



# GROWING OUR BUSINESS

Serica Energy Capital Markets Day

5 July 2023



# WELCOME

STEPHEN LAMBERT, VP LEGAL & EXTERNAL RELATIONS

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# TODAY'S SPEAKERS



## Welcome

Stephen Lambert  
VP Legal and External Relations



## Past, Present & Future

Mitch Flegg  
CEO



## Finance

Andy Bell  
CFO



## ESG

Clara Altobell  
VP ESG and Business Innovation



## Operations

Mike Killeen  
VP Operations



## Operations

Carol Stewart  
North Sea Business Manager



## M&A

Steve Edwards  
Chief Investment Officer



## Q&A



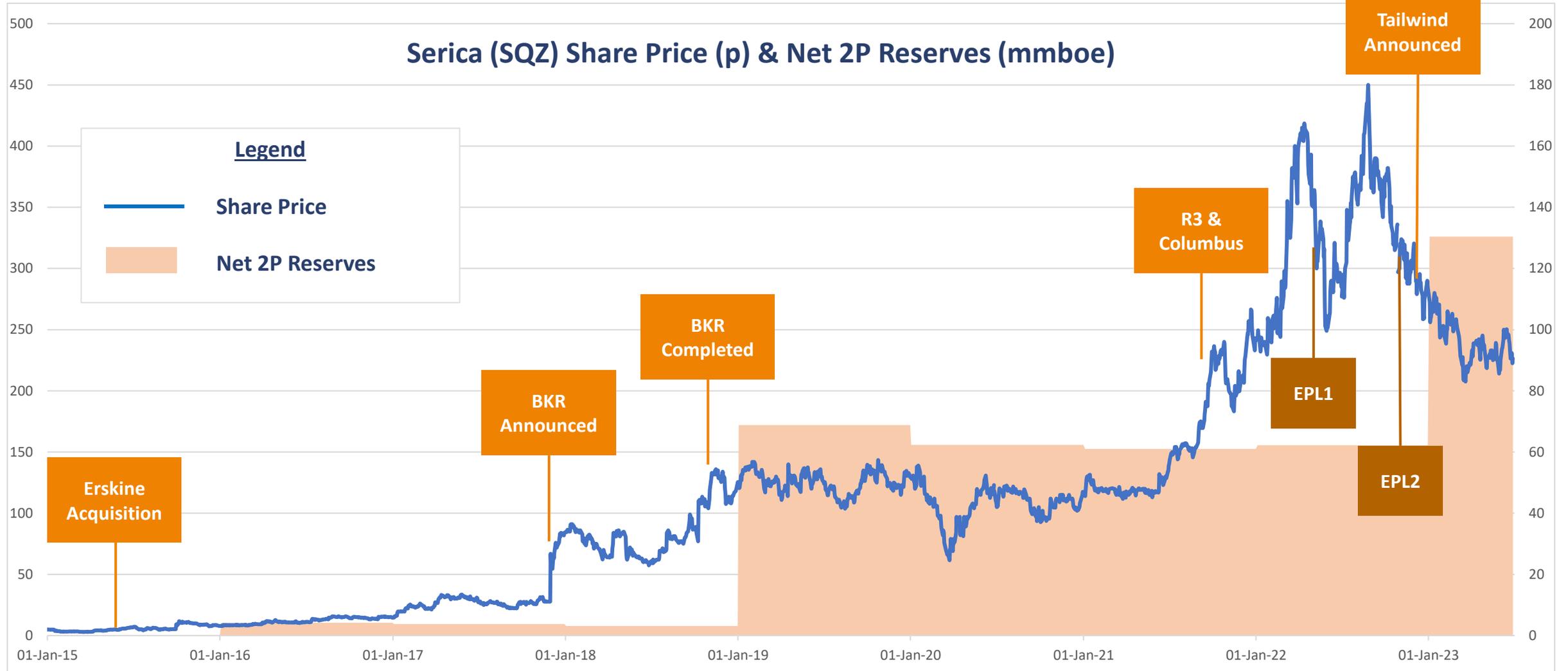
# PAST, PRESENT AND FUTURE

MITCH FLEGG, CEO

# 8 YEARS OF GROWTH

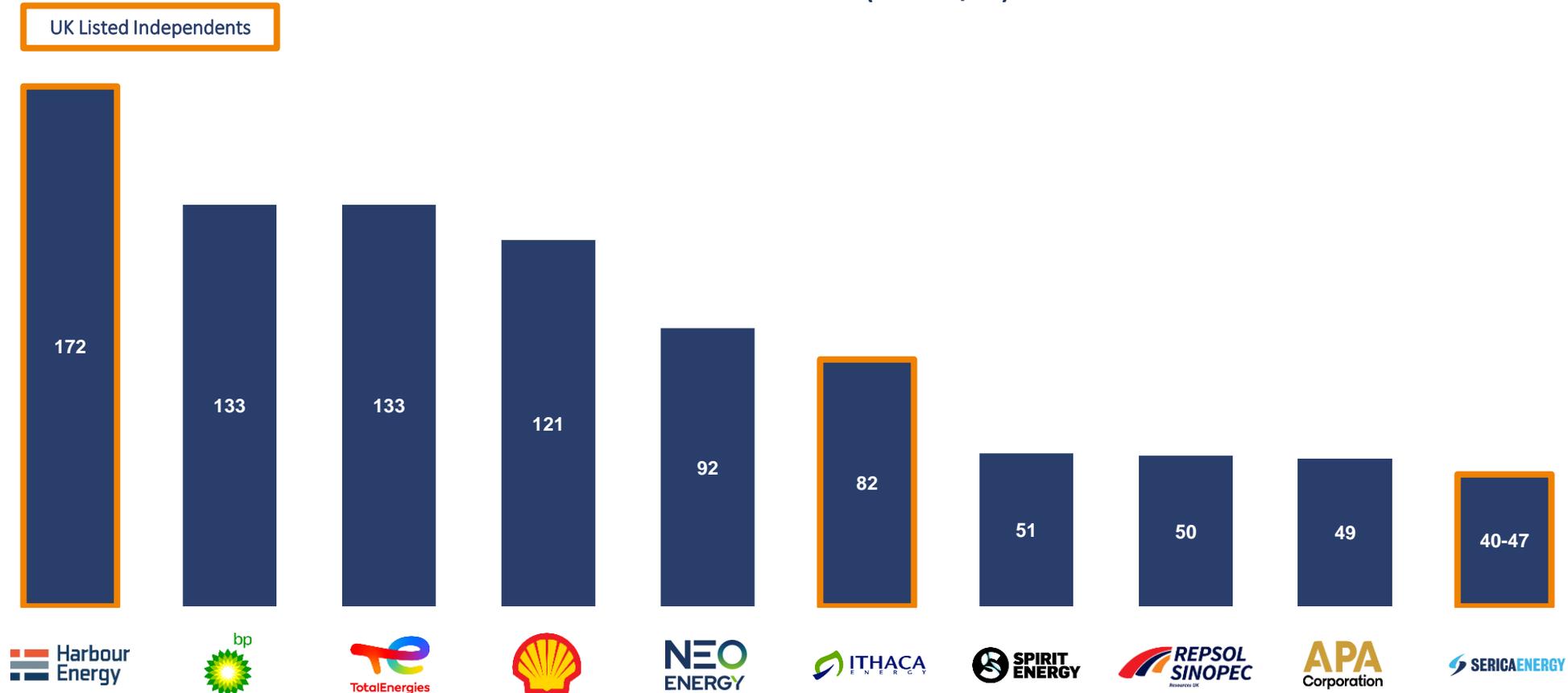
Share Price (p/share)

2P Reserves (mmboe)



# A NORTH SEA COMPANY OF CONSEQUENCE

## TOP 10 UKCS Producers (kboe/d)



Source: Wood Mackenzie estimates for 2023 except Serica which is Company guidance

# DIVERSE AND BALANCED PRODUCTION PORTFOLIO

2023 net production guidance

**40-47,000 boe/d**

47% oil, 53% gas

**11** producing fields

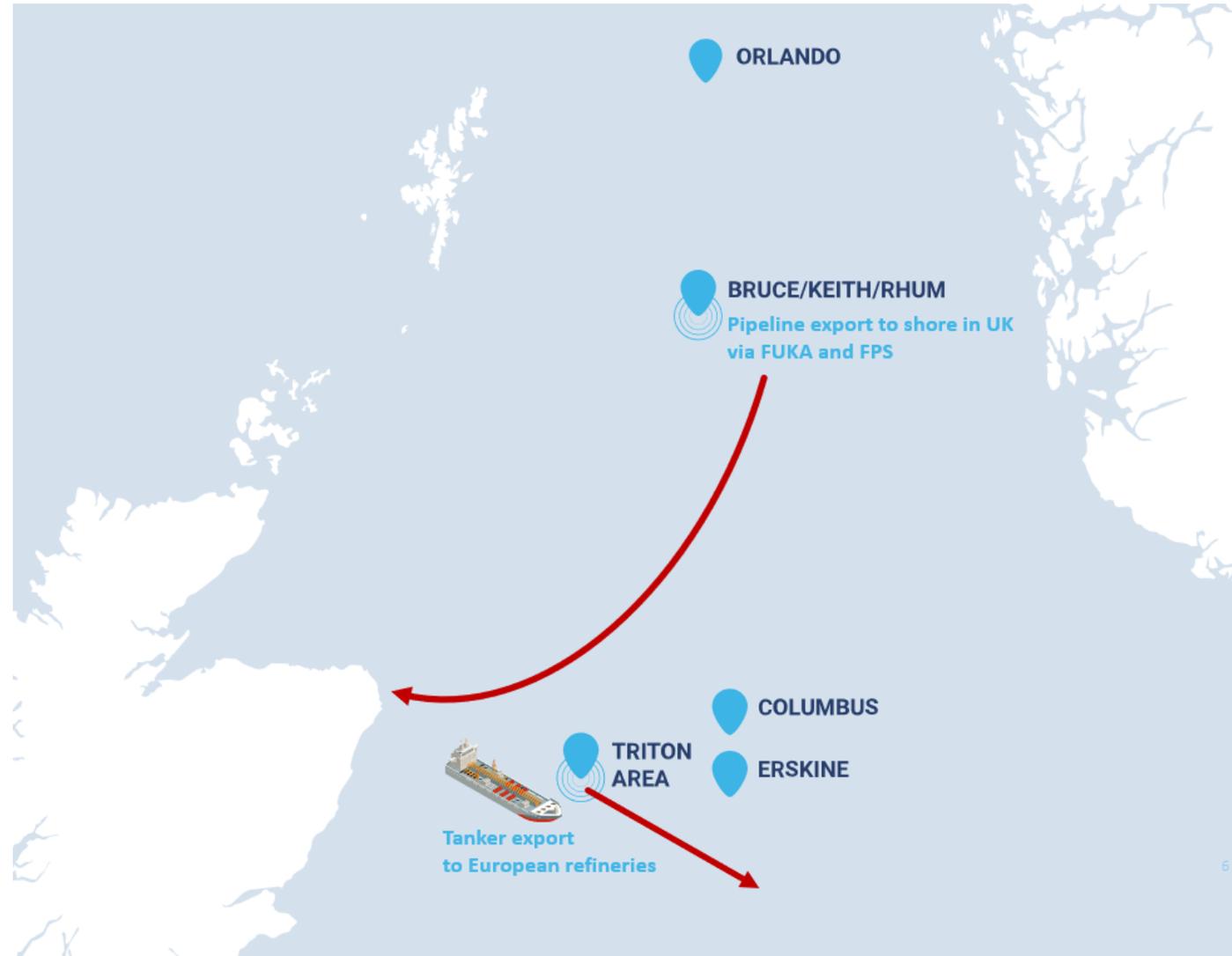
**2** producing hubs

**200+** staff

In London, Aberdeen  
and offshore

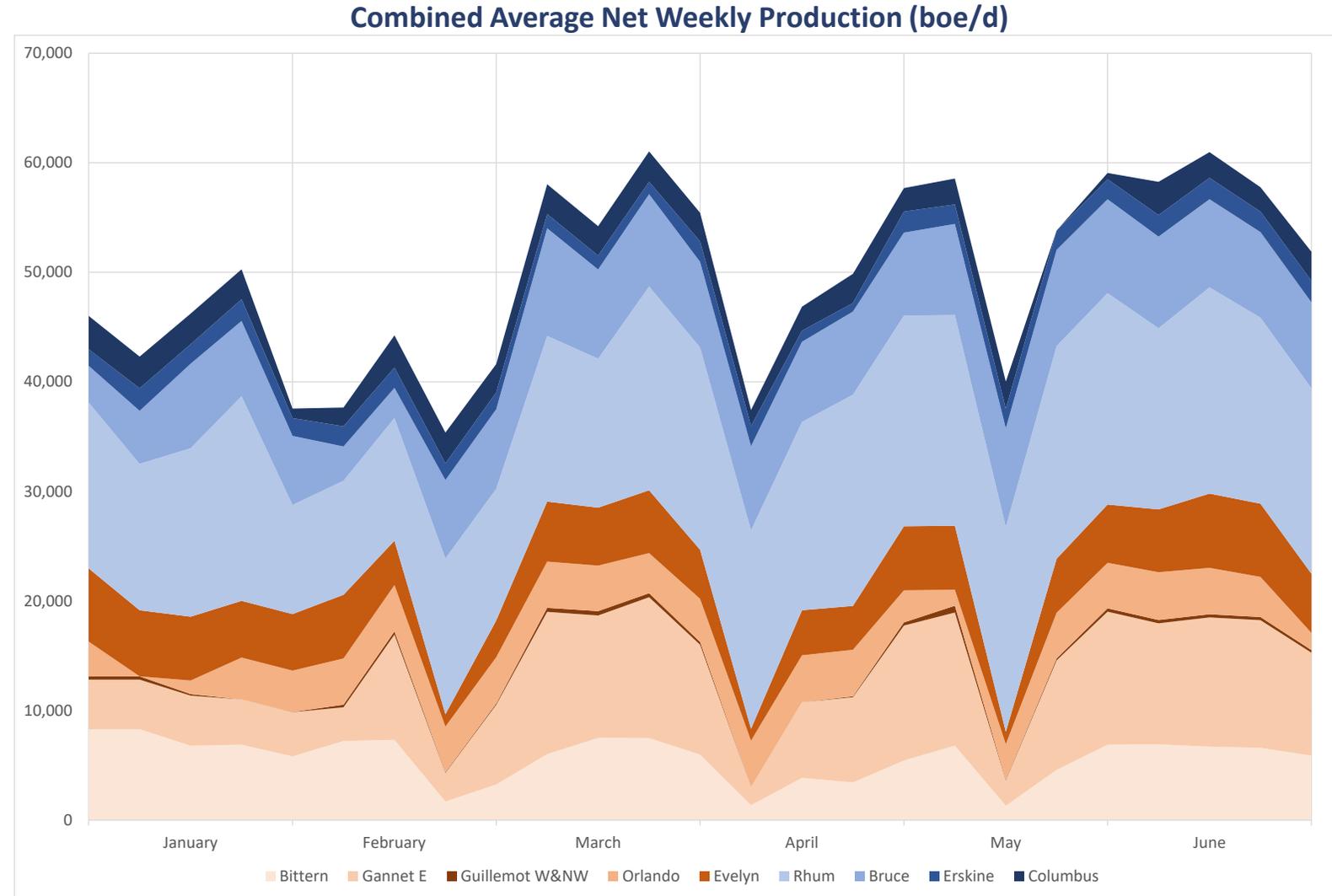
**80%** of production  
operated by Serica

**Main production hubs have  
no overlap in transportation  
infrastructure**



# IMPRESSIVE YEAR TO DATE PRODUCTION

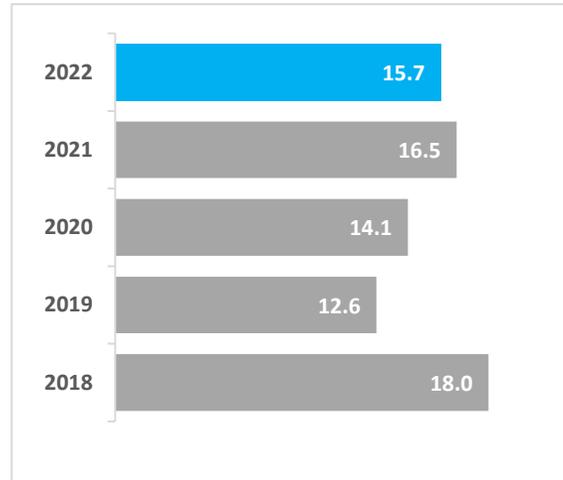
- Net production for the combined Serica and Tailwind portfolios has averaged over 49,000 boe/d YTD
- Both Bruce and Triton hubs have performed well
- Several planned maintenance periods during the second half of the year
- Full year guidance for 2023 remains at 40,000 – 47,000 boe/d



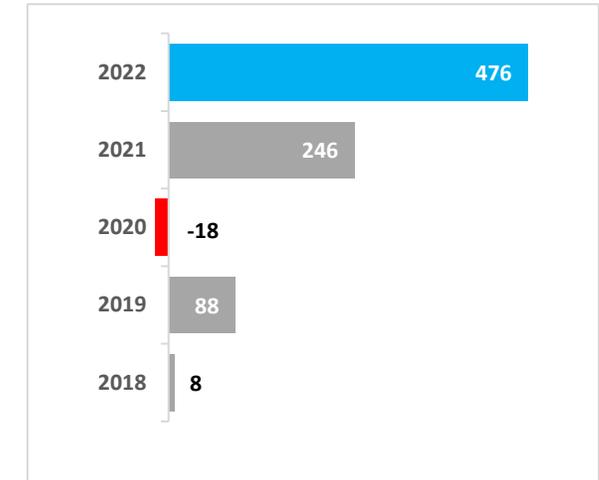
# STRONG RESULTS

- Serica has delivered improved financial metrics over the past 5 years
- This is the result of
  - Successful re-investment programmes
  - Successful reserve replacement
  - Completion of BKR cash flow sharing at end 2021
  - Improved operational metrics
  - Increased commodity prices (offset by higher tax rates)
- Acquisition of Tailwind completed earlier this year enhances further per share growth potential

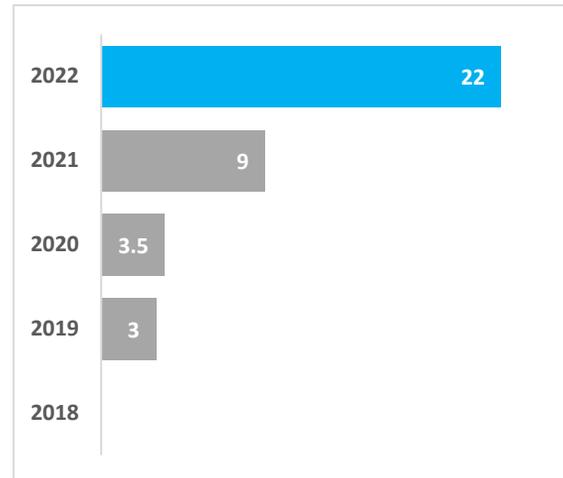
Unit Operating Costs (US\$/boe)



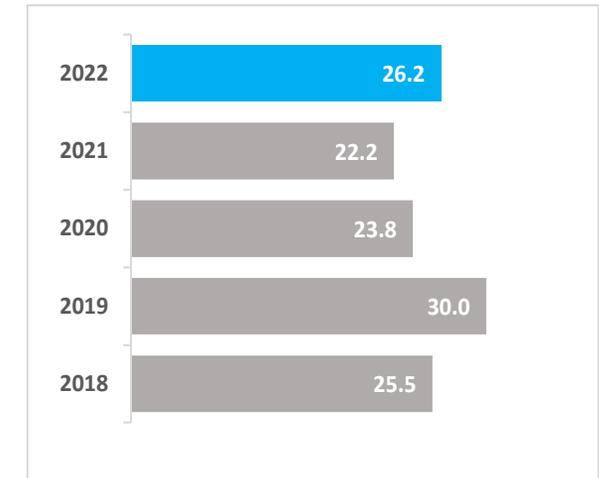
Operating Profit (£million)



Full Year Dividend (p/share)



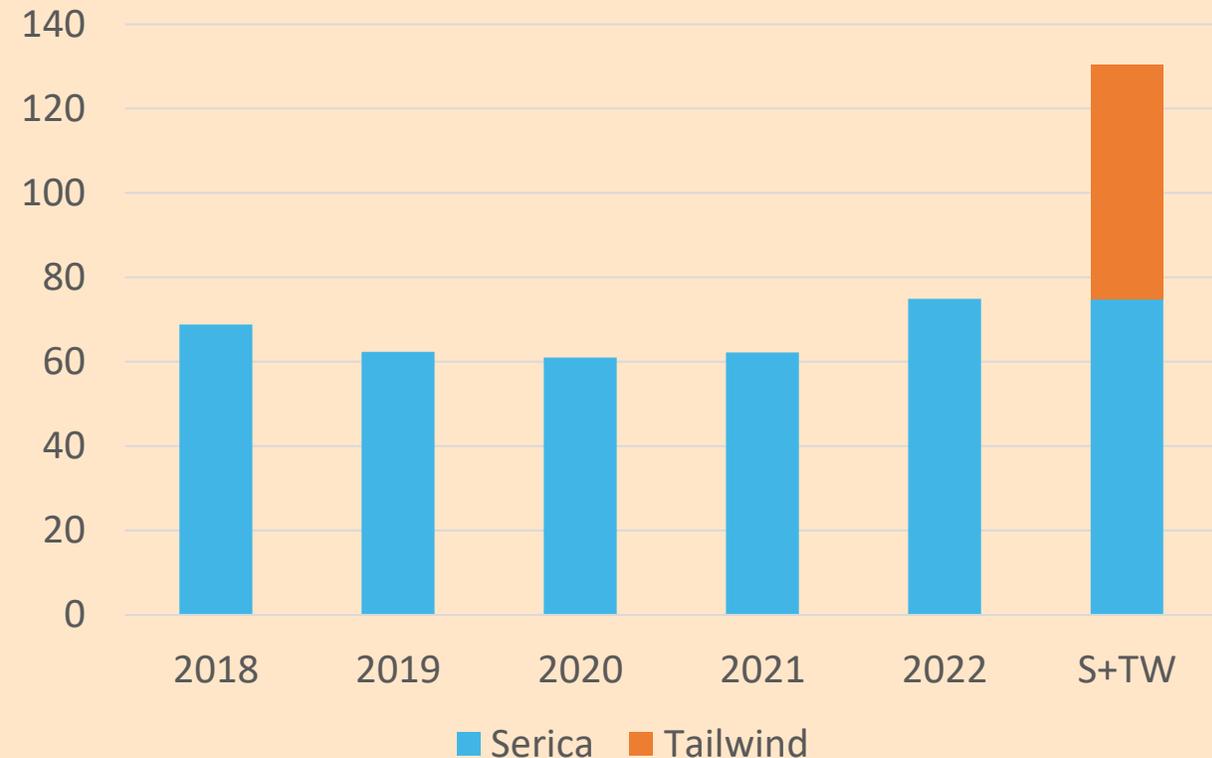
Production (kboe/d)



# CONSISTENTLY REPLACED PRODUCTION

- Erskine net 2P reserves 3.6 mmboe when acquired and 3.3 mmboe now despite 5.6 mmboe produced in last 8 years
- Replaced >100% of BKR production since 2018
- In total, >30 million boe produced since 2018 but total 2P reserves higher at end 2022 than end 2018
- Reflects successful strategy of investing in our assets
- Aiming to do same with Tailwind assets

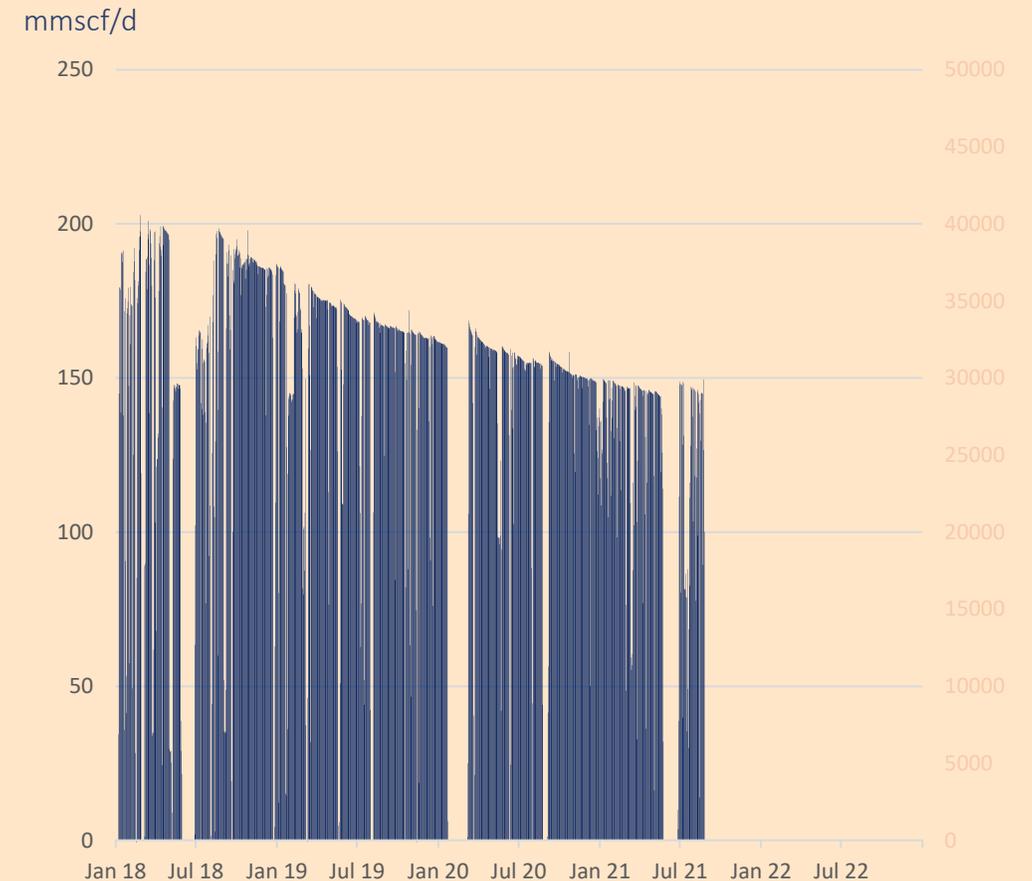
Serica 2P Reserves since 2018 (mmboe)



# RHUM - A CASE STUDY

- Rhum was a prolific gas field previously operated by BP, producing from only two wells
- Serica assumed operatorship in late 2018
- A third Rhum well had been drilled in 2004 but had never been put into production due to technical problems

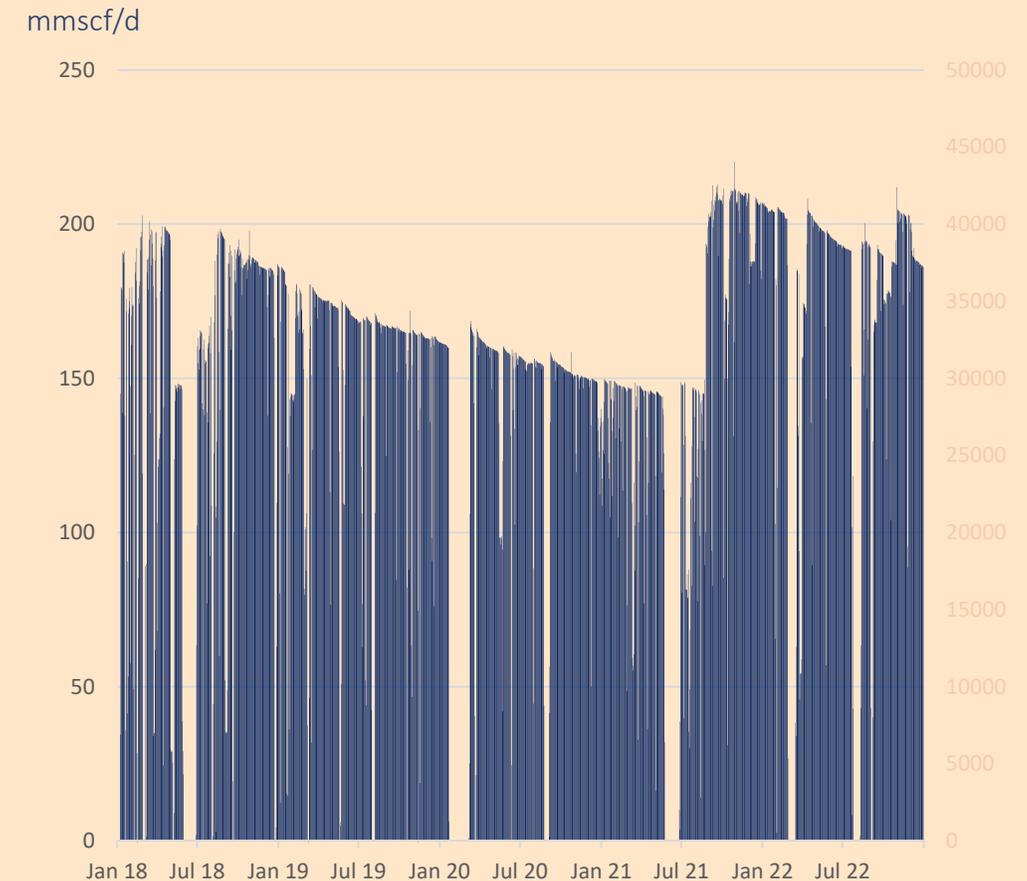
Rhum Field gross production



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- **In 2020/21 Serica performed a well intervention to put the well into production for the first time**

Rhum Field gross production



**Technical focus and capital investment  
can increase production**

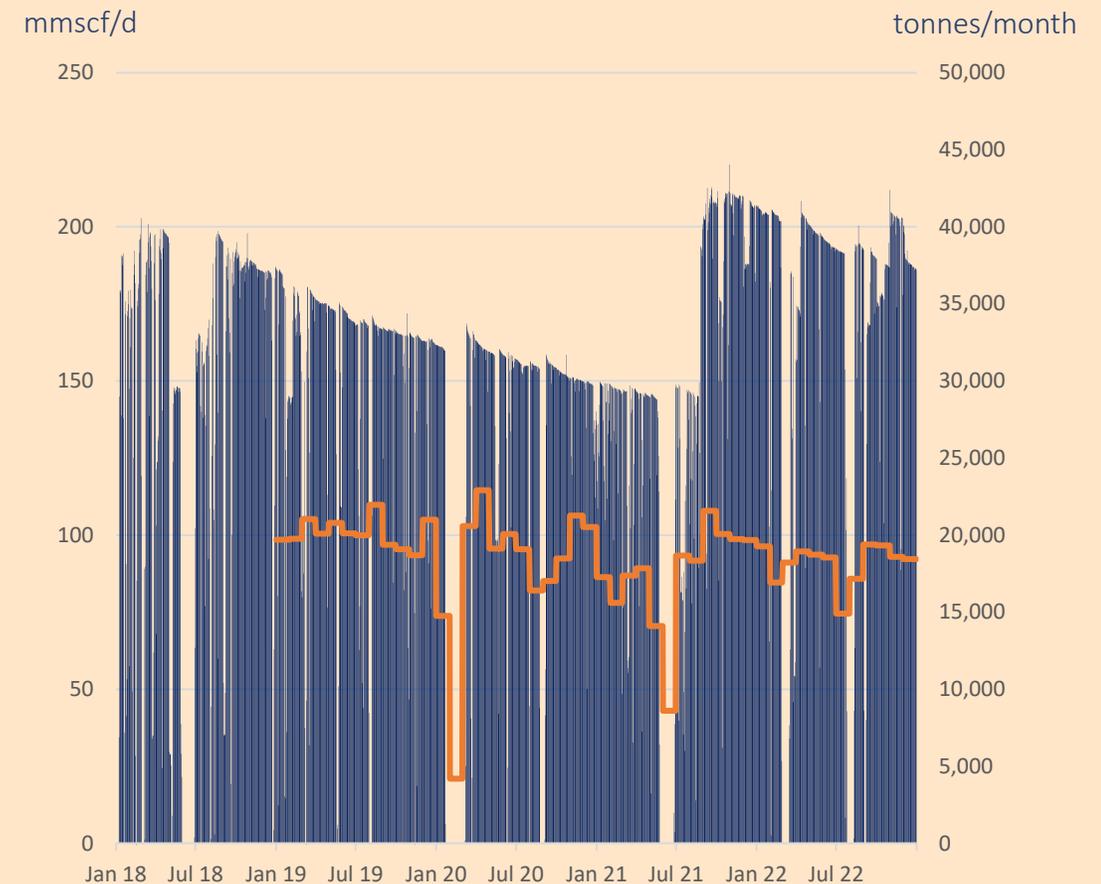
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- In 2020/21 Serica performed a well intervention to put the well into production for the first time
- **Despite the increased production there has been no increase in emissions from the Bruce platform (which processes and exports the Rhum gas)**

**Increased production without increased emissions**

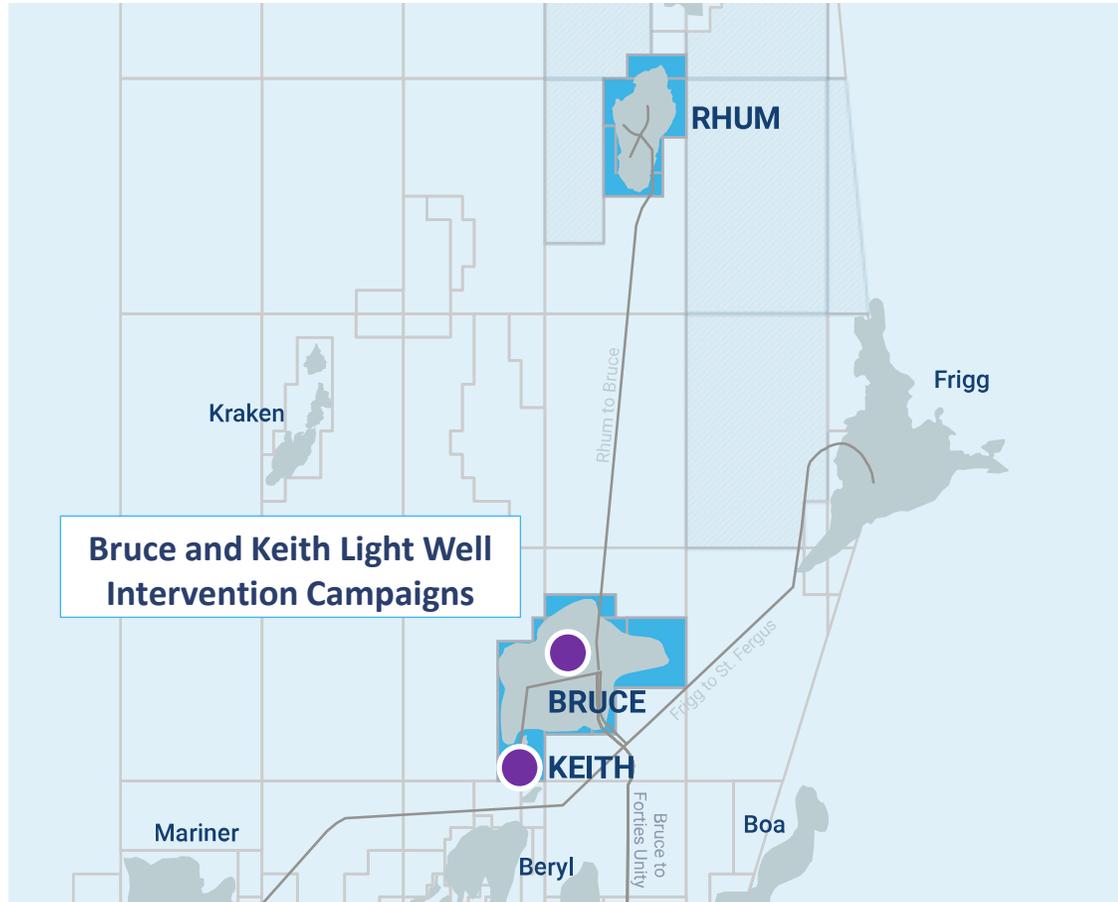
## Rhum Field gross production

### Total Bruce CO<sub>2</sub> emissions

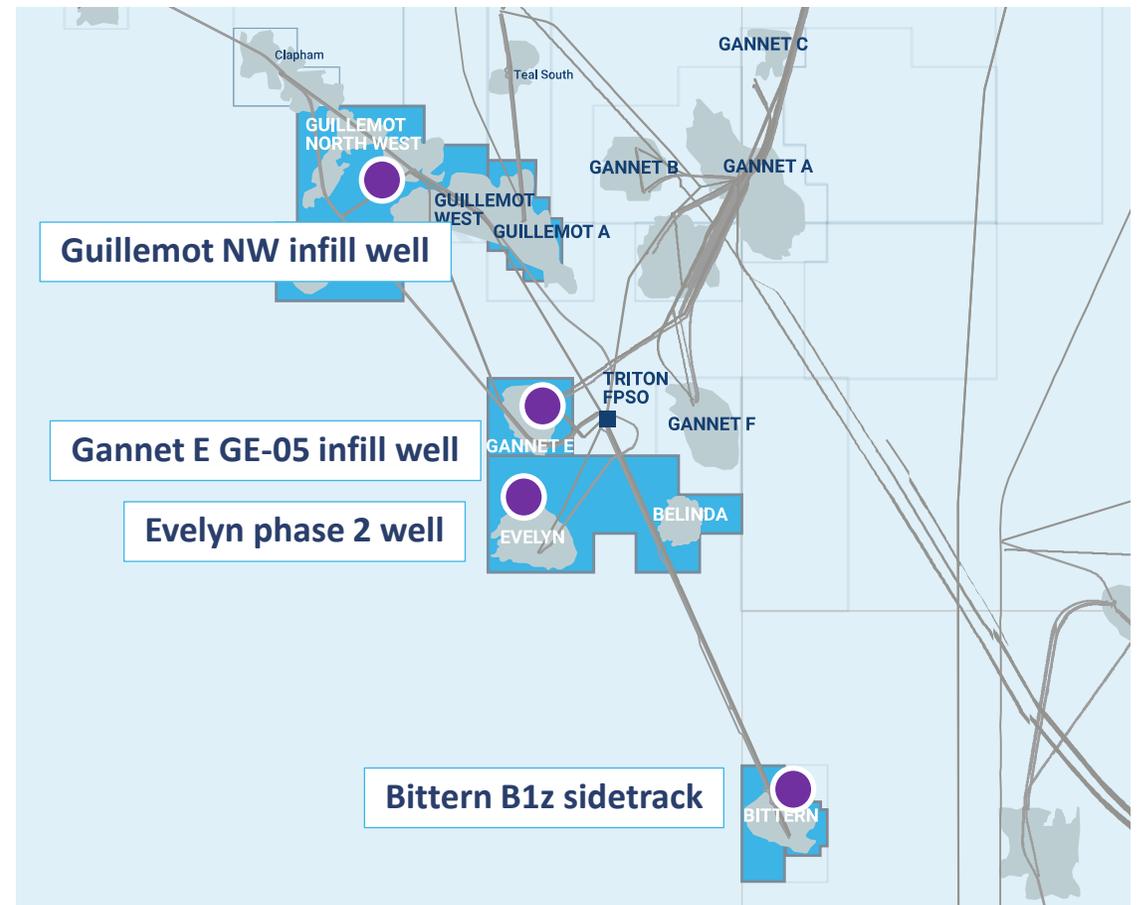


# CONTINUING INVESTMENT IN PRODUCTION HUBS

## BRUCE



## TRITON

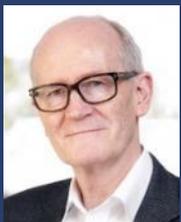


● *Planned activity in 2023/24*

# TARGETING FURTHER GROWTH

- Maintaining standards of operating safely and responsibly
- Continuing investment in our existing assets focusing on projects with quick payback
- Financially disciplined and technically driven approach to future acquisitions
- Opportunistic approach in the UKCS
- Expanding geographical horizon in response to basin maturity and uncertain business environment for UKCS activities





**FINANCE**  
ANDY BELL, CFO

# BALANCED FINANCIAL MANAGEMENT

- Very strong balance sheet:
  - Net cash of £217 million as at 21 June 2023
  - Low decommissioning liabilities
- Result of acquisition structuring and operating performance
  - Six acquisitions to date - structured to support ongoing investment irrespective of market and commodity price volatility
  - Successful reserves replacement and sustained production levels supported by control of operating costs per boe delivers resilient cash flows and profits
- Offers capacity for combination of organic investment, acquisitions and dividends
  - Ongoing cash flows fund investment in existing assets
  - Significant cash resources and borrowing capacity support acquisitions
  - Financial strength and operating performance support sustainable dividend policy

# LOW DECOMMISSIONING LIABILITIES

Serica and Tailwind acquired core assets on terms that limit our decommissioning liabilities<sup>1</sup>

- Erskine – Costs expected to be fully covered by seller<sup>2</sup>
- Bruce/Keith/Rhum
  - Liabilities remain with sellers apart from 3.75% for Bruce and 8.33% for Keith
  - Additional consideration payable to sellers equal to 30% of post-tax decommissioning expenditure
- Triton Area – costs expected to be substantially covered by original sellers<sup>2</sup>
- Liabilities related to post-acquisition investments limited through use of existing infrastructure
- Extension of projected field life well into 2030s defers decommissioning expenditures

## Notes

1. Covers facilities in place at the point of acquisition
2. Sellers cover costs up to a cap

- UKCS currently subject to very high levels of tax following introduction of EPL 1 and 2
- Tailwind transaction valuations took account of both rounds of EPL
- Tailwind brought significant tax losses to mitigate overall tax impact<sup>1</sup>
  - Around US\$1.4bn Corporation Tax losses, US\$1.2bn Supplementary Charge losses, US\$0.1bn Energy Profits Levy losses
  - Applicable to Tailwind assets which contribute nearly half of combined production and revenue
  - Further efficiencies may be identified in due course
- Structure of EPL designed to incentivise ongoing investment
  - Investment proposals subject to rigorous screening before commitment

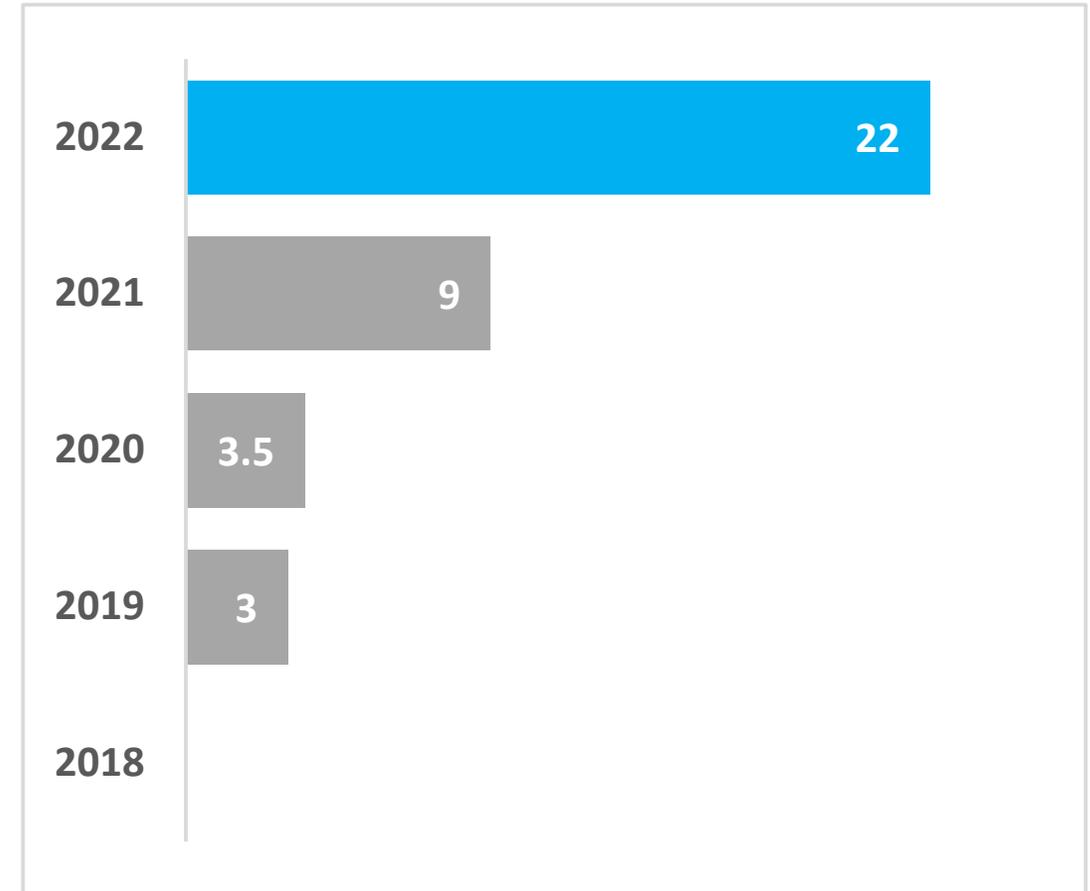
## *Notes*

*1. Estimates of losses as at 1 January 2023*

# DIVIDEND PAYER

- Dividend payments increased from £8 million in 2019 to £76 million in respect of 2022
- Company intends to maintain level of dividend and to grow it where financial performance supports this
- Primary focus remains on identifying organic and inorganic investment opportunities to grow shareholder value
- Additional returns to shareholders will be considered where cash holdings exceed potential investment options

Dividend (pence per share)





**ESG**

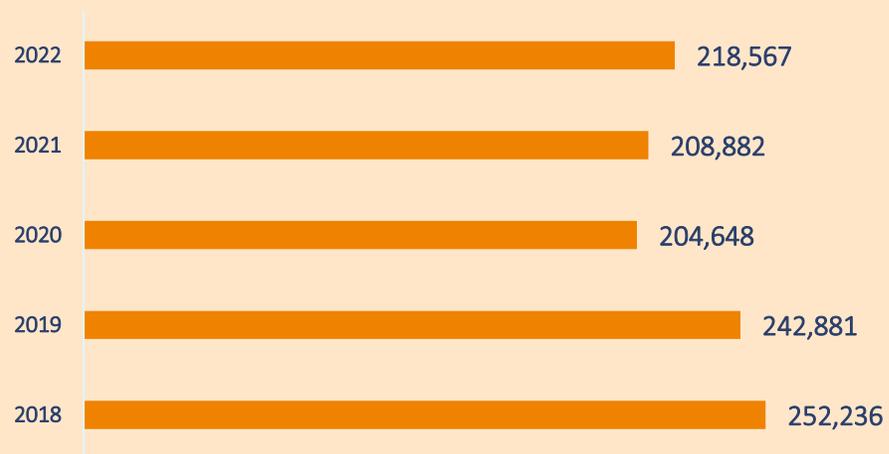
CLARA ALTOBELL, VP ESG & BUSINESS INNOVATION

# TEAMWORK AND DEDICATION TO EMISSIONS REDUCTION

- Environmental responsibility part of the Serica culture
- Staff-led Emissions Reduction Group identified and executed flare and emissions reduction improvements
- Carbon intensity at lowest level since Serica became operator
- Extensive disclosure of emissions, plans and progress
- Signed up to Oil and Gas Methane Project (OGMP 2.0)



BKR Scope 1 CO<sub>2</sub> emissions (tonnes)



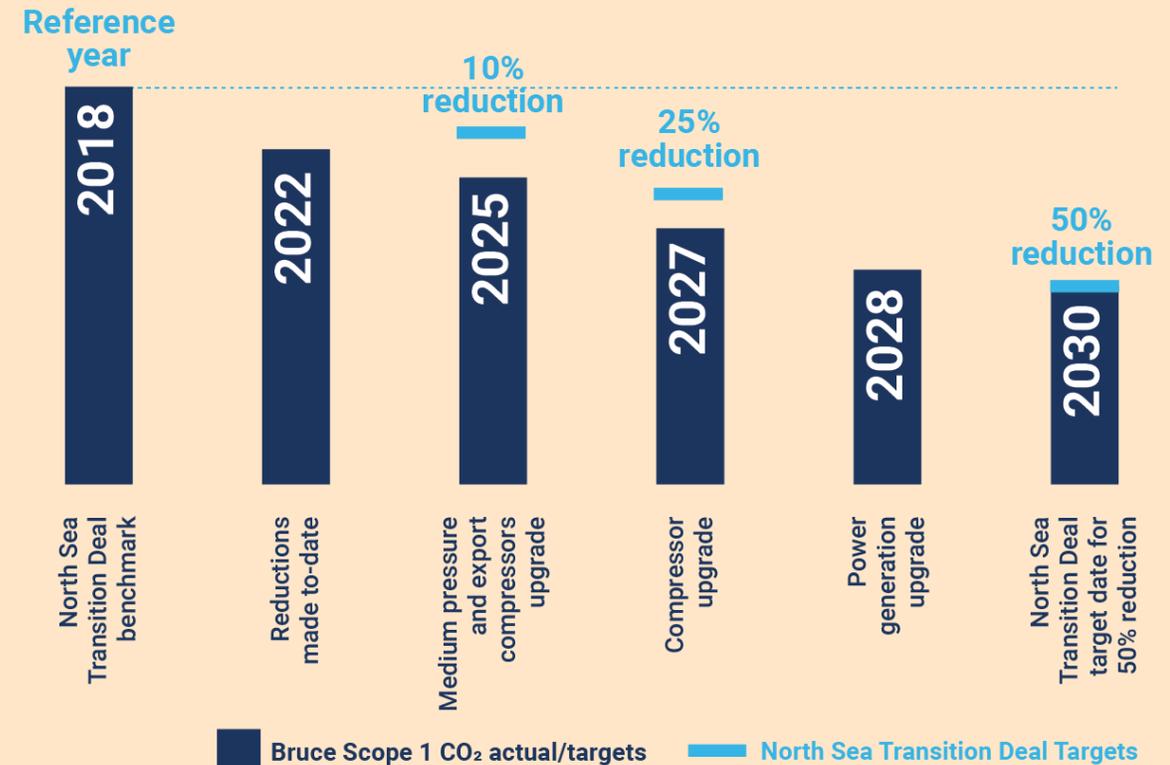
BKR Scope 1 Carbon Intensity (kg CO<sub>2</sub>/boe)



# PRODUCING RESPONSIBLY

- Serica aims to reduce emissions on Bruce in line with North Sea Transition Deal (NSTD) targets for UKCS
- Bruce emissions in 2022 were 14% lower than in 2018 (NSTD reference year)
- Zero routine flaring by 2030
- Emissions Reduction Action Plan in place for Bruce and Triton
- New development projects focus on low impact tie-backs to existing hubs
- Negligible impact on host emissions
- Near term production providing energy security and reducing carbon intensity compared to imports

## Bruce Hub Scope 1 Emissions Reduction Plan



# SCOPE 3 EMISSIONS FOCUS

## Reducing emissions from logistics

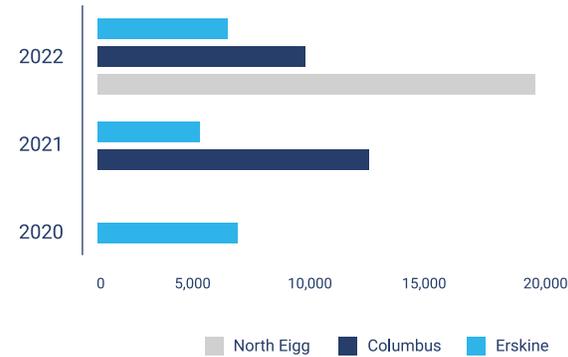
- Reduced helicopter size
- Scheduling warehouse deliveries
- Close tracking of drilling and diving operations
- Collaboration with other operators
  - Sharing platform support vessel
  - Multi-well decommissioning campaign



Scope 3 Emissions: BKR Logistics and Well Operations (tonnes CO<sub>2</sub>)



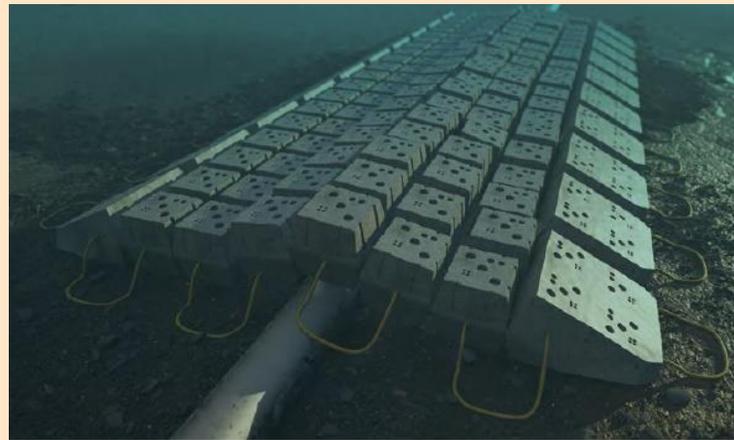
Scope 3 Emissions: Columbus, Erskine and North Eigg (tonnes CO<sub>2</sub>)



# SUPPORTING TECHNOLOGY

Serica providing cash and 'in-kind' support to Net Zero Technology Centre projects

- Mocean wave to energy
- Arc Marine eco mattresses
- Flare gas efficiency project
- Alternative fuel gas project
- Platform electrification from wind power study (WINTOG)



# INVESTING IN PEOPLE AND COMMUNITIES

- High level of staff engagement in charity, education, equality and environmental activities
- Affiliated with groups supporting diversity in gender, race, neurodiversity and armed forces veterans
- ‘Young Person’s Guaranteed Employer’
- Added ESG Policy and Strategy documents to our Operations Management System



## YOUR CHARITY COMMITTEE IN 2022: WHAT A YEAR!

WE RAN...

WE HELPED YOUTH SPORT...

WE CYCLED...

WE SWAPPED MEDALS FOR TREE PLANTING...

WE DONATED TO THOSE IN NEED...

GIFTING FOOD & SUPPLIES FOR THOSE IN NEED

PROSTATE CANCER

CYCLING FOR OUTFIT MORAY

RUNNING FOR PIP

GRAMPIAN AUTISTIC SOCIETY

POPPY APPEAL

LOCAL TEAMS SPORTS KIT

GREAT NORTH RUN

TORWOOD SCOUT GROUP KIT BAGS

HEAD UP MENTAL HEALTH

SERICA CYCLE CHALLENGE

SUGGESTIONS FOR 2023 FUNDRAISING? IDEAS FOR VOLUNTEERING? Why not join the Committee or send us your ideas to [charity@serica-energy.com](mailto:charity@serica-energy.com) – on and offshore personnel welcome!



# OPERATIONS

CAROL STEWART, NORTH SEA BUSINESS MANAGER  
MIKE KILLEEN, VP OPERATIONS

# MANAGING OUR ASSETS

The strategy for our production hubs is to maximise economic life, by investing in the assets to create value.

The key themes underpinning this strategy are:

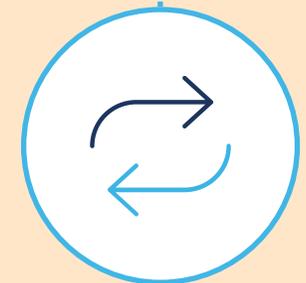
- Fulfilling our responsibilities in a manner consistent with Serica's HSE and ESG policies
- Keeping our base production stable by maintaining our wells and facilities
- Increasing the efficiency of our facilities by investment in wells and facilities to extend field life, reduce emissions and improve reliability



**HSE & ESG**



**INVESTMENT**



**MAXIMISING  
RECOVERY**

# INVESTING IN BRUCE

Field Life Extension

Emission Reduction and Efficiency Projects

Production Add



Maintain base platform reliability & integrity

Maintain well / Subsea infrastructure / Pipelines integrity – Invest for the future

Process upgrades / Replacements i.e. becoming more efficient – use less power, increase reliability, sell more gas

Consolidate power generation & options for alternative energy

Flare gas reduction

More efficient plant configuration, lower emission generation

Light Well Interventions

Infill drilling

Platform enhanced recovery

Potential to extend COP Further



# EXPLOITING TRITON HUB POTENTIAL

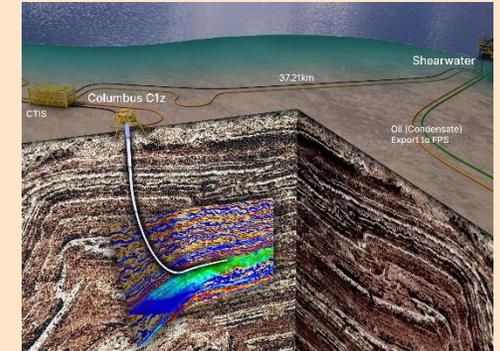
- Triton Hub has hydrocarbon resources to be economically viable for a further 10+ years
- Life extensions studies in 2019/2020 demonstrated that the Triton FPSO properly maintained can be used well into the 2030s
- Emissions Reduction Action Plan in place
- Serica is supporting the FPSO operator (Dana) in support of a hub strategy aimed at maximising economic recovery:
  - Further study and define phase work aimed at significant emissions reductions from Triton FPSO
  - Focus on maintaining facilities including a commitment to continuing the ‘Walk to Work’ campaign into 2025
  - Investment in wells and facilities:
    - Well interventions in 2023
    - 4-well drilling campaign in 2024
    - Potential development of 100% owned Belinda field



# DEPTH IN THE PORTFOLIO

Serica's equity production is bolstered by interests in three small fields tied back to different non-operated host facilities, each providing steady rates of production:

- Columbus
  - One well subsea tie back to Shearwater platform, operated by Shell
  - Shearwater Area investment expected to extend hub life and reduce costs charged to Columbus
- Erskine
  - 'Normally Unattended Installation' tied back to the Lomond Platform operated by Harbour Energy
- Orlando
  - Single well tie back to Ninian Central operated by CNR





**M&A**

STEVE EDWARDS, CIO

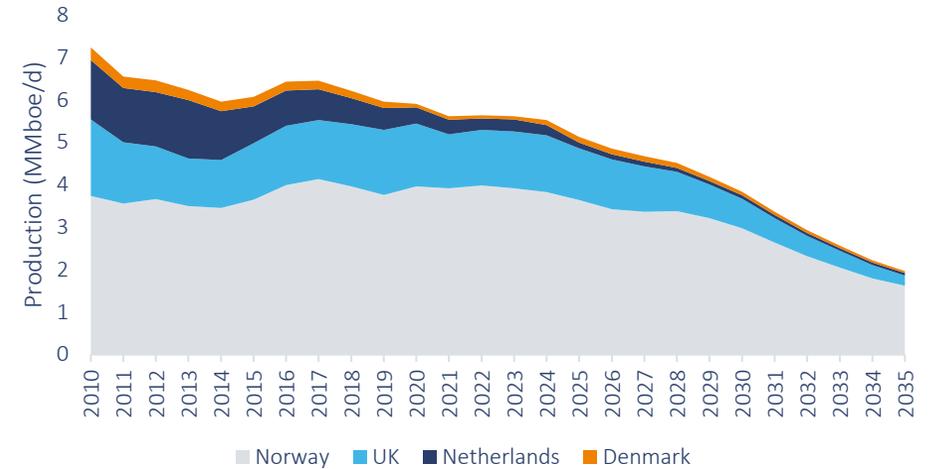
# ADDING VALUE NOT VOLUME

- M&A remains a key part of Serica's strategy
- Focus on UK has worked well but area of interest being widened to outside UK in response to basin maturity and uncertainties in fiscal and licencing regimes
- Serica remains open to corporate and asset deals in UKCS but also looking at opportunities elsewhere in North-West Europe
- Competitive advantages deployable in and outside UKCS
  - Well financed
  - Track record of operating major facilities and wells
  - Enhanced sub-surface expertise following Tailwind transaction
  - Reputation for successful delivery of transactions and projects

# EXPANDING OUR HORIZONS

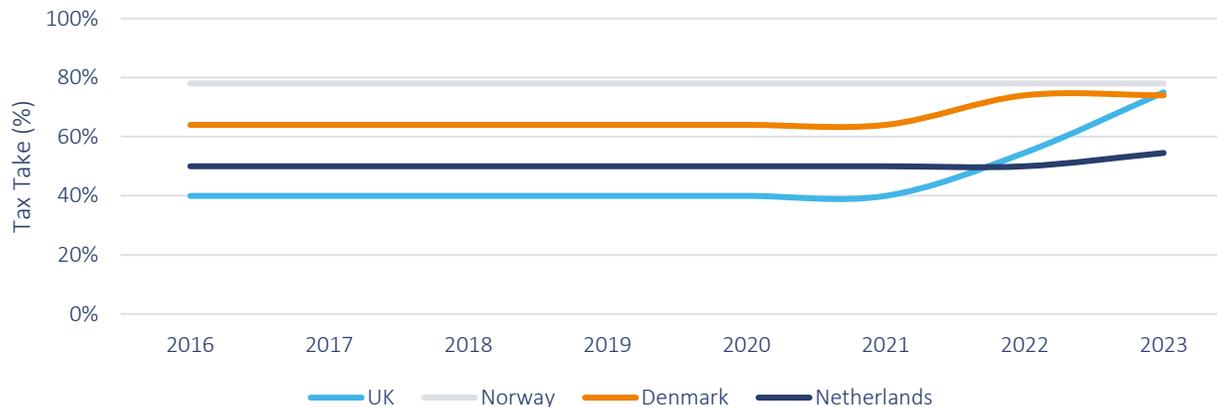
- Denmark, Netherlands and Norway managing offshore industries as source of national resources
- Fiscal regimes generally more stable than in UK
- Opportunities in all three although NCS provides greatest range in terms of type and scale

Production

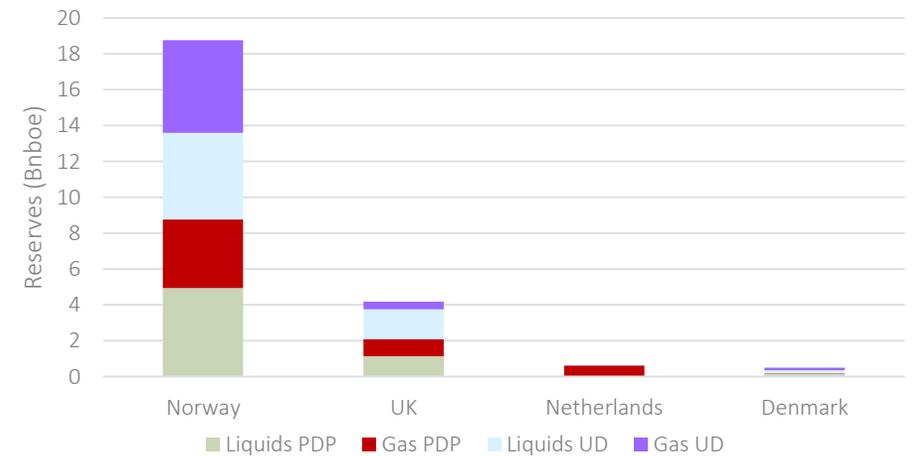


Source: Welligence Energy Analytics

Headline Tax Take – Country Level



Remaining Reserves



Source: Welligence Energy Analytics

# DISCIPLINED APPROACH TO NEW COUNTRY ENTRY

- Entry via material corporate or asset transaction
- Consistent with Serica's HSE and ESG values
- Preference for producing or near producing fields
- Brings scope for growth, repeatability and longevity
- Operatorship not essential but seeking sufficiently high levels of equity to have influence
- Maintain low level of decommissioning liabilities





# CONCLUSION

MITCH FLEGG, CEO

# TO SUMMARISE

- Serica has built firm foundations based on successful deal-making, operational excellence and prudent investment
- Company is positioned for the next phase of growth from organic investment and M&A
- UKCS will remain Serica's heartland for the foreseeable future
- Ambition to also establish a profitable presence elsewhere in North-West Europe
- Leadership and organisation are in place to deliver





Q&A