents a multiple of the Group’s existing direct emissions.

Additional geological formations in this area of the North Sea, which could be connected to SVT infrastructure in the future, have the potential to store in excess of one billion tonnes of CO_2.

Green Hydrogen

The Group is working closely with strategic partners, including renewable developers and potential local customer offtakers to explore opportunities to aggregate and use the excess energy produced by local wind power from onshore and offshore wind farms to produce green hydrogen and derivatives. The Group is working on developing a first phase project aimed at decarbonising local industry with a further scale-up to service customers globally, leveraging the existing export capabilities and advantaged renewable power potential.

Electrification

EnQuest continues to progress innovative proposals to harness local renewable power and SVT’s advantaged location to offer robust and commercially attractive electrification solutions to facilitate new asset developments in the North Sea basin and to support UK energy security. In leveraging the Group’s existing infrastructure and subsea projects expertise to facilitate the electrification of nearby offshore oil and gas assets and planned developments by way of a grid connection supplemented with renewable power, it is anticipated that realisation of this opportunity would lead to significant emissions reductions for platforms which are expected to operate into the 2050s.

Liquidity and EnQuest net debt

The Group generated $140.0 million in free cash flows during the first half of 2023, incorporating favourable working capital movements, including receipt of a joint venture advanced cash call, and the March refund of the Group’s EPL instalment payment in December 2022, resulting in EnQuest net debt of $592.1 million at 30 June 2023, down $125.0 million since the end of 2022. This reduction was driven by accelerated repayments totalling $153.0 million on the Group’s RBL facility, with drawings of $247.0 million at 30 June 2023, significantly ahead of the required amortisation schedule. EnQuest’s net debt to adjusted EBITDA ratio at 30 June 2023 was 0.7x and the Group had total cash and available facilities of $385.2 million, including restricted funds and ring-fenced funds held in joint venture operational accounts totalling $124.1 million (31 December 2022: $348.9 million and $174.3 million, respectively).

EnQuest net debt has increased to $615.2 million at the end of August, predominantly due the scheduled contingent consideration payment of $50 million in relation to the Golden Eagle acquisition. The outstanding RBL facility, which matures in April 2027, was reduced to $240.0 million during the month of July.

On 25 August, the Group entered into a new $150.0 million term loan facility, maturing in July 2027, which will rank junior to the existing RBL as a secured second lien instrument within the capital structure. The loan proceeds, which can be used for general corporate purposes, will provide an additional source of liquidity for the Group ahead of the October settlement of the remaining October 2023 7% Sterling retail bond in issue of £111.3 million.

2023 outlook

The Group remains on track to achieve net production between 42,000 and 46,000 Boepd, with ongoing drilling campaigns at Magnus and at Golden Eagle, partially offset by natural declines and planned maintenance shutdowns at Magnus and GKA in the third quarter.

Full year expectations for operating, cash capital and abandonment expenditures remain unchanged from the Group's original guidance at approximately $425 million, $160 million and $60 million, respectively, with spending expected to be higher during the second half of the year, in line with activity. EnQuest remains focused on cost discipline and continues to employ a proactive approach to engagement with its global supply chain to mitigate the impacts of cost inflation across all contracts.

EnQuest will pay cash tax in the UK in accordance with the Energy Profits Levy ('EPL'), with the expected October 2023 cash payment of c.$75 million reflecting the Group's 2022 tax liability.

EnQuest hedged a total of c.9.7 MMbbls for 2023 predominantly using put options, with an average floor price of c.$58/bbl. For the period July to December 2023, c.3.8 MMbbls of production remains hedged with an average floor price of c.$60/bbl.

Environmental, Social and Governance

The Group has continued to make excellent progress in reducing its absolute Scope 1 and 2 emissions, with the achievement of national emissions reduction targets and the drive to net zero being a core focus area. Since 2018, EnQuest's UK Scope 1 and 2 emissions have reduced by more than 40%, which is significantly ahead of the UK Government's North Sea Transition Deal target of achieving a 10% reduction in Scope 1 and 2 CO_2 equivalent emissions by 2025 and close to the 50% reduction targeted by 2030. Among the three discrete and scalable decarbonisation opportunities being progressed by the Group's Infrastructure and New Energy business, the CCS project alone has the potential to store up to 10 million tonnes of CO_2 per annum, which represents a multiple of the Group's existing emissions footprint, providing the opportunity to go beyond net zero. In support of its decarbonisation ambitions, and recognising the unique part that the Group can play in the energy transition, EnQuest's Board recently committed to reach net zero for scope 1 and scope 2 emissions by 2040.

The health, safety and wellbeing of EnQuest's people is its top priority and the Group has continued to perform better than the Offshore Energies UK ('OEUK') benchmark in this regard in the six months to end June, recording a Lost Time Incident ('LTI') frequency[1] of 0.79 (Full year 2022: 0.57). Given the increased frequency rate, which was linked to two LTIs recorded during routine activities in the first half of 2023, the Group has taken steps to re-emphasise the need for increased supervision, focus on situational awareness and dynamic risk assessment. EnQuest has a strong HSEA and process safety culture and leadership remain focused on continuous improvement to of systems and procedures for maintaining safe process operations and preventing personal injuries, dangerous occurrences and hydrocarbon releases.

[1] Lost Time Incident frequency represents the number of incidents per million exposure hours worked (based on 12 hours for offshore and eight hours for onshore). OEUK LTIF benchmark is 1.27.

Corporate governance is an essential part of EnQuest's governance framework, supporting both risk management and the Group's core Values. The Board remains focused on Board and executive succession planning. As part of the Group's rotation of Directors, Howard Paver, Carl Hughes and John Winterman stepped down from the Board of Directors following the Group's AGM in June. The process to appoint new Board members is ongoing, with the clear aim to enhance the Board with skills required for the next phase in EnQuest's evolution. Accordingly, EnQuest has appointed Michael Borrell as a Non-Executive Director with effect from 5 September 2023 (see separate announcement).

EnQuest has announced plans to apply for de-listing of the Company's shares from Nasdaq Stockholm. The formal application to de-list will be submitted to Nasdaq Stockholm no earlier then three months from 5 September (see separate announcement).

- Ends -

For further information, please contact:

EnQuest PLC Tel: +44 (0)20 7925 4900

Amjad Bseisu (Chief Executive Officer)

Salman Malik (Chief Financial Officer)

Craig Baxter (Head of Investor Relations)

Teneo Tel: +44 (0)20 7353 4200

Martin Robinson

Martin Pengelley

Harry Cameron

Presentation to Analysts and Investors
A presentation to analysts and investors will be held at 09.30 today – London time. The presentation will be accessible via a webcast by clicking here.

EnQuest's investor relations team will be hosting a presentation via Investor Meet Company, primarily focused on the Company's retail investors on 13 September at 14:00 - London time.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet ENQUEST PLC via:

https://www.investormeetcompany.com/enquest-plc/register-investor

Investors who already follow ENQUEST PLC on the Investor Meet Company platform will automatically be invited.

Notes to editors

This announcement has been determined to contain inside information. The person responsible for the release of this announcement is Chris Sawyer, General Counsel and Company Secretary.

ENQUEST

EnQuest is providing creative solutions through the energy transition. As an independent energy company with operations in the UK North Sea and Malaysia, the Group's strategic vision is to be the partner of choice for the responsible management of existing energy assets, applying its core capabilities to create value through the transition.

EnQuest PLC trades on both the London Stock Exchange and the NASDAQ OMX Stockholm.

Please visit our website www.enquest.com for more information on our global operations.

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

All figures quoted are in US Dollars and relate to Business performance unless otherwise stated.

Introduction
EnQuest has continued to make progress against its financial priorities. EnQuest net debt has been reduced by $125.0 million to $592.1 million as at 30 June 2023, reflecting the Group's free cash flow generation, which included favourable working capital movements and the March refund of the Group's EPL instalment payment in December 2022. In August, the Group further strengthened its Balance sheet and improved liquidity ahead of the October settlement of the remaining October 2023 7% Sterling retail bond in issue of £111.3 million through agreeing additional funding in the form of a $150.0 million term loan facility. The Group continues to maintain a strong focus on cost control, with unit operating expenses at $19.7/Boe for the first half of 2023 (2022: 22.7/Boe), and is optimising capital expenditures with drilling at Magnus and Golden Eagle. However, the implementation of the EPL and its high level of non-deductible expenditures related to financing and decommissioning costs has resulted in the Group reporting an IFRS post-tax loss of $21.2 million in the period to 30 June 2023 (2022: IFRS post-tax profit of $203.5 million).

Performance overview
Production on a working interest basis decreased by 8.5% to 45,480 Boepd, including 660 Boepd of Seligi Associated gas, compared to 49,726 Boepd in 2022.

Revenue for the six months ended 30 June 2023 was $732.7 million, 22.3% lower than the same period in 2022 ($943.5 million), reflecting lower realised prices and lower production. The Group's commodity hedge programme resulted in realised losses of $22.2 million in the first half of 2023 (2022: losses of $162.3 million).

The Group's operating costs of $162.7 million were 21.9% lower than in the same period in 2022 ($208.4 million). This decrease is primarily driven by higher lease charter credits, reflecting unplanned downtime at the Kraken FPSO in the second quarter of 2023, and lower maintenance and well intervention costs at Magnus and PM8/Seligi. Unit costs decreased to $19.7/Boe (2022: $22.7/Boe).

Other cost of sales, which forms part of the total cost of sales balance, for the six months ended 30 June 2023 of $197.9 million were 15.0% lower than the same period in 2022 ($232.9 million), principally as a result of lower Magnus-related third-party gas purchases reflecting the decrease in associated market prices and which is offset by lower gas sales, presented within revenue. The average day ahead gas price decreased from 182p/Therm for the six months ended 30 June 2022 to 108p/Therm for the six months ended 30 June 2023.

Adjusted EBITDA for the six months ended 30 June 2023 was $399.2 million, down 25.6% compared to the same period in 2022 ($536.3 million), driven by lower revenue offset partially by lower operating costs.

	H1 2023 **$ million**	H1 2022 $ million
Profit/(loss) from operations before tax and finance income/(costs)	**221.4**	416.2
Depletion and depreciation	**150.9**	177.5
Change in provision	**7.2**	(32.3)
Change in well inventories	**2.0**	(0.4)
Net foreign exchange (gain)/loss	**17.7**	(24.7)
Adjusted EBITDA	**399.2**	536.3

Note:

1 See reconciliation of Adjusted EBITDA within the 'Glossary – Non-GAAP measures' starting on page 32

EnQuest net debt to last 12-month adjusted EBITDA ratio at 30 June 2023 is 0.7x, unchanged from the disclosed position at 31 December 2022.

EnQuest net debt decreased by $125.0 million to $592.1 million at 30 June 2023 (31 December 2022: $717.1 million) as a result of free cash flow generation of $140.0 million, which includes receipt of $39.5 million relating to a joint venture advance cash call and the March refund of the Group's EPL instalment payment in December 2022. EnQuest net debt includes $26.3 million of payment in kind ('PIK') interest that has been capitalised to the principal of the respective facilities (31 December 2022: $25.1 million). Free cash flow was primarily used to make further repayments of the Group's RBL facility, ensuring EnQuest remains ahead of the amortisation schedule.

	EnQuest net debt[1]	
	30 June 2023 **$ million**	31 December 2022 $ million
Bonds	**614.7**	600.7
Senior secured debt facility ('RBL')	**247.0**	400.0
SVT Working Capital Facility	**13.6**	12.3
Vendor loan facility	**-**	5.7
Cash and cash equivalents	**(283.2)**	(301.6)
EnQuest net debt	**592.1**	717.1

Note:
1 See reconciliation of EnQuest net debt within the 'Glossary – Non-GAAP measures' starting on page 32

In July 2022, the EPL was enacted in the UK which applied an additional tax of 25% on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf. In November 2022, the EPL rate was increased to 35% from 1 January 2023 and the end date was extended from 31 December 2025 to 31 March 2028. As such, the Group has estimated a current tax charge of $73.8 million (30 June 2022: $nil) associated with the EPL for the period ended 30 June 2023, with a $76.0 milion charge recognised in Business performance and a $2.2 million credit recognised in Remeasurements and exceptional items. The Group has also recognised a net deferred tax credit of $18.8 million at 30 June 2023, with a $26.8 million credit recognised in Business performance and $8.0 million charge in Remeasurements and exceptional items (31 December 2022: $153.7 million, with a $25.2 million credit recognised in Business performance and $178.9 million charge in Remeasurements and exceptional items).

The Group's IFRS profit before tax was $112.9 million (2022: profit of $182.6 million), and IFRS loss after tax was $21.2 million (2022: profit of $203.5 million). The Group's effective tax rate for the period was 118.8% (charge), primaily reflecting the impact of EPL and its high level of non-deductible expenditures related to financing and decommissioning costs (2022: (11.5)% credit, primarily reflecting the non-cash recognition of $107.9 million of undiscounted deferred tax assets).

The Group has recognised UK North Sea corporate tax losses at 30 June 2023 of $2,318.8 million (31 December 2022: $2,497.7 million). No significant corporation tax or supplementary charge is expected to be paid on UK operational activities for several years. However, the Group expects to make EPL payments for the duration of the levy. The Group also 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 2023 were significantly lower than in the same period of 2022 due to fears over global recession and high interest rates contributing to market volatility. The Group's average realised oil price excluding the impact of hedging was $79.0/bbl for the six months ended 30 June 2023, compared to $111.0/bbl received during the first half of 2022. Revenue is predominantly derived from crude oil sales, which for the first half of 2023 totalled $540.1 million, 36.5% lower than in the same period of 2022 ($851.2 million), reflecting the lower oil prices and lower production. Revenue from the sale of condensate and gas in the period was $213.2 million (2022: $252.9 million), primarily reflecting lower market prices. Gas revenue mainly relates to the onward sale of third-party gas purchases not required for injection activities at Magnus. Tariffs and other income generated $1.5 million (2022: $1.7 million), including income associated with the transportation of Seligi Associated gas. The Group's commodity hedges and other oil derivatives contributed $22.2 million of realised losses (2022: losses of $162.3 million), as a result of the timing at which the hedges were entered into. The Group's average realised oil price including the impact of hedging was $75.8/bbl in the first half of 2023, 15.7% lower than during the first half of 2022 ($89.9/bbl).

Note: For the reconciliation of realised oil prices see 'Glossary – Non-GAAP measures' starting on page 32

Cost of sales[1]

	H1 2023 $ million	H1 2022 $ million
Production costs	**145.5**	181.2
Tariff and transportation expenses	**16.1**	23.4
Realised loss/(gain) on derivatives related to operating costs	**1.1**	3.8
Operating costs	**162.7**	208.4
(Credit)/charge relating to the Group's lifting position and hydrocarbon inventory	**(15.3)**	(29.9)
Depletion of oil and gas assets	**147.9**	174.2
Other cost of sales	**197.9**	232.9
Cost of sales	**493.1**	585.6
Unit operating cost[2]	**$/Boe**	$/Boe
– Production costs	**17.7**	20.1
– Tariff and transportation expenses	**2.0**	2.6
Average unit operating cost	**19.7**	22.7

Notes:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 32
2 Calculated using production on a working interest basis including Seligi Associated Gas

Cost of sales were $493.1 million for the six months ended 30 June 2023, 15.8% lower than in same period of 2022 ($585.6 million).

Operating costs decreased by $45.7 million, primarily reflecting lower production costs for the first half of 2023. This decrease was driven by higher lease charter credits, reflecting unplanned downtime at the Kraken FPSO in the second quarter of 2023, and lower maintenance and well intervention costs at Magnus and at PM8/Seligi. Unit operating costs decreased by 13.2% to $19.7/Boe (2022: $22.7/Boe), primarily reflecting lower costs partially offset by lower production.

The credit relating to the Group's lifting position and hydrocarbon inventory for the six months ended 30 June 2023 was $15.3 million (2022: credit of $29.9 million). The credit in the period reflects an increase in the net underlift position to $15.8 million at 30 June 2023 from a $0.8 million net underlift position at 31 December 2022. This was primarily driven by the unwind of overlift positions at the GKA hub and Alba from year end and timing of liftings at Golden Eagle.

Depletion expense of $147.9 million was 15.1% lower than in the same period in 2022 ($174.2 million), mainly reflecting lower production volumes.

Other cost of sales, which forms part of the total cost of sales balance, for the six months ended 30 June 2023 of $197.9 million were lower than the same period in 2022 ($232.9 million), reflecting the lower cost of Magnus-related third-party gas purchases following the decrease in the market price for gas and which is offset by gas sales presented in revenue.

Other income and expenses

Net other expense of $17.1 million (2022: net other income of $61.3 million) is primarily due to $7.2 million net increase in the decommission estimates of fully impaired assets (including the Thistle linked decommissioning liability, see note 11) and $17.7 million of net foreign exchange losses due to an unfavourable movement in the Sterling to US Dollar exchange rate. 2022 primarily reflected $32.3 million reduction in decommissioning estimate of fully impaired assets and foreign exchange gains of $24.7 million.

Finance costs

Finance costs of $85.5 million were 9.1% lower than in the comparative period (2022: $94.1 million). This decrease was primarily driven by recognition of $3.7 million of fees in 2022 associated with the retail bond exchange transaction and an associated decrease in amortisation of finance fees on loans and bonds (2023: $3.7 million; 2022: $17.9 million). The remaining finance costs include loan interest payable of $14.3 million (2022: $8.6 million), bond interest payable of $31.0 million (2022: $31.5 million), $12.7 million on unwinding of discount on decommissioning provisions and other liabilities (2022: $8.9 million) and other financial expenses of $3.2 million (2022: $3.4 million), primarily being the cost for surety bonds to provide security for decommissioning liabilities.

Taxation
The tax charge for the six months ended 30 June 2023 of $131.8 million (2022: $142.4 million tax charge), reflects a $45.5 million non-cash deferred tax impact on the Group's profit before tax, $10.3 million overseas current tax charge and a $76.0 million current tax charge associated with the EPL that will be payable in October 2024 (noting that the EPL was substantively enacted in July 2022).

Remeasurements and exceptional items

Remeasurements and exceptional items resulting in a post-tax net loss of $27.9 million have been disclosed separately for the six month period ended 30 June 2023 (2022: profit of $23.5 million).

Revenue included unrealised gains of $37.6 million in respect of the mark-to-market movement on the Group's commodity contracts (2022: unrealised losses of $104.7 million) primarily reflecting the unwind of unrealised losses at 31 December 2022 on open hedge positions.

Cost of sales included unrealised gains of $9.9 million relating to the mark-to-market movement on the Group's foreign exchange contracts and forward UKA purchase contracts (2022: unrealised losses of $0.5 million) primarily reflecting the strengthening Sterling position in the first half of 2023.

A net impairment charge of $96.5 million has been disclosed in remeasurements (2022: $10.1 million reversal). These are primarily driven by a decrease in EnQuest's future price assumptions.

Other income includes a $43.5 million gain in relation to the fair value recalculation of the Magnus contingent consideration reflecting an increase in the discount rate (2022: $31.0 million loss), $5.2 million reversal of a provision held on acquisition of Golden Eagle and $4.1 million recognition of an additional insurance debtor in respect of the Malaysia riser repairs. Other finance costs mainly relate to the unwinding of contingent consideration from the acquisition of Magnus and associated infrastructure of $29.4 million (2022: $17.9 million).

A net tax charge of $2.3 million, which includes a net tax charge of $5.8 million related to the EPL, (2022: credit of $163.4 million, with nil impact from EPL) has been presented as exceptional, representing the tax effect on the above items. While the Group has lowered its near-term oil price assumptions, there is no change in recognition of undiscounted deferred tax assets at 30 June 2023 (2022: $107.9 million recognition due to the Group's increased short-term oil price assumptions) as there remains sufficient headroom in the Group's future cash flows to support full recognition of relevant tax losses.

EnQuest has recognised UK North Sea corporate tax losses of $2,318.8 million at 30 June 2023 (31 December 2022: $2,497.7 million).

IFRS results
The Group's results on an IFRS basis are shown on the Group Income statement as 'Reported in period', being the sum of EnQuest's Business performance results and its Remeasurements and exceptional items, both of which are explained above.

EnQuest IFRS revenue reflects the Group's Business performance revenue, but it is adjusted for the impact of unrealised movements on derivative commodity contracts. Business performance cost of sales is similarly adjusted for the impact of unrealised movements on derivative contracts, together with any exceptional provisions as noted previously. Taking account of these items, and the other exceptional items included within the Group Income statement which are principally related to impairment charges and the change in fair value of contingent consideration payable, the Group's IFRS profit from operations before tax and finance costs was $225.2 million (2022: profit of $294.2 million), IFRS profit before tax was $112.9 million (2022: profit of $182.6 million), and IFRS loss after tax was $21.2 million (2022: profit of $203.5 million). The Group's effective tax rate for the period was 118.8% (charge), primaily reflecting the impact of EPL and its high level of non-deductible expenditures related to financing and decommissioning costs (2022: (11.5)% credit, primarily reflecting the non-cash recognition of $107.9 million of undiscounted deferred tax assets).

Earnings per share
The Group's Business performance basic profit per share was 0.4 cents (2022 profit per share: 9.8 cents) and diluted profit per share was 0.4 cents (2022 profit per share: 9.6 cents).

The Group's reported basic loss per share was 1.2 cents (2022 profit per share: 11.1 cents) and reported diluted loss per share was 1.2 cents (2022 profit per share: 10.9 cents).

Cash flow and liquidity
EnQuest net debt at 30 June 2023 amounted to $592.1 million, including PIK of $26.3 million, compared with EnQuest net debt of $717.1 million at 31 December 2022, including PIK of $25.1 million. The movement in EnQuest net debt was as follows:

	$ million
EnQuest net debt 1 January 2023	**(717.1)**
Net cash flows from operating activities	**371.0**
Cash capital expenditure	**(80.0)**
Magnus profit share payments	**(38.2)**
Net interest and finance costs paid	**(49.3)**
Finance lease payments	**(63.4)**
Other movements, primarily net foreign exchange on cash and debt	**(15.1)**
EnQuest net debt 30 June 2023[1]	**(592.1)**

Note:
1 See reconciliation of alternative performance measures within the 'Glossary – Non-GAAP measures' starting on page 32

The Group's reported net cash flows from operating activities for the six month period ended 30 June 2023 were $371.0 million, down 25.6% compared to comparative period of 2022 ($498.4 million), primarily driven by lower prices and volumes, partially offset by the receipt of $39.5 million relating to a joint venture advance cash call and the March refund of the Group's EPL instalment payment in December 2022.

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

	H1 2023 $ million	H1 2022 $ million
North Sea	**64.5**	43.7
Malaysia	**11.0**	8.9
Exploration and evaluation	**4.5**	2.1
	80.0	54.7

Cash capital expenditure in the period ended 30 June 2023 primarily related to Magnus, Golden Eagle and PM8/Seligi well campaigns. Cash capital expenditure in 2022 primarily related to Magnus and PM8/Seligi well campaigns.

Balance sheet

Property, plant and equipment ('PP&E')

PP&E has decreased by $188.8 million to $2,288.2 million at 30 June 2023 from $2,477.0 million at 31 December 2022 (see note 7). This decrease includes depletion and depreciation charges of $150.9 million, net impairment charges of $96.5 million and a net decrease in the decommissioning estimate of $9.1 million, partially offset by other capital additions of $67.8 million.

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

	H1 2023 $ million	H1 2022 $ million
North Sea	**67.1**	42.0
Malaysia	**0.7**	13.1
	67.8	55.1

Trade and other receivables

Trade and other receivables decreased by $11.4 million to $265.0 million at 30 June 2023 compared with $276.4 million at 31 December 2022. The decrease is driven by the timing of cargoes lifted and associated receipts at the period end.

Cash and EnQuest net debt

The Group had $283.2 million of cash and cash equivalents at 30 June 2023 and $592.1 million of EnQuest net debt, including PIK and capitalised interest of $26.3 million (2022: $301.6 million, $717.1 million and $25.1 million, respectively).

EnQuest net debt comprises the following liabilities:

- $140.9 million principal outstanding on the 7.00% Sterling retail bond, including interest capitalised as PIK of $26.3 million (2022: $134.5 million and $25.1 million, respectively), which matures in October 2023;
- $168.8 million principal outstanding on the 9.00% Sterling retail bond (2022: $161.2 million), which matures in October 2027;
- $305.0 million principal outstanding on the high yield bond 11.625% (2022: $305.0 million), which matures in November 2027;
- $247.0 million drawn down on the refinanced RBL (2022: $400.0 million);
- $13.6 million relating to the SVT Working Capital Facility (2022: $12.3 million); and
- $nil drawn down on the Vendor Loan Facility (2022: $5.7 million).

Provisions

The Group's decommissioning provision decreased by $13.7 million to $677.9 million at 30 June 2023 (2022: $691.6 million), primarily reflecting utilisation of $23.6 million for decommissioning carried out in the period and a net decrease in estimates of $3.5 million, being an increase in the discount rate from 3.5% to 4.6% ($54.0 million, see note 2 to the financial statements for more information), offset by higher cost estimates of $50.5 million including the impact of foreign exchange and unwinding of discount of $12.1 million.

Other provisions, including the Thistle decommissioning provision, decreased by $8.8 million in the period to 30 June 2023 to $37.3 million (2022: $46.1 million). The Thistle decommissioning provision of $29.2 million (2022: $32.7 million) is in relation to EnQuest's obligation to make payments to bp by reference to 7.5% of bp's decommissioning costs of the Thistle and Deveron fields.

Contingent consideration

The contingent consideration related to the Magnus acquisition decreased by $52.5 million. In the period to 30 June 2023, EnQuest paid $38.2 million to bp (2022: nil) under the profit sharing mechanism. A reduction in fair value of $43.5 million was recognised in the period (2022: $26.9 million increase in fair value) reflecting a change in the Group's near term oil price assumptions and an increase in the discount rate, together with the unwind of discount which is included in finance costs of $29.4 million (2022: $17.9 million).

The contingent consideration payable associated with the acquisition of Golden Eagle increased from $48.3 million at 31 December 2022 to $50.0 million at 30 June 2023 representing the unwind of discount which is included in finance costs. The liability was calculated based on average oil prices between July 2021 and June 2023 with the balance settled in July 2023.

Income tax
The Group had a total net income tax payable of $162.2 million (31 December 2022: $37.7 million payable) primarily related to the UK EPL $149.2 million (31 December 2022: $34.7) and taxable income in Malaysia $14.0 million (31 December 2022: $4.4 million).

Deferred tax
The Group's net deferred tax asset has decreased from $539.5 million at 31 December 2022 to $491.0 million at 30 June 2023. This is driven by the utilisation of corporate tax losses.

EnQuest has recognised UK corporate tax losses carried forward at 30 June 2023 amounting to $2,318.8 million (31 December 2022: $2,497.7 million).

Trade and other payables
Trade and other payables of $331.1 million at 30 June 2023 are $95.5 million lower than at 31 December 2022 ($426.6 million) due to lower accruals predominantly driven by lower gas prices and settlement of UKA year end accruals during the period. A balance of $39.5 million, which represents an advanced receipt of a joint venture cash call, is a long-term liability with the remainder payable within one year.

Financial risk management
The Group's activities expose it to various financial risks particularly associated with fluctuations in oil price, foreign currency risk, liquidity risk and credit risk. The disclosures in relation to financial risk management objectives and policies, including the policy for hedging, and the disclosures in relation to exposure to oil price, foreign currency and credit and liquidity risk, are included in note 27 of the Group's 2022 Annual report.

Going concern disclosure
The Group continues to closely monitor and manage its funding and liquidity position, 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 and related product differentials (adjusted for hedging undertaken by the Group), production rates and costs. These forecasts and sensitivity analyses allow the Group to manage liquidity.

As set out in Note 8 on page 24 of the Group's financial statements, as at 30 June 2023 the Group had the following loans and borrowings:

- $247.0 million drawn down on the $500.0 million RBL facility (2022: $400.0 million);
- $140.9 million principal outstanding on the 7.00% Sterling retail bond, which matures in October 2023;
- $168.8 million principal outstanding on the 9.00% Sterling retail bond, which matures in October 2027;
- $305.0 million principal outstanding on the high yield bond 11.625%, which matures in November 2027; and
- $13.6 million relating to the SVT Working Capital Facility (2022: $12.3 million).

The amount available to draw under the RBL, which is based on an amortisation schedule and the borrowing base availability derived from a semi-annual review, continues to reflect the full impact of the EPL. As such, the Group has continued to prioritise repayments of the RBL in order to remain ahead of the required amortisation schedule, with drawings under the RBL having been reduced by $160.0 million to $240.0 million as at 31 August 2023 following a further $7.0 million repayment in July 2023.

In August 2023, the Group agreed a $150.0 million secured term loan, which ranks junior to the existing RBL, in order to provide additional liquidity in advance of the October 2023 settlement of the 7.00% Sterling retail bond given the EPL-driven reduction in available funds under the RBL facility. This facility, which matures in July 2027 and incurs interest at SOFR + 7.90%, is forecast to be fully drawn in September 2023.

The Group's latest approved forecast and business plan, which includes the aforementioned RBL redetermination and new term loan, underpins management's base case ('Base Case') and is in line with the Group's production guidance and uses oil price assumptions of $82.5/bbl for 2023 and $80.0/bbl for 2024, adjusted for hedging activity undertaken.

The Base Case also reflects the redemption of the £111.3 million 7.00% Sterling retail bond and settlement of the Group's 2022 EPL liability in October 2023, along with further RBL amortisation payments totaling c.$40.0 million over the going concern period.

The Base Case has been subjected to further testing through a scenario reflecting the impact of the following plausible downside risks (the 'Downside Case'):

- 10.0% discount to Base Case prices resulting in Downside Case prices of $74.3/bbl for 2023 and $72.0/bbl for 2024;
- 5 cent increase in the GBP/USD foreign exchange rate to 1.30;
- Production risking of 5.0% for 2023 and 2024; and
- 2.5% increase in operating costs.

The Base Case and Downside Case indicate that the Group is able to operate as a going concern and remain covenant compliant for 12 months from the date of publication of this interim report. The Directors have also performed a reverse stress test on the Base Case, with the Group able to maintain headroom across the going concern period and above the RBL agreements stated minimum cash balance, at an oil price of c.$61.0/bbl.

Should circumstances arise that differ from the Group's projections, the Directors believe that several mitigating actions, including cargo prepayment or other funding options, can be executed successfully in the necessary timeframe to meet debt repayment obligations as they become due and maintain liquidity.

After making appropriate enquiries and assessing the progress against the forecast, projections, 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.

Risks and uncertainties

The Directors have reviewed the principal risks facing the Company and concluded the principal risks for the remaining six months of the financial year are unchanged from those described in the 2022 Annual Report and Accounts, which was published in April 2023. To reach this conclusion, the Directors considered the changes in the external environment during the recent period that could threaten the Company's business model, future performance, liquidity, and reputation. The Directors also considered management's view of the current risks facing the Company.

Accordingly, for the purposes of meeting the disclosure requirements of DTR 4.2.7(2), the Board believes that the Group's principal risks and uncertainties for the remaining six months are:

Principal risks and uncertainties

- **Health, Safety and Environment ('HSE')**
    - Oil and gas development, production and exploration activities are by their very 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 impacts, 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 as the Group's revenue depends substantially on oil prices.
- **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.
    - Longer-term production is threatened if low oil prices or prolonged field shutdowns and/or underperformance requiring high-cost remediation bring forward decommissioning timelines.
- **Financial**
    - Inability to fund financial commitments or maintain adequate cash flow and liquidity and/or reduce costs.
    - Significant reductions in the oil price, production and/or the funds available under the Group's reserve based lending ('RBL') facility, and/or further changes in the UK's fiscal environment, will likely have a material impact on the Group's ability to repay or refinance its existing credit facilities and invest in its asset base. 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. Further information is contained in the Financial review, particularly within the going concern disclosure on page 13.
- **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.
- **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 or phishing exercises.
- **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.
- **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.
- **Project execution and delivery**
    - The Group's success will be partially dependent upon the successful execution and delivery of potential future projects, including decommissioning and Infrastructure and New Energy opportunities in the UK, that are undertaken.

- **Fiscal risk and government take**
    - Unanticipated changes in the regulatory or fiscal environment, including changes to a tax regime, can affect the Group's ability to deliver its strategy/business plan and potentially impact revenue and future developments.
- **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 (for example, 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.
- **Joint venture partners**
    - Failure by joint venture parties to fund their obligations.
    - Dependence on other parties where the Group is non-operator.
- **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 and/or related climate change disclosures, are significant. Similarly, it is increasingly important EnQuest clearly articulates its approach to and benchmarks its performance against relevant and material ESG factors.
- **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, could also impact the operations of the Group.

GROUP INCOME STATEMENT

For the six months ended 30 June 2023

	Notes	30 June 2023 Business performance $'000	30 June 2023 Remeasurements and exceptional items (note 4) $'000	30 June 2023 Reported in period $'000	30 June 2022 Business performance $'000	30 June 2022 Remeasurements and exceptional items (note 4) $'000	30 June 2022 Reported in period $'000
		Unaudited	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*	*Unaudited*
Revenue and other operating income	5	**732,738**	**37,617**	**770,355**	943,507	(104,672)	838,835
Cost of sales		**(493,140)**	**9,921**	**(483,219)**	(585,601)	(481)	(586,082)
Gross profit/(loss)		**239,598**	**47,538**	**287,136**	357,906	(105,153)	252,753
Net impairment (charge)/reversal		**–**	**(96,459)**	**(96,459)**	–	10,122	10,122
General and administration expenses		**(1,086)**	**–**	**(1,086)**	(3,063)	–	(3,063)
Other income		**8,292**	**52,803**	**61,095**	62,300	4,061	66,361
Other expenses		**(25,440)**	**–**	**(25,440)**	(1,019)	(30,996)	(32,015)
Profit/(loss) from operations before tax and finance income/(costs)		**221,364**	**3,882**	**225,246**	416,124	(121,966)	294,158
Finance costs		**(85,545)**	**(29,427)**	**(114,972)**	(94,107)	(17,870)	(111,977)
Finance income		**2,621**	**–**	**2,621**	391	–	391
Profit/(loss) before tax		**138,440**	**(25,545)**	**112,895**	322,408	(139,836)	182,572
Income tax		**(131,782)**	**(2,330)**	**(134,112)**	(142,382)	163,353	20,971
Profit/(loss) for the period attributable to owners of the parent		**6,658**	**(27,875)**	**(21,217)**	180,026	23,517	203,543
Total comprehensive profit/(loss) for the period, attributable to owners of the parent				**(21,217)**			203,543

There is no comprehensive income attributable to the shareholders of the Group other than the loss for the period. Revenue and operating (loss)/profit are all derived from continuing operations.

	Notes	30 June 2023 Business performance	30 June 2023 Reported in period	30 June 2022 Business performance	30 June 2022 Reported in period
Earnings per share	6	**$**	**$**	$	$
Basic		**0.004**	**(0.012)**	0.098	0.111
Diluted		**0.004**	**(0.012)**	0.096	0.109

The attached notes 1 to 14 form part of these condensed Group financial statements.

GROUP BALANCE SHEET
At 30 June 2023

	Notes	**30 June 2023 $'000**	31 December 2022 $'000
		Unaudited	*Audited*
ASSETS			
Non-current assets			
Property, plant and equipment	7	**2,288,211**	2,476,975
Goodwill		**134,400**	134,400
Intangible assets		**48,372**	46,498
Deferred tax assets		**637,732**	705,808
Other financial assets	9	**6**	6
		3,108,721	3,363,687
Current assets			
Inventories		**82,004**	76,418
Trade and other receivables		**264,990**	276,363
Current tax receivable		**925**	1,491
Cash and cash equivalents		**283,238**	301,611
Other financial assets	9	**9,707**	4,705
		640,864	660,588
TOTAL ASSETS		**3,749,585**	4,024,275
EQUITY AND LIABILITIES			
Equity			
Share capital and premium		**392,196**	392,196
Share-based payment reserve		**12,863**	11,510
Retained earnings		**59,318**	80,535
TOTAL EQUITY		**464,377**	484,241
Non-current liabilities			
Borrowings	8	**197,778**	281,422
Bonds	8	**461,519**	452,386
Lease liabilities		**324,794**	362,966
Contingent consideration	10	**479,744**	513,677
Provisions	11	**642,651**	667,335
Trade and other payables		**39,500**	-
Taxes payable		**73,794**	-
Deferred tax liabilities		**146,767**	166,334
		2,366,547	2,444,120
Current liabilities			
Borrowings	8	**57,274**	131,936
Bonds	8	**140,879**	134,544
Lease liabilities		**144,794**	119,100
Contingent consideration	10	**106,282**	123,198
Provisions	11	**72,488**	70,335
Trade and other payables		**291,632**	426,647
Other financial liabilities	9	**16,941**	50,966
Current tax payable		**88,371**	39,188
		918,661	1,095,914
TOTAL LIABILITIES		**3,285,208**	3,540,034
TOTAL EQUITY AND LIABILITIES		**3,749,585**	4,024,275

The attached notes 1 to 14 form part of these condensed Group financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital and share premium $'000	Share-based payments reserve $'000	Retained earnings $'000	Total $'000
	Unaudited	*Unaudited*	*Unaudited*	*Unaudited*
Balance at 1 January 2022	392,196	6,791	121,769	520,756
Profit/(loss) for the period	–	–	203,543	203,543
Total comprehensive profit for the period	–	–	203,543	203,543
Share-based payment	–	2,068	–	2,068
Balance at 30 June 2022	**392,196**	**8,859**	**325,312**	**726,367**
Balance at 1 January 2023	**392,196**	**11,510**	**80,535**	**484,241**
Profit/(loss) for the period	–	–	**(21,217)**	**(21,217)**
Total comprehensive profit for the period	–	–	**(21,217)**	**(21,217)**
Share-based payment	–	**1,353**	**–**	**1,353**
Balance at 30 June 2023	**392,196**	**12,863**	**59,318**	**464,377**

The attached notes 1 to 14 form part of these condensed Group financial statements.

GROUP STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Notes	**30 June 2023 $'000** *Unaudited*	30 June 2022 $'000 *Unaudited*
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	13	**370,421**	522,664
Cash received from insurance		**–**	8,268
Cash received/(paid) on sale/(purchase) of financial instruments		**(2,934)**	(139)
Decommissioning spend		**(29,333)**	(28,194)
Income taxes received/(paid)		**32,892**	(4,224)
Net cash flows from/(used in) operating activities		**371,046**	498,375
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(76,960)**	(52,113)
Purchase of intangible oil and gas assets		**(3,074)**	(2,578)
Payment of Magnus contingent consideration – Profit share	10	**(38,229)**	–
Interest received		**2,398**	256
Net cash flows (used in)/from investing activities		**(115,865)**	(54,435)
FINANCING ACTIVITIES			
Proceeds from loans and borrowings(i)		**21,468**	77,882
Repayment of loans and borrowings(i)		**(179,591)**	(310,531)
Payment of obligations under financing leases		**(63,412)**	(59,279)
Interest paid		**(51,744)**	(52,513)
Net cash flows (used in)/from financing activities		**(273,279)**	(344,441)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(18,098)**	99,499
Net foreign exchange on cash and cash equivalents		**(275)**	(16,441)
Cash and cash equivalents at 1 January		**301,611**	286,662
CASH AND CASH EQUIVALENTS AT 30 JUNE		**283,238**	369,720
Reconciliation of cash and cash equivalents			
Total cash at bank and in hand		**275,922**	360,241
Restricted cash(ii)		**7,316**	9,479
Cash and cash equivalents per balance sheet		**283,238**	369,720

(i) For the prior year, $10.4 million has been reclassed between proceeds from loans and borrowing and repayments of loans and borrowings to better represent the substance of the transaction

(ii) At 30 June 2023, restricted cash represents $7.3 million on deposit relating to bank guarantees for the Group's Malaysian assets

The attached notes 1 to 14 form part of these condensed Group financial statements.

NOTES TO THE HALF YEAR CONDENSED FINANCIAL STATEMENTS
For the period ended 30 June 2023

1. Corporate information
EnQuest PLC ('EnQuest' or the 'Company') is a public company limited by shares incorporated in the United Kingdom under the Companies Act and is registered in England and Wales and listed on the London Stock Exchange and on the Stockholm NASDAQ OMX.

The principal activities of the Company and its subsidiaries (together the 'Group') are to responsibly optimise production, leverage existing infrastructure, deliver a strong decommissioning performance and develop new energy and further decarbonisation opportunities. The Group's half year condensed financial statements for the six months ended 30 June 2023 were authorised for issue in accordance with a resolution of the Board of Directors on 4 September 2023.

2. Basis of preparation
The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK. The presentation currency of the Group financial information is US 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 2022.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006.

Consolidated statutory accounts for the year ended 31 December 2022, on which the auditor gave an unqualified audit report, have been filed with the Registrar of Companies.

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 13. 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 2023 are materially consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2022. 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
Critical accounting judgements and key sources of estimation uncertainty were disclosed in the Group's 2022 annual report and accounts. These are reconsidered at the end of each reporting period to determine if any changes are required to judgements and estimates as a result of current market conditions. Key changes from those judgements and estimates disclosed in the Group's 2022 annual report and accounts are set out below:

Recoverability of asset carrying values - oil price

The Group's un-hedged Brent oil price and associated oil product price differential assumptions were revised during the first half of 2023. The Group's Brent assumptions for the remainder of 2023 have changed to reflect a combination of the short term decrease in oil prices in the first half of 2023 following concerns over global recessions and high interest rates contributing to market volatility. For periods after 2023, the Group's longer term Brent price assumption is unchanged from that disclosed in the Group's 2022 annual report and accounts. The price assumptions used at the end of 2022 were $84.0/bbl (2023), $80.0/bbl (2024), $75.0/bbl (2025) and $70.0/bbl real thereafter, inflated at 2% per annum from 2026. Associated oil product price differential assumptions have been revised to reflect the prevailing product market dynamics during the first half of 2023. See note 7 for oil price sensitivities.

	Second half 2023	2024	2025	2026>*
Brent oil ($/bbl)	*80.0*	*80.0*	*75.0*	*70.0*

*Inflated at 2% from 2026

Discount rate

75% Magnus acquisition contingent consideration
Following continued volatility in financial markets experienced in the first half of 2023, the Group reassessed the fair value discount rate associated with the Magnus contingent consideration. This was estimated to be 11.3% at 30 June 2023, an increase of 1.3% since 31 December 2022. See note 10 for discount rate sensitivities.

Decommissioning provision
The discount rate used for calculating the Group's decommissioning provision and the Thistle decommissioning related provision was also reassessed and, due to the prevailing macroeconomic environment, increased by 1.1% to 4.6% at 30 June 2023. See note 11 for related sensitivity analysis.

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 IAS 8	Definition of Accounting Estimates
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
IFRS 17	Insurance Contracts

3. Segment information

Segment information for the six month period is as follows:

Period ended 30 June 2023 **$'000**	**North Sea**	**Malaysia**	**All other segments**	**Total segments**	**Adjustments and eliminations**[i]	**Consolidated**
Revenue and other operating income:						
Revenue from contracts with customers	**685,980**	**68,141**	**–**	**754,121**	**–**	**754,121**
Other operating income/(expense) [i]	**653**	**–**	**132**	**785**	**15,449**	**16,234**
Total revenue and other operating income/(expense)	**686,633**	**68,141**	**132**	**754,906**	**15,449**	**770,355**
Segment profit/(loss) before tax and finance income/(costs)[ii]	**179,665**	**27,851**	**(6,521)**	**200,995**	**24,251**	**225,246**

Period ended 30 June 2022 $'000	North Sea	Malaysia	All other segments	Total segments	Adjustments and eliminations[i]	Consolidated
Revenue and other operating income:						
Revenue from contracts with customers	1,032,192	72,471	–	1,104,663	–	1,104,663
Other operating income/(expense)[i]	1,029	–	138	1,167	(266,995)	(265,828)
Total revenue and other operating income/(expense)	1,033,221	72,471	138	1,105,830	(266,995)	838,835
Segment profit/(loss) before tax and finance income/(costs)[ii]	536,871	27,042	1,527	565,440	(271,282)	294,158

(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 2023 $'000	Period ended 30 June 2022 $'000
Total segments profit/(loss) before tax and finance income/(costs)	**200,995**	565,440
Finance income	**2,621**	391
Finance expense	**(114,972)**	(111,977)
Gain/(loss) on derivatives[i]	**24,251**	(271,282)
Profit/(loss) before tax	**112,895**	182,572

(i) Includes $23.3 million realised losses (2022: $166.1 million realised losses) on derivatives and $47.5 million unrealised gains (2022: $105.2 million unrealised losses) on derivatives

4. Remeasurements and exceptional items

Period ended 30 June 2023 **$'000**	**Fair value remeasurement**[i]	**Impairments and write offs**[ii]	**Other**[iii]	**Total**
Revenue and other operating income	**37,617**	**–**	**–**	**37,617**
Cost of sales	**9,921**	**–**	**–**	**9,921**
Net impairment charge	**–**	**(96,459)**	**–**	**(96,459)**
Other income	**43,520**	**–**	**9,283**	**52,803**
Finance costs	**–**	**–**	**(29,427)**	**(29,427)**
	91,058	**(96,459)**	**(20,144)**	**(25,545)**
Tax on items above	**(35,787)**	**29,521**	**9,779**	**3,513**
UK Energy Profits Levy	**(32,175)**	**15,833**	**10,499**	**(5,843)**
	23,096	**(51,105)**	**134**	**(27,875)**

Period ended 30 June 2022 $'000	Fair value remeasurement(i)	Impairments and write offs(ii)	Other(iii)	Total
Revenue and other operating income	(104,672)	–	–	(104,672)
Cost of sales	(481)	–	–	(481)
Net impairment reversal	–	10,122	–	10,122
Other income	4,061	–	–	4,061
Other expense	(30,996)	–	–	(30,996)
Finance costs	–	–	(17,870)	(17,870)
	(132,088)	10,122	(17,870)	(139,836)
Tax on items above	54,461	(4,049)	5,046	55,458
Recognition of undiscounted deferred tax asset(iv)	–	107,895	–	107,895
	(77,627)	113,968	(12,824)	23,517

(i) Fair value remeasurements include unrealised mark-to-market movements on derivative contracts and other financial instruments and the impact of recycled realised gains and losses out of 'Remeasurements and exceptional items' and into Business performance profit or loss of a gain of $47.5 million (2022: loss of $105.2 million). Other income relates to the fair value remeasurement of contingent consideration relating to the acquisition of Magnus and associated infrastructure of $43.5 million (note 10) (2022: Net other expense $26.9 million)
(ii) Net impairment charge totalling $96.5 million (note 7) (2022: $10.1 million reversal)
(iii) Other items mainly relate to unwinding of discount on contingent consideration on the 75% acquisition of Magnus and associated infrastructure of $29.4 million (note 10) (2022: $17.9 million), recognition of an additional insurance claim debtor related to the PM8/Seligi asset $4.1 million and reversal of a provision held on acquisition of Golden Eagle asset of $5.2 milllion
(iv) Non-cash deferred tax credit in 2022 following a reassessment of deferred tax balances reflecting revisions to forecast assumptions

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 2023 $'000	Period ended 30 June 2022 $'000
Revenue from contracts with customers:		
Revenue from crude oil sales	**540,134**	851,206
Revenue from gas and condensate sales(i)	**213,249**	252,907
Tariff revenue	**738**	550
Total revenue from contracts with customers	**754,121**	1,104,663
Realised (losses)/gains on commodity derivative contracts	**(22,168)**	(162,323)
Other	**785**	1,167
Business performance revenue and other operating income	**732,738**	943,507
Unrealised gains/(losses) on oil derivative contracts(ii)	**37,617**	(104,672)
Total revenue and other operating income	**770,355**	838,835

(i) Includes onward sale of third-party gas purchases not required for injection activities at Magnus. See Operating costs reconciliation within Non-GAAP measures on page 34
(ii) Unrealised gains and losses on oil derivative contracts are disclosed as fair value remeasurement items in the income statement (note 4)

6. Earnings per share

The calculation of earnings per share is based on the profit after tax and on the weighted average number of Ordinary shares in issue during the period. Diluted earnings per share is adjusted for the effects of Ordinary shares granted under the share-based payment plans, which are held in the Employee Benefit Trust, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

Basic and diluted earnings per share are calculated as follows:

	Profit/(loss) after tax		Weighted average number of Ordinary shares		Earnings per share	
	Period ended 30 June		Period ended 30 June		Period ended 30 June	
	2023 $'000	2022 $'000	**2023 million**	2022 million	**2023 $**	2022 $
Basic	**(21,217)**	203,543	**1,843.5**	1,833.9	**(0.012)**	0.111
Dilutive potential of Ordinary shares granted under share-based incentive schemes	**–**	–	**18.6**	36.9	**–**	–
Diluted(i)	**(21,217)**	203,543	**1,862.1**	1,870.8	**(0.012)**	0.109
Basic (excluding remeasurements and exceptional items)	**6,658**	180,026	**1,843.5**	1,833.9	**0.004**	0.098
Diluted (excluding remeasurements and exceptional items)(i)	**6,658**	180,026	**1,862.1**	1,870.8	**0.004**	0.096

(i) Potential ordinary shares granted under share-based incentive schemes are not treated as dilutive when they would decrease a loss per share

7. Property, plant and equipment

	Oil and gas assets $'000	Office furniture, fixtures and fittings $'000	Right-of-use assets $'000	Total $'000
Cost:				
At 1 January 2023	**9,037,851**	**67,321**	**876,859**	**9,982,031**
Additions	**40,208**	**670**	**26,934**	**67,812**
Disposal	**–**	**–**	**(266)**	**(266)**
Change in decommissioning provision	**(9,075)**	**–**	**–**	**(9,075)**
At 30 June 2023	**9,068,984**	**67,991**	**903,527**	**10,040,502**
Accumulated depreciation, depletion and impairment:				
At 1 January 2023	**7,000,950**	**56,625**	**447,481**	**7,505,056**
Charge for the period	**122,270**	**1,330**	**27,297**	**150,897**
Net impairment charge	**74,539**	**–**	**21,920**	**96,459**
Disposal	**–**	**–**	**(121)**	**(121)**
At 30 June 2023	**7,197,759**	**57,955**	**496,577**	**7,752,291**
Net carrying amount:				
At 30 June 2023	**1,871,225**	**10,036**	**406,950**	**2,288,211**
At 31 December 2022	2,036,901	10,696	429,378	2,476,975
At 30 June 2022	2,214,373	10,599	447,905	2,672,877

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

	Impairment (charge) / reversal		Recoverable amount(i)	
	Period ended 30 June 2023 $'000	Period ended 30 June 2022 $'000	**Period ended 30 June 2023 $'000**	Year ended 31 December 2022 $'000
North Sea	**(96,459)**	10,122	**1,313,483**	1,448,391
Net pre-tax impairment charge	**(96,459)**	10,122		

(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 2023 net impairment charge of $96.5 million relates to producing assets in the UK North Sea. These are primarily driven by a decrease in EnQuest's future price assumptions. The cash generating units ('CGUs') on which impairment charges relate was $68.6 million for the Kraken CGU, $21.5 million for the Golden Eagle CGU, $7.5 million for the GKA and Scolty/Crathes CGU and an impairment reversal of $1.2 million related to the Alba CGU.

The 2022 net impairment reversal of $10.1 million relates to producing assets in the UK North Sea. The increase in EnQuest's near-term future oil price assumptions were largely offset by the increase in discount rate from 10% to 11% and impact of tax including the UK Energy Profit Levy. The CGUs on which impairment reversals relate was $14.6m for the GKA and Scolty/Crathes CGU. Impairment losses of $4.5 million were incurred relating to the Alba CGU.

Sensitivity analyses
Management tested the impact of a change in cash flows in FVLCD impairment testing arising from a 10.0% reduction in price assumptions.

Price reductions of this magnitude in isolation could indicatively lead to a further reduction in the carrying amount of EnQuest's oil and gas properties by approximately $269.6 million, which is approximately 12% of the net book value of property, plant and equipment as at 30 June 2023. Removing the Group's near-term associated oil product price differential assumptions could indicatively lead to an increase in the carrying amount of EnQuest's oil and gas properties by approximately $8.7 million.

The oil price sensitivity analysis above does not, however, represent management's best estimate of any impairments that might be recognised as it does not fully incorporate consequential changes that may arise, such as reduction in costs and to business plans, phasing of development, levels of reserves and resources, and production volumes. As the extent of a price reduction increases, the more likely it is that costs would decrease across the industry. The oil price sensitivity analysis therefore does not reflect a linear relationship between price and value that can be extrapolated.

Management also tested the impact of a 1.0% change in the discount rate of 11.0% used for FVLCD impairment testing of oil and gas properties which is considered a reasonably possible change given the prevailing macroeconomic conditions. If the discount rate was 1.0% higher across all tests performed, the net impairment recognised in first half of 2023 would have been approximately $54.6 million higher. If the discount rate was 1.0% lower, the net impairment charge recognised would have been approximately $59.8 million lower.

8. Loans and borrowings

	30 June 2023 $'000	31 December 2022 $'000
Borrowings	**255,052**	413,358
Bonds	**602,398**	586,930
	857,450	1,000,288

Borrowings
The Group's borrowings are carried at amortised cost as follows:

	30 June 2023			31 December 2022		
	Principal $'000	**Fees $'000**	**Total $'000**	Principal $'000	Fees $'000	Total $'000
RBL facility[i]	**247,000**	**(5,624)**	**241,376**	400,000	(4,609)	395,391
SVT Working Capital facility	**13,676**	**–**	**13,676**	12,275	–	12,275
Vendor Loan Facility	**–**	**–**	**–**	5,692	–	5,692
Total borrowings	**260,676**	**(5,624)**	**255,052**	417,967	(4,609)	413,358
Due within one year			**57,274**			131,936
Due after more than one year			**197,778**			281,422
Total borrowings			**255,052**			413,358

(i) During the period to 30 June 2023, the Group repaid $153.0 million of the outstanding principal, and continues to be ahead of the required amortisation schedule. At 30 June 2023, after allowing for letter of credit utilisation of $52.8 million, $89.2 million remained available for drawdown under the facility.

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

	30 June 2023			31 December 2022		
	Principal $'000	**Fees $'000**	**Total $'000**	Principal $'000	Fees $'000	Total $'000
High yield bond 11.625%[i]	**305,000**	**(12,273)**	**292,727**	305,000	(13,815)	291,185
Retail bond 7.00%[ii]	**140,879**	**–**	**140,879**	134,544	–	134,544
Retail bond 9.00%[iii]	**168,792**	**–**	**168,792**	161,201	–	161,201
Total	**614,671**	**(12,273)**	**602,398**	600,745	(13,815)	586,930
Due within one year			**140,879**			134,544
Due after more than one year			**461,519**			452,386
Total			**602,398**			586,930

(i) The total carrying value of the high yield bond as at 30 June 2023 is $292.7 million (31 December 2022: $291.2 million). This includes bond principal of $305.0 million (2022: $305.0 million) less the amortised original issue discount ('OID') of $3.7 million less unamortised fees of $8.6 million (31 December 2022: $4.2 million and $9.6 million, respectively). The high yield bond does not include accrued interest of $5.8 million (31 December 2022: $6.5 million) which is reported within trade and other payables.
(ii) The total carrying value of the Retail bond 7.00% at 30 June 2023 is $140.9 million (31 December 2022: $134.5 million). The Retail bond 7.00% does not include accrued interest of $3.6 million (31 December 2022: $2.6 million), which is reported within trade and other payables.
(iii) The total carrying value of the Retail bond 9.00% as at 30 June 2023 is $168.8 million (31 December 2022: $161.2 million). This does not include accrued interest of $2.7 million (31 December 2022: $3.6 million), which is reported within trade and other payables.

9. Other financial assets and financial liabilities

(a) Summary as at 30 June 2023

	30 June 2023		31 December 2022	
	Assets $'000	**Liabilities $'000**	Assets $'000	Liabilities $'000
Fair value through profit or loss:				
Derivative commodity contracts	**59**	**12,786**	4,705	46,537
Derivative foreign exchange contracts	**9,648**	**–**	–	–
Derivative UKA contracts	**–**	**4,155**	–	4,429
Total current	**9,707**	**16,941**	4,705	50,966
Fair value through profit or loss:				
Quoted equity shares	**6**	**–**	6	–
Total non-current	**6**	**–**	6	–

(b) Income statement impact

The income/(expense) recognised for derivatives are as follows:

	Revenue and other operating income		**Cost of sales**	
Period ended 30 June 2023	**Realised $'000**	**Unrealised $'000**	**Realised $'000**	**Unrealised $'000**
Commodity options	**(26,375)**	**31,531**	**–**	**–**
Commodity swaps	**4,786**	**6,086**	**–**	**–**
Commodity futures	**(579)**	**–**	**–**	**–**
Foreign exchange contracts	**–**	**–**	**1,737**	**9,648**
UKA contracts	**–**	**–**	**(2,856)**	**273**
	(22,168)	**37,617**	**(1,119)**	**9,921**

	Revenue and other operating income		Cost of sales	
Period ended 30 June 2022	Realised $'000	Unrealised $'000	Realised $'000	Unrealised $'000
Commodity options	(165,053)	(105,977)	–	–
Commodity swaps	1,387	1,303	–	–
Commodity futures	1,343	2	–	–
Foreign exchange contracts	–	–	(3,546)	(382)
UKA contracts	–	–	(260)	(99)
	(162,323)	(104,672)	(3,806)	(481)

(c) Fair value measurement

30 June 2023	Notes	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:					
Other financial assets at FVPL					
Oil commodity derivative contracts		**–**	**–**	**–**	**–**
Gas commodity contracts		**59**	**–**	**59**	**–**
Forward foreign currency contracts		**9,648**	**–**	**9,648**	**–**
Quoted equity shares		**6**	**6**	**–**	**–**
Total financial assets measured at fair value		**9,713**	**6**	**9,707**	**–**
Liabilities measured at fair value:					
Derivative financial liabilities at FVPL					
Oil commodity derivative contracts		**12,786**	**–**	**12,786**	**–**
Forward UKA contracts		**4,155**	**–**	**4,155**	**–**
Other financial liabilities measured at FVPL					
Contingent consideration		**586,026**	**–**	**–**	**586,026**
Total liabilities measured at fair value		**602,967**	**–**	**16,941**	**586,026**
Liabilities measured at amortised cost for which fair values are disclosed below:					
Interest-bearing loans and borrowings	**8**	**260,676**	**–**	**–**	**260,676**
Retail bond 7.00%	**8**	**140,210**	**140,210**	**–**	**–**
Retail bond 9.00%	**8**	**156,850**	**156,850**	**–**	**–**
High yield bond 11.625%	**8**	**277,643**	**277,643**	**–**	**–**
Total liabilities measured at amortised cost for which fair values are disclosed		**835,379**	**574,703**	**–**	**260,676**

31 December 2022	Notes	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Financial assets measured at fair value:					
Other financial assets at FVPL					
Gas commodity derivative contracts		4,705	–	4,705	–
Quoted equity shares		6	6	–	–
Total financial assets measured at fair value		4,711	6	4,705	–
Liabilities measured at fair value:					
Derivative financial liabilities at FVPL					
Oil commodity derivative contracts		46,537	–	46,537	–
Forward UKA Contracts		4,429	–	4,429	–
Other financial liabilities measured at FVPL					
Contingent consideration		636,875	–	–	636,875
Total liabilities measured at fair value		687,841	–	50,966	636,875
Liabilities measured at amortised cost for which fair values are disclosed below:					
Interest-bearing loans and borrowings	8	417,967	–	–	417,967
Retail bond 7.00%	8	133,535	133,535	–	–
Retail bond 9.00%	8	153,754	153,754	–	–
High yield bond 7.00%	8	297,528	297,528	–	–
Total liabilities measured at amortised cost for which fair values are disclosed		1,002,784	584,817	–	417,967

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as follows:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly (i.e. as prices) or indirectly (i.e. derived from prices) observable;
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Derivative financial instruments are valued by counterparties, with the valuations reviewed internally and corroborated with readily available market data (Level 2). Contingent consideration is measured at FVPL using the Level 3 valuation processes disclosed in note 10. There have been no transfers between Level 1 and Level 2 during the period (2022: no transfers).

For the financial liabilities measured at amortised costs but for which fair value disclosures are required, the fair value of the bonds classified as Level 1 was derived from quoted prices for that financial instrument. Interest-bearing loans and borrowings were calculated using the discounted cash flow method to capture the present value (Level 3).

10. Contingent consideration

	Magnus 75% $'000	Magnus decommissioning -linked liability $'000	Golden Eagle $'000	Total $'000
At 31 December 2022	**566,685**	**21,853**	**48,337**	**636,875**
Change in fair value	**(41,928)**	**(1,592)**	–	**(43,520)**
Unwinding of discount	**28,334**	**1,093**	**1,663**	**31,090**
Utilisation	**(38,229)**	**(190)**	–	**(38,419)**
At 30 June 2023	**514,862**	**21,164**	**50,000**	**586,026**
Classified as:				
Current	**51,868**	**4,414**	**50,000**	**106,282**
Non-current	**462,994**	**16,750**	–	**479,744**
	514,862	**21,164**	**50,000**	**586,026**

75% Magnus acquisition contingent consideration
The contingent consideration was fair valued at 30 June 2023, which resulted in a decrease in fair value of $41.9 million reflecting a change in the Group's near term oil price assumptions and a 1.3% increase in the discount rate to 11.3% (30 June 2022: increase of $31.0 million reflecting a change in the Group's short term oil price assumptions partially offset by a 1.0% increase in the discount rate to 11.0%). The fair value accounting effect and finance costs of $28.3 million (30 June 2022: $16.8 million) on the contingent consideration were recognised through remeasurements and exceptional items in the Group income statement. Within the statement of cash flows, the profit share element of the payment, $38.2 million (2022: nil), is disclosed separately under investing activities. At 30 June 2023, the contingent consideration was $514.9 million (31 December 2022: $566.7 million). At 30 June 2023, the contingent profit-sharing arrangement cap of $1 billion is forecast to be met in the present value calculations (31 December 2022: cap was met).

Management has considered alternative scenarios to assess the valuation of the contingent consideration including, but not limited to, the key accounting estimate relating to discount rate, the oil price and the interrelationship with production and the profit-share arrangement. A 1.0% reduction in the discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic conditions, would increase contingent consideration by $20.3 million. A 1.0% increase would decrease contingent consideration by $19.0 million. At 30 June 2023, the contingent profit-sharing cap of $1.0 billion is forecast to be met in the present value calculations (31 December 2022: cap was forecast to be met), therefore sensitivity analysis has only been undertaken on a reduction in the price assumptions of 10%, which is considered to be a reasonably possible change. This results in a reduction of $78.7 million to the contingent consideration (31 December 2022: reduction of $73.6 million). The change in value represents a change in timing of cash flows.

Magnus decommissioning-linked contingent consideration
As part of the Magnus and associated interests acquisition, bp retained the decommissioning liability in respect of the existing wells and infrastructure and EnQuest agreed to pay additional consideration in relation to the management of the physical decommissioning costs of Magnus. At 30 June 2023, the amount due to bp, calculated on an after-tax basis by reference to 30% of bp's decommissioning costs on Magnus, was $21.2 million (31 December 2022: $21.9 million).

Golden Eagle contingent consideration
Part of the Golden Eagle acquisition consideration included an amount that was contingent on the average oil price between July 2021 and June 2023. The contingent consideration is payable in the second half of 2023, if between July 2021 and June 2023 the Dated Brent average crude price equals or exceeds $55/bbl, upon which $25.0 million is payable, or if the Dated Brent average crude price equals or exceeds $65/bbl, upon which $50.0 million is payable. The contingent consideration liability was discounted at 7%. Over the period July 2021 to June 2023, the average oil price was $89.6/bbl. As such, at 30 June 2023 the contingent consideration was valued at $50.0 million with settlement of this liability completed in July 2023.

11. Provisions

	Decommissioning provision $'000	Thistle decommissioning provision $'000	Other provisions $'000	Total $'000
At 31 December 2022	**691,584**	**32,720**	**13,366**	**737,670**
Additions	**1,191**	**–**	**556**	**1,747**
Changes in estimates	**(3,461)**	**442**	**(5,191)**	**(8,210)**
Unwinding of discount	**12,118**	**573**	**–**	**12,691**
Utilisation	**(23,571)**	**(4,604)**	**(193)**	**(28,368)**
Other	**–**	**40**	**(431)**	**(391)**
At 30 June 2023	**677,861**	**29,171**	**8,107**	**715,139**
Classified as:				
Current	**54,471**	**9,910**	**8,107**	**72,488**
Non-current	**623,390**	**19,261**	–	**642,651**
	677,861	**29,171**	**8,107**	**715,139**

Decommissioning provision

The Group's total provision represents the present value of decommissioning costs which are expected to be incurred up to 2048, assuming no further development of the Group's assets. The Group's decommissioning provision has reduced by $13.7 million in the period. This is primarily reflecting the ongoing decommissioning programmes and an increase in the discount rate of 1.1% to 4.6% resulting in a decrease of $54.0 million, offset by higher cost estimates of $50.5 million including movements in foreign exchange rates. At 30 June 2023, an estimated $412.2 million is expected to be utilised between one and five years (31 December 2022: $407.0 million), $74.1 million within six to ten years (31 December 2022: $67.6 million), and the remainder in later periods.

The Group enters into surety bonds principally to provide security for its decommissioning obligations. At 30 June 2023, the Group held surety bonds totalling $249.2 million (31 December 2022: $227.6 million).

Changes in assumptions, including cost reduction factors, in relation to the Group's provisions could result in a material change in their carrying amounts within the next financial year. A 1.0% decrease in the nominal discount rate applied, which is considered a reasonably possible change given the prevailing macroeconomic environment, could increase the Group's provision balances by approximately $49.2 million. The pre-tax impact on the Group income statement would be a charge of approximately $6.9 million, reflecting the change in estimates for assets which have already ceased production.

Thistle decommissioning provision

At 30 June 2023, the amount due to bp by reference to 7.5% of bp's decommissioning costs on Thistle and Deveron was $29.2 million (31 December 2022: $32.7 million), with the reduction mainly reflecting the utilisation in the period. Unwinding of discount of $0.6 million is included within finance income for the period ended 30 June 2023 (30 June 2022: $0.4 million).

Other provisions

During 2021, the Group recognised $8.2 million in relation to disputes with third-party contractors. In 2022, one dispute was settled for $0.5 million and the other dispute is ongoing. At 30 June 2023, the provision was $7.4 million (31 December 2022: $7.5 million).

12. Commitments and contingencies

Capital commitments

At 30 June 2023, the Group had capital commitments amounting to $24.8 million (31 December 2022: $9.5 million).

Other commitments

In the normal course of business, the Group will obtain surety bonds, letters of credit and guarantees. At 30 June 2023, the Group held surety bonds totalling $249.2 million (31 December 2022: $227.6 million) to provide security for its decommissioning obligations.

Contingencies

The Group becomes involved from time to time in various claims and lawsuits arising in the ordinary course of its business. Outside of those already provided the Group 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 Group's financial position or profitability, nor, so far as the Group is aware, are any such proceedings pending or threatened.

13. Cash flow information

Cash generated from operations

	Notes	**Period ended 30 June 2023 $'000**	Period ended 30 June 2022 $'000
Profit/(loss) before tax		**112,895**	182,572
Depreciation	7	**3,039**	3,295
Depletion	7	**147,858**	174,209
Net impairment charge/(reversal)	7	**96,459**	(10,122)
Net disposal/(write down) of inventory		**2,048**	(360)
Insurance income		**(4,091)**	–
Write-off of historical joint venture balance		**68**	–
Share-based payment charge		**1,353**	2,068
Change in contingent consideration	10	**(12,430)**	46,359
Change in provisions		**15,303**	(22,860)
Amortisation of option premiums		**10,567**	658
Unrealised (gain)/loss on commodity financial instruments		**(37,617)**	104,672
Unrealised (gain)/loss on other financial instruments		**(9,921)**	481
Unrealised exchange (gain)/loss		**16,645**	(20,686)
Net finance expense		**70,234**	84,777
Operating profit before working capital changes		**412,410**	545,063
Decrease/(increase) in trade and other receivables		**16,086**	2,214
Decrease/(increase) in inventories		**(6,771)**	(17,771)
(Decrease)/increase in trade and other payables		**(51,304)**	(6,842)
Cash generated from operations		**370,421**	522,664

Changes in liabilities arising from financing activities

	Loans and borrowings $'000	Bonds $'000	Lease liabilities $'000	Total $'000
At 31 December 2022	**(413,528)**	**(597,283)**	**(482,066)**	**(1,492,877)**
Cash movements:				
Repayments of loans and borrowings	**179,591**	**–**	**–**	**179,591**
Proceeds from loans and borrowings	**(21,468)**	**–**	**–**	**(21,468)**
Payment of lease liabilities	**–**	**–**	**63,412**	**63,412**
Cash interest paid in period	**15,965**	**30,341**	**–**	**46,306**
Non-cash movements:				
Additions	**–**	**–**	**(26,934)**	**(26,934)**
Interest/finance charge payable	**(14,294)**	**(30,950)**	**(20,548)**	**(65,792)**
Fee amortisation	**(515)**	**(1,542)**	**–**	**(2,057)**
Foreign exchange and other non-cash movements	**(803)**	**(13,629)**	**(3,452)**	**(17,884)**
At 30 June 2023	**(255,052)**	**(613,063)**	**(469,588)**	**(1,337,703)**

Reconciliation of carrying value

	Loans and borrowings $'000	Bonds $'000	Lease liabilities $'000	Total $'000
Principal	**260,676**	**614,671**	**469,588**	**1,344,935**
Unamortised fees	**(5,624)**	**(12,273)**	**–**	**(17,897)**
Accrued interest	**–**	**10,665**	**–**	**10,665**
At 30 June 2023	**255,052**	**613,063**	**469,588**	**1,337,703**

14. Subsequent events

On 25 August 2023, the Group agreed a second lien Term Loan facility of $150.0 million. This facility matures in July 2027 and incurs interest at SOFR +7.90%.

In July 2023, the Golden Eagle contingent consideration of $50.0 million was fully settled (note 10).

STATEMENT OF DIRECTORS' RESPONSIBILITIES

We confirm that to the best of our knowledge:

a) the condensed set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer, or the undertakings included in the consolidation as a whole as required by DTR 4.2.4R;

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

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

By the order of the Board

Amjad Bseisu

Chief Executive Officer

4 September 2023

INDEPENDENT REVIEW REPORT TO ENQUEST PLC

Conclusion

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 2023 which comprises the Group Income Statement, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and related notes 1 to 14.

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 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 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 (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, 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.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statement in the half-yearly financial report. Our Conclusion, including our Conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with ISRE (UK) 2410. 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

Statutory Auditor

London, United Kingdom

4 September 2023

GLOSSARY – NON-GAAP MEASURES

The Group uses Alternative Performance Measures ('APMs') when assessing and discussing the Group's financial performance, balance sheet and cash flows that are not defined or specified under IFRS but consistent with accounting policies applied in the financial statements. The Group uses these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, to provide stakeholders with 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, balance sheet and cash flows.

The use of the Business performance APM is explained in note 2 of the Group's annual consolidated financial statements, published in April 2023, on page 128.

Business performance net profit attributable to EnQuest PLC shareholders	**Period ended 30 June 2023 $'000**	Period ended 30 June 2022 $'000
Reported net (loss)/profit (A)	**(21,217)**	203,543
Adjustments – remeasurements and exceptional items:		
Unrealised gains/(losses) on derivative contracts (note 9b)	**47,538**	(105,153)
Net impairment (charge)/reversal to oil and gas assets (notes 4 and 7)	**(96,459)**	10,122
Finance costs on Magnus on contingent consideration (note 10)	**(29,427)**	(17,870)
Change in fair value of Magnus contingent consideration (note 10)	**43,520**	(26,935)
Other exceptional income (note 4)	**9,283**	–
Pre-tax remeasurements and exceptional items (B)	**(25,545)**	(139,836)
Tax on remeasurements and exceptional items (note 4) (C)	**(2,330)**	163,353
Post-tax remeasurements and exceptional items (D = B + C)	**(27,875)**	23,517
Business performance net profit attributable to EnQuest PLC shareholders (A – D)	**6,658**	180,026

Adjusted EBITDA is a measure of profitability. It provides a metric to show earnings before the influence of accounting (i.e. depletion and depreciation) and financial deductions (i.e. borrowing interest). For the Group, this is a useful metric as a measure to evaluate the Group's underlying operating performance and is a component of a covenant measure under the Group's RBL facility. It is commonly used by stakeholders as a comparable metric of core profitability and can be used as an indicator of cash flows available to service and pay down debt. Due to the adjustment made to reach adjusted EBITDA, the Group notes the metric should not be used in isolation. The nearest equivalent measure on an IFRS basis is profit/(loss) from operations before tax and finance income/(costs).

Adjusted EBITDA	**Period ended 30 June 2023 $'000**	Period ended 30 June 2022 $'000
Reported profit/(loss) from operations before tax and finance income/(costs)	**225,246**	294,158
Adjustments:		
Remeasurements and exceptional items (note 4)	**(3,882)**	121,966
Depletion and depreciation (note 7)	**150,897**	177,504
Inventory revaluation	**2,048**	(360)
Change in provision	**7,247**	(32,292)
Net foreign exchange (gain)/loss	**17,683**	(24,693)
Adjusted EBITDA (E)	**399,239**	536,283

Total cash and available facilities is a measure of the Group's liquidity at the end of the reporting period. The Group believes this is a useful metric as it is an important reference point for the Group's going concern assessment, see page 13.

Total cash and available facilities	**Period ended 30 June 2023 $'000**	Year ended 31 December 2022 $'000
Available cash	**275,922**	293,866
Restricted cash	**7,316**	7,745
Total cash and cash equivalents (F)	**283,238**	301,611
Available credit facilities	**401,776**	500,000
RBL – drawn down (note 8)	**(247,000)**	(400,000)
Letter of credit	**(52,800)**	(52,700)
Available undrawn facility (G)	**101,976**	47,300
Total cash and available facilities (F + G)	**385,214**	348,911

Net debt is a liquidity measure that shows how much debt a company has on its balance sheet compared to its cash and cash equivalents. With de-leveraging a strategic priority, the Group believes this is a useful metric to demonstrate progress in this regard. It is also an important reference point for the Group's going concern assessment, see page 13. The Group's definition of net debt, referred to as EnQuest net debt, excludes the Group's finance lease liabilities as the Group's focus is the management of cash borrowings and a lease is viewed as deferred capital investment.

EnQuest net debt	Period ended 30 June 2023 $'000	Year ended 31 December 2022 $'000
Borrowings (note 8):		
RBL facility	**241,376**	395,391
SVT Working Capital facility	**13,676**	12,275
Vendor Loan Facility	**–**	5,692
Borrowings (H)	**255,052**	413,358
Bonds (note 8):		
High yield bond	**292,727**	291,185
Retail bonds	**309,671**	295,745
Bonds (I)	**602,398**	586,930
Non-cash accounting adjustments (note 8):		
Unamortised fees on loans and borrowings	**5,624**	4,609
Unamortised fees on bonds	**12,273**	13,815
Non-cash accounting adjustments (J)	**17,897**	18,424
Debt (H + I + J) (K)	**875,347**	1,018,712
Less: Cash and cash equivalents (E)	**283,238**	301,611
EnQuest net debt (K – F) (L)	**592,109**	717,101

The EnQuest net debt/adjusted EBITDA metric is a ratio that provides management and users of the Group's consolidated financial statements with an indication of how many years it would take to service the Group's debt. This is a helpful metric to monitor the Group's progress against its strategic objective of de-leveraging.

EnQuest net debt/adjusted EBITDA	Period ended 30 June 2023 $'000	Year ended 31 December 2022 $'000
EnQuest net debt (L)	**592,109**	717,101
Adjusted EBITDA (last 12 months) (E)	**842,035**	979,084
EnQuest net debt/adjusted EBITDA (L/E)	**0.7**	0.7

Cash capital expense (nearest equivalent measure on an IFRS basis is purchase of property, plant and equipment) monitors investing activities on a cash basis, while cash decommissioning expense monitors the Group's cash spend on decommissioning activities. The Group provides guidance to the financial markets for both these metrics given the materiality of the work programmes and the focus on the Group's liquidity position and ability to reduce its debt.

Cash capital and decommissioning expense	Period ended 30 June 2023 $'000	Period ended 30 June 2022 $'000
Reported net cash flows (used in)/from investing activities	**(115,865)**	(54,435)
Adjustments:		
Payment of Magnus contingent consideration – Profit share	**38,229**	–
Interest received	**(2,398)**	(256)
Cash capital expense	**(80,034)**	(54,691)
Decommissioning spend	**(29,333)**	(28,194)
Cash capital and decommissioning expense	**(109,367)**	(82,885)

Free cash flow ('FCF') represents the cash a company generates, after accounting for cash outflows to support operations and to maintain its capital assets. Currently this metric is useful to management and users to assess the Group's ability to reduce its debt.

The definition of free cash flow is net cash flow adjusted for net repayment/proceeds of loans and borrowings, net proceeds of share issues and cost of acquisitions.

Free cash flow	Period ended 30 June 2023 $'000	Period ended 30 June 2022 $'000
Net cash flows from/(used in) operating activities	**371,046**	498,375
Net cash flows from/(used in) investing activities	**(115,865)**	(54,435)
Net cash flows from/(used in) financing activities	**(273,279)**	(344,441)
Adjustments:		
Proceeds of loans and borrowings[(i)]	**(21,468)**	(77,882)
Repayment of loans and borrowings[(i)]	**179,591**	310,531
Free cash flow	**140,025**	332,148

(i) For the prior year, $10.4 million has been reclassed between proceeds from loans and borrowing and repayments of loans and borrowings to better represent the substance of the transaction

Average realised price is a measure of the revenue earned per barrel sold. The Group believes this is a useful metric for comparing performance to the market and to give the user, both internally and externally, the ability to understand the drivers impacting the Group's revenue.

Revenue from sales	**Period ended 30 June 2023 $'000**	Period ended 30 June 2022 $'000
Revenue from crude oil sales (note 5) (M)	**540,134**	851,206
Revenue from gas and condensate sales (note 5) (N)	**213,249**	252,907
Realised (losses)/gains on oil derivative contracts (note 5) (P)	**(22,168)**	(162,323)

Barrels equivalent sales	**Period ended 30 June 2023 kboe**	Period ended 30 June 2022 kboe
Sales of crude oil (Q)	**6,833**	7,667
Sales of gas and condensate(i)	**2,404**	1,607
Total sales (R)	**9,237**	9,274

(i) Includes volumes related to onward sale of third-party gas purchases not required for injection activities at Magnus

Average realised prices	**Period ended 30 June 2023 $/Boe**	Period ended 30 June 2022 $/Boe
Average realised oil price, excluding hedging (M/Q)	**79.0**	111.0
Average realised oil price, including hedging ((M + P)/Q)	**75.8**	89.9

Operating costs ('opex') is a measure of the Group's cost management performance (reconciled to reported cost of sales, the nearest equivalent measure on an IFRS basis). Opex is a key measure to monitor the Group's alignment to its strategic pillars of financial discipline and value enhancement and is required in order to calculate opex per barrel (see below).

Operating costs	**Period ended 30 June 2023 $'000**	Period ended 30 June 2022 $'000
Reported cost of sales	**483,219**	586,082
Adjustments:		
Remeasurements and exceptional items	**9,921**	(481)
Depletion of oil and gas assets	**(147,858)**	(174,209)
Credit/(charge) relating to the Group's lifting position and inventory	**15,342**	29,896
Other cost of sales(i)	**(197,934)**	(232,904)
Operating costs	**162,690**	208,384
Less realised (gain)/loss on derivative contracts (S)	**1,119**	3,806
Operating costs directly attributable to production	**161,571**	204,578
Comprising of:		
Production costs (T)	**145,465**	181,166
Tariff and transportation expenses (U)	**16,106**	23,412
Operating costs directly attributable to production	**161,571**	204,578

(i) Includes $186.3 million (2022: $218.4 million) of purchases and associated costs of third-party gas not required for injection activities at Magnus which is sold on

Unit opex is the operating expenditure per barrel of oil equivalent produced. This metric is useful as it is an industry standard metric allowing comparability between oil and gas companies. Unit opex including hedging includes the effect of realised gains and losses on derivatives related to foreign currency and emissions allowances. This is a useful measure for investors because it demonstrates how the Group manages it's risk to market price movements.

Barrels equivalent produced	**Period ended 30 June 2023 kboe**	Period ended 30 June 2022 kboe
Total produced (working interest) (V) (i)	**8,232**	9,000

(i) Production figure for first half of 2023 includes 660 Boepd associated with Seligi gas

Unit opex	**Period ended 30 June 2023 $/Boe**	Period ended 30 June 2022 $/Boe
Production costs (T/V)	**17.7**	20.1
Tariff and transportation expenses (U/V)	**2.0**	2.6
Total unit opex ((T + U)/V)	**19.7**	22.7
Realised loss/(gain)/ on derivative contracts (S/V)	**0.1**	0.4
Total unit opex including hedging ((S + T+ U)/V)	**19.8**	23.1