

# Capital Markets Update

Aker BP ASA

11 February 2020



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# Today's programme



Karl Johnny Hersvik  
CEO

**High efficiency,  
profitable growth  
and value creation**



Kjetel Digre  
SVP Operations &  
Asset Development

**Maximizing  
value of our  
assets**



Evy Glørstad  
SVP Exploration &  
Asset Initiation

**Creating value  
through  
exploration**



David Tønne  
CFO

**Maximizing  
returns through  
the cycle**

All speakers

**Q&A session**

10:00

Break

11:30

12:15 – 12:45

# High efficiency, profitable growth and value creation

Capital Markets Update

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11 February 2020







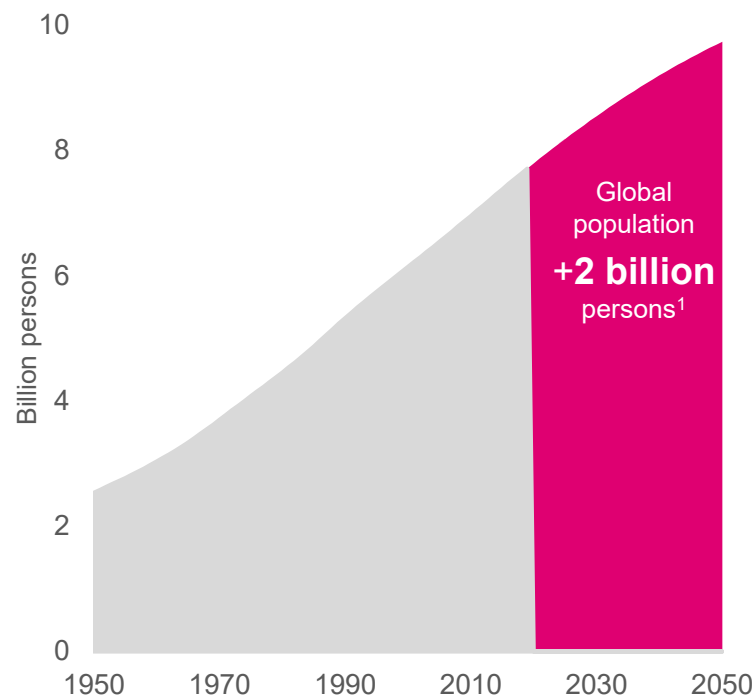
## ***The challenge***

***The need for energy  
to support rising prosperity***

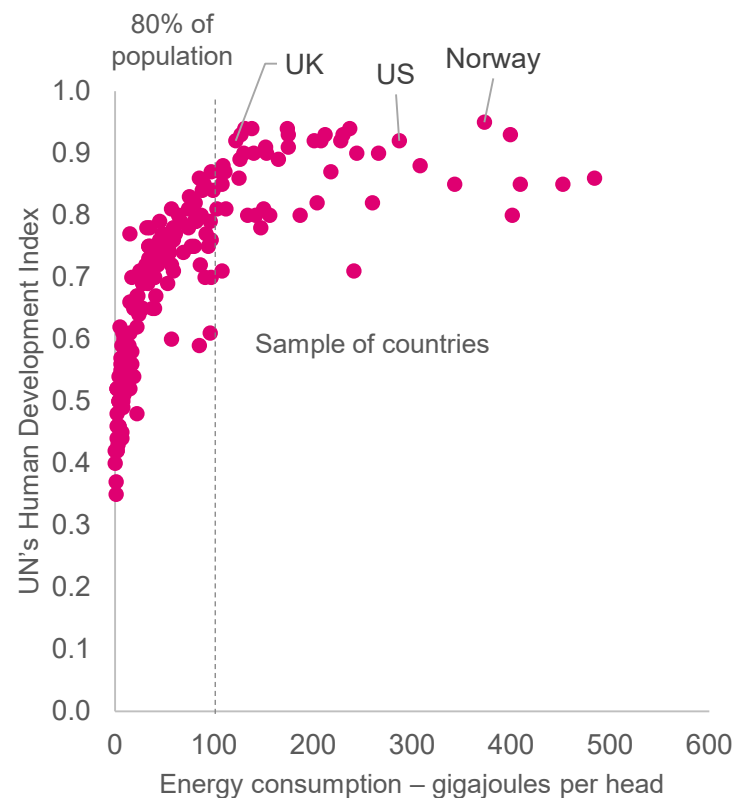
***The need for CO<sub>2</sub>  
emissions to fall dramatically***

# Affordable, reliable, sustainable and modern energy for all

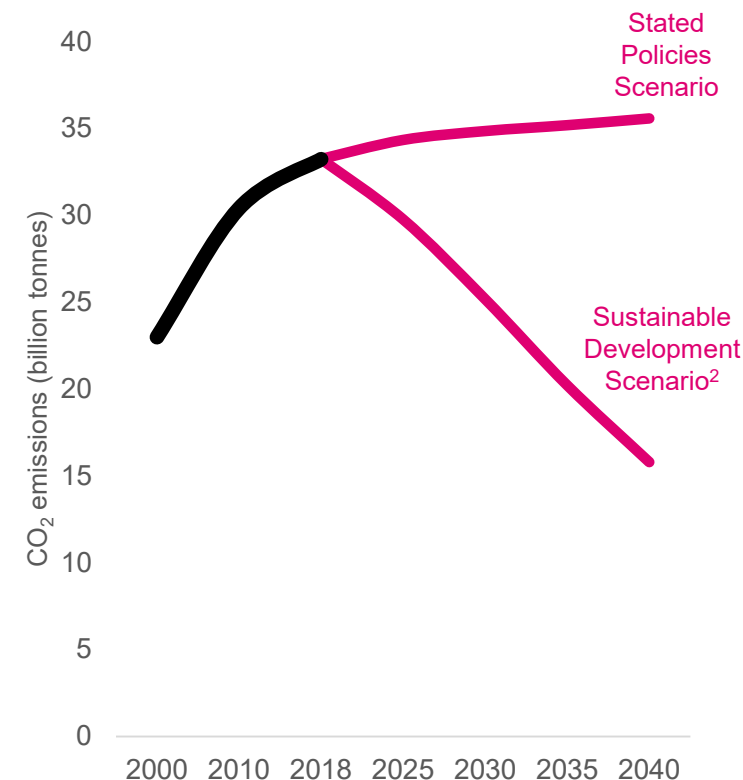
World population will continue to increase...



... and human prosperity is closely linked to energy consumption

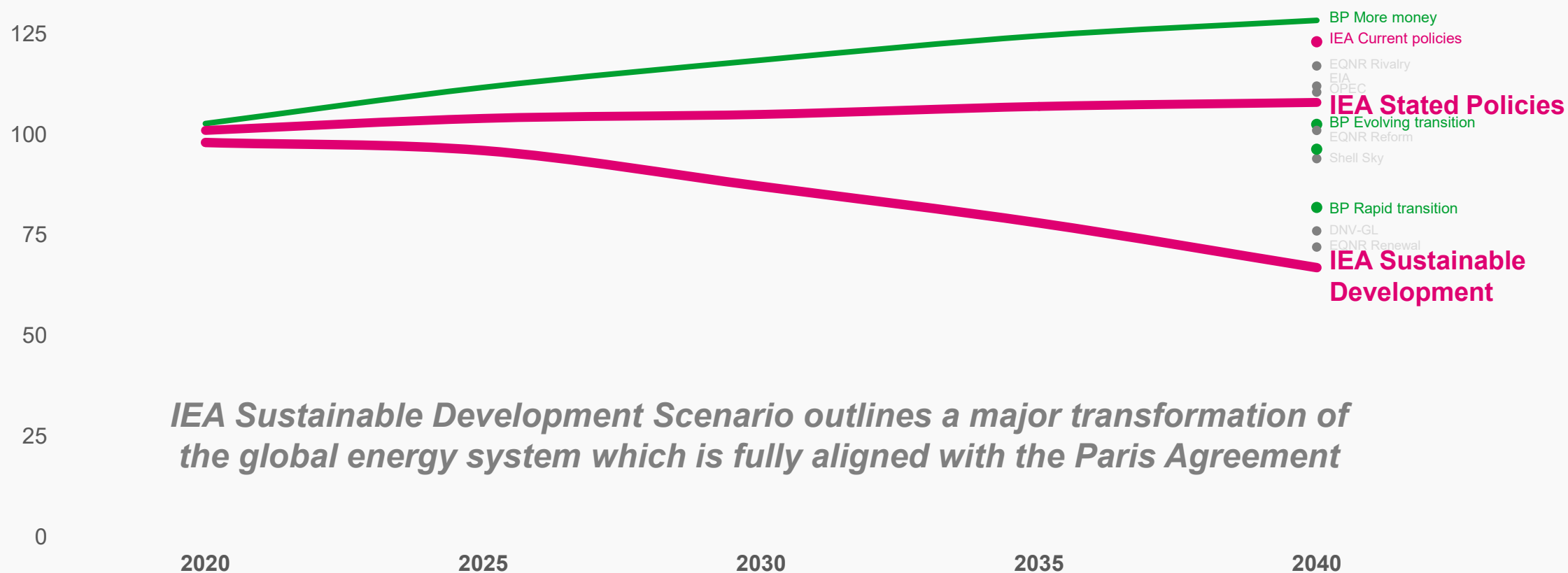


Energy-related CO<sub>2</sub> emissions must come down to reach the Paris goals



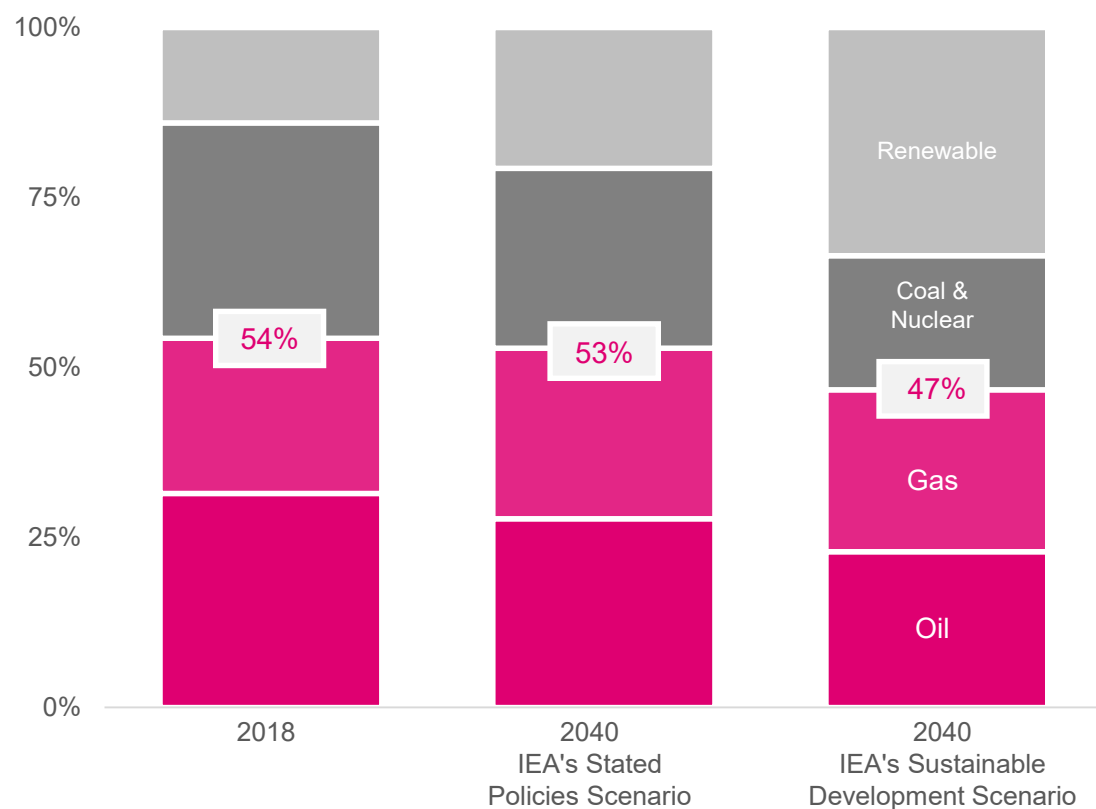
# Oil demand varies significantly across energy scenarios

Global petroleum liquids demand (mmboepd)



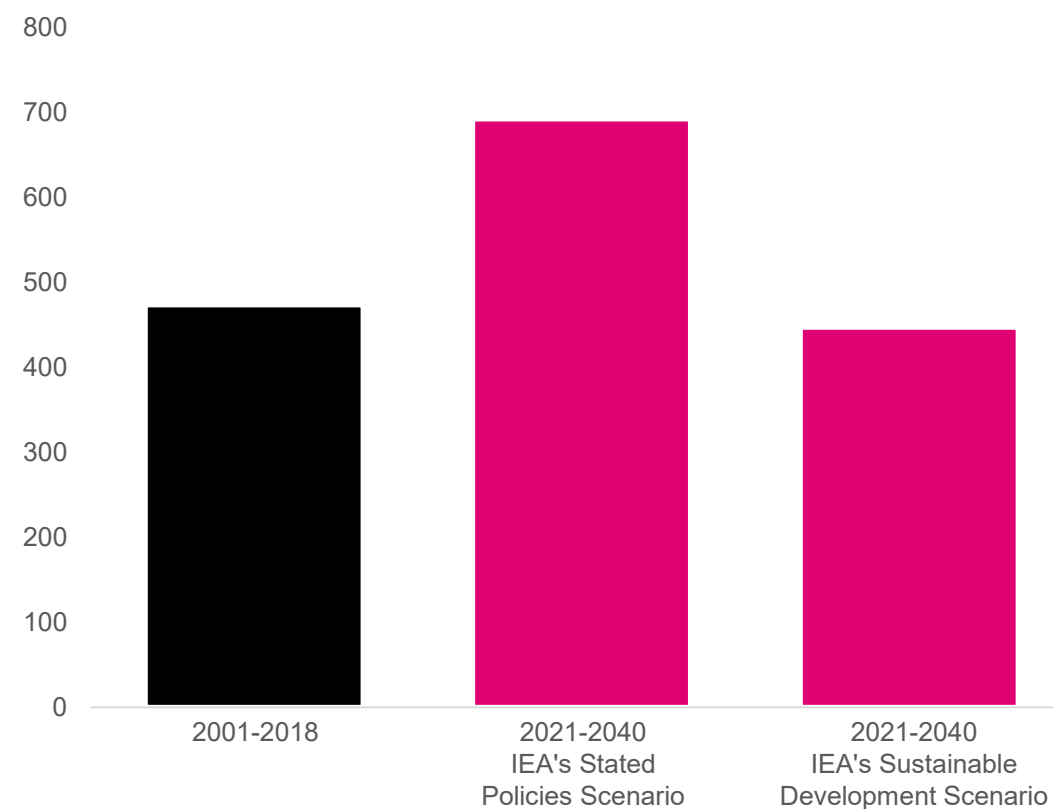
# Investments in oil and gas essential part of the energy transition

## Oil and gas a large share of the energy mix



## Upstream investments needed to meet the demand

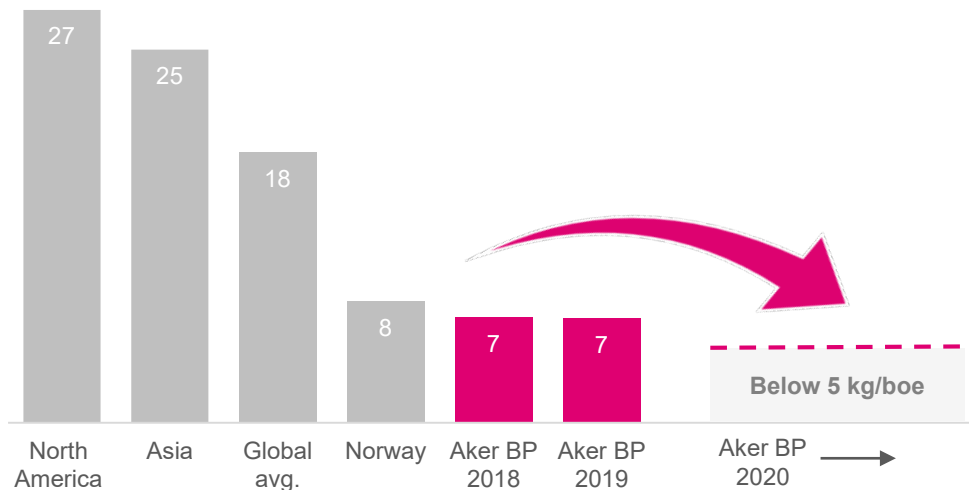
Average annual upstream oil and gas investment estimates (USD bill. 2018)



# The future requires more efficient production of oil and gas

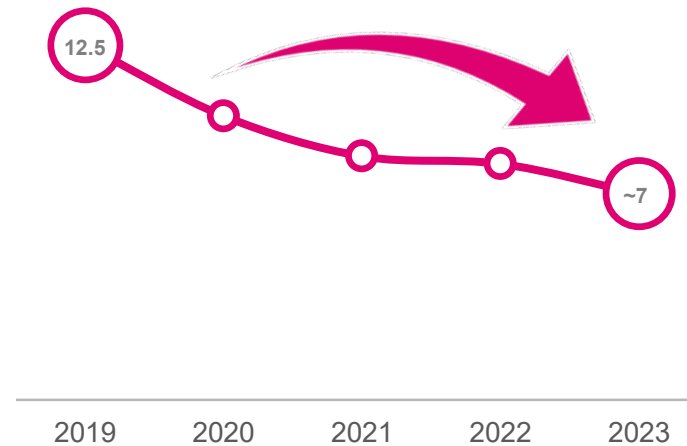
## Lower emissions

(CO<sub>2</sub> - kg/boe)



## Lower cost

Aker BP ambition (USD/boe)



- Higher returns per barrel produced
- Cater for increased cost of emissions
- Resilience to demand changes



# Our contribution as a pure play oil & gas company



## Return value

Produce efficiently  
to return high value  
from oil & gas resources  
to our stakeholders



## Reduce emissions

Reduce emissions  
from our operations  
focusing on  
the total footprint



## Share

Contribute with  
data, know-how and  
technology to other  
industries



*Creating the  
leading  
independent  
offshore E&P  
company*

Total resources<sup>1</sup>  
(billion boe)

**1.84**

Net production<sup>2</sup>  
(mboepd)

**205-220**

CO<sub>2</sub> emissions<sup>3</sup>  
(kg/boe)

**<5**

Production cost<sup>4</sup>  
(USD/boe)

**~10**

Annual share-  
holder return  
since 2016<sup>5</sup>

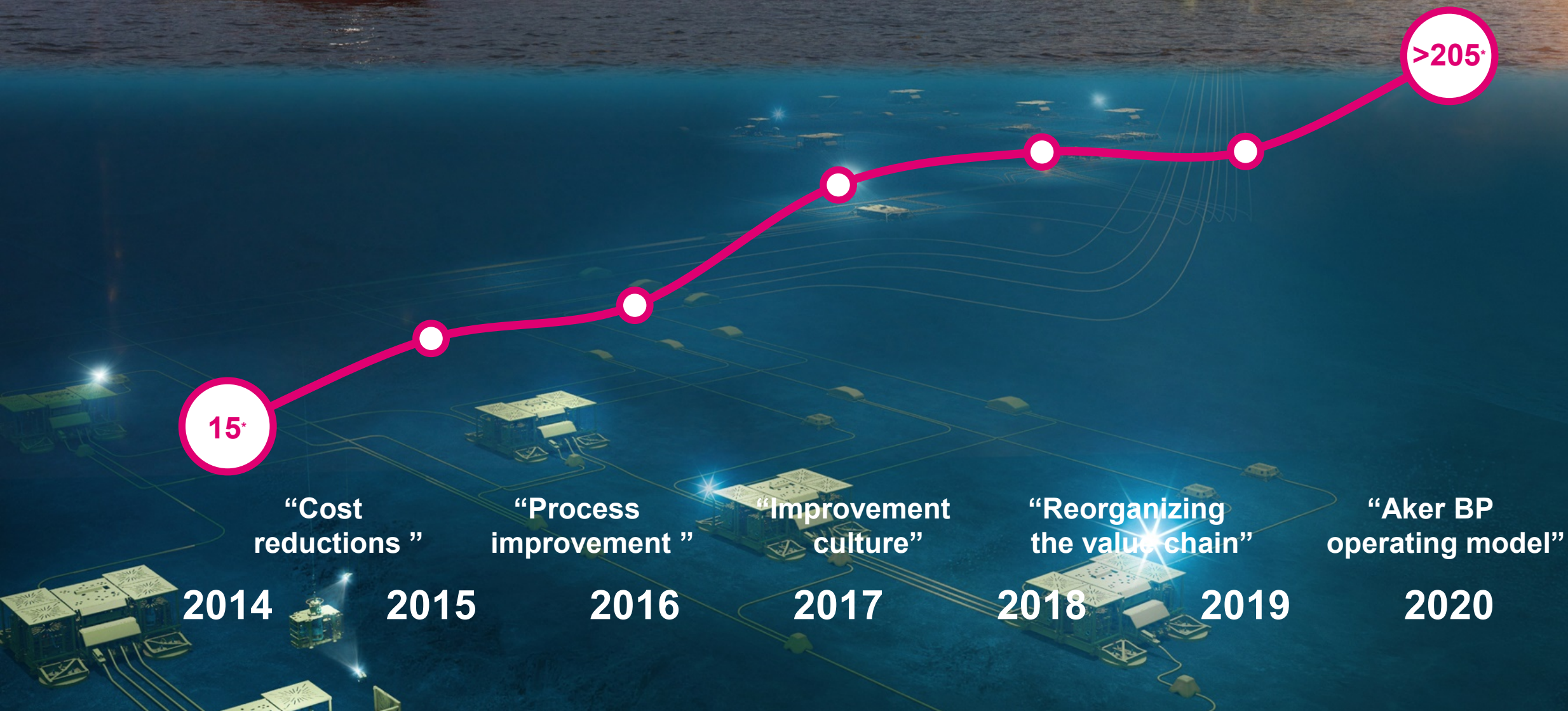
**51%**

Dividend<sup>6</sup>  
(USD mill.)

**850**



# A journey of high growth and improved efficiency





# Safe and efficient operations

- Health, safety, security and environment is always the number one priority in Aker BP
- Improvement agenda enabler for improved safety, reliability and more efficient operations
- Aker BP dedicated to significantly reduce our environmental footprint



FTSE4Good

To change is difficult  
Not to change is fatal

Photo: Aker BP office



# Our strategy for value creation



# Achievements in 2019 support our strategic development

## Operational excellence

**0.6**

*Serious Incident Frequency*

**92%**

*Production efficiency*



## Strong organic growth

**+70 000 boepd**

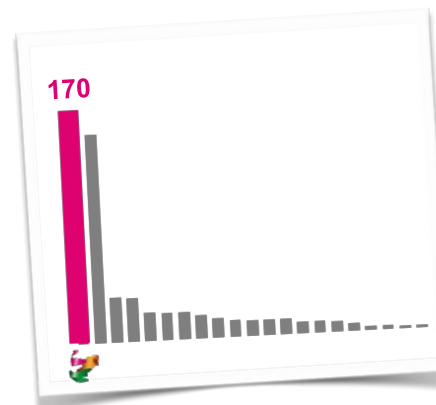
*in 2020 from three projects*



## Top explorer on the NCS

**~170 mmboe**

*net volume discovered in 2019*



## Setting drilling records!



First dual drilling operation



“Dream Mile” record at Ærfugl



First offshore single-trip multi-frac well stimulation



# Reaching our targets for 2019

	Guiding CMD	Actual	
<b>Production</b> mboepd	155-160	<b>156</b>	✓
<b>Capex</b> USD billion	1.6	<b>1.67</b>	✓
<b>Exploration</b> USD billion	0.5	<b>0.50</b>	✓
<b>Abandonment</b> USD billion	0.15	<b>0.11</b>	✓
<b>Production cost</b> USD per boe	12.5	<b>12.4</b>	✓
<b>Dividends</b> USD million	750	<b>750</b>	✓



IMPROVE

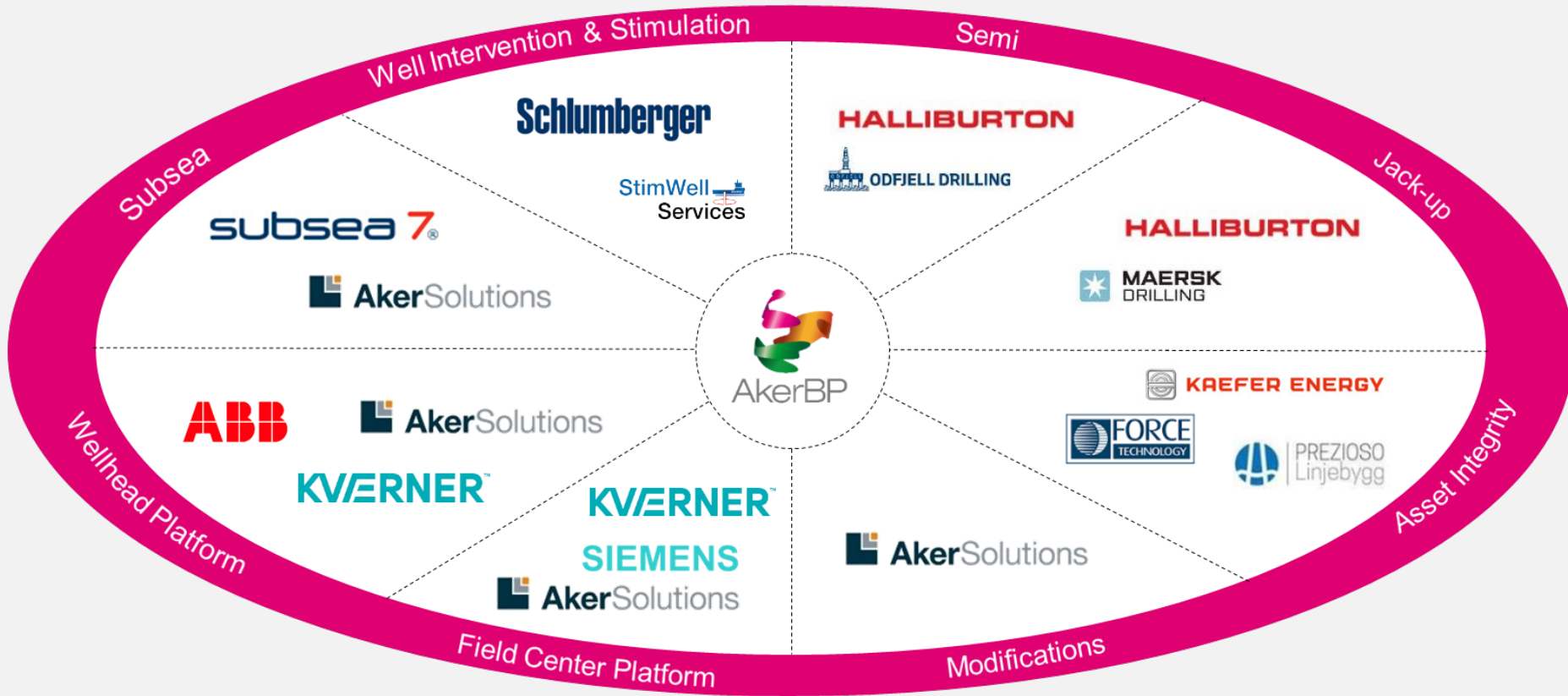
# Aker BP's improvement pillars driving efficiency



IMPROVE

# The alliances are the cornerstones of our improvements

One team – common goals – shared incentives





IMPROVE

# Tech is easy - implementation is hard



Cooperation and  
partnerships



Ensure  
scalability

Value outtake and  
accountability

Drive change in  
business models

GROW

# Profitable organic and inorganic growth





GROW

# Counter-cyclical and value-driven approach to M&A



GROW

# Targeting new opportunities

## CRITERIA FOR M&A IN AKER BP

1

Financially  
accretive

2

Operated  
assets

3

Predominantly  
liquids

4

Upside  
potential

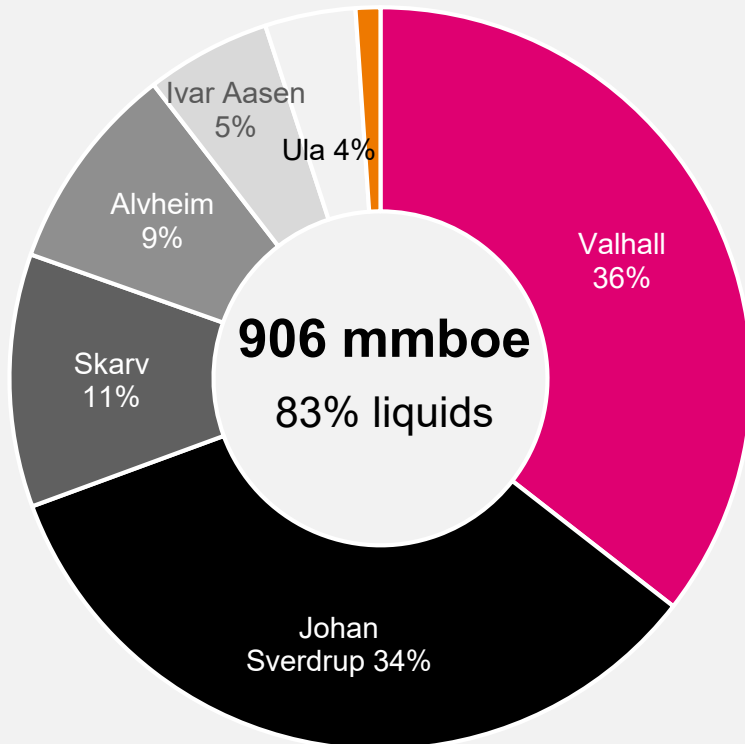




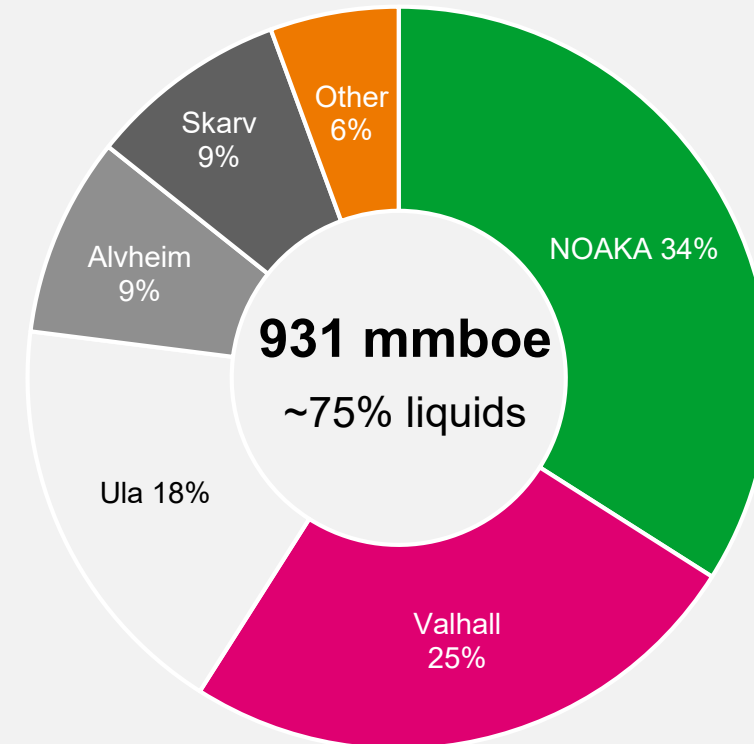
# TARGETING SUPERIOR VALUE CREATION

# Unique resource base – a strong foundation for organic growth

2P reserves



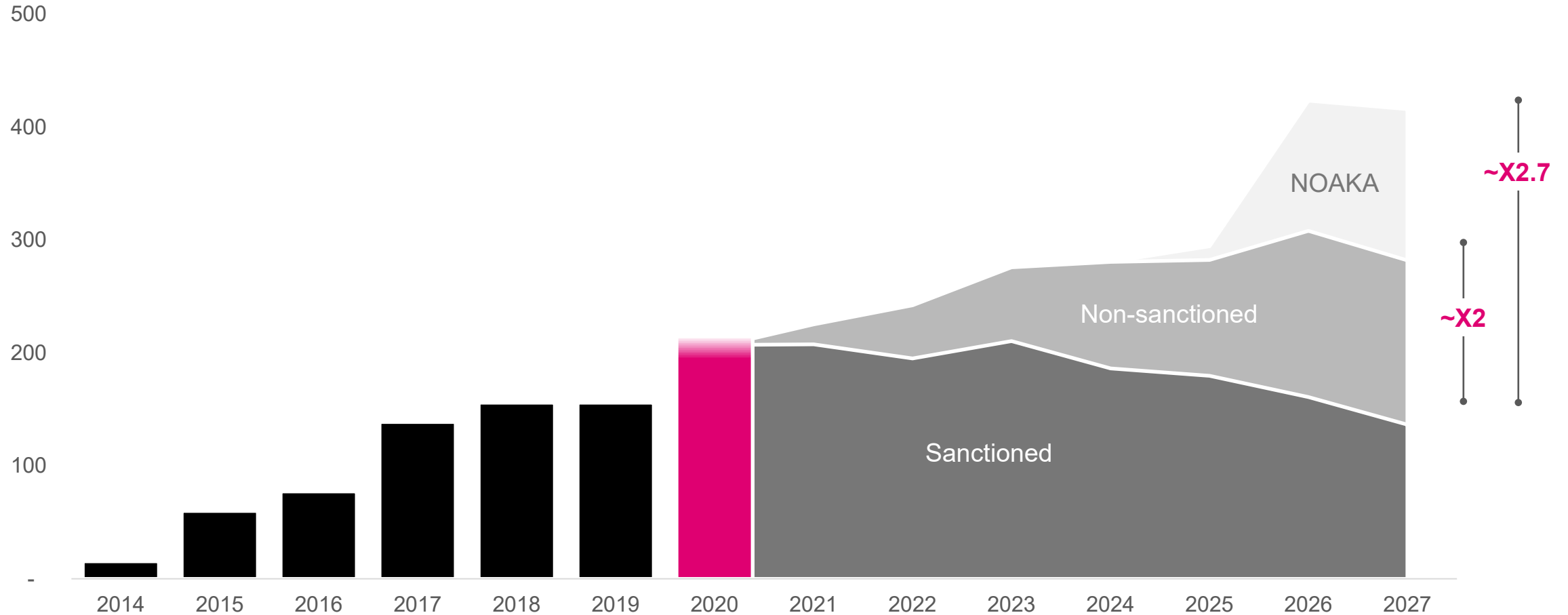
2C resources



## TARGETING SUPERIOR VALUE CREATION

# High and profitable growth from existing portfolio

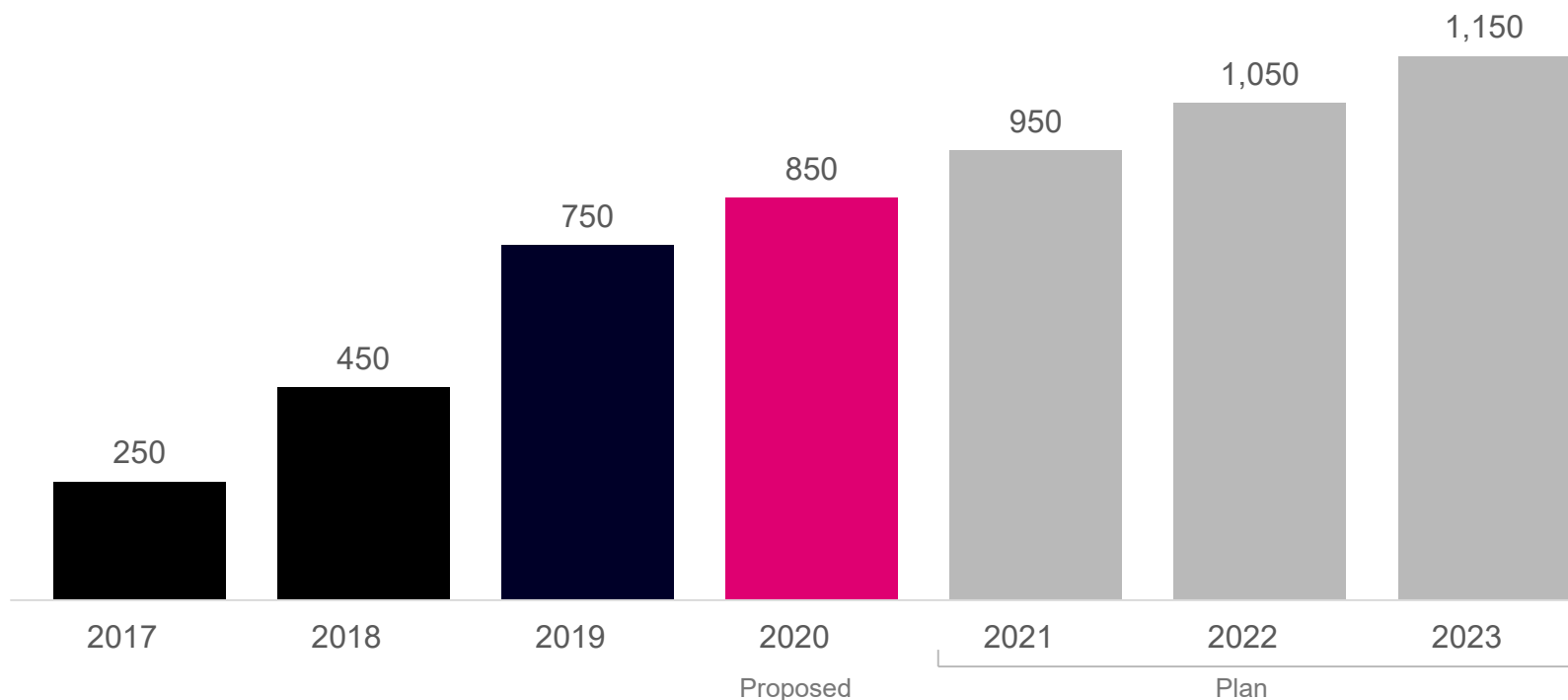
Production ambition (mboepd)



## TARGETING SUPERIOR VALUE CREATION

# Returning value creation to shareholders

Dividends, USD million



USD per share:

0.74	1.25	2.08	2.36	2.64	2.92	3.19
------	------	------	------	------	------	------

- Strong cash flow from existing portfolio
- Profitable growth from project pipeline
- Strong balance sheet

**HIGH  
EFFICIENCY**

**PROFITABLE  
GROWTH**

**VALUE  
CREATION**





# Maximizing the value of our assets

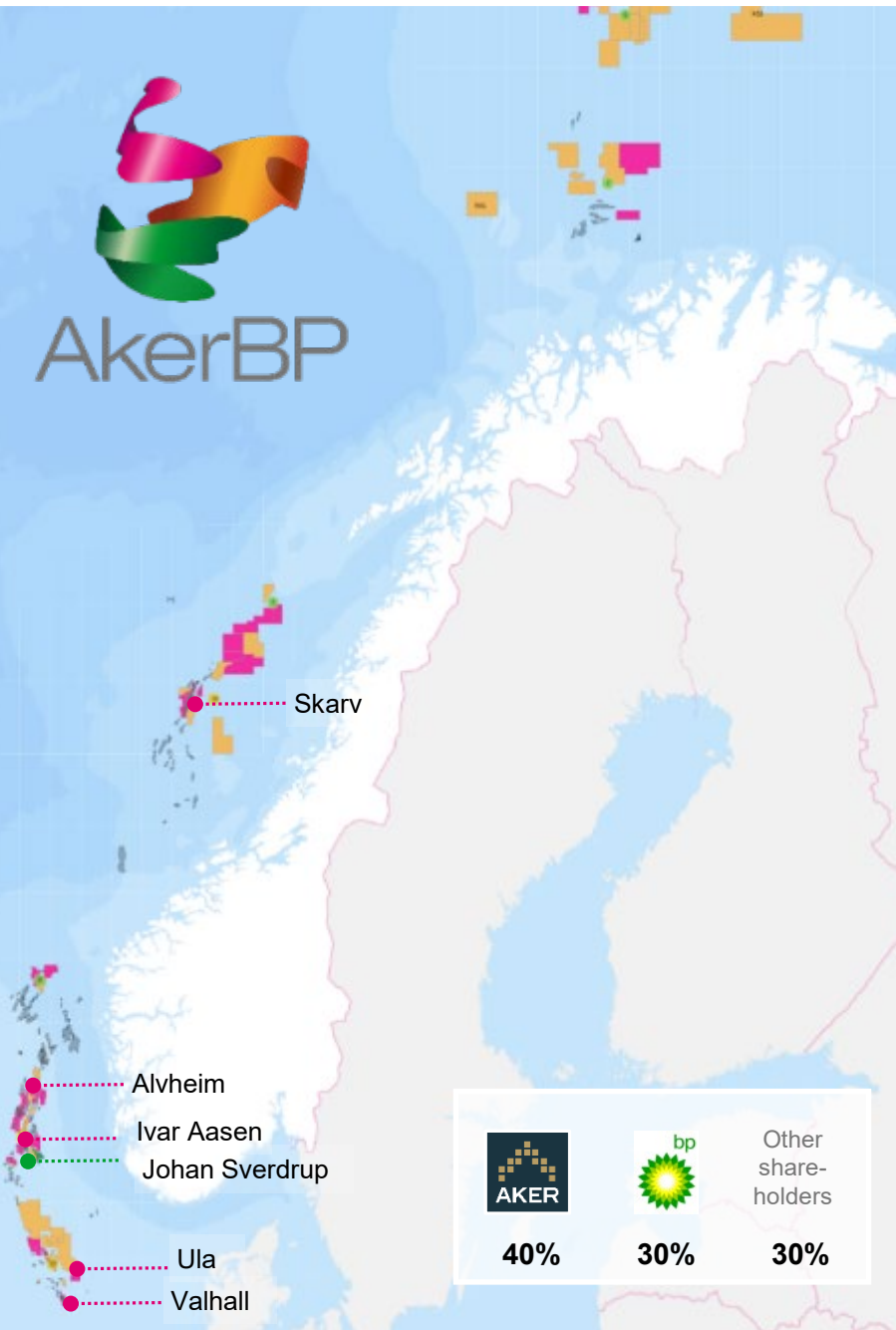
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**Kjetel Digre**  
SVP Operations & Asset Development







Alvheim  
Ivar Aasen  
Johan Sverdrup  
Ula  
Valhall



40%



30%

Other  
share-  
holders

30%



Vallhall area  
Operator, 90%



Alvheim area  
Operator, ~65%



Skarv area  
Operator, ~24%



Ivar Aasen  
Operator, ~35%

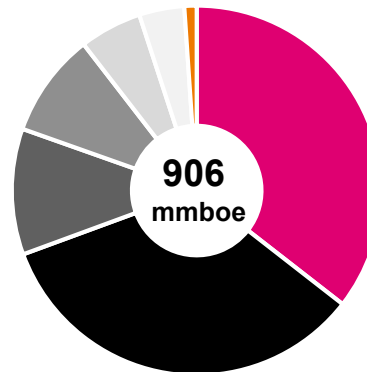


Ula area  
Operator, 15-80%



Johan Sverdrup  
11.6%

2P reserves



Vallhall

Alvheim

Skarv

Ivar  
Aasen

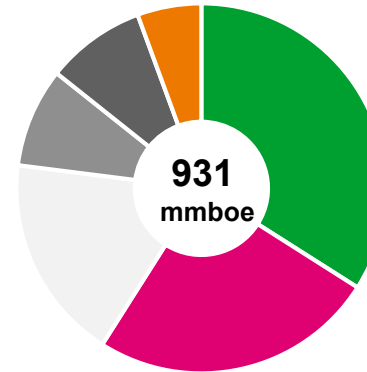
Ula

Johan  
Sverdrup

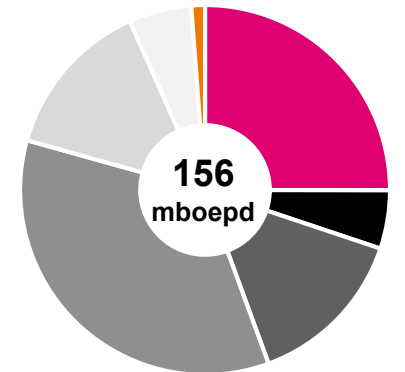
Other

NOAKA

2C reserves



2019 production



MAXIMIZING THE VALUE OF OUR ASSETS

## Key operational priorities

### SAFETY

**0**

Serious incidents

### LOW EMISSIONS

**5<sub>kg</sub>**

CO<sub>2</sub> emissions per barrel

### LOW COST

**< \$7**

Production cost per barrel

### HIGH PRODUCTION EFFICIENCY

**95%**

Production efficiency

### PROFITABLE GROWTH

**\$35**

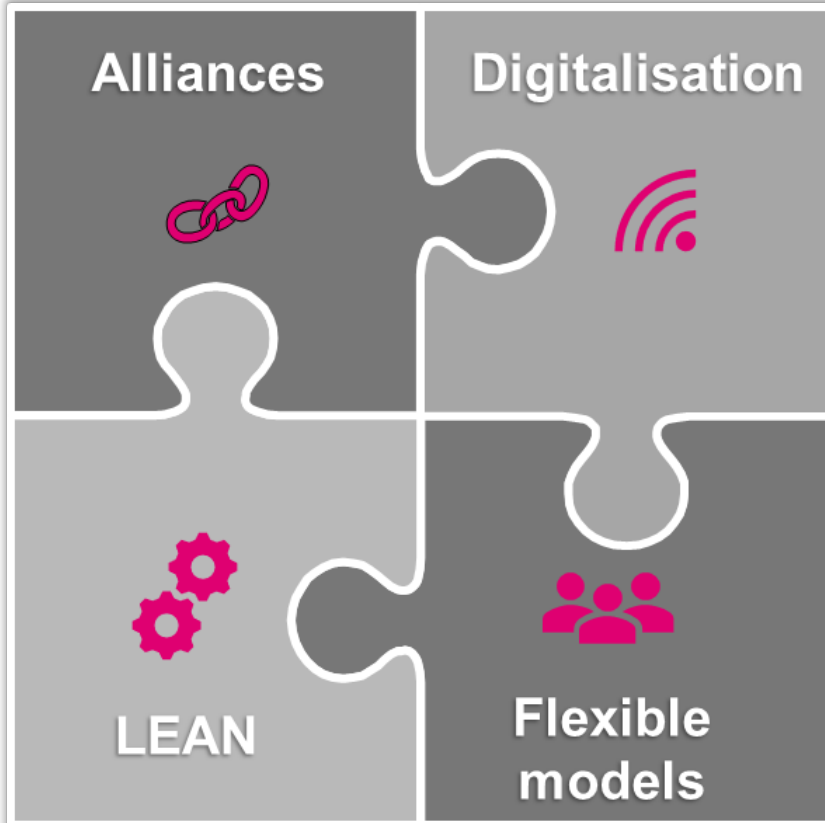
Full life cycle break-even requirement



MAXIMIZING THE VALUE OF OUR ASSETS

# Driving operational excellence

Using the improvement toolbox...



...to build a leading operating model

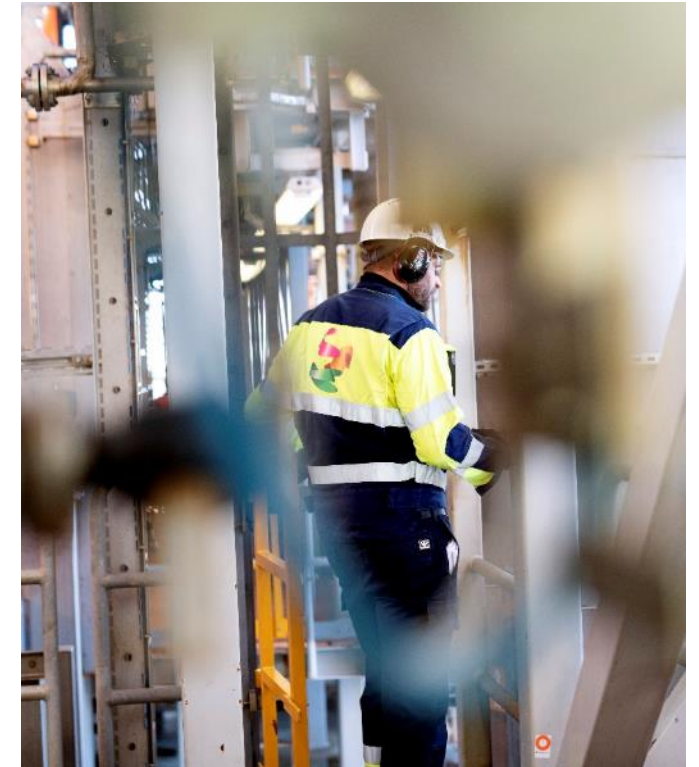
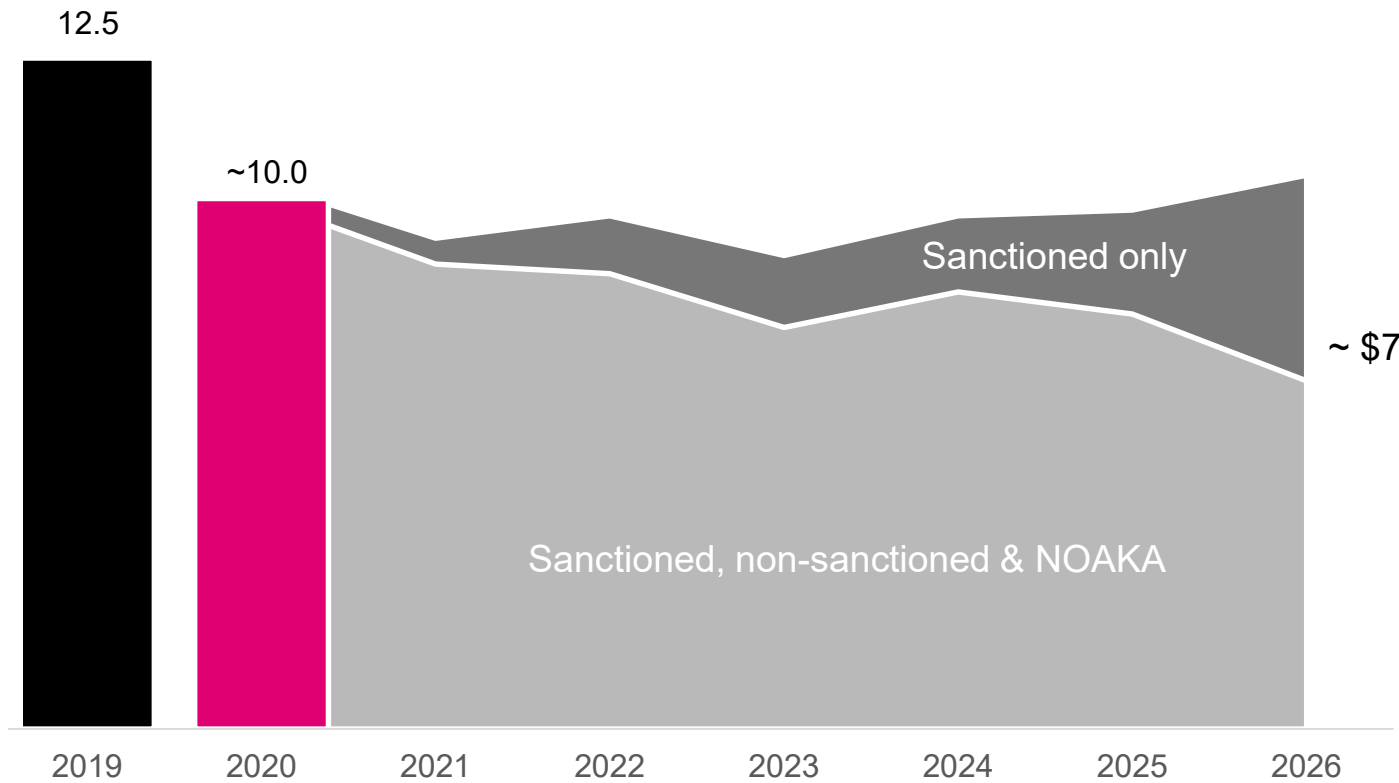




## MAXIMIZING THE VALUE OF OUR ASSETS

# Driving down cost – targeting below USD 7 per barrel

Production cost (USD/boe)

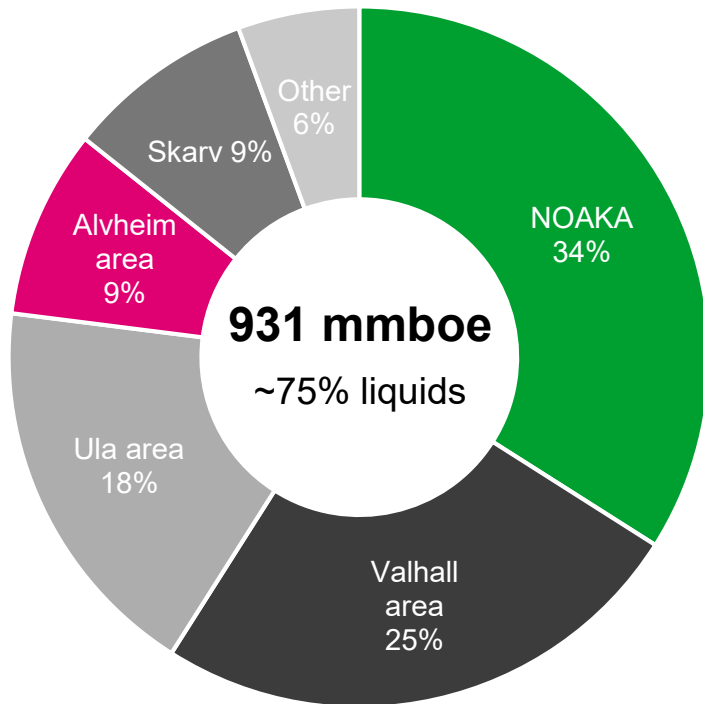


## MAXIMIZING THE VALUE OF OUR ASSETS

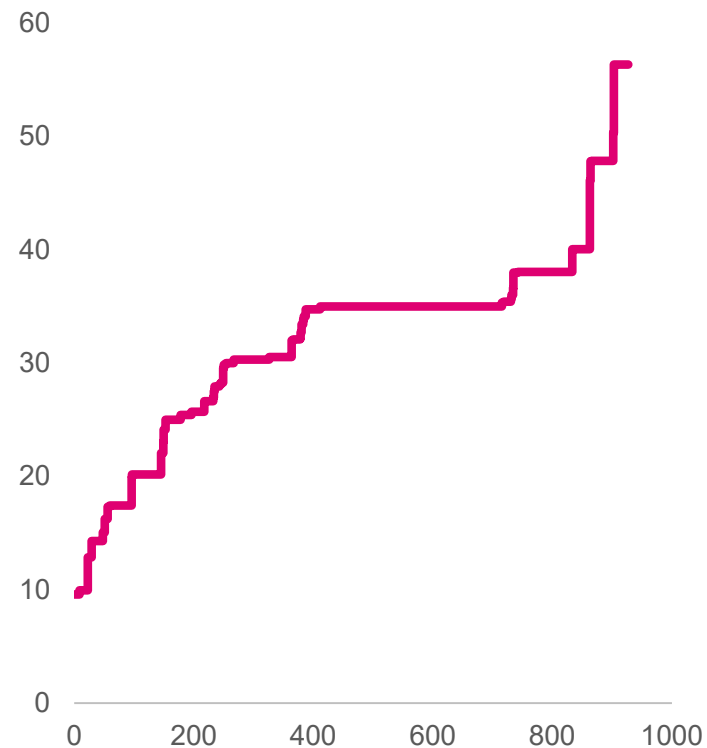
# A large and profitable opportunity set for growth

Large resource base with highly attractive economics...

2C contingent resources

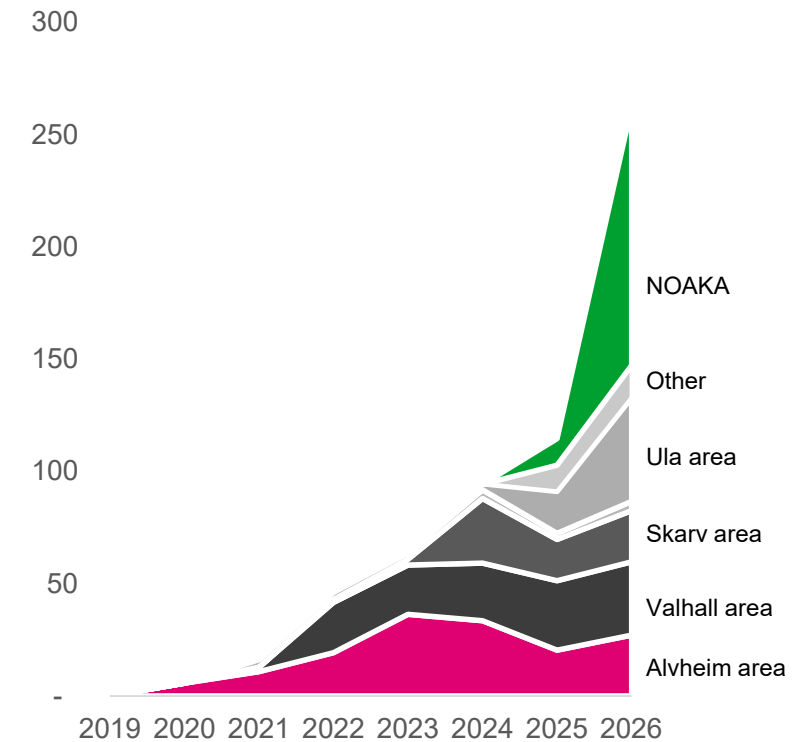


Break-even for non-sanctioned projects (USD/boe)<sup>1)</sup>



... yields increased production

Production ambition non-sanctioned projects  
Mboepd







# Ærfugl project

300

MILLION BOE

\$15

ÆRFUGL  
BREAK-EVEN PRICE

Substantial improvements  
through alliances

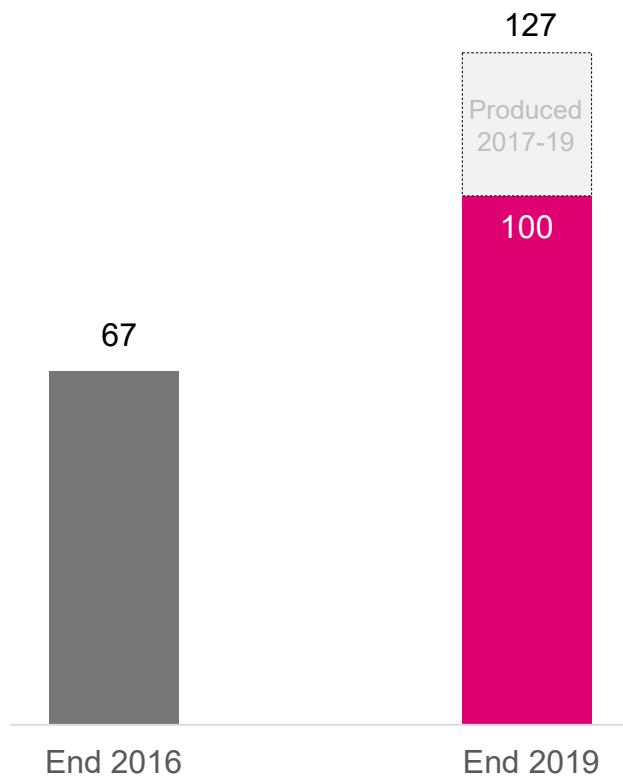
Accelerated  
production

Start-up in  
first half of 2020

# Increased volumes, better efficiency and lower cost

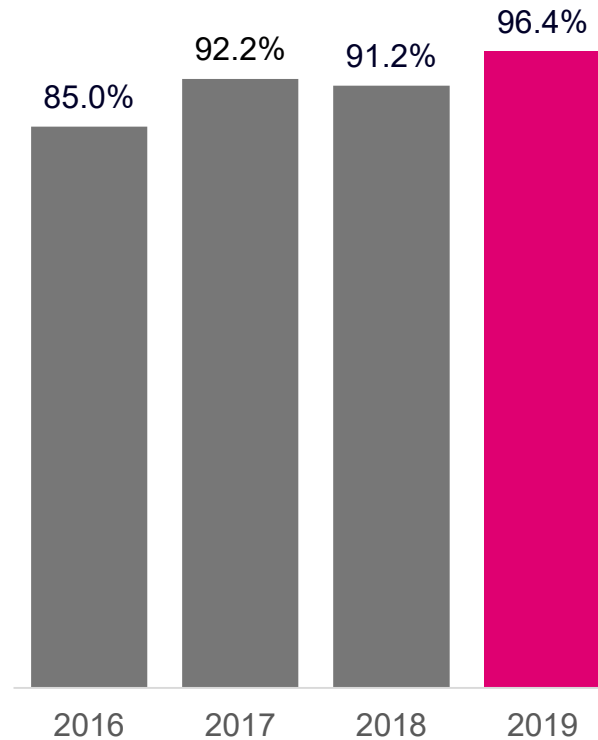
## Increased 2P reserves at Skarv

Reserves addition of 85% last three years  
(mmboe, net)



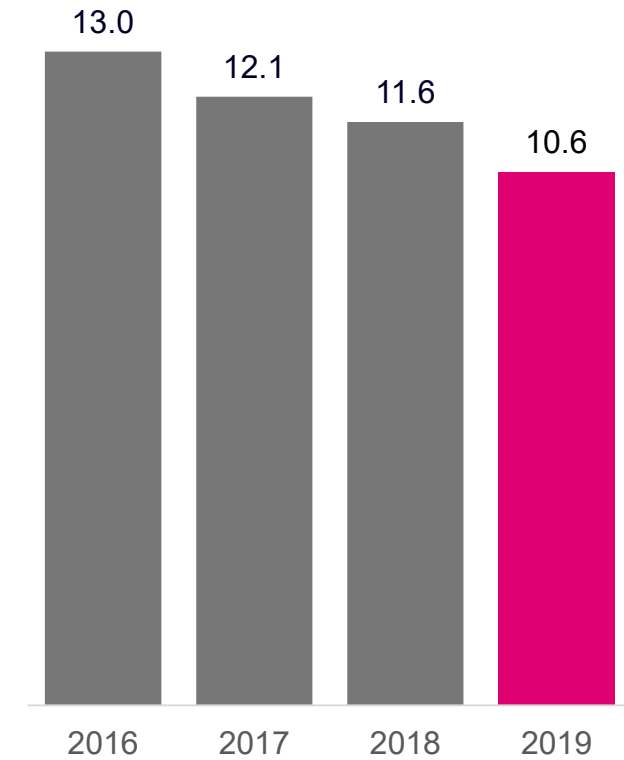
## Improved production efficiency

Tremendous improvement on Skarv adds  
volume and value



## Reduced production cost

USD per barrel





# Optimization of energy use and logistics at Skarv

## ANNUAL CO<sub>2</sub> REDUCTIONS OF ABOVE 25 000 TONNES

1

*Reduced export pressure and reduced energy use in the gas cleaning process*

**Effects:**

- ✓ Reduced emissions and increased gas sales (scope 1 emissions)
- ✓ Annual CO<sub>2</sub> emissions **22 000** tonnes lower and NOK 36 million in annual savings

2

*Rescheduling in collaboration with other operators in the area*

**Effects:**

- ✓ Reduced fuel consumption and emissions (scope 3 emissions)
- ✓ Annual CO<sub>2</sub> emissions **3 300** tonnes lower and NOK 2.4 million in annual savings

# Priorities and outlook

## Execute

- Deliver Ærfugl project on time and cost
- Maintain high production efficiency

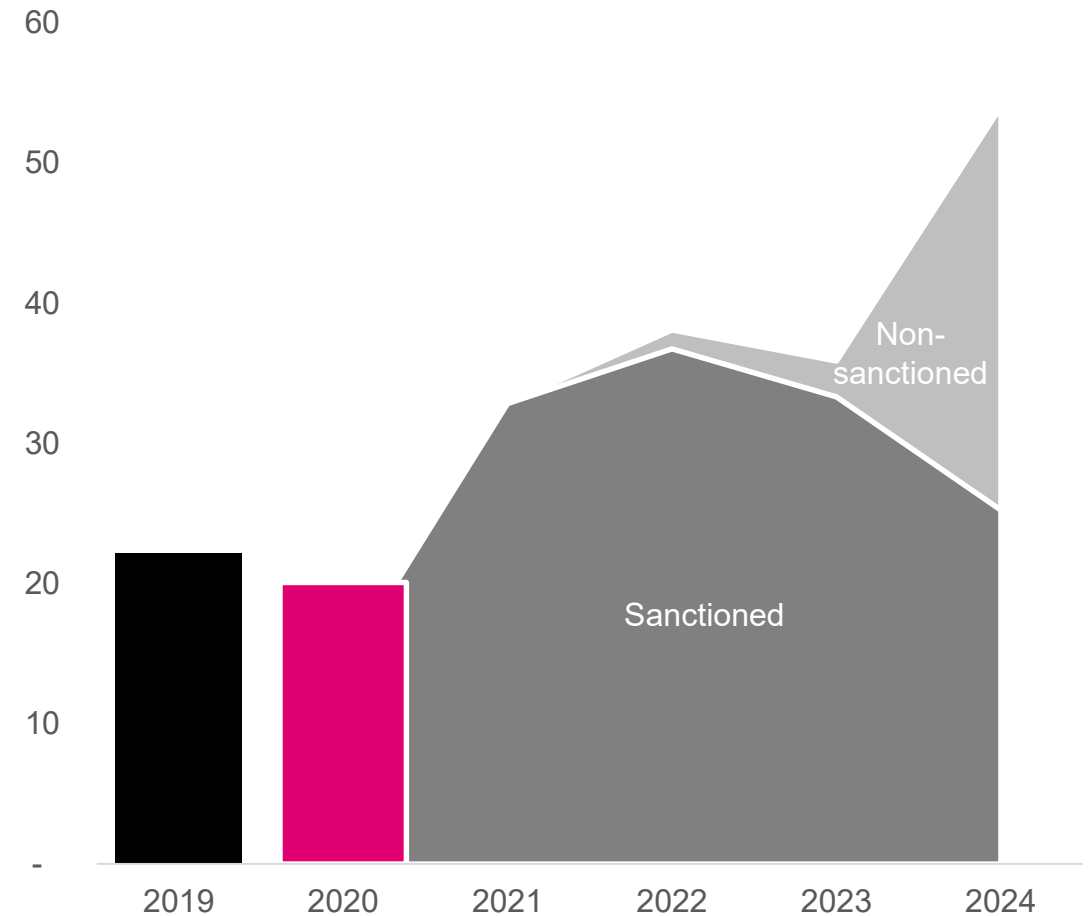
## Improve

- Piloting automated inspections
- Reduce emissions

## Grow

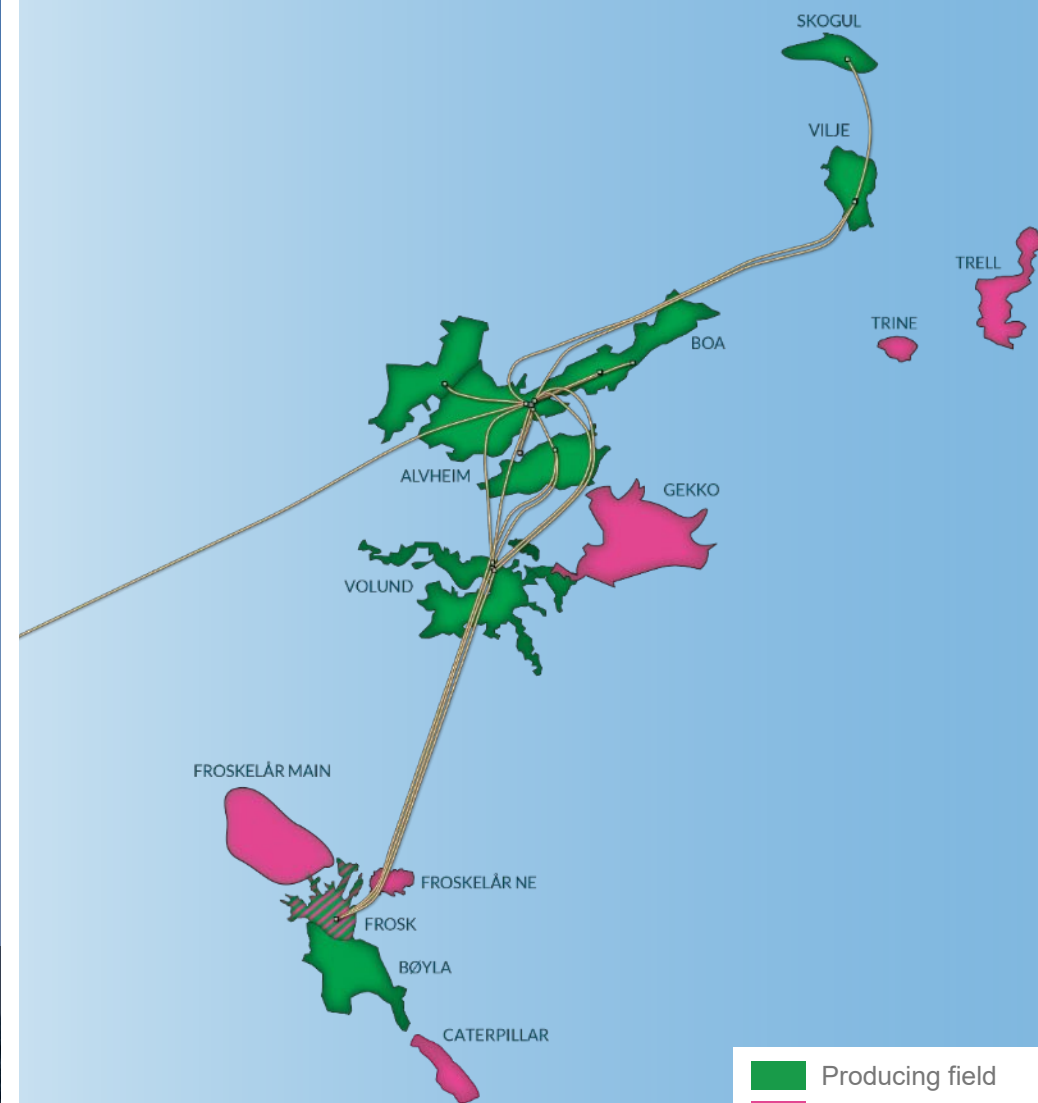
- Mature and develop existing discoveries
- Continued exploration and appraisal

Skarv production outlook<sup>1)</sup> (net mboepd)





# Alvheim area





ALVHEIM – A GREAT SUCCESS STORY

# The Aker BP blueprint for area developments

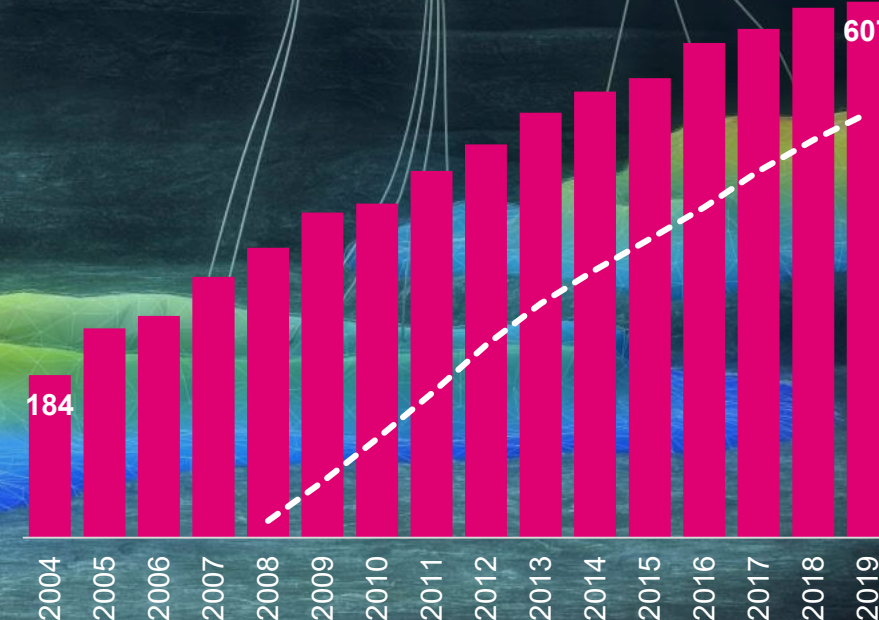
1

Excellent operations

2

Active area development

Alvheim area – total reserves<sup>1)</sup>  
Million boe



— — — Cumulative production

# Priorities and outlook

## Execute

- Safe and reliable operations
- Deliver new wells

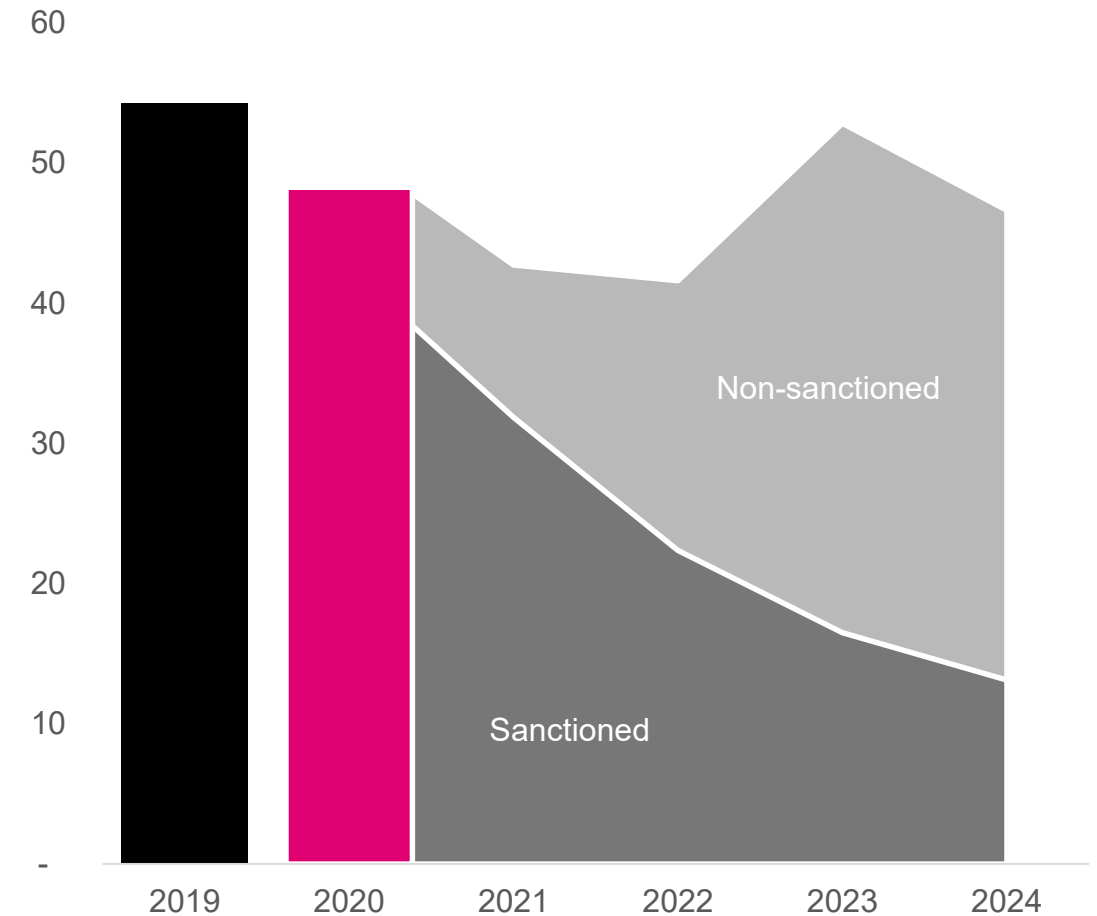
## Improve

- Production optimization
- High production efficiency

## Grow

- Mature and develop area resources
- Evaluate debottlenecking opportunities

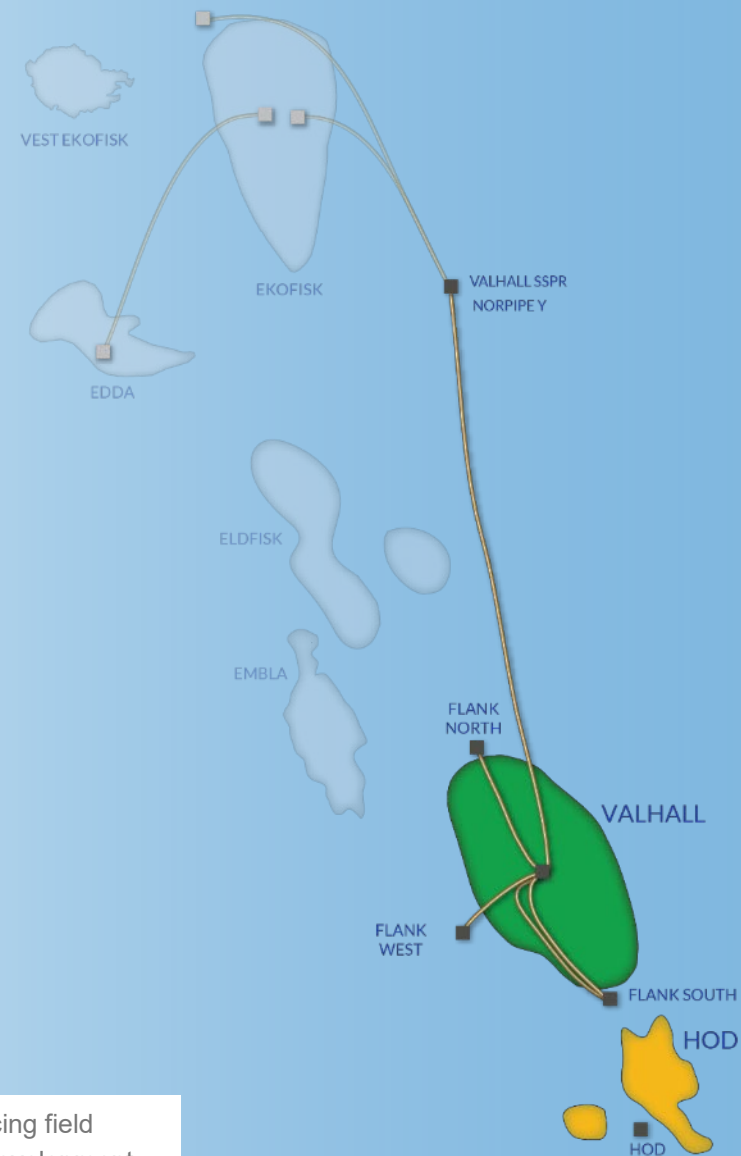
Alvheim production outlook<sup>1)</sup> (net mboepd)







# Valhall area





# Valhall Flank West project

80

MILLION BOE

\$28

VALHALL FLANK WEST  
BREAK-EVEN PRICE

**A new standard for  
flank developments**

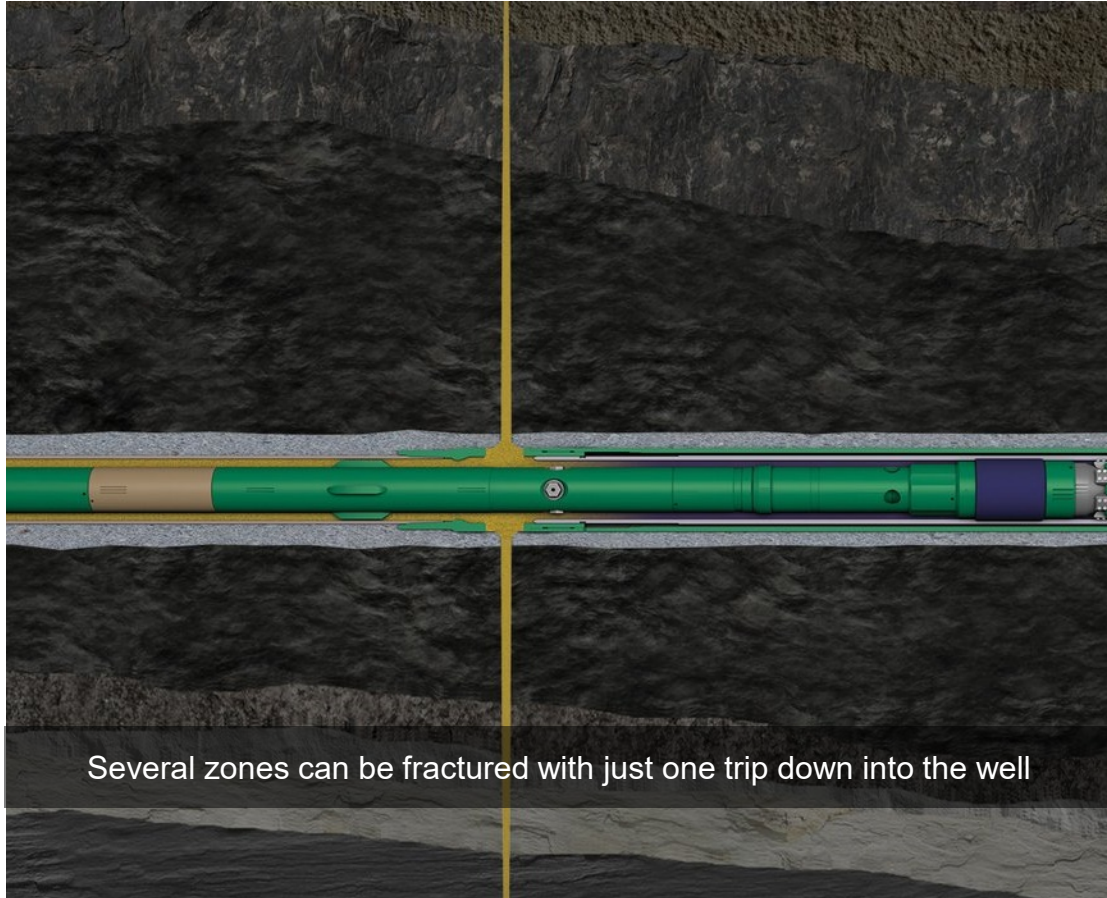
**Alliance strategy vital for  
project success**

**Excellent safety  
performance**



# First successful offshore “Single-Trip Multi-Frac” campaign

Key technology to enable increased recovery



- Applied at Valhall with success
- An alliance delivery
  - Part of the Well Intervention and Stimulation alliance with Stimwell Services and Schlumberger
- Benefits
  - Less time spent per well
  - Reduced cost
  - Gets the well earlier on stream
- Key enabling technology for tight oil reservoirs both at Valhall and elsewhere
- Helping unlock the next billion barrels at Valhall



# Priorities and outlook

## Execute

- Maintain high production efficiency
- Drill, complete and stimulate new wells
- Execute P&A campaign

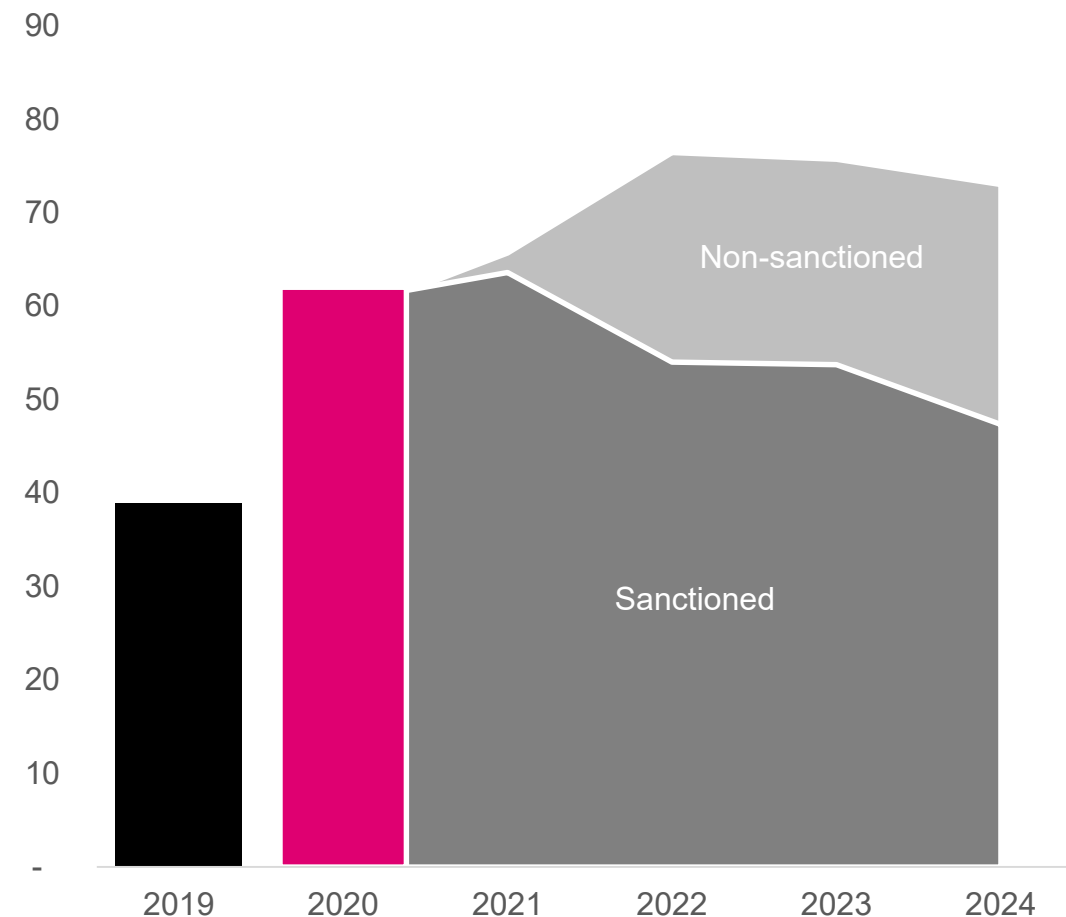
## Improve

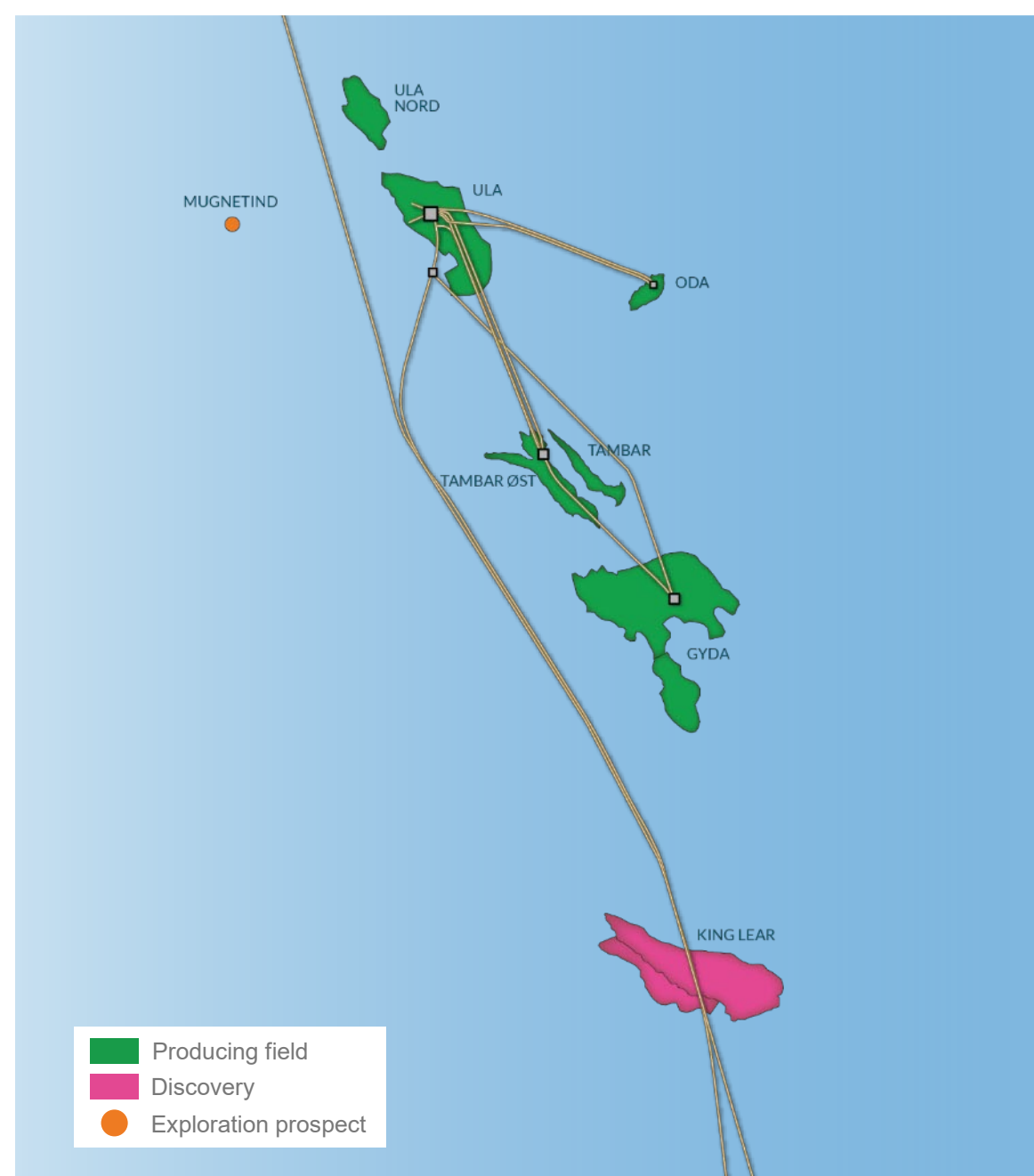
- Reduce opex
- Aker BP frontrunner on integrated planning
- Strategic transformation program

## Grow

- Hod development project
- Mature new infill targets
- Develop drainage strategy for Diatomite

Valhall production outlook<sup>1)</sup> (net mboepd)





# Priorities and outlook

## Execute

- Ula infill drilling campaign
- Drill Triassic pilots, and test of gas injection

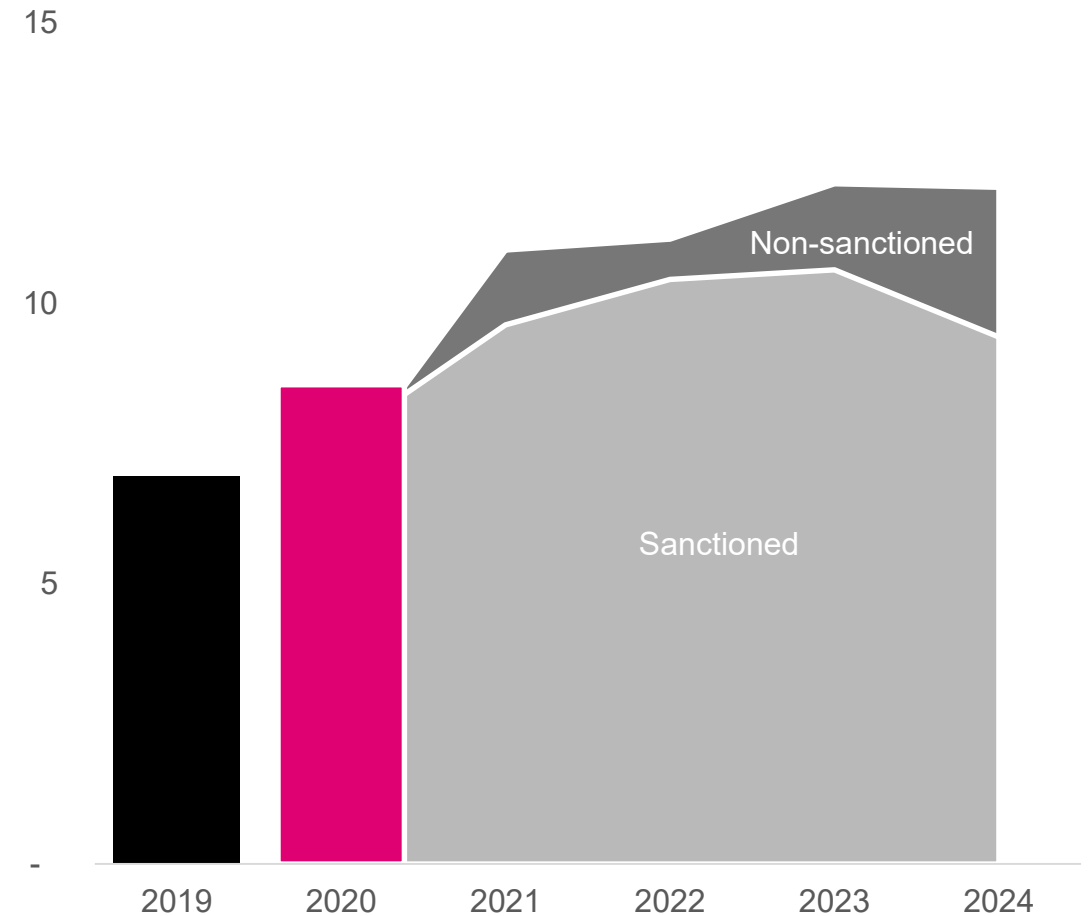
## Improve

- Handling of produced water
- Drive down opex

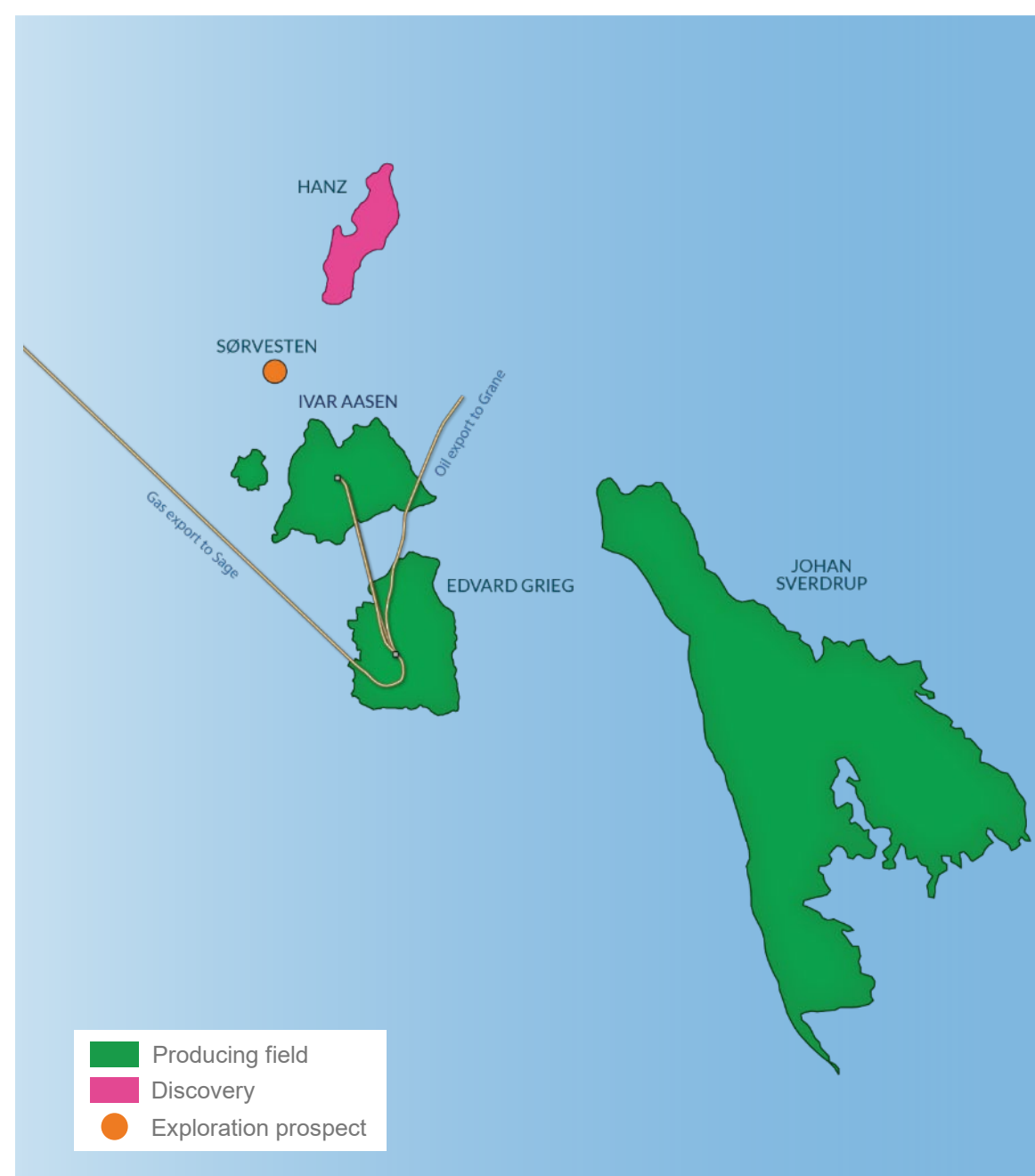
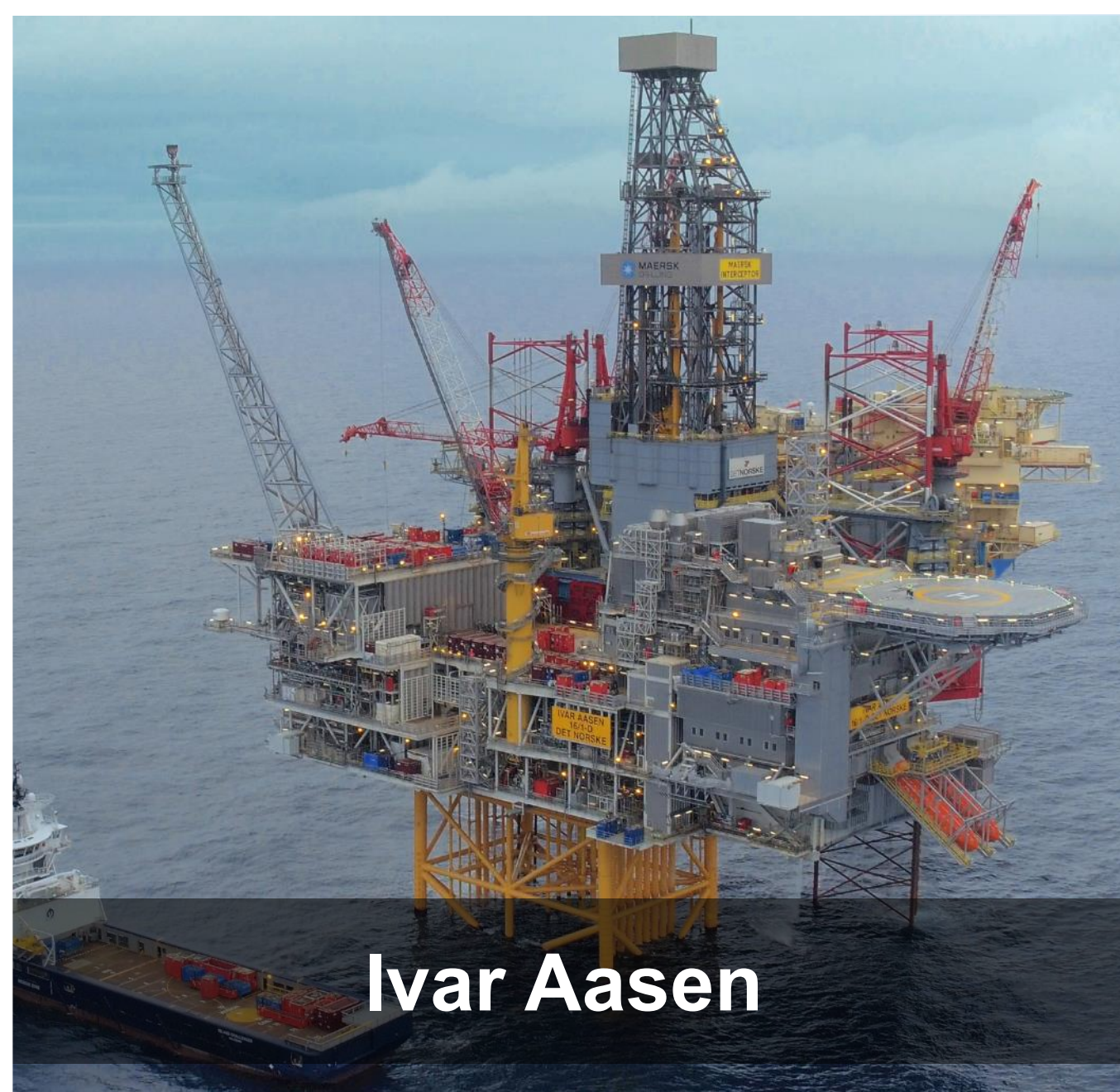
## Grow

- Mature Ula re-development plans
- Mature King Lear – significant potential post 2025
- Pursue area exploration prospects

Ula production outlook<sup>1)</sup> (net mboepd)







# Onshore control room – a successful first year

**IMPROVE**  
**First manned platform in Norway to be controlled from shore**

Onshoring the Ivar Aasen control room

- Implemented 16 January 2019
- Developing industry-leading digital solutions to gain experience and prepare Aker BP's Field of the Future
- Improved collaboration with onshore engineering resources

An important step towards the  
**Field of the Future**



The offshore control room moved onshore as the first in Norway

AkerBP

47

- 1 Record production efficiency
- 2 Cooperation across disciplines
- 3 Evaluating partly unmanned operations

# Priorities and outlook

## Execute

- Maintain high production efficiency
- Drill two new IOR wells
- Perform first TAR since start-up

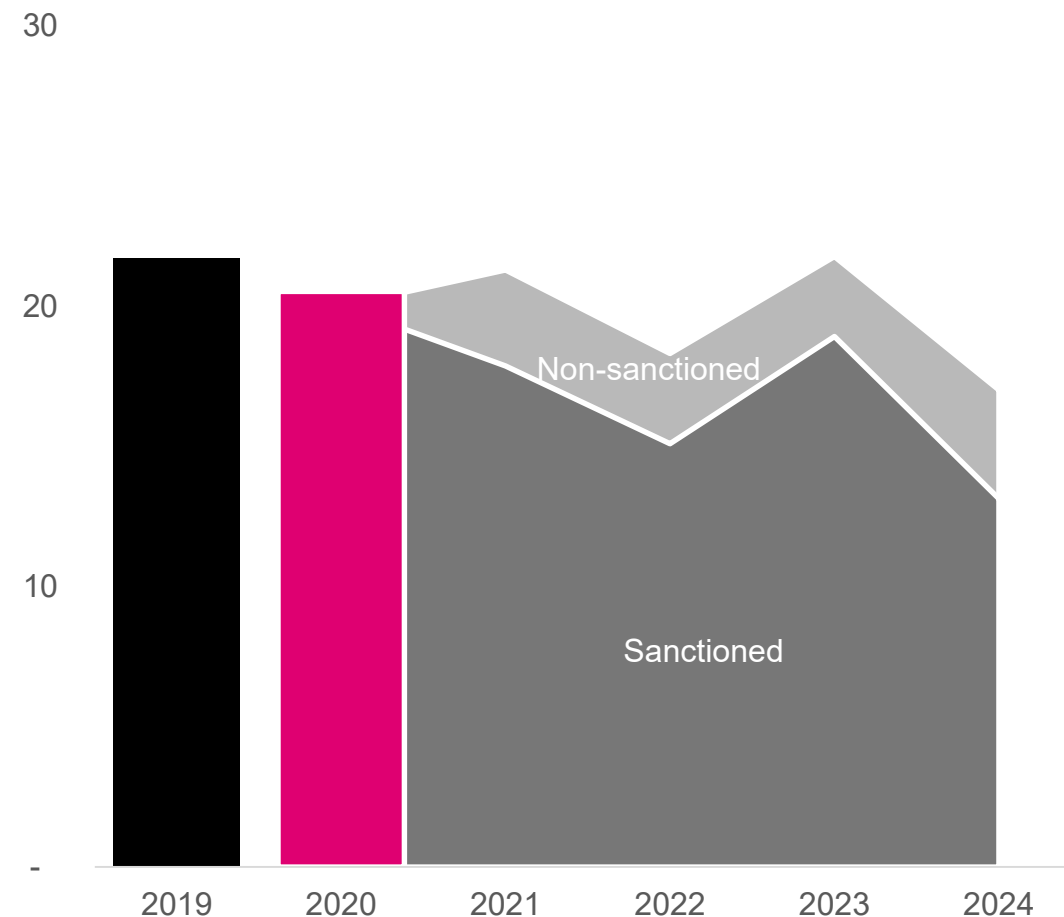
## Improve

- Full electrification by 2022
- Aker BP's frontrunner for digital operations
- Implement new operation model

## Grow

- Mature Hanz and new infill targets
- Drill Sørvesten prospect in PL780 as partner
- Mature near-field exploration targets

Ivar Aasen production outlook<sup>1)</sup> (net mboepd)





# A world class oil field

## RESOURCES

Resources: 2.2-3.2 bn boe

2P reserves: 2.7 bn boe

Recovery ambition  
above 70%

## PRODUCTION

Currently ~350 mboepd

Plateau production phase 1  
of 440 mboepd (Q2 20)

Plateau production phase 2  
of 660 mboepd (Q2 22)

## PROFITABILITY

Break even oil price below  
USD 20 per barrel

Production cost below  
USD 2 per barrel

## CO<sub>2</sub> INTENSITY

0.67 kg per barrel

Photo: Equinor

## Phase 2 with first oil late 2022 to lift production to +660 000 boepd

New processing platform

28 wells

5 templates

Gross Capex: NOK 41 bill.

Adding 220 000 boed

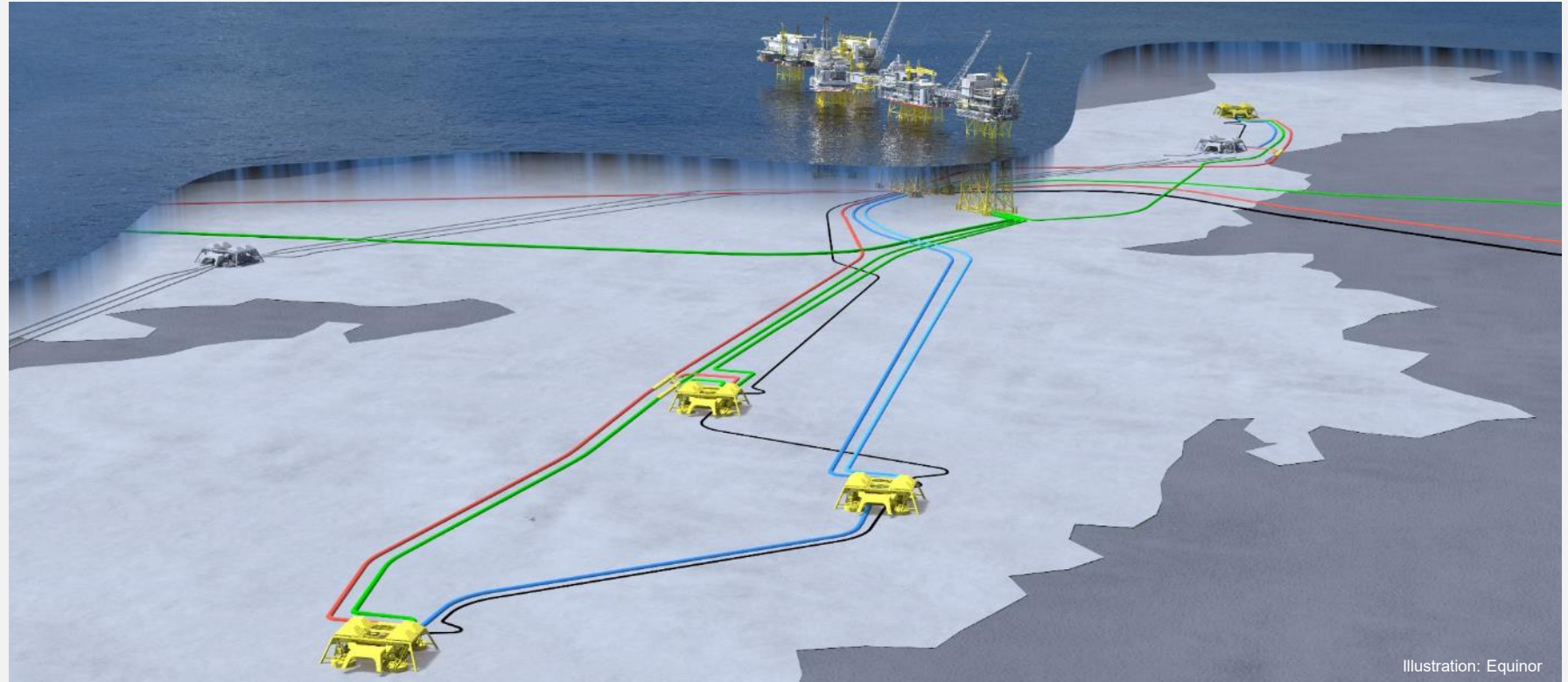


Illustration: Equinor





# MAXIMIZING THE VALUE OF OUR ASSETS

**SAFETY**

**LOW  
EMISSIONS**

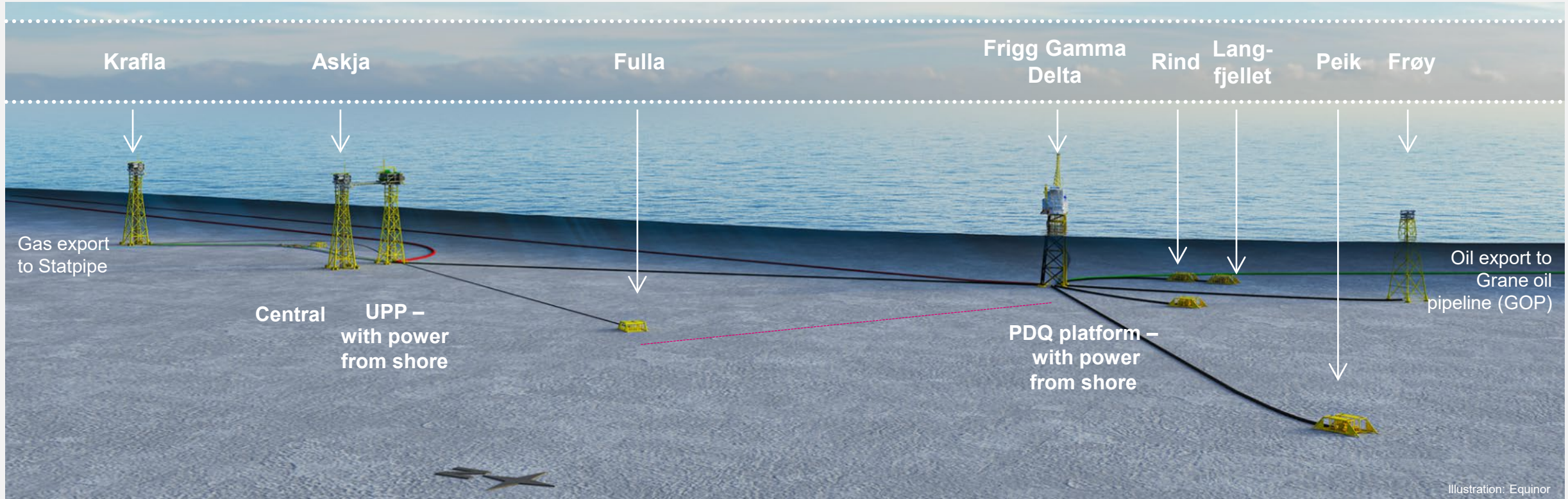
**LOW  
COST**

**HIGH PRODUCTION  
EFFICIENCY**

**PROFITABLE  
GROWTH**



# Progressing towards a joint development of the NOAKA area



# Creating value through exploration

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**Evvy Glørstad**

SVP Exploration and Asset initiation





EXPLORATION STRATEGY

# The Aker BP exploration formula

Maximize value of  
operated hubs

60 %

Explore for new  
hub potential

40 %

Smart integration of  
data and technology

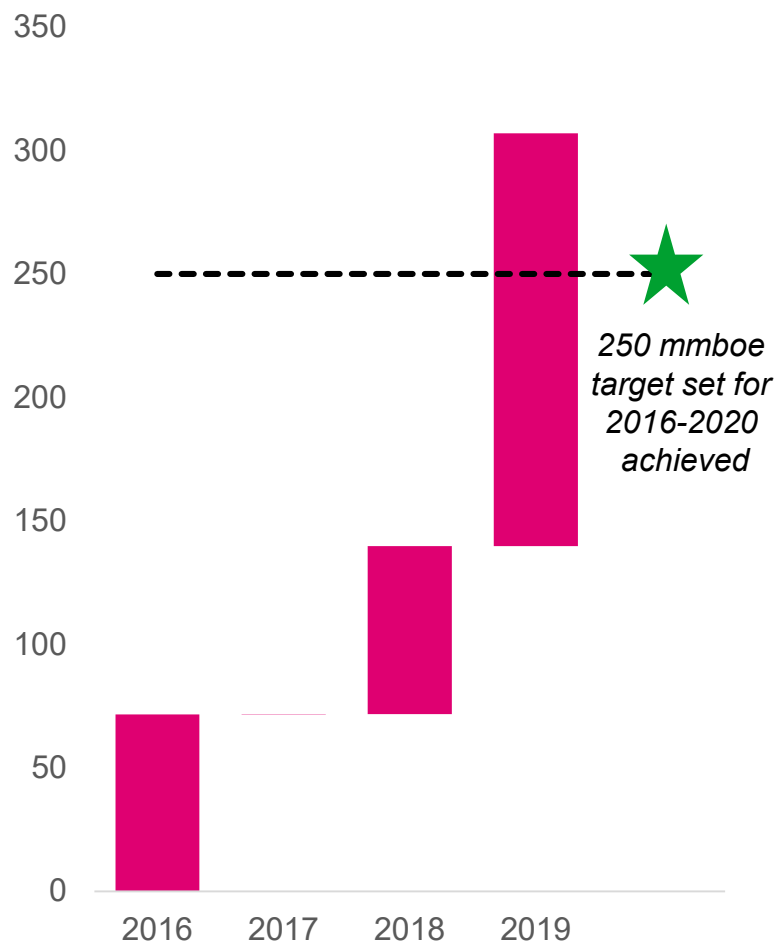




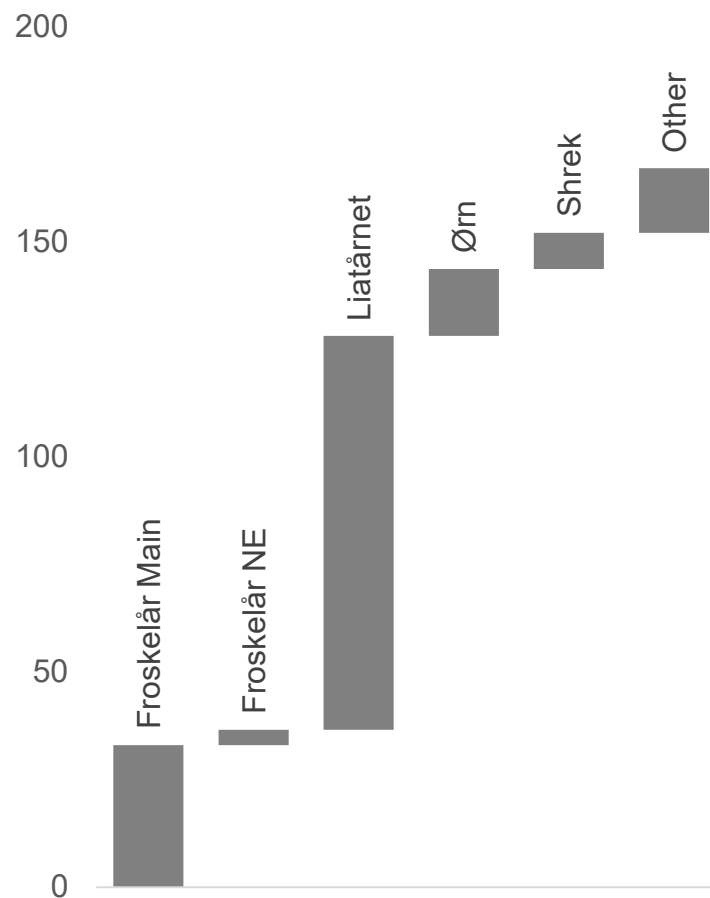
## EXPLORATION

# Excellent exploration results in 2019

Discovered volume per year (mmboe)



2019 discoveries (mmboe)



2019 achievements

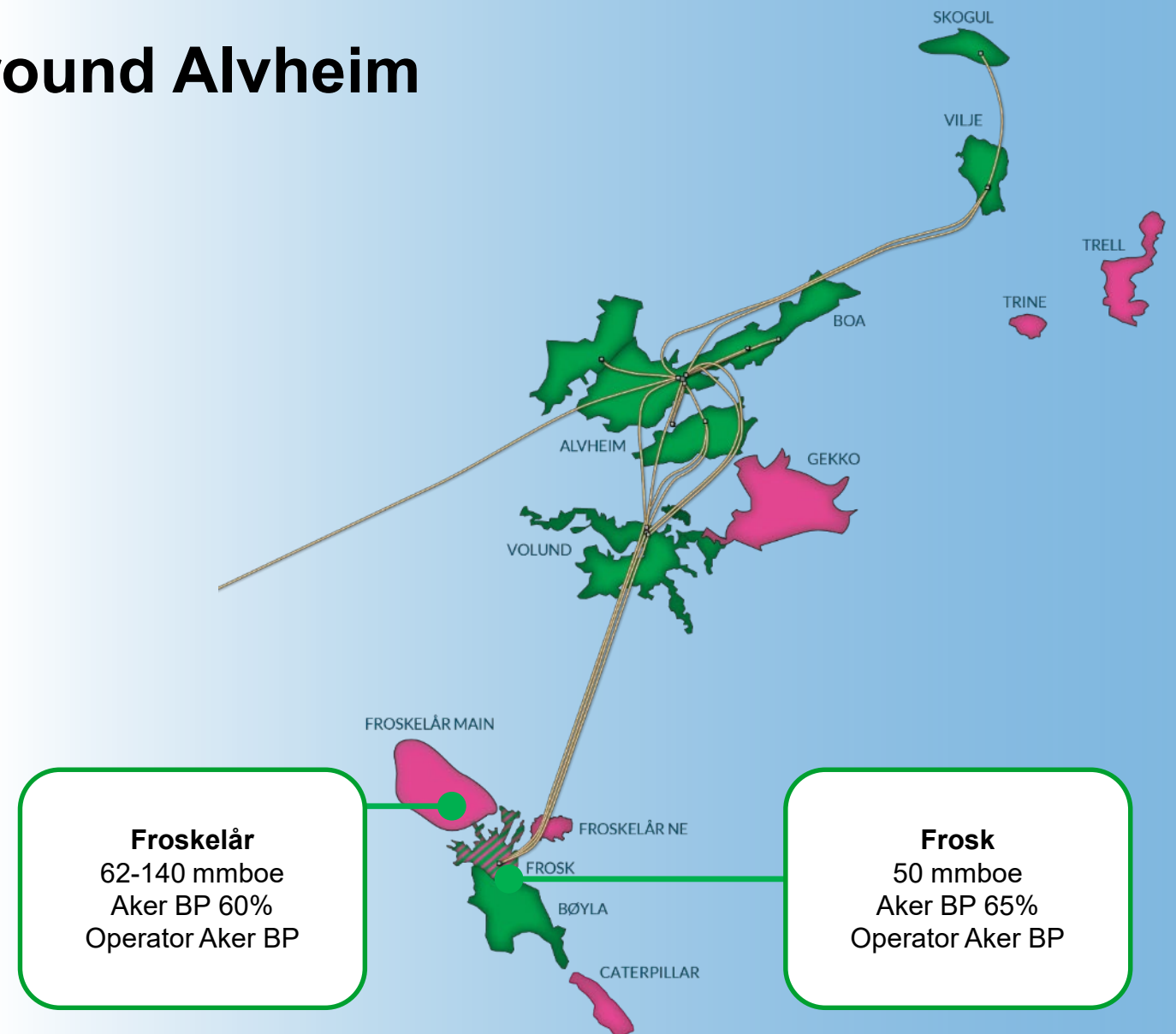
Participated in  
**16**  
exploration wells

Finding cost  
**~\$0.6**  
per boe (after tax)

Net discovered  
**~170**  
mmboe

# Exploiting the potential around Alvheim

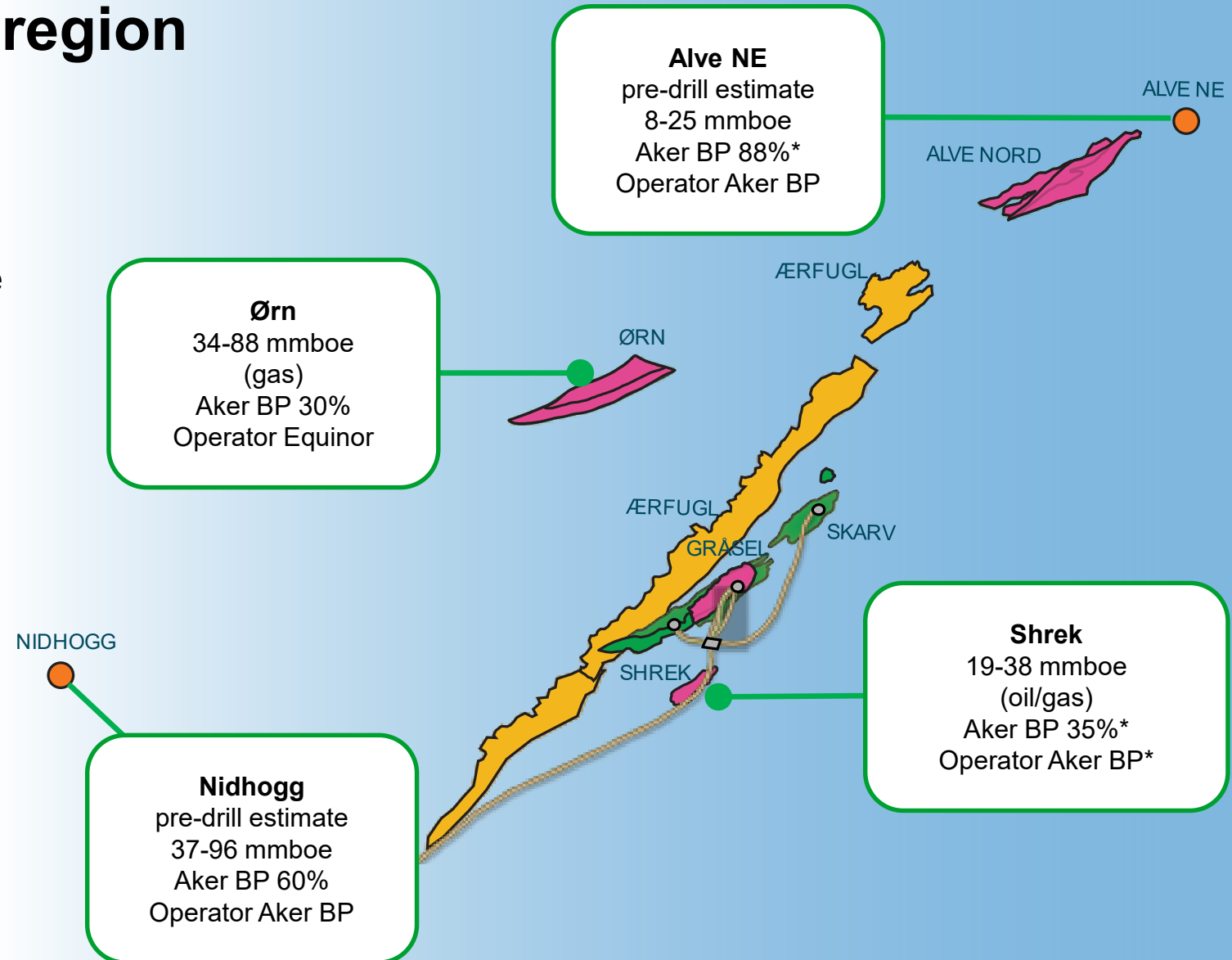
- Frosk on test production
- Evaluating options for Froskelår
- Maturing new exploration opportunities



## EXPLORATION PERFORMANCE

# Skarv – a key exploration region

- Skarv FPSO – high capacity and long-life infrastructure
- Discovered Ørn and Shrek in 2019
- Two wells planned in 2020

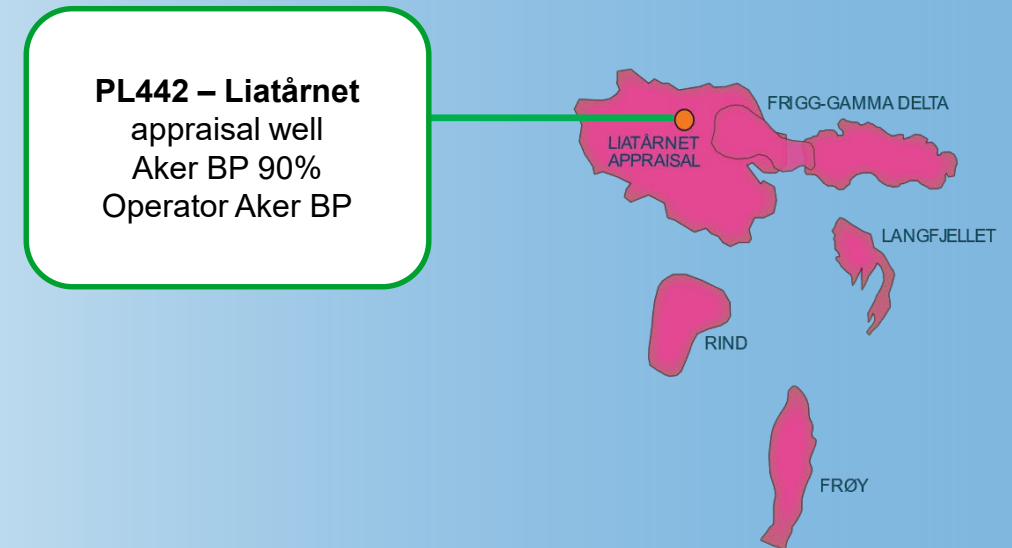




## EXPLORATION PERFORMANCE

# Liatårnet – exciting opportunity in the NOAKA area

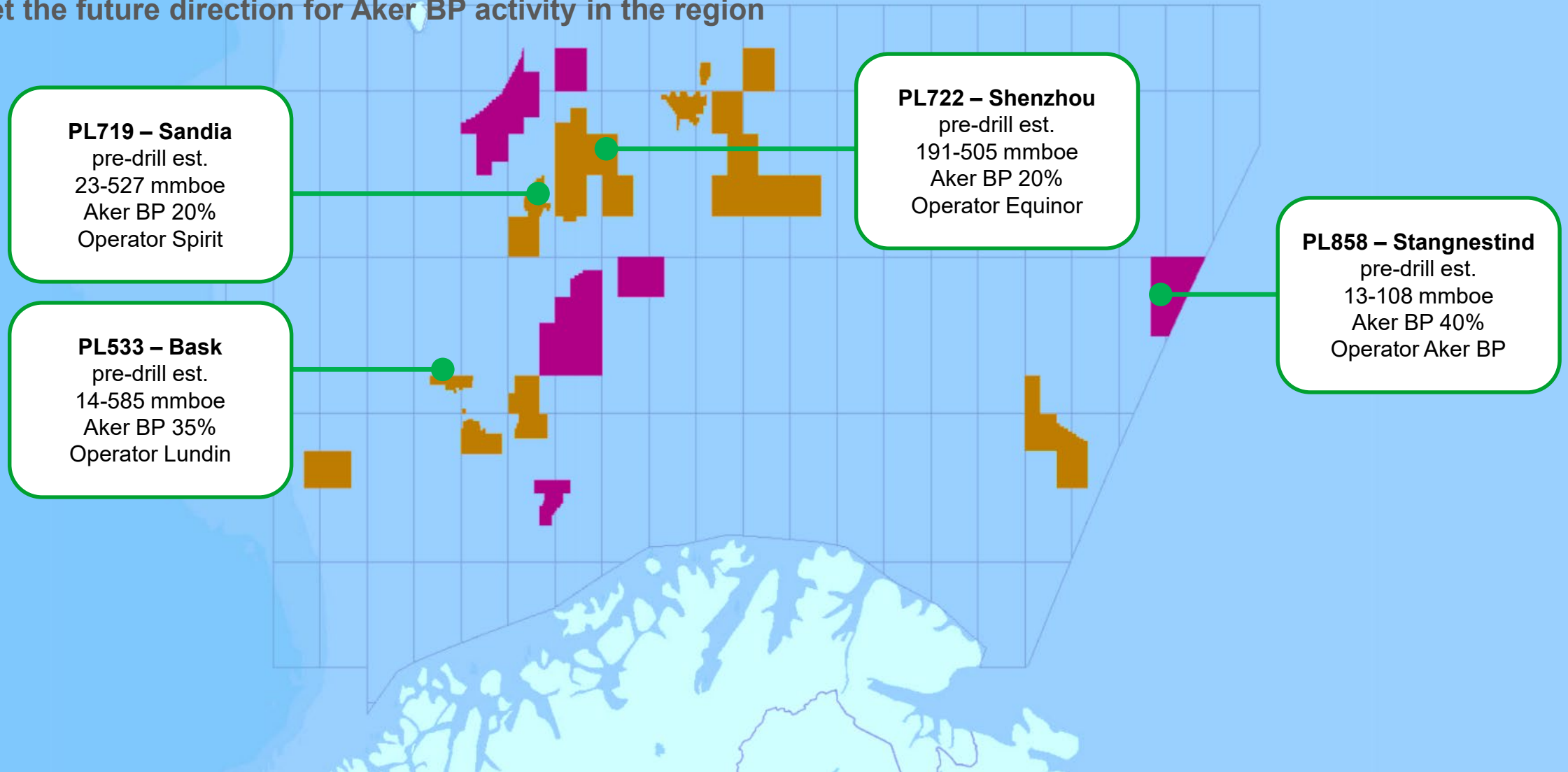
- Discovery estimated to 80-200 mmboe recoverable
- Potential tie-in to NOAKA development solution
- Appraisal well planned in 2020



# High risk and high potential in the Barents Sea

Will set the future direction for Aker BP activity in the region

Barents  
Sea



## EXPLORATION

# 2020 exploration programme

Planning

**10**

wells

Net unrisked

**~320**

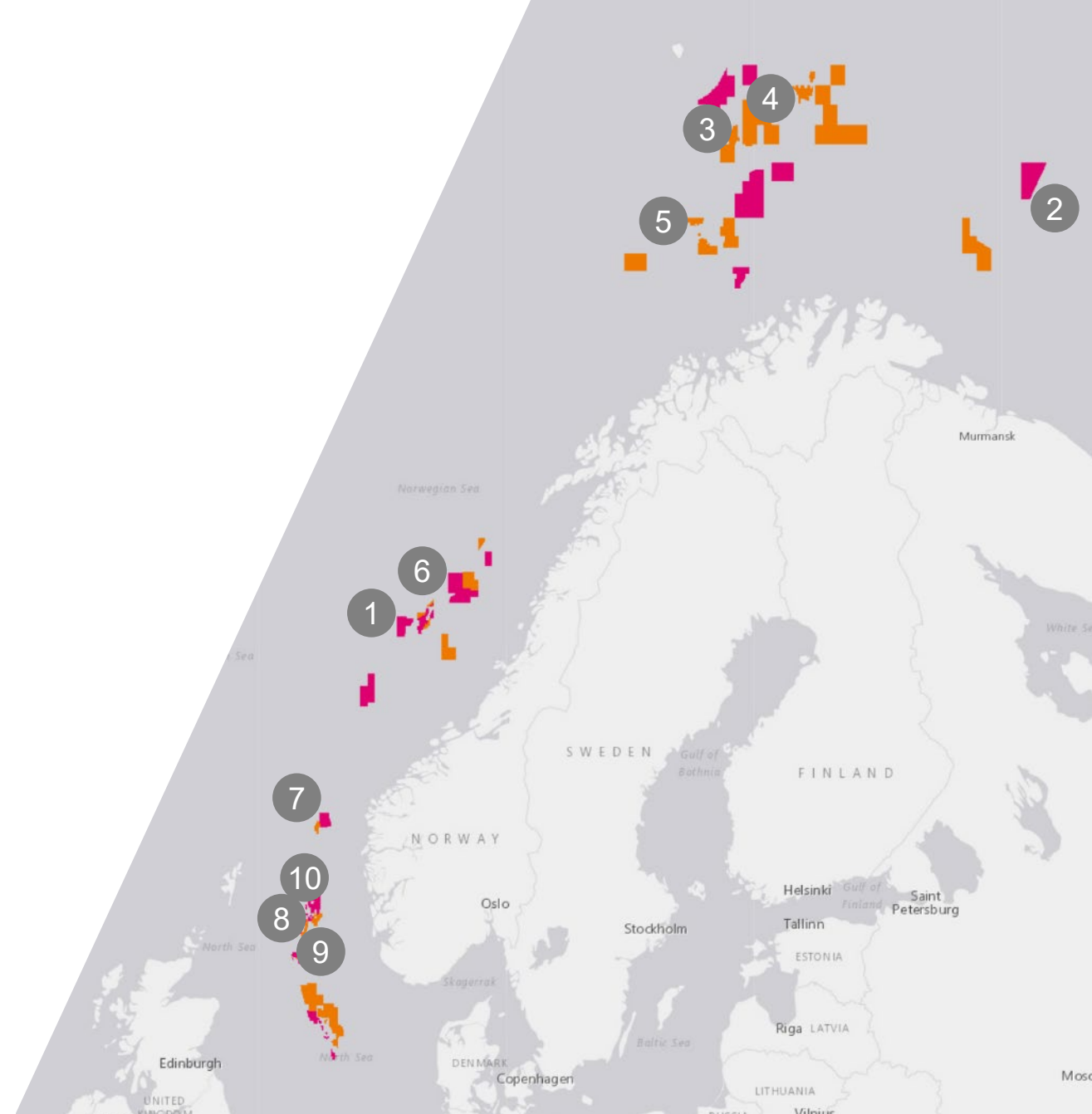
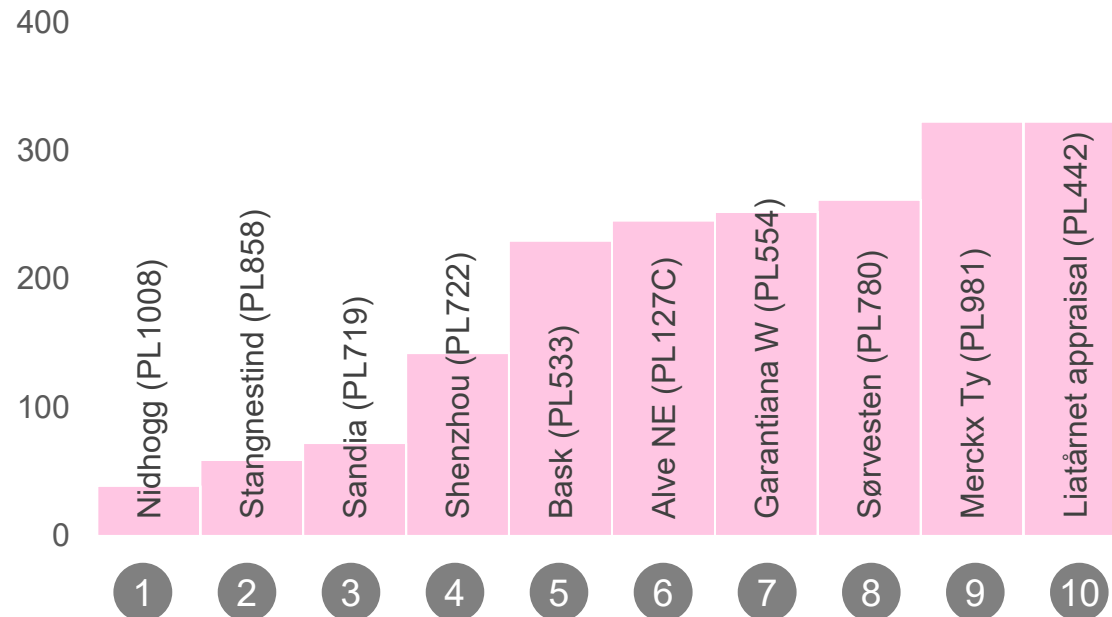
mmboe

Net risked

**~90**

mmboe

## Net unrisked resources, mmboe (accumulative)





EXPLORATION

# Positioning Aker BP for further profitable growth

## EXECUTE

Follow up on 2019 successes  
with appraisal and  
new targets

## IMPROVE

Apply new technology  
to create  
new opportunities

## GROW

Utilize existing infrastructure  
and search for  
new core areas

# Maximizing returns through the cycle

Capital Markets Update 2020

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**David Tønne**  
Chief Financial Officer



# Maximizing returns through the cycle by balancing three priorities



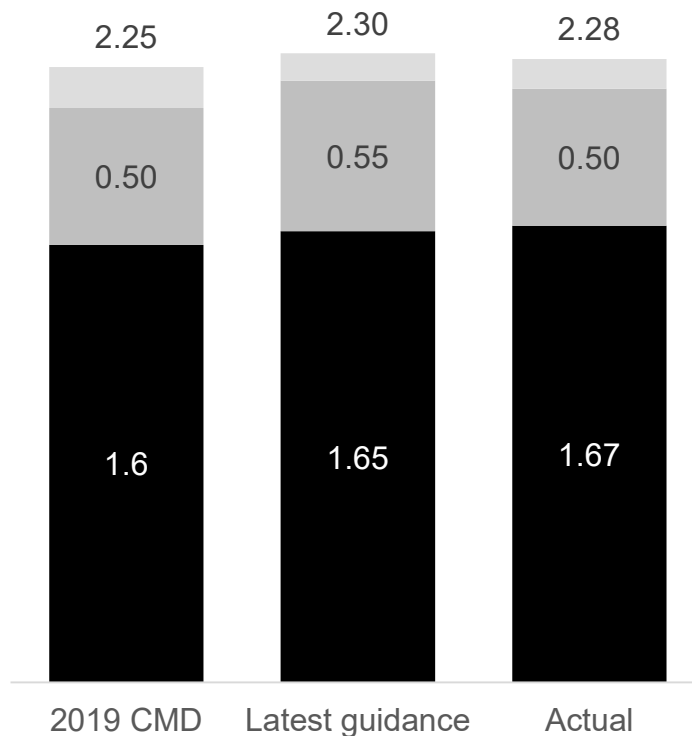


# Delivering on our 2019 ambitions

## Invested with discipline

Capital budget (USD billion)

■ Capex ■ Expex ■ Abex

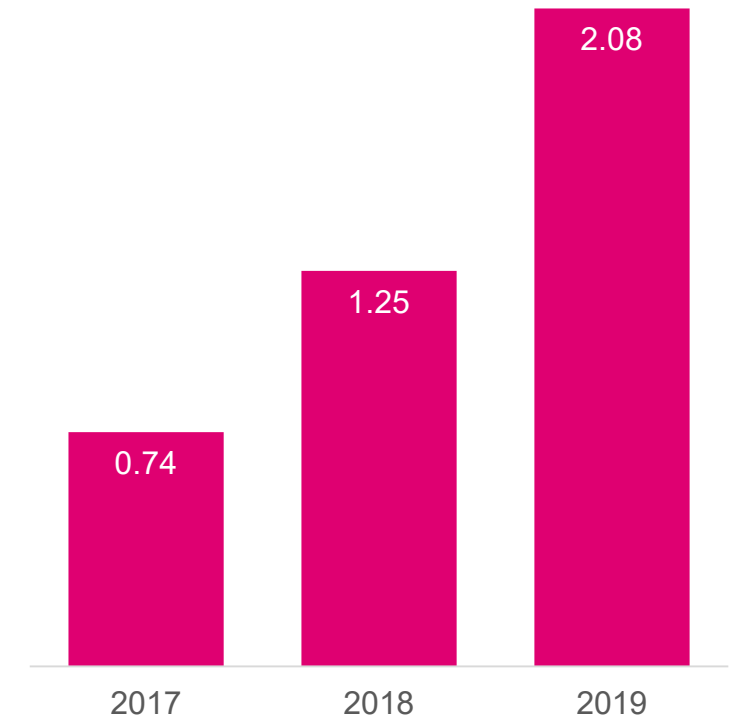


## Optimized capital structure

- 2019**
- April**
    - Replaced RBL with \$4bn unsecured RCF
  - June**
    - Assigned BBB- by Fitch
    - \$0.75bn 5-year notes at 4.75%
  - November**
    - Assigned BBB- by S&P
- 2020**
- January**
    - \$0.5bn 5-year notes at 3%
    - \$1bn 10-year notes at 3.75%

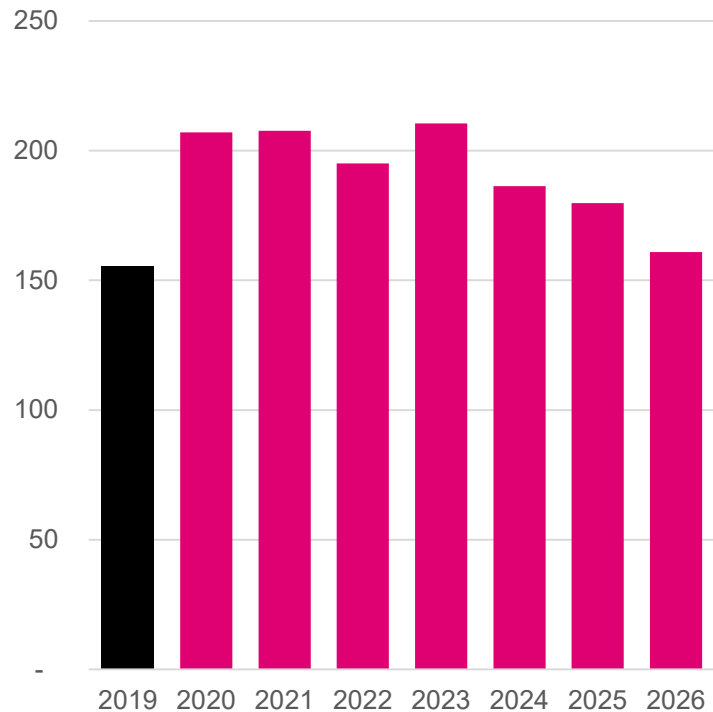
## Returned value

Dividend per share (USD)

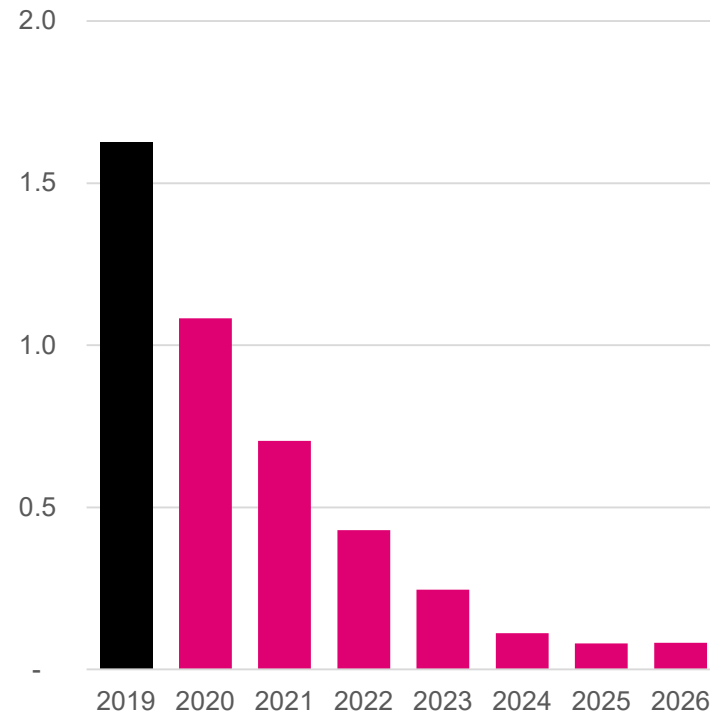


# Strong cash generation from producing assets

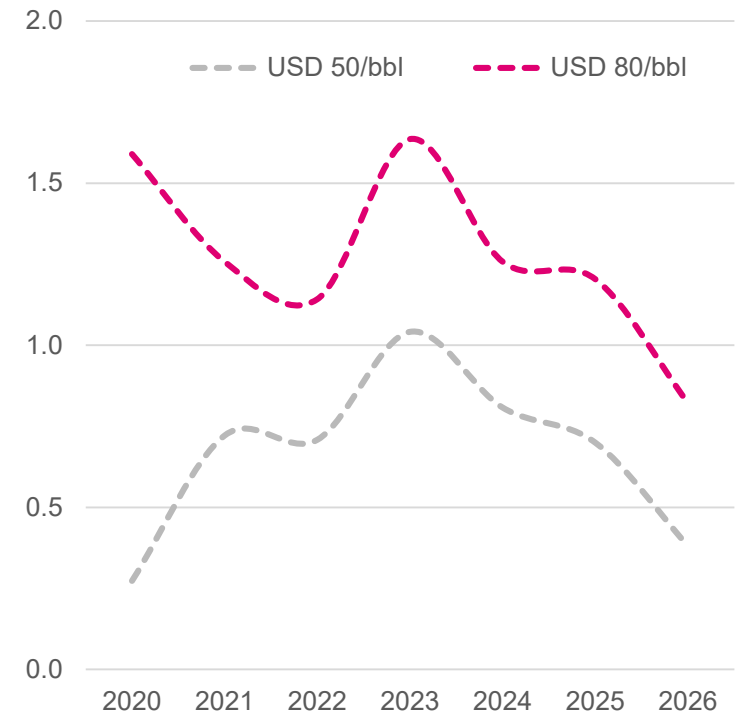
**Production – sanctioned only**  
mboepd



**Capex – sanctioned only<sup>1)</sup>**  
USD billion



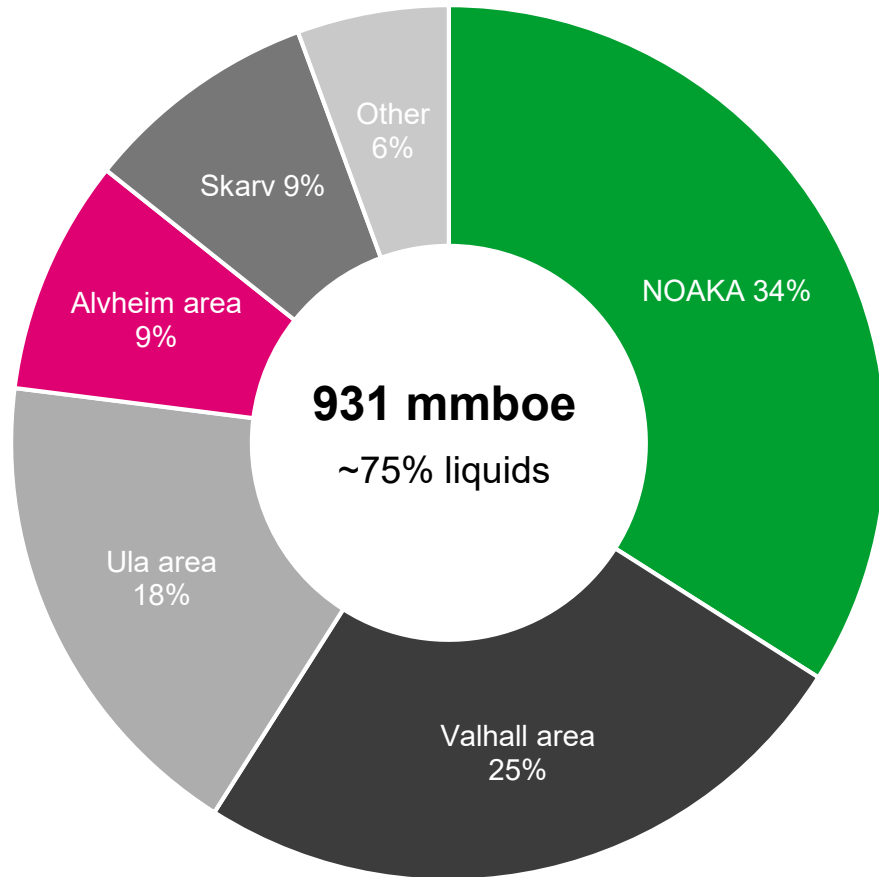
**Free cash flow – sanctioned only<sup>2)</sup>**  
USD billion



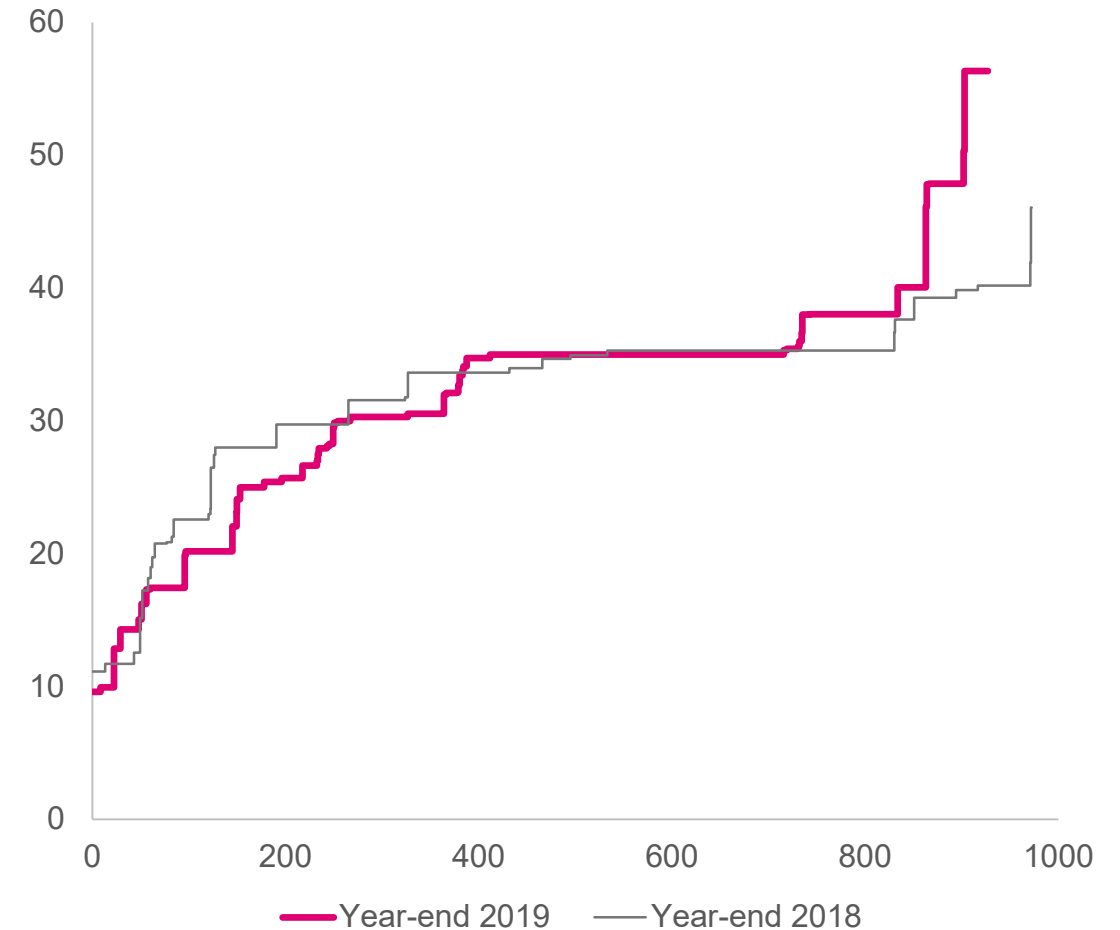
## INVEST IN PROFITABLE GROWTH

# Large resource base with highly attractive economics

### 2C contingent resources



### Break-even for non-sanctioned projects (USD/boe)<sup>1)</sup>

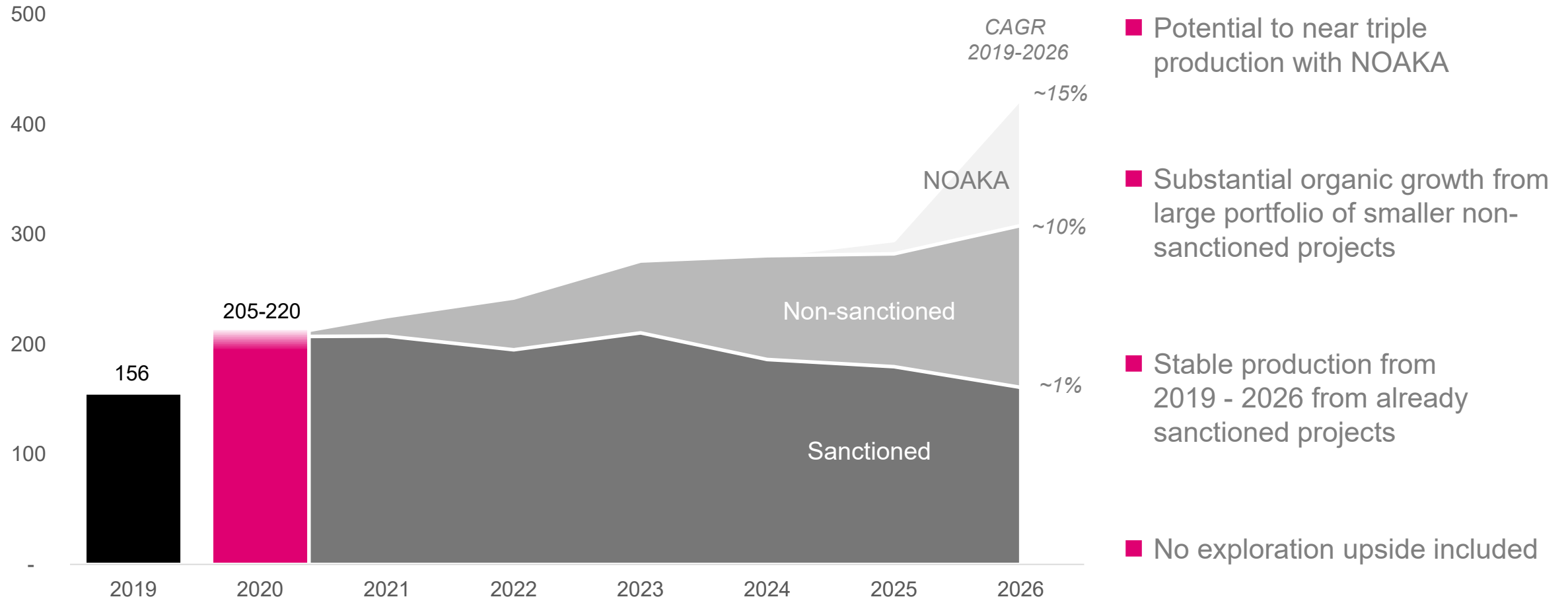




## INVEST IN PROFITABLE GROWTH

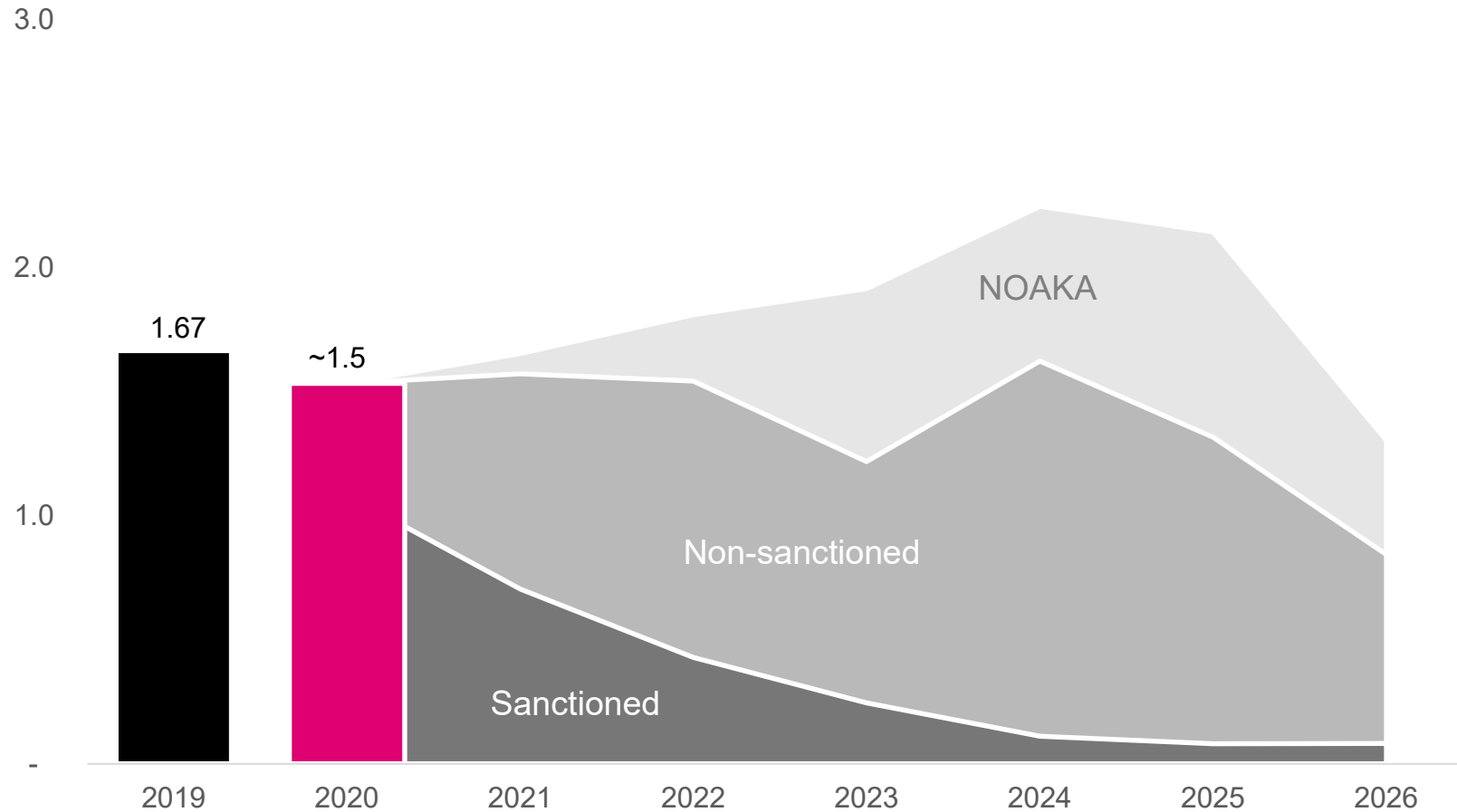
# Great opportunity for strong organic growth

Production ambition (mboepd)

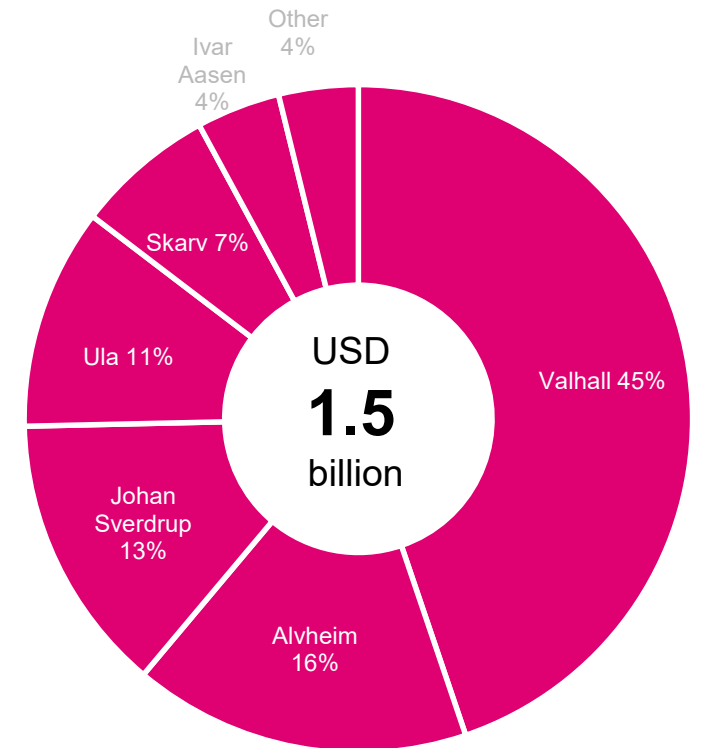


# Flexible investment program continuously optimized

Capex outlook (USD billion)

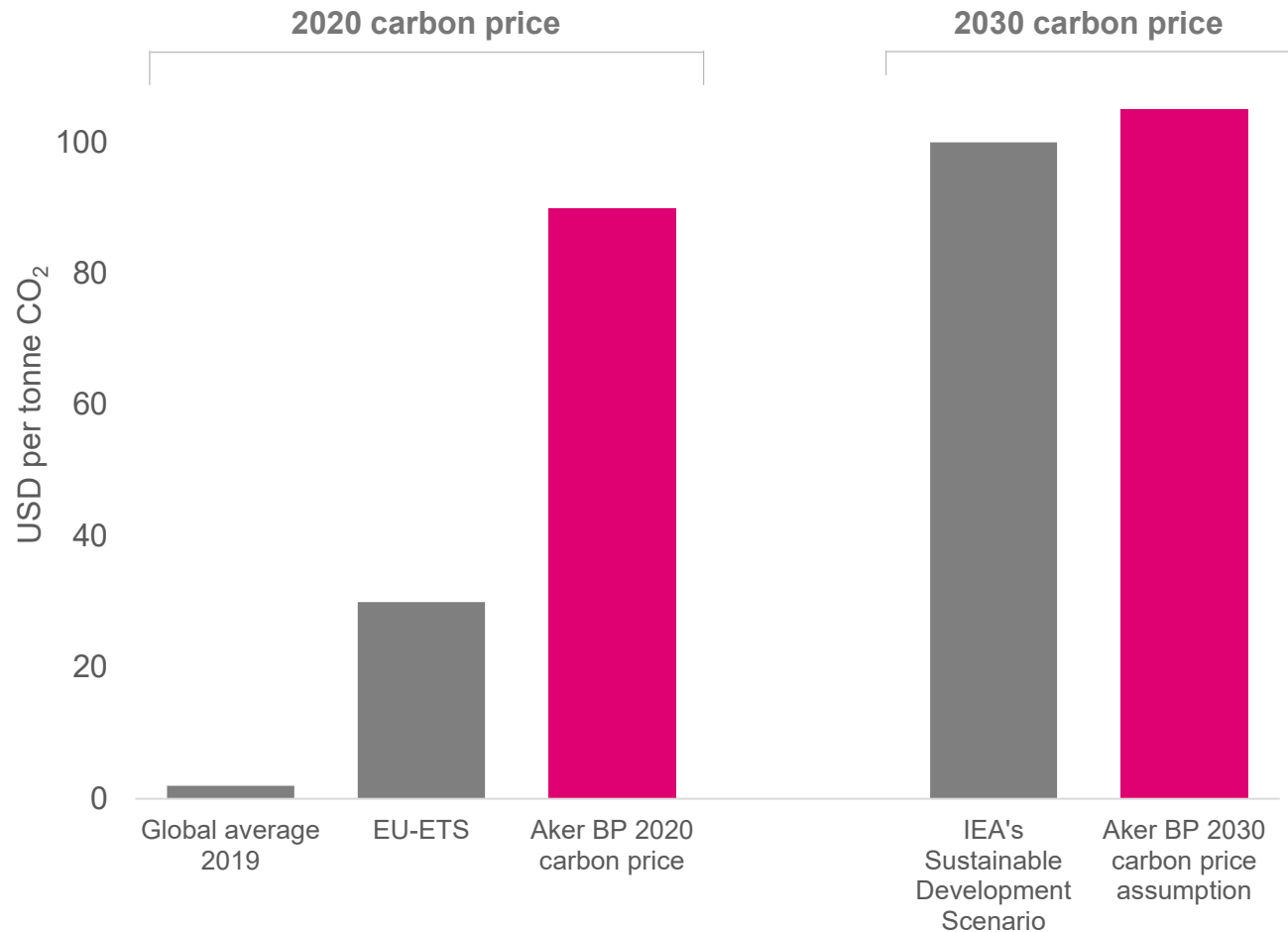


2020 capex per asset



# Climate risk integrated in investment decisions

## Carbon pricing consistent with meeting climate goals



■ Investments tested against cost of carbon emissions consistent with IEA's Sustainable Development Scenario

■ Requires a carbon price of USD 100/tonne CO<sub>2</sub> in 2030

■ Aker BP carbon price used for investment decisions

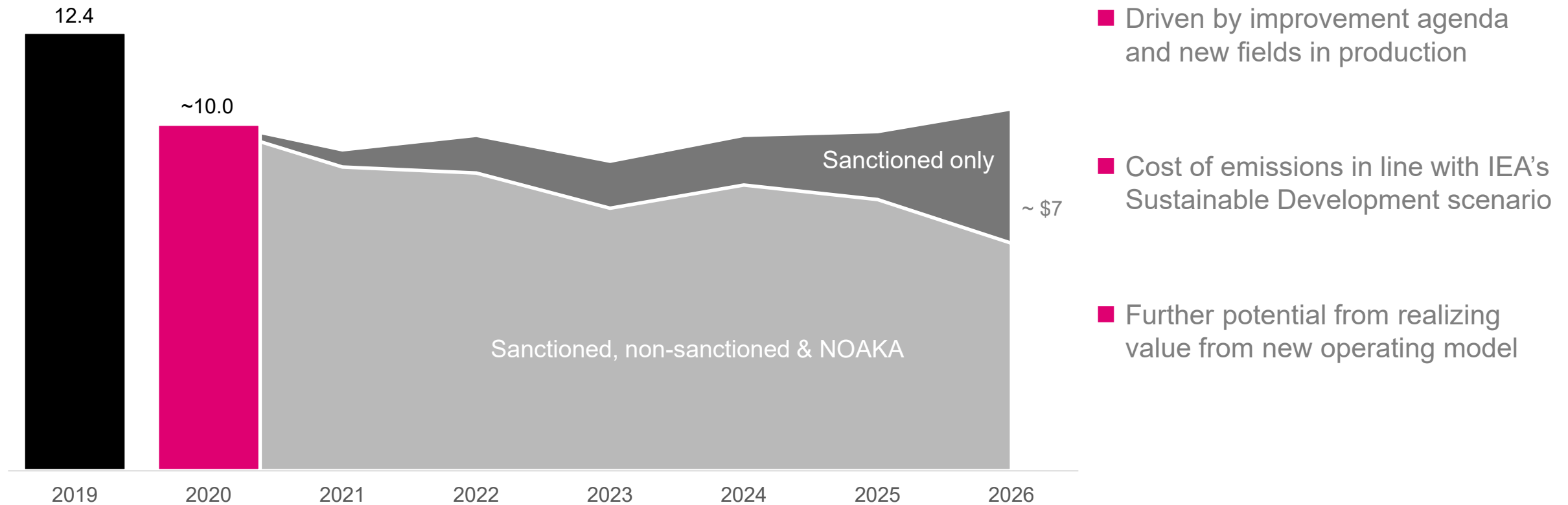
- USD ~ 90/tonne CO<sub>2</sub> in 2020
- USD ~ 105/tonne CO<sub>2</sub> in 2030



## INVEST IN PROFITABLE GROWTH

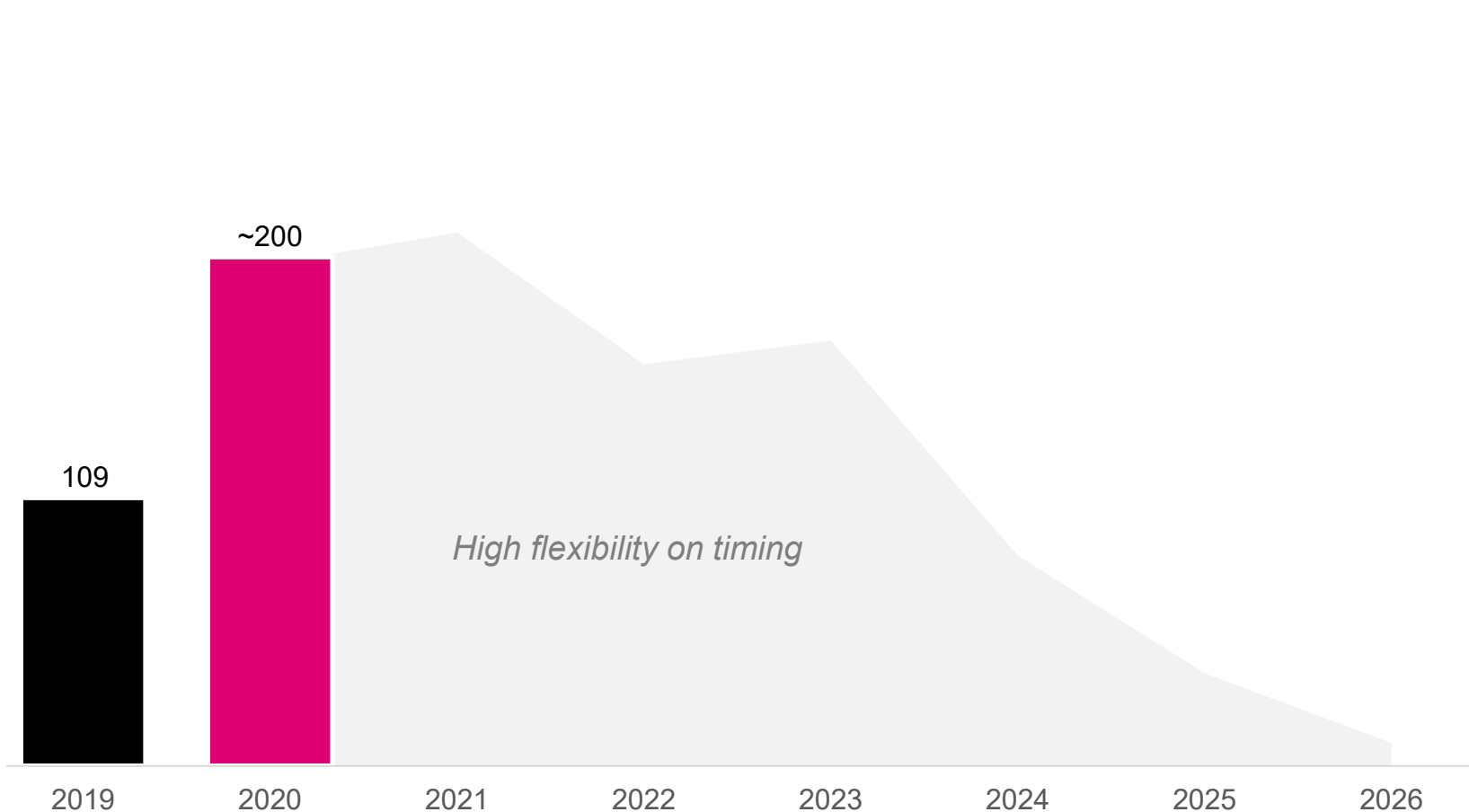
# Driving down production cost below USD 7 per barrel

Production cost (USD/boe)



# Reducing cost and optimizing timing of decommissioning

Abandonment spend (USD million)



■ **Strong performance in 2019**

- Valhall QP
- Ula Rig Access
- Jette P&A

■ **2020 plan**

- Mainly P&A at Valhall

■ **2021-25 outlook**

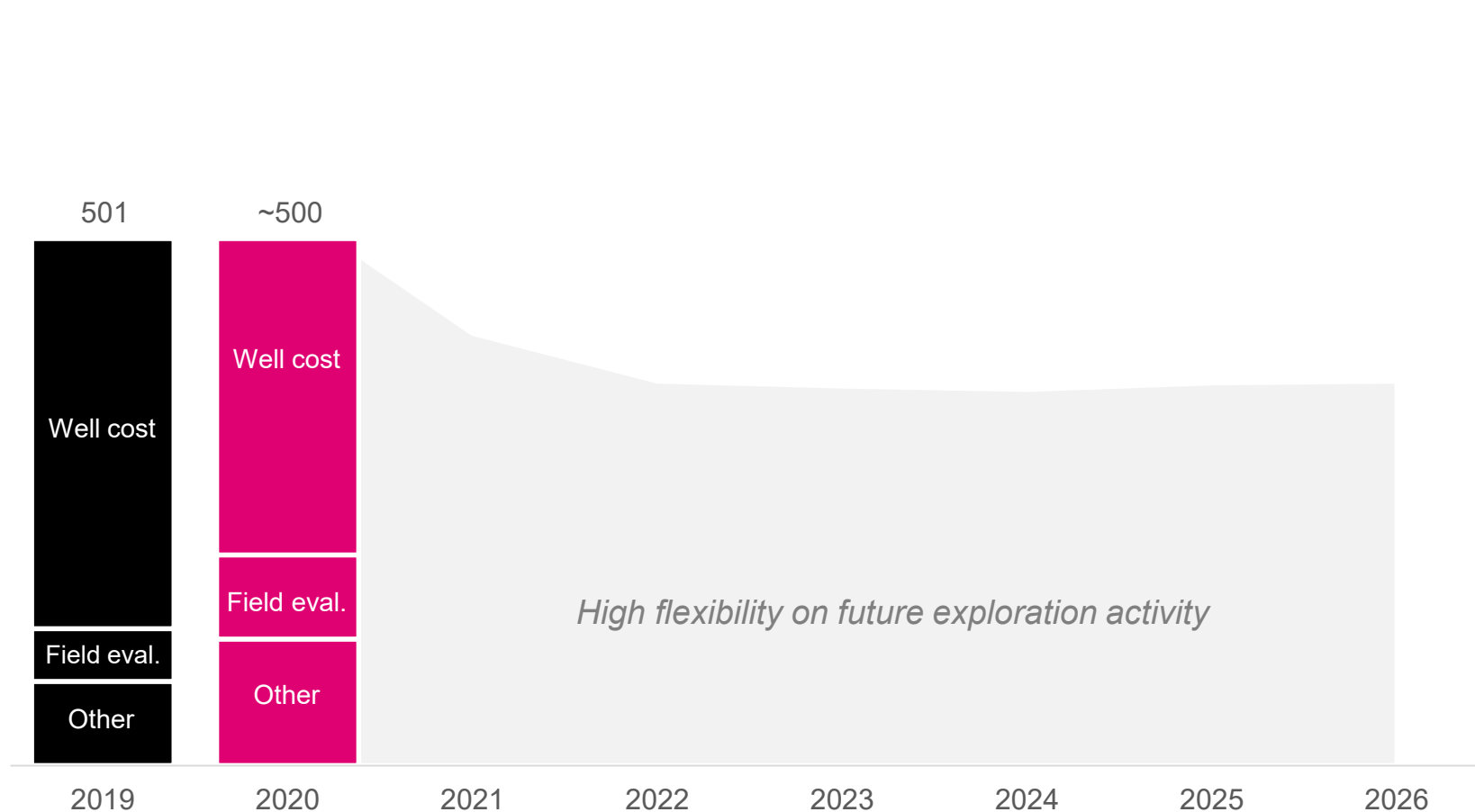
- ~90% related to Valhall
- $>\frac{2}{3}$  related to P&A

■ **Tax efficient**

- Fully deductible same year as incurred at 78% tax rate

# Investments in exploration provide upside to current plan

Exploration spend (USD million)



## ■ 2019 review

- 16 exploration wells
- Discovered 170 mmboe
- Finding cost: USD 0.6 / bbl a.t.

## ■ 2020 plan

- 10 wells planned
- Maturing recent discoveries
- Field evaluation spend depending on NOAKA DG2

## ■ Tax efficient

- Fully deductible same year at 78% tax rate



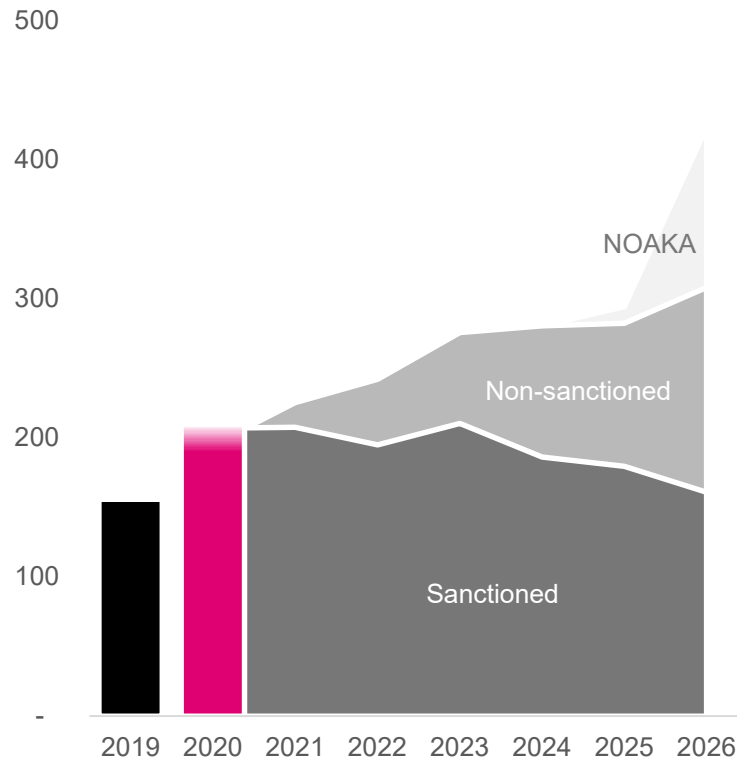
## INVEST IN PROFITABLE GROWTH

# Profitable growth generating increased cash flow

Current producing fields and sanctioned and non-sanctioned projects

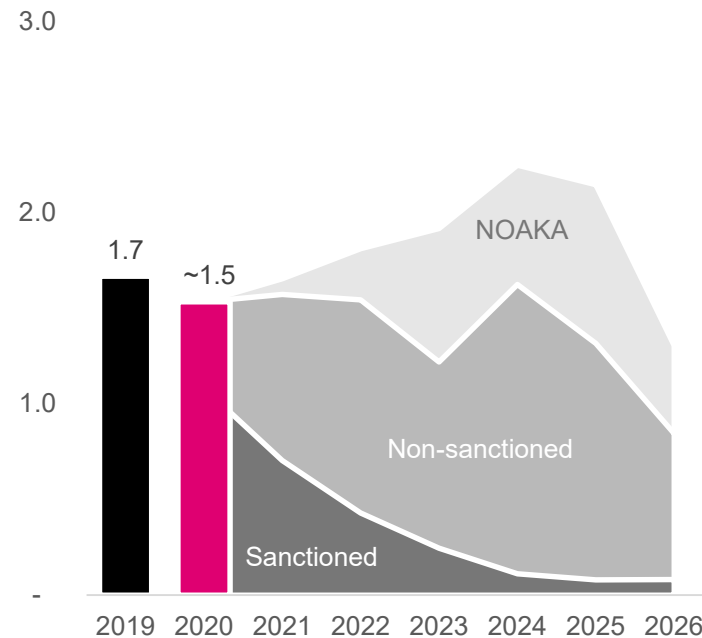
### Production outlook

mboepd



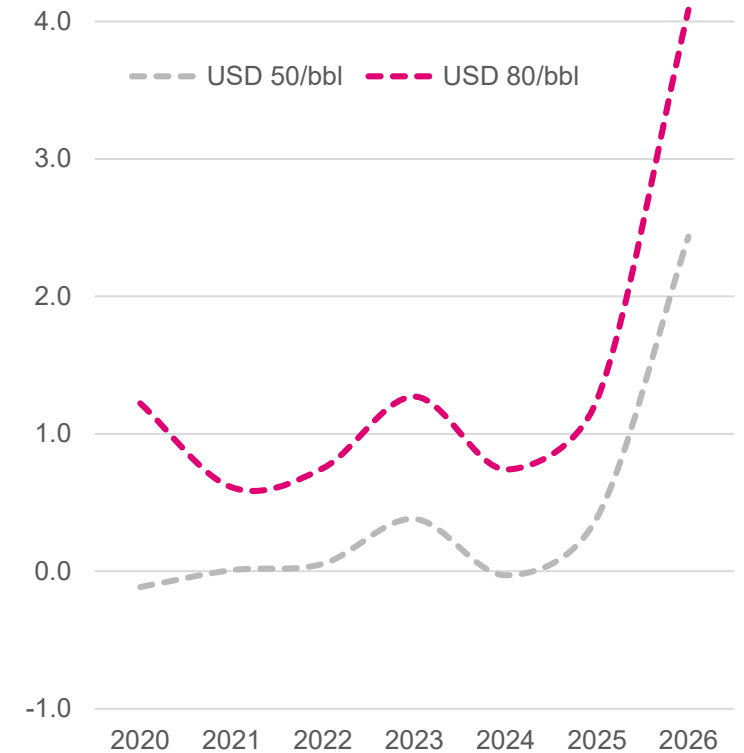
### Capex outlook

USD billion



### Free cash flow outlook<sup>1)</sup>

USD billion

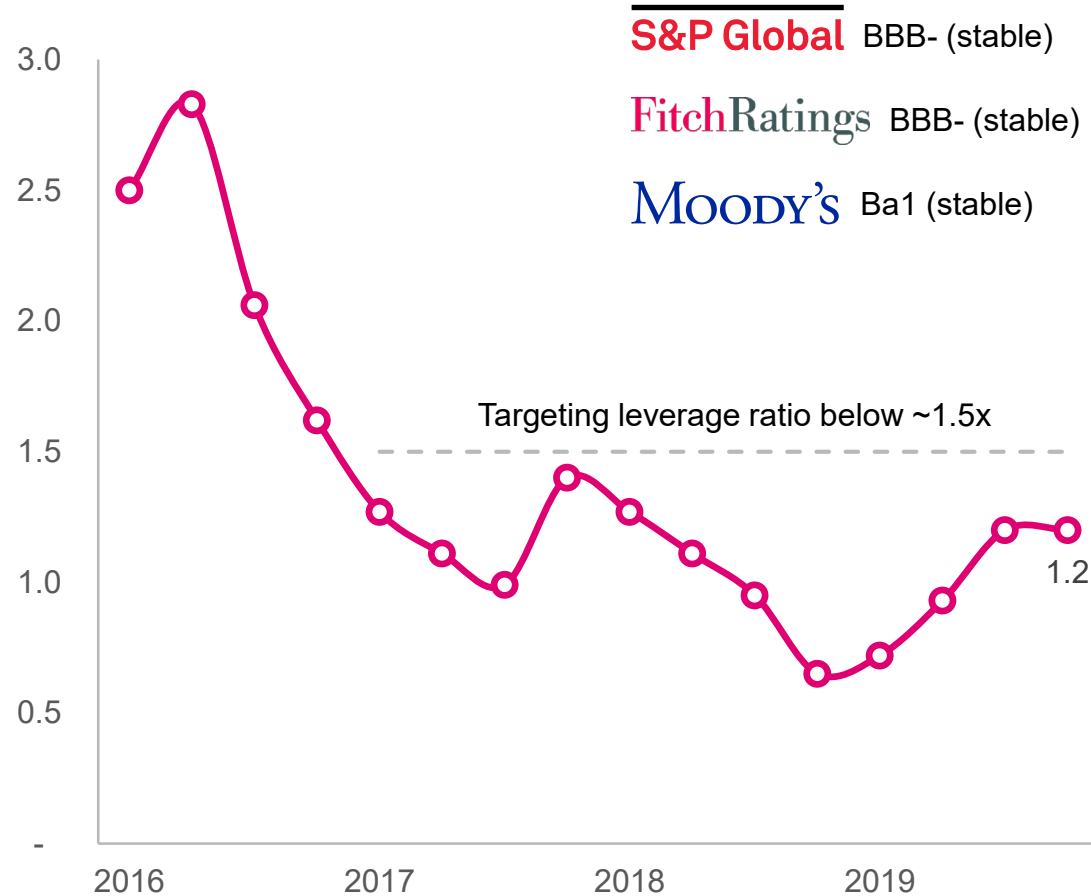


## MAINTAIN SUFFICIENT FINANCIAL CAPACITY

# Protecting a strong balance sheet

### Leverage ratio

Net debt / 12m EBITDAX



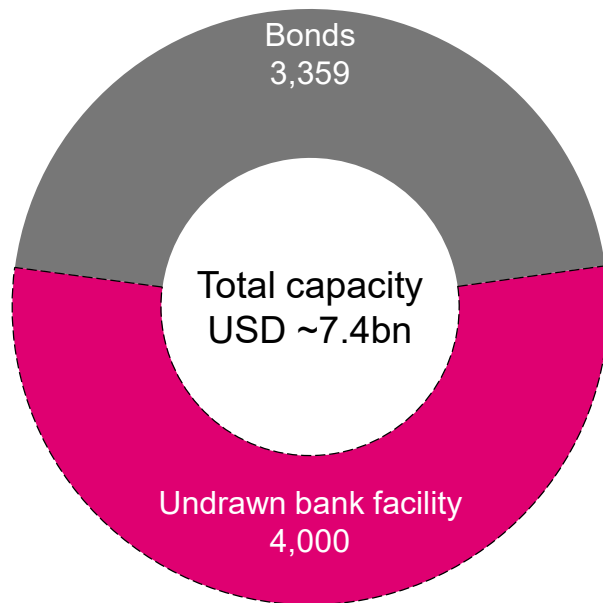
### Financial framework and risk management

- Continuously optimizing capital structure
- Investment grade credit profile
- Liquidity buffer > USD 2 billion
- Management of commodity price and FX risk
- Insurance of assets and loss of production
- Criteria for M&A

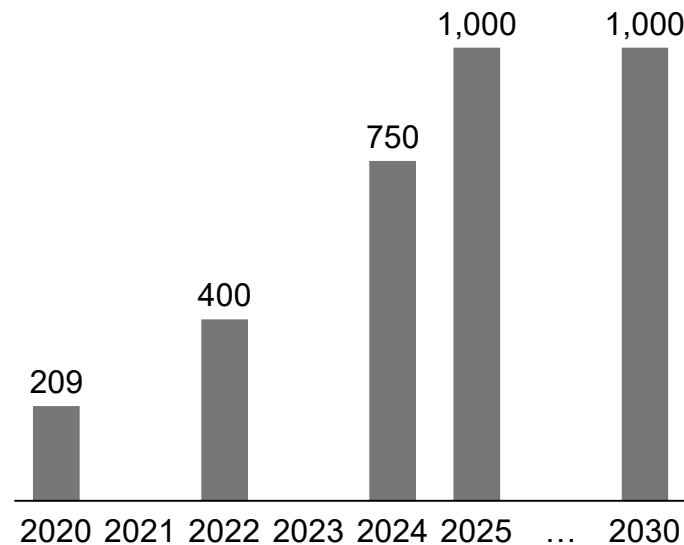
# Capital structure with significant available capacity

High debt capacity – low utilization

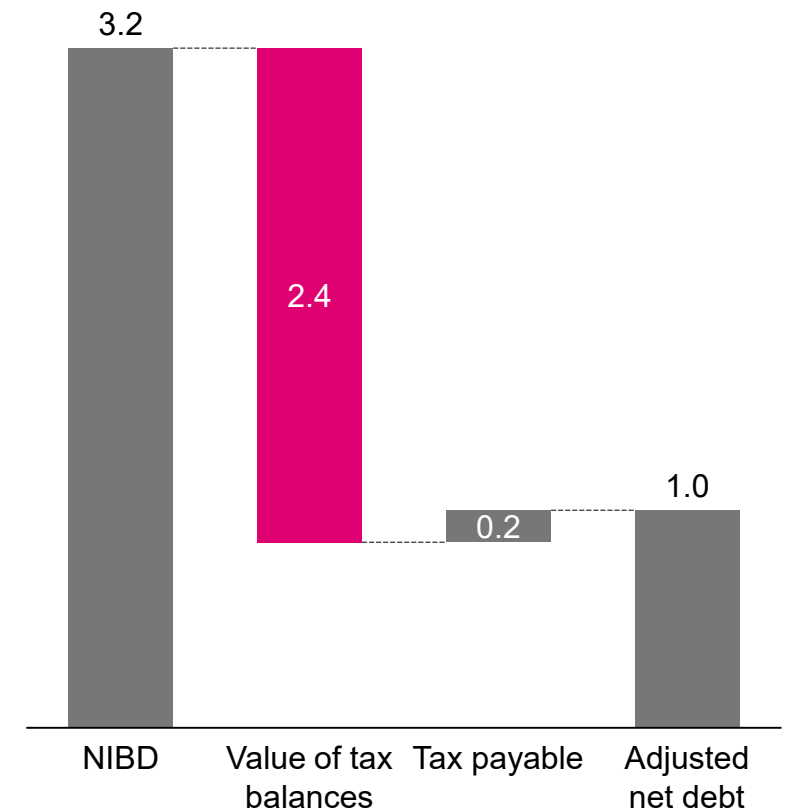
**Debt facilities**  
USD million



**Bond maturities**  
USD million



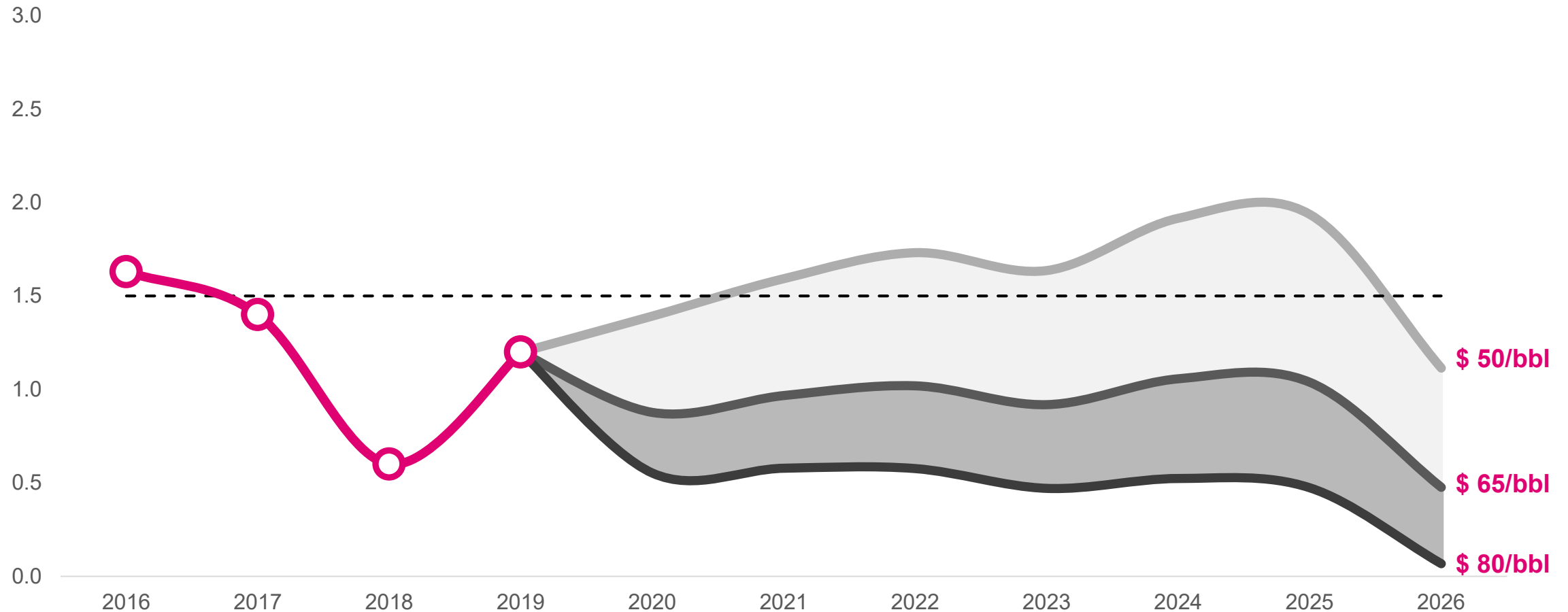
**Tax-adjusted net debt per 31.12.2019**  
USD billion



## MAINTAIN SUFFICIENT FINANCIAL CAPACITY

# The plan is robust in various oil price scenarios

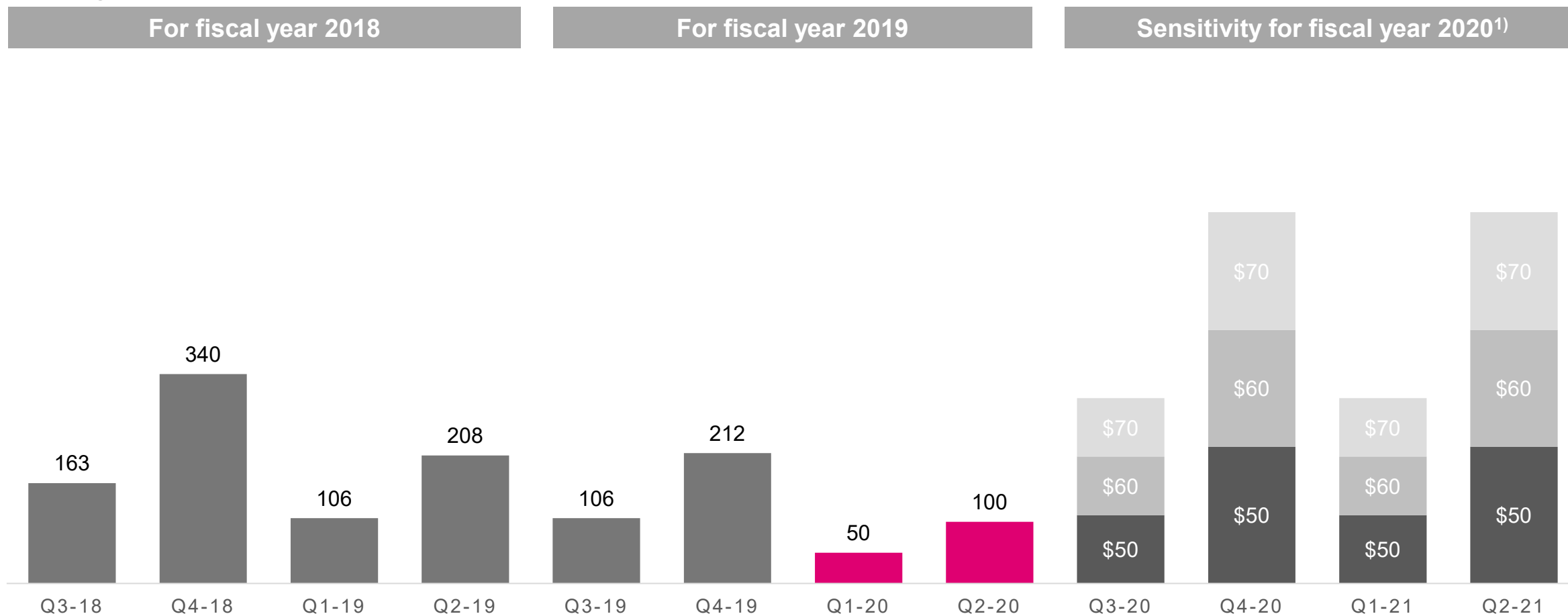
Leverage ratio - an approximation including all investments and dividends





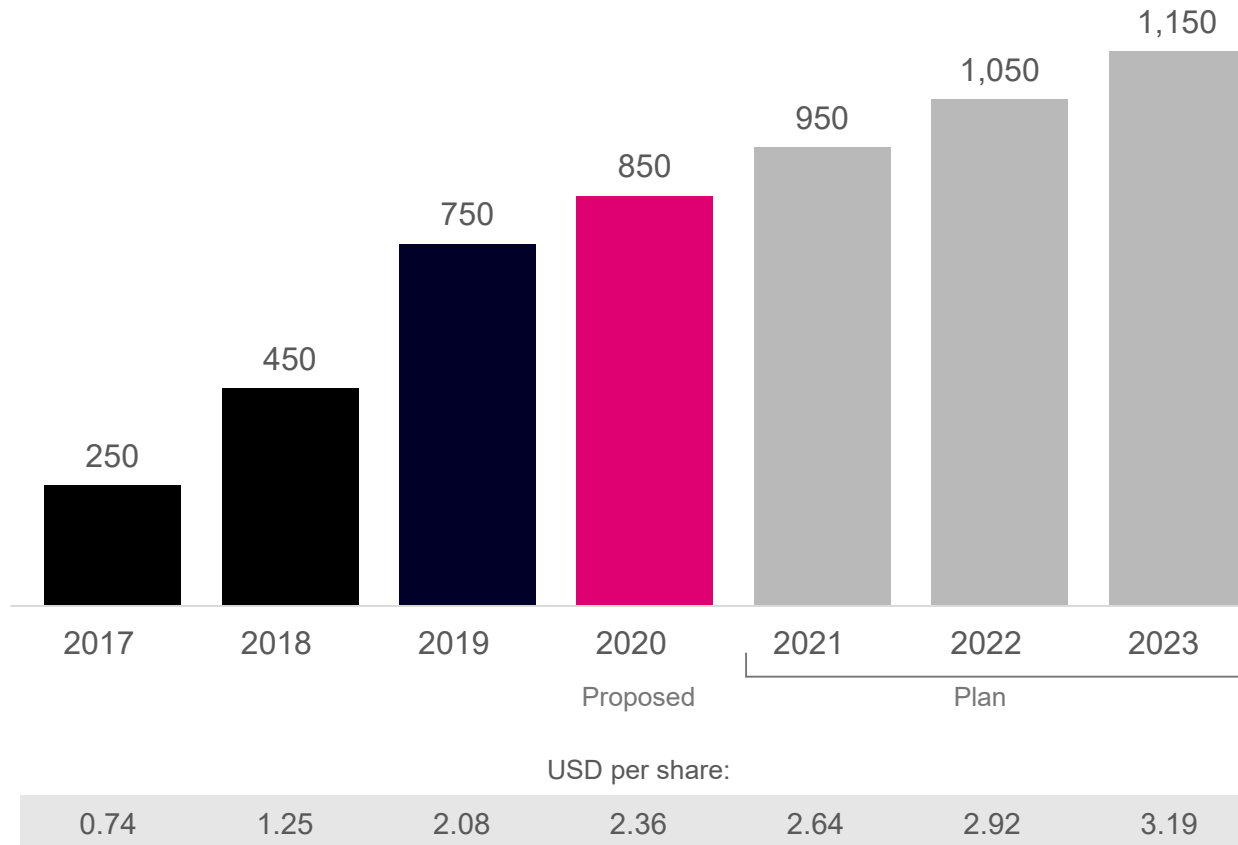
# Balanced and stable fiscal regime

Tax payments - USD million



# Returning value creation to shareholders

Dividends, USD million



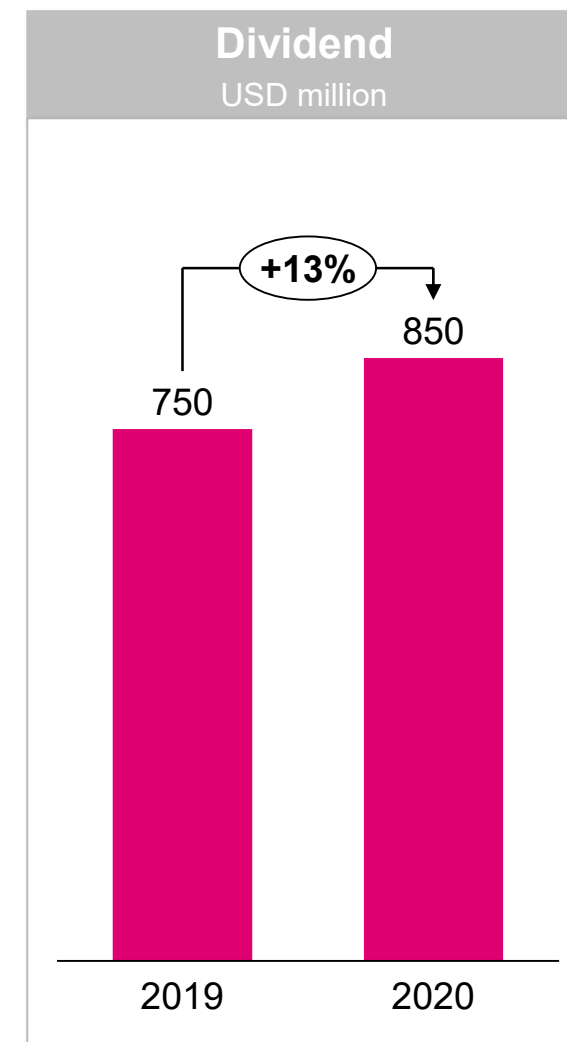
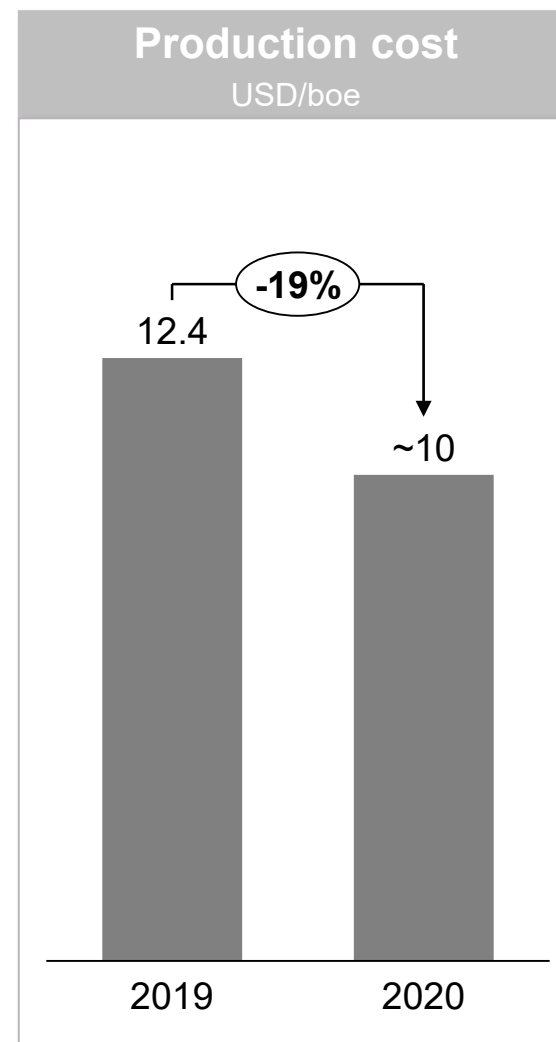
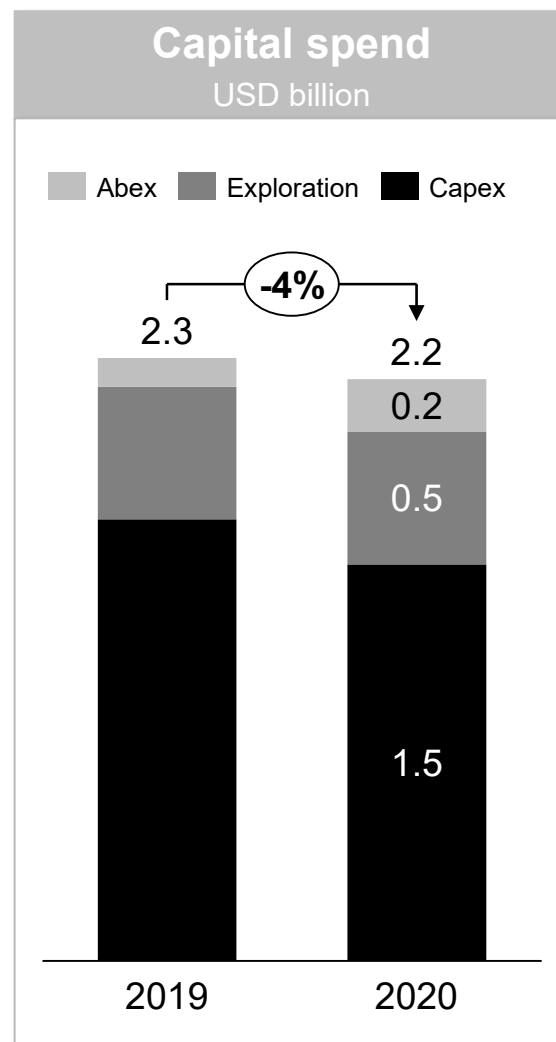
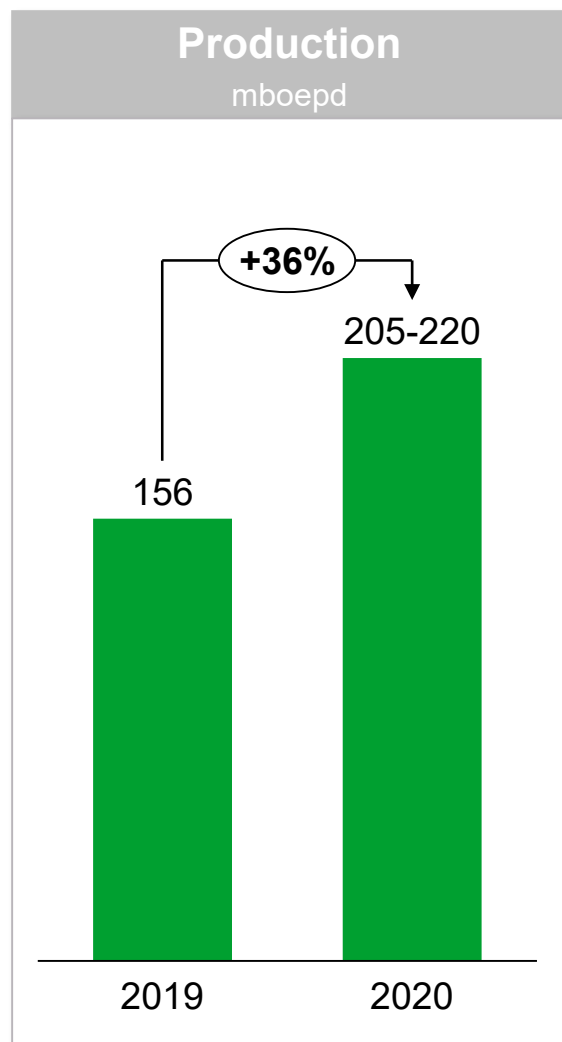
## Ambition to return value creation as dividends

- Strong cash flow from current production
- Profitable growth from flexible project pipeline
- Distributions matching underlying value creation

## Plan for dividend payout

- Propose USD 850 million in 2020
- Annual increase of USD 100 million

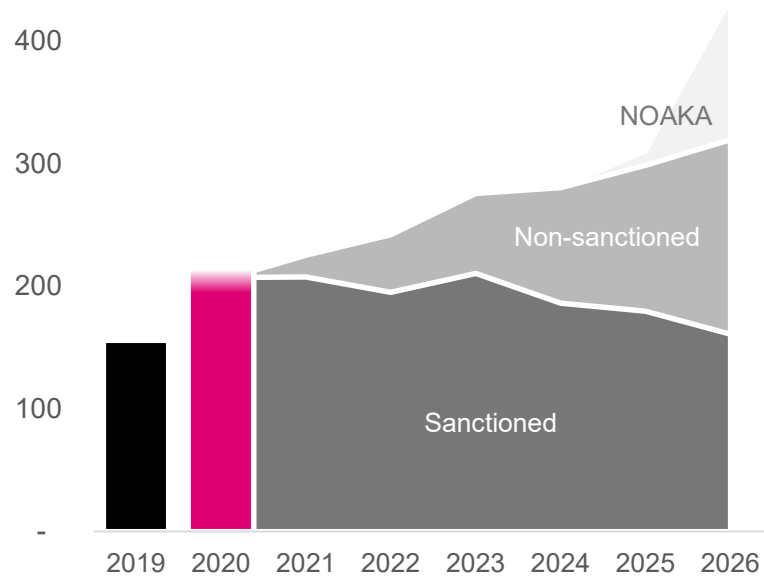
# Growing production – reducing spend – increasing dividends



# Capital allocation to maximize returns through the cycle

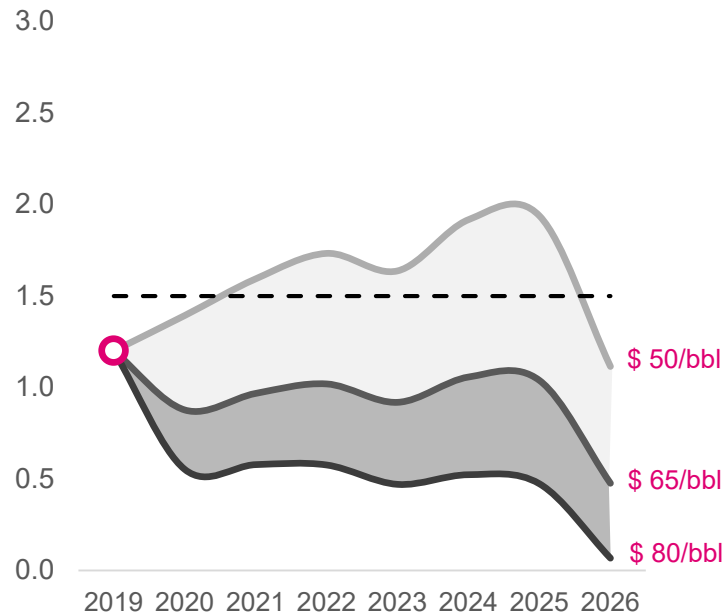
## Invest in profitable growth

Production potential – existing portfolio  
mboepd



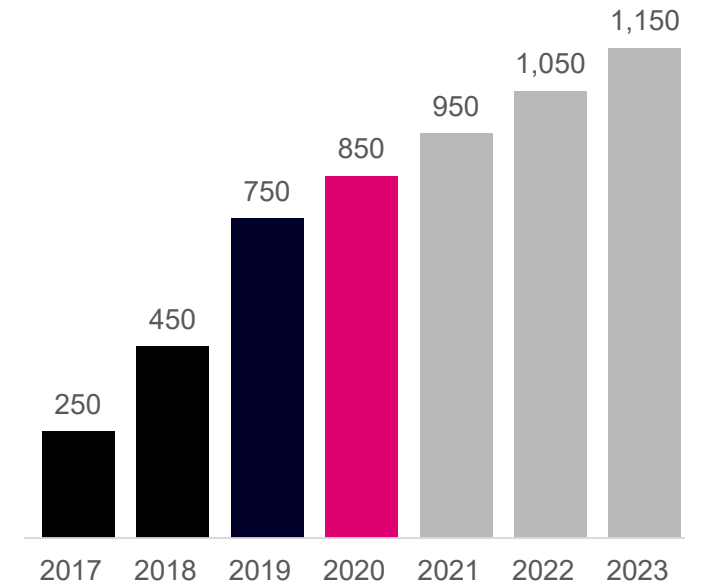
## Maintain sufficient financial capacity

Leverage ratio  
Net debt/EBITDAX



## Return value creation

Dividend plan  
USD million





**HIGH  
EFFICIENCY**

**PROFITABLE  
GROWTH**

**VALUE  
CREATION**



