Harbour Energy plc
2026 Half-year results - Transcript
6th August 2026

Elizabeth Brooks, Head of Investor Relations
Good morning, everyone, and welcome to Harbour Energy's 2026 Half-Year Results call. We have presenting today our CEO, Linda Cook, our CFO, Alexander Krane, and our Chief Operating Officer, Nigel Hearne.

Turning to today's agenda, Linda will begin by discussing our strategy and the highlights of another strong period for Harbour. Nigel will cover operating performance, followed by Alexander who will take you through our financial results, guidance and outlook. We'll then return to Linda for some closing remarks before we open up for Q&A. With that, over to you, Linda.

Linda Z Cook, CEO
Good morning, everyone, and thanks for joining the call. For those of you who are new to Harbour, maybe just a bit of a reminder. From the beginning, we set a vision to build a leading global independent oil and gas company. Following our first acquisition nearly ten years ago in the UK, our priority was to build scale and to diversify, which we achieved through acquiring Wintershall Dea in 2024. And now, with the recently completed LLOG and Waldorf transactions, we further strengthen the portfolio's resilience and longevity.

As a result of our disciplined investment, integration capability and active portfolio management, today we're producing 500,000 barrels per day centred on five core countries and increasingly weighted towards lower cost and lower tax basins with growth potential.

As we look ahead, we remain focused on continuing to execute our strategy, leveraging our scale and diverse portfolio to create value through our four strategic priorities – sustaining production at scale, building a competitive portfolio of reserves and resources, maintaining financial resilience, and delivering competitive shareholder returns.

So, now, turning to highlights from our results announced earlier today. The first half was another strong period for Harbour operationally, strategically and financially. Excellent operational execution led to record production of more than 500,000 barrels per day, with strong contributions from Norway and our new business in the US, where we've seen strong results from recently completed wells. This enabled us to improve our full year production guidance for the second time this year.

We also made good progress advancing our priority development opportunities, including high-return projects in Norway and the US, alongside our longer-term growth prospects in Mexico and Argentina.

And we completed three significant transactions that further strengthened and simplified the portfolio. Through the acquisition of LLOG Exploration in the US, we added a new core country with operated oil-weighted assets and a compelling growth profile in one of the world's most prolific oil and gas basins.

We enhanced the resilience of our UK business through the Waldorf acquisition, which delivers significant financial and operational synergies.

And we divested our high-cost non-core assets in Indonesia following our exit from Vietnam last year, which further improved overall portfolio quality.

As a result and supported by elevated prices for both Brent oil and European gas, we generated significant free cash flow during the period.

Given this, and our outlook for the second half, we've increased our full year free cash flow estimate to $1.8bn.
The performance has enabled us to pay down debt faster following the LLOG acquisition and accelerate delivery of material shareholder distributions, including a new $250m share buyback programme announced today.

And now I'm going to turn it over to Nigel, who will take you through our operational performance.

Nigel Hearne, Chief Operation Officer
Good morning, and thank you, Linda. We've had a strong start to the year, benefiting from a more focused, competitive and resilient portfolio, excellent operational execution, and our continued commitment to driving performance across the business.

In times of volatility, how we operate is where we can have the greatest influence on outcomes, and we remain aligned on delivering against three operational priorities – operating safely and reliably, delivering margin expansion through cost and capital efficiency, and converting our resources into reserves and into production profitably and competitively.

Our portfolio is focused on five core countries, which, together, account for around 85% to 90% of our production, reserves and resources. I'll shortly take you through the role each plays within Harbour, but as always, let's start with safety.

Nothing is more important than keeping our people, contractors and communities safe. Most assets performed well during the period, with notable safety improvements in the UK and Germany. However, our total recordable injury rate has increased, driven primarily by a number of minor incidents in Norway.

Process safety performance was impacted by events at our onshore facilities in Mexico and now divested, Indonesian assets. The issues are understood and are being actively addressed, with learnings shared across the portfolio, as we continue to strengthen barrier integrity, reinforce critical controls and standardise how we work across the business.

During the period, we further reduced our greenhouse gas intensity, driven by continued portfolio high grading, including the divestment of our more emissions-intensive assets in Indonesia and Vietnam.

Turning to production, as Linda said, we had a record first half, averaging 509,000 barrels per day. This was driven by the addition of high-margin LLOG assets in the US and outperformance from Norway, more than offsetting decline from the UK and our Indonesia and Vietnam exits.

Production was also supported by strong reliability across the portfolio, and new wells onstream, including in Argentina, the US and Norway.

This momentum has continued into July, with production averaging 510,000 barrels per day, benefiting from the addition of the Waldorf assets and high rates from recent new wells online in the US.

Cost and capital discipline also remain strong, and we are leveraging our scale to help manage inflationary pressures and foreign exchange headwinds.

Looking at our core businesses more closely, starting with Norway, our largest producing business and Europe's largest supplier of gas. Norway is the cornerstone of our long-term cash flow, underpinned by a pipeline of high-value short-cycle infrastructure-led developments.

Execution remains strong. We delivered first gas from our operated Dvalin North project ahead of schedule and under budget, thanks to strong drilling performance, while accelerated project delivery has increased the number of developments expected onstream this year from three to five.

We also made good progress maturing our next set of projects, with the Gjøa subsea project approved during the period, and five further projects targeted for FID this year. Together, these have the potential to deliver 100% reserves replacement in Norway. To support this activity, we've extended our partnership with a Transocean Norge rig, providing continuity and helping protect capital efficiency in a tightening market.

At the same time, we're continuing to replenish the portfolio through exploration. The Omega Sør discovery is being fast tracked for first gas in 2027, and two further exploration wells were expected to spud later this year. And we were awarded nine new licences in the recent licensing round.

All of this is against the backdrop of the European gas market. The TTF gas price, a benchmark for our Norwegian gas, averaged circa $15 per million standard cubic feet during the first half, and is at elevated levels today as Europe is struggling to replenish storage in advance of the onset of winter.

Moving to the UK, while the fiscal backdrop remains challenging, strong delivery by the team and portfolio actions have improved the resilience and free cash flow outlook of the business.

A high degree of operational control has enabled us to drive performance and maintain our position as a low-cost operator in the basin, supporting competitive margins and cash flow.

Well intervention activity remains a key focus, targeting additional low-cost short-cycle barrels, with around 10,000 barrels a day of our 2026 production generated through such activities.

Other highlights of the first half included the renegotiation of a lower rate for the Catcher FPSO contract and our farm-in to Fotla, a high-return tieback opportunity to our operated Britannia hub, with final investment decision targeted by year end.

We're also getting after decommissioning, looking to drive efficiencies through scale, collaboration, engagement with government, and new technologies.

And post-period, we completed the Waldorf acquisition, which added production and reserves, increased our interest in our operating Catcher field, and delivers significant financial synergies.

Turning now to Argentina, production averaged 74,000 barrels per day in the first half, underpinned by stable, low-cost gas production from our offshore conventional CMA-1 licence.

We also hold more than 700m barrels of oil, equivalent of 2C resource, primarily in the Vaca Muerta shale play.

At San Roque, we continue to advance the unconventional licence application, supporting plans for a potential 16-well black oil development, beginning in 2027.

At APE, which is in the gas window, nine new wells came online in the first half, with ongoing drilling and completion efficiencies continuing to drive lower well costs.

We've also seen good momentum on Southern Energy LNG, a 6m tonne per annum LNG export project, which is on track to start up at the end of 2027 and will provide our Vaca Muerta gas with access to global markets.

Overall, Argentina represents a significant platform for capital-efficient reserves and production growth over the long term for Harbour.

The US Gulf of America is our newest business unit. It's a fully operated, oil-weighted portfolio, centred around three deepwater hubs at Who Dat, Buckskin and Leon-Castile. Production was 33,000 barrels per day in the first half and is on track to increase to 65,000 to 70,000 barrels per day by 2028.

Combined with the attractive fiscal terms, we're adding high-margin barrels, which underpin material-free cash flow growth through to the end of the decade.

Here today, we have delivered the Leon-1 well, a fifth well at Buckskin that has outperformed expectations, and a sidetrack at Who Dat, with initial production rates above plan.

We're also on track to approve the Who Dat East development this month. And looking ahead, activity will accelerate through the remainder of the year, with further drilling across our key hubs with the arrival of the second rig, which will support continued production growth beyond 2028.

We also see significant infrastructure-led exploration upside, with the Kingsroad well expected to spud later this year, and recently acquired ocean bottom node seismic data, leveraging the LLOG team's strong exploration track record to unlock further prospectivity.

In addition, we secured 12 operated leases near existing infrastructure in the recent Gulf lease rounds, adding further running room in this prolific oil and gas basin. These results reinforce our confidence in both the quality of the assets and the growth potential of the portfolio.

And finally, Mexico. Mexico represents one of our most material long-term growth opportunities, with our operated Zama and Kan projects, capable of adding reserves equivalent to almost two years of Harbour’s production.

During the first half, we continued to optimise both developments to improve returns and reduce risk.

Invitations to tender for the major Zama FEED packages are expected to be issued shortly, and we also expect to sign the preliminary agreement to secure the FPSO for the Zama development by the end of this month, marking important steps in maturing this nationally significant project.

In addition, partner alignment has been strengthened through Grupo Carso's increased participation across both projects.

In summary, we remain on track to achieve FID readiness of Zama and Kan by the end of 2027.

My final slide sets out our capex and production outlook and highlights how the portfolio has shifted, becoming more operated and focused on lower cost, lower tax basins, with significant running room.

From 2027, we expect to spend $2bn to $2.3bn per year, which will allow us to sustain production between 475,000 and 500,000 barrels per day through the end of the decade, while driving further high grading of the portfolio as we focus on our most competitive projects.

Importantly, while overall production remains stable, the underlying quality of that production continues to improve, with declining higher cost UK volumes increasingly being replaced with higher margin growth in the US, new volumes from Norway and Argentina, and over time, Mexico. And with that, I'll now hand over to Alexander to cover the financial review.

Alexander Krane, Chief Financial Officer
Great. Thank you so much, Nigel. And good morning to everyone dialling in.

We have delivered another strong set of financial results, reflecting excellent operational performance, the benefits of recent portfolio actions, and strict capital discipline.

Record production, coupled with our increased exposure to higher oil and gas and European gas prices, drove increased earnings, significant free cash flow generation, and rapid deleveraging post-completion of LLOG, a clear priority for us.

As a result of the strong first half and higher assumed commodity prices for the second half, we've increased our full year free cash flow outlook to $1.8bn from $1.4bn previously.

And in line with our distribution policy, the higher free cash flow is translating directly into material additional shareholder returns, starting with the $250m share buyback announced today. Together with our interim dividend of $150m, this represents a 22% increase in shareholder distributions compared to the same period last year.

The first half of this year was marked by elevated and volatile oil and European gas prices, largely driven by events in the Middle East. Against this backdrop, Harbour is well positioned. We have a large-scale diverse portfolio, with 40% of our production exposed to dated Brent WTI and 40% to European gas benchmarks.

We also benefited from a competitive cost base and investment-grade credit ratings, supported by a prudent financial policy.

Oil realisations for the period increased to $90 per barrel pre-hedge and $84 per barrel post-hedge, supported by higher benchmark prices and strong sales differentials, particularly for our North Sea crude.

Our European gas production also benefited from higher benchmark prices, further enhanced by our ability to direct volumes, particularly from Norway to the highest netback markets. This delivered pre-hedge European gas realisations of $15 per mcf and $14.4 per mcf post-hedge. And as you can see, European gas prices continue to trade significantly above Henry Hub.

Let's turn to the income statement on slide 19. Higher realised oil and gas prices and strong production combined to drive revenue up more than 20% and adjusted EBITDAX up by 15% compared to the first half of 2025.

Unit operating costs for the period of $13.3 per BOE were up slightly from first half last year, with higher volumes offset by FX headwinds, higher fuel costs and the addition of the LLOG portfolio, which carries higher unit operating costs near-term as production ramps up.

Other operating costs include a $200m net overlift position, while adjusted net financial items were higher period on period, driven by multiple smaller items, including increased interest costs.

Now, as usual, there are a number of offsetting items relating to derivative gains, losses and FX movements. Note 6 to the financial statements provides more detail on these for those interested.

After taking all of these elements into account, our adjusted after-tax profit increased 37% to $562m with a lower effective tax rate of 77%.

Adjusted earnings per share came in at $0.28 per share, up 27% compared to first half of 2025.

Overall, these results demonstrate improved profitability and, more importantly, that profitability is translating into strong cash generation.

During the period, we generated $4.5bn of operating cash flow. We invested $1bn of total capex and we paid $1.5bn in taxes. This resulted in strong free cash flow generation of $1.8bn, materially de-risking our full-year free cash flow outlook. It's important to highlight that the first half free cash flow benefited from timing of tax payments, with $1.5bn of cash taxes paid in the first half relates to 2025 tax liabilities. In contrast, second half cash taxes are expected to be 60% higher at approximately $2.4bn, reflecting our 2026 tax liabilities.

After M&A transactions and funding, cash balances doubled over the first half to $1.6bn, resulting in increased liquidity of $4.1bn.

Strong EBITDAX and free cash flow generation over the period helped us materially accelerate debt reduction and reduce leverage following completion of the LLOG acquisition. As a result, we ended the period with net debt of $5.4bn, only $1bn higher than the start of the year, despite the $3.2bn LLOG acquisition, and leverage broadly unchanged at 0.7 times and below our through-cycle target of less than 1 times.

Post-period and in July, we completed the Waldorf acquisition for $163m, immediately unlocking more than $400m of cash and further strengthening our balance sheet.

Also in July, we refinanced our $3bn revolving credit facility, extending its maturity to 2031 and securing improved commercial terms, including a 30% reduction in margin. This is thanks to continued strong support from our banks and demonstrates the financial benefits of our portfolio transformation, enhanced scale and stronger business profile.

Moving to our free cash flow outlook and shareholder distributions – we've increased our full-year free cash flow outlook to $1.8bn. That's three times higher than the $600m expected at the start of the year. This reflects a strong first half, upgraded production guidance and assumed second half commodity prices of $80 per barrel dated Brent and $16 per mcf for European gas.

Partially offsetting these FX headwinds, primarily the stronger NOK, which increases the US dollar value of our Norwegian tax payments and a modest working capital outflow.

So, what does this mean for shareholders? Well, in March, we introduced a new distribution policy to return between 45% and 75% of free cash flow to shareholders, including a minimum annual dividend of 16.10 cents per share, equating to approximately $300m. This allows our shareholders to benefit from periods of strong free cash flow, like we're seeing today, while enabling us to continue to reinvest in the business, de-lever and pay competitive shareholder returns through the commodity price cycle.

Based on our updated free cash flow outlook of $1.8bn, we expect to return a minimum of $800m to shareholders. This includes at least $500m of additional returns above our annual dividend, leaving up to $1bn to go towards the balance sheet.

Consistent with this approach, we've announced today an interim dividend of $150m and a new $250m share buyback, accelerating additional returns into 2026, reflecting our confidence in the 2026 free cash flow outlook.

So, turning now to guidance and outlook. We've lifted the lower end of production guidance for the second time this year, now set at between 490 and 500 kboe per day.

Full year 2026 unit opex and capex guidance is unchanged while we've increased our free cash flow outlook to $1.8bn, assuming Brent and European gas average $85 per barrel and $15 per mcf for the year.

Our free cash flow sensitivity is unchanged, with a $5 per barrel change in Brent impacting full year free cash flow by $170m, while a $1 per mcf change in European gas impacts free cash flow by $150m.

Forward curves, especially for oil, remain volatile, but if I use today's curves where gas prices are higher, we would expect free cash flow to be closer to $2bn.

My final slide here is a reminder of our three capital allocation priorities, which we have continued to deliver against. First, we remain committed to maintaining an investment-grade balance sheet. Following major transactions, we have consistently prioritised debt reduction, and higher commodity prices combined with strong operating performance means we have made some good progress here.

Second, we aim to maintain a robust and diverse portfolio. By investing around $2bn to $2.3bn annually from 2027 in high-return growth projects increasingly in low-tax, lower-cost basins, we expect to sustain high-margin cash-generative production at scale well into the next decade.

And finally, we will continue to deliver competitive shareholder returns through the cycle. As you've heard today, our distribution policy enables shareholders to benefit from our strong free cash flow generation, with 2026 cash returns to be significantly above the annual dividend. Based on our free cash flow outlook of $1.8bn, we expect to deliver a minimum of $800m of shareholder returns, that's $500m above the base dividend. The $250m share buyback announced today is, therefore, just the start and with at least a further $250m still to be allocated.

So, with that, thank you for your attention. I will now hand you back to Linda for some closing remarks.

Linda Z Cook
Thanks, Alexander and Nigel. I think, in summary, we've had an excellent first half, operationally, financially and strategically. And with strong production in July and the Waldorf transaction now completed, we're carrying that momentum into the second half of the year.

Our portfolio actions over the past three years have transformed the outlook for Harbour, delivering greater scale and resilience, with production increasingly weighted towards lower cost, lower tax basins with significant running room.

At the outset of this year, we expected 2026 to be somewhat of a transition year for free cash flow, as we completed the three announced transactions, integrated the LLOG portfolio, and started shifting investment towards higher return opportunities.

However, higher oil and European gas prices, together with our continued excellent execution, have brought forward the benefits of this transformation, as reflected in today's strong results. This includes a significant step up in free cash flow that has enabled the acceleration of debt reduction and also the delivery of additional cash returns to our shareholders, as demonstrated by the new $250m buyback announced today.

Looking ahead, I'm confident that the quality of our portfolio and the capability of our team both position us well to continue delivering against our strategic priorities, sustaining production at scale, strengthening our position in our core countries, maintaining financial resilience, and delivering competitive shareholder returns. And with that, I'm going to hand it back to our operator, Aiden, who's going to open the call for questions.

Questions and Answers

Operator
Thank you, Linda If you would like to ask a question today, you may do so by using the raise hand function on Zoom. If dialling in by phone, you can press *9 to raise your hand and *6 to unmute once prompted. I'll now pause for a second to let you raise your hands.

Our first question comes from Alejandra Magana from JP Morgan. Alejandra, please unmute and go ahead.

Alejandra Magana, JP Morgan
Hi, good morning. Thank you for taking my questions. My first one is on production. Can you help us bridge from the 509 in the first half and 510 in July to your full year guidance range? Is the implied step down predominantly planned maintenance or are there any other moving pieces we should consider?

Linda Z Cook
Thanks, Alejandra. I'm going to let Nigel take that question, if you don't mind. Nigel?

Nigel Hearn
Second half of our year is typically back-end loaded with more maintenance activities. So, that's what you see a little bit in the production forecast. We've got some large shutdowns to work through. You also see that in production and in some of the opex impact, actually. And we're also holding a placeholder for potential hurricane impact in the Gulf of America. So, hopefully we don't see that, but we're holding a placeholder for both, of the turnaround, getting through the turnarounds and, hopefully, we get through with very little storm impact in the Gulf. So, that's primarily where our production is slightly lower for the second half of the year.

This is all planned activity. It also includes proactively deferring some of the activity that we had planned in the first half of the year. Given the high margin, the high price environment we saw, we took the decision to push some of that into the second half of the year.

Alejandra Magana, JP Morgan
Very clear. Thanks for the colour.

My second question is on capital allocation. Given the very strong cash generation in the first half and, essentially, neutral free cash flow implied in the second half, along with the tax lag into 2027, how are you thinking about balancing incremental shareholder returns with further deleveraging within your existing framework?

Linda Z Cook
Thanks. Alexander?

Alexander Krane
Yeah, thanks for the question, Alejandra. Yeah, first, as you pointed to, and we talked a bit about it in the presentation, and you'll see it from some of the materials, the cash tax payments are clearly weighted towards the second half of the year, so that is a key driver for the split between free cash flow in the first and the second half of the year.

Yes, as Nigel talked about, excellent execution in the beginning parts of the year, and that translates into the strong cash flow you're seeing in the first half of the year. And then, depending on how quick we do all the maintenance and whether there's any hurricanes or anything in the second half, that, of course, will impact free cash flow from operations in the second half of the year as well.

Now, when it comes to, allocating that capital to reinvesting in the portfolio, to repaying debt to shareholders, again, we're trying to be predictable and in line with what you've seen from us in the past, but also living within the policy here. So, repaying debt after the LLOG acquisition a clear priority probably doesn't surprise anyone.

And then on shareholder returns, I mean, we are happy and very pleased to be accelerating the first buyback now into early August already. So, that is a good start, we think, and, hopefully, that demonstrates some of the confidence that we're seeing in operations and in cash flow. So, that is the starting point, and then we'll just have to see, going through the second half of the year, and seeing how we deliver and how markets develop in terms of pricing, and we'll come back then with more details on further returns, Alejandra.

Linda Z Cook
Yeah, maybe just to add to that, I think the one thing that we're not doing is increasing investment. So, we have generated more cash flow than we originally expected for this year. And of our three priorities, that cash is going to paying down debt and cash distributions to shareholders. And we're holding our capex levels flat this year with that guidance being unchanged, and we feel like that's the right thing to do.

Alejandra Magana, JP Morgan
Understood, thank you.

Telephone Operator
The next question comes from Mark Wilson of Jefferies. Mark, if you'd like to unmute and go ahead.

Mark Wilson, Jefferies
Good morning. Very impressive results. I mean, your UK production in particular is remarkable. And you mentioned the fiscal backdrop is challenging, but that production resilience right now suggests it could obviously grow if the shackles are removed. I think that's the truth to the global industry.

You also speak, Linda, to migration, to higher growth, lower cost jurisdictions as a continued strategy. So, very simple question – can we rule out any material UK, North Sea deals to grow that, because obviously there are some things in the market? Thank you.

Linda Z Cook
Hey, Mark. Thanks for the question.

Yeah, the question about the BP announcement recently is one, of course, we expected might come up, but we don't comment on specific portfolio matters or future M&A prospects, but I think, reflecting on it, what BP have said makes sense. It's the same reason why Harbour has decreased investment in the UK in favour of acquisitions and investments elsewhere, such as the US, even Mexico, Norway. The existing fiscal environment here in the UK means that projects, investments in the UK just struggle to compete with international opportunities, and that's because of the fiscal environment.

So, for now, I would say our focus is on integrating the Waldorf assets – we just completed that acquisition less than a month ago – and continuing to maximise the value of our existing UK business as best we can. And thanks for calling that out. The team continues to do a really top-notch job, both operationally, also with respect to safety, doing just that, you know, strengthening our cash returns and production as best we can under the somewhat difficult circumstances.

Mark Wilson, Jefferies
Okay, thank you for that. Very clear.

The second point, Alex mentioned the returns and there's variables in the second half, not least operational, hurricanes and how the market prices pan out. But at the same time, your leverage is below one times, your $800m as a minimum return is 45% of that pre-cash flow guidance. And so, one suggests there is clear upside to the upper end, or further in that 45% to 75% range, depending how the year pans out. Would that be fair?

Alexander Krane
Yeah, thanks for that, Mark. Again, we put some thought into the distribution policy when we announced it in the beginning of the year, and we tried to be clear and link this

to free cash flow generation. And we did set that range because, as you know, we're keeping one eye on the balance sheet as well and wanting to strengthen and de-lever.

So, we are working hard, not just operationally and doing what we can, UK and in other places, but also financially, thinking how to optimise that balance.

Yeah, we, obviously, de-risked the full year estimate quite a bit by sitting at $1.8bn of free cash flow generation already at the halfway mark, but it is at the half-year mark. So, we're pleased and feeling confident about progress so far, and that's why we're accelerating buybacks into August already, but there are still a few months to go this year with the items you just mentioned and commodity prices somewhat volatile as well.

So, yeah, where we'll end up in that range, we'll have good discussions with our Board and others on that as the year progresses. And that's full year free cash flow is being de-risked by the day.

Mark Wilson, Jefferies
Okay, very clear. Thank you. Congratulations. Excellent results.

Alexander Krane
Appreciate that, Mark. Thank you.

Operator
Our next question comes from Teodor Sveen-Nilsen of SB1. Teodor, if you would please unmute and ask your question.

Teodor Sveen-Nilsen, SB1
Good morning, and thanks for taking my questions. Also congrats on strong results. Two questions from me – first on the increased guidance for free cash flow up to $1.8bn per year. How much of that is driven by higher than expected prices for first half and how much is driven by other factors? So, that's the first question.

Second question, that is on the buybacks, the increased buybacks you announced today, why don't you pay that as cash dividend, or what's the considerations between cash dividend versus buybacks on the increased distributions? Thanks.

Alexander Krane
Yeah, thanks for the questions, Teodor. On the $1.8bn outlook for the year, this is, obviously, a mix of having delivered production at, you know, elevated levels, I would say, a bit higher than what we expected. So, that accounts for a bit of that. And then, of course, it's the increased oil and gas prices. They probably account for closer to $500m or so. So, if I would break it down, it would be, probably up with half, $500m on oil and gas prices. The performance Nigel and the team have had adds another $100m, but then there are some adjusting items just on FX, working capital, that takes that just a tad

down as well. And you've probably seen the strong local currency in Norway, which is somewhat of a headwind for that free cash flow.

How to return this free cash flow to shareholders? Well, there are a couple of tools in our toolbox for that as well. Again, we're trying to find the right balance here of having a steady minimum dividend, and then we can top it up with, well, either more dividends or buybacks or participating in any blocks for major shareholders, as we've seen in the past three to four months. So, yeah, trying to find that balance.

We think it's wise to be in the markets, supplying extra liquidity and buying back our stock, especially when we've seen some larger blocks from some of our shareholders coming out. And we think that is the most value-accretive right now for our shareholders to be consistently in the market there with the bid. So, that's the thinking behind that, Teodor.

Teodor Sveen-Nilsen, SB1
Okay, understood. That's clear.

And, if I may, just one final question on here. You discussed Zama. Could you confirm that first oil on Zama still is planned for 2029?

Alexander Krane
Yes, thanks, Teodor. First oil on Zama. Why don't we let Nigel comment on that one, please?

Nigel Hearne
Hi, Teodor. Thanks for the question. Our current focus is getting into FEED here before year-end, the decision gate, and then into FID we'll be targeting, depending on development concepts and early phase production, which, per our schedule, should be towards the end of 2029.

So, a lot of work to do ahead of us, but we're doing what we can to make sure we have the most capital-efficient development of that project that we can.

Teodor Sveen-Nilsen, SB1
Okay, thanks. That's all from me.

Alexander Krane
Thanks, Teodor.

Operator
Our next question comes from James Carmichael of Berenberg. James, please unmute and ask your question.

James Carmichael, Berenberg
Hi, morning, guys. Just coming back to the UK, you obviously touched on the BP situation, but I'm just wondering if you've had any further discussions with the new energy minister and whether there's any sort of further thoughts on how the UK's view on the sector might have changed. I appreciate it's early days, but just any sort of thoughts you've got around that.

Then also, just the non-core parts of the portfolio, I guess you talked about North Africa and others previously, just what the market's like for selling assets, which might be less of a priority for the business, is like today.

And then, just lastly, so if I can, on the distributions again, that $800m minimum, should we expect that to be $800m cash paid in 2026 or will some of it, fall over into next year? Thanks.

Linda Z Cook
Thanks, James. I'll take the first couple of questions and then let Alexander talk a bit about what we might expect in terms of timing of distributions. Let me take your divestment question, or non-core question first.

We do have five core countries. Doesn't mean the others aren't important, they just are smaller in scale, less impactful and we don't necessarily see the sort of competitive investment opportunities that we do in the others.

How's the market for divestments? I think we always turn to commodity prices first and foremost. The first thing I'd say is we try to avoid buying assets when commodity prices are really high, and I wouldn't put it all up just to luck, but we're pleased with the timing of our LLOG Exploration acquisition, which we announced late last year. I think when everyone was predicting oil prices to be in the 50s as we speak, and since we've completed that transaction, I think we've averaged closer to 90 for the production there. So that timing we got good. But you're right, the opposite is this would be a good time to sell.

And I would just say that portfolio management remains a very active part of our strategy, and if interesting offers come along for assets, you know, we would always reasonably consider what's in the best interest of our shareholders for the longer term.

Your first question, I think, was about the UK government. You're right, it's early days. So, you wouldn't necessarily expect we've had a lot of time to engage with the new energy minister or DESNZ, Secretary of State for DESNZ or the prime minister yet. But I think what we have done is, through industry associations and otherwise, try to get the message across that the North Sea continues to have a vital role and can play an even bigger role when it comes to UK energy security, but of course, it means even more than that. It also means investment and jobs. The key to realising that is going to continue to be the fact that we need a more supportive fiscal framework. That's just essential, as I've already said, if UK projects are to compete for capital within companies that have opportunities outside the country. And it's that capital that's going to drive jobs and secure value for the UK from its domestic resources.

So, we're encouraged by some of the language we hear from the government about willing to be pragmatic. We're hoping that it recognises the role the sector can play, and including not just energy security, but in its wider reindustrialisation agenda. So, we'll continue to do what we can to influence the situation.

And then the last question was about timing and distribution.

Alexander Krane
Yeah, thanks for that, James. Well, you know, as a starting point, we were planning to see more of the 2027 payout relating to a full year in 2026. However, due to the strong performance we've seen so far and the de-risking that we've already done, we are very pleased to be accelerating this now into August of 2026 already. And like I said, the $250m buyback today, well, that's just the start. And if you keep these assumptions related to free cash flow generation for the year, it would be another $500m coming back to shareholder then as a minimum.

So, you know, we will continue to do the buyback now this year, whether some of it will end up being returned in 2027, yeah, that probably will. It's a full year estimate with a full year cash flow for the year. But I think it's a really strong start. It's really pleased to be out accelerating and doing this buyback now already. And we'll take it from there.

Linda Z Cook
Yeah, and it's just a real signal, I think, as Alexander already said, and the confidence we have in our ability to deliver really strong free cash flow. So, thanks, James.

James Carmichael, Berenberg
Thank you.

Operator
Thank you. I'll now hand back to Linda for closing remarks.

Linda Z Cook, Chief Executive Officer
Okay, great. Thanks to everyone for joining the call today. Again, we're really pleased with the strength of our first half performance and looking forward to carrying that into the second half and continuing to deliver for our shareholders. So, thanks again for joining the call today.

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