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Harbour Energy PLC
08 August 2024

Harbour Energy plc
Half-year results
8 August 2024

Improved production guidance; acquisition completion now expected early Q4

Harbour Energy plc ("Harbour" or the "Company" or the "Group") today announces its unaudited half-year results for the six months ended 30 June 2024.

Highlights[1]

Solid operational delivery

- Production of 159 kboepd (H1 2023: 196 kboepd), split broadly equally between liquids and gas
- Continued strong safety record with TRIR of 0.7 per million hours worked (H1 2023: 0.8)
- Harbour-operated UK capital projects, including Talbot, on track to significantly increase production in Q4
- Further exploration success in Indonesia with the significant Tangkulo discovery; Layaran appraisal drilling underway
- Strategic investment opportunities Zama (Mexico) and Viking CCS (UK) progressing through FEED

Financial performance in line with expectations

- Revenue of $1.9bn (H1 2023: $2.0bn) and EBITDAX of $1.2bn (H1 2023: $1.4bn)
- Profit before tax of $0.4bn (H1 2023: $0.4bn); profit after tax of $0.1bn (H1 2023: loss of $8m) with an effective tax rate of c.85% reflecting Harbour's current UK concentration
- Free cash flow of $0.4bn (H1 2023: $1.0bn), after $0.1bn of acquisition-related fees, resulting in a small net cash position at period end
- Declared $100m (13 cents per share) interim dividend, in line with $200m annual dividend policy and representing 8% dividend per share growth year-on-year

Improved 2024 production guidance with outlook for 2025 reiterated

- Production guidance narrowed to 155-165 kboepd (from 150-165 kboepd), reflecting good progress on our capital projects and planned maintenance shutdowns
- Unit operating cost and total capital expenditure guidance reiterated at c.$18/boe and c.$1.2bn, respectively
- At $85/bbl Brent, 70 pence/therm UK NBP, expectation to be marginally free cash flow positive for the full year unchanged with current estimate of $100m-$200m
- In line with prior guidance, 2025 free cash flow expected to be significantly higher versus 2024 reflecting similar levels of production and operating costs but materially lower capital expenditure

Targeting early Q4 2024 for completion of Wintershall Dea portfolio acquisition

- Financing workstreams substantially completed, including the voluntary bondholder consent process relating to the porting of the $4.9bn investment grade bonds and the syndication of the $3bn RCF and $1.5bn bridge facility
- Prospectus and shareholder circular published; Harbour shareholder approval received with 99.99% of votes in favour of the acquisition
- Regulatory, anti-trust and foreign direct investment (FDI) approvals progressing as planned including, post period end, receipt of UK FDI approval and UK regulatory consent from the NSTA
- Acquisition now on track to complete in early Q4 2024

Linda Z Cook, Chief Executive Officer, commented:

"During the first half of 2024 we maintained our focus on safe operations, maximising the value of our existing portfolio and advancing our organic growth projects. At the same time, we made significant progress towards completing the Wintershall Dea acquisition, which is now expected early in the fourth quarter.

The acquisition will transform the scale, geographical diversity and longevity of our portfolio and strengthen our capital structure enabling us to deliver enhanced shareholder returns over the long run while also positioning us for further opportunities."

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[1]All operational and financial highlights, guidance and outlook exclude the impacts of the announced Wintershall DEA asset portfolio acquisition and any fees relating to the acquisition as well as the recently proposed changes to the UK Energy Profits Levy, unless stated otherwise.

Summary of 2024 half-year performance

Solid operational delivery

Production averaged 159 kboepd (H1 2023: 196 kboepd), split 53 per cent natural gas and 47 per cent liquids.

First half production was underpinned by strong reservoir performance and high operating efficiency across our operated GBA, AELE, Tolmount and Catcher hubs in the UK. GBA and AELE also benefitted from active well intervention programmes helping to mitigate natural decline while Tolmount production was bolstered by Tolmount East which achieved first gas at the end of 2023. This was offset by a prolonged shutdown at East Irish Sea and the start of the significant planned UK maintenance shutdowns in May.

2024 production guidance is narrowed upwards to 155-165 kboepd. This reflects good progress to date on the maintenance shutdowns and our UK capital projects which are on track to materially increase production in the fourth quarter. 2024 guidance has also been updated to include an extra six months contribution from Chim Sáo due to the deferred sale of our Vietnam business (c.2 kboepd annualised).

Operating costs for the first half were broadly flat at $0.5 billion (H1 2023: $0.5 billion), reflecting strong cost control in the face of ongoing inflationary pressures and a stronger sterling to US dollar exchange rate. On a unit of production basis, operating costs were higher at $18/boe (H1 2023: $15/boe) mainly because of lower volumes. 2024 unit operating cost guidance of c.$18/boe is unchanged.

The first half saw us continue to deliver a strong safety record with a total recordable injury rate of 0.7 per million hours worked (H1 2023: 0.8).

Total capital expenditure for the period was $0.6 billion (H1 2023: $0.4 billion), with full year forecast reiterated at c.$1.2 billion. The increase on the prior period is driven by the Andaman exploration and appraisal campaign in Indonesia which is nearing completion and higher investment in our UK operated hubs.

Maximising the value of our existing portfolio

Higher 2024 UK investment is driven by the Talbot development and accelerated drilling activity focused around our operated hubs targeting high return, short cycle investment opportunities. In February, we returned to drilling at the Britannia satellite fields with the Callanish F6 infill well. The well was successfully brought on-stream post period end, materially increasing production from our GBA hub ahead of its scheduled c.40-day maintenance shutdown starting in August. Preparations are also well advanced for further drilling at Brodgar, including a development well later this year.

At AELE, the North West Seymour well spudded in June with production start-up expected towards the end of the third quarter. This, together with plant modifications, has the potential to extend Armada's field life beyond 2030. Regarding the Talbot oil field development, the topside modifications to the Judy platform to allow for Talbot production were completed during the planned J-Area shutdown in June and the bulk of the subsea infrastructure has now been installed. The project remains on track for start-up around the end of the year.

During the first half, Harbour successfully amended its gas sales agreements with the Singapore buyers of Natuna Sea Block A gas in Indonesia, increasing the take-or-pay commitment under a tiered pricing structure, enabling the potential for increased production.

Looking to 2025 and excluding the impact of proposed acquisitions and disposals, we anticipate production from Harbour's existing portfolio to remain broadly stable compared to 2024 with increased volumes from new wells and projects coming on-stream in the second half of 2024 and early 2025 substantially offsetting natural decline.

Strategic, long life investment opportunities progressed

The first half saw us reach key milestones on our organic growth projects. Accounting for c.60 per cent of our c.0.5 billion boe 2C resource base, these projects have the potential to materially add to our reserves and production over time.

In Indonesia, we made a significant gas discovery at Tangkulo (20 per cent interest) in May. This follows the major Timpan (Harbour-operated, 40 per cent interest) and Layaran (20 per cent interest) gas discoveries, and underscores the play's multi-TCF potential. The Tangkulo well flowed 47 mmscf/d of gas while constrained by the testing facilities, reflecting the good porosity and permeability of the reservoir. The rig has since moved to appraise the Layaran discovery, the final well of the campaign. Development options for the Andaman area are in the early phase of evaluation.

Elsewhere in Indonesia, the sales process for our partner's interest in the Harbour operated Tuna project (50 per cent interest) is well advanced. If successful, this would enable Harbour to commence FEED on the approved plan of development for the Tuna oil and gas field with an estimated recoverable volume of c.100mmboe gross.

In Mexico, FEED for the Zama development (c.12 per cent interest) commenced in June, marking an important milestone. Once completed, the Zama unit partnership will look to tender the major contracts to secure refreshed cost and schedule estimates ahead of a final investment decision. Zama has the potential to add reserves equivalent to over a year's worth of Harbour's current production. Our interest in Zama will increase to c.32 per cent following completion of the Wintershall Dea portfolio acquisition.

To the southwest of Zama in Block 30, preparations are well advanced for the appraisal of the Kan oil discovery (30 per cent interest) with drilling scheduled to commence in the third quarter of 2024. In parallel, Harbour and its partners are undertaking early engineering studies on a potential development. As a result of the acquisition of the Wintershall Dea portfolio, Harbour will become operator of Block 30 with a 70 per cent interest.

The first half of the year saw continued progress at our two UK CCS projects, the Harbour-operated Viking project (60 per cent interest) and Acorn (30 per cent interest). At Viking, this included commencement of FEED in January and significant momentum on the Development Consent Order for the onshore pipeline which will connect the emitters in the Humber to the offshore transportation system. Viking, which has the potential to store 10 mtpa of CO_2 by 2030, is one of the largest planned CCS projects in the world.

Active portfolio management

We continue to actively manage our portfolio, looking to divest assets in countries or regions where we see no pathway to scale, either organically or via M&A.

In June 2024, we took the decision to terminate the previously announced sale of our Vietnam business. We have since relaunched the sales process with an aim to complete a sale in early 2025, as we continue to ensure that our capital and resources are deployed in line with our strategy.

Targeting early Q4 2024 for completion of the Wintershall Dea portfolio acquisition

We are on track to complete the Wintershall Dea portfolio acquisition early in the fourth quarter of 2024. This will mark our fourth major acquisition since Harbour was founded in 2014 and will transform the Company into one of the world's largest and most geographically diverse independent oil and gas companies.

With respect to the financing of the acquisition, the syndication of the $3 billion RCF and $1.5 billion bridge facility and the voluntary bondholder consent process relating to the porting of the $4.9 billion investment grade bonds were successfully completed in the first quarter.

In June we published the shareholder circular and prospectus for the acquisition. This included a Competent Person's Report which certified the target portfolio's 2P oil and gas reserves of 1.1 billion boe with an estimated value of $10.5 billion, and 2C resources of 1.2 billion boe, as at year end 2023. Harbour shareholder approval was subsequently received at a General Meeting held in July with 99.99 per cent of votes in favour of the acquisition.

All regulatory, anti-trust and foreign direct investment approvals are progressing as expected. These include clearance from the Federal Ministry of Economics and Climate Action in Germany and consent from the Norwegian Ministry of Energy. Post period end, in July, Harbour received clearance under the National Security Investment Act for BASF to acquire a greater than 25 per cent shareholding in Harbour, satisfying the UK foreign direct investment closing condition. In addition, in early August, Harbour received UK regulatory consent from the NSTA. The small number of outstanding approvals required for completion, including Mexico regulatory consents, are expected during the third quarter.

We have also made significant progress on the workstreams which are focused on ensuring business continuity and the safe and responsible transfer of operations. This includes the design and implementation of the corporate organisation and systems required to support the enlarged company post-completion.

As a result of the significant progress made to date on the workstreams and approvals required for completion, Harbour now expects to complete the acquisition early in the fourth quarter.

Strong financial position and outlook

Revenue for the period was $1.9 billion with realised oil and UK gas prices of $85/bbl and 61 pence/therm, respectively. Our realised UK gas price was impacted by our first quarter hedging with c.70 per cent of our UK gas production hedged at c.45 pence/therm. For the second half of 2024, we have hedged c.40 per cent of our UK gas production at an average price of c.80 pence/therm. Harbour's 2024 oil hedges are distributed broadly evenly over the year with c.25 per cent of production hedged at c.$84/bbl.

Free cash flow during the first half was $0.4 billion, after $0.1 billion of financing and other fees associated with the acquisition, resulting in a small net cash position at period end. Our 2024 free cash flow is weighted towards the first half driven by the phasing of UK tax payments partially offset by our more attractive hedge book for the last six months of the year. As a result, at $85/bbl Brent and 70 pence/therm UK NBP, and before the impacts of the acquisition, we continue to anticipate to be marginally free cash flow positive for the year - current estimate $100 million to $200 million - with the improved production outlook offsetting the effect of the deferred Vietnam sale.

In line with our $200 million annual dividend policy, a $100 million final dividend in respect of the 2023 financial year was paid in May. The Board is today declaring an interim dividend for 2024 of $100 million, equating to 13 cents per share and reflecting dividend per share growth of 8 per cent year-on-year.

Looking to 2025, our current portfolio is expected to generate significantly higher free cash flow compared to 2024, reflecting broadly stable production, with increased volumes from new wells and projects substantially offsetting natural decline, and materially lower capital expenditure.

Financial Review

Summary of financial results

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

	Units	**6 months ended 30 June 2024 Unaudited**	6 months ended 30 June 2023 Unaudited
Production and post-hedging realised prices			
Production	kboepd	**159**	196
Crude oil	$/bbl	**85**	76
UK natural gas	pence/therm	**61**	58
Indonesia natural gas	$/mscf	**13**	12
Income statement			
Revenue and other income	$ million	**1,916**	2,016
EBITDAX[1]	$ million	**1,216**	1,429
Profit before taxation	$ million	**392**	429
Profit/(loss) after taxation	$ million	**57**	(8)
Basic earnings/(loss) per share	cents/share	**7**	(1)
Other financial key figures			
Total capital expenditure[1]	$ million	**587**	434
Operating cash flow	$ million	**953**	1,487
Free cash flow[1]	$ million	**383**	1,046
Shareholder returns paid[1]	$ million	**100**	246

		30 June 2024 Unaudited	31 Dec 2023 Audited As restated
Net cash/(debt)[1]	$ million	**45**	(207)
Leverage ratio[1]	times	**0.0**	0.1

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

Income Statement

	6 month ended 30 June 2024 $ million Unaudited	6 months ended 30 June 2023 $ million Unaudited

Revenue and other income	**1,916**	2,016
Cost of operations	**(1,178)**	(1,224)
EBITDAX[1]	**1,216**	1,429
Operating profit	**542**	654
Profit before tax	**392**	429
Taxation	**(335)**	(437)
Profit/(loss) after tax	**57**	(8)

	Cents /share	Cents /share
Basic earnings/(loss) per share	**7**	(1)

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

Revenue and other income

Total revenue and other income decreased to $1,916 million (H1 2023: $2,016 million). This was driven by lower production volumes, partially offset by higher commodity prices.

	6 months ended 30 June 2024 $ million Unaudited	6 months ended 30 June 2023 $ million Unaudited
Revenue and other income	**1,916**	2,016
Crude oil	**1,114**	1,115
Gas	**692**	759
Condensate	**81**	100
Tariff income and other revenue	**19**	17
Other income	**10**	25

Revenue earned from hydrocarbon production activities decreased to $1,906 million (H1 2023: $1,991 million) after realised hedging losses of $55 million (H1 2023: $486 million). This decrease was mainly driven by lower production volumes partially offset by higher post-hedging realised commodity prices.

Crude oil sales decreased to $1,114 million (H1 2023: $1,115 million) after realised hedging gains of $1 million (H1 2023: losses of $31 million). This was driven by lower production volumes, partially offset by higher realised post-hedging oil prices of $85/bbl (H1 2023: $76/bbl). During the period, Harbour resolved a long-term Urals linked pricing dispute with the buyer of the Company's crude from two of its UK oil fields. This resulted in the recognition of an additional $56 million of revenue for the period of which $47 million related to crude sales in prior periods. The realised price disclosed above excludes the impact of the additional $47 million of revenue.

Gas revenue was $692 million (H1 2023: $759 million), split between UK natural gas revenue of $638 million (H1 2023: $699 million), after realised hedging losses of $56 million (H1 2023: $455 million), and international gas revenue of $54 million (H1 2023: $60 million). The realised post-hedging price for UK and Indonesia gas was 61 pence/therm (H1 2023: 58 pence/therm) and $13/mscf (H1 2023: $12/mscf), respectively.

Other income amounted to $10 million (H1 2023: $25 million) which mainly includes partner recovery on related lease obligations. H1 2023 included a receipt related to the Viking CCS Development Agreement entered into with bp in March 2023.

Cost of operations

Cost of operations decreased to $1,178 million (H1 2023: $1,224 million) driven primarily by a reduction in depreciation of oil and gas assets as a result of the lower production volumes in the period.

	6 months ended 30 June 2024 $ million Unaudited	6 months ended 30 June 2023 $ million Unaudited
Operating costs		
Field operating costs	**561**	575
Non-cash depreciation on non-oil and gas assets	**(11)**	(15)
Tariff income	**(16)**	(14)
Total operating costs	**534**	546
Operating costs per barrel ($ per barrel)[1]	**18**	15
Movement in over/(underlift) balances and hydrocarbon inventories	**44**	(67)
Depreciation, depletion and amortisation (DD&A)		

before impairment charges		
Depreciation of oil and gas properties (cost of operations only)	**565**	708
Depreciation of non-oil and gas properties	**17**	20
Total DD&A	**582**	728
DD&A before impairment charges ($ per barrel)[1]	**20**	21

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

Total operating costs were broadly flat period on period at $534 million (H1 2023: $546 million). Operating costs were higher on a unit of production basis at $18/boe (H1 2023: $15/boe) due to lower production volumes.

Depreciation, depletion and amortisation (DD&A) unit expense, which reflects the capitalised costs of producing assets divided by produced volumes, was $20/boe (H1 2023: $21/boe).

EBITDAX[1]

EBITDAX[1] was $1,216 million (H1 2023: $1,429 million), with the reduction mainly driven by lower production and negative movement in over/underlift balances.

	6 months ended 30 June 2024 $ million Unaudited	6 months ended 30 June 2023 $ million Unaudited
Operating profit	**542**	654
Depreciation, depletion and amortisation	**582**	728
Impairment of property, plant and equipment	**33**	19
Impairment of right-of-use assets	**20**	-
Exploration and evaluation expenditure, and new ventures	**22**	15
Exploration costs written-off	**17**	13
EBITDAX[1]	**1,216**	1,429

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

The Group has recognised a net pre-tax impairment charge on property, plant and equipment of $33 million (H1 2023: $19 million). This includes a pre-tax impairment charge of $49 million on one of our UK fields in the East Irish Sea driven primarily by a reduction in the gas price outlook compared to the 2023 year-end view, partially offset by revised decommissioning cost profiles in respect the Group's non-producing assets with no remaining net book value.

The Group has also recognised a pre-tax impairment of $20 million on right-of-use assets (H1 2023: $nil) in respect of an office building which, due to relocation to another office, has no future use.

During the period, the Group expensed $39 million (H1 2023: $28 million) for exploration and appraisal activities. This includes exploration write-off expense of $17 million (H1 2023: $13 million) mainly in relation to the Halwa well in Indonesia, $5 million (H1 2023: $4 million) of costs associated with licence relinquishments and uncommercial well evaluations, and expenditure of $17 million (H1 2023: $11 million) associated with our energy transition projects.

Net financing costs

Finance income amounted to $15 million (H1 2023: $33 million). The reduction compared to H1 2023 is mainly due to derivative gains in 2023 that related to changes in the fair value of an embedded derivative within one of the Group's gas contracts.

Finance expenses amounted to $165 million (H1 2023: $258 million). This included interest expense incurred on debt facilities of $15 million (H1 2023: $25 million), the reduction reflecting lower use of the reserve based lending (RBL) facility during the period. Other financing expenses include the unwinding of the discount on decommissioning provisions of $92 million (H1 2023: $74 million) which increased due to higher cost estimates and interest rates, lower bank and financing fees of $23 million (H1 2023: $48 million) and $5 million of foreign exchange losses, with sterling remaining stable during the period (H1 2023: $85 million).

Earnings and taxation

Profit after tax amounted to $57 million (H1 2023: $8 million loss). This resulted in earnings per share of 7 cents (H1 2023: 1 cent loss per share) after taking into account the weighted average number of ordinary shares in issue of 770 million (H1 2023: 829 million) following the share buyback programme in the prior year.

Harbour's tax expense decreased in H1 2024 to $335 million (H1 2023: $437 million). The lower effective tax rate for the six months ended 30 June 2024 is primarily caused by changes in the weighting of results profits taxed at rates below the 75 per cent UK oil tax headline rate. The tax expense is split between a current tax expense of $226 million (H1 2023: $413 million), which includes an EPL current tax charge of $213 million (H1 2023: $302 million) and a deferred tax expense of $109 million (H1 2023: $24 million).

The effective tax rate is 85 per cent (H1 2023: 102 per cent) which is higher than the standard UK tax rate for the period of 75 per cent. This is in part due to period specific costs which are not fully deductible at the UK statutory rates.

Shareholder distributions

A final dividend with respect to 2023 of 13 cents per ordinary share was proposed on 7 March 2024 and approved by shareholders at the AGM on 9 May 2024. The dividend was paid on 22 May 2024 to all shareholders on the register as at 12 April 2024, totalling $100 million.

In line with the Company's dividend policy, the Board is pleased to announce an interim dividend of 13 cents per ordinary share to be paid on 25 September 2024 to all shareholders on the register on 16 August 2024 (the "Record Date"). A dividend re-investment plan ("DRIP") is available to shareholders who would prefer to invest their dividend in the shares of the Company. To participate in the DRIP, shareholders must submit their election notice to Equiniti, the Company's Registrar, by 4 September 2024 (the "Election Date").

Statement of Financial Position

	30 June 2024 $ million Unaudited	31 Dec 2023 $ million Audited As restated
Assets		
Goodwill	**1,302**	1,302
Other intangible assets	**1,242**	1,172
Property, plant and equipment	**4,681**	4,836
Right-of-use assets	**648**	632
Other assets including deferred tax assets	**1,367**	1,406
Derivative assets	**116**	282
Cash	**539**	286
Total assets	**9,895**	9,916
Liabilities and Equity		
Borrowings net of transaction fees	**501**	509
Decommissioning provisions	**4,102**	4,108
Deferred tax liabilities	**1,338**	1,297
Lease creditor	**817**	768
Derivative liabilities	**209**	284
Other liabilities	**1,454**	1,397
Total liabilities	**8,421**	8,363
Equity	**1,474**	1,553
Total liabilities and equity	**9,895**	9,916
Net cash/(debt)	**45**	(207)

Assets

The decrease in total assets of $21 million is mainly as a result of lower derivative asset balances of $166 million, and a reduction in property, plant and equipment (PP&E) and right-of-use assets of $139 million due to DD&A and impairment charges less additions in the period. These were partially offset by an increase in cash balances of $253 million.

Liabilities

The increase in total liabilities of $58 million is mainly driven by higher deferred tax and current tax liabilities of $41 million and $120 million respectively, higher lease creditors of $49 million, following recognition of a new office lease. These were partially offset by lower derivative liabilities of $75 million and lower trade and other payables of $60 million.

The net deferred tax position on the balance sheet is a liability of $1,330 million (Dec 2023: $1,290 million). This is primarily made up of a deferred tax liability in respect of the future profits which will flow from our PP&E of $2,845 million offset by a deferred tax asset in respect of future tax relief on decommissioning spend of $1,574 million. Whilst our future UK profits in the period to 31 March 2028 will be subject to 75 per cent taxation due to the EPL, UK decommissioning spend is not deductible for EPL and so relieved at 40 per cent.

The post balance sheet events note below describes the new Government's announcements on the fiscal regime since the balance sheet date.

Equity and reserves

Total equity decreased mainly due to the dividend payments of $100 million made in the period, offset by losses in comprehensive income mostly related to negative fair market value movements on cash flow hedges of $21 million post-tax (H1 2023: $546 million profit). There were no share buybacks in the period (H1 2023: $151 million). Purchases of ESOP trust shares amounted to $20 million (H1 2023: $12 million). Retained earnings increased by the profit after tax.

Net cash

As at 30 June 2024, net cash of $45 million (Dec 2023: net debt of $207 million) consisted of cash balances of $539 million (Dec 2023: $286 million), net of the $500 million bond (Dec 2023: $500 million) adjusted for unamortised fees of $6 million (Dec 2023: $7 million). The RBL facility remains undrawn (Dec 2023: $nil). Unamortised RBL fees and arrangement fees associated with financing the acquisition of the Wintershall Dea asset portfolio of $109 million (Dec 2023: $61 million) have been reclassified to debtors.

Available liquidity, being undrawn RBL facility plus cash balances of $0.5 billion, was $1.4 billion at the end of the period, compared with $1.6 billion at year end.

As at 30 June 2024, the leverage ratio[1] was 0.0x (Dec 2023: 0.1x) which has reduced primarily as a result of higher cash balances at the period end.

	30 June 2024 $ million	31 Dec 2023 As restated $ million
Leverage ratio		
Net cash/(debt)[1]	**45**	(207)
EBITDAX[1]	**1,216**	2,675
Leverage ratio[1]	**0.0**	0.1

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

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 2024. These are set out in the following table. Hedges realised to date are in respect of both crude oil and natural gas.

The current hedging programme is shown below:

Hedge position	**H2 2024**	**2025**	**2026**	**2027**
Oil				
Volume hedged (mmboe)	**4**	8	7	-
Average price hedged ($/bbl)	**84**	78	73	-
UK natural gas				
Volume hedged (mmboe)	**5**	9	6	1
Average priced hedged (pence/therm)	**79**	89	83	80

At 30 June 2024, our financial hedging programme on commodity derivative instruments showed a pre-tax negative mark-to-market fair value of $102 million (H1 2023: $1,027 million negative), with no ineffectiveness charge to the income statement. The UK gas hedge collars reflect the forward UK gas (NBP) price curve at the period end.

Statement of cash flows[1]

	6 months ended 30 June 2024 $ million Unaudited	6 months ended 30 June 2023 $ million Unaudited
Cash flow from operating activities after tax	**953**	1,487
Cash flow from investing activities - capital investment	**(349)**	(337)
Cash flow from investing activities - other	**20**	65
Operating cash flow after investing activities	**624**	1,215
Cash flow from financing activities[2]	**(241)**	(169)
Free cash flow[3]	**383**	1,046
Cash and cash equivalents	**539**	494

1 Table excludes financing activities related to debt principal movements.

2 Interest and lease payments only, excludes shareholder distributions.

3 Non-IFRS measure - see Glossary for the definition.

Net cash from operating activities after tax amounted to $953 million (H1 2023: $1,487 million) after accounting for positive working capital movements of $38 million (H1 2023: $173 million positive), net of movement in realised but unsettled hedges of $51 million (H1 2023: $197 million).

Capital investment on a cash basis was $349 million (H1 2023: $337 million) which included property, plant and equipment additions of $199 million (H1 2023: $276 million), exploration and evaluation additions of $113 million (H1 2023: $55 million), oil and gas intangible additions of $13 million (H1 2023: $nil) and non-oil and gas intangible additions of $24 million (H1 2023: $6 million).

Cash outflow from financing activities totalled $241 million (H1 2023: $169 million) split between interest and bank charges of $87 million (H1 2023: $47 million), inclusive of costs associated with financing the acquisition of the Wintershall Dea asset portfolio, and lease principal and interest payments of $154 million (H1 2023: $122 million).

Shareholder distributions consist of dividends paid of $100 million (H1 2023: $99 million). H1 2023 also included $148 million related to the repurchase of Harbour's own shares under the share buyback scheme announced in March 2023, which completed in late 2023.

The Group made net tax payments of $157 million in the period (H1 2023: $23 million net refunds) primarily in relation to the UK Energy Profits Levy.

Cash and cash equivalent balances were $539 million (H1 2023: $494 million) at the end of the period.

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 2024 $ million Unaudited	6 months ended 30 June 2023 $ million Unaudited
Additions to oil and gas assets	**(314)**	(256)
Additions to fixtures and fittings, office equipment & IT software	**(27)**	(14)
Additions to exploration and evaluation assets	**(121)**	(56)
Total capital investment[1]	**(462)**	(326)
Movements in working capital	**81**	(20)
Capitalised interest	**4**	-
Capitalised lease payments	**28**	9
Cash capital investment per the cash flow statement	**(349)**	(337)

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

During the period, the Group incurred total capital expenditure of $587 million (H1 2023: $434 million), split by capital investment[1] $462 million (H1 2023: $326 million) and decommissioning spend $125 million (H1 2023: $108 million).

The capital investment in the UK mainly consisted of, for operated assets, project activity at Talbot (J-Area) and development drilling at J-Area, Callanish F6 (GBA) and North West Seymour (AELE). For partner operated assets, capital investment consisted primarily of drilling at Buzzard, Clair and Schiehallion. In the International business units, exploration wells were drilled at Halwa and Gayo in Indonesia and the Ametyst well in Norway.

Post balance sheet events

On 29 July 2024, the UK government announced changes to the Energy Profits Levy (EPL) From 1 November 2024 the rate of EPL will be increased by 3 per cent from 35 per cent to 38 per cent, the periods to which the EPL applies will be extended to 31 March 2030, the main EPL investment allowance will be abolished and the amount of relief available for capital expenditure in calculating EPL profits will be reduced.

As the announced measures had not been enacted at the balance sheet date then there is no impact on the balance sheet as presented. As the full details of the announced measures are not yet known it is not currently possible to calculate the potential impact on the balance sheet. The details of the measures are expected to be finalised in the Budget scheduled to take place on 30 October 2024 and legislated thereafter.

Going concern

The results have been presented on a going concern basis. Detail of the Group's assessment of going concern for the

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

Business risks

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

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

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

Principal risks at half-year 2024 and key changes since the 2023 Annual Report

The directors have reviewed the principal risks facing the Company and concluded for the remaining six months of the financial year there are no significant changes to the headline principal risks from those disclosed in the 2023 Annual Report and Accounts. A full description of Harbour's principal risks can be found on pages 60 to 65 of the 2023 Annual Report and Accounts.

To reach this conclusion, the directors considered the changes in the external environment during the recent period that could threaten the Company's business model, future performance, liquidity, and reputation. The directors also considered management's view of the current risks facing the Company.

With respect to the Wintershall Dea transaction, the directors took account of the implications of the transaction announcement, and the completion and transition work to date. However, the directors excluded the risk environment currently facing Wintershall Dea given Harbour will not take on those risks until the completion of the transaction.

The principal risks are summarised as:

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

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

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 party transactions and changes therein).

By order of the Board,

Alexander Krane

Director

7 August 2024

Disclaimer

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

Financial Statements

Condensed consolidated income statement

For the six months ended 30 June 2024

	Note	**2024 Unaudited $ million**	2023 Unaudited $ million
Revenue	4	**1,906**	1,991
Other income	4	**10**	25
Revenue and other income		**1,916**	2,016
Cost of operations	5	**(1,178)**	(1,224)
Impairment of property, plant, and equipment	5	**(33)**	(19)
Impairment of right-of-use assets	5	**(20)**	-
Exploration and evaluation expenses and new ventures	5	**(22)**	(15)
Exploration costs written-off	9	**(17)**	(13)
General and administrative costs	5	**(104)**	(91)
Operating profit	5	**542**	654
Finance income	6	**15**	33
Finance expenses	6	**(165)**	(258)
Profit before taxation		**392**	429
Income tax expense	7	**(335)**	(437)
Profit/(loss) for the period		**57**	(8)
Profit/(loss) for the period attributable to:			
Equity owners of the company		**57**	(8)

Earnings/(loss) per share	Note	**$ cents**	$ cents
Basic	8	**7**	(1)
Diluted	8	**7**	(1)

Condensed consolidated statement of comprehensive income

For the six months ended 30 June 2024

	2024 Unaudited $ million	2023 Unaudited $ million
Profit/(loss) for the period	**57**	(8)
Other comprehensive (loss)/profit		
Items that may be subsequently reclassified to the income statement:		
Fair value (losses)/gains on cash flow hedges	**(85)**	2,185
Tax credit/(expense) on cash flow hedges	**64**	(1,639)

Exchange differences on translation	**(20)**	91
Other comprehensive (loss)/profit for the period, net of tax	**(41)**	637
Total comprehensive profit for the period, net of tax	**16**	629
Total comprehensive profit attributable to:		
Equity owners of the company	**16**	629

Condensed consolidated balance sheet

As at 30 June 2024

	Note	**30 June 2024 Unaudited $ million**	31 Dec 2023 Audited As restated $ million
Assets			
Non-current assets			
Goodwill		**1,302**	1,302
Other intangible assets	9	**1,242**	1,172
Property, plant and equipment	10	**4,681**	4,836
Right-of-use assets	11	**648**	632
Deferred tax assets	7	**8**	7
Other receivables		**340**	309
Other financial assets	14	**26**	112
Total non-current assets		**8,247**	8,370
Current assets			
Inventories		**167**	217
Trade and other receivables		**852**	873
Other financial assets	14	**90**	170
Cash and cash equivalents		**539**	286
Total current assets		**1,648**	1,546
Total assets		**9,895**	9,916
Equity and liabilities			
Equity			
Share capital		**171**	171
Other reserves		**248**	289
Retained earnings		**1,055**	1,093
Total equity		**1,474**	1,553
Non-current liabilities			
Borrowings	13	**494**	493
Provisions	12	**3,927**	3,905
Deferred tax	7	**1,338**	1,297
Trade and other payables		**12**	13
Lease creditor	11	**568**	552
Other financial liabilities	14	**46**	87
Total non-current liabilities		**6,385**	6,347
Current liabilities			
Trade and other payables		**855**	915
Borrowings	13	**7**	16
Lease creditor	11	**249**	216
Provisions	12	**200**	230
Current tax liabilities		**562**	442
Other financial liabilities	14	**163**	197
Total current liabilities		**2,036**	2,016
Total liabilities		**8,421**	8,363
Total equity and liabilities		**9,895**	9,916

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

Consolidated statement of changes in equity

For the six months ended 30 June 2024

	Share	**Merger**	**Capital redemption**	**Cash flow hedge** [1]	**Costs of hedging** [1]	[1]

	Share capital $ million	premium $ million	reserve $ million	reserve $ million	reserve[1] $ million	reserve[1] $ million
At 1 January 2023 (Audited)	171	-	271	8	(776)	(9)
Loss for the period	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	542	4
Total comprehensive income	**-**	**-**	**-**	**-**	**542**	**4**
Purchase and cancellation of own shares	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
Purchase of ESOP Trust Shares	-	-	-	-	-	-
Dividend paid	-	-			-	-
At 30 June 2023 (Unaudited)	**171**	**-**	**271**	**8**	**(234)**	**(5)**
At 1 January 2024 as reported (Audited)	171	-	271	8	3	4
Prior year adjustment (see note 2.2)	-	-	-	-	-	-
At 1 January 2024 as restated	171	-	271	8	3	4
Profit for the period	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(15)	(6)
Total comprehensive income	**-**	**-**	**-**	**-**	**(15)**	**(6)**
Share-based payments	-	-	-	-	-	-
Purchase of ESOP Trust Shares	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
At 30 June 2024 (Unaudited)	**171**	**-**	**271**	**8**	**(12)**	**(2)**

[1] Disclosed net of deferred tax.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2024

	Note	**30 June 2024 Unaudited $ million**	30 June 2023 Unaudited $ million
Net cash flows from operating activities	15	**953**	1,487
Investing activities			
Expenditure on exploration and evaluation assets		**(113)**	(55)
Expenditure on property, plant and equipment		**(199)**	(276)
Expenditure on oil and gas intangible assets		**(13)**	-
Expenditure on non-oil and gas intangible assets		**(24)**	(6)
Receipts for sub-lease income		**5**	5
Finance income received		**15**	60
Net cash flows used in investing activities		**(329)**	(272)
Financing activities			
Repurchase of shares		**-**	(148)
Proceeds from new borrowings - reserve based lending facility		**178**	275
Payments towards principal portion of lease liabilities		**(128)**	(96)
Interest paid on lease liabilities		**(26)**	(26)
Repayment of reserve based lending facility		**(178)**	(1,050)
Repayment of exploration finance facility		**-**	(11)
Repayment of financing arrangement		**(10)**	(14)
Purchase of ESOP Trust shares		**(20)**	(11)
Interest paid and bank charges		**(87)**	(47)
Dividends paid		**(100)**	(99)
Net cash flows from financing activities		**(371)**	(1,227)
Net increase/(decrease) in cash and cash equivalents		**253**	(12)
Net foreign exchange difference		**-**	6
Cash and cash equivalents at 1 January		**286**	500
Cash and cash equivalents at 30 June		**539**	494

Notes to the half-year condensed consolidated financial statements

1. General information

Harbour Energy plc (Harbour or the company) is a limited liability company incorporated in Scotland and listed on the

London Stock Exchange. The address of the registered office is 4th Floor, Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EN, United Kingdom.

The condensed consolidated financial statements of the company and all its subsidiaries (the Group) for the six months ended 30 June 2024 were authorised for issuance by the board of directors on 7 August 2024.

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

The condensed consolidated financial information contained in this report is unaudited. The income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement for the six months to 30 June 2024, and the balance sheet as at 30 June 2024 and related notes, have been reviewed by the auditors.

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

2.1 Basis of preparation

The half-year condensed consolidated financial statements (the Financial Statements) for the six months ended 30 June 2024 have been prepared in accordance with UK-adopted IAS 34 Interim Financial Reporting and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority. These half-year condensed financial statements are to be read in conjunction with Harbour's Annual Report and Accounts for the year ended 31 December 2023, which contains additional accounting policy disclosures and information as required in a set of annual financial statements.

The Financial Statements do not include all the information required for a full annual report and do not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The financial information for the year ended 31 December 2023 has been extracted from the consolidated financial statements of Harbour Energy plc for the year ended 31 December 2023 which were approved by the directors on 6 March 2024 and were delivered to the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 of the Companies Act 2006.

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

The presentation currency of the Group financial information is US Dollars and all values in the Group financial information are presented in millions ($ million) and all values are to the nearest $1 million, except where otherwise stated.

2.2 Prior year adjustment

In August 2023, Harbour announced that it had entered into a Sale and Purchase Agreement to sell its business in Vietnam, which holds its 53.125 per cent interest in Chim Sáo and Dua producing fields to Big Energy Joint Stock Company for a consideration of $84 million. At 31 December 2023, the assets and liabilities of Vietnam were classified as assets held for sale (AHFS). The transaction, which had a long-stop date of 10 May 2024, could not be completed within the required timeframe, and was subsequently terminated on 13 May 2024, and as a result the Vietnam business is no longer classified as AHFS. The relevant amounts presented as AHFS in the 31 December 2023 have been reclassified. Each of the affected financial statement line items has been restated and the impact is summarised in the following table.

Balance sheet at 31 December 2023

	As previously reported $ million	Adjustments $ million	**As restated $ million**
Non-current assets			
Property, plant and equipment	4,717	119	**4,836**
Right-of-use assets	587	45	**632**
Other receivables	184	125	**309**
Current assets			
Inventories	200	17	**217**
Trade and other receivables	832	41	**873**
Cash and cash equivalents	280	6	**286**
Assets held for sale	334	(334)	**-**
Equity			
Retained earnings	1,080	13	**1,093**
Non-current liabilities			

Provisions	3,818	87	**3,905**
Deferred tax	1,260	37	**1,297**
Lease creditor	474	78	**552**
Current liabilities			
Trade and other payables	886	29	**915**
Lease creditor	199	17	**216**
Liabilities directly associated with the assets held for sale	242	(242)	**-**

From the point of classification as AHFS in August 2023, no depreciation was recorded, as permitted by IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". In addition, at 31 December 2023, a pre-tax impairment of $38 million was recognised as the fair value less cost to sell was below the carrying amount of the disposal group. As a result of the reclassification from AHFS, the impairment of $38 million has been reversed and additional depreciation covering the period August 2023 to December 2023 has been recorded, on property, plant and equipment of $14 million and on right-of-use assets of $5 million, with net deferred tax of $6 million associated with the impairment reversal and depreciation. As a result of the above adjustments, retained earnings increased by $13 million.

2.3 Going concern

The Directors consider the going concern assessment period to be up to 31 December 2025. The Group monitors and manages its capital position and its liquidity risk regularly throughout the year to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced, and sensitivities considered based on, but not limited to; the Group's latest life of field production and expenditure forecasts, management's best estimate of future commodity prices based on recent forward curves, adjusted for the Group's hedging programme and the Group's borrowing facilities.

The ongoing capital requirements are financed by the Group's $1.75 billion reserve based lending (RBL) facility that has a borrowing base as at 1 July 2024 of $0.7 billion, and $0.5 billion bond which matures in October 2026. The amount drawn down under these facilities at 30 June 2024 was nil and $0.5 billion respectively, which together with cash of $0.5 billion, gave a total available liquidity of $1.2 billion. Further details can be found in note 13. The RBL facility has a financial covenant relating to the ratio of consolidated total net debt to consolidated EBITDAX on a historic and forward-looking basis, which is tested semi-annually. The amount available under the facility is redetermined annually based on a valuation of the Group's borrowing base assets when applying certain forward-looking assumptions, as defined in the borrowing agreements.

The Group's latest approved business plan underpins the base case going concern assessment and is based upon management's best estimate of forward commodity price curves, production in line with approved asset plans, unavoidable committed fees in respect of the Wintershall Dea deal and the ongoing capital requirements of the Group that will be financed by free cash flow, the existing RBL and bond financing arrangements.

In December 2023 Harbour announced the Wintershall Dea acquisition transaction, which is anticipated to complete early in the fourth quarter of 2024 and will be accretive to Harbour's free cash flow. Once complete, Harbour is expected to receive investment grade credit ratings and to benefit from a significantly lower cost of financing, including the porting of existing euro denominated Wintershall Dea bonds with a nominal value of $4.9 billion. The Group would also have access to a new $3.0 billion revolving credit facility and $1.5 billion bridge facility. As part of the going concern assessment, a base case, sensitivity and reverse stress tests have been run on the enlarged group forecasts, which are supported by Harbour's acquisition due diligence work, and show that the probability of a liquidity deficit or covenant breach is remote. The base case and downside sensitivity scenarios indicate that the Group can operate as a going concern with sufficient headroom and remain in compliance with its loan covenants throughout the assessment period.

In line with the principal risks that have been identified to impact the financial capability of the Group to operate as going concern, certain downside sensitivity scenarios have been prepared reflecting a reduction in:

- Brent crude and UK natural gas prices by 20 per cent, and
- the Group's total production by 10 per cent

throughout the assessment period.

In these downside scenarios, when applied individually and in aggregate to the base case, the Group is forecast to have sufficient liquidity headroom throughout the assessment period and to remain in compliance with its financial covenants.

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

Taking the above analysis into account, the Board was satisfied that, for the assessment period, the Group can maintain adequate liquidity and comply with its lending covenants up to 31 December 2025 and therefore has adopted the going concern basis for preparing the half-year condensed consolidated financial statements.

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

The accounting policies adopted in the preparation of the Financial Statements are consistent with those adopted and disclosed in Harbour's 2023 Annual Report and Accounts, except for the adoption of new standards effective as of 1 January 2024 in the UK. A few amendments to existing standards and interpretations were effective from 1 January 2024 but had no impact on the Financial Statements. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to existing standards from 1 January 2024 are as follows, these do not impact the half-year condensed financial statements but may have an impact on the annual financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current Liabilities with Covenants

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

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

Amendments to IFRS 7 and IAS 7: Supplier Finance Arrangements

In May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to add disclosure requirements, and 'signposts' within existing disclosure requirements, that requires entities to provide qualitative and quantitative information about supplier finance arrangements.

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

2.5 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies, and the key sources of estimation uncertainty, were the same as those described on page 137 of Harbour's 2023 Annual Report and Accounts.

3. Segment information

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

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

Income Statement

	6 months ended 30 June 2024 Unaudited $ million	6 months ended 30 June 2023 Unaudited $ million
Revenue		
North Sea	**1,782**	1,893
International	**124**	98
Total Group sales revenue	**1,906**	1,991
Other income		
North Sea	**10**	25
International	**-**	-
Total Group revenue and other income	**1,916**	2,016
Group operating profit		
North Sea	**517**	627
International	**25**	27
Group operating profit	**542**	654
Finance income	**15**	33
Finance expenses	**(165)**	(258)
Profit before taxation	**392**	429
Income tax expense	**(335)**	(437)
Profit/(loss) for the period	**57**	(8)

Balance Sheet

	30 June 2024 Unaudited $ million	31 Dec 2023 Audited As restated $ million
Segment assets		
North Sea	**8,646**	8,632
International	**1,249**	1,284
Total assets	**9,895**	9,916
Segment liabilities		
North Sea	**(7,891)**	(7,818)
International	**(530)**	(545)
Total liabilities	**(8,421)**	(8,363)

Other information

	6 months ended 30 June 2024 Unaudited $ million	6 months ended 30 June 2023 Unaudited $ million
Capital additions		
North Sea	**398**	269
International	**64**	57
Total capital additions	**462**	326
Depreciation, depletion and amortisation		
North Sea	**544**	691
International	**38**	37
Total depreciation, depletion and amortisation	**582**	728
Exploration and evaluation expenses and new ventures		
North Sea	**22**	15
International	**-**	-
Total exploration and evaluation expenses and new ventures	**22**	15
Exploration costs written-off		
North Sea	**2**	4
International	**15**	9
Total exploration costs written-off	**17**	13

4. Revenue from contracts with customers and other income

	6 months ended 30 June 2024 Unaudited $ million	6 months ended 30 June 2023 Unaudited $ million
Type of goods		
Crude oil sales[1]	**1,114**	1,115
Gas sales	[illegible]	[illegible]

Gas sales	**692**	759
Condensate sales	**81**	100
Total revenue from contracts with customers	**1,887**	1,974
Tariff income	**16**	14
Other revenue	**3**	3
Revenue from production activities[2]	**1,906**	1,991
Other income	**10**	25
Total revenue and other income	**1,916**	2,016

1 During the period, Harbour resolved a long-term Urals linked pricing dispute with the buyer of the company's crude from two of its UK fields. This resulted in the recognition of an additional $56 million of revenue for the period of which $47 million related to crude sales in prior periods.

2 Revenues from contracts with customers of $1,942 million (H1 2023: $2,460 million) comprise crude oil sales of $1,113 million (H1 2023: $1,146 million) and gas sales of $748 million (H1 2023: $1,214 million). This was prior to realised hedging gains in the period of $1 million (H1 2023: losses of $31 million) on crude oil and realised hedging losses of $56 million (H1 2023: $455 million) on gas sales.

5. Operating profit

	Note	**6 months ended 30 June 2024 Unaudited $ million**	6 months ended 30 June 2023 Unaudited $ million
Cost of operations			
Production, insurance and transportation costs		**561**	575
Gas purchases		**5**	6
Royalties		**3**	2
Depreciation of oil and gas assets	10	**466**	599
Depreciation of right-of-use oil and gas assets	11	**137**	122
Capitalisation of IFRS 16 lease depreciation on oil and gas assets	11	**(38)**	(13)
Movement in over/(underlift) balances and hydrocarbon inventories		**44**	(67)
Total cost of operations		**1,178**	1,224
Impairment expense of property, plant and equipment	10	**49**	20
Net impairment gain due to net decrease in decommissioning provisions on oil and gas tangible assets	10,12	**(16)**	(1)
Impairment expense of right-of-use assets	11	**20**	-
Exploration costs written-off[1]	9	**17**	13
Exploration and evaluation expenditure and new ventures[2]		**22**	15
General and administrative expenses			
Depreciation of right-of-use non-oil and gas assets	11	**6**	5
Depreciation of non-oil and gas assets	10	**2**	3
Amortisation of non-oil and gas intangible assets	9	**9**	12
Other administrative costs[4]		**87**	71
Total general and administrative expenses[3]		**104**	91
Operating profit		**542**	654

1 Exploration costs written-off of $17 million (H1 2023: $13 million) includes $14 million related to the Halwa well in Indonesia (note 9).

2 Exploration and evaluation expenditure and new ventures of $22 million (H1 2023: $15 million) includes $17 million (H1 2023: $11 million) of early project costs incurred mainly in respect of the Group's interest in carbon capture and storage (CCS) and electrification projects in the UK plus $5 million of ongoing pre-licence costs.

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

4 Other administrative costs in H1 2024 include consultancy and business development costs of $34 million mainly related to acquisition of the Wintershall Dea asset portfolio which is expected to complete in Q4 2024. H1 2023 includes a redundancy provision of $16 million.

6. Finance income and finance expenses

	Note	6 months ended 30 June 2024 Unaudited $ million	6 months ended 30 June 2023 Unaudited $ million
Finance income			
Bank interest		**8**	10
Other interest and finance gains		**7**	14
Gains on derivatives[1]		**-**	9
Total finance income		**15**	33
Finance expenses			
Interest payable on reserve based lending and bond		**15**	25
Other interest and finance expenses		**2**	3
Lease interest	11	**26**	26
Losses on derivatives[1]		**6**	-
Foreign exchange losses		**5**	85
Bank and financing fees[2]		**23**	48
Unwinding of discount on decommissioning and other provisions	12	**92**	74
		169	261
Finance costs capitalised during the period[3]		**(4)**	(3)
Total finance expense		**165**	258

1 Losses on derivatives in H1 2024 relate to changes in the fair value of an embedded derivative within one of the Group's gas contracts of $2 million (H1 2023: $9 million gain), and mark to market losses on unrealised foreign exchange derivatives of $4 million (H1 2023: $ nil).

2 Bank and financing fees include an amount $10 million (H1 2023: $23 million) relating to the amortisation of arrangement fees and related costs capitalised against the Group's long-term borrowings (note 13).

3 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 5.7 per cent to the expenditures on the qualifying assets (H1 2023: 6.3 per cent). Capitalised finance costs are included within property, plant and equipment additions (note 10).

7. Income tax

The major components of income tax expense for the periods ended 30 June 2024 and 2023 are:

	6 months ended 30 June 2024 Unaudited $ million	6 months ended 30 June 2023 Unaudited $ million
Current income tax expense:		
UK corporation tax	**229**	393
Overseas tax	**(1)**	8
Adjustment in respect of prior years	**(2)**	12
Total current income tax expense	**226**	413
Deferred tax expense:		
Origination and reversal of temporary differences	**108**	18
Overseas tax	**4**	3
Adjustment in respect of prior years	**(3)**	3
Total deferred tax expense	**109**	24
Total tax expense reported in the income statement	**335**	437

The tax (expense)/credit in the statement of comprehensive income is as follows:		
Tax (expense)/credit on cash flow hedges	**64**	(1,639)

The effective tax rate for the six months ended 30 June 2024 was 85 per cent, compared to 102 per cent for the same period in 2023. The lower effective tax rate for the six months ended 30 June 2024 is primarily caused by change in weighting of profits taxed and expenses deductible at rates below the 75 per cent UK oil tax headline rate.

The tax expense has been computed by considering the estimated annual average expected tax rate for the year for each jurisdiction based on enacted or substantively enacted rates at the end of the half-year period.

Change in tax rates

The future effective tax rate is impacted by the mix of jurisdictions in which the Group operates. The UK statutory tax rate for oil and gas production operations is expected to remain a primary influence on the effective tax rate. The Energy Profits Levy at the 35 per cent rate is currently in place until 31 March 2028.

Since the balance sheet date there has been a change in UK Government which has announced its intention to make further changes to the EPL regime which are described in Note 18 Post Balance Sheet Events.

On 24 May 2024, Finance (No.2) Act 2024, enacted the Energy Security Investment Mechanism (ESIM). The ESIM operates to remove EPL if both oil and gas prices sit below $74.21 per bbl and 57 pence per therm (as adjusted for CPI from 1 April 2024) for a period of six months. The measure is not expected to have a material impact on the group.

Deferred tax

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

	30 June 2024 Unaudited $ million	31 Dec 2023 Audited As restated $ million
Deferred tax assets	8	7
Deferred tax liabilities	(1,338)	(1,297)
Net deferred tax liability	**(1,330)**	(1,290)

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

	Accelerated capital allowances $ million	Decom-missioning $ million	Losses $ million	Fair value of derivatives $ million	Other $ million	Overseas $ million	Net deferred tax asset/ (liability) $ million
As at 1 January 2023 (Audited)	(3,396)	1,565	569	2,452	(3)	(178)	1,009
Deferred tax credit/(expense)	546	(25)	(388)	(61)	22	18	112
Comprehensive expense	-	-	-	(2,376)	1	-	(2,375)
Foreign exchange	(51)	34	-	(9)	1	(5)	(30)
As at 31 December 2023 (Audited)	**(2,901)**	**1,574**	**181**	**6**	**21**	**(165)**	**(1,284)**
Restated	-	-	-	-	-	(6)	(6)
At 1 Jan 2024 as restated	(2,901)	1,574	181	6	21	(171)	(1,290)
Deferred tax credit/(expense)	50	5	(168)	1	-	3	(109)
Comprehensive expense	-	-	-	64	-	-	64
Income statement reserves	-	-	-	-	(1)	-	(1)
Foreign exchange	6	(5)	-	-	-	5	6
As at 30 June 2024 (Unaudited)	**(2,845)**	**1,574**	**13**	**71**	**20**	**(163)**	**(1,330)**

The Group's deferred tax assets as at 30 June 2024 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 EPL will currently be in place until 31 March 2028. Any temporary differences subject to the EPL expected to reverse in the periods up to 31 March 2028 have consequently been remeasured to the higher rate. Ring fence tax losses cannot be offset against profits subject to EPL nor are deductions given for expenditure incurred on decommissioning. Consequently, the deferred tax assets representing future decommissioning deductions and ring fence tax losses are not impacted by EPL with the effect of EPL primarily being on the deferred tax liability associated with accelerated capital allowances. The closing deferred tax liability for the period of $1,338 million (31 Dec 2023: $1,297 million) includes $936 million (31 Dec 2023: $1,014 million) of deferred tax liabilities arising from the impact of EPL.

The Group has unrecognised UK tax losses and allowances as at 30 June 2024 of approximately $166 million (31 Dec 2023: $181 million) in respect of ring fence losses, $151 million (31 Dec 2023: $138 million) in respect of ring fence investment allowance and $831 million (31 Dec 2023: $803 million) in respect of non-ring fence losses and allowances. The ring fence losses and allowances are currently unrecognised on the basis that they sit within legal entities where the ability to access those losses and allowances are limited. The non-ring fence losses are not recognised as it is not considered probable that there will be future non-ring fence taxable profits against which these losses could be used.

The Group also has unrecognised gross tax losses of approximately $161 million (31 Dec 2023: $168 million) in respect of its international operations. These losses include amounts of $25 million which will expire, primarily within 5 years and $20 million expiring within 10 years.

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

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

The legislation implementing the Organisation for Economic Co-operation and Development's ('OECD') proposals for a global minimum corporation tax rate ('Pillar 2') was substantively enacted into UK law on 20 June 2023. The rules have effect from 1 January 2024.

The Group has applied the mandatory exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar 2 income taxes in accordance with the amendments to IAS 12 published by the IASB on 23 May 2023.

The Group does not expect the Pillar 2 rules to have a material impact on the Group. However, the Group continues to assess the detailed impact of the new rules.

Uncertain tax positions

During 2023 an uncertain tax position was identified in certain UK subsidiaries relating to the timing of the taxation of fair value movements and realised gains and losses on hedges entered into in order to manage commodity price risk. On the strength of independent advice, management continues to consider that there is no expectation of a net additional outflow of funds. As such no additional liability has been recognised in the consolidated financial statements as at 30 June 2024. However, a contingent liability exists as the UK Tax Authorities could take an alternative view on whether the fair value movements on the hedged instruments are disregarded for tax purposes. While not considered a likely outcome, if the UK Tax Authorities were to disagree and successfully challenge the position, a possible liability currently estimated not to exceed $120 million could arise because of the differences in tax rates across the periods in question.

8. Earnings/(loss) per share

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

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

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

	6 months ended 30 June 2024 Unaudited	6 months ended 30 June 2023 Unaudited
Earnings/(loss) for the period ($ millions)		
Earnings/(loss) for the purpose of basic earnings per share	**57**	(8)
Effect of dilutive potential ordinary shares	**-**	-
Earnings/(loss) for the purpose of diluted earnings per share	**57**	(8)
Number of shares (millions)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**770**	829
Dilutive potential ordinary shares	**4**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**774**	829
Earnings/(loss) per share ($ cents)		
Basic	**7**	(1)
Diluted	**7**	(1)

9. Other intangible assets

	Oil and gas assets	Non-oil and gas assets[3]	Carbon allowances	Total

	$ million	$ million	$ million	$ million
Cost				
At 1 January 2024	1,016	172	86	1,274
Additions during the period	121	23	13	157
Utilised during the period	-	-	(27)	(27)
Reduction in decommissioning asset[1]	(1)	-	-	(1)
Exploration written-off[2]	(17)	-	-	(17)
Currency translation adjustment	(32)	(1)	(1)	(34)
At 30 June 2024 (Unaudited)	**1,087**	**194**	**71**	**1,352**
Amortisation				
At 1 January 2024	-	102	-	102
Charge for the period	-	9	-	9
Currency translation adjustment	-	(1)	-	(1)
At 30 June 2024 (Unaudited)	**-**	**110**	**-**	**110**
Net book value				
At 31 December 2023 (Audited)	1,016	70	86	1,172
At 30 June 2024 (Unaudited)	**1,087**	**84**	**71**	**1,242**

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

2 The exploration write-off of $17 million includes $14 million related to the Halwa well in Indonesia and also includes costs associated with licence relinquishments and uncommercial well evaluations.

3 Non-oil and gas assets relate to Group IT software and the Viking carbon capture and storage project in the UK.

10. Property, plant and equipment

	Oil and gas assets $ million	Fixtures and fittings & office equipment $ million	Total $ million
Cost			
At 1 January 2024	11,857	42	11,899
Restated	198	-	198
At 1 January 2024 as restated	12,055	42	12,097
Additions	301	4	305
Increase in decommissioning asset[1]	49	-	49
Currency translation adjustment	(22)	-	(22)
At 30 June 2024 (Unaudited)	**12,383**	**46**	**12,429**
Depreciation			
At 1 January 2024	7,154	28	7,182
Restated	79	-	79
At 1 January 2024 as restated	7,233	28	7,261
Charge for the period	466	2	468
Net impairment charge	33	-	33
Currency translation adjustment	(14)	-	(14)
At 30 June 2024 (Unaudited)	**7,718**	**30**	**7,748**
Net book value			
At 31 December 2023 (Audited)	4,703	14	4,717
At 31 December 2023 as restated	4,822	14	4,836
At 30 June 2024 (Unaudited)	**4,665**	**16**	**4,681**

1 A net increase to decommissioning assets of $49 million (H1 2023: $99 million) was made during the period as a result of both new obligations and an update to the decommissioning estimates (note 12).

The current period net impairment charge of $33 million includes a pre-tax impairment charge of $49 million on one CGU in the UK North Sea driven primarily by a reduction in the gas price outlook compared to the 2023 year-end view, and revised decommissioning cost profiles in respect the Group's non-producing assets with no remaining net book value.

Impairment assessments

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

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

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 2026, thereafter inflated at 2.5 per cent per annum. The long-term commodity prices used were $70 per barrel for crude and 70 pence per therm for gas.

11. Leases

Balance sheet

Right-of-use assets	Land and buildings $ million	Drilling rigs $ million	FPSO $ million	Offshore facilities $ million	Equipment $ million	Total $ million
Cost						
At 1 January 2024	109	208	554	328	26	1,225
Restated	5	-	70	-	-	75
At 1 January 2024 as restated	114	208	624	328	26	1,300
Additions[1]	2	166	-	-	-	168
Cost revisions/remeasurements	-	11	-	-	-	11
Currency translation adjustment	-	(1)	-	-	-	(1)
At 30 June 2024 (Unaudited)	**116**	**384**	**624**	**328**	**26**	**1,478**
Accumulated depreciation						
At 1 January 2024	30	159	280	150	19	638
Restated	2	-	28	-	-	30
At 1 January 2024 as restated	32	159	308	150	19	668
Charge for the period	6	46	46	42	3	143
Impairment charge[2]	20	-	-	-	-	20
Currency translation adjustment	-	(1)	-	-	-	(1)
At 30 June 2024 (Unaudited)	**58**	**204**	**354**	**192**	**22**	**830**
Net book value						
At 31 December 2023 (Audited)	79	49	274	178	7	587
At 31 December 2023 as restated	82	49	316	178	7	632
At 30 June 2024 (Unaudited)	**58**	**180**	**270**	**136**	**4**	**648**

1 Additions of $168 million mainly relate to new lease arrangements for two new drilling rigs, and a term extension on an existing drilling rig lease.

2 The impairment charge of $20 million relates to one of the Group's office buildings.

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

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

Right-of-use liabilities	Note	30 June 2024 Unaudited $ million	31 Dec 2023 As restated[1] $ million
At 1 January as restated		**768**	825
Additions		**168**	28
Re-measurement		**11**	110
Finance costs charged to income statement	6	**26**	51
Finance costs charged to decommissioning provision		**-**	1
Lease payments		**(155)**	(262)

Currency translation adjustment		**(1)**	15
		817	768
Classified as:			
Current		**249**	216
Non-current		**568**	552
Total lease liabilities		**817**	768

1 The 31 December 2023 lease liabilities have been restated following the reclassification from AHFS, see note 2.2.

Income statement

Depreciation charge on right-of-use assets	Note	6 months ended 30 June 2024 Unaudited $ million	6 months ended 30 June 2023 Unaudited $ million
Land and buildings - non-oil and gas assets		**6**	5
Drilling rigs		**46**	20
FPSO		**46**	55
Offshore facilities		**42**	45
Equipment		**3**	2
Depreciation charge	5	**143**	127
Capitalisation of IFRS 16 lease depreciation[1]			
Drilling rigs		**(37)**	(12)
Equipment		**(1)**	(1)
Total depreciation charge		**105**	114
Lease interest	6	**26**	26

1 Of the $38 million (H1 2023: $13 million) capitalised IFRS 16 lease depreciation, $28 million (H1 2023: $9 million) has been capitalised within property, plant and equipment and $10 million (H1 2023: $4 million) within provisions (note 12).

The total cash outflow for leases in the first six-months of 2024 was $154 million (H1 2023: $122 million).

12. Provisions

	Decommissioning provision $ million	Other provisions $ million	Total $ million
At 31 December 2023 (Audited)	4,021	27	4,048
Restated	87	-	87
At 31 December 2023 as restated	4,108	27	4,135
Additions	6	-	6
Changes in estimates - increase to oil and gas tangible decommissioning assets	59	-	59
Changes in estimates - changes to income statement	(16)	1	(15)
Changes in estimates - decrease to oil and gas intangible assets	(1)	-	(1)
Amounts used	(125)	(1)	(126)
Depreciation, depletion and amortisation on decommissioning right-of-use leased asset	(10)	-	(10)
Unwinding of discount	92	-	92
Currency translation adjustment	(11)	(2)	(13)
At 30 June 2024 (Unaudited)	**4,102**	**25**	**4,127**
Classified within:			
Current liabilities	**200**	**-**	**200**
Non-current liabilities	**3,902**	**25**	**3,927**
Total provisions	**4,102**	**25**	**4,127**

Decommissioning provision

The Group provides for the estimated future decommissioning costs on its oil and gas assets at the balance sheet date. The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions of the fields concerned. These estimated future decommissioning costs are inflated at the Group's long term view of inflation of 2.5 per cent per annum (H1 2023: 2.5 per cent per annum) and discounted at a risk-free rate of between 4.3 per cent and 5.2 per cent (H1 2023: 3.6 per cent and 4.6 per cent) reflecting a 6-month (H1 2023: 6-month) rolling average of market rates over the varying lives of the assets to calculate the present value of the decommissioning liabilities. The unwinding of the discount is presented within finance costs.

Other provisions

Other provisions at 30 June 2024 mainly relate to a termination benefit provision in Indonesia, where the Group operates a service, severance and compensation pay scheme under a collective labour agreement with the local workforce.

13. Borrowings and facilities

The Group's borrowings are carried at amortised cost:

	30 June 2024 Unaudited $ million	31 Dec 2023 Audited $ million
Reserve based lending (RBL) facility	**-**	-
Bond	**494**	493
Other loans	**7**	16
Total borrowings	**501**	509
Classified within:		
Current liabilities	**7**	16
Non-current liabilities	**494**	493
Total borrowings	**501**	509

The key terms of the RBL facility are:

- Term matures 31 December 2029
- Facility size of $1.75 billion, with a $1.75 billion letter of credit sub-limit
- Debt availability of $891 million effective 30 June 2024 which reduced to $701 million from 1 July 2024
- Debt availability redetermined on an annual basis. This has been deferred to December 2024 following the recent Wintershall Dea deal announcement
- Interest at compounded SOFR plus a margin of 3.2 per cent, rising to a margin of 3.4 per cent from November 2025 and 3.6 per cent from November 2027
- A margin adjustment linked to carbon-emission reductions
- Straight line amortisation of Letter of Credit sublimit from Jan 2027 to 6 months before maturity. No material cash collateralisation required until 2028
- Liquidity and leverage covenant tests
- A syndication group of 15 banks

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

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

During May 2024, the Group elected to cancel $1.0 billion of the RBL facility to reduce fees. At the balance sheet date, the outstanding RBL balance excluding incremental arrangement fees and related costs was $ nil (Dec 2023: $ nil). As at 30 June 2024, $891 million remained available for drawdown under the RBL facility (Dec 2023: $1,340 million).

The Group has facilities to issue up to $1,750 million of letters of credit, of which $859 million was in issue as at 30 June 2024 (Dec 2023: $1,186 million), mainly in respect of future abandonment liabilities.

The Group also has facilities to issue up to $397 million of surety bonds in respect of future abandonment liabilities, of which $397 million was in issue as at 30 June 2024 (Dec 2023: $ nil).

A further $57 million of arrangement fees and related costs associated with financing the acquisition of the Wintershall Dea asset portfolio were capitalised during the period.

During the period $10 million (H1 2023: $23 million) of arrangement fees and related costs have been amortised and were expensed within financing costs.

At 30 June 2024, $115 million of arrangement fees and related costs remain capitalised on the balance sheet (Dec 2023: $68 million) of which $14 million was classified within current assets, $95 million within non-current assets, and $6 million netted against the bond liability.

This total consisted of:

- $52 million of arrangement fees relating to the existing RBL facility,
- $6 million of bond arrangement fees, and
- $57 million of arrangement fees relating to financing new facilities for the Wintershall Dea deal.

Bond interest payable of $6 million (Dec 2023: $6 million) had accrued by the balance sheet date and has been classified within accruals.

14. Other financial assets and liabilities

The Group held the following financial instruments at fair value at 30 June 2024. The fair values of all derivative financial instruments are based on estimates from observable inputs and are all level 2 in the IFRS 13 hierarchy, except for the royalty valuation, which includes estimates based on unobservable inputs and are level 3 in the IFRS 13 hierarchy.

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

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

	30 June 2024	**Unaudited**	31 Dec 2023	Audited
Current	**Assets $ million**	**Liabilities $ million**	Assets $ million	Liabilities $ million
Measured at fair value through profit and loss				
Foreign exchange derivatives	**3**	**(2)**	6	-
Fair value of embedded derivative within gas contract	**8**	**-**	10	-
	11	**(2)**	16	-
Measured at fair value through other comprehensive income				
Commodity derivatives	**79**	**(161)**	154	(197)
Total current	**90**	**(163)**	170	(197)
Non-current				
Measured at fair value through other comprehensive income				
Commodity derivatives	**26**	**(46)**	112	(87)
Total non-current	**26**	**(46)**	112	(87)
Total current and non-current	**116**	**(209)**	282	(284)

Fair values of other financial instruments

The following financial instruments are measured at amortised cost and are considered to have fair values different to their book values.

	30 June 2024 $ million		31 Dec 2023 $ million	
	Book value	**Fair value**	Book value	Fair value
Bond	**(494)**	**(477)**	(493)	(487)

The fair value of the bond is within level 2 of the fair value hierarchy and has been estimated by discounting future cash flows by the relevant market yield curve at the balance sheet date. The fair values of other financial instruments not measured at fair value including cash and short-term deposits, trade receivables, trade payables and floating rate borrowings equate approximately to their carrying amounts.

15. Notes to the statement of cash flows

15. Notes to the statement of cash flows

Net cash flows from operating activities consist of:

	30 June 2024 Unaudited $ million	30 June 2023 Unaudited $ million
Profit before taxation	**392**	429
Adjustments to reconcile profit before tax to net cash flows:		
Finance cost, excluding foreign exchange	**160**	173
Finance income, excluding foreign exchange	**(15)**	(33)
Depreciation, depletion and amortisation	**582**	728
Net impairment of property, plant and equipment	**33**	19
Impairment of right-of-use assets	**20**	-
Exploration costs written-off	**17**	13
Share-based payments	**26**	11
Decommissioning expenditure	**(129)**	(111)
Movement in realised cash flow hedges not yet settled	**(51)**	(197)
Unrealised foreign exchange (gain)/loss	**(14)**	61
Working capital adjustments:		
Decrease/(increase) in inventories	**47**	(26)
Decrease in trade and other receivables	**82**	543
Decrease in trade and other payables	**(40)**	(146)
Net tax (payments)/refunds	**(157)**	23
Net cash inflow from operating activities	**953**	1,487

Reconciliation of net cash flow to movement in net borrowings

	30 June 2024 Unaudited $ million	Year ended 31 Dec 2023 Audited As restated $ million
Proceeds from drawdown of borrowing facilities	**(178)**	(660)
Repayment of RBL facility	**178**	1,435
Repayment of EFF loan	**-**	11
Repayment of financing arrangement	**10**	21
Financing arrangement interest payable	**(1)**	(3)
Arrangement fees and related costs capitalised	**57**	34
Amortisation of arrangement fees and related costs capitalised	**(10)**	(48)
Movement in total borrowings	**56**	790
Movement in cash and cash equivalents	**253**	(214)
Decrease in net borrowings in the period	**309**	576
Opening net borrowings	**(162)**	(738)
Closing net cash/(borrowings)	**147**	(162)

Analysis of net borrowings

	6 months ended 30 June 2024 Unaudited $ million	Year ended 31 Dec 2023 Audited As restated $ million
Cash and cash equivalents	**539**	286
RBL facility	**-**	-
Bond	**(494)**	(493)
Net cash/(debt)	**45**	(207)
Financing arrangement	**(7)**	(16)
Closing net cash/(borrowings)	**38**	(223)
Non-current assets[1]	**95**	42
Current assets[1]	**14**	19
Closing net cash/(borrowings) after total unamortised fees[1]	**147**	(162)

1 $52 million of fees associated with the RBL, and $57 million of costs associated with financing the acquisition of the Wintershall Dea asset portfolio are recognised in debtors (31 Dec 2023: $61 million)

The carrying values on the balance sheet are stated net of the unamortised portion of issue costs and bank fees of $115 million of which $52 million relates to the RBL, $57 million relates to costs associated with financing the acquisition of the Wintershall Dea asset portfolio, both of which are recognised in assets and $6 million is netted against the bond (Dec 2023: $68 million of which $61 million related to the RBL and was recognised in assets, and $7 million related to the bond, which was netted off against the borrowings).

16. Related Parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There have been no significant changes to related party transactions since 31 December 2023, refer to note 28 in the 2023 Annual Report and Accounts for more information.

17. Distributions made and proposed

A dividend of 13 cents per ordinary share to be paid in pound sterling at the spot rate prevailing on the record date was approved by shareholders on 9 May 2024 in relation to the year ended 31 December 2023.

	30 June 2024 Unaudited $ million	30 June 2023 Unaudited $ million
Cash dividends on ordinary shares declared and paid:		
Final dividend for 2023: 13 cents per share (2022: 12 cents per share)	**100**	99
Proposed dividends on ordinary shares:		
Interim dividend for 2024: 13 cents per share (2023: 12 cents per share)	**100**	100

On 7 March 2024, a final dividend of $100 million was declared in respect of the financial year ended 31 December 2023 and approved by shareholders on 9 May 2024 at the AGM and paid on 22 May 2024.

An interim dividend of $100 million was declared in respect of the financial year ending 31 December 2024, to be paid on 25 September 2024. A dividend re-investment plan (DRIP) is available to shareholders who would prefer to invest their dividend in the shares of the company.

18. Post balance sheet events

On 29 July 2024, the UK government announced changes to the Energy Profits Levy (EPL) to take effect from 1 November 2024. The announcement follows the recent change of government in the UK and supersedes the previous government's announcement on 6 March 2024 that EPL would be extended by a further 12 months from 31 March 2028 to 31 March 2029. The details of the measures are expected to be finalised in the Budget scheduled to take place on 30 October 2024 and legislated thereafter in a Finance Bill.

From the 1 November 2024 the rate of EPL will be increased by 3 per cent from 35 per cent to 38 per cent, the periods to which the EPL applies will be extended from 31 March 2028 to 31 March 2030, the main EPL investment allowance will be abolished and the amount of relief available for capital expenditure in calculating EPL profits will be reduced.

The government confirmed in the announcement that the Energy Security Investment Mechanism (ESIM) would remain unchanged and that there were no planned changes to the way tax relief for capital expenditure is applied in the permanent ring fence regime.

As the announced measures had not been enacted at the balance sheet date then there is no impact on the balance sheet as presented. As the full details of the announced measures are not yet known it is not currently possible to calculate the potential impact on the balance sheet.

Glossary

2C	Best estimate of contingent resources
2P	Proven and probable reserves
AGM	Annual general meeting
AHFS	Asset held for sale
Bbl	Barrel
Boe	Barrel of oil equivalent
CCS	Carbon capture and storage
CGU	Cash generating unit
CPI	Consumer price index
DD&A	Depreciation, depletion and amortisation
DRIP	Dividend re-investment plan
EBITDAX	Earnings before interest, tax, depreciation, amortisation and exploration
EFF	Exploration financing facility
EPL	Energy Profits Levy (UK)
EPS	Earnings per share
ESIM	Energy Security Investment Mechanism
ESOP	Employee stock ownership plan
FDI	Foreign direct investment
FEED	Front End Engineering & Design
FPSO	Floating production storage offtake vessel
FVLCD	Fair value less cost of disposal
IAS	International Accounting Standards

IASB	International Accounting Standards Board
IFRSs	International Financial Reporting Standards
Kboepd	Thousand of barrels of oil equivalent per day
kgCO^{2}e	Kilograms of carbon dioxide equivalent
M&A	Mergers and acquisitions
Mmboe	Million barrels of oil equivalent
Mscf	Thousand standard cubic feet
Mtpa	Million tonnes per annum
NBP	Natural gas prices
NSTA	North Sea Transition Authority
PP&E	Property, plant and equipment
RBL	Reserve based lending
RCF	Revolving credit facility
SOFR	Secured Overnight Financing Rate
Tcf	Trillion cubic feet
Therm	Unit of UK natural gas
TRIR	Total Recordable Injury Rate (The number of fatalities, lost time injuries, substitute work, and other injuries requiring treatment by a medical professional per million hours worked)
USD	US dollar

Non-IFRS measures

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

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

END

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