

Harbour Energy plc
("Harbour" or the "Company")
Trading and Operations Update
18 January 2024

Harbour Energy plc provides the following unaudited Trading and Operations Update for the year ending 31 December 2023, ahead of announcing its Full Year Results on 7 March 2024.

2023 Business Highlights

- Production averaged 186 kboepd (2022: 208 kboepd), split approximately 50% liquids / 50% gas, and within guidance
- Operating costs averaged c.\$16/boe (2022: \$14/boe), in line with guidance
- Improved safety performance with total recordable injury rate of 0.7 per million hours worked (2022: 0.8)
- Successful start-up of Tolmount East in Q4; other material UK investments included the Talbot development and the successful appraisal of the Leverett discovery, supporting production from late 2024
- Significant gas discovery at Layaran-1 (Harbour 20%), the first well drilled in the 2023-2024 multi-well exploration campaign targeting a major gas play across the Andaman Sea licences in Indonesia. This follows the drilling of the Timpan gas discovery in 2022
- In Mexico, approval by the regulator in July of the Zama Field Development Plan, and the Kan oil discovery on Block 30 in April
- Significant momentum on Harbour's two UK CCS projects which were awarded Track 2 status by the UK government. For Harbour's operated Viking project, FEED has been awarded and the project secured its first potential CO₂ shipping customer
- Announced transformational acquisition of the Wintershall Dea asset portfolio in December with completion expected in Q4 2024

2023 Financial Highlights

- Revenue of c.\$3.9 billion (2022: \$5.4 billion) with realised post-hedging oil and UK gas prices of \$78/bbl and 54 pence/therm (2022: \$78/bbl, 86 pence/therm)
- Estimated total capex of c.\$1.0 billion (2022: \$0.9 billion), including c.\$0.3 billion of decommissioning, in line with guidance
- Estimated free cash flow of c.\$1.0 billion (2022: \$2.1 billion), after total cash tax payments of c.\$0.4 billion and before shareholder distributions, in line with expectations
- Shareholder distributions of \$441 million (2022: \$551 million), comprising c.\$200 million of dividend payments and \$241 million of share buybacks
- Net debt reduced to \$0.2 billion at year end 2023 (2022: \$0.8 billion)

2024 Guidance and 2025 Outlook¹

The 2024 guidance and 2025 outlook relates to Harbour's current portfolio and excludes any effects or contribution from the proposed acquisition of the Wintershall Dea asset portfolio.

- 2024 production of 150-165 kboepd, with an unusually high level of planned shutdowns at our operated hubs and the Beryl area, coinciding with planned pipeline outages. Guidance also reflects the impact of deferred partner-operated wells at Beryl and Elgin Franklin in the UK and the anticipated sale of the Vietnam business
- 2024 unit operating cost of c.\$18/boe², higher than 2023 due to lower volumes with absolute operating costs broadly flat year-on-year
- Increased total capital expenditure of c.\$1.2 billion (including lower decommissioning spend of \$0.2 billion), driven by higher investment in the UK and internationally:
 - Increased UK drilling activity targeting high return, quick payback opportunities in our operated J-Area, Greater Britannia and AELE hubs, in addition to the Talbot development, all of which will add to production and support cash flow starting in late 2024
 - Advancement of our UK CCS projects including FEED at Viking
 - Increased investment in our international growth projects which have the potential to materially increase our reserve life. This includes the exploration campaign in Indonesia, where drilling of the Halwa and Gayo wells on the Andaman II license (Harbour 40%, operator) is underway; and, in Mexico, FEED for the Zama development and the drilling of the Kan appraisal well
- At \$85/bbl and 100p/therm, 2024 free cash flow of \$0.2 billion. This is after estimated tax of c.\$1.2 billion, reflecting the expected full utilisation of our UK corporation tax losses in H1 2024, and phasing of UK EPL payments
- In line with our annual dividend policy, Harbour expects to pay \$200 million in dividends, comprising a \$100 million final dividend for 2023 and a \$100 million 2024 interim dividend
- Harbour expects to be net debt free during H1 2024 but to close the year in a small net debt position, reflecting the second half weighting of UK tax payments. Harbour continues to expect to remain undrawn on its RBL facility.
- Looking ahead to 2025, Harbour expects:
 - Production to be similar to 2024, with less maintenance downtime and volumes from new wells and projects substantially offsetting natural decline
 - Unit operating costs to be broadly flat with 2024 while capital expenditure is anticipated to be materially lower
 - Significantly higher free cash flow compared to 2024, resulting in a sizeable net cash position by year end

Acquisition of Wintershall Dea Asset Portfolio

- On 21 December 2023, Harbour announced the acquisition of substantially all of Wintershall Dea's upstream assets for \$11.2 billion. The acquisition is subject to shareholder and regulatory approvals and is anticipated to complete in Q4 2024
 - In Q2 2024, Harbour plans to publish a prospectus and shareholder circular which will include historical financial information and an independent valuation of 2P reserves for the Wintershall Dea assets. They will also set out the details of the shareholder meeting to approve the Acquisition

- As at 17 January 2024, Harbour had received irrevocable undertakings from shareholders currently representing more than 25% of its issued share capital to vote in favour of the acquisition

Linda Z Cook, Chief Executive Officer, commented:

"We made significant progress against our strategic goals in 2023. Our safety performance improved. We continued to maximise the value of our UK production base while ensuring disciplined capital allocation, resulting in significant free cash flow and shareholder returns over and above our base dividend. We also advanced our UK CCS projects and our international growth opportunities in Indonesia and Mexico, delivering against key milestones. And, at year end, we announced the transformational acquisition of the Wintershall Dea portfolio.

"Looking ahead to 2024, our priorities are for the continued safe and responsible operations of our existing portfolio and the successful completion of the Wintershall Dea acquisition. We are proud of our achievements over the past year and excited about the future of the company."

Enquiries

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Appendix 1: Group production

	2023 (net, kboepd)	2022 (net, kboepd)
Greater Britannia Area	27	31
J-Area	34	30
AELE hub	22	27
Catcher	16	19
Tolmount	13	14
East Irish Sea	4	8
Elgin Franklin	19	24
Buzzard	11	15
Beryl	14	11
West of Shetlands ¹	14	14
Other North Sea ²	1	2
North Sea	175	195
International	11	13
Total Group	186	208

¹ West of Shetlands comprises Clair, Schiehallion and Solan. ²Other North Sea includes Galleon, Ravenspurn North and Johnston.

	2023 (net liquids, kboepd)	2023 (net gas, kboepd)
Greater Britannia Area	9	18
J-Area	16	18
AELE hub	5	17
Catcher	15	1
Tolmount	1	12
East Irish Sea	-	4
Elgin Franklin	7	12
Buzzard	11	-
Beryl	9	5
West of Shetlands ¹	13	1
Other North Sea ²	1	1
North Sea	86	89
International	4	7
Total Group	90	96

¹ West of Shetlands comprises Clair, Schiehallion and Solan. ²Other North Sea includes Galleon, Ravenspurn North, and Johnston.

Appendix 2: Hedging schedule¹

	2023		2024		2025 Av. price p/th, \$/bbl		2026	
	Volume (mmboe)	Av. price (p/th, \$/bbl)	Volume (mmboe)	Av. price (p/th, \$/bbl)	Volume (mmboe)		Volume mmboe	Av. price p/th, \$/bbl
UK gas								
Swaps	21.5	40	10.1	54	5.7	87	1.2	106
Collars	1.6	55-69	3.0	112-263	1.7	98-233	0.4	80-150
Oil								
Swaps	11	74	7.3	84	4.4	77	0	0

¹ As at 31 December 2023

Appendix 3: 2023 actual and 2023 and 2024 guidance

	2023 Guidance (as at Nov 2023)	2023 Actual	2024 Guidance (as at Jan 2024)
Production (kboepd)	185-195	186	150-165
Operating costs (\$/boe)	c.16	c.16	c.18
Total capex (\$ billion)	c.1.0	c.1.0	c.1.2

¹ 2024 guidance and 2025 outlook assumes that the sale of Harbour's Vietnam business completes on 30 June 2024

² Assumes a US dollar to GBP sterling exchange rate of \$1.25/£