Harbour Energy plc
"Harbour"
Trading and Operations update
19 January 2023

Harbour Energy plc provides the following unaudited Trading and Operations update for the year ended 31 December 2022, ahead of announcing its Full Year Results on 9 March 2023.

2022 Operational Highlights

- Increased production of 208 kboepd (2021: 175 kboepd), towards the top end of 200-210 kboepd guidance and split 50 per cent liquids / 50 per cent gas. The 19 per cent increase versus 2021 was driven by new wells online including at Tolmount, improved operating efficiency and a full year's contribution from the Premier assets.

- Lower estimated operating costs of $13.7/boe (2021: $15.2/boe), reflecting higher volumes, a weaker UK sterling to US dollar exchange rate and continued progress with our integration efforts.

- Improved safety performance with total recordable injury rate[1] materially reduced to 0.8 per million hours worked (2021: 1.3).

- Organic growth opportunities progressed
  - UK: Investment decisions taken on Talbot development and Leverett appraisal
  - Indonesia: Significant gas discovery at the Timpan prospect (Andaman II licence) with further drilling planned for 2023 and 2024; plan of development for the Tuna field approved by the Indonesian Government
  - Mexico: Zama development plan being finalised ahead of submission to the Mexican Government

- Lower GHG intensity[1] of c.21 $kgCO_2e$ (2021: 23 $kgCO_2e$), reflecting improved operational efficiency and the implementation of emission-reduction projects.

- Significant momentum on our two UK CCS projects, including the Harbour-led Viking project which has the potential to meet one third of the UK government's target to capture and store 30 mtpa of CO_2 by 2030. Milestones included completion of pre-FEED work, new partnerships formed with major customers and CO_2 storage capacity independently verified.

2022 Financial Highlights

- Estimated revenue of $5.4 billion with realised post-hedging oil and UK gas prices of $78/bbl and 86 pence/therm versus an average Brent price of $101/bbl and UK NBP gas price of 198 pence/therm.

- Estimated EBITDAX of $4.1 billion (2021: $2.4 billion). Post tax earnings impacted by a significant one-off non-cash deferred tax charge associated with the Energy Profits Levy (EPL) in the UK. As a result of the increase in and extension of the EPL, the revaluation deferred tax charge[2] will be materially higher than the previously estimated $0.6 billion charge disclosed in our 2022 Half Year Results.

- 2022 total capital expenditure of $1.0 billion, in line with latest guidance and materially lower than the $1.3 billion forecast at the outset of the year. This was due to the decisions not to proceed with several North Sea exploration and appraisal wells as well as the delayed arrival of rigs at some locations. The weaker UK sterling to US dollar exchange rate was also a factor.

- Total cash tax payments of c.$600 million, more than double that made in 2021, in part driven by the introduction of the EPL. Estimated 2022 EPL liability of over $350 million of which c.$200 million was paid in 2022 with the balance to be paid in 2023.

- Estimated 2022 free cash flow (post tax, pre-shareholder distributions) of $2.1 billion (2021: $0.7 billion). The increase was driven by higher production levels and the improved commodity price environment offset by hedging losses and increased cash tax payments.

- Total shareholder distributions of $600 million announced comprising c.$200 million annual dividend and $400 million of share buybacks. The buybacks comprised a $300 million programme which completed in September and a $100 million programme which was 57 per cent complete at year-end. As a result, over the course of 2022 we repurchased 8.5 per cent of our issued share capital.

- Net debt reduced from $2.3 billion to $0.8 billion and leverage reduced from 0.9x to 0.2x. Significant liquidity with cash and undrawn facilities of $2.5 billion.

2023 Guidance and Outlook

- Production of 185-200 kboepd, supported by new wells coming on-stream, including at J-Area, Beryl and Catcher.

- Unit operating cost of c.$16/boe[3], higher than 2022 due to lower volumes and inflationary pressures partially offset by ongoing consolidation of key supply chain contracts.

- Total capital expenditure of c.$1.1 billion[3], including c.$0.2 billion decommissioning, split 85 per cent UK / 15 per cent international
  - UK capital expenditure focused on high return, lower risk, infrastructure-led investment opportunities including Tolmount East and Talbot development drilling, Callanish F6 infill well, Leverett appraisal and the Jocelyn South exploration well.
  - Total UK capital expenditure reduced compared to previous expectations with certain opportunities no longer being pursued following the changes to the EPL announced in November, including the Total-operated EIH well at Elgin Franklin and participation in the 33rd Licensing round.
  - International capital expenditure largely comprised of further exploration drilling across our Andaman Sea licences.

- Review initiated of UK organisation to align with lower future activity and investment levels in the country.

- Continued progress advancing our two UK CCS projects towards investment decisions (subject to receiving clarity from the UK Government on the regulatory regime).

- Continue to forecast to be net debt free in 2023. Flexibility over future capital allocation retained, including for meaningful acquisitions and additional shareholder returns over and above our stated $200 million annual dividend.

Linda Z Cook, Chief Executive Officer, commented:
“Against a backdrop of ongoing geopolitical, economic and fiscal instability, I am proud of the company’s accomplishments during 2022. Thanks to the Harbour team’s performance and significant past investment, production was materially higher which, together with improved margins, enabled

us to continue to deleverage and make material shareholder distributions. We delivered c.15 per cent of the UK's domestic oil and gas supplies, supporting energy security at a critical time while reducing our greenhouse gas emissions and progressing our UK CCS projects.

We remain committed to playing an important role in the continued supply of reliable and responsible domestic oil and gas in the UK. However, while oil and gas prices have reverted to more normal levels we still face a tax rate of 75 per cent in the UK due to the recent tax changes, making investment in the country less competitive. As a result, the EPL necessitated a review of our future activity levels in the UK and reinforced our ambition to grow and diversify internationally.

As we look to 2023, we enter the year in a strong financial position and with plans to advance a number of exciting opportunities. As always, we will remain disciplined and very focused on optimizing the allocation of our capital between the balance sheet, investment in growth and shareholder returns."

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[1] We report our safety and environment KPIs including TRIR and GHG intensity on a gross operated basis. GHG emissions include Scope 1 and Scope 2.
[2] The quantum of this charge will be released within our audited 2022 Full Year Results
[3] Assumes a US dollar to UK sterling exchange rate of $1.2/£