Harbour Energy

Half-year Results
2023

Harbour Energy plc

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Half-year results for the six months to 30 June 2023

24 August 2023

Harbour Energy plc ("Harbour" or the "Company" or the "Group") today announces its unaudited half-year results for the six months ended 30 June 2023.

Operational highlights

- Production of 196 kboepd (H1 2022: 211 kboepd), in line with guidance and split equally between liquids and natural gas
- Unit operating costs of $15/boe (H1 2022: $14/boe)
- Strong safety record: TRIR of 0.8 per million hours worked (H1 2022: 0.7)
- Portfolio diversification progressed:
  - Zama (Mexico) unit development plan approved by the regulator
  - Kan-1 oil discovery (Mexico); appraisal planning underway
  - Following the Timpan-1 discovery in 2022, a multi-well Andaman Sea (Indonesia) exploration campaign to commence in October
  - Viking and Acorn CO_2 capture and storage (CCS) projects awarded Track 2 status by the UK government, an important milestone towards potential final investment decisions

Financial highlights[1]

- EBITDAX of $1.4 billion (H1 2022: $2.0 billion)
- Profit before tax of $0.4 billion (H1 2022: $1.5 billion); loss after tax of $8 million (H1 2022: profit of $1.0 billion) driven by a higher UK tax rate and one-off tax charges
- Free cash flow (post-tax, pre-distributions) of $1.0 billion (H1 2022: $1.4 billion)
- Zero net debt at period end, reduced from $0.8 billion at year-end 2022 and $2.9 billion at completion of the Premier Oil merger in April 2021
- Total announced shareholder returns of c.$1 billion since December 2021, including:
  - $200 million share buyback announced in March of which c.$160 million completed[2]
  - $100 million (12 cents per share) interim dividend declared, in line with $200 million annual dividend policy and representing nine per cent dividend per share growth year-on-year

2023 Guidance

- Production guidance narrowed to 185-195 kboepd (185-200 kboepd previously)
- Opex of c.$16/boe[3] reiterated, reflecting strong cost control offset by stronger sterling
- Total capex reduced from $1.1 billion to $1.0 billion due to deferral and phasing of capex
- Forecast free cash flow (post-tax, pre-distributions) unchanged at c.$1.0 billion[4] with lower commodity prices, especially UK natural gas prices, offset by reduced capex and positive working capital movements
- Forecast year-end net debt of c.$0.2 billion, due to phasing of capex and timing of tax payments; forecast to be net debt free in H1 2024[4]

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[1] See Glossary for the definition of non-IFRS measures used in this section.
[2] Total buyback value completed as at 23 August 2023.
[3] 2023 full year sterling to US dollar exchange rate forecast increased to $1.25/£ from $1.2/£.
[4] Assumes Brent averages $80/bbl, UK NBP averages 100 pence/therm and sterling averages $1.25/£ for full year 2023 and 2024. Prior free cash flow forecast of $1 billion assumed $85/bbl, 150 pence/therm and $1.2/£ for 2023.

Linda Z Cook, Chief Executive Officer, commented:

"We remain focused on maximising the value of our UK oil and gas portfolio, advancing our organic development projects and disciplined capital allocation. This has allowed us to continue to generate significant free cash flow supporting material shareholder distributions while maintaining capacity for meaningful but disciplined M&A. We have also progressed our strategic investment opportunities outside of UK oil and gas – in Indonesia, in Mexico and in CCS. These have the potential to materially increase our reserve life, support shareholder returns and diversify our company over time."

Enquiries

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Notes to editors

In August, we agreed the sale of our Vietnam business and are targeting completion by year-end 2023. Our 2023 forecasts and guidance reflect the assumption that we will continue to recognise the results of our Vietnam business in our financial statements up until year-end.

Production, reserves and resources are reported on a net working interest basis unless otherwise stated.

Summary of 2023 half-year performance

Robust operating performance

Production averaged 196 kboepd (H1 2022: 211 kboepd), in line with guidance and split equally between liquids and gas.

This reflects contributions from new wells at our operated Tolmount and J-Area hubs in the UK offset by natural decline. 2023 production guidance is narrowed to 185-195 kboepd, reflecting delays and deferrals of drilling at partner-operated hubs, primarily Beryl.

Operating costs for the first half were $0.5 billion (H1 2022: $0.5 billion), driven by strong cost control in an inflationary environment and a weaker sterling to the US dollar exchange rate. On a unit of production basis, operating costs were $15/boe (H1 2022: $14/boe), higher than the prior period because of lower volumes. Forecast unit operating costs on a full year basis are unchanged at c.$16/boe[1].

Total capital expenditure for the period was $0.4 billion. Forecast total capital expenditure on a full year basis is reduced from $1.1 billion to $1 billion. This reduction is driven by some capex now falling in 2024 due to the delayed arrival of rigs, primarily at Andaman and the Greater Britannia Area, as well as the deferral of the subsea and platform drilling campaigns at Beryl.

Harbour has continued to build a strong safety culture with no serious injuries or significant spills recorded during the period. In the first half of 2023, our total recordable injury rate was 0.8 per million hours (H1 2022: 0.7) with c. five million hours worked.

We continue to leverage our operational control and scale to realise cost savings including through our supply chain. In response to the Energy Profits Levy (EPL) in the UK, we scaled back our activities in certain areas and acted decisively to manage our cost structure. This included a review of our UK organisation, which is expected to deliver annual savings of c.$50 million from 2024, following a $16 million one-off charge taken in our half-year financial statements.

Maximising the value of our production base

We seek to maximise the value of our production base, including in the UK where Harbour today is the largest producer and supplies c.15 per cent of the UK's domestic oil and gas. While the EPL has impacted our activity levels in the UK, we continue to undertake targeted investment in high return, infrastructure-led opportunities which improve recovery, extend field life and support production and cash flow generation.

Within our operated portfolio, this included development drilling at Tolmount East, where first gas is now expected around year-end, and at Talbot, a multi-well subsea tieback to our operated Judy platform, where production start-up is scheduled for around the end of 2024. We are also appraising the Leverett gas discovery which, if successful, could be developed as a subsea tie-back to Harbour's operated Britannia infrastructure. Most recently, we approved drilling on North West Seymour in 2024 which, together with plant modifications, has the potential to extend Armada's producing life to 2030.

In our partner-operated portfolio, Beryl production was boosted by initial high rates from two new wells online in the second quarter. However, the outlook for production on a full year basis is materially impacted by the delay to those wells coming online and the decision by the operator to pause further subsea and platform drilling. Other non-operated activity during the period included the start of development drilling at Buzzard Northern Terrace, a return to platform drilling at Clair Phase 1, ongoing development drilling at Clair Ridge and the commencement of a three-well subsea drilling campaign at Schiehallion.

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[1] This assumes a 2023 sterling to US dollar exchange rate of $1.25/£ (increased from $1.2/£ previously)

Diversifying our asset base: good progress in Mexico and Indonesia

We made good progress maturing our portfolio of international growth opportunities. These have the potential to diversify our company and materially increase our reserve life.

In Mexico, the unit development plan (UDP) for the Zama oil field (Harbour 12 per cent non-operated interest) was finalised and approved by the regulator in June and the partners have formed an Integrated Project Team to manage the delivery of the development. Preparations are underway to commence FEED and refresh cost estimates ahead of a potential final investment decision in 2024. This would result in approximately 75 mmboe of our 2C resources moving into 2P reserves, replacing over a year's worth of Harbour's current production.

Also in Mexico, the drilling of the Kan-1 exploration well on Block 30 (Harbour 30 per cent non-operated interest) resulted in an oil discovery in April. Preliminary estimates suggest 200-300 mmbbls of oil in place (gross). A plan to appraise the discovery in 2024 is expected to be submitted to the regulator in the third quarter of 2023. The Block 30 consortium decided to abandon drilling at the second commitment well, Ix-1EXP, before reaching the main target due to operational issues. The well has been plugged and abandoned.

In Indonesia, Harbour and its partners progressed plans to return to drilling in the Andaman Sea, expected to begin in October 2023. This follows the 2022 Timpan gas discovery on the Andaman II licence which added 80 mmboe net of 2C resource and de-risked a potential multi-TCF play. The campaign, which includes at least four wells, aims to demonstrate the commercial viability of a development on the Andaman II licence and to test the extension of the play into South Andaman. The first well will target the Layaran prospect on the Mubadala-operated South Andaman licence (Harbour 20 per cent interest) followed by drilling the Halwa and Gayo prospects on Andaman II (Harbour 40 per cent operated interest). The rig will then return to South Andaman to drill a fourth well, the location of which will be confirmed following the outcome at Layaran.

Elsewhere in Indonesia, we are working to progress the approved field development plan for our Tuna discovery which has been impacted by EU/UK sanctions. We continue to have constructive discussions with our Russian partner and the Indonesian government to reach a solution but do not anticipate being able to commence FEED until next year, which would mean a potential final investment decision being made in 2025.

Investing in CCS to enable the energy transition

We have seen significant momentum on our two UK CCS projects which have the potential to deliver a long term, stable income stream for Harbour. Our operated Viking CCS project where we are partnered with bp and the Acorn CCS project in which we are a 30 per cent partner were awarded Track 2 status as part of the UK Government's CCS cluster sequencing process in July. This marked an important milestone for the two projects, allowing them to move to FEED and discussions with the UK Government over the terms of the economic licences ahead of potential final investment decisions.

Through early commercial agreements with emitters, Viking has line of sight to store up to 10 mtpa of CO_2 by 2030 and 15 mtpa by 2035. As a result, Viking ranks as one of the largest planned CCS projects in the world and has a vital role to play in supporting the UK to meet its CO_2 capture target of 20-30 mtpa by 2030. Further, through our relationship with Associated British Ports (ABP), Viking has the potential to provide storage for shipped emissions from Europe. This, together with potential project financing, offers the potential for enhanced financial returns on capital invested.

The first half of the year also saw the independent certification by ERCE of Viking's 300 million tonnes of CO_2 storage capacity, the first project in the UK and we believe only the third in the world to have done so. We also successfully participated in the UK's first CCS licensing round with our partner bp and have been offered two CCS licences adjacent to our existing Viking licence, potentially adding to the material storage resource of the project.

Harbour seeks to responsibly decommission retired oil and gas infrastructure where it is not possible to repurpose it for use in CCS projects. During the first half of 2023, our decommissioning team continued to deliver a strong safety and environmental performance. In the Southern North Sea, we successfully plugged and abandoned four wells and prepared two platforms for removal and recycling later in the year, while in the Central North Sea we commenced an extensive subsea removal and well P&A preparation campaign at the MacCulloch, Huntington and Balmoral areas.

Active portfolio management

Harbour continues to actively manage its portfolio, allocating its capital and resources to its best investment opportunities aligned to its strategy. Since completing the merger with Premier Oil in April 2021, Harbour has exited the Sea Lion development in the Falkland Islands and Brazil exploration licences, high-graded its UK 2C portfolio, progressed the Zama development in Mexico, appraised the Tuna discovery in Indonesia, advanced its two CCS projects in the UK, and made new discoveries in the Andaman Sea in Indonesia and on Block 30 in Mexico. Most recently, in August we announced the sale of our business in Vietnam for $84 million. Completion of the divestment is targeted by year-end 2023, and will result in a country exit from Vietnam for Harbour.

Strong financial position and disciplined capital allocation

During the first six months of the year, Harbour generated significant free cash flow of $1.0 billion, despite the lower commodity price environment, especially for UK natural gas, and reduced oil production volumes. Our cash flow generation, which is heavily first-half weighted due to phasing of capex and tax payments, has enabled the Company to end the period with zero net debt.

At the end of June, we completed the annual redetermination of our reserve-based lending (RBL) facility with the new borrowing base availability set at $1.1 billion compared to $2.7 billion previously, reflecting the full impact of the EPL. As at period end, Harbour's liquidity stood at c.$1.6 billion comprising an undrawn RBL and $0.5 billion of cash. As part of the redetermination, we amended the oil and gas price hedging requirements which are now linked to the amount drawn under the borrowing base. This means that while we remain under 10 per cent drawn there are no minimum hedging requirements on our business. Approximately 50 per cent of our 2023 production is hedged – comprising 64 per cent of our gas production and 33 per cent of our liquids production – due to historical hedging requirements.

In line with our $200 million annual dividend policy, we paid a $99 million[1] final dividend in respect of the 2022 financial year in May and have declared an interim dividend for 2023 of $100 million equating to 12 cents/share. This reflects dividend per share growth of nine per cent year-on-year. In March, we initiated a new $200 million buyback programme and, as at 23 August, the programme was c.80 per cent complete.

Since completion of the merger with Premier in April 2021, we have reduced our net debt by c.$2.9 billion and announced c.$1 billion of shareholder returns.

Outlook for 2023

We enter the second half of the year in a strong position supported by a cash generative asset base, a robust balance sheet, disciplined capital allocation and a prudent approach to risk management.

At $80/bbl and 100p/therm average prices for the full year, we anticipate generating free cash flow of $1 billion during the year and to close 2023 in a small net debt position. This reflects over $400 million of tax payments and an increase in capital expenditure in the second half of the year. We expect to be net debt free in the first half of 2024[2], retaining significant optionality over our capital allocation. We will continue to return any excess capital to shareholders while investing in our existing portfolio to ensure a resilient and sustainable business and maintaining capacity for meaningful but disciplined M&A.

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[1] Difference to the final dividend value declared of $100 million, is due to FX adjustments on sterling denominated shares at the date of payment.

[2] Assumes Brent averages $80/bbl, UK NBP averages 100 pence/therm and sterling averages $1.25/£ for full year 2023 and 2024.

Financial Review

Summary of financial results

Analysis of these key metrics are discussed in detail across the following pages of the Financial Review.

	6 months ended 30 June 2023 Unaudited	6 months ended 30 June 2022 Unaudited
Production and post-hedging realised prices		
Production – kboepd	**196**	211
Crude oil - $/boe	**76**	82
UK natural gas – p/therm	**58**	69
Indonesia natural gas - $/mscf	**12**	16
Income statement		
Revenue and other income - $ million	**2,016**	2,670
EBITDAX[1] - $ million	**1,428**	2,024
Profit before taxation - $ million	**429**	1,490
(Loss)/profit after taxation - $ million	**(8)**	984
Basic (loss)/earnings per share - $/share	**(0.0)**	1.1
Other financial key figures		
Total capital expenditure[1] - $ million	**434**	391
Operating cash flow - $ million	**1,487**	1,862
Free cash flow[1] - $ million	**1,046**	1,353
Shareholder returns paid[1] - $ million	**246**	140

	30 June 2023 Unaudited	31 Dec 2022 Audited
Net cash/(debt)[1] - $ million	**1**	(704)
Leverage ratio[1]	**0**	0.2

[1] See Glossary for the definition of non-IFRS measures. Reconciliations between IFRS and non-IFRS measures are provided within this review.

Income Statement

	6 months ended 30 June 2023 $million Unaudited	6 months ended 30 June 2022 $million Unaudited
Revenue and other income	**2,016**	2,670
Cost of operations	**(1,224)**	(1,365)
EBITDAX	**1,428**	2,024
Operating profit	**654**	1,247
Profit before tax	**429**	1,490
Taxation	**(437)**	(506)
(Loss)/profit after tax	**(8)**	984

	$/share	$/share
Basic (loss)/earnings per share	**(0.0)**	1.1

Revenue and other income

Total revenue and other income decreased to $2,016 million (H1 2022: $2,670 million). This was driven by lower post-hedging realised prices and a reduction in liquid production volumes compared to H1 2022.

	6 months ended 30 June 2023 $million Unaudited	6 months ended 30 June 2022 $million Unaudited
Revenue and other income	**2,016**	2,670
Crude	**1,115**	1,542
Gas	**759**	970
Condensate	**100**	129
Tariff income and other revenue	**17**	18
Other income	**25**	11

Revenue earned from hydrocarbon production activities decreased to $1,991 million (H1 2022: $2,659 million) after realised hedging losses of $486 million (H1 2022: $1,603 million). This was driven by lower oil production and commodity prices, especially UK natural gas prices.

Crude oil sales decreased to $1,115 million (H1 2022: $1,542 million), with a realised post-hedging oil price of $76/bbl (H1 2022: $82/bbl).

Gas revenue was $759 million (H1 2022: $970 million), split between UK natural gas revenue of $699 million (H1 2022: $857 million) and international gas revenue of $60 million (H1 2022: $113 million). The realised post-hedging price for our UK and Indonesia gas was 58p/therm (H1 2022: 69p/therm) and $12/mscf (H1 2022: $16/mscf), respectively.

Other income amounted to $25 million (H1 2022: $11 million) which includes partner recovery on related lease obligations and a receipt related to the Viking CCS Development Agreement entered into by Harbour in March 2023.

Cost of operations

Cost of operations decreased to $1,224 million (H1 2022: $1,365 million) driven by lower production volumes and a positive movement in hydrocarbon inventories.

	6 months ended 30 June 2023 $million Unaudited	6 months ended 30 June 2022 $million Unaudited
Operating costs		
Field operating costs[1]	**560**	560
Tariff income	**(14)**	(18)
Total operating costs	**546**	542
Operating costs per barrel ($ per barrel)[2]	**15.4**	14.2
Movement in over/underlift balances and hydrocarbon inventories	**(67)**	34
Depreciation, depletion and amortisation (DD&A) before impairment charges		
Depreciation of oil and gas properties (cost of operations only)	**708**	742
Depreciation of non-oil and gas properties	**20**	19
Amortisation of intangible assets	**-**	1
Total DD&A	**728**	762
DD&A before impairment charges ($ per barrel)[2]	**20.5**	20.0

[1] Excludes non-cash depreciation on non-oil and gas assets. H1 2022 also includes mark-to-market losses of $1 million on EUA emissions hedges.

[2] Non-IFRS measure - see Glossary for the definition.

Total operating costs were flat period on period at $546 million (H1 2022: $542 million) driven by strong cost control in an inflationary environment and a weaker sterling to the US dollar exchange rate. Operating costs were higher on a unit of production basis at $15.4/boe (H1 2022: $14.2/boe) due to lower production volumes.

Depreciation, depletion and amortisation (DD&A) unit expense, which reflects the capitalised costs of producing assets divided by produced volumes, was $20.5/boe (H1 2022: $20.0/boe) with the increase largely due to lower production volumes.

EBITDAX

EBITDAX was $1,428 million (H1 2022: $2,024 million), with the reduction driven primarily by lower revenue.

	6 months ended 30 June 2023 $million Unaudited	6 months ended 30 June 2022 $million Unaudited
Operating profit	**654**	1,247
Depreciation, depletion and amortisation	**728**	762
Impairment of property, plant and equipment	**18**	3
Exploration and evaluation expenditure, and new ventures	**15**	20
Exploration costs written-off	**13**	2
Gain on disposal	**-**	(10)
EBITDAX[1]	**1,428**	2,024

[1] Non-IFRS measure - see Glossary for the definition.

The Group has recognised a net pre-tax impairment charge of $18 million (H1 2022: $3 million) on two assets in the UK North Sea, one driven primarily by a significant reduction in the gas price outlook compared to the 2022 year-end view and the other by a revised decommissioning cost profile.

During the period, the Group expensed $28 million (H1 2022: $22 million) for exploration and appraisal activities. This includes exploration write-off expense of $13 million (H1 2022: $2 million) mainly in relation to the Ix-1EXP well in Mexico, $15 million (H1 2022: $20 million) related to pre-development costs of which $11 million (H1 2022: $10 million) was associated with our UK CCS and electrification projects, and $4 million (H1 2022: $10 million of ongoing pre-licence expenditure.

Net financing costs

Finance income amounted to $33 million (H1 2022: $397 million). The reduction is mainly due to unrealised foreign exchange gains of $360 million in the six months to 30 June 2022 which predominately arose on the revaluation of open sterling denominated gas hedges as a result of the weakening of sterling against the US dollar in the period.

Financing expenses totalled $258 million (H1 2022: $155 million). This included interest expenses incurred on debt facilities of $25 million (H1 2022: $48 million), the reduction reflecting the impact of lower outstanding debt partially offset by higher interest rates. Other financing expenses include the unwinding of the discount on provisions, primarily associated with future decommissioning obligations, of $74 million (H1 2022: $32 million), bank and financing fees of $48 million (H1 2022: $39 million) and $85 million foreign exchange losses as a result of the strengthening of sterling since year end (H1 2022: $360 million of foreign exchange gains).

Earnings and taxation

Loss after tax amounted to $8 million (H1 2022: profit of $984 million). This resulted in a loss per share of $nil (H1 2022: earnings per share of $1.1) after taking into account the weighted average number of ordinary shares in issue of 829 million (H1 2022: 925 million) following the share buyback programme.

Harbour's tax expense decreased in H1 2023 to $437 million (H1 2022: $506 million). This reflects lower taxable profits as a result of lower revenue offset by the increased tax burden from the EPL. The tax expense is split between a current tax expense of $413 million (H1 2022: $348 million), which includes an EPL current tax charge of $302 million (H1 2022: $nil), and a deferred tax expense of $25 million (H1 2022: $158 million).

The effective tax rate is 102 per cent (H1 2022: 34 per cent), materially higher than the statutory UK tax rate of 75 per cent (H1 2022: 40 per cent) as a result of several period specific adjustments. If these items had not arisen then we would have expected the effective tax rate for the period to be 79 per cent.

Shareholder distributions

A final dividend with respect to 2022 of 12 cents per ordinary share was proposed on 9 March 2023 and approved by shareholders at the AGM on 10 May 2023. The dividend was paid on 24 May 2023 to all shareholders on the register as at 14 April 2023, totalling $99 million[1].

In line with the Company's dividend policy, the Board is pleased to announce an interim dividend of 12 cents per ordinary share to be paid on 18 October 2023 to all shareholders on the register on 8 September 2023 (the "Record Date"). A dividend re-investment plan ("DRIP") is available to shareholders who would prefer to invest their dividend in the shares of the Company. To participate in the DRIP, shareholders must submit their election notice to Equiniti, the Company's Registrar, by 27 September 2023 (the "Election Date").

In addition to these dividend payments, the Board approved a $200 million share buyback scheme on 9 March 2023. An irrevocable non-discretionary agreement has been entered into with the Company's corporate brokers to execute the programme on the Company's behalf. The purpose of the programme is to reduce the Company's share capital and all ordinary shares purchased as part of this programme will be cancelled.

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[1] Difference to the final dividend value declared of $100 million, is due to FX adjustments on sterling denominated shares at the date of payment.

During the first half of 2023, we repurchased 46 million of our own shares at a cost of $150.7 million[1] (H1 2022: $53.5 million), equating to 5.4 per cent of our issued share capital. Between 1 July 2023 to 23 August 2023, the Company had repurchased a further 17 million shares at a cost of $56 million. A further c.$40 million is still to be repurchased through 2023, with the current programme to be complete no later than 31 December 2023. Any purchases of ordinary shares by the Company in relation to this announcement will be conducted in accordance with the relevant regulations (including but not limited to the Listing Rules) and Harbour's general authority to repurchase shares, a renewal of which was granted at the Company's AGM in May 2023.

Statement of Financial Position

	30 June 2023 $million Unaudited	31 Dec 2022 $million Audited
Assets		
Non-current assets, excluding deferred taxes	**8,790**	9,032
Deferred tax assets	**381**	1,407
Current assets	**1,654**	2,127
Total assets	**10,825**	12,566
Liabilities and Equity		
Borrowings net of transaction fees	**515**	1,238
Decommissioning provisions	**4,291**	4,141
Deferred tax liabilities	**1,062**	397
Lease creditor	**733**	825
Derivative liabilities	**1,254**	3,451
Other liabilities	**1,556**	1,493
Total liabilities	**9,411**	11,545
Equity	**1,414**	1,021
Total liabilities and equity	**10,825**	12,566
Net cash/(debt)	**1**	(704)

Assets

The decrease in total assets of $1,741 million is mainly as a result of a reduction in the deferred tax asset of $1,026 million, lower right-of-use assets, which have reduced by $128 million and a reduction in property, plant and equipment of $184 million, partially offset by an increase to intangible assets of $75 million.

Liabilities

The reduction in total liabilities of $2,134 million is mainly driven by a reduction in derivative liabilities of $2,197 million following reductions to commodity prices in the period and a reduction in borrowings of $723 million mainly related to the repayment of the reserves-based lending (RBL) facility. The decommissioning provision increase of $150 million was due to changes in cost estimates used, the unwinding of discount and currency translation adjustments, partially offset by spend in the period.

The net deferred tax position on the balance sheet is a liability of $681 million. This balance mainly reflects tax expected to be paid on property, plant and equipment (PP&E) of $3,298 million, along with deferred tax related to overseas operations of $184 million, partially offset by future tax relief available on decommissioning of $1,631 million, cash flow hedge derivatives of $793 million and tax losses of $351 million.

[1] Total spend on share buybacks includes transaction fees and foreign exchange differences applied to the sterling denominated shares repurchased.

Equity and reserves

Total equity increased mainly due to the gains in comprehensive income related to favourable fair market value movements on cash flow hedges of $2,185 million (Dec 2022: $269 million), gains on currency translation of $91 million (Dec 2022: losses of $198 million), offset by movements in tax on cash flow hedges of $1,639 million (Dec 2022: gains of $1,006 million), share buybacks of $151 million and dividend payments of $99 million made in the period. Retained earnings decreased by the loss after tax.

Net cash/(debt)

As at 30 June 2023, net cash of $1 million (Dec 2022: net debt of $704 million) consisted of cash balances of $494 million (Dec 2022: $500 million) net of the $500 million bond (Dec 2022: $500 million) adjusted for unamortised fees of $7 million (Dec 2022: $9 million). Following net repayments of the RBL facility of $775 million and settlement in full of the exploration finance facility (EFF) of $11 million, the RBL facility is $nil (Dec 2022: $775 million less unamortised fees of $73 million) and the EFF $nil (Dec 2022: $11 million). The remaining $51 million unamortised fees for the RBL have been reclassified to debtors.

Available liquidity, being the undrawn RBL facility plus cash balances, was $1.6 billion at the end of the period compared with $2.5 billion at year end.

Derivative financial instruments

We carry out hedging activity to manage commodity price risk, to ensure we comply with the requirements of the RBL facility and to ensure there is sufficient funding for future investments. We have entered into a series of fixed-price sales agreements and a financial hedging programme for both oil and gas, consisting of swap and option instruments. Our future production volumes are hedged under the physical and financial arrangements in place at 30 June 2023. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

The current hedging programme is shown below:

Hedge position	**H2 2023**	2024	2025	2026
Oil				
Volume hedged (mmboe)	**6**	7	4	-
Average price hedged ($/bbl)	**74**	84	77	-
UK natural gas				
Volume hedged (mmboe)	**11**	13	6	1
Average priced hedged (p/therm)	**41**	74	97	107

At 30 June 2023, our financial hedging programme on commodity derivative instruments showed a pre-tax negative fair value of $1,027 million (H1 2022: negative $6,807 million), with no ineffectiveness charge to the income statement.

Statement of cash flows[1]

	6 months ended 30 June 2023 $million Unaudited	6 months ended 30 June 2022 $million Unaudited
Cash flow from operating activities after tax	**1,487**	1,862
Cash flow from investing activities – capital investment	**(337)**	(325)
Cash flow from investing activities – other	**65**	9
Operating cash flow after investing activities	**1,215**	1,546
Cash flow from financing activities[2]	**(169)**	(193)
Free cash flow[3]	**1,046**	1,353
Cash and cash equivalents	**494**	845

[1] Table excludes financing activities related to debt principal movements.
[2] Interest and lease payments only, excludes shareholder distributions.
[3] Non-IFRS measure - see Glossary for the definition.

Net cash from operating activities after tax amounted to $1,487 million (H1 2022: $1,862 million) after accounting for positive working capital movements, including realised but unsettled hedges, of $173 million (H1 2022: $119 million). Capital investment was $337 million (H1 2022: $325 million). Cash outflow from financing activities on interest and lease payments was $169 million (H1 2022: $193 million).

Shareholder distributions consist of dividends paid of $99 million (H1 2022: $98 million) and $148 million (H1 2022: $42 million) related to the repurchase of Harbour's own shares.

Cash and cash equivalent balances were $494 million (H1 2022: $845 million) at the end of the period.

	6 months ended 30 June 2023 $million Unaudited	6 months ended 30 June 2022 $million Unaudited
Additions to oil and gas assets	**(256)**	(222)
Additions to fixtures and fittings, office equipment & IT software	**(14)**	(22)
Additions to exploration and evaluation assets	**(56)**	(53)
Total capital investment[1]	**(326)**	(297)
Decrease in working capital	**(20)**	(41)
Capitalised lease payments	**9**	13
Cash capital investment per the cash flow statement	**(337)**	(325)

[1] Non-IFRS measure - see Glossary for the definition.

During the period, the Group incurred total capital expenditure[1] of $434 million (H1 2022: $391 million), split by capital investment $326 million (H1 2022: $297 million) and decommissioning spend $108 million (H1 2022: $94 million) respectively.

The capital investment mainly consisted of development drilling on Talbot and Tolmount, for operated assets, and Buzzard and Clair, for non-operated assets.

The Group received net tax refunds of $22.7 million in the period (H1 2022: $163.3 million payment) as UK tax refunds from prior years offset the international tax payments made. Ordinarily we would make a final 2022 UK tax instalment payment in January 2023, however as a result of a clarification from the UK Tax Authorities on the payment timing for EPL liabilities for certain subsidiaries we had an overpayment at year-end which was reallocated to shelter this payment.

Principal risks

There are no significant changes to the headline principal risks from those disclosed in the 2022 Annual Report and Accounts, as discussed in the Risk and Uncertainties section below. A full description of Harbour's principal risks can be found on pages 54 to 59 of the 2022 Annual Report and Accounts.

Post balance sheet events

On 10 August 2023 Harbour entered into Sale and Purchase Agreements to sell its business in Vietnam, which includes its 53.125 per cent interest in the Chim Sáo and Dua producing fields, to Big Energy Joint Stock Company for a consideration of $84 million. The transaction, which is subject to government approvals, has an effective date of 1 January 2023. Completion is targeted by year end 2023. The divestment results in a country exit from Vietnam for Harbour.

Going concern

The results have been presented on a going concern basis. Detail of the Group's assessment of going concern for the period can be found within note 2.

Risks and Uncertainties

Business risks

Harbour faces various risks that could result in events or circumstances that might negatively impact the Company's business model, its future performance, liquidity, and reputation. Not all of these risks are wholly within the Company's control and the Company may also be affected by risks which have not yet materialised or are not reasonably foreseeable.

The effective management of risk is critical if we are to continue to successfully execute the strategy we set in 2021, and to protect our personnel, assets, the communities with whom we interact, and our reputation.

For known risks facing the business, the Company seeks to reduce the likelihood and mitigate the impact of the risk to within the level of appetite or tolerance set by the Board. According to the nature of the risk, the Company can choose to take or tolerate risk, treat risk with mitigating actions, transfer risk to third parties, or terminate risk by ceasing particular activities or operations. In particular, the Company has a zero tolerance stance to fraud, bribery, corruption, and the facilitation of tax evasion. We also aim to manage health, safety, and environmental and security risks to a level as low as reasonably practicable.

Principal risks at half-year 2023 and key changes since the 2022 Annual Report

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. 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.

These principal risks are summarised as:

- **Strategic execution:** failure to effectively implement the strategy
- **Health, safety and environment:** risk of a major health, safety, environmental or physical security incident
- **Organisation and talent:** failure to create and maintain a cohesive organisation with sufficient capability and capacity
- **Host government political and fiscal risks:** exposure to adverse or uncertain political, regulatory or fiscal developments in countries where the company operates or maintains interests
- **Operational performance:** failure to deliver competitive operational performance
- **Capital programme and delivery:** failure to define and deliver a capital programme that optimises value
- **Third-party reliance:** failure to adequately manage supply chain, joint venture and other partners, and third-party infrastructure owners
- **Access to capital:** failure to ensure sufficient access to capital to implement the company's strategy
- **Commodity price exposure:** failure to manage the impact of commodity price fluctuations on the business
- **Energy transition and net zero:** failure to adapt the strategy and business model in the context of the energy transition, including changing demand for oil and gas, and evolving investor, societal and regulatory expectations
- **Cyber and information security:** failure to maintain safe, secure and reliable information systems
- **Legal and regulatory compliance:** failure to maintain and demonstrate effective legal and regulatory compliance
- **Integration of acquired businesses:** failure to properly integrate acquired businesses and realise anticipated synergies in a timely manner

In conducting their review, management and the Board identified certain areas where changes in the external environment during the period have increased uncertainty and the likelihood of some of these risks materialising. These changes were mainly with respect to access to capital citing a decline in lender appetite for new investment in the oil and gas sector.

The detailed descriptions of the principal risks and how they are being managed can be found on pages 54 to 59 in the 2022 Annual Report and Accounts.

Insurance

We have significant and appropriate insurance in place to minimise risk to our operational and investment programmes. This includes business interruption insurance.

Responsibility statement

The directors confirm that, to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting',
- the half-yearly results statement includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year), and
- the half-yearly results statement includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Alexander Krane

Director

23 August 2023

Disclaimer

This statement contains certain forward-looking statements that are subject to the usual risk factors and uncertainties associated with the oil and gas exploration and production business. Whilst Harbour believes the expectations reflected herein to be reasonable in light of the information available to them at this time, the actual outcome may be materially different owing to factors beyond Harbour's control or within Harbour's control where, for example, Harbour decides on a change of plan or strategy. Accordingly, no reliance may be placed on the figures contained in such forward-looking statements.

Independent review report to Harbour Energy plc

Conclusion

We have been engaged by the Company to review the condensed consolidated set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flow and the related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated 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 UK 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 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Conclusions 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 management has inappropriately adopted the going concern basis of accounting or that management has identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, 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 Company'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 consolidated set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions 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 guidance contained in International Standard on Review Engagements 2410 (UK) “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London, United Kingdom
23 August 2023

Financial Statements

Condensed consolidated income statement

For the six months ended 30 June

	Note	**2023 Unaudited $ million**	2022 Unaudited $ million
Revenue	4	**1,991.3**	2,659.4
Other income	4	**24.5**	10.6
Revenue and other income		**2,015.8**	2,670.0
Cost of operations	5	**(1,224.3)**	(1,364.5)
Impairment of property, plant, and equipment	10	**(18.5)**	(2.6)
Exploration and evaluation expenses and new ventures	5	**(14.8)**	(20.4)
Exploration costs written-off	9	**(13.3)**	(1.7)
Gain on disposal	5	**-**	10.0
General and administrative expenses	5	**(91.2)**	(43.4)
Operating profit	5	**653.7**	1,247.4
Finance income	6	**33.2**	396.9
Finance expenses	6	**(257.8)**	(154.5)
Profit before taxation		**429.1**	1,489.8
Income tax expense	7	**(437.5)**	(505.7)
(Loss)/profit for the period		**(8.4)**	984.1
(Loss)/profit for the period attributable to:			
Equity owners of the company		**(8.4)**	984.1

(Loss)/earnings per share	Note	**$ cents**	$ cents
Basic	8	**(1.0)**	106.4
Diluted	8	**(1.0)**	105.7

Condensed consolidated statement of comprehensive income

For the six months ended 30 June

	2023 Unaudited $ million	2022 Unaudited $ million
(Loss)/profit for the period	**(8.4)**	984.1
Other comprehensive profit/(loss)		
Items that may be reclassified to the income statement (net of tax):		
Fair value gains/(losses) on cash flow hedges	**2,185.0**	(3,348.9)
Tax (expense)/credit on cash flow hedges	**(1,638.7)**	1,336.1
Exchange differences on translation	**91.0**	(107.6)
Other comprehensive profit/(loss) for the period, net of tax	**637.3**	(2,120.4)
Total comprehensive profit/(loss) for the period, net of tax	**628.9**	(1,136.3)
Total comprehensive profit/(loss) attributable to:		
Equity owners of the company	**628.9**	(1,136.3)

Condensed consolidated balance sheet

	Note	30 June 2023 Unaudited $ million	31 Dec 2022 Audited $ million
Assets			
Non-current assets			
Goodwill		**1,327.1**	1,327.1
Other intangible assets	9	**955.0**	880.0
Property, plant and equipment	10	**5,506.0**	5,690.2
Right-of-use assets	11	**607.2**	734.7
Deferred tax assets	7	**380.5**	1,406.5
Other receivables		**293.9**	298.0
Other financial assets	14	**101.2**	102.7
Total non-current assets		**9,170.9**	10,439.2
Current assets			
Inventories		**174.2**	142.9
Trade and other receivables		**904.7**	1,403.2
Other financial assets	14	**81.4**	80.8
Cash and cash equivalents		**493.5**	499.7
Total current assets		**1,653.8**	2,126.6
Total assets		**10,824.7**	12,565.8
Equity and liabilities			
Equity			
Share capital		**171.1**	171.1
Other reserves		**31.1**	(606.2)
Retained earnings		**1,211.5**	1,456.4
Total equity		**1,413.7**	1,021.3
Non-current liabilities			
Borrowings	13	**495.4**	1,216.6
Provisions	12	**4,031.4**	3,933.7
Deferred tax	7	**1,062.2**	397.2
Trade and other payables		**11.5**	18.8
Lease creditor	11	**517.5**	603.8
Other financial liabilities	14	**308.0**	1,279.1
Total non-current liabilities		**6,426.0**	7,449.2
Current liabilities			
Trade and other payables		**871.2**	1,251.2
Borrowings	13	**19.2**	21.5
Lease creditor	11	**215.3**	220.8
Provisions	12	**284.2**	231.6
Current tax liabilities		**648.7**	198.7
Other financial liabilities	14	**946.4**	2,171.5
Total current liabilities		**2,985.0**	4,095.3
Total liabilities		**9,411.0**	11,544.5
Total equity and liabilities		**10,824.7**	12,565.8

The notes 1 to 18 form an integral part of these condensed consolidated half-year financial statements

Condensed consolidated statement of changes in equity

	Share capital $ million	Share premium[1] $ million	Merger reserve[1] $ million	Capital redemption reserve $ million	Cash flow hedge reserve[2] $ million	Costs of hedging reserve[2] $ million	Currency translation reserve $ million	Retained earnings $ million	Total equity $ million
At 1 January 2022 (Audited)	171.1	1,504.6	677.4	8.1	(2,062.1)	1.5	98.3	74.6	473.5
Profit for the period	-	-	-	-	-	-	-	984.1	984.1
Other comprehensive loss	-	-	-	-	(1,999.0)	(13.8)	(107.6)	-	(2,120.4)
Total comprehensive income	-	-	-	-	(1,999.0)	(13.8)	(107.6)	984.1	(1,136.3)
Purchase and cancellation of own shares	-	-	-	-	-	-	-	(53.5)	(53.5)
Share-based payments	-	-	-	-	-	-	-	16.7	16.7
Purchase of ESOP Trust shares	-	-	-	-	-	-	-	(8.6)	(8.6)
Dividend paid	-	-			-	-	-	(98.3)	(98.3)
At 30 June 2022 (Unaudited)	171.1	1,504.6	677.4	8.1	(4,061.1)	(12.3)	(9.3)	915.0	(806.5)
At 1 January 2023 (Audited)	171.1	-	271.3	8.1	(776.0)	(9.9)	(99.7)	1,456.4	1,021.3
(Loss)/profit for the period	-	-	-	-	-	-	-	(8.4)	(8.4)
Other comprehensive income	-	-	-	-	542.4	3.9	91.0	-	637.3
Total comprehensive income	**-**	**-**	**-**	**-**	**542.4**	**3.9**	**91.0**	**(8.4)**	**628.9**
Purchase and cancellation of own shares	-	-	-	-	-	-	-	(150.7)	(150.7)
Share-based payments	-	-	-	-	-	-	-	24.4	24.4
Purchase of ESOP Trust shares	-	-	-	-	-	-	-	(11.6)	(11.6)
Dividend paid	-	-	-	-	-	-		(98.6)	(98.6)
At 30 June 2023 (Unaudited)	**171.1**	**-**	**271.3**	**8.1**	**(233.6)**	**(6.0)**	**(8.7)**	**1,211.5**	**1,413.7**

[1] In H2 2022, share premium and merger reserve balances were re-categorised to retained earnings following the capital reduction effective 3 August 2022.

[2] Disclosed net of deferred tax.

Condensed consolidated statement of cash flows
For the six months ended 30 June

	Note	**2023 Unaudited $ million**	2022 Unaudited $ million
Net cash flows from operating activities	15	**1,486.5**	1,861.6
Investing activities			
Expenditure on exploration and evaluation assets		**(54.7)**	(69.6)
Expenditure on property, plant and equipment		**(276.5)**	(234.5)
Expenditure on non-oil and gas intangible assets		**(5.8)**	(20.8)
Receipts for sub-lease income		**5.2**	5.1
Finance income received		**59.5**	4.0
Net cash flows used in investing activities		**(272.3)**	(315.8)
Financing activities			
Repurchase of shares		**(147.7)**	(41.8)
Proceeds from new borrowings – reserves-based lending facility		**275.0**	-
Proceeds from new borrowings – exploration finance facility		**-**	11.5
Lease liability payments		**(121.6)**	(118.2)
Repayment of reserves based lending facility		**(1,050.0)**	(1,037.5)
Repayment of exploration finance facility		**(10.6)**	-
Repayment of financing arrangement		**(13.9)**	(7.9)
Purchase of ESOP Trust shares		**(11.6)**	(8.6)
Interest paid and bank charges		**(47.2)**	(75.1)
Dividends paid		**(98.6)**	(98.3)
Net cash flows from financing activities		**(1,226.2)**	(1,375.9)
Net (decrease)/increase in cash and cash equivalents		**(12.0)**	169.9
Net foreign exchange difference		**5.8**	(24.1)
Cash and cash equivalents at 1 January		**499.7**	698.7
Cash and cash equivalents at 30 June		**493.5**	844.5

Notes to the half-year condensed consolidated financial statements

1. General information

Harbour Energy plc is a limited liability company incorporated in Scotland and listed on the London Stock Exchange. The address of the registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, United Kingdom.

The condensed consolidated financial statements of Harbour Energy plc (Harbour) for the six months ended 30 June 2023 comprise the parent company, Harbour Energy plc (the company) and all its subsidiaries (the Group), and were approved and authorised for issuance by the board of directors on 23 August 2023.

The Group's principal activities are the acquisition, exploration, development and production of oil and gas reserves on the UK and Norwegian Continental Shelves, Indonesia, Vietnam, and Mexico.

The condensed consolidated financial information contained in this report is unaudited. The income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement for the six months to 30 June 2023, and the balance sheet as at 30 June 2023 and related notes, have been reviewed by the auditors.

2. Basis of preparation and changes to the Group's accounting policies

2.1 Basis of preparation

The half-year condensed consolidated financial statements (the Financial Statements) for the six months ended 30 June 2023 have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. These half-year condensed consolidated financial statements are to be read in conjunction with Harbour's Annual Report and Accounts for the year ended 31 December 2022, which contains additional accounting policy disclosures and information as required in a set of annual financial statements.

The Financial Statements do not include all the information required for a full annual report and do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

The Financial Statements have been prepared on the historical-cost basis, except for certain financial assets and liabilities (including derivative financial instruments), which have been measured at fair value.

The presentation currency of the Group financial information is US dollars and all values in the Group financial information are presented in millions ($ million) and all values are to the nearest $0.1 million, except where otherwise stated.

2.2 Going concern

The Directors consider the going concern assessment period to be up to 31 December 2024. The Group monitors and manages its capital position and its liquidity risk regularly throughout the year to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced and sensitivities considered based on, but not limited to, the Group's latest life of field production and expenditure forecasts, management's best estimate of future commodity prices (based on recent forward curves, adjusted for the Group's hedging programme) and the Group's borrowing facilities.

The ongoing capital requirements are financed by the Group's $3.7 billion reserve-based lending (RBL) facility that has a current borrowing base of $1.1 billion after the 1 July 2023 redetermination, and $500 million bond. The amount drawn down under these facilities at 30 June 2023 was $0.5 billion, which together with cash of $0.5 billion, gave a total available liquidity of $1.6 billion. Further details can be found in note 13. The RBL facility has a financial covenant relating to the ratio of consolidated total net debt to consolidated EBITDAX on a historic and forward-looking basis, which is tested semi-annually. The amount available under the facility is re-determined annually based on a valuation of the Group's borrowing base assets when applying certain forward-looking assumptions, as defined in the borrowing agreements.

The Group's latest approved business plan underpins the base case going concern assessment and is based upon management's best estimate of forward commodity price curves, production in line with approved asset plans and the ongoing capital requirements of the Group that will be financed by free cash flow, the existing RBL and bond financing arrangements. The base case assumes an oil price of $73/bbl and $80/bbl and average UK natural gas price of 100p/therm and 140p/therm in H2 2023 and 2024, respectively.

The base case indicates that the Group is able to operate as a going concern with sufficient headroom and remain covenant compliant throughout the assessment period.

In line with the principal risks, a sensitivity has been prepared to reflect the impact of reduction in oil prices of 20 per cent, a reduction in UK natural gas prices of 30 per cent and a reduction in the Group's unhedged production of 10 per cent throughout the assessment period. In these downside scenarios when applied individually and in aggregate to the base case forecast, the Group is forecast to have sufficient financial headroom throughout the assessment period and remain in compliance with its financial covenants.

Reverse stress tests have been prepared reflecting further reductions in commodity price and production parameters, prior to any mitigation strategies, to determine at what levels each would need to reach such that either the lending covenant is breached, or financial liquidity headroom runs out. The results of these reverse stress tests demonstrated that the likelihood of a sustained significant fall in commodity prices or a significant fall in production over the assessment period that would cause a risk of funds shortfall, or a covenant breach is remote and significantly below the sensitivity test performed.

Taking the above analysis into account, the Board was satisfied that, for the assessment period, the Group was able to maintain adequate liquidity and no covenant breaches occurred and therefore have adopted the going concern basis for preparing the half-year condensed consolidated financial statements.

2.3 Accounting policies, new standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the Financial Statements are consistent with those adopted and disclosed in Harbour's 2022 Annual Report and Accounts, except for the adoption of new standards effective in the UK as of 1 January 2023. A number of amendments to existing standards and interpretations were effective from 1 January 2023 but had no impact on the Financial Statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to existing standards from 1 January 2023 are as follows, these do not impact the half-year financial statements but are expected to have an impact on the annual financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's half-year condensed consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments had no impact on the Group's half-year condensed consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Group's half-year condensed consolidated financial statements.

2.4 Use of judgements and estimates

In preparing these Financial Statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those described on page 136 of Harbour's 2022 Annual Report and Accounts.

3. Segment information

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the Group's business segments, has been identified as the Chief Executive Officer.

The Group's activities consist of one class of business, being the acquisition, exploration, development and production of oil and gas reserves and related activities and are split geographically and managed in two regions: namely North Sea and International. The North Sea segment includes the UK and Norwegian continental shelves, and the International segment includes Indonesia, Vietnam and Mexico.

Income Statement

	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Revenue		
North Sea	**1,893.2**	2,481.1
International	**98.1**	178.3
Total Group sales revenue	**1,991.3**	2,659.4
Other income		
North Sea	**24.5**	10.4
International	**-**	0.2
Total Group revenue and other income	**2,015.8**	2,670.0
Group operating profit		
North Sea	**626.6**	1,140.9
International	**27.1**	106.5
Group operating profit	**653.7**	1,247.4
Finance income	**33.2**	396.9
Finance expenses	**(257.8)**	(154.5)
Profit before income tax	**429.1**	1,489.8
Income tax expense	**(437.5)**	(505.7)
(Loss)/profit for the period	**(8.4)**	984.1

Balance Sheet

	30 June 2023 Unaudited $ million	31 Dec 2022 Audited $ million
Segment assets		
North Sea	**9,570.4**	11,346.2
International	**1,254.3**	1,219.6
Total assets	**10,824.7**	12,565.8
Segment liabilities		
North Sea	**(8,848.9)**	(10,937.3)
International	**(562.1)**	(607.2)
Total liabilities	**(9,411.0)**	(11,544.5)

Other information

	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Capital additions		
North Sea	**269.4**	260.9
International	**57.1**	36.0
Total capital additions	**326.5**	296.9
Depreciation, depletion and amortisation		
North Sea	**691.0**	718.8
International	**36.9**	43.6
Total depreciation, depletion and amortisation	**727.9**	762.4
Exploration and evaluation expenses and new ventures		
North Sea	**14.8**	19.6
International	**-**	0.8
Total exploration and evaluation expenses and new ventures	**14.8**	20.4
Exploration costs written-off		
North Sea	**3.8**	8.1
International[1]	**9.5**	(6.4)
Total exploration costs written-off	**13.3**	1.7

[1] In the six months to 30 June 2022, International included a credit to the income statement related to a change to the decommissioning estimate in the Falkland Islands business unit.

4. Revenue from contracts with customers and other income

	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Type of goods		
Crude oil sales	**1,115.0**	1,541.9
Gas sales	**759.4**	970.2
Condensate sales	**99.7**	129.0
Total revenue from contracts with customers[1]	**1,974.1**	2,641.1
Tariff income	**14.3**	15.6
Other revenue	**2.9**	2.7
Revenue from production activities	**1,991.3**	2,659.4
Other income[2]	**24.5**	10.6
Total revenue and other income	**2,015.8**	2,670.0

[1] Revenue from contracts with customers of $2,460.2 million (H1 2022: $4,243.8 million) comprise crude oil sales of $1,146.0 million (H1 2022: $1,975.7 million) and gas sales of $1,214.5 million (H1 2022: $2,139.1 million). This was prior to realised hedging losses in the period of $31.0 million (H1 2022: $433.7 million) on crude oil and $455.1 million (H1 2022: $1,169.0 million) on gas sales.

[2] Other income mainly represents partner recoveries related to lease obligations and, in 2023 a receipt related to the Viking CCS Development Agreement that was signed in March.

5. Operating profit

	Note	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Cost of operations			
Production, insurance and transportation costs		**575.4**	572.7
Gas purchases		**6.1**	7.8
Royalties		**1.6**	-
Surrender of GHG voluntary emissions credits		**-**	7.2
Depreciation of oil and gas assets	10	**598.5**	658.6
Depreciation of right-of-use oil and gas assets	11	**122.5**	100.9
Capitalisation of IFRS 16 lease depreciation on oil and gas assets	11	**(13.1)**	(17.3)
Amortisation of oil and gas intangible assets	9	**-**	0.6
Movement in over/underlift balances and hydrocarbon inventories		**(66.7)**	34.0
Total cost of operations		**1,224.3**	1,364.5
Impairment expense of property, plant and equipment	10	**20.1**	-
Impairment (gain)/loss due to increase in decommissioning provision	10,12	**(1.6)**	2.6
Exploration costs written-off[1]	9	**13.3**	1.7
Exploration and evaluation expenditure and new ventures[2]		**14.8**	20.4
Gain on disposal[3]		**-**	(10.0)
General and administrative expenses			
Depreciation of right-of-use non-oil and gas assets	11	**4.6**	6.1
Depreciation of non-oil and gas assets	10	**3.0**	2.6
Amortisation of non-oil and gas intangible assets	9	**12.4**	10.9
Other administrative costs[4]		**71.2**	23.8
Total general and administrative expenses[5]		**91.2**	43.4
Operating profit		**653.7**	1,247.4

[1] Exploration costs written-off of $13.3 million includes $9.4 million related to the Ix-1EXP well in Mexico and is net of a $0.4 million credit related to a decrease in decommissioning provisions in the North Sea (note 12).

[2] Exploration and evaluation expenditure and new ventures of $14.8 million (H1 2022: $20.4 million) includes $10.5 million (H1 2022: $10.2 million) of early project costs incurred mainly in respect of the Group's interest in carbon capture and storage (CCS) and electrification projects in the UK plus $4.3 million of ongoing pre-licence costs.

[3] The gain on disposal in the six months to 30 June 2022 relates to the release of a provision associated with Premier's sale of its legacy Pakistan assets in 2019 after the expiry of the deadline in the period for tax claims to be submitted.

[4] Other administrative costs include a redundancy provision of $15.6 million and a transfer tax assessment of $3.5 million related to Indonesia, both of which are non-recurring in nature. Also included are consultancy costs of $12.8 million.

[5] Expenses related to both short-term and low value leases arrangements are considered to be immaterial for reporting purposes.

6. Finance income and finance expenses

	Note	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Finance income			
Bank interest		**10.0**	1.8
Other interest and finance gains		**7.5**	2.5
Lease finance income		**0.7**	0.8
Realised gains on interest rate swaps		**0.2**	-
Realised gains on foreign exchange forward contracts		**5.3**	0.3
Gains on derivatives[1]		**9.5**	31.4
Foreign exchange gains[2]		**-**	360.1
Total finance income		**33.2**	396.9
Finance expenses			
Interest payable on reserves-based lending		**11.0**	34.6
Interest payable on bond		**13.8**	13.6
Other interest and finance expenses		**3.2**	8.6
Lease interest	11	**26.1**	10.0
Realised losses on interest rate swaps		**-**	0.7
Losses on derivatives[1]		**-**	17.5
Foreign exchange losses		**84.5**	-
Bank and financing fees[3]		**47.8**	38.5
Unwinding of discount on decommissioning and other provisions	12	**74.2**	32.0
		260.6	155.5
Finance costs capitalised during the period[4]		**(2.8)**	(1.0)
Total finance expense		**257.8**	154.5

[1] Gains on derivatives in H1 2023 relate to changes in the fair value of an embedded derivative within one of the Group's gas contracts (H1 2022: loss of $17.5 million). Gains on derivatives in H1 2022 included mark to market gains on unrealised interest rate and foreign exchange derivatives.

[2] In the six-month period to 30 June 2022, significant unrealised foreign exchange gains arose mainly from the revaluation of open gas hedges denominated in sterling.

[3] Bank and financing fees include $23.0 million (H1 2022: $21.5 million) relating to the amortisation of arrangement fees and related costs capitalised against the Group's long-term borrowings (note 15)

[4] The value of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 6.3 per cent to the expenditures on the qualifying assets (H1 2022: 4.4 per cent).

7. Income tax

The major components of income tax expense for the periods ended 30 June 2023 and 2022 are:

	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Current income tax expense:		
UK corporation tax	**392.9**	316.5
Overseas tax	**8.3**	35.3
Adjustment in respect of prior years	**11.7**	(3.8)
Total current income tax expense	**412.9**	348.0
Deferred tax expense:		
Origination and reversal of temporary differences	**18.0**	172.4
Overseas tax	**2.9**	(2.3)
Adjustment in respect of prior years	**3.7**	(12.4)
Total deferred tax expense	**24.6**	157.7
Total income tax expense reported in the income statement	**437.5**	505.7
The tax expense/(credit) in the statement of comprehensive income is as follows:		
Tax expense/(credit) on cash flow hedges	**1,638.7**	(1,336.1)

The effective tax rate for the six months ended 30 June 2023 was 102 per cent, compared to 34 per cent for the same period in 2022. The higher effective tax rate for the six months ended 30 June 2023 is primarily caused by the introduction of the Energy Profits Levy (EPL) at 35 per cent from 1 January 2023 resulting in a headline tax rate on UK oil and gas profits of 75 per cent (H1 2022: 40 per cent). There was no charge to EPL in the Group's 2022 half-year results as the enabling legislation for EPL had not been substantively enacted by 30 June 2022.

The tax expense has been computed by considering the estimated annual average expected tax rate for the year, for each jurisdiction based on enacted or substantively enacted rates at the end of the half-year period. The rate for the period of 102 per cent is in excess of the expected estimated annual rate of 79 per cent as a result of several period specific adjustments including foreign exchange losses deductible at lower rates (+5 per cent), changes in deferred tax recognition (+4 per cent), prior period adjustments (+4 per cent) and non-cash accounting impacts from the increase in decommissioning provisions booked in the period not being deductible at 75 per cent (+8 per cent).

Change in tax rates

The main rate of UK corporation tax for non-ring fence profits increased from 19 per cent to 25 per cent from 1 April 2023. This change has not had a material impact on the Group as the UK profits are primarily subject to the UK ring fence tax rate.

The EPL on the profits earned from the production of oil and gas in the UK was introduced in the previous period. From 1 January 2023, the EPL is charged at the rate of 35 per cent on taxable profits in addition to ring fence corporation tax of 30 per cent and the Supplementary Charge of 10 per cent. The EPL is a temporary measure and will cease to apply on 31 March 2028.

On 9 June 2023, the UK government proposed the introduction of the Energy Security Investment Mechanism (ESIM) which would end the imposition of EPL earlier than 31 March 2028 where certain conditions are met. Under the proposed ESIM, if both average oil and gas prices fall to, or below, $71.40 per barrel for oil and 54p per therm for gas, for two consecutive quarters, then the EPL will be repealed and the headline tax rate on UK oil and gas profits will return to 40 per cent. The government subsequently confirmed that the measure would not be legislated for before the triggers are met and prices are not expected to fall to, or below, the quoted triggers before the existing EPL end date of 31 March 2028. The change as currently proposed is therefore not expected to have a material impact for the Group.

Deferred tax

The principal components of deferred tax are set out in the following tables:

	30 June 2023 Unaudited $ million	31 Dec 2022 Audited $ million
Deferred tax assets	**380.5**	1,406.5
Deferred tax liabilities	**(1,062.2)**	(397.2)
Total deferred tax (liability)/asset	**(681.7)**	1,009.3

The origination of and reversal of temporary differences are, as shown in the next table, related primarily to movements in the carrying amount and tax base value of expenditure and the timing of when these items are changed and are credited against accounting and taxable profit.

	Accelerated capital allowances $ million	**Decomm-issioning $ million**	**Losses $ million**	**Fair value of derivatives $ million**	**Other $ million**	**Overseas $ million**	**Total deferred tax asset/ (Liability) $ million**
As at 1 January 2022 (Audited)	(2,820.1)	2,012.9	1,314.5	1,392.1	38.8	(186.9)	1,751.3
Deferred tax (expense)/ credit	(657.7)	(361.7)	(745.2)	49.0	(39.7)	7.5	(1,747.8)
Comprehensive income (expense)/ credit	-	-	-	1,005.6	-	-	1,005.6
Foreign exchange	82.2	(85.9)	(0.2)	5.0	(1.8)	0.9	0.2
As at 1 January 2023 (Audited)	**(3,395.6)**	**1,565.3**	**569.1**	**2,451.7**	**(2.7)**	**(178.5)**	**1,009.3**
Deferred tax (expense)/ credit	150.9	31.8	(218.9)	(11.8)	26.4	(3.0)	(24.6)
Comprehensive income (expense)/ credit	-	-	-	(1,638.7)	1.4	-	(1,637.3)
Foreign exchange	(53.0)	34.2	0.3	(8.4)	0.3	(2.5)	(29.1)
As at 30 June 2023 (Unaudited)	**(3,297.7)**	**1,631.3**	**350.5**	**792.8**	**25.4**	**(184.0)**	**(681.7)**

The Group's deferred tax assets as at 30 June 2023 are recognised to the extent that taxable profits are expected to arise against which the tax assets can be utilised. The Group assessed the recoverability of its UK ring fenced losses and allowances using corporate assumptions which are consistent with the Group's impairment assessment. Based on those assumptions, the Group expects to fully utilise its recognised UK tax losses and allowances. The recovery of the Group's UK decommissioning deferred tax asset is additionally supported by the ability to carry back decommissioning tax losses and set these against ring fence taxable profits of prior periods.

The Group has unrecognised UK tax losses and allowances as at 30 June 2023 of approximately $219.5 million (Dec 2022: $201.7 million) in respect of ring fence losses, $125.5 million (Dec 2022: $111.1 million) in respect of ring fence investment allowance and $751.6 million (Dec 2022: $807.2 million) in respect of non-ring fence losses.

The Group also has unrecognised gross tax losses of approximately $142.1 million (Dec 2022: $156.9 million) in respect of its international operations. These losses include amounts of $30.3 million which will expire, primarily within 5 years and $14.1 million expiring within 10 years.

The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

No deferred tax liabilities have been provided on unremitted earnings of overseas subsidiaries, because due to the application of withholding reliefs under international double taxation treaties and dividend exemptions under UK and Netherlands legislation no additional taxation is expected to arise on future distribution.

Global minimum corporation tax rate - Pillar 2 requirements

The legislation implementing the Organisation for Economic Co-operation and Development's (OECD) proposals for a global minimum corporation tax rate (Pillar 2) was substantively enacted into UK law on 20 June 2023. The rules have effect from 1 January 2024 and therefore the rules do not impact the Group's results to 30 June 2023.

The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar 2 income taxes in accordance with the amendments to IAS 12 published by the IASB on 23 May 2023. The Group does not expect the implementation of the Pillar 2 rules to have a material impact on the Group. However, the Group continues to assess the detailed impact of the implementation.

Uncertain tax positions

The Group is subject to various uncertainties in respect of taxes which arise in the ordinary course of business in the different jurisdictions in which it operates. In assessing whether these uncertainties should be provided for in the Financial Statements, management has applied significant judgement of the likely outcome, based on external advice and prior experience of such claims.

Where management determines that a tax settlement is considered probable, it is provided for in our tax charge based on the current best estimate of the outcome. Where management determines that a tax settlement is possible but not remote, no provision is made but a disclosure of the contingent liability is made. Due to the uncertainty of such tax items, the ultimate outcome of an open tax matter may significantly differ from management's estimate.

During the period an uncertain tax position has been identified in certain UK subsidiaries, which could materially impact the corporate income tax treatment of a portion of our realised hedging gains and losses across reporting periods ended 31 December 2020 to 30 June 2023. On the strength of independent advice, management considers that no provision is required however a contingent liability exists as the UK Tax Authorities could take an alternative view resulting in a future outflow. At this early stage, due to the complexities inherent in the underlying data and related analysis, the potential financial effect, if any, has not been quantified. Management intends to discuss the position with the UK Tax Authorities, and for the issue to be either quantified or resolved by year end.

8. (Loss)/earnings per share

Basic EPS is calculated by dividing the (loss)/profit after tax attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated by dividing the profit after tax attributable to ordinary shareholders by the weighted average number of ordinary share in issue during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	6 months ended 30 June 2023 Unaudited	6 months ended 30 June 2022 Unaudited
(Loss)/earnings for the period ($ millions)		
(Loss)/earnings for the purpose of basic earnings per share	**(8.4)**	984.1
Effect of dilutive potential ordinary shares	**-**	-
(Loss)/earnings for the purpose of diluted earnings per share	**(8.4)**	984.1
Number of shares (millions)		
Weighted average number of ordinary shares for the purposes of basic earnings per share[1]	**828.7**	925.3
Dilutive potential ordinary shares[2]	**-**	6.0
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**828.7**	931.3
(Loss)/earnings per share ($ cents)		
Basic	**(1.0)**	106.4
Diluted	**(1.0)**	105.7

[1] During the current period 44.9 million ordinary shares were repurchased and cancelled as part of the share buyback programme.

[2] Excludes certain share options outstanding at 30 June 2022 as their option price was greater than market price.

9. Other intangible assets

	Oil and gas assets $ million	Non-oil and gas assets[3] $ million	Capacity rights[4] $ million	Total $ million
Cost				
At 1 January 2023 (Audited)	816.7	137.6	8.8	963.1
Additions during the period	56.3	6.6	-	62.9
Reduction in decommissioning asset[1]	(0.4)	-	-	(0.4)
Exploration written-off[2]	(13.3)	-	-	(13.3)
Currency translation adjustment	36.2	6.5	-	42.7
At 30 June 2023 (Unaudited)	**895.5**	**150.7**	**8.8**	**1,055.0**
Amortisation				
At 1 January 2023 (Audited)	-	74.3	8.8	83.1
Charge for the period	-	12.4	-	12.4
Currency translation adjustment	-	4.5	-	4.5
At 30 June 2023 (Unaudited)	**-**	**91.2**	**8.8**	**100.0**
Net book value				
At 31 December 2022 (Audited)	816.7	63.3	-	880.0
At 30 June 2023 (Unaudited)	**895.5**	**59.5**	**-**	**955.0**

[1] A reduction in decommissioning intangible assets of $0.4 million was made during the period as a result of an update to decommissioning estimates (note 12).

[2] The exploration write-off of $13.3 million which relates to costs associated with licence relinquishments and uncommercial well evaluations, includes $9.4 million related to the Ix-1EXP well in Mexico and is net of a $0.4 million credit related to a decrease in decommissioning provisions in the North Sea (note 12).

[3] Non-oil and gas assets relate primarily to Group IT software.

[4] The capacity rights represented National Transmission System (NTS) entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights, which have been amortised on a contracted volume basis, are now fully amortised as at 31 December 2022.

10. Property, plant and equipment

	Oil and gas assets $ million	Fixtures and fittings & office equipment $ million	Total $ million
Cost			
At 1 January 2023 (Audited)	11,435.6	38.3	11,473.9
Additions	255.9	7.7	263.6
Increase in decommissioning asset[1]	99.2	-	99.2
Currency translation adjustment	162.5	1.7	164.2
At 30 June 2023 (Unaudited)	**11,953.2**	**47.7**	**12,000.9**
Depreciation			
At 1 January 2023 (Audited)	5,759.3	24.4	5,783.7
Charge for the period	598.5	3.0	601.5
Net impairment charge[2]	18.5	-	18.5
Currency translation adjustment	90.1	1.1	91.2
At 30 June 2023 (Unaudited)	**6,466.4**	**28.5**	**6,494.9**
Net book value			
At 31 December 2022 (Audited)	5,676.3	13.9	5,690.2
At 30 June 2023 (Unaudited)	**5,486.8**	**19.2**	**5,506.0**

1 An increase to decommissioning assets of $99.2 million (H1 2022: $28.8 million) was made during the period as a result of both new obligations and an update to the decommissioning estimates (note 12).

2 The current period net impairment charge of $18.5 million includes a pre-tax impairment charge of $20.1 million on two assets in the UK North Sea, one driven primarily by a significant reduction in the gas price outlook compared to the 2022 year-end view, and the other by a revised decommissioning cost profile. In addition, there is a pre-tax impairment credit of $1.6 million in respect of revisions to decommissioning estimates on the Group's non-producing assets with no remaining net book value.

Impairment assessments

Assumptions involved in impairment measurement include estimates of commercial reserves and production volumes, future oil and gas prices, discount rates and the level and timing of expenditures, all of which are inherently uncertain.

For the purpose of its impairment assessments, the Group uses the fair value less cost of disposal method (FVLCD) to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement (see note 14). In determining the recoverable value, appropriate discounted-cash-flow valuation models are used, incorporating market-based assumptions.

Management's commodity price curve assumptions used for the purposes of management's impairment assessments are benchmarked against a range of external forward price curves on a regular basis. Individual field price differentials are then applied. The first two years reflect the market forward price curves transitioning to a long-term price from 2025, thereafter inflated at 2.5 per cent per annum. The long-term commodity prices used were $65 per barrel for crude and 65p per therm for gas, unchanged from year-end 2022.

11. Leases

Balance sheet

Right-of-use assets	Land and buildings $ million	Drilling rigs $ million	FPSO $ million	Offshore facilities $ million	Equipment $ million	Total $ million
Cost						
At 1 January 2023 (Audited)	87.4	168.9	562.6	334.2	20.0	1,173.1
Cost revisions/remeasurements	1.4	20.2	-	(27.7)	-	(6.1)
Disposals	(2.9)	-	-	-	-	(2.9)
Currency translation adjustment	4.1	10.4	-	0.2	0.8	15.5
At 30 June 2023 (Unaudited)	**90.0**	**199.5**	**562.6**	**306.7**	**20.8**	**1,179.6**
Accumulated depreciation						
At 1 January 2023 (Audited)	25.9	128.5	209.5	61.1	13.4	438.4
Charge for the year	4.9	20.0	55.3	44.6	2.3	127.1
Disposals	(2.9)	-	-	-	-	(2.9)
Currency translation adjustment	1.1	7.8	-	0.2	0.7	9.8
At 30 June 2023 (Unaudited)	**29.0**	**156.3**	**264.8**	**105.9**	**16.4**	**572.4**
Net book value						
At 31 December 2022 (Audited)	61.5	40.4	353.1	273.1	6.6	734.7
At 30 June 2023 (Unaudited)	**61.0**	**43.2**	**297.8**	**200.8**	**4.4**	**607.2**

The significant portion of the Group's lease liabilities represent lease arrangements for FPSO vessels on the Catcher and Chim Sáo assets, and offshore facilities on the Tolmount asset.

The lease liabilities and associated right-of-use-assets have been calculated by reference to in-substance fixed lease payments in the underlying agreements incurred throughout the non-cancellable period of the lease along with periods covered by options to extend the lease where the Group is reasonably certain that such options will be exercised. When assessing whether extension options were likely to be exercised, assumptions are consistent with those applied when testing for impairment.

Right-of-use liabilities	Note	30 June 2023 Unaudited $ million	31 Dec 2022 Audited $ million
At 1 January		**824.6**	654.3
Additions		**-**	338.0
Re-measurement		**(6.0)**	88.9
Finance costs charged to income statement	6	**26.1**	25.1
Finance costs charged to decommissioning provision	12	**0.3**	0.6
Disposals		**-**	(0.4)
Lease payments		**(127.3)**	(254.0)
Currency translation adjustment		**15.1**	(27.9)
		732.8	824.6
Classified as:			
Current		**215.3**	220.8
Non-current		**517.5**	603.8
Total lease liabilities		**732.8**	824.6

Income statement

Depreciation charge of right-of-use assets	Note	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Land and buildings – non-oil and gas assets		**4.6**	6.1
Land and buildings – oil and gas assets		**0.3**	0.6
Drilling rigs		**20.0**	24.1
FPSO		**55.3**	58.7
Offshore facilities		**44.6**	13.5
Equipment		**2.3**	4.0
		127.1	107.0
Capitalisation of IFRS 16 lease depreciation[1]			
Drilling rigs		**(12.0)**	(14.8)
Equipment		**(1.1)**	(2.5)
Total depreciation charge		**114.0**	89.7
Lease interest	6	**26.1**	10.0

[1] Of the $13.1 million (H1 2022: $17.3 million) capitalised IFRS 16 lease depreciation, $8.8 million (H1 2022: $13.4 million) has been capitalised within property, plant and equipment and $4.3 million (H1 2022: $3.9 million) within provisions (note 12).

The total cash outflow for leases in the first six-months of 2023 was $121.6 million (H1 2022: $118.2 million).

12. Provisions

	Decommissioning provision[1] $ million	Other provisions[2] $ million	Total $ million
At 31 December 2022 (Audited)	4,141.3	24.0	4,165.3
Additions	10.2	-	10.2
Changes in estimates – increase to oil and gas tangible decommissioning assets	90.6	-	90.6
Changes in estimates – charge/(credit) to income statement	(1.6)	-	(1.6)
Changes in estimates – decrease to oil and gas intangible assets	(0.4)	-	(0.4)
Changes in estimates – charge to income statement	-	0.5	0.5
Amounts used	(108.3)	-	(108.3)
Interest on decommissioning lease	(0.3)	-	(0.3)
Depreciation, depletion and amortisation on decommissioning right-of-use leased asset	(4.3)	-	(4.3)
Unwinding of discount	74.2	-	74.2
Currency translation adjustment	89.7	-	89.7
At 30 June 2023 (Unaudited)	**4,291.1**	**24.5**	**4,315.6**
Classified within:			
Current liabilities			284.2
Non-current liabilities			4,031.4
Total provisions			**4,315.6**

[1] The Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. These estimated future decommissioning costs are inflated at the Group's long term view of inflation of 2.5 per cent per annum (H1 2022: 2.0 per cent per annum) and discounted at a risk-free rate of between 3.6 per cent and 4.6 per cent (Dec 2022: 3.5 per cent and 3.7 per cent) reflecting a 6-month (Dec 2022: 6-month) rolling average of market rates over the varying lives of the assets to calculate the present value of the decommissioning liabilities. The unwinding of the discount is presented within finance costs.

[2] Other provisions relate to a termination benefit provision in Indonesia, where the Group operates a service, severance and compensation pay scheme under a collective labour agreement with the local workforce.

13. Borrowings and facilities

The Group's borrowings are carried at amortised cost:

	30 June 2023 Unaudited $ million	31 Dec 2022 Audited $ million
Reserves-based lending (RBL) facility[1]	-	702.3
Bond	492.4	491.3
Exploration finance facility	-	10.5
Other loans	22.2	34.0
Total borrowings	514.6	1,238.1
Classified within:		
Non-current liabilities	495.4	1,216.6
Current liabilities	19.2	21.5
Total borrowings	514.6	1,238.1

[1] The reserves-based lending (RBL) facility was fully repaid in the period, leaving $50.8 million of unamortised fees and related costs to be amortised over the remaining term of the facility which have been reclassified within current and non-current assets as appropriate

Bond interest of $5.7 million (Dec 2022: $6.2 million comprising both bond and RBL interest) had accrued by the balance sheet date and has been classified within accruals.

The key terms of the RBL facility are:

- Term matures 23 November 2027.
- Facility size of $3.7 billion, with a $1.75 billion letter of credit sub-limit.
- Debt availability at $1.1 billion effective 1 July 2023.
- Debt availability to be redetermined on an annual basis.
- Interest at compounded SOFR plus a margin of 3.25 per cent, rising to a margin of 3.5 per cent from November 2025.
- A margin adjustment linked to carbon-emission reductions.
- Utilisation of letter of credit sub-limit after 31 December 2025 requires collateral in the form of cash cover otherwise the utilisation will reduce the relevant debt availability.
- Liquidity and leverage covenant tests.
- A syndication group of 19 banks.
- Certain fees are also payable, including fees on available commitments at 40 per cent of the applicable margin and commission on letters of credit issued at 50 per cent of the applicable margin.

In October 2021, the Group issued a $500 million bond under Rule 144A and with a tenor of five years to maturity. The coupon was set at 5.50 per cent and interest is payable semi-annually.

Since 2019, the Group has been operating within an exploration finance facility (EFF), of NOK 1 billion, in relation to part-financing the exploration activities of Harbour Energy Norge AS. This facility was repaid in full in February 2023.

At 30 June 2023, $58.4 million of arrangement fees and related costs remain capitalised (Dec 2022: $81.5 million), of which $33.0 million are due to be amortised within the next 12 months (Dec 2022: $20.2 million). $50.8 million of these arrangement fees relate to the RBL facility, $30.9 million of which have been reclassified within current assets, and $19.9 million, which are due to be amortised beyond the next 12 months, have been reclassified to non-current assets.

At the balance sheet date, the outstanding RBL balance excluding incremental arrangement fees and related costs was $nil million (Dec 2022: $775.0 million). As at 1 July 2023, $1,086.0 million remained available for drawdown under the RBL facility (Dec 2022: $1,972.0 million).

14. Other financial assets and liabilities

The Group held the following financial instruments at fair value at 30 June 2023. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation, which includes estimates based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

All financial instruments that are initially recognised and subsequently remeasured at fair value have been classified in accordance with the hierarchy described in IFRS 13 Fair Value Measurement. The hierarchy groups fair-value measurements into the following levels, based on the degree to which the fair value is observable.

- **Level 1:** fair value measurements are derived from unadjusted quoted prices for identical assets or liabilities.
- **Level 2:** fair value measurements include inputs, other than quoted prices included within level 1, which are observable directly or indirectly.
- **Level 3:** fair value measurements are derived from valuation techniques that include significant inputs not based on observable data.

	30 June 2023 Unaudited		31 Dec 2022 Audited	
Current	**Assets $ million**	**Liabilities $ million**	Assets $ million	Liabilities $ million
Measured at fair value through the income statement				
Interest rate derivatives	**-**	**-**	24.3	-
Foreign exchange derivatives	**5.4**	**-**	6.0	(0.1)
Fair value of embedded derivative within a gas contract	**-**	**(50.3)**	-	(57.0)
	5.4	**(50.3)**	30.3	(57.1)
Measured at fair value through other comprehensive income				
Commodity derivatives	**76.0**	**(896.1)**	50.5	(2,114.4)
Total current	**81.4**	**(946.4)**	80.8	(2,171.5)
Non-current				
Measured at fair value through the income statement				
Foreign exchange derivatives	**0.4**	**-**	-	-
Interest rate derivatives	**-**	**-**	18.2	-
	0.4	**-**	18.2	-
Measured at fair value through other comprehensive income				
Commodity derivatives	**100.8**	**(308.0)**	84.5	(1,279.1)
Total non-current	**101.2**	**(308.0)**	102.7	(1,279.1)
Total current and non-current	**182.6**	**(1,254.4)**	183.5	(3,450.6)

15. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Profit before taxation	**429.1**	1,489.8
Adjustments to reconcile profit before tax to net cash flows:		
Finance cost, excluding foreign exchange	**173.3**	154.5
Finance income, excluding foreign exchange	**(33.2)**	(36.8)
Depreciation, depletion and amortisation	**727.9**	762.4
Fair value movement in carbon swaps	**-**	1.1
Net impairment of property, plant and equipment	**18.5**	2.6
Share based payments	**11.0**	5.9
Decommissioning expenditure	**(110.7)**	(91.6)
Exploration costs written-off	**13.3**	1.7
Onerous contract payments	**-**	(2.3)
Gain on disposal	**-**	(10.0)
Movement in realised cash-flow hedges not yet settled	**(197.5)**	(140.1)
Unrealised foreign exchange loss/(gain)	**61.2**	(371.6)
Working capital adjustments:		
Increase in inventories	**(25.6)**	(22.4)
Decrease in trade and other receivables	**567.2**	221.9
(Decrease)/increase in trade and other payables	**(170.7)**	59.8
Net tax refunds/(payments)	**22.7**	(163.3)
Net cash inflow from operating activities	**1,486.5**	1,861.6

Reconciliation of net cash flow to movement in net borrowings

	6 months ended 30 June 2023 Unaudited $ million	Year ended 31 Dec 2022 Audited $ million
Proceeds from drawdown of borrowing facilities	**(275.0)**	-
Proceeds from EFF loan	**-**	(11.5)
Repayment of RBL facility	**1,050.0**	1,662.5
Repayment of EFF loan	**10.6**	38.6
Repayment of financing arrangement	**13.9**	15.4
Financing arrangement interest payable	**(2.1)**	(9.5)
Amortisation of arrangement fees and related costs capitalised	**(23.0)**	(54.9)
Currency translation adjustment on EFF loan	**(0.1)**	7.3
Movement in total borrowings	**774.3**	1,647.9
Movement in cash and cash equivalents	**(6.2)**	(199.0)
Decrease in net borrowings in the period	**768.1**	1,448.9
Opening net borrowings	**(738.4)**	(2,187.3)
Closing net cash/(borrowings)	**29.7**	(738.4)

Analysis of net borrowings

	6 months ended 30 June 2023 Unaudited $ million	Year ended 31 Dec 2022 Audited $ million
Cash and cash equivalents	**493.5**	499.7
RBL facility	**-**	(702.3)
Bond	**(492.4)**	(491.3)
EFF loan	**-**	(10.5)
Net cash/(debt)	**1.1**	(704.4)
Financing arrangement	**(22.2)**	(34.0)
Closing net borrowings	**(21.1)**	(738.4)
Non-current assets	**19.9**	-
Current assets	**30.9**	-
Closing net cash/(borrowings) after total unamortised fees[1]	**29.7**	(738.4)

[1] $50.8 million of fees associated with the RBL are recognised in debtors.

The carrying values on the balance sheet are stated net of the unamortised portion of issue costs and bank fees of $58.4 million of which $50.8 million relates to the RBL and is recognised in assets and $7.6 million is netted against the bond (Dec 2022: $81.5 million of which $73 million related to the RBL and $9 million related to the bond both of which were netted off against the borrowings).

16. Related Parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no new related party transactions since 31 December 2022, refer to note 28 in the Annual Report and Accounts for more information.

17. Distributions made and proposed

	6 months ended 30 June 2023 Unaudited $ million	6 months ended 30 June 2022 Unaudited $ million
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2022: 12 cents per share (2021: 11 cents per share)	**98.6**	98.3
Proposed dividends on ordinary shares:		
Interim dividend for 2023: 12 cents per share (2022: 11 cents per share)	**100.0**	100.0

On 9 March 2023, a final dividend of $100 million was declared in respect of the financial year ended 31 December 2022 and approved by shareholders on 10 May 2023 at the AGM and paid on 24 May 2023.

An interim dividend of $100 million was declared in respect of the financial year ending 31 December 2023, to be paid on 18 October 2023. A dividend re-investment plan (DRIP) is available to shareholders who would prefer to invest their dividend in the shares of the Company.

18. Post balance sheet events

On 10 August 2023, Harbour entered into Sale and Purchase Agreements to sell its Vietnam business. This business comprises a 53.125 per cent interest in its operated Chim Sáo and Dua producing fields within Block 12W which contribute c.4 kboepd net to Harbour.

The sale is to be effected through a sale of 100 per cent of the share capital in two wholly owned subsidiaries Premier Oil Vietnam Offshore BV and Premier Oil (Vietnam) Ltd through which Harbour, respectively, holds a 28.125 per cent operated interest and 25 per cent non-operated interest in Block 12W.

The sale is being made to Big Energy Joint Stock Company for a headline consideration of $84 million based on an effective date of 1 January 2023. This consideration is subject to adjustment for working capital and cash flows in the interim period. The transaction, which is subject to government approvals, is targeted for completion by year end 2023.

On completion we will account for the divestment of the business within the 'International' segment including removal of non-current asset values, release of the abandonment liabilities and a reversal of the deferred tax position associated with both. This will result in a gain or loss on disposal which cannot be determined at this stage due to the consideration being subject to adjustment up to completion.

Glossary

2C	Best estimate of contingent resources
2P	Proven and probable reserves
ABP	Associated British Ports
AGM	Annual general meeting
Bbl	Barrel
Boe	Barrel of oil equivalent
CCS	Carbon capture and storage
CGU	Cash generating unit
DD&A	Depreciation, depletion and amortisation
DRIP	Dividend re-investment plan
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration
EFF	Exploration financing facility
EPL	Energy Profits Levy (UK)
EPS	Earnings per share
ESIM	Energy Security Investment Mechanism
ESOP	Employee stock ownership plan
EUA	European Union Allowance
FEED	Front End Engineering & Design
FPSO	Floating production storage offtake vessel
FVLCD	Fair value less cost of disposal
GAAP	Generally accepted accounting principles
GHG	Greenhouse gas emissions
IAS	International Accounting Standards
IFRSs	International Financial Reporting Standards
Kboepd	Thousand of barrels of oil equivalent per day
Mmbbl	Million barrels of oil
Mmboe	Million barrels of oil equivalent
Mscf	Thousand standard cubic feet
Mtpa	Million tonnes per annum
NBP	Natural gas prices
NOK	Norwegian krone
NTS	National Transmission System
PP&E	Property, plant and equipment
RBL	Reserves-based lending
SOFR	Secured Overnight Financing Rate
Tcf	Trillion cubic feet
Therm	Unit of UK natural gas
TRIR	Total Recordable Injury Rate
UDP	Unit development plan

Non-IFRS measures

Harbour uses certain measures of performance that are not specifically defined under IFRS or other generally accepted accounting principles (GAAP). These non-IFRS measures, which are presented within the Financial Review, are defined below:

- **Capital investment:** Depicts how much the Group has spent on purchasing fixed assets in order to further its business goals and objectives. It is a useful indicator of the Group's organic expenditure on oil and gas assets, and exploration and appraisal assets, incurred during a period.
- **DD&A per barrel:** Depreciation and amortisation of oil and gas properties for the period divided by working interest production. This is a useful indicator of ongoing rates of depreciation and amortisation of the Group's producing assets.
- **EBITDAX:** Earnings before interest, tax, depreciation and amortisation, impairments, remeasurements, onerous contracts and exploration expenditure. This is a useful indicator of underlying business performance.
- **Free cash flow:** Operating cash flow less cash flow from investing activities less interest and lease payments and is before shareholder distributions.
- **Leverage ratio:** Net debt/ last twelve months EBITDAX.
- **Liquidity:** The sum of cash and cash equivalents on the balance sheet and the undrawn amounts available to the Group on our principal facilities. This is a key measure of the Group's financial flexibility and ability to fund day-to-day operations.
- **Net cash/debt:** Total reserves-based lending facility, bond, and exploration financing facility (net of the carrying value of unamortised fees recognised in borrowings) less cash and cash equivalents recognised on the consolidated balance sheet. This is an indicator of the Group's indebtedness and contribution to capital structure.
- **Operating cost per barrel:** Direct operating costs (excluding over/underlift) for the period, including tariff expense, insurance costs and mark to market movements on emissions hedges, less tariff income, divided by working interest production. This is a useful indicator of ongoing operating costs from the Group's producing assets.
- **Shareholder returns paid:** Dividends plus share buybacks completed in the period are included in this metric which shows the overall value returned to stakeholders in the period.
- **Total capital expenditure:** Capital investment 'additions' per notes 9 and 10 plus decommissioning expenditure 'amounts used' per note 12.