

2021 Half Year Results Presentation

[See Interim Report](#) | [Link to Shareholder Recording](#)

28 September 2021



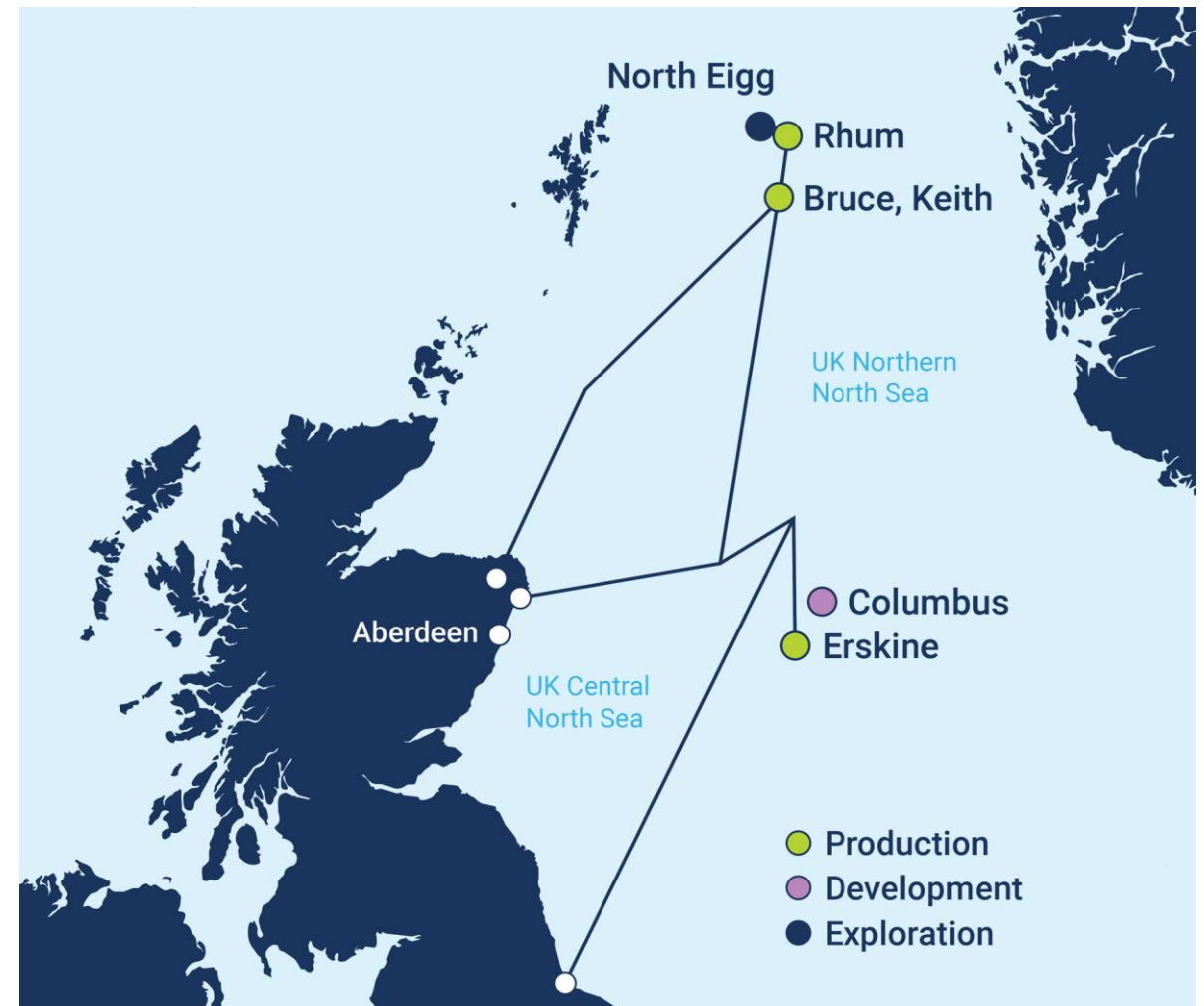


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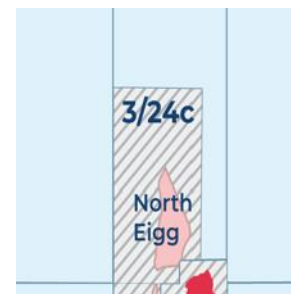
A nimble, dynamic and experienced company, Serica is now one of the UK's leading mid-tier independent oil and gas companies responsible, through the Bruce platform, for around 5% of the UK's gas production

Our talented team of 160+ manages a full-cycle portfolio of high-quality assets centred on the UK North Sea, delivering our strategy of using technology and experience to drive down costs and maximise the productive life of our fields



Investing in growth

Serica's strong balance sheet with significant cash, no debt and limited decommissioning liabilities enables it to pursue its investment strategies unaffected by short-term commodity price fluctuations



2020/21

Rhum R3
intervention –
well now online

2021

Columbus
development and
first production

2022

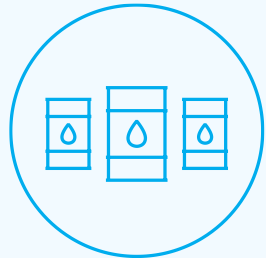
North Eigg
exploration well
(planned)

Production

>80%
gas

Current government forecasts suggest that gas will remain a vital part of the UK's energy mix as we move towards Net Zero

Our focus is on being predominantly but not exclusively a producer of natural gas while in all our operations we will seek to reduce the carbon intensity of the hydrocarbons produced



Investing in Growth

- Successful R3 intervention leading to first production in August 2021
- Ongoing Columbus Development with first production expected in Q4 2021
- Preparation for 2022 North Eigg Well
- Total H1 2021 CAPEX: £43.0 million

Solid Production

- Net Serica production 1H 2021: 18,900boe/d (1H 2020: 21,600 boe/d)
- 1H production impacted by planned maintenance during Forties Pipeline System shutdown
- FY production will benefit from additional R3 and Columbus volumes
- 2021 guidance narrowed to 23,000 – 25,000boe/d
- 2022 guidance unchanged at 27,100 – 33,600boe/d

Improved Cash Flow

- Increased Sales Revenue 1H 2021: £100.8 million (1H 2020: £46.0 million)
- Reduced Operating Costs 1H 2021: £40.9 million (1H 2020: £45.8 million)
- Gross Profit 1H 2021: £46.0 million (1H 2020: loss of £19.8 million)
- Cash flow from operations 1H 2021: £63.8 million (1H 2020: £19.3 million)

Financial Strength

- Cash plus hedging advances of £102.7 million
- No debt, limited decommissioning liabilities
- Increased dividend of 3.5p/share paid in July 2021
- Increasing share of receipts under net Cash Flow Sharing deal from 60% to 100% on 1-Jan-22

Continued ESG Success

- On course to achieve a 20% reduction in full year Bruce emissions since 2018
- On track to achieve a 65% reduction in full year Bruce flaring since 2018
- Early and continued supporter of the Energy Services Agreement, helping protect supply chain resilience

Group Income Statement (unaudited) For the period ended 30 June 2021

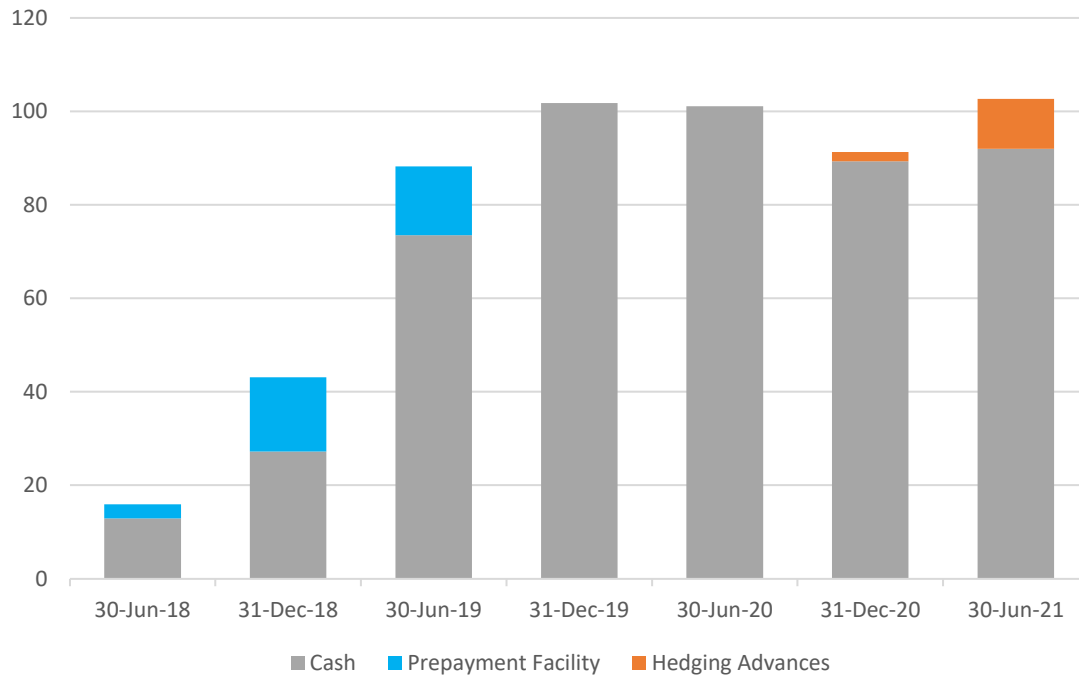
	6 months ended 30 Jun 2021 (£000)	6 months ended 30 Jun 2020 (£000)	Year ended 31 Dec 2020 (£000)	
Sales revenue	100,835	45,953	125,641	76% gas (2020: 70%) , gas 50p/therm (2020: 14p/therm), \$43.30/boe (2020: \$15.2/boe)
Operating costs, over/underlift	(39,570)	(47,002)	(90,065)	10% reduction in operating cost in both 1H 2021 and FY 2020
Depletion	(15,292)	(18,718)	(38,495)	Non-cash provision based upon acquisition and capital costs to-date
Gross profit / (loss)	45,973	(19,767)	(2,919)	
Unrealised hedging expense	(30,320)	(3,308)	(16,571)	Based upon valuation of future fixed price gas hedges
Realised hedging (expense) / income	(5,642)	11,655	12,295	Cash-settled monthly based upon day-ahead average prices
Admin, pre-licence cost and impairment expenses	(2,988)	(3,110)	(9,304)	FY 2020 included £3.7 million licence impairment
Foreign exchange (loss) / gain	(628)	2,514	(344)	
Share-based payments	(878)	(652)	(1,862)	
OPERATING (LOSS)/PROFIT	5,517	(12,668)	(18,705)	
Change in fair value of BKR financial liability	(3,704)	32,979	31,296	Entering final six months of BKR net cash flow sharing period
Net finance revenue / (costs)	(195)	113	(43)	
PROFIT BEFORE TAXATION	2,248	20,424	12,548	
Taxation charge for the period	(899)	(8,101)	(4,769)	Still non-cash provisions but expect to be tax paying before the end of the year
PROFIT FOR THE PERIOD	1,349	12,414	7,779	
Basic EPS on profit for the period (£)	0.01	0.05	0.03	
Diluted EPS on profit for the period (£)	0.01	0.05	0.03	

Group Balance Sheet

	30 Jun 2021 (£000)	31 Dec 2020 (£000)	30 Jun 2020 (£000)	
Exploration & evaluation assets	1,632	1,043	4,009	
Property, plant and equipment	338,113	311,125	313,171	Mainly cost of BKR acquisition plus subsequent capital spend on R3 and Columbus
Total non-current assets	339,745	312,168	317,180	
Inventories	4,964	4,633	4,629	
Trade and other receivables	42,508	41,329	24,268	Sales revenues plus partner billings due and other recoverables
Derivative financial asset	-	-	3,572	
Cash and cash equivalents	92,004	89,333	101,114	Cash reserves used to fund 2020/21 capital investment programme
Total current assets	139,476	135,295	133,583	
TOTAL ASSETS	479,221	447,463	450,763	
Trade and other payables	(54,338)	(32,123)	(33,515)	30 June 2021 increase reflects well expenditures outstanding for settlement
Derivative financial liability	(40,011)	(9,691)	-	Fair value of forward gas price hedging
Financial liabilities	(40,515)	(53,634)	(39,551)	Final six months of BKR net cash flow sharing, plus remaining Rhum deferred consideration to be settled in 2022
Non-current financial liabilities	(47,000)	(48,770)	(67,910)	BKR deferred decommissioning-related consideration plus oil linefill
Provisions and deferred tax	(104,526)	(103,399)	(106,657)	Direct BKR decommissioning liability plus deferred tax provision
NET ASSETS	192,831	199,846	203,130	
Share capital	181,749	181,606	181,465	
Reserves	11,082	18,240	21,665	General reserves plus accumulated deficit
TOTAL EQUITY	192,831	199,846	203,130	

Cash Position

Cash, cash equivalents and hedging advances* / £ million



* Cash advances against future settlement of gas price hedges

£102.7 million

Cash, cash equivalents and hedging advances at 30 June 2021 (£91.1 million 31 December 2020)

During the first six months of 2021:

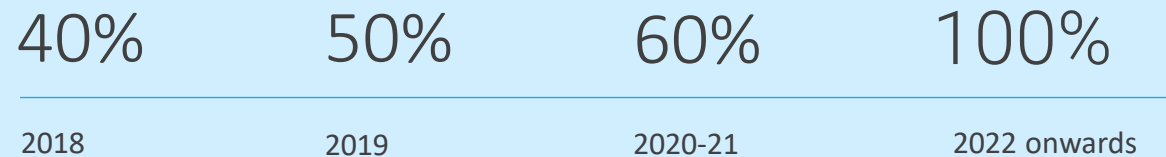
£18.0 million

BKR liabilities paid

£43.0 million

Net capital expenditure
(mainly Columbus and the Rhum R3 project)

A growing share of BKR Net Cash Flow**



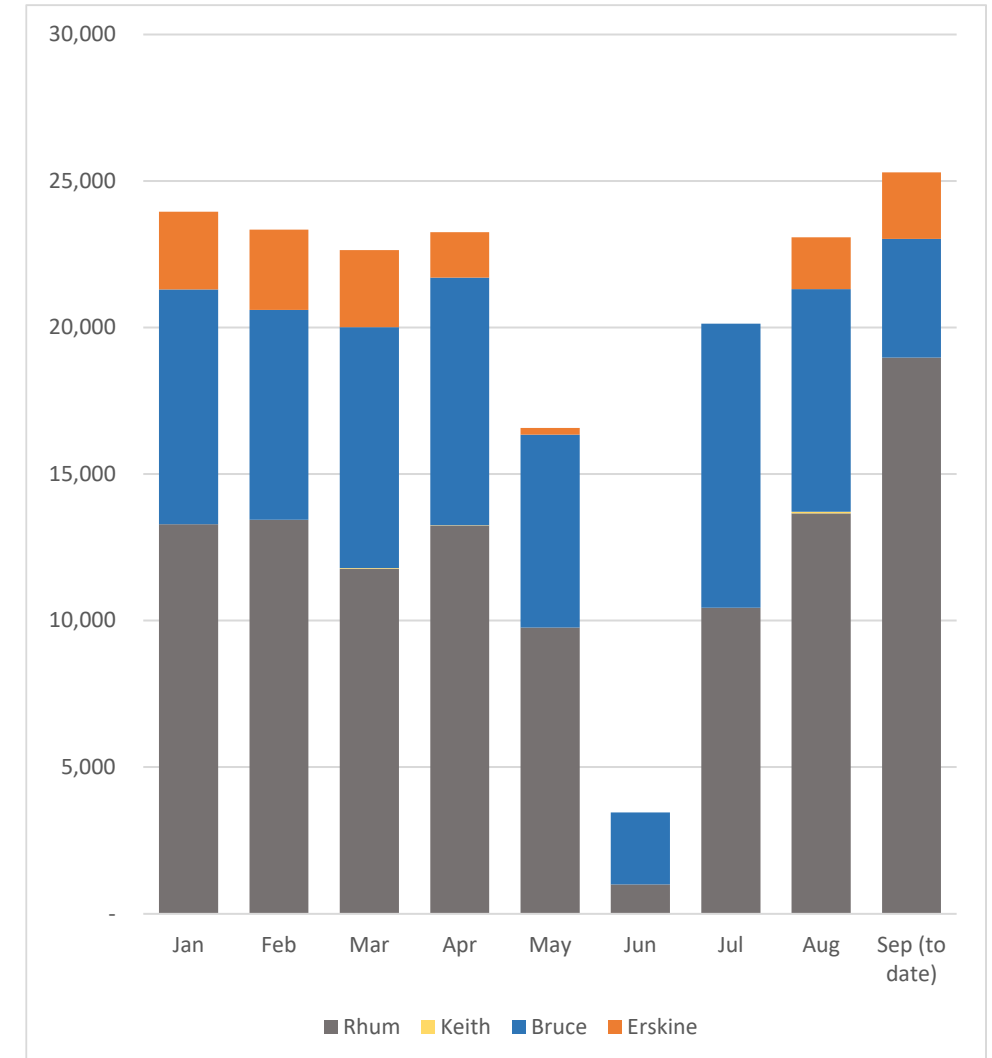
**Net cash flow under the Net Cash Flow Sharing agreements with BP, Total E&P and BHP for the purchase of interests in Bruce, Keith and Rhum

2021 production

- BKR production levels in the first half of 2021 were impacted by the planned shutdown of the Forties Pipeline System from late May until late June
- During this period valuable maintenance programmes were carried out in order to protect and enhance future production
- Erskine production was shut down for an extended planned maintenance outage from early May until early August
- Strong R3 production in September, Bruce optimisation ongoing

Asset	1H 2021 boe/d	1H 2020 boe/d
Bruce	6,820	9,300
Keith	10	0
Rhum	10,410	9,900
Erskine	1,620	2,360
Columbus	0	0
SERICA TOTAL	18,860	21,560

Serica net production (boe/d)



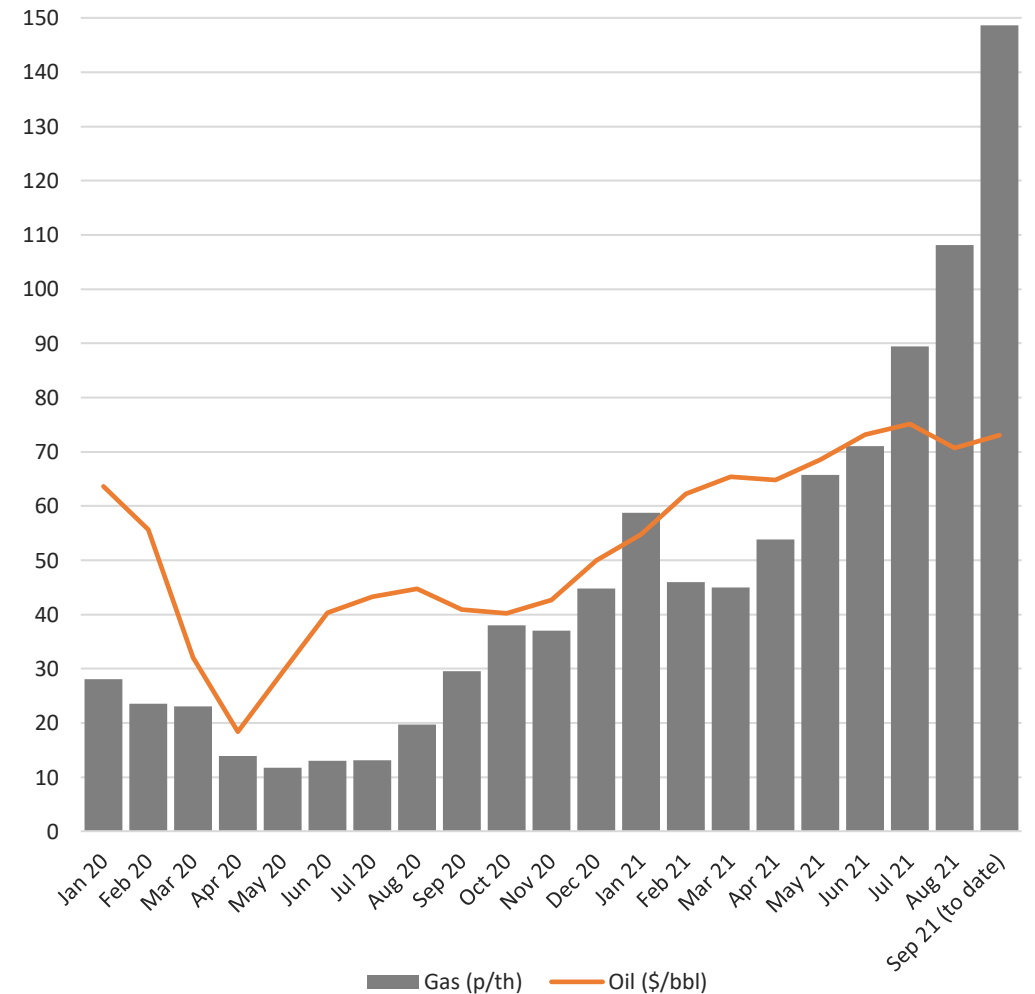
A period of intense commodity price fluctuation

- Average oil and gas prices were depressed during 2020
- Serica’s production is over 80% gas
- The recovery in gas prices since mid-2020 has been exceptional with current gas prices significantly higher than last year
- H1 2021 market gas prices averaged in excess of 56p/th (H1 2020: <19p/th)
- Oil prices have also recovered from the lows encountered in 2020
- H1 2021 market oil prices averaged around US\$65/bbl
- Serica’s sales revenue has set new record highs in each of July and August and a new record high is expected in September

For comparison purposes a gas price of 125p/th is approximately equal to \$100/boe

(exact conversion depends on calorific value of gas and £/\$ exchange rate)

**Heren NBP day-ahead gas prices (p/th)
(Brent spot shown as comparison)**



Commodity price hedging

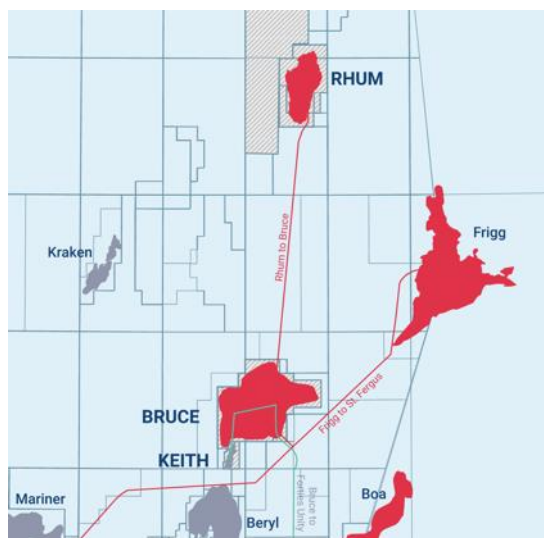
- Serica has a hedging policy to provide downside protection in case of low commodity prices
- In H1 2021 Serica had gas price hedging in place covering up to 25% of retained gas sales (or around 20% of total oil and gas production) after adjustment for net cash flow sharing
- These hedges are in the form of swaps and other fixed price instruments
- The majority (~80%) of Serica's production is unhedged allowing the company to benefit from the current historically high gas prices
- In 2020 the gas price hedging programme played an important role in providing stability and enabling capital investment programmes. Actual realised gains for 1H 2020 were £11.7 million
- In 1H 2021, realised losses from gas price hedging totalled £5.7 million

	Weighted average price p/th	Volume of gas th/d
Q1 21	42.5	185,000
Q2 21	31.4	150,000
Q3 21	31.5	185,000
Q4 21	45.8	225,000
Q1 22	57.4	350,000
Q2 22	40.9	350,000
Q3 22	41.8	300,000
Q4 22	47.0	250,000
Q1 23	55.6	200,000
Q2 23	42.2	100,000
Q3 23	40.7	50,000
Q4 23	-	0

R3 Intervention delivers incremental production

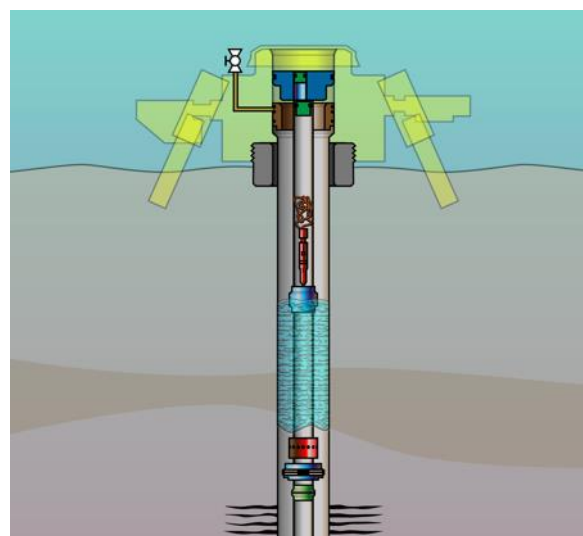
The Rhum Field (Serica 50%)

- Rhum is a subsea development tied back to the Bruce platform complex which lies 44 km to the south
- Originally three wells were drilled but the third of these wells (R3) had not previously been put into production



R3 intervention programme

- Complex engineering project
- Recovery of equipment left in the well by the previous operator
- Removal of an obstruction crossing parts of the downhole completion
- Installation of new completion equipment



R3 first production 23 August 2021

Increasing average gross production from the Rhum field

First month on stream :

Gas: 190mmscf/d

Condensate: 1,400bbl/d

Equates to average gross production from the Rhum field of:

35,000boe/d

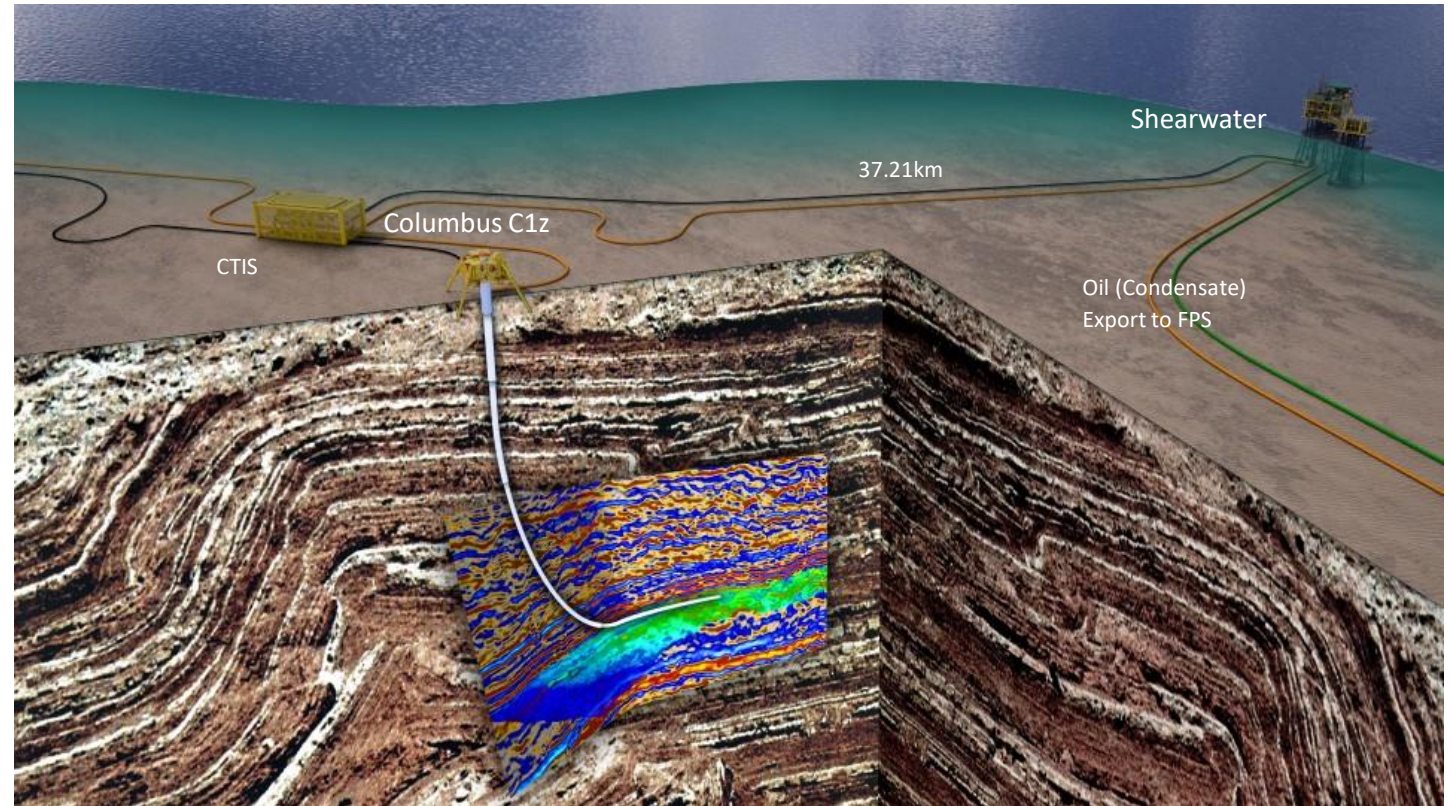
27,000boe/d

Maximum monthly rate in 2021 prior to R3 intervention

Columbus development project

A Serica-led project from concept to delivery

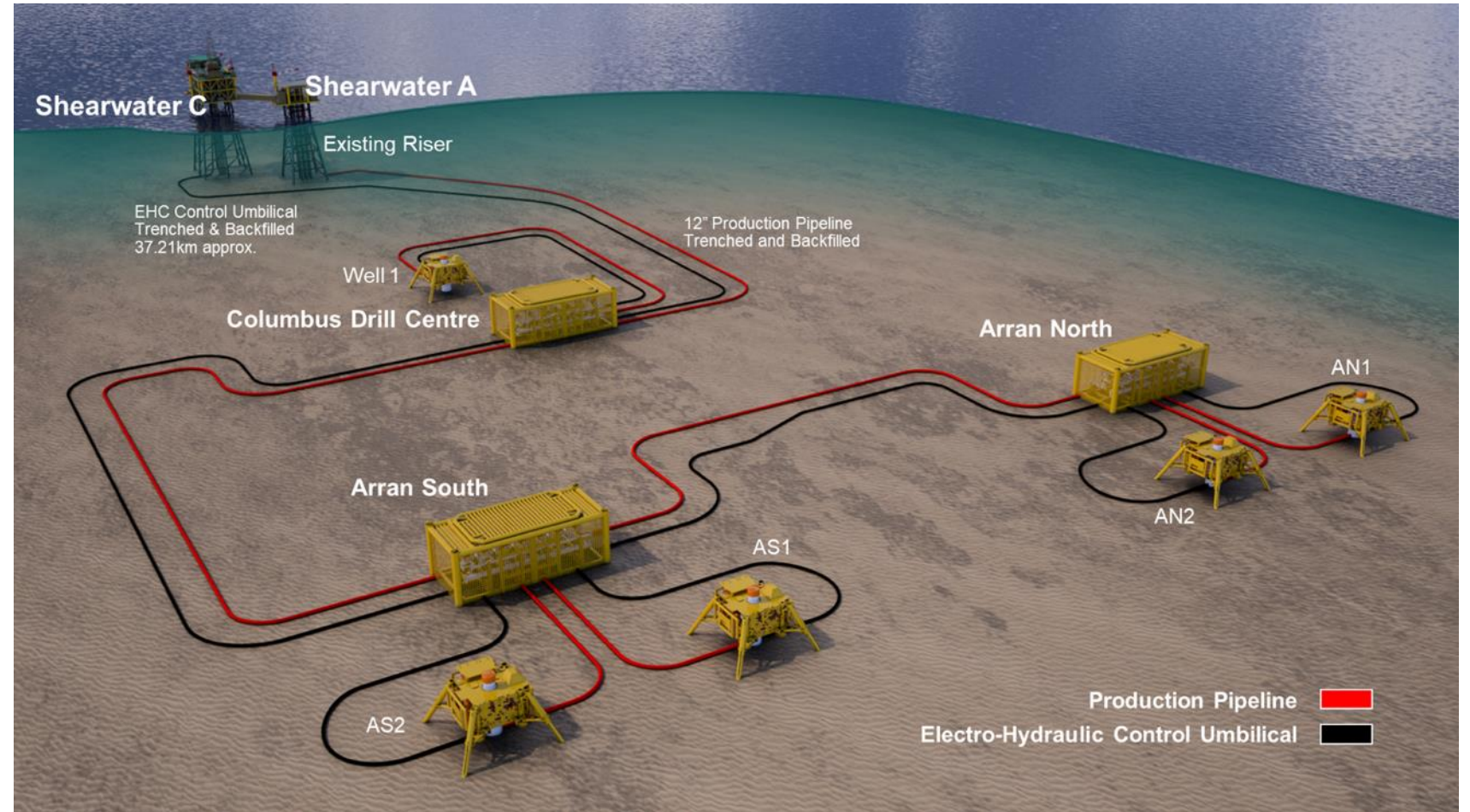
- Serica is 50% owner and Operator of the Columbus Development
- The reservoir will be drained by a single horizontal well tied into the Arran to Shearwater pipeline
- Development well was drilled to a TD of 17,600ft with a horizontal section of over a mile in length in the Forties Sandstone formation
- A flow test achieved a stabilised flow rate of 38.0mmscf/d of gas and 1,560bbls/d of condensate through a 56/64ths inch choke
- This rate was at the upper end of the pre-drill range of expected outcomes and was constrained by the surface well test equipment on board the Maersk Resilient Heavy-Duty Jack-Up drilling rig.
- Production expected to commence in Q4 2021 at anticipated gross rates of around 7,000boe/d of which 75% is expected to be gas



Columbus development progress

Key Events Timeline

Event	Status
Export Pipeline	Installed
Controls Umbilicals	Installed
C & AN Manifolds	Installed
Arran South Wells	Drilled
Arran North Wells	Drilling
Columbus Well	Drilled
Arran South Manifold	Installed
Shearwater Tie-in	Completed
Arran Start-up	Q3 2021
Columbus Start-up	Q4 2021



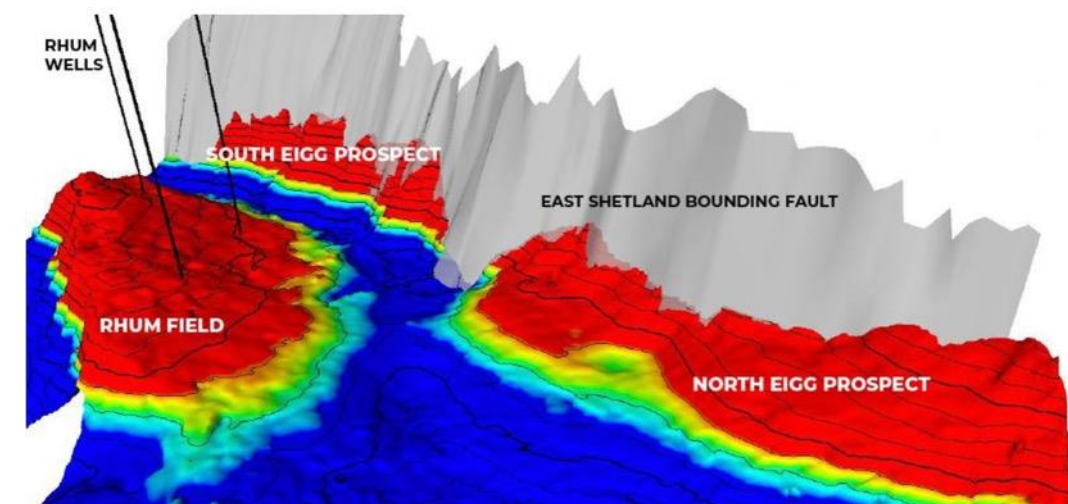
Development remains on track for initial production in Q4 2021

Infrastructure led exploration project – North Eigg

- The North Eigg exploration prospect is estimated to contain 315bcf (P50) and potentially over 1Tcf (P10) of recoverable gas (unrisked)
- North Eigg shares many geological similarities with the adjacent Rhum field. It is clearly defined on 3D seismic and forms a structural trap sealed against the East Shetland bounding fault
- Serica has commenced planning to allow drilling of the exploration well in 2022
- Development concepts are being investigated. These include a subsea tie-back to the nearby Serica operated and 98% owned Bruce facilities
- A tie-back to Bruce would minimise development emissions, reduce the overall carbon intensity of the Bruce facilities and extend the life of the infrastructure
- A success at North Eigg would be likely to significantly de-risk the South Eigg exploration prospect

Unrisked Prospective Resources (Recoverable) Serica Internal Estimates (updated 2021)

	Dry Gas (bcf)			Condensate (mmbbls)		
	P90	P50	P10	P90	P50	P10
North Eigg	83	315	1,165	0.9	5.7	35.9
South Eigg	76	286	1,042	1.8	9.5	47.5

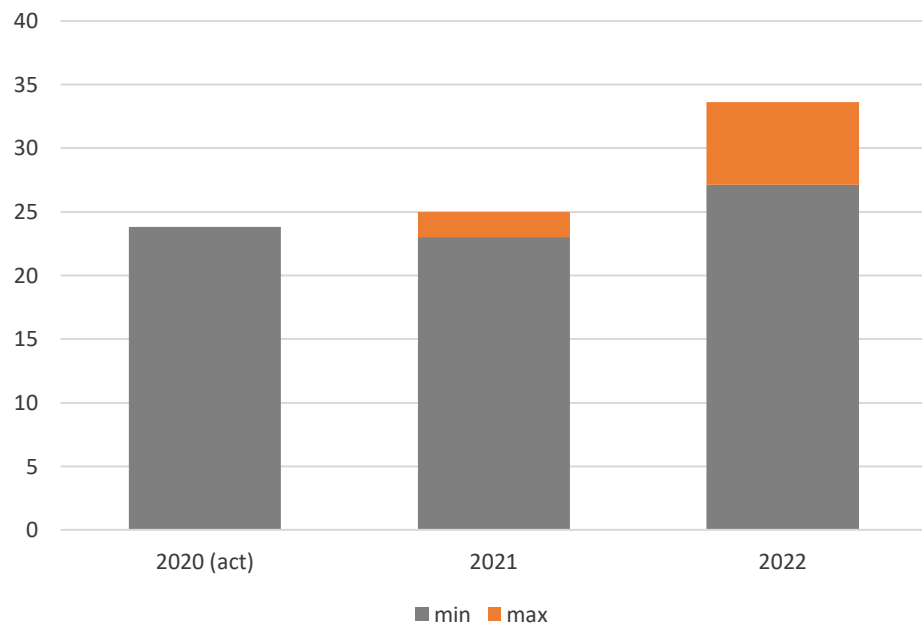


North Eigg
Significant Gas Prospect to be drilled in 2022

2021/2022 production guidance

Total Production Forecasts

('000boe/d net to Serica)



2021 Production guidance: 23,000 – 25,000boe/d

2022 Production guidance: 27,100 – 33,600 boe/d

Annual average production rates

	2020 Actual	2021 Min	2021 Max	2022 Min	2022 Max
Asset	boe/d	boe/d	boe/d	boe/d	boe/d
BKR	21,500	20,600	21,600	22,500	27,000
Erskine	2,300	1,700	2,400	1,600	2,600
Columbus	0	700	1,000	3,000	4,000
SERICA TOTAL	23,800	23,000	25,000	27,100	33,600



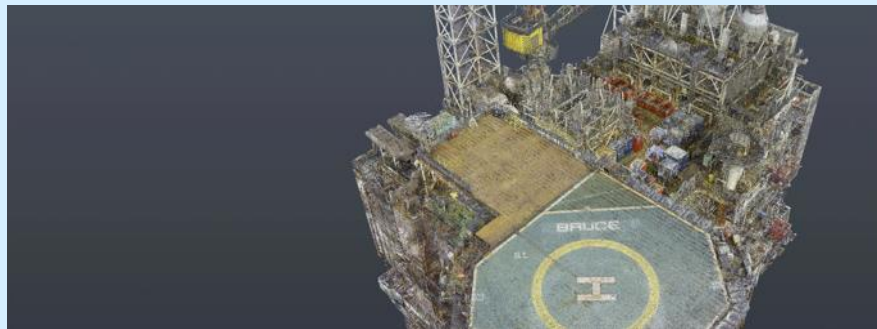
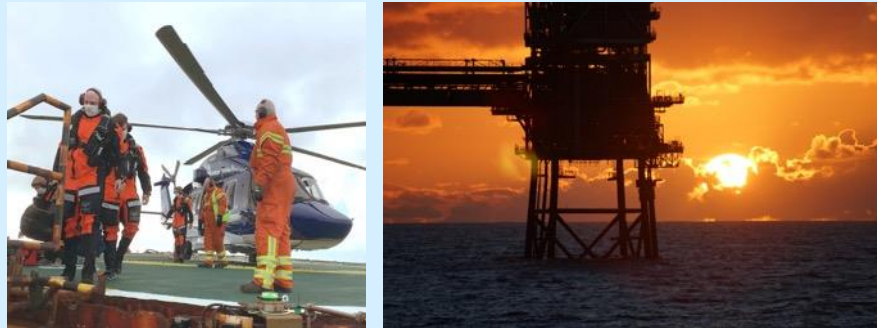
Characterising future M&A targets

A rigorous screening process, building on operating efficiencies, reducing costs, exploiting synergies, improving environmental performance and managing risk.



- **REGIONAL FOCUS:** Our operating expertise is in the Central & Northern North Sea and, coupled with potential tax synergies, this means that the search for new opportunities is focused primarily on the UKCS
- **VALUE BEFORE VOLUME:** We will not overpay to accelerate portfolio growth. We will target opportunities where our skills can add value to assets that may no longer fit the objectives of current owners
- **ESG COMMITMENT:** Serica is intent on building a portfolio of assets which will make a positive contribution to the Net Zero transition. Reducing Carbon Intensity will continue to be a key objective
- **RESILIENT PORTFOLIO:** We aim to expand all stages of our portfolio, prioritising near-term production opportunities and portfolio diversity

Well positioned for the future



Strong balance sheet, no debt, limited decommissioning liability

Production > 80% gas, benefitting from record high wholesale gas prices

Increased dividend of 3.5p per share paid in July 2021

Continued significant reduction in carbon emissions and flaring during 2021

Investment in three capital growth projects to underpin rising production

- **R3 Well intervention** (now producing)
- **Columbus development** (well drilled and tested. first production expected Q4 2021)
- **North Eigg exploration well** (2022)

Latest CPR shows a significant reserves upgrade and further extension to BKR field life

Serica's share of BKR net cash flow increases to 100% on 1 January 2022

Well positioned to benefit from ongoing M&A activity

Major shareholders

	Number of Shares	% of issued Share Capital
AXA Framlington Investment Management	32,565,343	12.14%
Mr D Hardy & Mrs D Hardy	28,220,958	10.52%
Canaccord Genuity Wealth Management	18,903,234	7.05%
BP Exploration Operating Company	13,500,000	5.03%
Hargreaves Lansdown Asset Management	12,802,402	4.77%
BlackRock	11,488,426	4.28%
Janus Henderson Investors	11,379,339	4.24%
Polar Capital	10,462,369	3.90%
Interactive Investor	10,076,229	3.76%
Serica Energy plc Director & Related Holdings	7,874,580	2.94%

Information correct as at 31 August 2021 except in cases where TR-1 notifications have subsequently been received

As at 14 September 2021 the Company had 268,259,149 ordinary shares in issue of which 25.59% is not held in public hands

The shareholdings shown are the latest notifications made to the Company by shareholders pursuant to the Disclosure Rules and Transparency Rules of the Financial Services

Authority acting in its capacity as the UK Listing Authority

Serica Energy plc holds no shares in treasury

Our board



Tony Craven Walker
Executive Chairman

Mitch Flegg
Chief Executive

Andy Bell
Chief Financial Officer

Kate Coppinger
Non-executive Director

Trevor Garlick
Non-executive Director

Richard Rose
Non-executive Director

Ian Vann
Non-executive Director

Malcolm Webb
Non-executive Director



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