Harbour Energy plc
("Harbour" or the "Company" or the "Group")
Half-year results for the six months to 30 June 2022
25 August 2022

Harbour Energy plc today announces its half-year results for the period ended 30 June 2022. Performance for the comparator 2021 period is provided on a reported basis with Premier Oil's portfolio included from 31 March 2021.

Strong operational performance

- Production of 211 kboepd, a 40 per cent increase on H1 2021
- Unit operating costs of $14.2/boe, a 5 per cent decrease on H1 2021
- Improved safety performance with Total Recordable Injury Rate of 0.7 (H1 2021: 1.6)
- Tolmount project start-up, boosting UK domestic natural gas supplies by over 5 per cent
- Investment decisions taken on two UK projects – Talbot development and Leverett appraisal
- Material gas discovery at the Timpan prospect in the Andaman Sea (Indonesia)
- GHG intensity improved to 20.6 kgCO_2e, a decrease of 13 per cent on H1 2021; UK CCS projects progressed

Robust financial results

- Realised, post-hedging, oil and UK gas prices of $82/bbl and 69p/therm
- EBITDAX of $2.0 billion
- Profit after tax of $984 million including a pre-tax $360 million foreign exchange gain (relating to unrealised UK gas hedging losses) and income tax expense of $506 million
- Earnings per share of $1.1
- Total capex of $391 million, predominantly in the UK
- Free cash flow of $1.4 billion after tax, pre-distributions
- Net debt (excluding unamortised fees) and leverage reduced to $1.1 billion and 0.3x respectively
- Successful RBL redetermination: liquidity of $2.2 billion, greater hedging flexibility going forward
- Maiden dividend of $98 million paid in May; $100 million interim dividend declared
- $200 million share buyback initiated in June and today increased to $300 million

2022 Guidance

- Production guidance narrowed to 200-210 kboepd (195-210 kboepd previously)
- Forecast unit opex expected towards the lower end of $15-16/boe guidance
- Total capex reduced to $1.2 billion ($1.3 billion previously), primarily due to the delayed arrival of two drilling rigs in the UK
- Forecast free cash flow[1] for the full year 2022 increased to $1.8-2.0 billion (after c. $500 million of UK tax payments, before dividends and share buybacks); forecast to be net debt free in 2023 unchanged

Linda Z Cook, Chief Executive Officer, commented:

"We delivered a strong first half performance, realising value from past acquisitions, increased production efficiency and significant investment in our asset base. We improved our safety record, materially increased production, reduced GHG intensity and progressed our CCS projects while continuing to invest in our existing portfolio. Our Tolmount project alone – brought onstream in April – has increased UK domestic natural gas supply by over 5 per cent. At a time when many are struggling with high energy prices, we are increasing investment by c.30 per cent compared to last year, focusing on doing what we can to deliver reliable, domestic oil and gas from our existing portfolio in a safe and responsible manner.

In an environment of considerable fiscal, economic and geopolitical uncertainty, our strategy to build a global, diversified oil and gas company focused on safe and responsible operations, value creation and shareholder returns remains valid. We are financially strong and have continued to deleverage our balance sheet at pace. As a result, we have significant optionality over our future capital allocation including for continued organic investments, meaningful M&A and additional shareholder returns."

[1] Assumes Brent averages $100/bbl and UK NBP averages 200p/therm for the full year 2022 and 2023.

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An analyst presentation will be held at 09.30 today and will be webcast live via our website.

Summary of 2022 half-year performance

Strong operational performance, increasing UK domestic energy supplies
Production averaged 211 kboepd (H1 2021: 151 kboepd), split 196 kboepd UK / 15 kboepd International and 111 kboepd liquids / 100 kboepd gas over the period.

The c.40 per cent increase in production compared to the first half of 2021 is driven by a full contribution from the Premier portfolio and our significant UK investment programme which has seen new wells brought on-line, including at J-Area, Everest and Tolmount. Production also benefitted from fewer planned shutdowns during the period and materially improved operating reliability, especially at Elgin-Franklin. Excluding the benefit of the additional three months contribution from the Premier portfolio, production was up 17 per cent compared to the first half of 2021.

In April, we delivered first production from the c. $700 million Tolmount gas development. The field has since ramped up to plateau production levels with rates averaging c.45 kboepd (gross, Harbour 50 per cent interest) during June, increasing UK domestic gas production by over five per cent and supporting the UK's energy security.

Operating costs for the first half were $542 million, equating to $14.2/boe on a unit of production basis (H1 2021: $15.0/boe), lower than the prior period due to higher volumes and a weaker Pound Sterling to US Dollar exchange rate. Harbour now expects unit operating costs on a full year basis to be at the low end of the $15-16/boe guidance range, assuming a $1.25/£ exchange rate for the remainder of the year. Total capital expenditure in the first half was $391 million. Full year 2022 capex guidance is reduced from $1.3 billion to $1.2 billion, primarily due to the delayed arrival of two rigs in the UK. The revised guidance reflects an increase of c.30 per cent over 2021 and includes significant drilling activity in the second half of the year including at J-Area and Beryl in the UK, Chim Sao in Vietnam and Block 30 in Mexico.

Following the start-up of Tolmount and completion of the majority of the summer maintenance campaigns, we have narrowed our 2022 production guidance to 200-210 kboepd, reflecting reduced uncertainty. Second half production is anticipated to be slightly lower than in the first half, reflecting planned shutdowns at Beryl, AELE and Catcher in July and August (now largely completed).

Improved safety performance
Safety is Harbour's highest priority. During the first half, we continued to embed our process safety fundamentals and life-saving rules across the Company and to investigate all incidents and near-misses. With nearly six million hours worked in the first half, we recorded no serious injuries or significant spills and our safety record improved with Total Recordable and Lost Time Injury Rates of 0.7 (H1 2021: 1.6) and 0.35 (H1 2021: 1.0), respectively, per million hours.

Targeted, high return UK investment
Harbour seeks to maximise value from its high-quality asset base through investing in short cycle, high return projects to maintain production levels while generating substantial free cash flow. Such projects, which include infill drilling and well intervention programmes, satellite tiebacks and infrastructure-led exploration, typically have high returns, breakeven at low commodity prices and have low GHG emissions.

At J-Area, the Jade-JM and Judy-RD infill wells commenced drilling at the start of the year and are expected on-line during the second half. The three-well Catcher drilling programme commenced in the second quarter and is nearing completion. While the Catcher North well is expected to be tied into production during the third quarter, the Laverda well encountered sub-commercial volumes and was not completed. The rig is now drilling the third of these wells – the Burgman Far East infill target.

Our investment programme will continue in the second half with several infill and development wells and well intervention programmes planned, including at J-Area, Beryl and Tolmount East in the UK, helping support near-term production levels. Post period end Harbour executed an exchange agreement with NEO to equalise interests across the Leverett licences, located close to our Greater Britannia Area. Harbour and NEO plan to appraise the Leverett structure in the first half of 2023. Also post period end, Harbour approved the Talbot development comprising a multi-well subsea tie-back to J-Area. Development drilling is expected to start later this year ahead of first oil targeted for around end 2024.

International growth opportunities
Harbour has several international growth projects which could add materially to future production. These include the Zama field in Mexico where Harbour is actively working with its partners to finalise the field development plan ahead of submission to the Mexican government next year. Upon approval, the partners would then move towards a final investment decision anticipated later in 2023. Harbour is also looking to progress its Tuna field in Indonesia to a final investment decision around the end of 2023 with the next milestone being the submission of a Plan of Development to the Indonesian government later this year.

While Harbour's exploration strategy is focused around low risk, infrastructure led opportunities, we are drilling certain greenfield exploration wells from the legacy Premier portfolio during 2022. Notably, in July, we made a material gas discovery offshore Indonesia with the play-opening Timpan-1 well on our Andaman II licence. We, together with partners BP and Mubadala, are now evaluating the commerciality of the discovery, prior to making a decision regarding further exploration and/or appraisal drilling which could begin in late 2023. Harbour also plans to participate in the drilling of two exploration commitment wells, Kan and Ix, on Block 30 in Mexico in the second half of the year.

In line with our strategy, we are in the process of divesting our Falkland Islands interests, including our position in Sea Lion to Navitas. Post period end we received approval from the Falkland Islands Government and the transaction is expected to complete imminently.

It remains our intention to grow and diversify internationally, establishing material production in at least one other region via the acquisition of high quality, conventional producing assets. We have a strong track record of executing large scale M&A and will remain disciplined and focused on strategic fit and value creation.

Investing in the Energy Transition
Harbour is committed to proactively addressing its environmental impact and taking action to achieve its 2035 Net Zero goal. For the first six months of 2022, the GHG emissions intensity (Scope 1 and 2), from our operated assets was 20.6 $kgCO_2e$/boe (H1 2021: 23.8 $kgCO_2e$/boe). This improved performance reflects more efficient operations and the implementation of decarbonisation projects within our operated hubs, including resizing of compression equipment and plant optimisation activities.

Harbour is participating in two early-stage CCS projects in the UK, V Net Zero and Acorn. Once developed these projects could capture and store multiple times Harbour's annual emissions. Key achievements during the period for our V Net Zero project, which has the potential to transport and store c.10 million tonnes per annum of CO_2 by 2030, include progress on delivering the Viking carbon storage licence work programme and the placing of major engineering contracts including for the design of the CO_2 transportation and storage system. In addition, the non-statutory consultation with members of the public around the proposed onshore pipeline was completed during the first half of 2022 with preparation for statutory land-owner consultations now underway.

Harbour, together with its partners, also continues to progress the Acorn project. In March, Shell was appointed technical developer for the capture, transportation and storage modules of the project which has the potential to address up to 9 million tonnes per annum of CO_2.

Subject to receiving clarity on inclusion of V Net Zero and Acorn in Track 2 of the UK government's process to sequence the deployment of Carbon Capture and Storage projects, as well as the fiscal, regulatory and commercial framework, Harbour is aiming to progress both CCS projects to a final investment decision in 2024 with first CO_2 injection as early as 2027.

A solid financial position underpins increased shareholder returns

Harbour aims to produce reliable and robust cash flows through the commodity price cycle, supported by a disciplined approach to hedging. During the first half, Harbour generated $1.4 billion of free cash flow. This was driven by higher production and strong realised commodity prices, albeit materially below market prices due to our historical hedging programme. As a result, Harbour continued to deleverage during the period with net debt, before unamortised fees, reduced to $1.1 billion from $2.3 billion at year end, and Group leverage (Net debt / EBITDAX) reduced to 0.3x from 0.9x. We retain significant liquidity of $2.2 billion at period end.

In line with our dividend policy announced in December 2021, we paid our first distribution of $98 million as a final dividend in respect of the 2021 financial year on 18 May 2022. Today we declared an interim dividend of $100 million to be paid in October 2022. In addition, following receipt of shareholder authority at our Annual General Meeting and with leverage well below 1x, we commenced a $200 million buyback programme in June. As of 24 August, 38.2 million of shares had been repurchased. We have increased that programme today by $100 million and will continue to regularly review the potential for additional shareholder returns within the context of our existing capital allocation framework.

At the end of June we successfully completed the annual redetermination of our Reserve Based Lending (RBL) facility with the new borrowing base availability (excluding Letters of Credit) set at $2.75 billion. We also accelerated the first scheduled facility amortisation of our RBL by six months and reduced the facility from $4.5 billion to $4.1 billion whilst increasing the Letters of Credit sub-limit to $1.5 billion. The next scheduled amortisation of the facility is at the next RBL redetermination on 30 June 2023. As part of the redetermination, our minimum hedging requirements under the RBL were reduced by 10 percentage points to 40 per cent of forecast production in year one and 30 per cent in year two, providing us with greater flexibility around our hedging strategy.

Post period end in July the Energy Profits Levy (EPL) was enacted in the UK and applies an additional tax on profits earned from production of UK oil and gas from 26 May 2022. At an average Brent price of $100/bbl and UK natural gas price of 200p/therm for the full year 2022, we expect our 2022 UK EPL liability to be of the order of $300 million, with c. $170 million expected to be paid in December 2022 and the balance in January 2023.

Well placed for value creation, growth and shareholder returns

As we enter the second half of the year, commodity prices continue to be extremely volatile. We remain alert to the potential impacts of an economic recession and inflationary cost pressures as well as the on-going financial impacts on our UK business of the EPL.

Against this uncertain backdrop, we remain in a strong financial position, supported by a diverse and high-quality asset base. At $100/bbl and 200p/therm average oil and gas prices for the full year 2022, we forecast free cash flow (after tax, before shareholder distributions) of $1.8-2.0 billion, with higher expected production and lower expected capex offset by the impact of the EPL. We continue to have the potential to be net debt free in 2023 and retain significant optionality over our future capital allocation, including for value accretive M&A and additional shareholder returns.

Financial Review

The 2021 comparative results for the Income Statement are representative of three months of Chrysaor only (January to March 2021) and three months of Harbour (April to June 2021, post-merger of Chrysaor and Premier Oil on 31 March 2021).

These 2022 half-year results represent 6 months of Harbour through to 30 June 2022.

Summary of financial results

	6 months ended 30 June 2022 *Unaudited*	6 months ended 30 June 2021 *Unaudited*
Production - kboepd	211	151
Revenue and other income - $ million	2,670	1,496
Post-hedging realised prices:		
Crude oil - $/boe	82	58
UK natural gas – p/therm	69	38
Indonesia natural gas - $/mscf	16	11
Operating costs per boe - $/boe	14.2	15.0
EBITDAX (1)- $ million	2,024	843
Pre-tax profit - $ million	1,490	120
Profit after tax - $ million	984	87
Shareholder returns:		
Dividends	98	-
Purchase of own shares	54	-
Basic earnings per share - $/share	1.1	0.1
Total capital expenditure (1) - $ million	391	375
Operating cash flow - $ million	1,862	646
Free cash flow (1) - $ million	1,353	302

	30 June 2022 *Unaudited*	31 Dec 2021 *Audited*
Net debt $ million (1) (net of unamortised fees)	992	2,147

(1) See Glossary for the definition of non-GAAP measures

Harbour reported average production for the first half of 2022 of 211 kboepd (H1 2021: 151 kboepd), an increase of 40 per cent. The production split was 53 per cent liquids (2021: 54 per cent) and 47 per cent gas (2021: 46 per cent). The Company has narrowed its guidance for production to 200 to 210 kboepd for the full year.

Harbour reported total revenue and other income of $2,670 million (H1 2021: $1,496 million). Revenue was higher than the prior period primarily as a result of an increase in both realised liquid and gas prices, and higher production volumes associated with having a full six months of Premier production compared to only three months in H1 2021.

Operating costs per barrel for the period were $14.2/boe (H1 2021: $15.0/boe) with the decrease driven primarily by the increase in production and a foreign exchange benefit of Pound Sterling weakening against the US Dollar. The Company expects to be at the low end of guidance within the $15-16/boe range for the full year.

EBITDAX amounted to $2,024 million (H1 2021: $843 million) due to higher revenue partially offset by higher operating costs within the period and benefitting from having a full six months of Premier production compared to only three months in H1 2021.

Pre-tax profits were $1,490 million (H1 2021: $120 million) and profit after tax amounted to $984 million (H1 2021: $87 million). This increase in profit is primarily due to higher revenue, recognising a full six months of Premier earnings, foreign exchange gains of $360 million offset by a total tax charge of $506 million. The foreign exchange gain consists mainly of unrealised gains arising from revaluation of open gas hedges denominated in Pound Sterling.

Earnings per share was $1.1 per share compared to $0.1 per share for H1 2021. The increased earnings per share is driven by increased profit after tax. The weighted number of ordinary shares was 925 million compared to the prior period of 816 million, with the increase reflecting the shares issued as part of the Merger agreement effective 31 March 2021.

Total capital expenditure in the period amounted to $391 million (H1 2021: $375 million). The Company expects capital and decommissioning spend to be c. $1.2 billion for the full year.

Free cash flow amounted to $1,353 million (H1 2021: $302 million), driven by the factors described previously.

The growth in free cash flow has allowed the Company to initiate returns to shareholders during the period. A dividend of $98 million (H1 2021: $ nil) representing the final dividend for 2021 at 11 cents per share was paid in May 2022. In the period the Company also repurchased 11.9 million of its own shares at a cost of $54 million (H1 2021: $ nil) as part of a $200 million share buyback programme which commenced on 16 June 2022.

As at 30 June 2022, net debt of $992 million (Dec 2021: $2,147 million) consisted of a $1.4 billion drawn down on the Reserves Based Lending facility (RBL), a $500 million retail bond and an Exploration Financing Facility (EFF) of $51 million less unamortised deferred fees of $114 million and cash balances of $845 million. The decrease since year end is mainly due to the repayments on the RBL facility.

Available liquidity, being undrawn RBL facility plus cash balances, was $2.2 billion at the end of the period.

Income Statement

	6 months ended 30 June 2022 $million *Unaudited*	6 months ended 30 June 2021 $million *Unaudited*
Revenue and other income (note 4)	**2,670**	**1,496**
Crude	1,542	897
Gas	970	395
NGL	129	72
Tariff income and other revenue	18	13
Other income	11	119
EBITDAX	**2,024**	**843**
Pre-tax profit	**1,490**	**120**
Profit after tax	**984**	**87**
Basic earnings per share – $/share	**1.1**	**0.1**

Revenue

Total revenue and other income amounted to $2,670 million (H1 2021: $1,496 million) of which revenue earned from hydrocarbon production and tariff income amounted to $2,659 million (H1 2021: $1,377 million) after realised hedging losses of $1,603 million (H1 2021: $207 million). Some of Harbour's hydrocarbon production is sold pursuant to fixed-price contracts, as described below under 'Derivative financial instruments' per note 14. The rest is sold at market values, subject to standard quality and basis adjustments.

Crude oil sales amounted to $1,542 million (H1 2021: $897 million), with a post-hedge realised price of $82/boe (H1 2021: $58/boe). Gas revenue was $970 million (H1 2021: $395 million), split between UK natural gas of $857 million (H1 2021: $359 million) and International of $113 million (H1 2021: $36 million). The post-hedge realised price of UK natural gas was 69p/therm (H1 2021: 38p/therm), with the Indonesia natural gas price $16/mscf (H1 2021: $11/mscf). Condensate sales amounted to $129 million (H1 2021: $72 million), while tariff income and other revenue was $18 million (H1 2021: $13 million).

Other income amounted to $11 million (H1 2021: $119 million) representing partner recovery on related lease obligations of $12 million (H1 2021: $12 million) and mark to market losses on EUA emissions hedges of $1 million (H1 2021: gains of $61 million). H1 2021 included a receipt of $40 million from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019.

Costs of Operations

	6 months ended 30 June 2022 $million *Unaudited*	6 months ended 30 June 2021 $million *Unaudited*
Operating costs		
Field operating costs [(1)]	560	422
Tariff income and other revenue	(18)	(13)
Total	542	409
Operating costs per barrel ($ per barrel)	14.2	15.0

Depreciation, Depletion and Amortisation (DD&A) before impairment charges		
Depreciation of oil and gas properties (Cost of operations only)	742	522
Amortisation of intangible assets	1	1
Total	743	523
DD&A before impairment charges ($ per barrel)	19.4	19.1

(1) includes mark-to-market losses on emissions hedges reported in Other income of $1 million (H1 2021: gains of $61 million), excludes non-cash depreciation on non-oil and gas assets

The decrease in operating costs per barrel is largely due to higher production volumes compared to the comparative period and a foreign exchange benefit of Pound Sterling weakening against the US Dollar.

DD&A unit expense which reflects the depreciation of capitalised producing assets costs over production was $19.4/boe (H1 2021: $19.1/boe).

EBITDAX

EBITDAX was $2,024 million (H1 2021: $843 million), driven by higher production and higher commodity prices, partially offset by higher operating costs.

	6 months ended 30 June2022 $million *Unaudited*	6 months ended 30 June 2021 $million *Unaudited*
Operating profit	1,247	227
Depreciation, depletion and amortisation	762	545
Impairment of property, plant and equipment	3	10
Exploration and evaluation and new ventures	20	30
Exploration costs written-off	2	31
Gain on disposal	(10)	-
EBITDAX	***2,024***	***843***

Impairment

The Group has recognised a pre-tax impairment charge of $3 million (H1 2021: $10 million) as a result of increases to decommissioning estimates on the Group's non-producing assets.

Exploration and evaluation expenditure and new ventures

During the period, the Group expensed $22 million (H1 2021: $61 million) for exploration and appraisal activities. This is mainly related to pre-development costs associated with UK Carbon Capture and Storage (CCS) projects of $10 million and ongoing pre-licence expenditure.

Gain on disposal

The gain on disposal of $10 million relates to the release of a provision associated with Premier's sale of its legacy Pakistan assets in 2019.

Net financing costs

Financing expenses totalled $155 million (H1 2021: $145 million), including interest expenses incurred on debt facilities of $48 million (H1 2021: $54 million). Also included are bank and facility fees of $39 million (H1 2021: $32 million), the unwinding of discount on provisions, primarily associated with future decommissioning obligations, of $32 million (H1 2021: $40 million), lease interest of $10 million (H1 2021: $8 million) and $18 million derivative losses related to changes in the fair value of an embedded derivative within one of the Group's gas contracts (H1 2021: gains of $6.3 million).

Finance income amounted to $397 million (H1 2021: $37 million). Finance income includes foreign exchange gains of $360 million (H1 2021: losses of $4 million) which consists mainly of unrealised gains arising from revaluation of open gas hedges denominated in Pound Sterling. Finance income also includes gains of $31 million (H1 2021: $10 million) on interest rate and foreign currency derivatives.

Taxation

The tax expense for the period amounted to $506 million (H1 2021: $34 million), split between a current tax expense of $348 million (H1 2021: $46 million), and a deferred tax expense of $158 million (H1 2021: credit of $12 million). The total tax expense for the period represents an effective tax rate of 34 percent (H1 2021: 28 percent). The higher effective tax rate for the six months ended 30 June 2022 is caused by a higher proportion of profits being generated in the UK compared to overseas offset by the recognition of previously unrecognised deferred tax assets, investment allowance and credits related to prior periods.

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the profits earned from the production of oil and gas in the UK with effect from that date. The EPL enabling legislation, the Energy (Oil and Gas) Profits Levy Act 2022, was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25 per cent on taxable profits in addition to ring fence corporation tax of 30 per cent and the Supplementary Charge of 10 per cent.

As the legislation was not substantively enacted as at 30 June 2022, the tax charge in the half-year results does not include the impact of EPL for the period which will instead be reflected in the second half of 2022. If the EPL had been considered in the interim period, an additional current tax liability of an estimated $48 million would be expected to arise from business performance in the period 26 May 2022 to 30 June 2022. The EPL tax is a temporary measure and as enacted will cease to apply on 31 December 2025.

Had the EPL been fully enacted before 30 June 2022, these half-year results would have included the recognition of an estimated additional one-off non-cash net deferred tax asset of $1.0 billion in respect of the EPL through to the end of 2025. The anticipated additional net deferred tax asset arises mainly due to an increase in the deferred tax asset associated with unrealised derivative balances of $1.6

billion, offset by an increase in deferred tax liabilities associated with the carrying value of oil and gas assets within fixed assets of $0.6 billion. The deferred tax asset associated with the unrealised derivative balances held at 30 June 2022 represents the estimated reduction in EPL liability that could arise if the fair value loss on those derivatives crystalised and reduced taxable profits subject to EPL in the periods to 31 December 2025.

The amounts disclosed above are provisional and the overall current and deferred tax impact for the year will be included in the full-year results.

Earnings per share was $1.1 per share compared to $0.1 per share for H1 2021. The increased earnings per share is driven by increased profit after tax. The weighted number of ordinary shares was 925 million compared to the prior period of 816 million, with the increase reflecting the shares issued as part of the Merger agreement effective 31 March 2021.

Shareholder Distributions

A final dividend with respect to 2021 of 11 cents per Ordinary Share was approved by shareholders at the AGM on 11 May 2022. The dividend was paid on 18 May 2022 to all shareholders on the register as at 8 April 2022, totalling $98 million.

In line with dividend guidance issued by the Company on 17 March 2022, the Board is pleased to announce an interim dividend of 11 cents per ordinary share to be paid on 19 October 2022 to shareholders on the register on 9 September 2022 (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 be received by 28 September 2022 (the “Election Date”).

As part of a $200 million share buyback programme approved by shareholders at the AGM, as at 30 June 2022 Harbour had repurchased 11.9 million of its own shares at a cost of $53.5 million (H1 2021: $ nil). Between 1 July 2022 to 24 August 2022, the Company had repurchased a further 26.3 million shares at a cost of $112.5 million. In addition, this programme was increased by $100 million to $300 million as announced on 25 August 2022.

Statement of Financial Position

	30 June 2022 $million *Unaudited*	31 Dec 2021 $million *Audited*
Total non-current assets, excluding deferred taxes	9,978	10,273
Deferred tax assets (note 7)	3,069	1,938
Total current assets	2,270	2,294
Total assets	***15,317***	***14,505***
Total equity (deficit)/surplus	***(807)***	***474***
Total borrowings net of transaction fees (note 13)	(1,873)	(2,886)
Total decommissioning provisions (note 12)	(5,092)	(5,354)
Deferred tax liabilities (note 7)	(184)	(187)
Lease creditor (note 11)	(875)	(654)
Derivative liabilities (note 14)	(6,885)	(3,900)
Other liabilities	(1,215)	(1,050)
Total liabilities	***(16,124)***	***(14,031)***
***Net debt* (note 15)**	***(992)***	***(2,147)***

Assets

At 30 June 2022, total assets amounted to $15,317 million (Dec 2021: $14,505 million), of which current assets were $2,270 million (Dec 2021: $2,294 million). The increase in total assets of $812 million is mainly as a result of the higher deferred tax asset of $1,131 million (see note 7), higher right-of-use assets of $232 million (see note 11) and higher intangible assets of $37 million (see note 9), partially offset by lower property, plant, and equipment of $584 million (see note 10).

Capital investment is defined as additions to property, plant and equipment, fixtures and fittings and intangible exploration and evaluation assets, excluding changes to decommissioning assets.

	6 months ended 30 June 2022 $million *Unaudited*	6 months ended 30 June 2021 $million *Unaudited*
Additions to oil and gas assets (note 10)	(222)	(180)
Additions to fixtures and fittings, office equipment & IT software (note 9 and note 10)	(22)	(14)
Additions to exploration and evaluation assets (note 9)	(53)	(62)
Total capital investment	***(297)***	***(256)***
Movements in working capital	(41)	(24)
Capitalised lease payments	13	8
Cash capital expenditure per the cash flow statement	***(325)***	***(272)***

During the period, the Group incurred capital expenditure of $297 million (H1 2021: $256 million). This mainly consisted of operated drilling on the J-Area at Jade-JM and Judy-RD, three Catcher development wells and non-operated drilling programmes on Clair Ridge platform.

Liabilities

At 30 June 2022, total liabilities amounted to $16,124 million (Dec 2021: $14,031 million) including decommissioning provisions of $5,092 million (Dec 2021: $5,354 million), derivative liabilities of $6,885 million (Dec 2021: $3,900 million), lease creditors of $875 million (Dec 2021: $654 million) and borrowings of $1,873 million (Dec 2021: $2,886 million).

Net debt

As at 30 June 2022, net debt of $992 million (Dec 2021: $2,147 million) consisted of a Reserves Based Lending Facility (RBL), a retail bond and an Exploration Financing Facility less unamortised deferred fees and cash balances. The decrease since year end is mainly due to the repayments of the RBL facility of $1,038 million. Debt is stated net of the unamortised portion of the issue costs and bank fees of $115 million (Dec 2021: $136 million).

Equity and reserves

Total equity amounted to a deficit of $807 million (Dec 2021: surplus, $474 million) with changes in 2022 reflecting the higher derivative liabilities (note 14), following the continued increase in commodity prices in the period to 30 June 2022. The fair value losses on cash flow hedges are recognised through Other Comprehensive loss in the Cash Flow Hedge Reserve and amounted to $2,013 million (H1 2021: $898 million).

***Cash flow* (1)**

	6 months ended 30 June 2022 $million *Unaudited*	**6 months ended 30 June 2021 $million *Unaudited***
Cash flow from operating activities after tax	***1,862***	***646***
Cash flow from investing activities – capital expenditure	(325)	(272)
Cash flow from investing activities – business combinations	-	97
Cash flow from investing activities - other	9	26
Operating cash flow after investing activities	***1,546***	***497***
Cash flow from financing activities – interest and lease payments	(193)	(195)
Free cash flow	***1,353***	***302***
Cash flow from financing activities		
Purchase of own shares	(42)	-
Dividends paid	(98)	-
Cash and cash equivalents	***845***	***424***

(1) Table excludes financing activities related to debt principal movements.

Net cash from operating activities after tax amounted to $1,862 million (H1 2021: $646 million) after accounting for tax payments of $163 million (H1 2021: $206 million) and positive working capital movements of $259 million (H1 2021: $92 million). Cash flow used in investing activities on capital expenditure was $325 million (H1 2021: $272 million). Cash outflow from financing activities on interest and lease payments was $193 million ($195 million).

Cash flow from financing activities includes dividends paid of $98 million (H1 2021: $ nil) and $42 million (H1 2021: $ nil) related to the repurchase of Harbour's own shares.

Cash balances were $845 million (H1 2021: $424 million) at the end of the period.

Principal Risks

The principal risks for the remaining six months of the year are unchanged from those disclosed in the 2021 Annual Report and Accounts, as discussed in the later Risk and Uncertainties section. A full description of Harbour's principal risks can be found on pages 48 to 55 of the 2021 Annual Report and Accounts.

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 2022. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

Hedge position	H2 2022	2023	2024	2025
Oil				
Volume hedged (mmboe)	9.48	10.95	7.32	2.01
Average price hedged ($/bbl)	61.15	74.08	84.37	81.23
UK Gas				
Volume hedged (mmboe)	12.45	23.08	10.53	1.78
Average priced hedged (p/therm)	50.62	41.52	58.88	58.00

At 30 June 2022, our financial hedging programme on commodity derivative instruments showed a pre-tax negative fair value of $6,807.1 million (Dec 2021: $3,867.7 million), with no ineffectiveness charge to the income statement. Refer to note 14 for more information.

Post balance sheet events

On 11 July 2022, the EPL enabling legislation, the Energy (Oil and Gas) Profits Levy Act 2022, was substantively enacted by the UK Government and received Royal Assent on 14 July 2022. Refer to Note 7 for further details.

On 3 August 2022, Harbour announced that the Capital Reduction, comprising the Share Premium reduction and the Merger Reserve reduction, approved by shareholders at the General Meeting held on 11 May 2022, is now effective. This follows the confirmation of the Capital Reduction by the Court of Session, Edinburgh on 2 August 2022, and the registration of the Court order with the Registrar of Companies in Scotland on 3 August 2022.

The Capital Reduction creates additional distributable reserves to the value of US$6,310.9 million of which $1,650.0 million will be held as non-distributable reserves until 31 March 2028. This provides the Company with further flexibility to deliver shareholder returns over the coming years in the form of dividends and/or share buybacks.

As part of a $200 million share buyback programme approved by shareholders at the AGM, as at 30 June 2022 Harbour had repurchased 11.9 million of its own shares at a cost of $53.5 million (H1 2021: $ nil). Between 1 July 2022 to 24 August 2022, the Company had repurchased a further 26.3 million shares at a cost of $112.5 million. In addition, this programme was increased by $100 million to $300 million as announced on 25 August 2022.

Going Concern

Detail of the Group's assessment of Going Concern for the period can be found within note 2.

Notifiable interest of EIG

On 8 July 2022, Harbour announced receipt of a notification from EIG regarding a distribution of EIG's notifiable shareholding in Harbour to certain of its underlying investors. With the agreement of Harbour, EIG has confirmed with the Panel on Takeovers and Mergers that following the distribution, the interest of EIG's Concert Party in Harbour has fallen from 37.04% (as at 31 March 2022) to 17.1% (with effect from completion of the distribution on 8 July 2022).

EIG has agreed with the Panel on Takeovers and Mergers that following the distribution, the EIG Concert Party comprises EIG Asset Management, LLC, EIG Separate Investments (Cayman), LP, Potomac View Investments, L.P. (an investment fund managed by an affiliate of EIG Asset Management, LLC) together with certain principals, directors, officers, employees of, and persons otherwise connected with, EIG.

Risks and Uncertainties

Business risks

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

Effective risk management is critical to achieving our strategic objectives and protecting our personnel, assets, the communities where we operate and with whom we interact and our reputation.

For known risks facing the business, the Company attempts to minimise the likelihood and mitigate the impact. According to the nature of the risk, the Company may elect 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 to financial fraud or ethics non-compliance and ensures that HSE risks are managed to levels that are as low as reasonably practicable.

Principal risks at half-year 2022 and key changes since 2021 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 2021 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, solvency or 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
- **Energy transition and Net Zero**: failure to adapt the strategy and business model in the context of the energy transition as oil and gas demand, as well as investor, societal and regulatory expectations, evolve
- **Operational performance**: failure to deliver competitive operational performance
- **Capital programme and delivery**: failure to define and deliver a capital programme that optimises value
- **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
- **Integration of acquired businesses**: failure to properly integrate acquired businesses and realise anticipated synergies in a timely manner
- **Third party reliance**: failure to adequately manage supply chain, joint venture and other partners, and third-party infrastructure owners
- **Information and cyber security**: failure to maintain safe, secure and reliable operations
- **Legal and regulatory compliance**: failure to maintain and demonstrate effective legal and regulatory compliance

- **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

In conducting their review, the directors identified two areas where changes in the external environment during the period had increased the likelihood of some of these risks manifesting. These two areas are summarised as:

- With respect to 'host government political and fiscal risks' and 'access to capital' risk, in May 2022 the UK Government announced its intention to introduce an Energy Profits Levy (EPL) on oil and gas producers in the country. The decision followed a public and political debate around this issue against the complex backdrop of increased commodity prices mainly arising following the Russian invasion of Ukraine and a cost of living crisis in the UK. The impact of the EPL on the tax obligations of the Company is described in note 7. The directors have concluded the enactment of the EPL elevates the fiscal risk associated with investments in the UK.

- With respect to 'third-party reliance', 'operational performance' and 'capital programme and delivery' risks, the directors noted that the supply chain availability and inflationary challenges indicated in the 2021 Annual Report and Accounts continue to emerge. While costs realised so far in 2022 have seen limited impact, these pressures are expected to continue and impact, in particular, manpower costs and the costs and delivery lead times for certain types of products and services required to maintain and develop new oil and gas assets.

The detailed descriptions of the principal risks and how they are being managed can be found on pages 48 to 55 in the 2021 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

24 August 2022

Independent review report to Harbour Energy plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows 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 set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 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" 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 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 have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with 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 report, we are responsible for expressing to the Company a conclusion on the condensed 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
24 August 2022

Financial Statements

Condensed consolidated income statement

For the six months ended 30 June 2022

	Note	2022 Unaudited $ million	2021 Unaudited $ million
Revenue	4	2,659.4	1,377.0
Other income	4	10.6	119.3
Revenue and other income		2,670.0	1,496.3
Cost of operations	5	(1,364.5)	(1,139.4)
Impairment of property, plant, and equipment	10	(2.6)	(9.9)
Exploration and evaluation expenses and new ventures		(20.4)	(29.9)
Exploration costs written-off	9	(1.7)	(30.9)
Gain on disposal	5	10.0	-
General and administrative costs		(43.4)	(58.8)
Operating profit	5	1,247.4	227.4
Finance income	6	396.9	37.4
Finance expenses	6	(154.5)	(144.6)
Profit before taxation		1,489.8	120.2
Income tax expense	7	(505.7)	(33.7)
Profit for the period		984.1	86.5

Earnings per share		*$ cents*	*$ cents*
Basic	8	106.4	10.6
Diluted	8	105.7	10.6

Notes 1 to 18 form an integral part of these condensed financial statements

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2022

	2022 *Unaudited* *$ million*	*2021* *Unaudited* *$ million*
Profit for the period	984.1	86.5
Other comprehensive loss		
Items that may be reclassified to the income statement:		
Fair value losses on cash flow hedges	(3,348.9)	(1,468.2)
Tax credit on cash flow hedges	1,336.1	570.4
Exchange differences on translation of foreign operations	(107.6)	29.3
Other comprehensive loss for the period, net of tax	(2,120.4)	(868.5)
Total comprehensive loss for the period, net of tax	(1,136.3)	(782.0)
Total comprehensive loss attributable to:		
Equity holders of the parent	(1,136.3)	(782.0)

Condensed consolidated balance sheet

	Note	30 June 2022 Unaudited $ million	31 Dec 2021 Audited $ million
Assets			
Non-current assets			
Goodwill		1,327.1	1,327.1
Other intangible assets	9	910.4	873.7
Property, plant and equipment	10	6,662.6	7,246.7
Right of use assets	11	783.3	551.5
Deferred tax assets	7	3,069.1	1,938.4
Other receivables		250.3	263.0
Other financial assets	14	44.3	10.1
Total non-current assets		13,047.1	12,210.5
Current assets			
Inventories		226.9	211.4
Trade and other receivables		1,132.6	1,342.2
Other financial assets	14	66.1	41.8
Cash and cash equivalents		844.5	698.7
Total current assets		2,270.1	2,294.1
Total assets		15,317.2	14,504.6
Equity and liabilities			
Equity			
Share capital		171.1	171.1
Share premium		1,504.6	1,504.6
Other reserves		(3,397.2)	(1,276.8)
Retained earnings		915.0	74.6
Total equity		(806.5)	473.5
Non-current liabilities			
Borrowings	13	1,814.6	2,823.7
Provisions	12	4,815.8	5,022.6
Deferred tax	7	183.8	187.1
Trade and other payables		24.9	32.3
Lease creditor	11	629.8	489.2
Other financial liabilities	14	2,667.0	1,373.6
Total non-current liabilities		10,135.9	9,928.5
Current liabilities			
Trade and other payables		877.6	873.6
Borrowings	13	58.3	62.3
Lease creditor	11	244.9	165.1
Provisions	12	300.5	358.6
Current tax liabilities		288.5	116.8
Other financial liabilities	14	4,218.0	2,526.2
Total current liabilities		5,987.8	4,102.6
Total liabilities		16,123.7	14,031.1

Total equity and liabilities	15,317.2	14,504.6

Consolidated statement of changes in equity

	Share capital $	*Share premium $*	*Merger reserve $*	*Capital redemption reserve $*	*Cash flow hedge reserve [2] $*	*Costs of hedging reserve [2] $*	*Currency translation reserve $*	*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
Purchase of own shares [1]	-	-	-	-	-	-	-	(53.5)	(53.5)
Provision for share-based payments	-	-	-	-	-	-	-	16.7	16.7
Purchase of ESOP Trust Shares	-	-	-	-	-	-	-	(8.6)	(8.6)
Profit for the period	-	-	-	-	-	-	-	984.1	984.1
Other comprehensive loss	-	-	-	-	(1,999.0)	(13.8)	(107.6)	-	(2,120.4)
Dividend paid [3]	-	-	-	-	-	-		(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 2021 (Audited)	0.1	910.0	-	-	80.2	9.8	104.0	(36.8)	1,067.3
Shares issued in settlement of D loan notes	-	134.7	-	-	-	-	-	-	134.7
Reverse takeover	171.0	(527.2)	635.9	8.1	-	-	-	-	287.8
Settlement of Premier's debt [4]	-	987.1	41.5	-	-	-	-	-	1,028.6
Profit for the period	-	-	-	-	-	-	-	86.5	86.5
Other comprehensive profit/(loss)	-	-			(874.0)	(23.8)	29.3	-	(868.5)
At 30 June 2021 (Unaudited)	171.1	1,504.6	677.4	8.1	(793.8)	(14.0)	133.3	49.7	1,736.4

(1) A $200 million share buyback programme commenced on 16 June 2022 through to 31 December 2022. All Ordinary Shares purchased as part of this programme will be cancelled.
(2) Disclosed net of deferred tax
(3) Refer to note 16 for more detail on the final dividend paid in respect of the period ended 31 December 2021.
(4) Debt settlement relates to the issuance of shares in partial settlement of Premier's debt.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2022

	Note	2022 Unaudited $ million	2021 Unaudited $ million
Net cash flows from operating activities	15	1,861.6	646.0
Investing activities			
Expenditure on exploration and evaluation assets		(69.6)	(64.5)
Expenditure on property, plant and equipment		(234.5)	(193.2)
Expenditure on non-oil and gas intangible assets		(20.8)	(13.9)
Cash acquired on business combinations		-	97.4
Receipts for sub-lease income		5.1	2.2
Finance income received		4.0	23.3
Net cash flows from investing activities		(315.8)	(148.7)
Financing activities			
Proceeds from new borrowings – senior debt		-	1,342.5
Proceeds from new borrowings – Exploration Finance Facility		11.5	26.5
Lease liability payments		(118.2)	(60.7)
Repayment of short-term debt arising on business combination		-	(1,276.5)
Repayment of hedging liabilities arising on business combination		-	(48.5)
Repayment of Reserves Based Lending facility		(1,037.5)	(230.0)
Repayment of financing arrangement		(7.9)	(2.5)
Redemption of loan notes		-	(135.7)
Dividends paid		(98.3)	-
Purchase of own shares		(41.8)	-
Purchase of ESOP Trust shares		(8.6)	-
Interest paid and bank charges		(75.1)	(134.0)
Net cash flows from financing activities		(1,375.9)	(518.9)
Net increase/(decrease) in cash and cash equivalents		169.9	(21.6)
Net foreign exchange difference		(24.1)	0.2
Cash and cash equivalents at 1 January		698.7	445.4
Cash and cash equivalents at 30 June		844.5	424.0

Notes to the half-year condensed consolidated financial statements

1. General information

The condensed consolidated financial statements of Harbour Energy plc ('Harbour') for the six months ended 30 June 2022 comprise the parent company, Harbour Energy plc and all its subsidiaries, and were approved for issuance by the Board of Directors on 24 August 2022. 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 Group's and Company'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 auditor's report on the financial statements of Harbour for the year ended 31 December 2021 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under sections 492(2) or 498(3) of the Companies Act 2006.

The financial information contained in this report is unaudited. The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six months to 30 June 2022, and the condensed consolidated balance sheet as at 30 June 2022 and related notes, have been reviewed by the auditors. The auditor's report to the Company is attached.

2. Accounting policies

2.1 Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with UK adopted International Accounting Standard 34, *Interim Financial Reporting* and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. These half-year consolidated condensed financial statements are to be read in conjunction with Harbour's Annual Report and Accounts for the year ended 31 December 2021, which contains additional accounting policy disclosure.

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

In October 2020, Harbour Energy Limited entered into an agreement with Premier Oil plc (Premier) regarding an all-share Merger between Premier and Harbour Energy Limited's subsidiary, Chrysaor Holdings Limited (Chrysaor). Under the terms of the Merger, Premier legally acquired Chrysaor through the issuance of consideration shares whilst Chrysaor was the acquiror for accounting purposes, primarily as a result of its ability to appoint the Board of the enlarged group. The transaction completed on 31 March 2021, whereupon Premier, being the legal acquirer and accounting acquiree, changed its name from Premier Oil plc to Harbour Energy plc.

Therefore, the comparative period only includes three months of Premier contribution compared to a full six months for the period ended 30 June 2022.

Going Concern

The condensed financial statements have been prepared on the going concern basis. The Group monitors its capital position and its liquidity risk regularly to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced based on, inter alia, 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. Sensitivities are run to reflect different scenarios including, but not limited to, changes in oil and gas production rates, possible reductions in commodity prices and delays or cost overruns on major development projects.

Management's going concern assessment considered the ability of the Group to continue as a going concern for the period up to 31 December 2023 ("Going Concern period") which includes the 12-month period from the date of approval of the 2022 half-year results. The Group's base case going concern assessment assumes: an oil price of $100/bbl and $80/bbl and average UK NBP gas price of 250p/therm and 150p/therm in H2 2022 and 2023, respectively, production in line with approved asset plans and ongoing capital requirements of the Group will be financed by existing financing.

The ongoing capital requirements are financed by the Group's $4.1 billion Reserve Base Lending ('RBL') facility, which matures in November 2027, with $0.75 billion accordion option, and $500 million retail bond. The RBL facility contains certain financial covenants for leverage, relating to the ratio of consolidated total net debt to consolidated EBITDAX on a historic and forward-looking basis, and liquidity which are tested semi-annually, on 30 June and 31 December. There have been no breaches in the period. 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.

In line with the principal risks, sensitivity analyses have been prepared to reflect the combined impact of reductions in crude and UK natural gas prices of 20 per cent and in the Group's production of 10 per cent throughout the going concern period. In these combined downside scenarios applied to the base case forecast, the Group is forecasted to have sufficient financial headroom throughout the going concern period.

Further, 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 lending covenants are breached, or financial liquidity headroom runs out. The results of this reverse stress test demonstrated the likelihood of the fall in price and production parameters required to cause a risk of funds shortfall or covenant breaches is remote.

Management forecasts show that the Group expects to maintain liquidity and comply with financial covenants associated with its borrowing facilities throughout the Going Concern period.

Taking the above into account the Board was satisfied that that the Group has sufficient financial resources to continue in operation for the period up to 31 December 2023 and have therefore adopted the going concern basis in preparing the financial statements.

2.2 Accounting Policies

The accounting policies adopted in the preparation of the 2022 half-year condensed consolidated financial statements are consistent with those adopted and disclosed in Harbour's 2021 Annual Report and Accounts. A number of amendments to existing standards and interpretations were effective from 1 January 2022 but had no impact on the half-year financial statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The condensed financial statements for the half-year 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 condensed 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.

2.3 Use of judgements and estimates

In preparing these half-year 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 pages 119-130 of Harbour's 2021 Annual Report and Accounts. Disclosure regarding the judgements and estimates made in assessing the impact of climate change and the energy transition have not changed for the half-year financial statements; refer to pages 119-120 in the 2021 Annual Report and Accounts for detail.

3. Segment information

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 business units: namely North Sea and International.

Income statement	*6 months ended 30 June 2022 Unaudited $ million*	*6 months ended 30 June 2021 Unaudited $ million*
Revenue		
North Sea	2,481.1	1,308.4
International	178.3	68.6
Total Group sales revenue	2,659.4	1,377.0
Other income		
North Sea	10.4	119.2
International	0.2	0.1
Total Group revenue and other income	2,670.0	1,496.3
Group operating profit		
North Sea	1,140.9	203.5
International	106.5	23.9
Group operating profit	1,247.4	227.4
Finance income	396.9	37.4
Finance expenses	(154.5)	(144.6)
Profit before income tax	1,489.8	120.2
Income tax expense	(505.7)	(33.7)
Profit for the period	984.1	86.5

Balance Sheet	*30 June 2022 Unaudited $ million*	*31 Dec 2021 Audited $ million*
Segment assets		
North Sea	14,113.6	13,325.8
International	1,203.6	1,178.8
Total assets	15,317.2	14,504.6
Segment liabilities		
North Sea	(15,497.2)	(13,379.6)
International	(626.5)	(651.5)
Total liabilities	(16,123.7)	(14,031.1)

Segment information (continued)

Other information	*6 months ended 30 June 2022 Unaudited $ million*	*6 months ended 30 June 2021 Unaudited $ million*
Capital additions		
North Sea	260.9	247.2
International	36.0	8.5
Total capital additions	296.9	255.7
Depreciation, depletion and amortisation		
North Sea	718.8	529.9
International	43.6	15.1
Total depreciation, depletion and amortisation	762.4	545.0
Exploration and evaluation expenses and new ventures		
North Sea	19.6	29.2
International	0.8	0.7
Total exploration and evaluation expenses and new ventures	20.4	29.9
Exploration costs written-off		
North Sea	8.1	30.8
International (1)	(6.4)	0.1
Total exploration costs written-off (2)	1.7	30.9

(1) International includes a credit to the income statement related to a change to the decommissioning estimate in the Falkland Islands business unit.

(2) Exploration costs written-off of $1.7 million includes a credit of $6.0 million related to a change to the decommissioning estimate in the Falkland Islands business unit. (H1 2021: $30.9 million).

4. Revenue from contracts with customers and Other income

	6 months ended 30 June 2022 Unaudited $ million	6 months ended 30 June 2021 Unaudited $ million
Type of goods		
Crude oil sales	1,541.9	896.8
Gas sales	970.2	394.8
Condensate sales	129.0	72.2
Total revenue from contracts with customers (1)	2,641.1	1,363.8
Tariff income	15.6	13.1
Other revenue	2.7	0.1
Total revenue from production activities	2,659.4	1,377.0
Other income (2)	10.6	119.3
Total revenue and other income	2,670.0	1,496.3

(1) Revenues from contracts with customers of $4,262.1 million (H1 2021: $1,584.3 million) comprise crude oil sales of $1,975.6 million (H1 2021: $979.1 million) and gas sales of $2,139.2 million (H1 2021: $519.8 million). This was prior to realised hedging losses in the period of $433.7 million (H1 2021: $82.3 million) on crude oil and $1,169.0 million (H1 2021: $125.0 million) on gas sales.

(2) Other income mainly represents $11.4 million partner recoveries related to lease obligations (H1 2021: $12.0 million) and mark to market losses on EUA emissions hedges of $1.1 million (H1 2021: gain of $60.6 million). Other income in H1 2021 also includes a $40.0 million receipt from ConocoPhillips in relation to an adjustment to consideration relating to Chrysaor's purchase of the ConocoPhillips UK business in 2019.

5. Cost of operations

	6 months ended 30 June 2022 Unaudited $ million	6 months ended 30 June 2021 Unaudited $ million
Cost of operations		
Production, insurance and transportation costs	572.7	499.7
Gas purchases	7.8	11.2
Voluntary purchase of GHG emissions credits	7.2	-
Depreciation of oil and gas assets (note 10)	658.6	477.3
Depreciation of right of use oil and gas assets (note 11)	100.9	57.7
Capitalisation of IFRS 16 lease depreciation on oil and gas assets (note 11)	(17.3)	(12.4)
Amortisation of oil and gas intangible assets (note 9)	0.6	0.8
Re-measurement of royalty valuation	-	(0.5)
Movement in over/underlift balances and hydrocarbon inventories	34.0	105.6
Total cost of operations	1,364.5	1,139.4
Impairment loss due to increase in decommissioning provision (note 12)	2.6	9.9
Exploration costs written-off (note 9) (3)	1.7	30.9
Exploration and evaluation expenditure and new ventures (1)	20.4	29.9
Gain on disposal (2)	(10.0)	-
General and administrative expenses		
Depreciation of right-of-use non-oil and gas assets (note 11)	6.1	4.7
Depreciation of non-oil and gas assets (note 10)	2.6	2.6
Amortisation of non-oil and gas intangible assets (note 9)	10.9	14.3
Other administrative costs	23.8	37.2
Total general and administrative expenses	43.4	58.8

(1) Exploration and evaluation expenditure and new ventures of $20.4 million (H1 2021: $29.9 million) includes $10.2 million (H1 2021: $8.6 million) of early project costs incurred mainly in respect of the Group’s interest in Carbon Capture and Storage (CCS) projects in the UK plus $10 million of ongoing pre-licence costs.

(2) The gain on disposal 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.

(3) Exploration costs written-off of $1.7 million includes a credit of $6.0 million related to a change to the decommissioning estimate in the Falkland Islands business unit.

6. Finance income and finance expenses

	6 months ended 30 June 2022	*6 months ended 30 June 2021*
	Unaudited	*Unaudited*
Finance income	*$ million*	*$ million*
Bank interest	1.8	0.9
Other interest and finance gains (3)	2.5	0.5
IFRS 9 modification gain	-	13.9
Lease finance income	0.8	0.5
Realised gains on foreign exchange forward contracts	0.3	11.3
Gains on derivatives	31.4	10.3
Foreign exchange gains (1)	360.1	-
Total Finance income	396.9	37.4
Finance expenses		
Interest payable on Reserves Based Lending facility	34.6	37.1
Interest payable on junior facility	-	11.1
Interest payable on retail bond	13.6	-
Interest payable on loan notes	-	5.6
Other interest and finance expenses (3)	8.6	7.0
Lease interest (note 11)	10.0	7.8
Realised losses on interest rate swaps	0.7	1.0
Losses on derivatives (4)	17.5	-
Foreign exchange losses	-	3.7
Bank and financing fees (2)	38.5	31.6
Unwinding of discount on decommissioning and other provisions (note 12)	32.0	39.8
	155.5	144.7
Finance costs capitalised during the period (5)	(1.0)	(0.1)
Total Finance expense	154.5	144.6

(1) Significant unrealised foreign exchange gains which consist mainly of unrealised gains arising from revaluation of open gas hedges denominated in Pound Sterling.

(2) Bank and financing fees include an amount of $21.5 million (H1 2021: $14.5 million) relating to the amortisation of arrangement fees and related costs capitalised against the Group's long-term borrowings (note 13).

(3) Net other interest includes an $4.9 million charge (H1 2021: $5.9 million) which represents interest under a financing arrangement.

(4) Losses on derivatives relate to changes in the fair value of an embedded derivative within one of the Group's gas contracts (H1 2021: gain of $6.3 million).

Finance income and finance expenses (continued)

(5) The amount of finance costs capitalised was determined by applying the weighted average rate of finance costs applicable to the borrowings of the Group of 4.4 per cent to the expenditures on the qualifying assets.

7. Income tax

	6 months ended 30 June 2022 Unaudited $ million	*6 months ended 30 June 2021 Unaudited $ million*
Current income tax expense:		
UK corporation tax	316.5	74.8
Overseas tax	35.3	(25.8)
Adjustment in respect of prior years	(3.8)	(3.5)
Total current income tax expense	348.0	45.5
Deferred tax expense:		
Origination and reversal of temporary differences	172.4	(9.6)
Overseas tax	(2.3)	(2.3)
Adjustment in respect of prior years	(12.4)	0.1
Total deferred tax expense/(credit)	157.7	(11.8)
Tax expense in the income statement	505.7	33.7

The effective tax rate for the six months ended 30 June 2022 was 34 per cent, compared to 28 per cent for the same period in 2021. The higher effective tax rate for the six months ended 30 June 2022 is caused by a higher proportion of profits being generated in the UK compared to overseas, in part due to the Merger, offset by the recognition of previously unrecognised deferred tax assets, investment allowance and credits related to prior periods.

The tax expense has been computed by applying 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 interim period.

Change in tax rate

Legislation was introduced in UK Finance Act 2021 to increase the main rate of UK corporation tax for non-ring fence profits from 19 percent to 25 percent from 1 April 2023. This change is not expected to have a material impact on the Group as the anticipated UK profits are primarily subject to the UK ring fence tax rate.

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the profits earned from the production of oil and gas in the UK with effect from that date. The EPL enabling legislation, the Energy (Oil and Gas) Profits Levy Act 2022, was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25 percent on taxable profits in addition to ring fence corporation tax of 30 percent and the Supplementary Charge of 10 percent.

Income tax (continued)

As the legislation was not substantively enacted as at 30 June 2022, the tax charge in the half-year results does not include the impact of EPL for the period which will instead be reflected in the second half of 2022. If the EPL had been considered in the interim period, an additional current tax liability of an estimated $48 million would be expected to arise from business performance in the period 26 May 2022 to 30 June 2022. The EPL tax is a temporary measure and as enacted will cease to apply on 31 December 2025.

Had the EPL been fully enacted before 30 June 2022, these half-year results would have included the recognition of an estimated additional one-off non-cash net deferred tax asset of $1.0 billion in respect of the EPL through to the end of 2025. The anticipated additional net deferred tax asset arises mainly due to an increase in the deferred tax asset associated with unrealised derivative balances of $1.6 billion, offset by an increase in deferred tax liabilities associated with the carrying value of oil and gas assets within fixed assets of $0.6 billion. The deferred tax asset associated with the unrealised derivative balances held at 30 June 2022 represents the estimated reduction in EPL that could arise if the fair value loss on those derivatives crystalised and was offset against taxable profits subject to EPL in the periods to 31 December 2025.

Deferred tax

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

	6 months ended 30 June 2022 Unaudited $ million	*Year ended 31 Dec 2021 Audited $ million*
Deferred tax assets	3,069.1	1,938.4
Deferred tax liabilities	(183.8)	(187.1)
	2,885.3	1,751.3

Income tax (continued)

The net movement in deferred tax assets and (liabilities) is shown below:

	At 1 January 2022 (Audited)	*Deferred tax (expense)/ credit*	*Comprehensive income*	*Foreign Exchange*	*At 30 June 2022 (Unaudited)*
	$ million	*$ million*	*$ million*	*$ million*	*$ million*
Accelerated capital allowances	(2,820.1)	141.9	-	74.4	(2,603.8)
Decommissioning	2,012.9	23.9	-	(83.7)	1,953.1
Losses	1,314.5	(262.5)	-	(0.6)	1,051.4
Fair value of derivatives	1,392.1	(71.0)	1,336.1	(32.7)	2,624.5
Other	38.8	7.7	-	(2.6)	43.9
Total UK deferred tax	1,938.2	(160.0)	1,336.1	(45.2)	3,069.1
Overseas	(186.9)	2.3		0.8	(183.8)
Total deferred tax	1,751.3	(157.7)	1,336.1	(44.4)	2,885.3

The Group's deferred tax assets as at 30 June 2022 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 2022 of approximately $181.7 million (2021: $343.1 million) in respect of ring fence losses, $99.6 million (2021: $104.4 million) in respect of ring fence investment allowance and $755 million (2021: $741.5 million) in respect of non-ring fence losses.

The Group also has unrecognised gross tax losses of approximately $239.7 million (2021: $212.8 million) in respect of its overseas operations. These losses include amounts of $144.3 million which will expire, primarily within 5 years and $12.4 million expiring within 10 years.
The overseas deferred tax relates mainly to temporary differences associated with fixed asset balances.

No deferred tax has been provided on unremitted earnings of overseas subsidiaries, based on UK tax legislation which provides exemption for foreign dividends from the scope of UK corporation tax, where relevant conditions are satisfied.

8. Earnings per share

The calculation of basic earnings per share is based on the profit after tax and the weighted average number of Ordinary Shares in issue during the period.

Basic and diluted earnings per share are calculated as follows:

	6 months ended 30 June 2022 Unaudited $ million	*6 months ended 30 June 2021 Unaudited $ million*
Earnings for the period		
Earnings for the purpose of basic earnings per share	984.1	86.5
Effect of dilutive potential ordinary shares	-	-
Earnings for the purpose of diluted earnings per share	984.1	86.5
Number of shares (millions)		
Weighted average number of Ordinary shares for the purposes of basic earnings per share (1)	925.3	816.0
Dilutive potential Ordinary shares (2)	6.0	0.5
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	931.3	816.5
Earnings per share ($ cents)		
Basic	106.4	10.6
Diluted	105.7	10.6

(1) The weighted number of average shares in the comparative period consists of the weighted number of shares prior to the Merger of the legal acquiree multiplied by the exchange ratio established in the Merger agreement and the weighted number of Ordinary Shares of the legal acquirer from the date of the Merger.

During the current period 11.9 million Ordinary Shares were repurchased 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 or currently do not meet the performance criteria and, therefore, were not included in the calculation of diluted earnings per share.

9. Intangible assets

	Oil and gas assets *$ million*	*Non-oil and gas assets* (3) *$ million*	*Capacity rights* (3) *$ million*	*Total* *$ million*
Cost				
At 1 January 2022 (Audited)	813.4	119.4	10.2	943.0
Additions during the period	52.8	17.9	-	70.7
Transfers to property, plant and equipment	(0.2)	-	-	(0.2)
Reduction in decommissioning asset (1)	(6.0)	-	-	(6.0)
Unsuccessful exploration written-off (2)	(1.7)	-	-	(1.7)
Currency translation adjustment	(8.5)	(12.7)	(1.0)	(22.2)
At 30 June 2022 (Unaudited)	849.8	124.6	9.2	983.6
Amortisation				
At 1 January 2022 (Audited)	-	60.2	9.1	69.3
Charge for the period	-	10.9	0.6	11.5
Currency translation adjustment	-	(6.7)	(0.9)	(7.6)
At 30 June 2022 (Unaudited)	-	64.4	8.8	73.2
Net book value				
At 30 June 2022 (Unaudited)	849.8	60.2	0.4	910.4
At 31 December 2021 (Audited)	813.4	59.2	1.1	873.7

(1) A decrease to decommissioning assets of $6.0 million was made during the period as a result of an update to decommissioning estimates (note 12).

(2) The exploration write-off of $1.7 million relates to costs associated with licence relinquishments and uncommercial well evaluations and is stated net of a $6.4 million credit to the income statement primarily related to a change to the decommissioning estimate in the Falkland Islands business unit.

(3) Non-oil and gas assets relate primarily to Group IT software. The capacity rights represent National Transmission System (NTS) entry capacity at Bacton and Teesside acquired as part of the business combination completed in 2017. These rights expire in December 2022 and are amortised on a contractual volume basis.

10. Property, plant and equipment

	Oil and gas assets	Fixtures and fittings & office equipment	Total
	$ million	*$ million*	*$ million*
Cost			
At 1 January 2022 (Audited)	12,022.0	30.8	12,052.8
Additions during the period	221.9	4.3	226.2
Increase in decommissioning asset (1)	28.8	-	28.8
Transfers from intangible assets	0.2	-	0.2
Currency translation adjustment	(338.0)	(3.0)	(341.0)
At 30 June 2022 (Unaudited)	11,934.9	32.1	11,967.0
Depreciation			
At 1 January 2022 (Audited)	4,784.9	21.2	4,806.1
Charge for the period	658.6	2.6	661.2
Impairment charge (2)	2.6	-	2.6
Currency translation adjustment	(163.4)	(2.1)	(165.5)
At 30 June 2022 (Unaudited)	5,282.7	21.7	5,304.4
Net book value			
At 30 June 2022 (Unaudited)	6,652.2	10.4	6,662.6
At 31 December 2021 (Audited)	7,237.1	9.6	7,246.7

(1) An increase to decommissioning assets of $28.8 million (H1 2021: $27.3 million) was made during the period as a result of an update to the decommissioning estimates (note 12).

(2) The current period impairment charge of $2.6 million relates to the net effect of changes in decommissioning provisions on assets previously depreciated to nil 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 2024, thereafter inflated at 2 per cent per annum. The long-term commodity prices used were $65 per barrel for crude and 60p per therm for gas, unchanged from year end 2021.

11. Leases

Right-of-use assets	*6 months ended 30 June 2022 Unaudited $ million*	*Year ended 31 Dec 2021 Audited $ million*
Land and buildings	64.2	78.0
Drilling rigs	40.0	54.9
FPSO	349.1	407.8
Offshore facilities	324.0	-
Equipment	6.0	10.8
Total right-of-use assets	783.3	551.5

Lease liabilities	*6 months ended 30 June 2022 Unaudited $ million*	*Year ended 31 Dec 2021 Audited $ million*
Current	244.9	165.1
Non-current	629.8	489.2
Total lease liabilities	874.7	654.3

Additions of $337.5 million related to the Tolmount offshore facilities were made to the right-of-use assets during the period (2021: additions of $567.9 million resulting from business combinations).

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.

Leases (continued)

The consolidated income statement includes the following amounts relating to leases:

Depreciation charge of right-of-use assets	*6 months ended 30 June 2022 Unaudited $ million*	*6 months ended 30 June 2021 Unaudited $ million*
Land and buildings – non-oil and gas assets	6.1	4.7
Land and buildings – oil and gas assets	0.6	0.5
Drilling rigs	24.1	19.9
FPSO	58.7	36.6
Offshore facilities	13.5	-
Equipment	4.0	0.7
	107.0	62.4
Capitalisation of IFRS 16 lease depreciation		
Drilling rigs	(14.8)	(12.0)
Equipment	(2.5)	(0.4)
Depreciation charge included within Consolidated Income Statement	89.7	50.0

	6 months ended 30 June 2022 Unaudited $ million	*6 months ended 30 June 2021 Unaudited $ million*
Lease interest (included in Finance expenses – note 6)	10.0	7.8

The total cash outflow for leases in H1 2022 was $118.2 million (H1 2021: $60.7 million).

12. Provisions

	Decommissioning Provision (1) $ million	*Other Provisions (2) $ million*	*Total $ million*
At 31 December 2021 (Audited)	5,353.7	27.5	5,381.2
Additions	18.6	-	18.6
Changes in estimates – increase to oil and gas tangible decommissioning assets	7.6	-	7.6
Changes in estimates – charge/(credit) to income statement	2.6	(0.4)	2.2
Changes in estimates – decrease to oil and gas intangible assets	(6.0)	-	(6.0)
Amounts used	(93.7)	(2.3)	(96.0)
Unwinding of discount	32.0	-	32.0
Currency translation adjustment	(223.3)	-	(223.3)
At 30 June 2022 (Unaudited)	5,091.5	24.8	5,116.3
***Classified within**:*			
Current liabilities			300.5
Non-current liabilities			4,815.8
Total provisions			5,116.3

(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. The Group currently expects to incur decommissioning costs over the next 40 years, the majority of which we anticipate will be incurred between the next 10 to 20 years. Decommissioning provisions are discounted at a risk-free rate of between 0.7 percent and 1.9 percent, and the unwinding of the discount is presented within finance expenses (note 6).

A net increase in the decommissioning provision of $22.8 million was made in the period as a result of new obligations of $18.6 million and changes in estimates of $10.2 million, relating to property, plant, and equipment (note 10), and a decrease of $6.0 million resulting from changes in estimates relating to oil and gas intangibles assets (note 9).

(2) Other provisions at 30 June 2022 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. The provision for an onerous contract in respect of the termination cost of the rig which had been operating on the Schiehallion field, and had a balance of $2.3 million at 31 December 2021, has now been fully settled. The onerous contract has no impact on the income statement in the six months to 30 June 2022.

13. Borrowings and facilities

The Group's borrowings are held at amortised cost:

	6 months ended 30 June 2022 Unaudited $ million	*Year ended 31 Dec 2021 Audited $ million*
Reserves Based Lending facility	1,294.9	2,312.0
Retail bond	490.6	489.5
Exploration Finance Facility	50.5	44.6
Other loans	36.9	39.9
Total borrowings	1,872.9	2,886.0
Classified within:		
Non-current liabilities	1,814.6	2,823.7
Current liabilities	58.3	62.3
Total borrowings	1,872.9	2,886.0

Interest of $6.2 million (H1 2021: $17.4 million) on the Reserve Based Lending facility (RBL), retail bond and Exploration Finance Facility (EFF) had accrued by the balance sheet date and is classified within trade and other payables.

The key terms of the Reserves Based Lending facility are:

- matures 23 November 2027
- facility size of $4.1 billion (with $0.75 billion accordion option)
- debt availability currently at $2.75 billion
- debt availability to be redetermined on an annual basis
- interest at USD LIBOR plus a margin of 3.25 per cent, rising to a margin of 3.50 per cent from November 2025
- margin adjustment linked to carbon emission reductions, and
- syndication group of 19 banks.

Certain fees are also payable, including fees at 40 per cent of the applicable margin on available commitments and 20 per cent of the applicable margin on unavailable commitments, and commission on letters of credit issued at 50 per cent of the applicable margin.

In October 2021, the Group issued a $500 million retail bond under Rule 144A and has 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), currently for NOK 1 billion, in relation to part-financing the exploration activities of Chrysaor Norge AS. At the balance sheet date, the amount drawn down on the facility excluding incremental arrangement fees and related costs was NOK 500 million/$51 million (Dec 2021: NOK 396 million/$45 million).

Borrowings and facilities (continued)

At 30 June 2022, $114.5 million of arrangement fees and related costs remain capitalised (Dec 2021: $136.0 million), of which $44.7 million are due to be amortised within the next 12 months (Dec 2021: $43.6 million). During the period $21.5 million (2021: $14.5 million) of arrangement fees and related costs have been amortised and are included within financing costs. H1 2021 also included a $13.9 million modification gain following a maturity extension of the RBL debt prior to the completion of the Merger in March 2021.

At the balance sheet date, the outstanding RBL balance excluding incremental arrangement fees and related costs was $1,400.0 million (2021: $2,437.5 million). As at 30 June 2022, $1,347.0 million remained available for drawdown under the RBL facility.

14. Other financial assets and liabilities

All financial instruments initially recognised and subsequently re-measured 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.

The Group held the following financial instruments at fair value at 30 June 2022. 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.

Other financial assets and liabilities (continued)

Set out below, is an overview of financial assets and liabilities, other than cash and short-term deposits, held by the Group at 30 June 2022 and 31 December 2021:

		6 months ended 30 June 2022 Unaudited		*Year ended 31 Dec 2021 Audited*
Current	*Assets $ million*	*Liabilities $ million*	*Assets $million*	*Liabilities $ million*
Measured at fair value through the income statement				
Carbon swaps	38.7	(19.4)	36.6	(15.6)
Interest rate derivatives	12.4	-	3.3	-
Foreign exchange derivatives	2.7	-	0.9	(2.2)
Fair value of embedded derivative within a gas contract	-	(26.7)	-	(11.5)
	53.8	(46.1)	40.8	(29.3)
Measured at fair value through other comprehensive income				
Commodity derivatives	12.3	(4,171.9)	1.0	(2,496.9)
Total current	66.1	(4,218.0)	41.8	(2,526.2)

		30 June 2022 Unaudited		*31 Dec 2021 Audited*
Non-current	*Assets $ million*	*Liabilities $ million*	*Assets $million*	*Liabilities $ million*
Measured at fair value through the income statement				
Interest rate derivatives	24.8	-	8.3	-
Measured at fair value through other comprehensive income				
Commodity derivatives	19.5	(2,667.0)	1.8	(1,373.6)
Total non-current	44.3	(2,667.0)	10.1	(1,373.6)
Total current and non-current	110.4	(6,885.0)	51.9	(3,899.8)

15. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	6 months ended 30 June 2022 Unaudited $ million	*6 months ended 30 June 2021 Unaudited $ million*
Profit before taxation	1,489.8	120.2
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, depletion and amortisation	762.4	545.0
Impairment of property, plant and equipment	2.6	9.9
Exploration write-off	1.7	30.9
Write-off of non-oil and gas assets	-	4.7
Gain on disposal	(10.0)	-
Movement in realised cash-flow hedges not yet settled	(140.1)	49.7
Fair value movement in unrealised carbon swaps	1.1	-
Pre-merger costs	-	7.0
Decommissioning expenditure	(91.6)	(105.0)
Share based payments	5.9	-
Onerous contract payments	(2.3)	(5.1)
Finance cost, excluding foreign exchange	154.5	140.9
Finance income, excluding foreign exchange	(36.8)	(37.4)
Unrealised foreign exchange (gain)/loss	(371.6)	0.1
(Increase) in royalty consideration receivable	-	(0.5)
Working-capital adjustments:		
Increase in inventories	(22.4)	(35.8)
Decrease/(increase) in trade and other receivables	221.9	(16.9)
Increase in trade and other payables	59.8	144.6
Tax payments	(163.3)	(206.3)
Net cash inflow from operating activities	1,861.6	646.0

Notes to the statement of cash flows (continued)

Reconciliation of net cash flow to movement in net borrowings

	6 months ended 30 June 2022 Unaudited $ million	Year ended 31 Dec 2021 Audited $ million
Proceeds from drawdown of borrowing facilities	-	(1,617.5)
Proceeds from issue of retail bond	-	(500.0)
Short-term debt arising on business combination	-	2,219.3
Repayment of debt – equity allocation to borrowings	-	(942.8)
Repayment of debt – cash allocation to borrowings	-	(1,276.5)
Conversion of D loan notes to equity	-	134.7
Proceeds from Exploration Financing Facility (EFF) loan	(11.5)	(45.9)
Repayment of Reserves Based Lending facility	1,037.5	697.5
Repayment of junior debt	-	400.0
Loan notes redemption	-	135.7
IFRS 9 modification gain	-	13.9
Repayment of Exploration Financing Facility (EFF) loan	-	14.7
Repayment of financing arrangement	7.9	9.3
Arrangement fees and related costs capitalised	-	88.5
Financing arrangement interest payable	(4.9)	(11.6)
Amortisation of arrangement fees and related costs capitalised	(21.5)	(38.9)
Currency translation adjustment on EFF loan	5.6	0.6
Loan notes interest capitalised	-	(5.6)
Movement in total borrowings	1,013.1	(724.6)
Movement in cash and cash equivalents	145.8	253.3
Decrease/(increase) in net borrowings in the year	1,158.9	(471.3)
Opening net borrowings	(2,187.3)	(1,716.0)
Closing net borrowings	(1,028.4)	(2,187.3)

Analysis of net borrowings

	6 months ended 30 June 2022 Unaudited $ million	Year ended 31 Dec 2021 Audited $ million
Cash and cash equivalents	844.5	698.7
Reserves Based Lending facility	(1,294.9)	(2,312.0)
Retail bond	(490.6)	(489.5)
Exploration Financing Facility	(50.5)	(44.6)
Net debt	(991.5)	(2,147.4)
Financing arrangement	(36.9)	(39.9)
Closing net borrowings	(1,028.4)	(2,187.3)

Notes to the statement of cash flows (continued)

Borrowings consist of unsecured loan notes, short-term debt and long-term debt. The carrying values on the balance sheet are stated net of the unamortised portion of the issue costs and bank fees of $114.5 million (Dec 2021: $136.0 million).

16. Dividends

A final dividend of 11 cents per Ordinary Share in relation to the year ended 31 December 2021 was paid on 18 May 2022 pursuant to shareholder approval received on 11 May 2022.

	6 months ended 30 June 2022 Unaudited $ million	*Year ended 31 Dec 2021 Audited $ million*
Dividends on Ordinary Shares declared and paid:		
Final dividend for 2021: 11 cents per share (2020: no dividend)	98.3	-

In line with the dividend guidance issued by the Company on 17 March 2022, an interim dividend of 11 cents per Ordinary Share has been announced, payable on 19 October 2022 to shareholders on the register as at 9 September 2022. 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 be received by 28 September 2022 (the "Election Date").

17. Post balance sheet events

On 11 July 2022, the EPL enabling legislation, the Energy (Oil and Gas) Profits Levy Act 2022, was substantively enacted by the UK Government and received Royal Assent on 14 July 2022. Refer to Note 7 for detail.

On 3 August 2022, Harbour announced that the Capital Reduction, comprising the Share Premium Reduction and the Merger Reserve Reduction, that was approved by shareholders at the General Meeting held on 11 May 2022, is now effective. This follows the confirmation of the Capital Reduction by the Court of Session, Edinburgh on 2 August 2022 and the registration of the Court Order with the Registrar of Companies in Scotland on 3 August 2022.

The Capital Reduction creates additional distributable reserves to the value of $6,310.9 million of which $1,650.0 million will be held as non-distributable reserves until 31 March 2028. This provides the Company with further flexibility to deliver shareholder returns over the coming years either in the form of dividends and/or share buybacks.

As part of a $200 million share buyback programme approved by shareholders at the AGM, as at 30 June 2022 Harbour had repurchased 11.9 million of its own shares at a cost of $53.5 million (H1 2021: $ nil). Between 1 July 2022 to 24 August 2022, the Company had repurchased a further 26.3 million shares at a cost of $112.5 million.

18. Related parties

In June 2022, the Company and EIG agreed to extend the secondment agreement of one senior EIG employee for a further period. The secondee will continue to provide the Company with additional support and expertise on a temporary basis.

Glossary

- AGM Annual General Meeting
- bbl Barrel
- boe Barrel(s) of oil equivalent
- CCS Carbon capture and storage
- CGU Cash-generating unit
- Chrysaor Chrysaor Holdings Limited and subsidiaries
- DD&A Depreciation, depletion, and amortisation
- DRIP Dividend re-investment plan
- EBITDAX Earnings before interest, tax, depreciation, amortisation, and exploration
- EFF Exploration Finance Facility
- EPL Energy Profits Levy (UK)
- FPSO Floating Production Storage Offtake Vessel
- FVLCD Fair value less cost of disposal
- GHG Greenhouse gas
- GBP Pound Sterling
- HSES Health, safety, environment, and security
- IASs International Accounting Standards
- IFRSs International Financial Reporting Standards
- kboepd Thousand barrels of oil equivalent per day
- kgCO_2e Kilograms of carbon dioxide equivalent
- M&A Mergers and acquisitions
- The Merger All share merger between Premier Oil plc and Chrysaor Holdings Limited, effective 31 March 2021 via a reverse takeover
- mmboe Million barrels of oil equivalent
- mscf Thousand standard cubic feet
- NOK Norwegian Krone
- Premier Premier Oil and subsidiaries
- RBL Reserve Based Lending
- TRIR Total Recordable Injury Rate
- USD US Dollar

Non-GAAP 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 tax, interest, 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.
- ***GHG Intensity:*** Reported on a gross operated basis and excluding offsets.
- ***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 debt*****:** Total Reserves Based Lending facility, retail bond and Exploration Finance Facility (net of the carrying value of unamortised fees) 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.
- ***Total Capital Expenditure:*** Capital investment 'additions' per notes 9 and 10 plus decommissioning expenditure 'amounts used' per note 12