



AkerBP

Capital Markets Update

4 February 2021

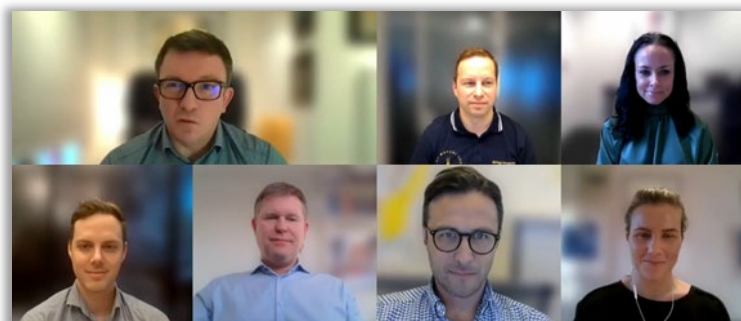


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# Strong performance in a challenging year

2020 in review



## Handling challenges with Covid-19 pandemic

- Protecting the safety of our people
- Maintaining stable operations



## Preserving financial strength by adapting to macro uncertainty

- Non-sanctioned projects put on hold
- Dividend reduction
- Mobilising to deliver profitable growth



## Delivering on operational targets

- Safety and emissions
- Production
- Cost and capital spending

# Aker BP is uniquely positioned for value creation


-  Pure-play oil and gas company with industry-leading low emissions
-  Efficient low-cost operations enabled by digitalization
-  Project execution through world-class alliances
-  Strong production growth by investing in high-return barrels
-  Robust free cash flow and attractive returns in supportive fiscal regime



# PURE-PLAY OIL AND GAS COMPANY WITH INDUSTRY-LEADING LOW EMISSIONS



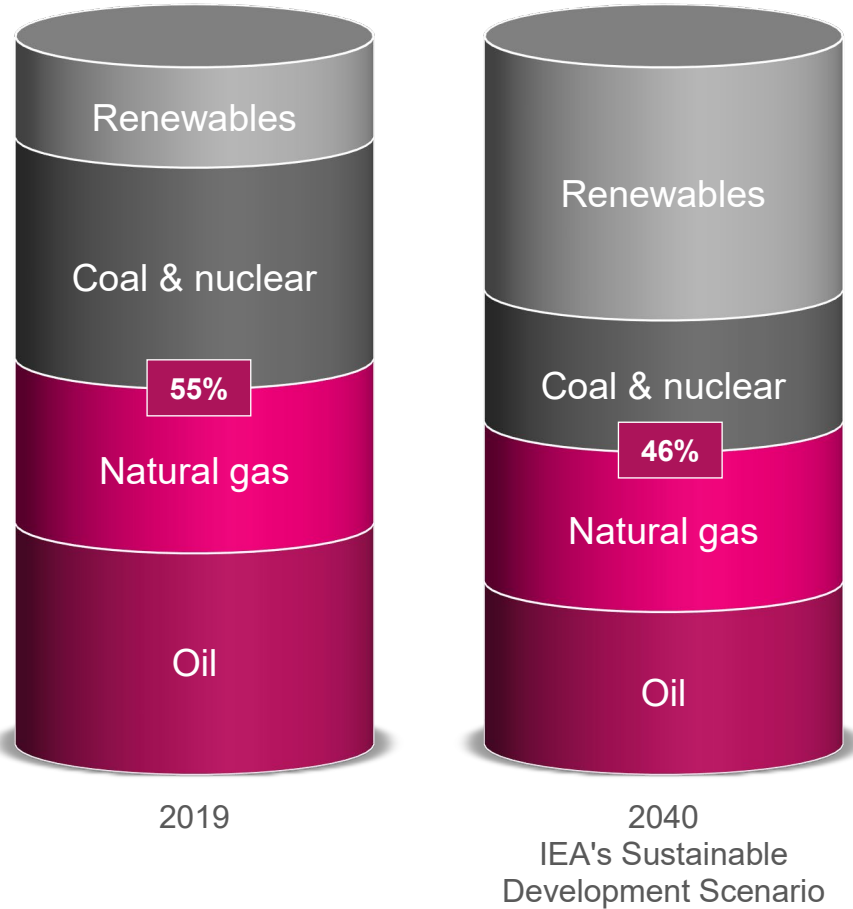




**The global energy transition**  
**Affordable, reliable and sustainable energy for all**

# Oil and gas – essential to the energy transition

A significant share of the energy mix for decades



*Oil and gas remain essential to meet global energy demand, but energy production needs to be more adaptive, more efficient and more sustainable!*

# Our contribution as a pure-play oil & gas company



**Maximise  
value**

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



**Minimise  
emissions**

Reduce emissions  
from our operations  
focusing on the  
total footprint



**Improve  
and share**

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

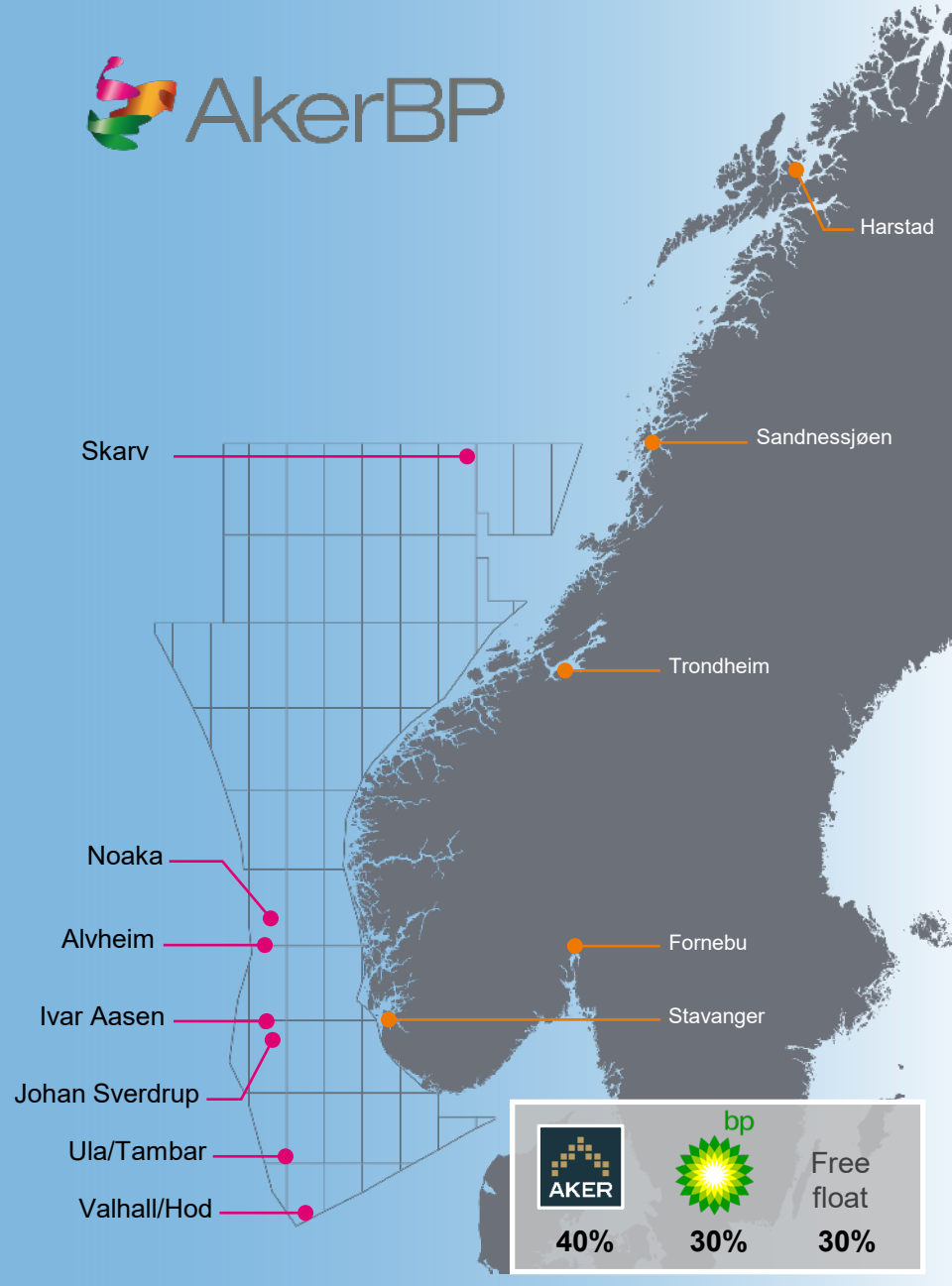




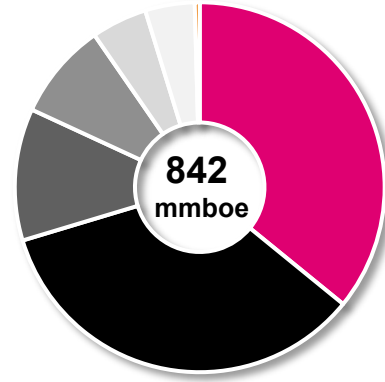


# EFFICIENT LOW-COST OPERATIONS ENABLED BY DIGITALIZATION

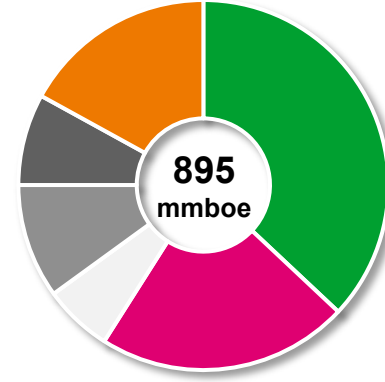




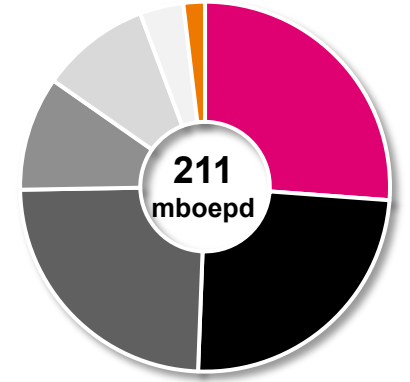
2P reserves



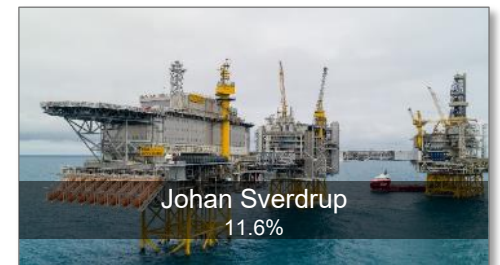
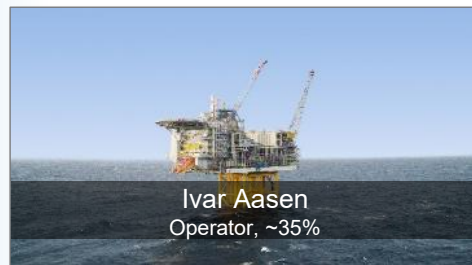
2C resources



2020 production



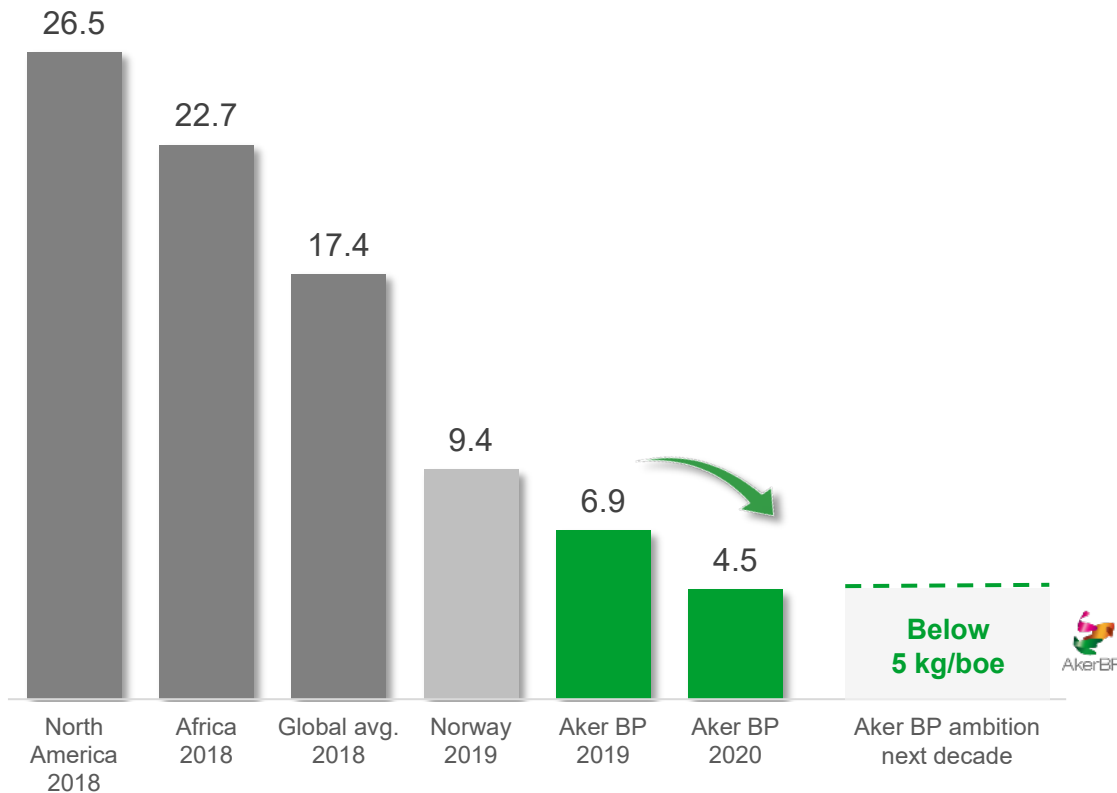
■ Vallhall   
 ■ Alvheim   
 ■ Skarv   
 ■ Ivar Aasen   
 ■ Ula   
 ■ Johan Sverdrup   
 ■ Other   
 ■ NOAKA



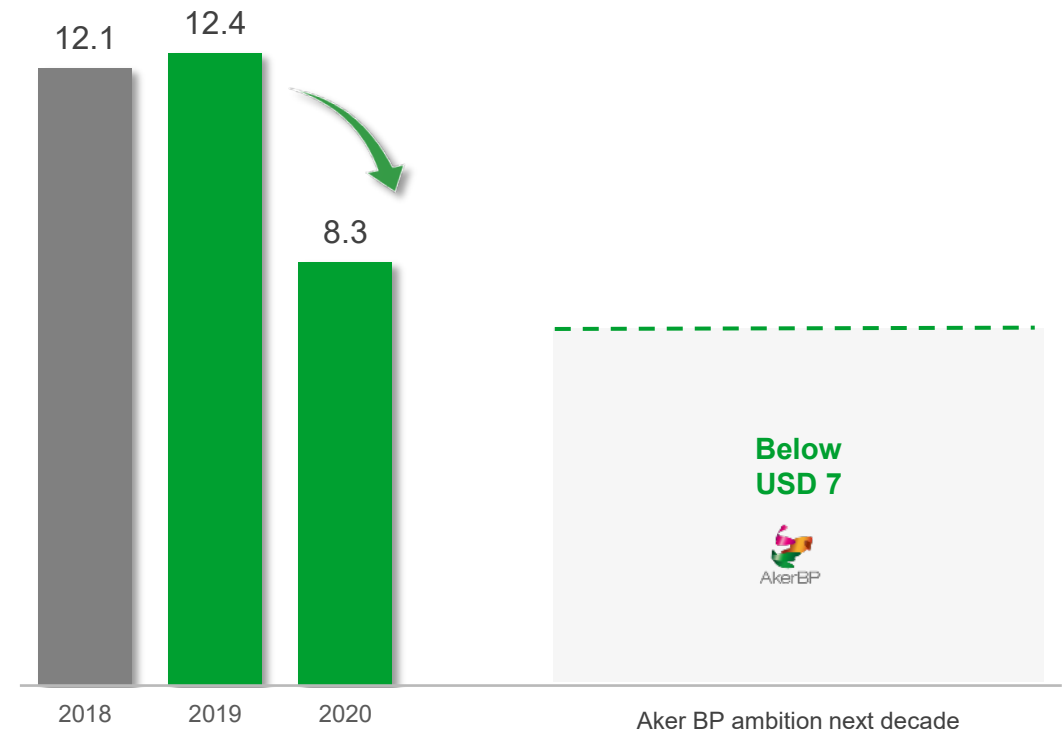
## EFFICIENT LOW-COST OPERATIONS

# The future of E&P belongs to the most efficient producers

Lower emission intensity  
CO<sub>2</sub> - kg/boe



Lower cost  
Aker BP ambition - Production cost USD/boe<sup>1</sup>





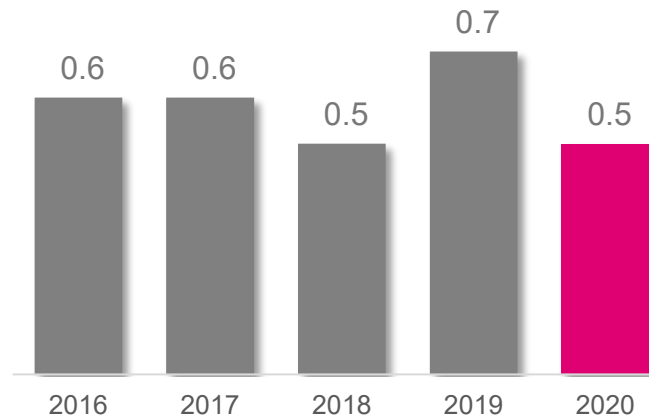
# HSSE is always the number one priority in Aker BP



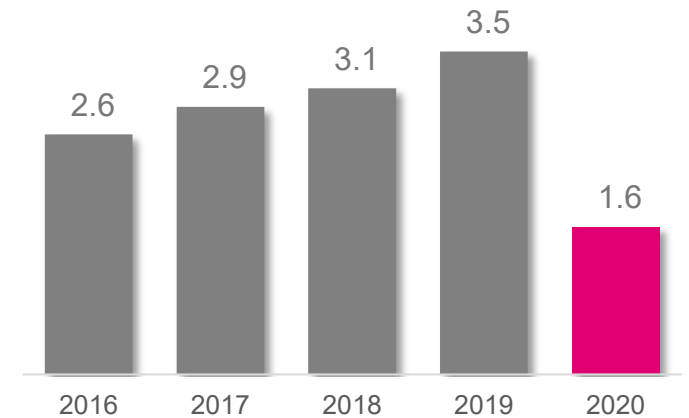
## Achievements 2020

- Robust COVID response with no incidents on operated installations
- Positive safety trend in 2020
- Zero process safety events tier 1 and tier 2 last two years

## Serious incident frequency (SIF)



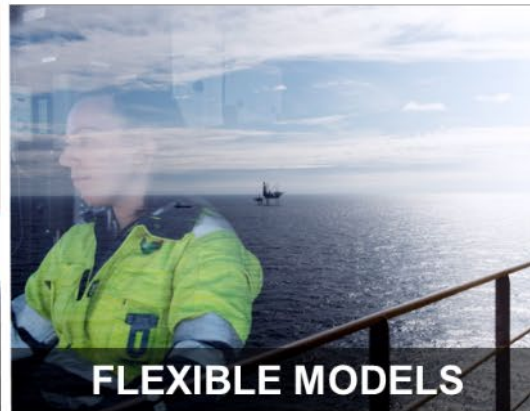
## Recordable injuries (TRIF)



EFFICIENT LOW-COST OPERATIONS

# Building new operating model by using our improvement toolbox

Standardization as driver for cost efficiency and safety, improved collaboration and accelerated improvements



## AKER BP OPERATING MODEL



HSSE

OPERATIONS

MAINTENANCE

PROCUREMENT

LOGISTICS



## EFFICIENT LOW-COST OPERATIONS

# Remote first!



## MOVING ACTIVITIES ONSHORE IF POSSIBLE

- Digital infrastructure with real-time data access
- Incentivising suppliers to take part in the transformation and further develop remote capabilities
- Offshore operators equipped with handheld devices for easy access to data and communication
- Onshore collaboration centres to remotely support offshore activities



Aker Solutions



COGNITE



HALLIBURTON



KONGSBERG

SIEMENS

# 2020 CO<sub>2</sub> emission reductions in practice



**ANNUAL CO<sub>2</sub> REDUCTIONS OF ~15 000 TONNES**

## Systematic approach to energy efficiency

- Aker BP has established a structured process to map energy use and identify energy improvement opportunities (EIO)
- The EIOs are ranked according to environmental, technical and economic effects, and the best projects are selected for implementation
- In 2020, six projects were carried out with total emissions reductions of ~15 000 tonnes of CO<sub>2</sub>

## 2020 example from **Skarv**:

Reduced plant pressure loss in gas export by new larger bypass JT valve and various adjustments

### Effects:

- Lower annual CO<sub>2</sub> emissions **4 800** tonnes
- Reduced power requirements





# PROJECT EXECUTION THROUGH WORLD-CLASS ALLIANCES



PROJECT EXECUTION THROUGH WORLD-CLASS ALLIANCES

# Alliances – the cornerstone of our execution model



ONE TEAM

COMMON GOALS

SHARED INCENTIVES





PROJECT EXECUTION THROUGH WORLD-CLASS ALLIANCES

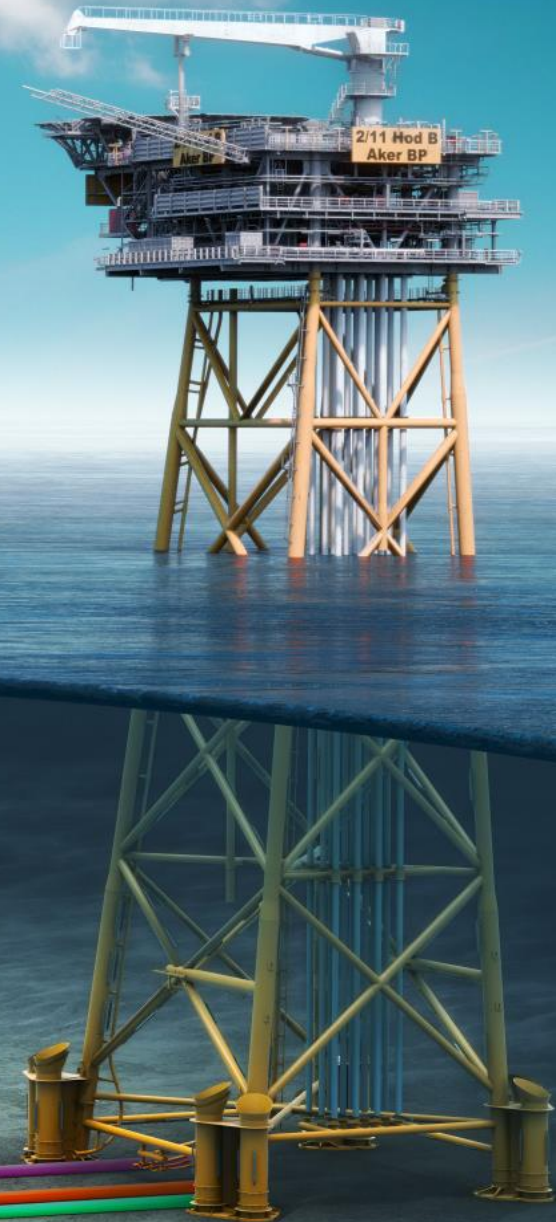
# Hod – prime example of alliance project

Five alliances involved

Copy of the Valhall Flank West development

Same team, same job, same blueprints

Efficiency gains and cost reductions







**STRONG PRODUCTION  
GROWTH BY  
INVESTING IN  
HIGH-RETURN BARRELS**





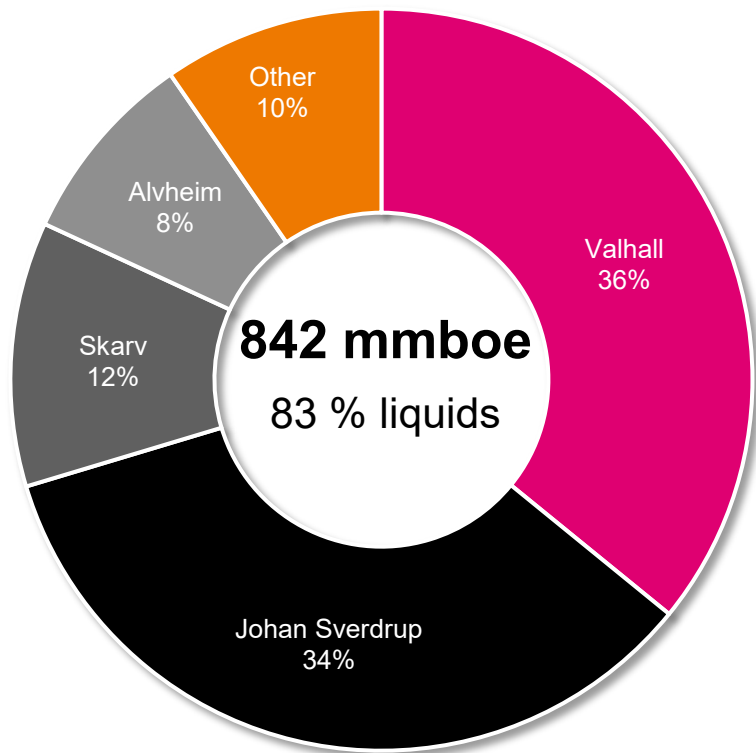
# Tax changes support activity and value creation

- Stimulate investment activity through the cycle by improving liquidity and accelerating cash flow
- Contribute to maintain competence and jobs in the Norwegian oil and gas industry
- Lead to increased value creation for all stakeholders

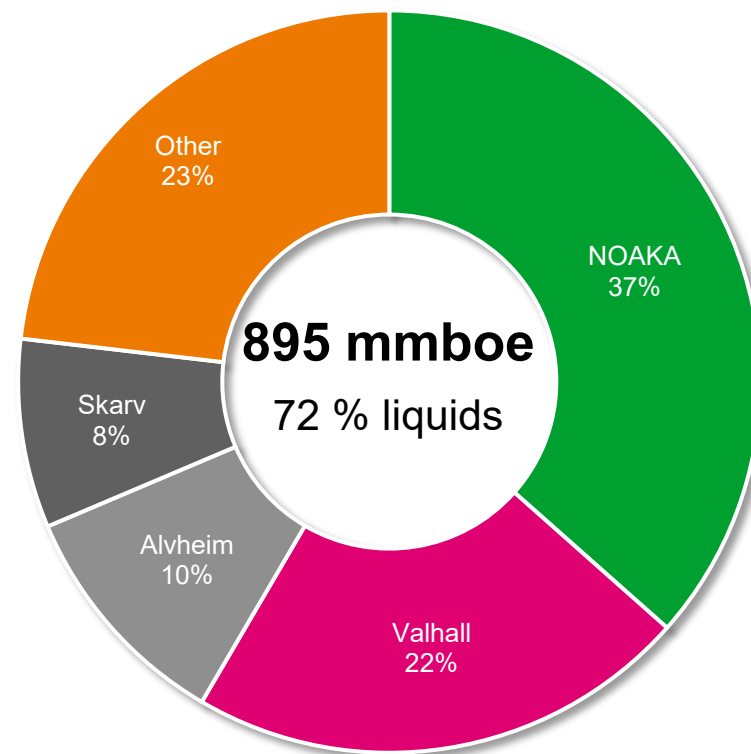
STRONG PRODUCTION GROWTH BY INVESTING IN HIGH-RETURN BARRELS

# Strong growth potential from large resource base

**2P oil and gas reserves**  
in production and under development



**2C contingent resources**  
oil and gas discoveries



## STRONG PRODUCTION GROWTH BY INVESTING IN HIGH-RETURN BARRELS

# Targeting highly profitable barrels next two years

	Project	Area	Net mmboe	FID	First oil
Ongoing	Johan Sverdrup phase 2	Johan Sverdrup	71	2015	2022
	Ærfugl phase 2	Skarv	18	2018	2022
	Gråsel	Skarv	3	2020	2021
	Hod	Valhall	36	2020	2022
<b>Sum</b>			<b>~125</b>		
FID planned by end-2022	Valhall infill drilling	Valhall	10	2020	2021
	Frosk	Alvheim	10	2021	2023
	Kobra East/Gekko	Alvheim	30	2021	2024
	Trell & Trine	Alvheim	10	2022	2025
	Hanz	Ivar Aasen	5	2022	2024
	Skarv satellites	Skarv	70	2022	2025
	Valhall NCP	Valhall	70	2022	2025
	NOAKA	NOAKA	325	2022	2027
	Garantiana	Other	20	2022	2025
<b>Sum</b>			<b>~550</b>		

**~550**

net mmboe,  
new projects

**<USD 27/bbl**

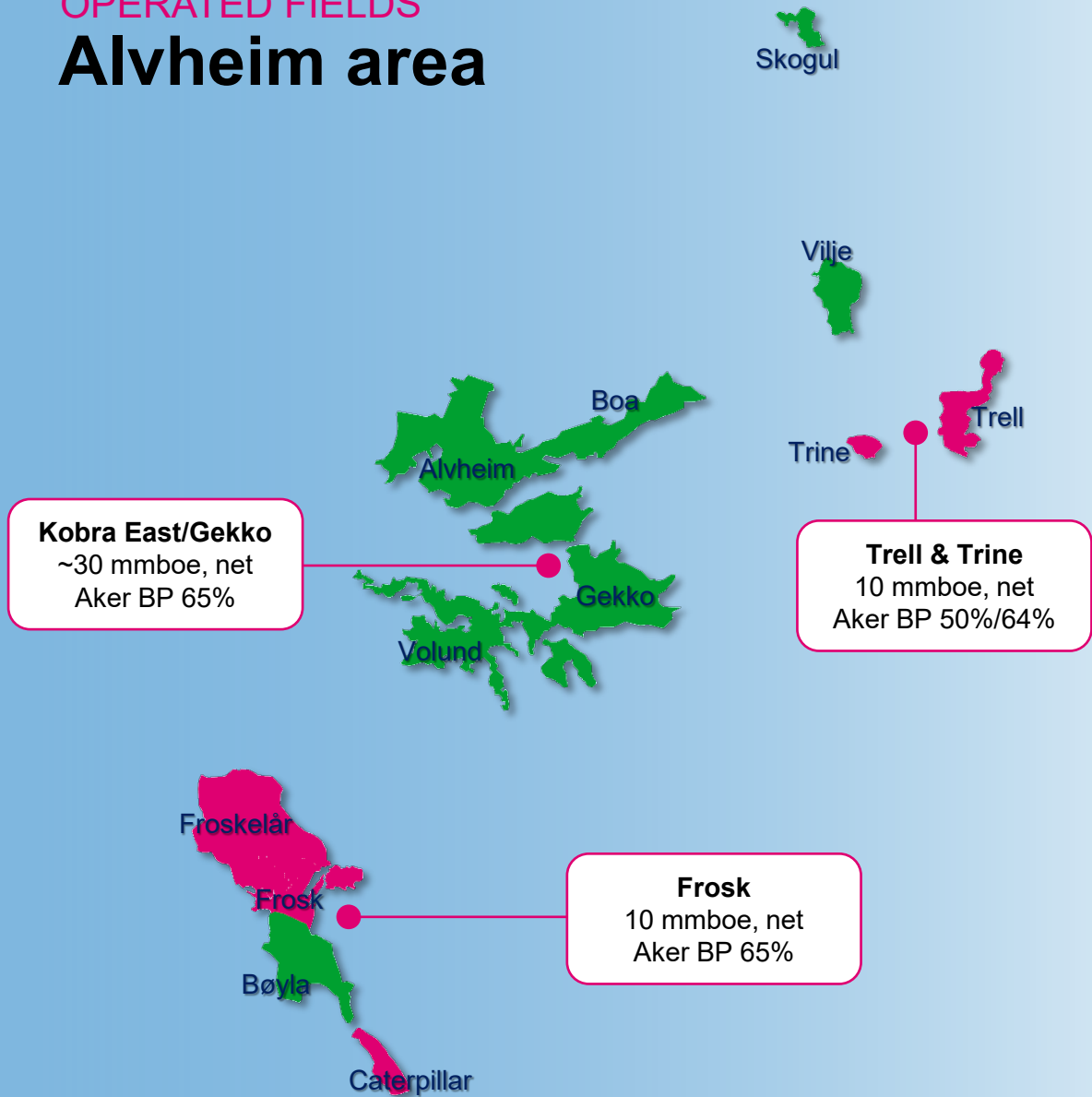
average break-even  
in project portfolio

**USD 8/bbl**

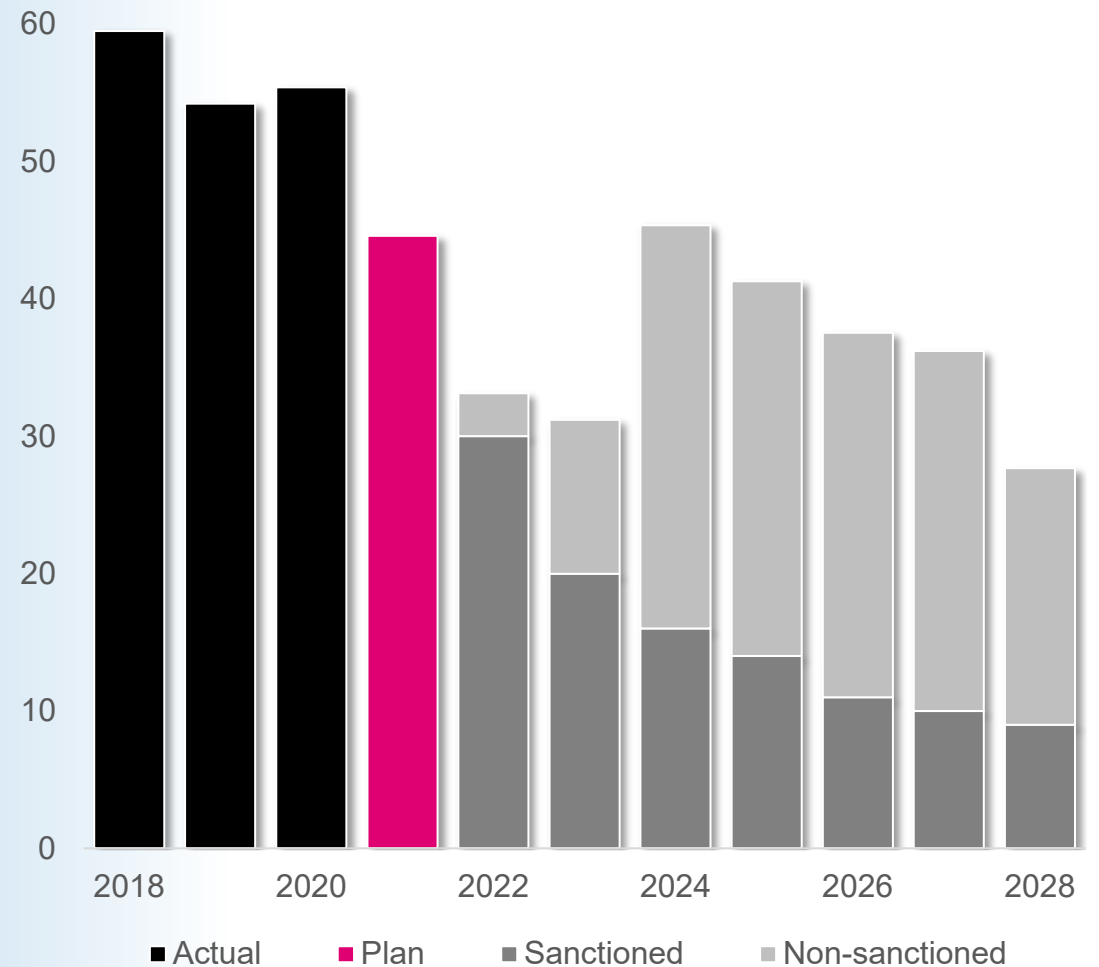
lower break-even  
than a year ago

# OPERATED FIELDS

## Alvheim area



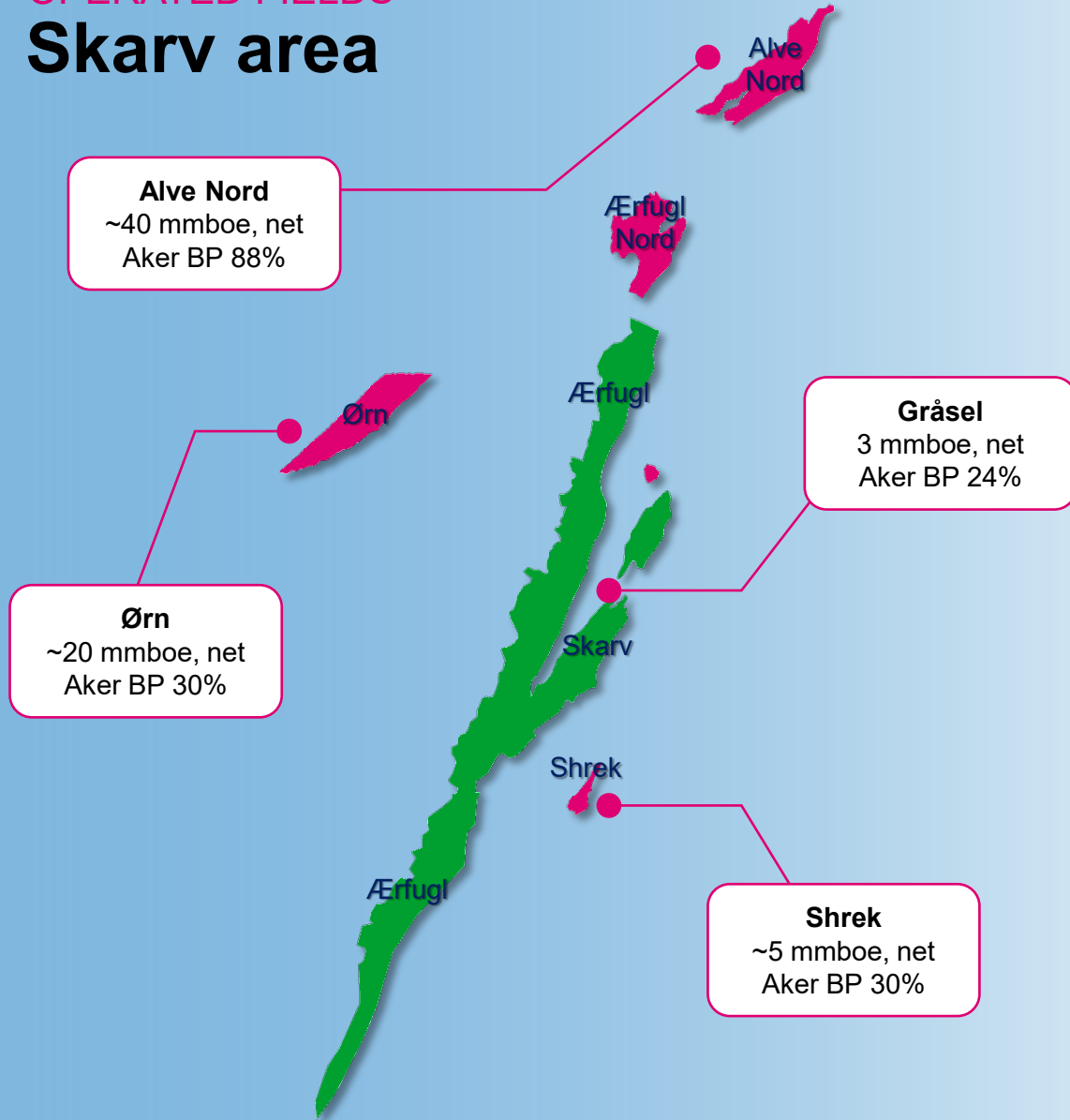
Production outlook<sup>1</sup>, net mboepd



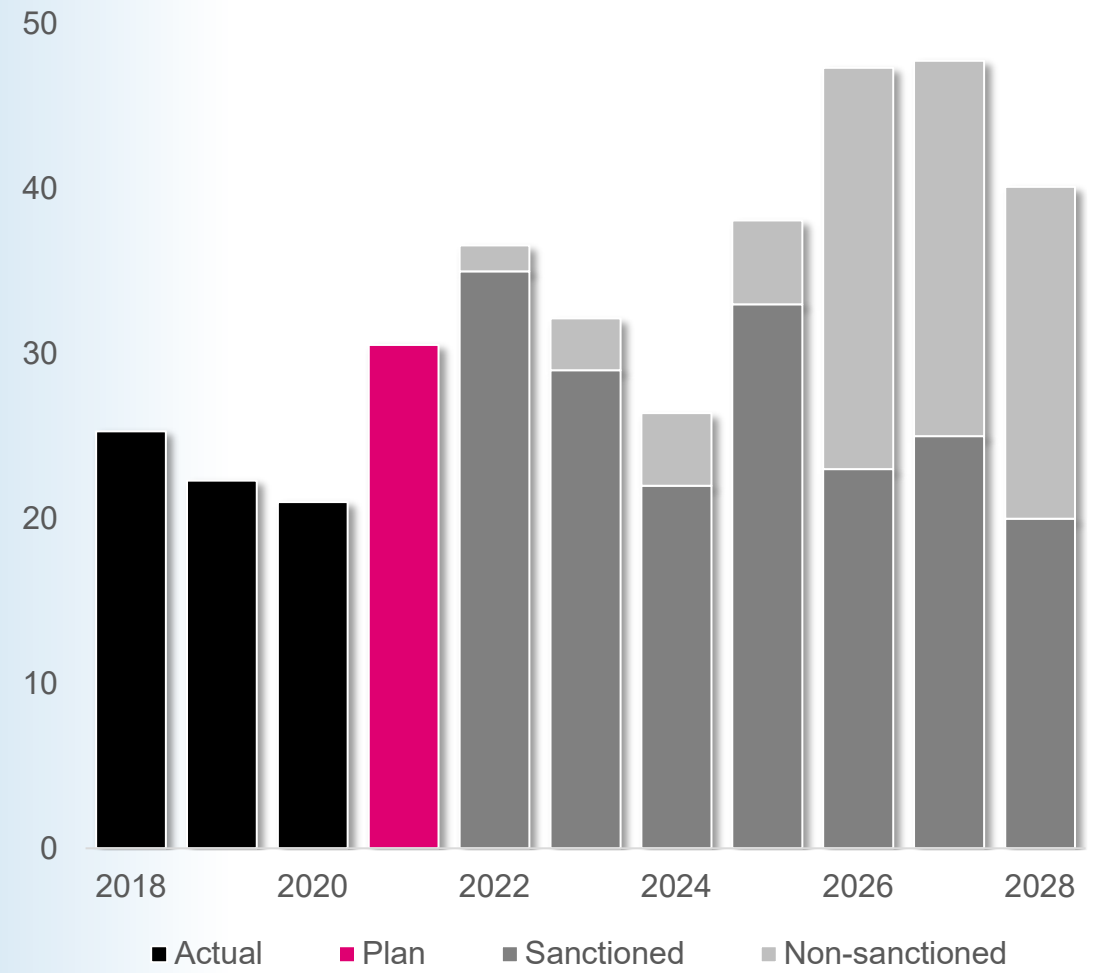


# OPERATED FIELDS

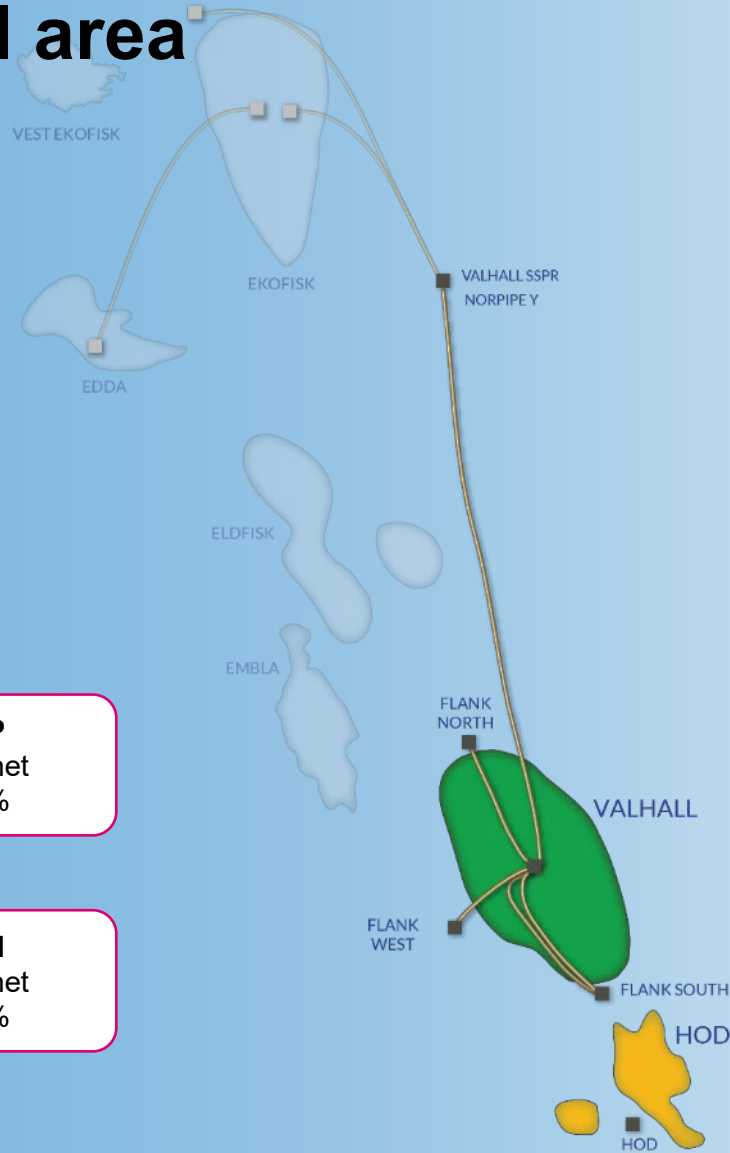
## Skarv area



Production outlook<sup>1</sup>, net mboepd



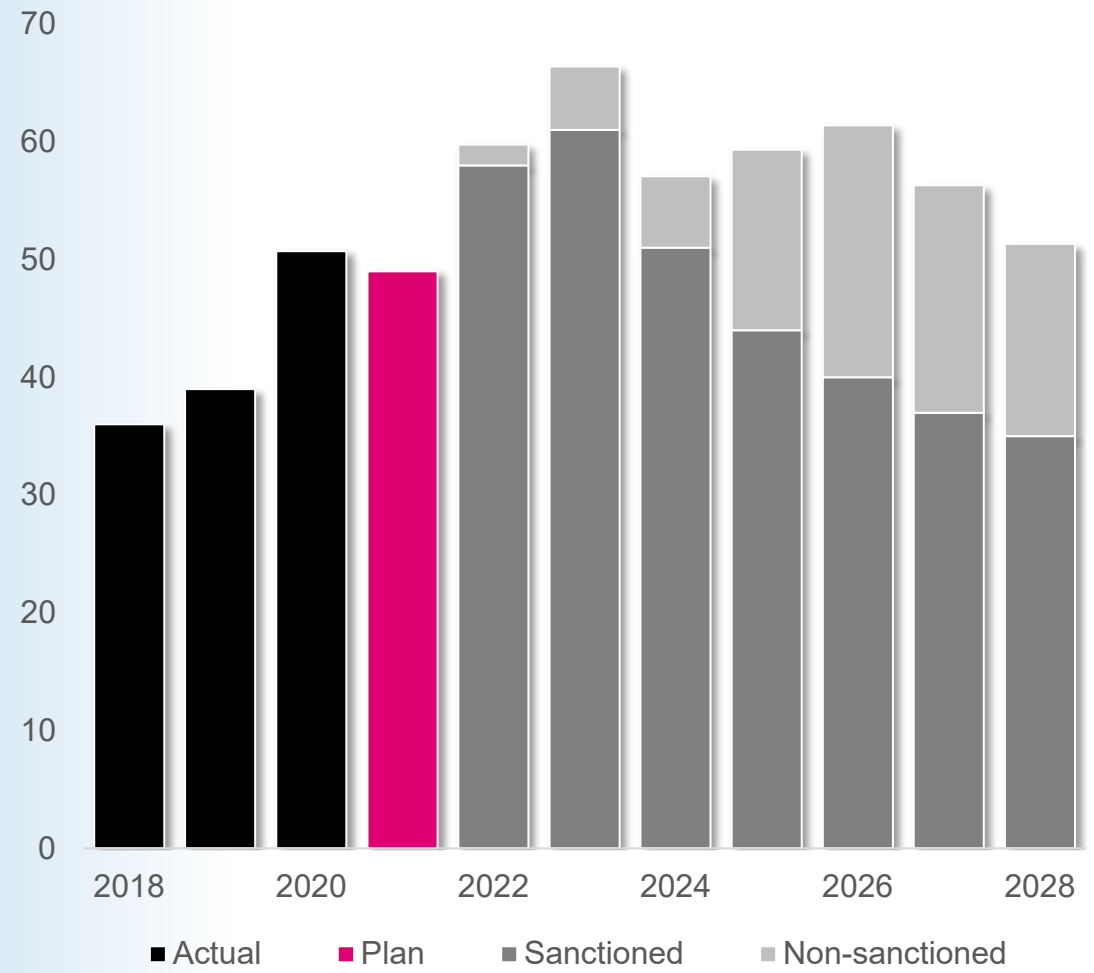
# OPERATED FIELDS Valhall area



**Valhall NCP**  
~70 mmboe, net  
Aker BP 90%

**Valhall infill**  
~10 mmboe, net  
Aker BP 90%

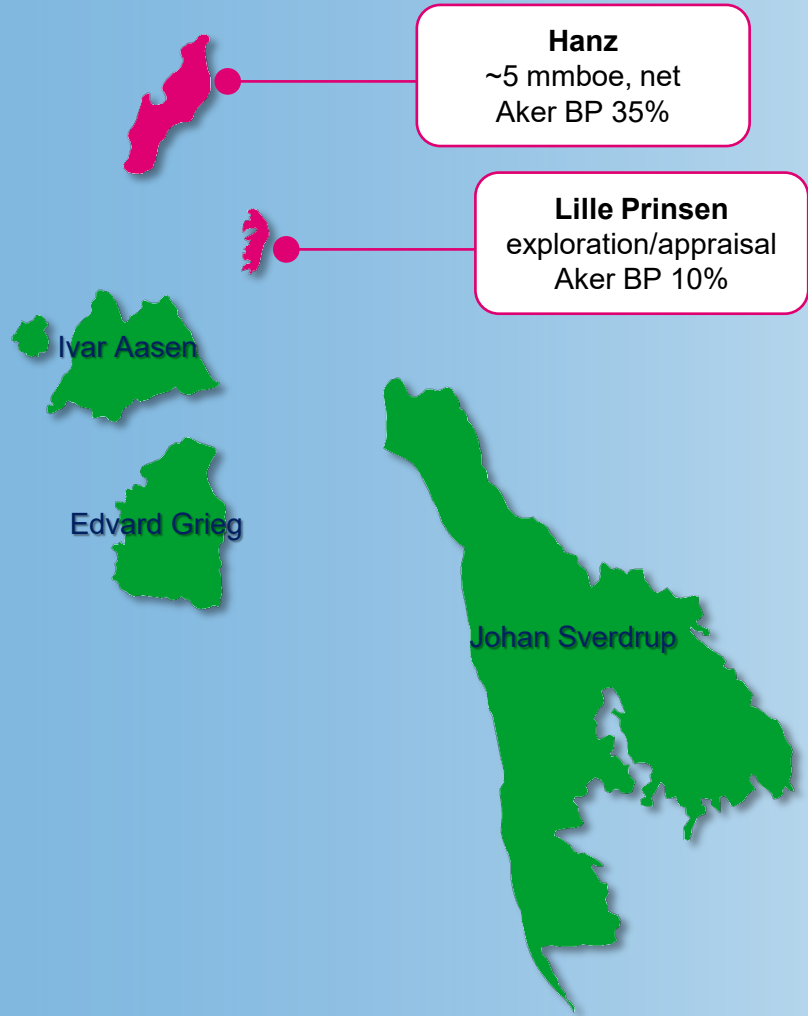
Production outlook<sup>1</sup>, net mboepd



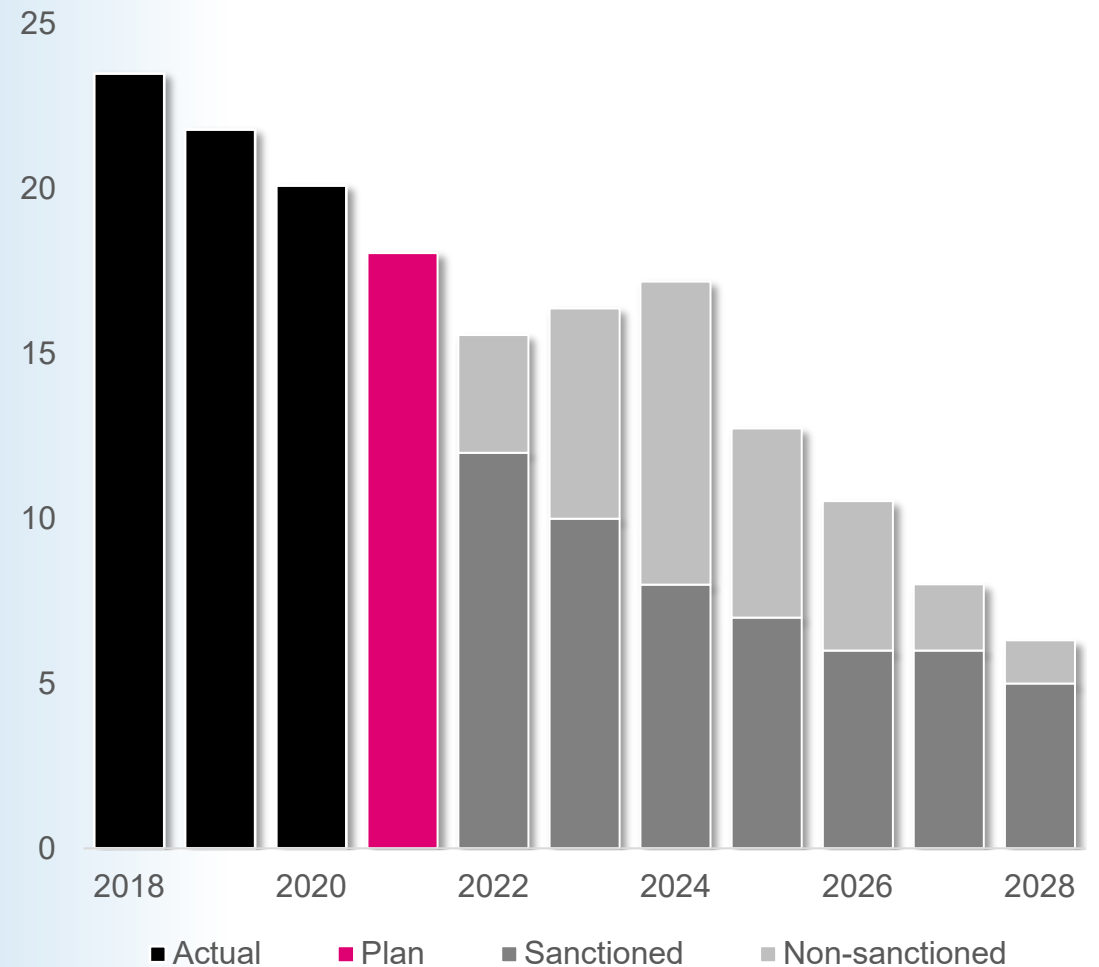
1) Included in production prognosis – Sanctioned: Valhall Flank West Non-sanctioned: Hod, Valhall Diatomite, Valhall Tor, Valhall FW and other infill wells

# OPERATED FIELDS

## Ivar Aasen

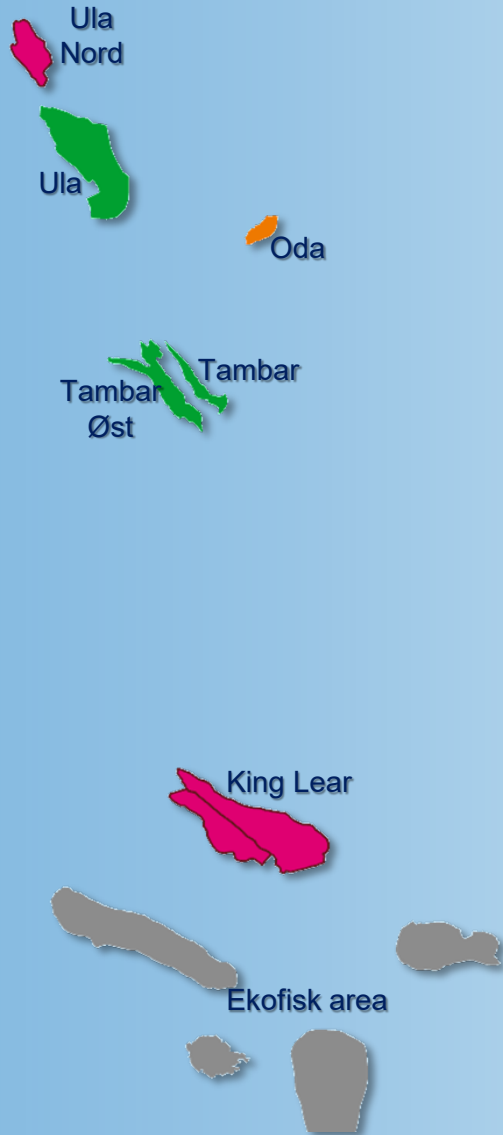


Production outlook<sup>1</sup>, net mboepd

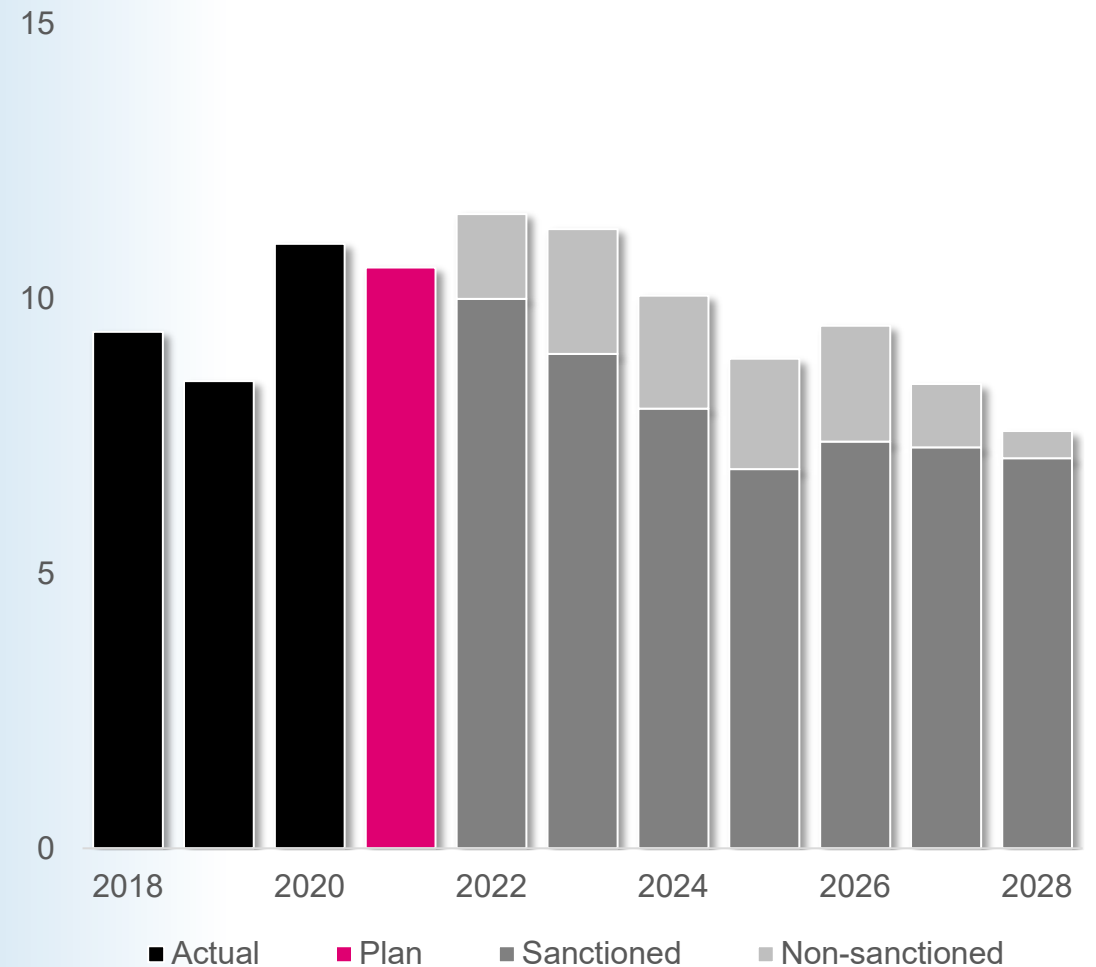


OPERATED FIELDS

Ula



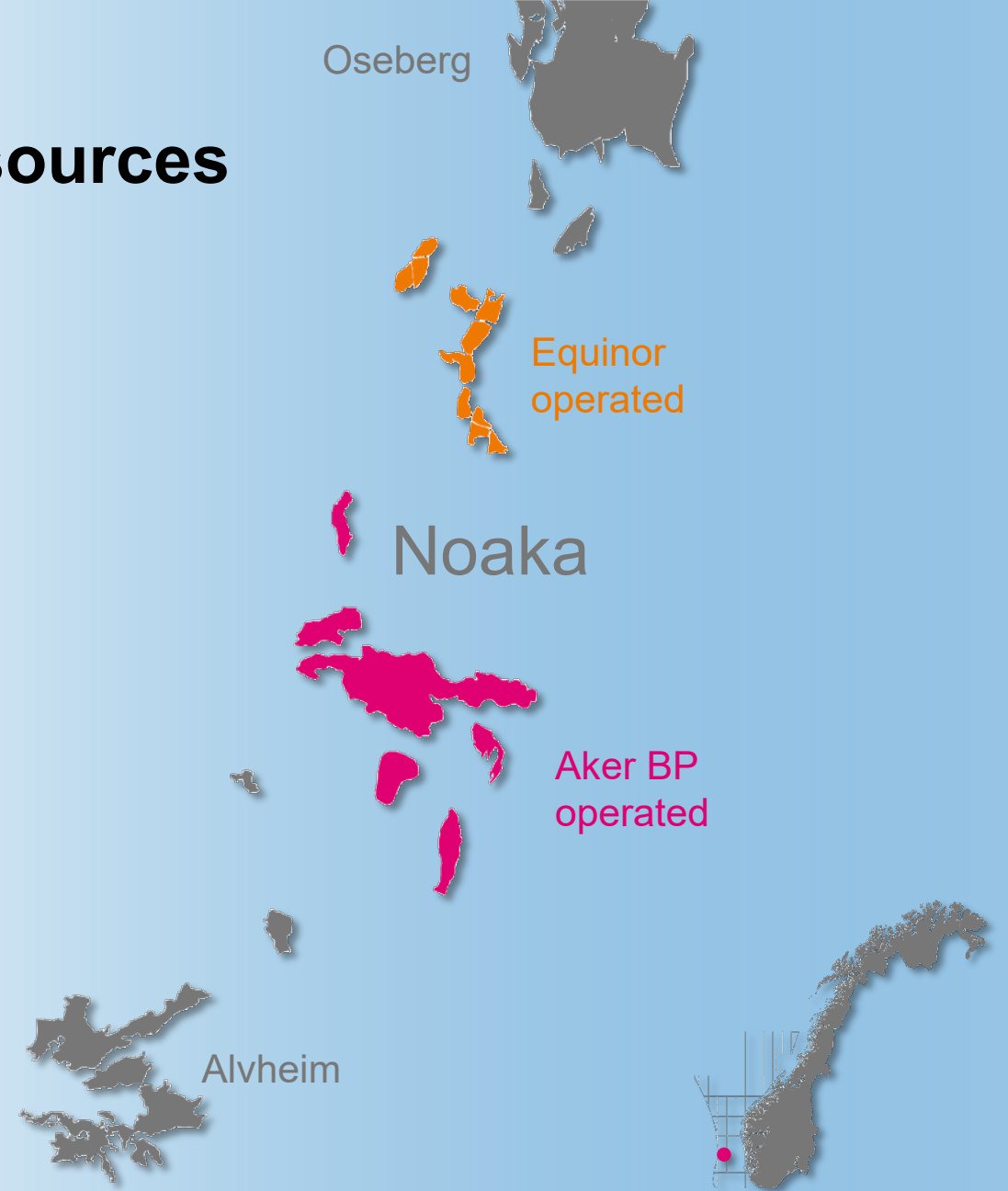
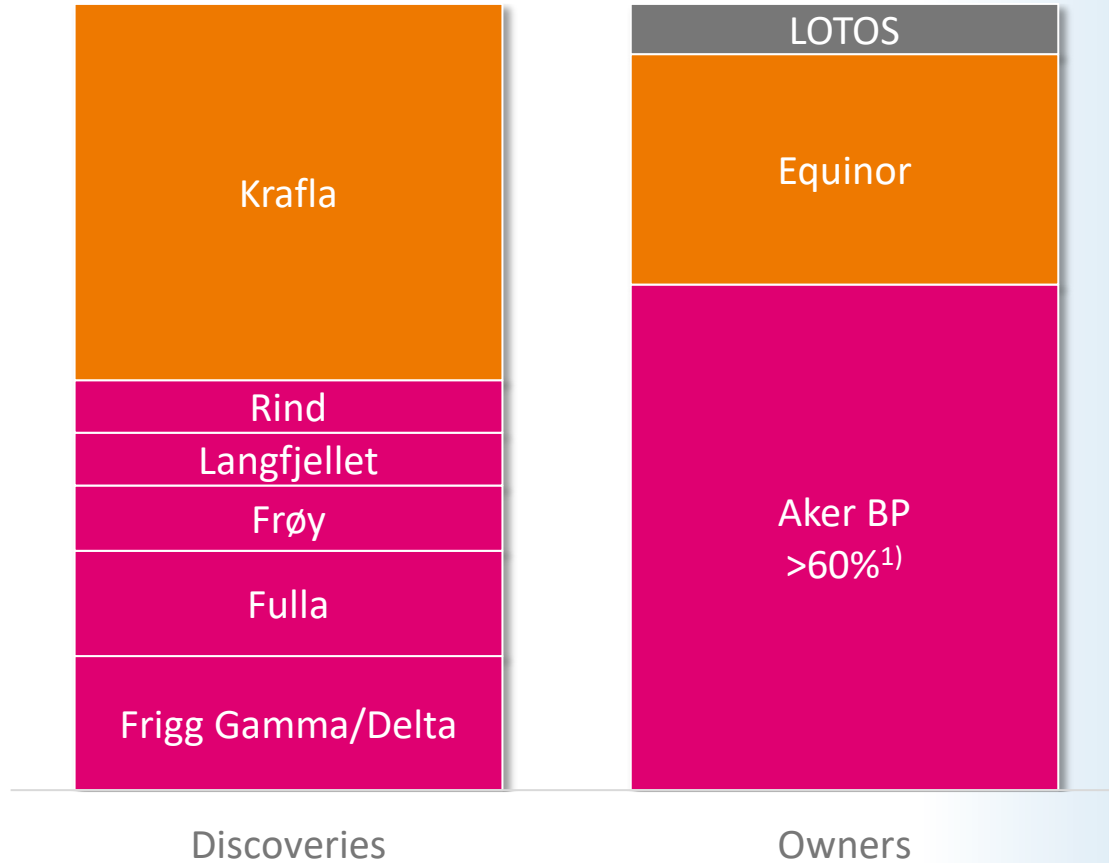
Production outlook<sup>1</sup>, net mboepd





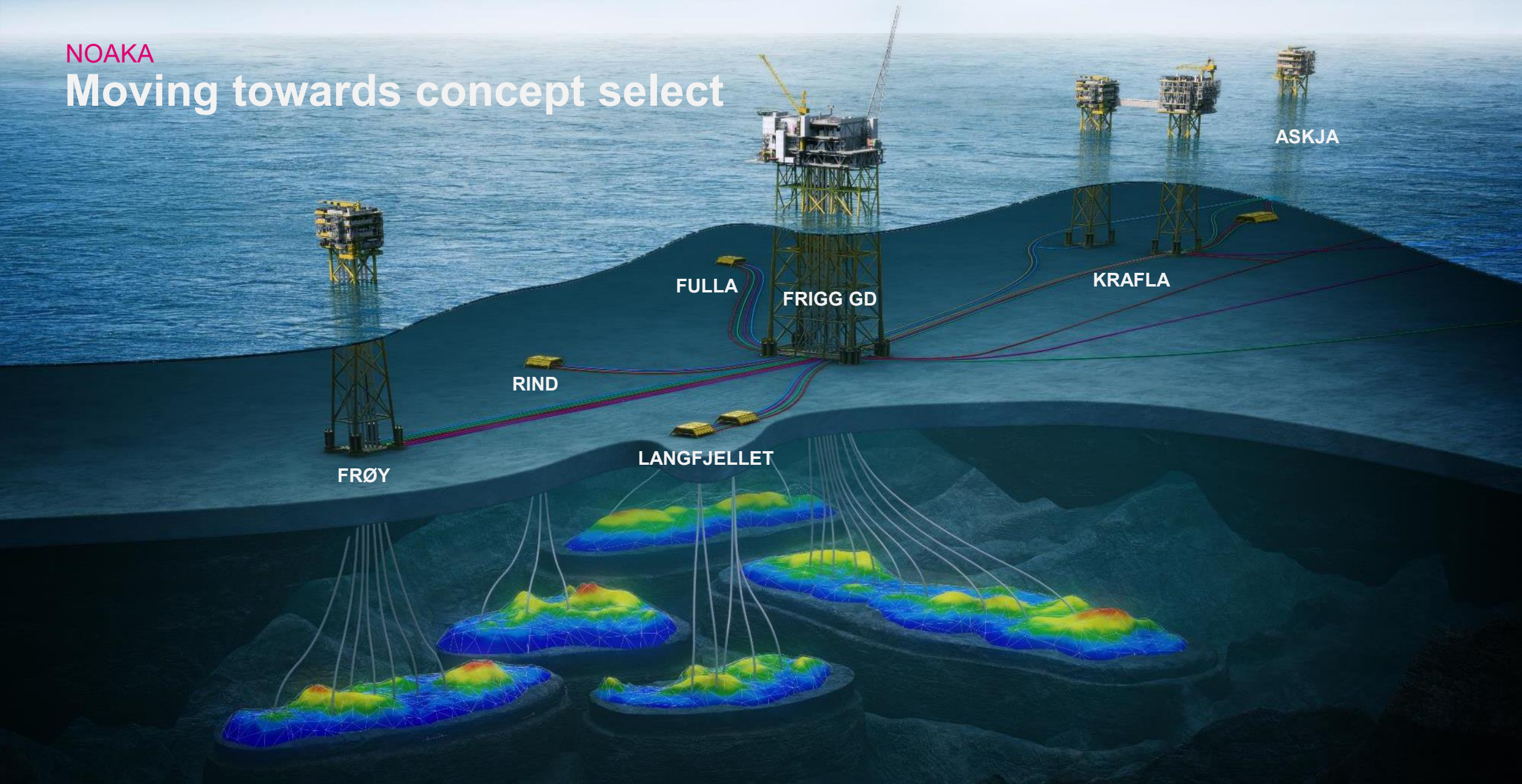
# Prospective area with significant resources

>500 mmboe



NOAKA

# Moving towards concept select





JOHAN SVERDRUP

# Johan Sverdrup - a world class oil field



PHASE 1 PLATEAU

**~535 000**

bbl per day

2020 CO<sub>2</sub> EMISSIONS

**0.2 kg**

per boe

BREAK-EVEN FULL FIELD

**< \$20**

per bbl

PRODUCTION COST PHASE 1

**< \$2**

per boe

Picture: Equinor



JOHAN SVERDRUP

# Phase 2 to increase capacity to 720,000 bbl/day in 2022

- New processing platform
- 28 wells and 5 subsea templates
- Capex NOK 41 billion
- Increasing processing capacity to 720,000 bbl/day

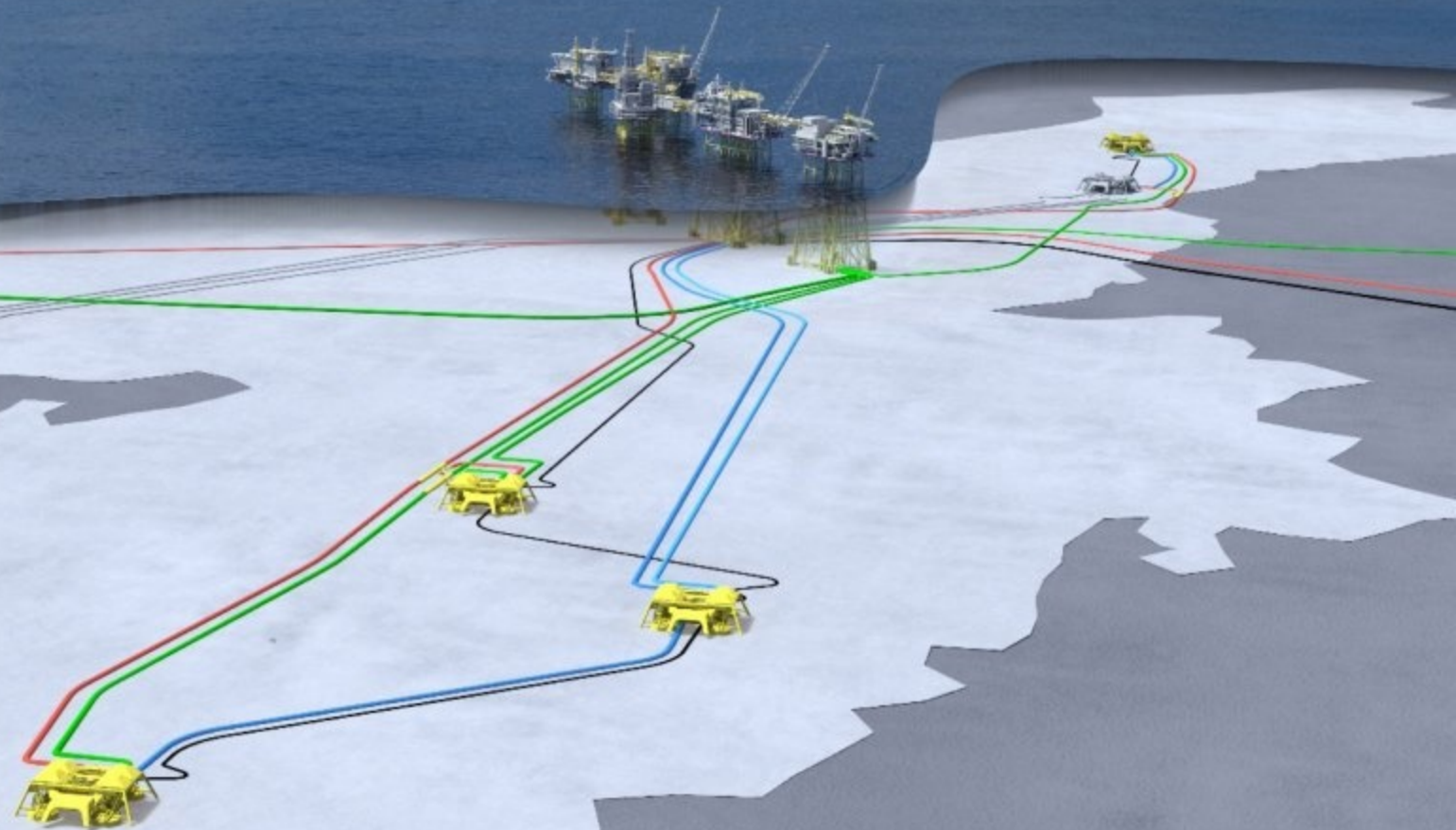
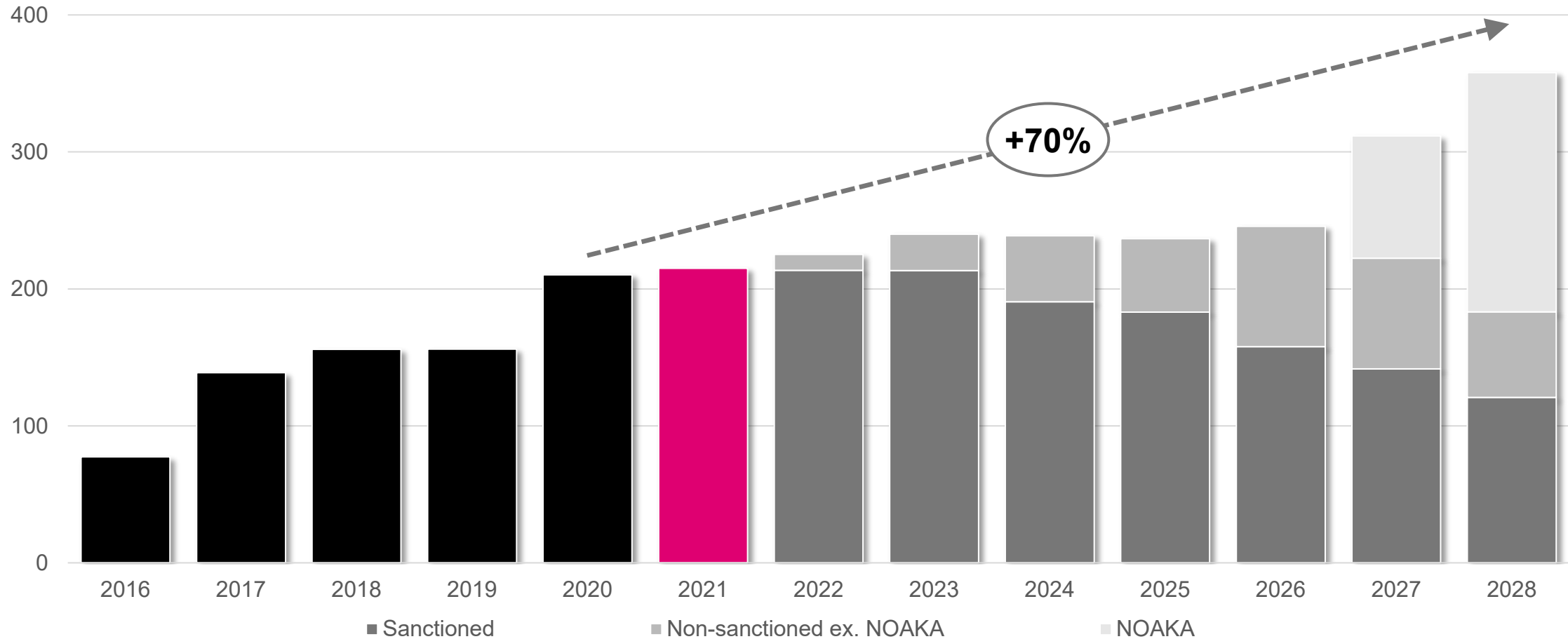


Illustration: Equinor

## PRODUCTION AMBITION

# Strong production growth by investing in high-return barrels

~70% higher production in 2028 than in 2020, mboepd





EXPLORATION

# The Aker BP exploration formula

Maximize value of existing infrastructure

80 %

Explore for new hub potential

20 %

Smart integration of data and technology

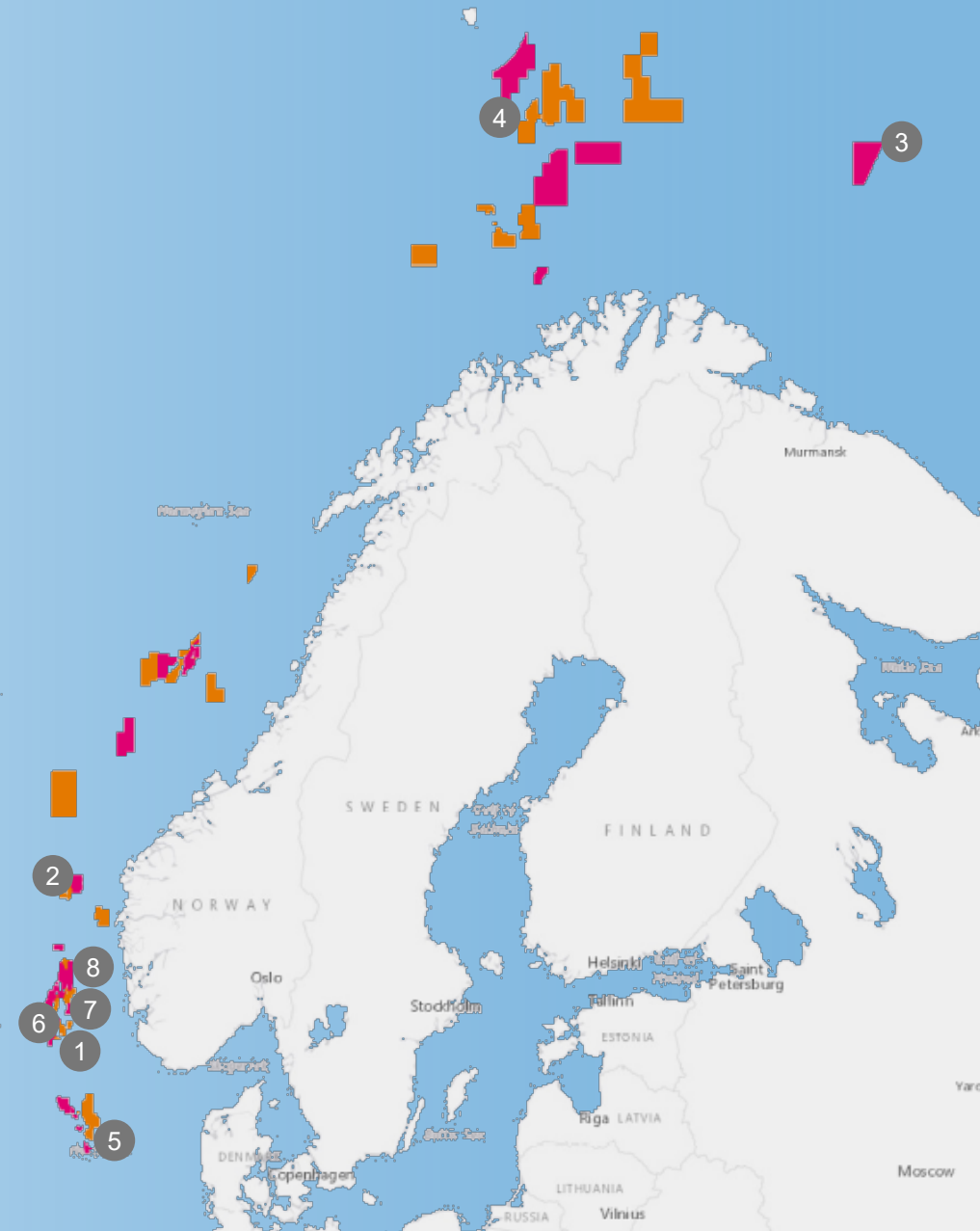




EXPLORATION

# 2021 exploration programme

Licence	Prospect		Operator	Aker BP share	Pre-drill mboe	Status
PL 533	Bask		Lundin	35 %	14 - 585	Dry
PL 981	Merckx Ty	①	Lundin	40 %	43 - 304	
PL 544	Garantiana W	②	Equinor	30 %	7 - 28	
PL 858	Stangnestind	③	Aker BP	40 %	13 - 108	
PL 722	Shenzhou	④	Equinor	20 %	191 - 505	
PL 006C	Gomez	⑤	DNO	15 %	17 - 57	
PL 1041	Lyderhorn	⑥	Aker BP	40 %	6 - 14	
PL 167	Lille Prinsen	⑦	Equinor	10 %	Appraisal	
PL 442	Liatårnet	⑧	Aker BP	90 %	Appraisal	



## MERGERS & ACQUISITIONS

# Disciplined approach to M&A

FINANCIALLY  
ACCRETIVE

OPERATED  
ASSETS

PREDOMINANTLY  
LIQUIDS

UPSIDE  
POTENTIAL



2014



2015



2016



2017



2018



2020



# ROBUST FREE CASH FLOW AND ATTRACTIVE RETURNS IN SUPPORTIVE FISCAL REGIME







**STRONG PERFORMANCE IN  
A TURBULENT YEAR**

**CLEAR  
PRIORITIES**

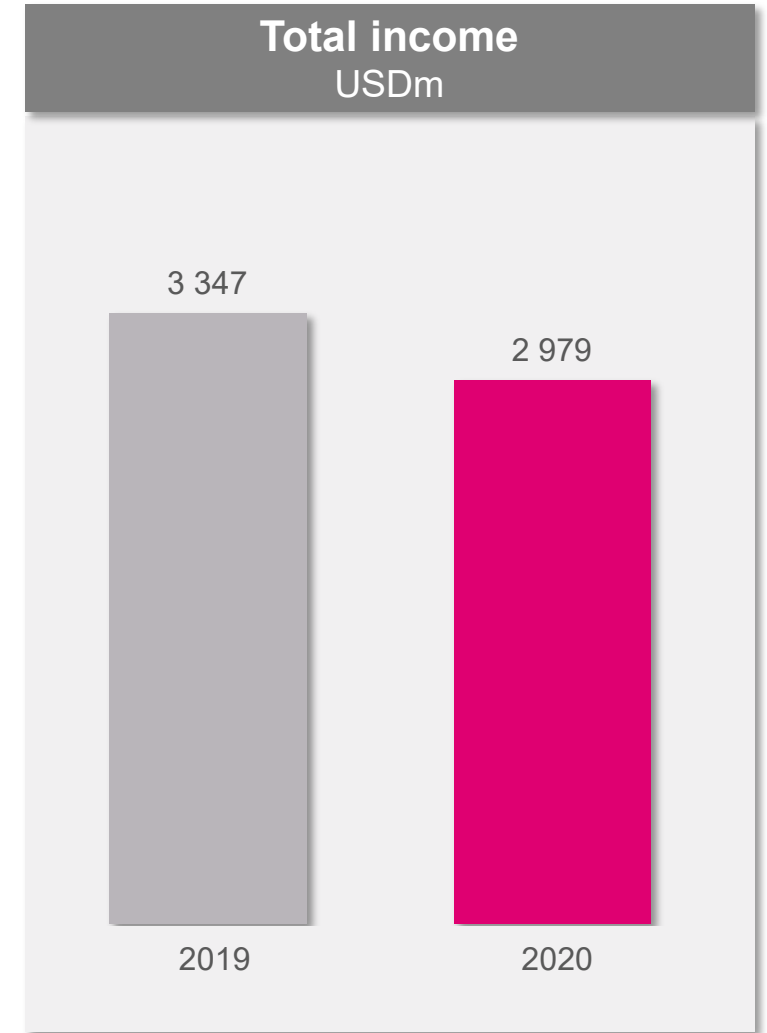
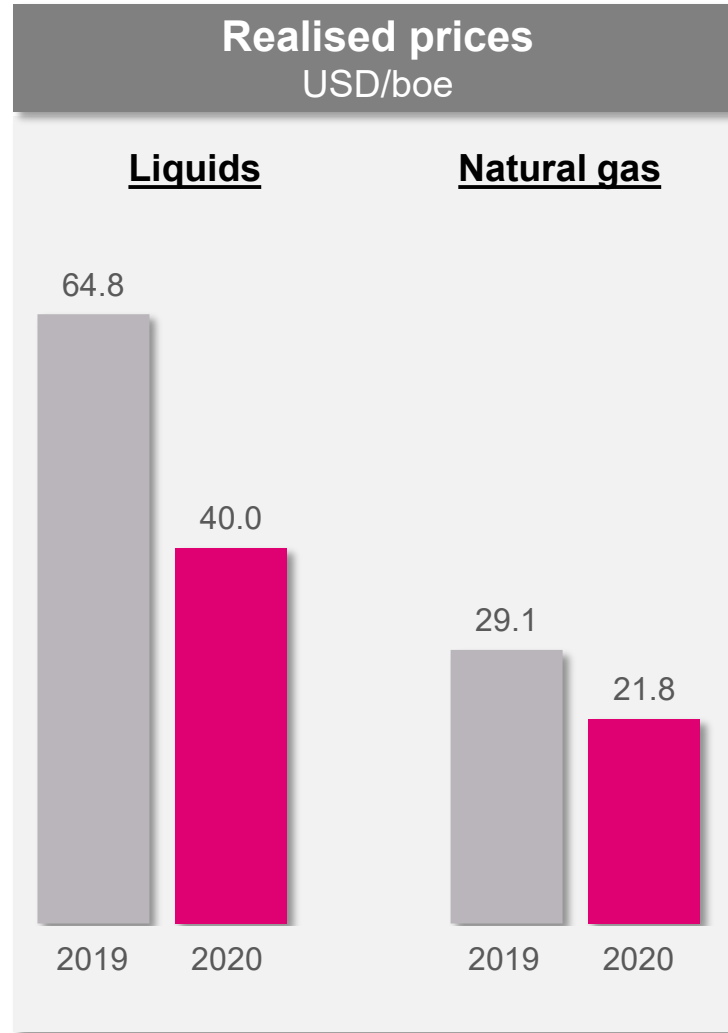
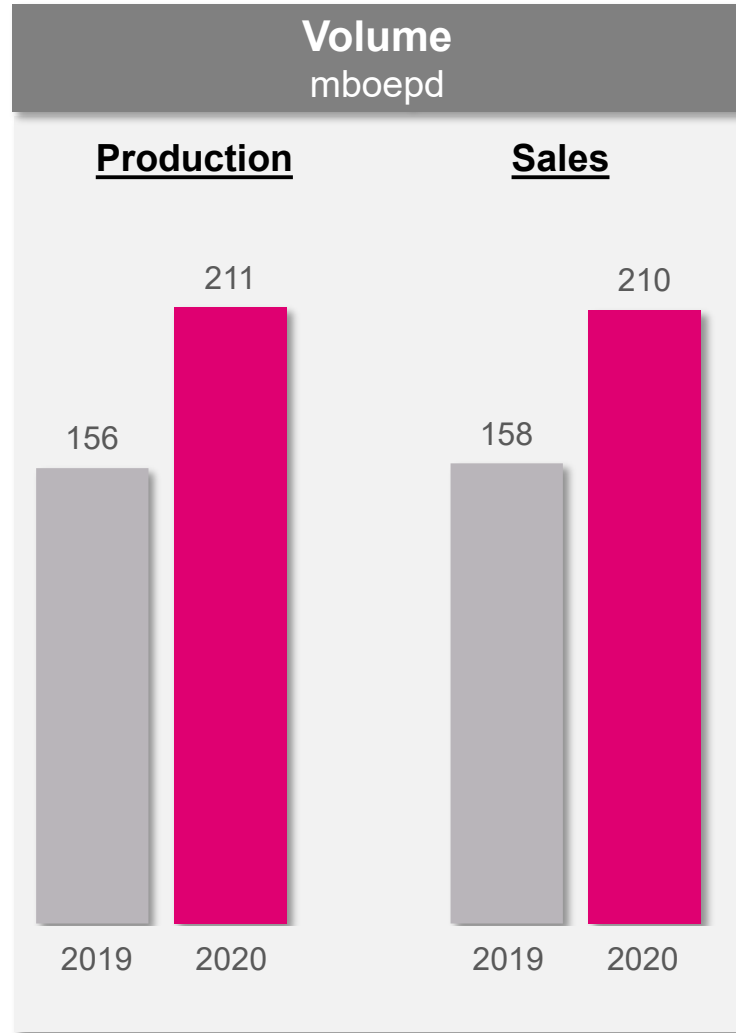
**UNIQUELY POSITIONED FOR  
VALUE CREATION**





Key figures		2020	2019
Production	mboepd	210.7	155.9
Sales	mboepd	210.2	157.6
Realized liquids price	USD/bbl	40.0	64.8
Realized gas price	USD/scm	0.14	0.18
Total income	USDm	2 979	3 347
EBITDA	USDm	2 128	2 286
Net profit	USDm	45	141
Free cash flow <sup>1</sup>	USDm	356	-293
Net interest-bearing debt	USDm	3 647	3 180
Leverage ratio		1.51	1.24

# Oil and gas production, sales and revenues

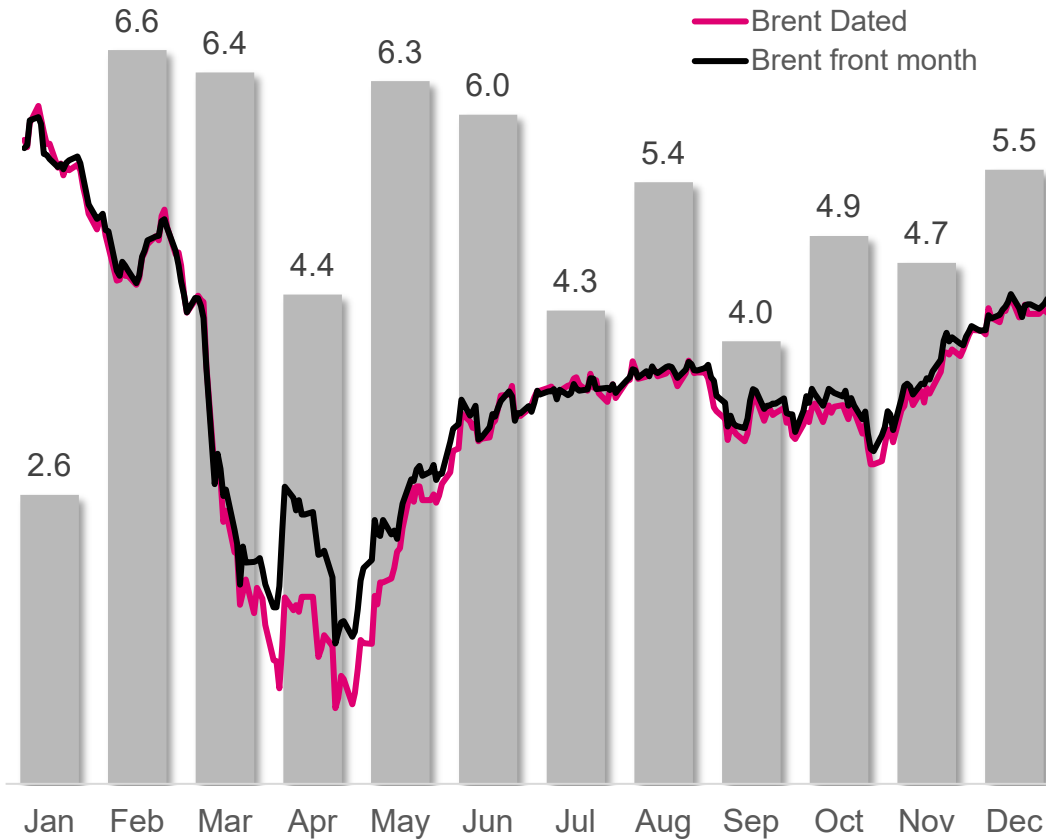


## 2020 PERFORMANCE

# Lifted volumes and realised prices

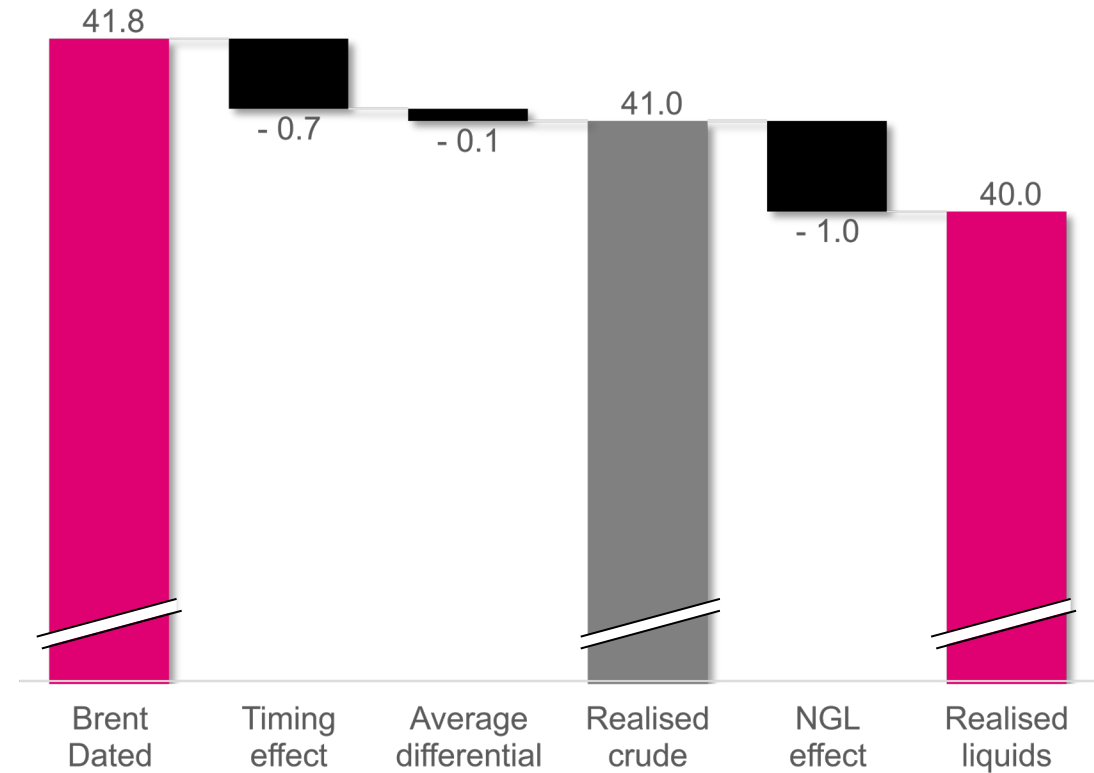
Crude oil liftings 2020<sup>1)</sup>

mmbbl



Breakdown of realised liquids prices in 2020

USD/bbl

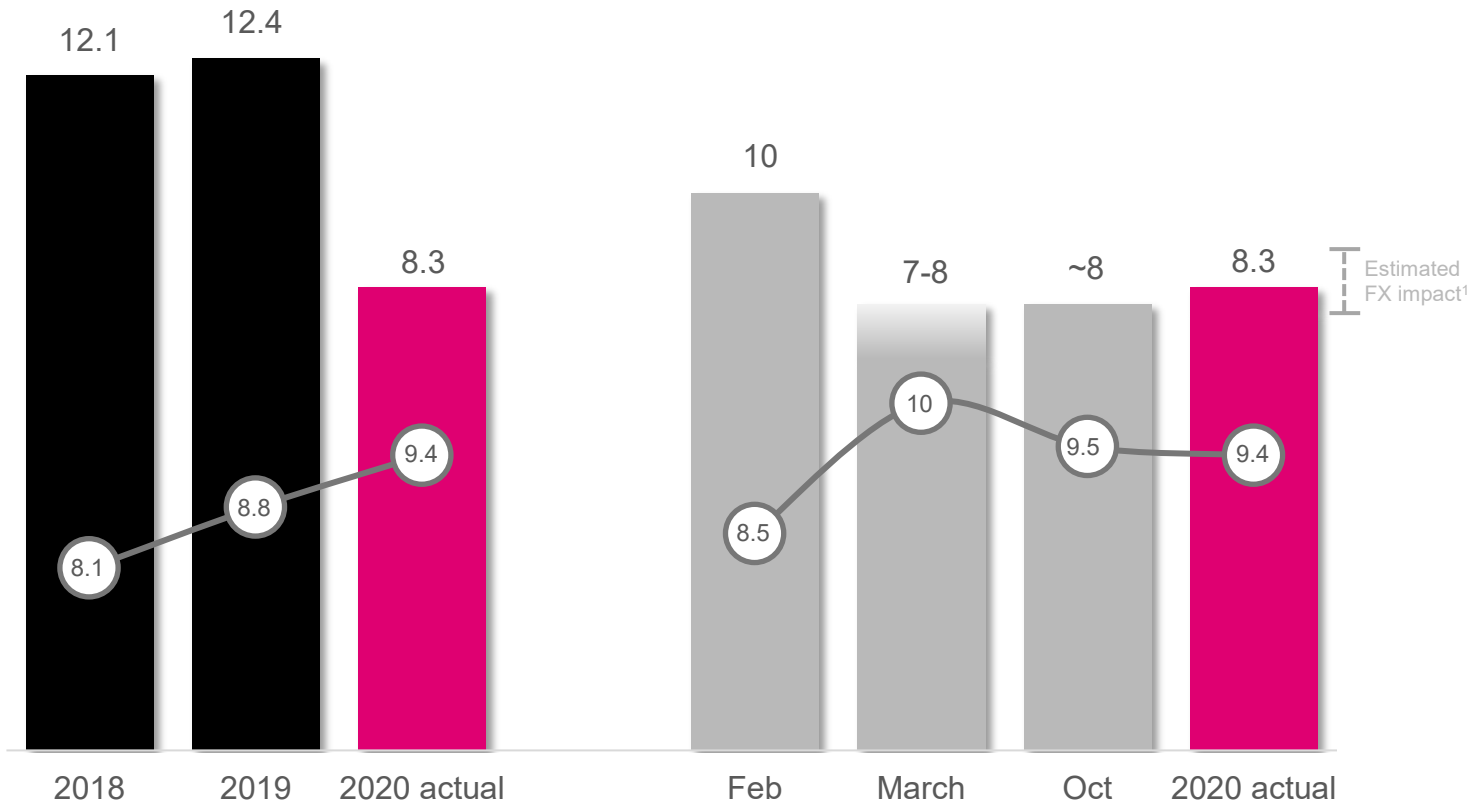


## 2020 PERFORMANCE

# Production cost trending down

Production cost (USD/boe)

2020 cost guiding development



○ = USDNOK rate<sup>2</sup>

- Significant reduction in cost/boe from 2019 driven by increased production and reduced underlying cost
- 2020 cost in USD impacted by currency movements
- Guiding reduced in March due to activity reduction and weaker NOK
- 2020 cost down by 1 USD/boe compared to original guiding when adjusting for currency effects

1) Estimated production cost 2020 at alternative FX rates for 2020 of USDNOK 10 (low) and USDNOK 8,5 (high) respectively

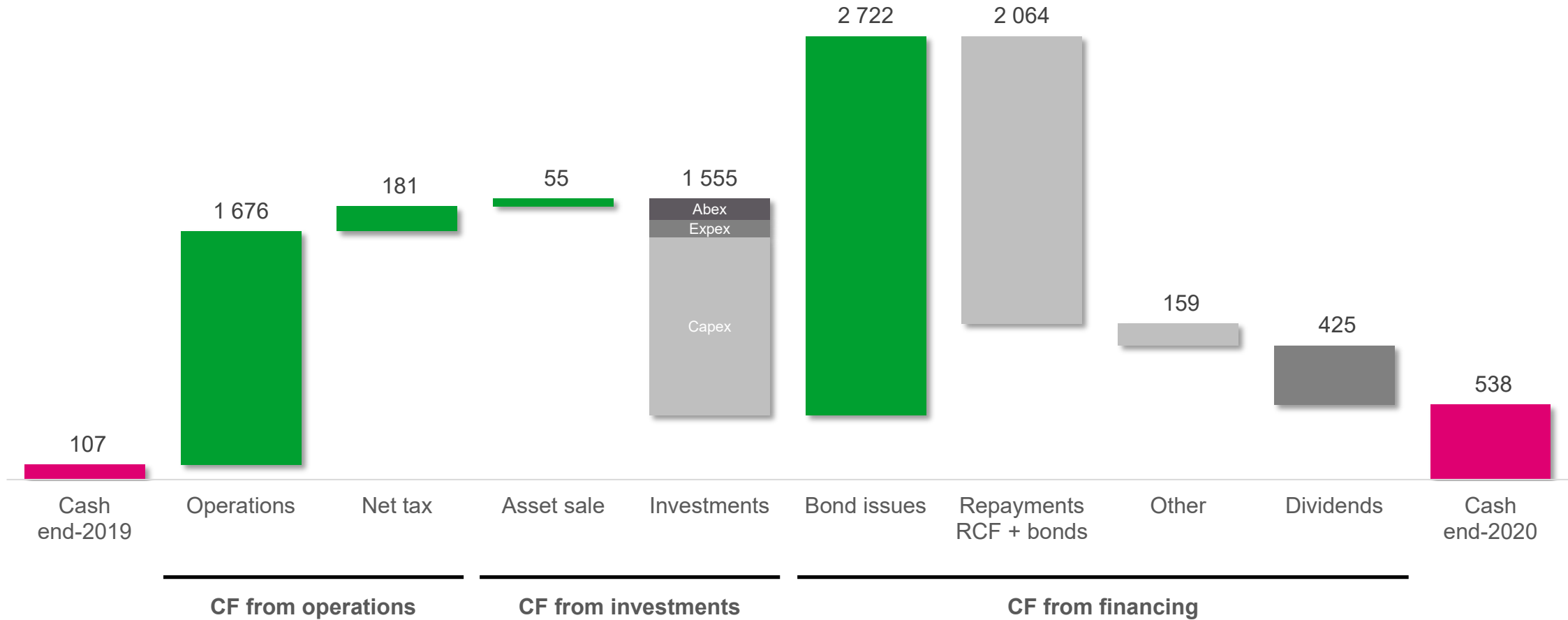
2) The full-year USDNOK rates are realized figures, while Feb, March and Oct refer to assumed USDNOK rate for full year 2020 at the time of guiding



2020 PERFORMANCE

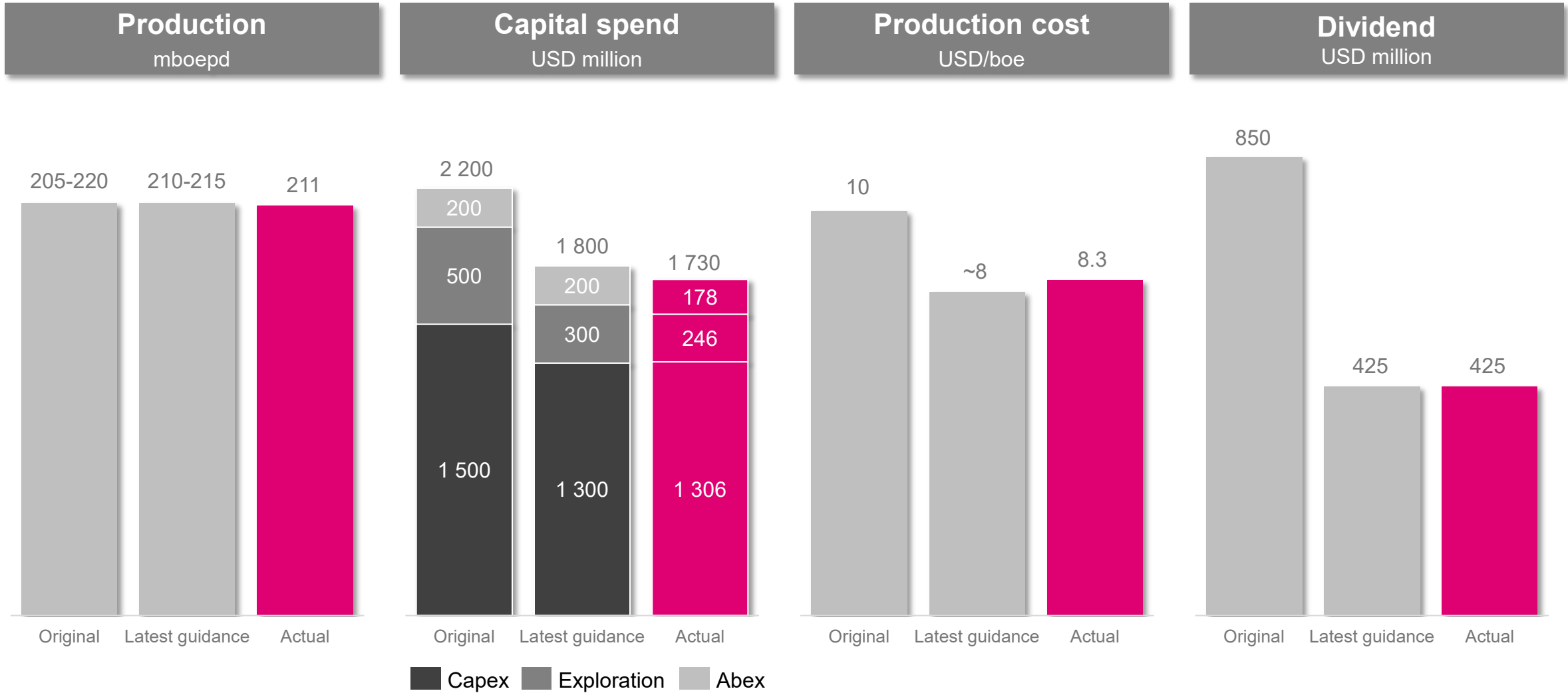
# Free cash flow generation above USD 350 million

Cash flow development, USD million



2020 PERFORMANCE

# Performance vs. guidance



# Capital allocation priorities to maximize value creation

1



Maintain sufficient  
**financial capacity**

2



Invest in  
**profitable growth**

3



Return  
**value creation**



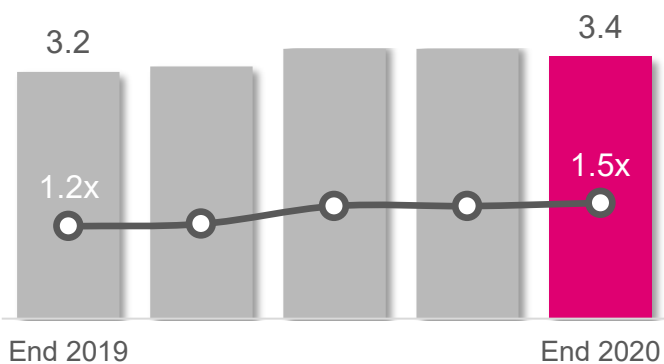
## MAINTAIN SUFFICIENT FINANCIAL CAPACITY

# Superior financial flexibility further improved



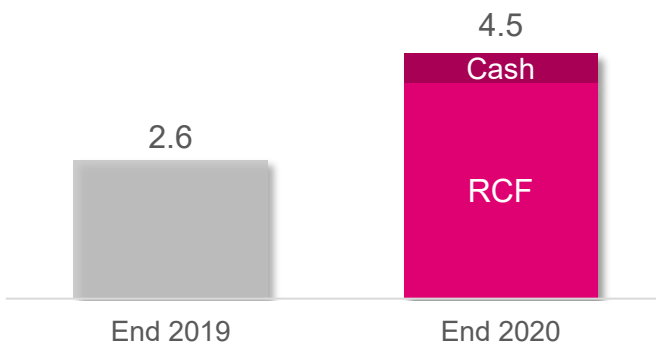
### Net debt and leverage ratio

USD billion (bars), Net debt/EBITDAX<sup>1</sup> (line)



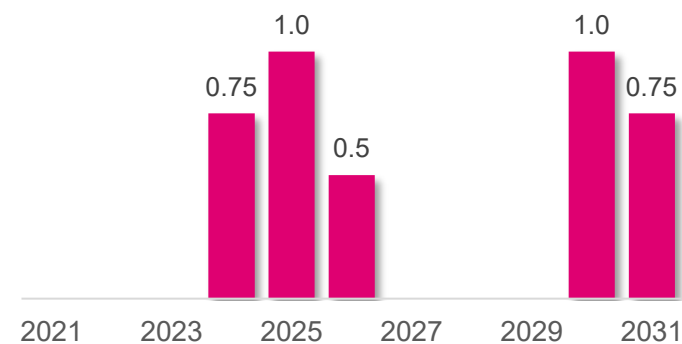
### Available liquidity

USD billion<sup>2</sup>



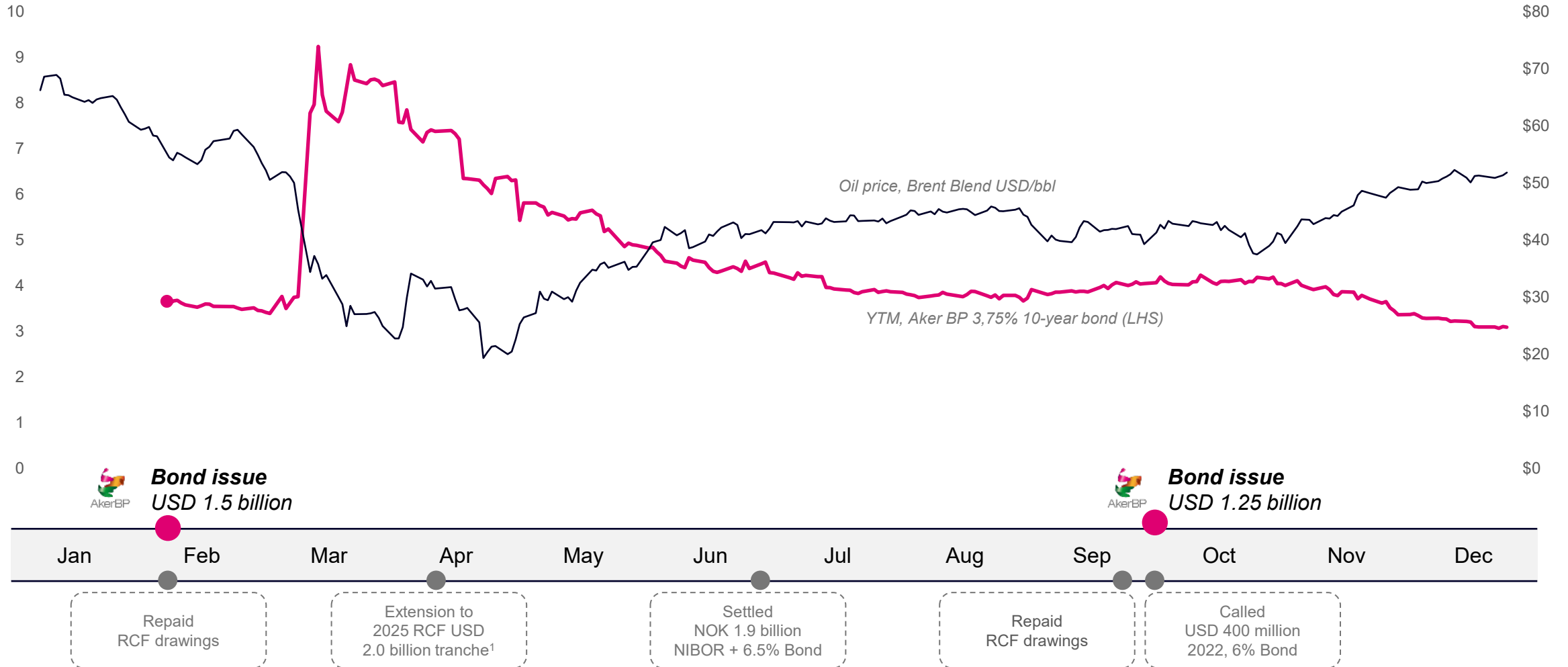
### Debt maturity profile

USD billion



MAINTAIN SUFFICIENT FINANCIAL CAPACITY

# Effective capital market activity in turbulent times



# MAINTAIN SUFFICIENT FINANCIAL CAPACITY

## Prudent risk management

### Business risks



### Risk management policies

- **Credit rating**
  - Committed to maintain investment grade profile  
**FitchRatings** **MOODY'S** **S&P Global**
- **Liquidity**
  - Liquidity buffer of minimum USD 2 billion
- **Hedging**
  - Using options and forwards to manage forex exposure
  - Put options to manage short-term oil price risk (1-2 years)
- **Insurance**
  - All assets insured in commercial market
  - Loss of production covered after 45 days at net USD 50/bbl
- **Investment criteria**
  - Full-cycle NPV<sup>1)</sup> break-even at or below USD 30/bbl
  - Climate risk integrated in investment decisions



INVEST IN PROFITABLE GROWTH

# Prioritizing highly profitable investments from resource hopper

**~550**

net mmbœ<sup>1</sup>

**<USD 27/bbl**

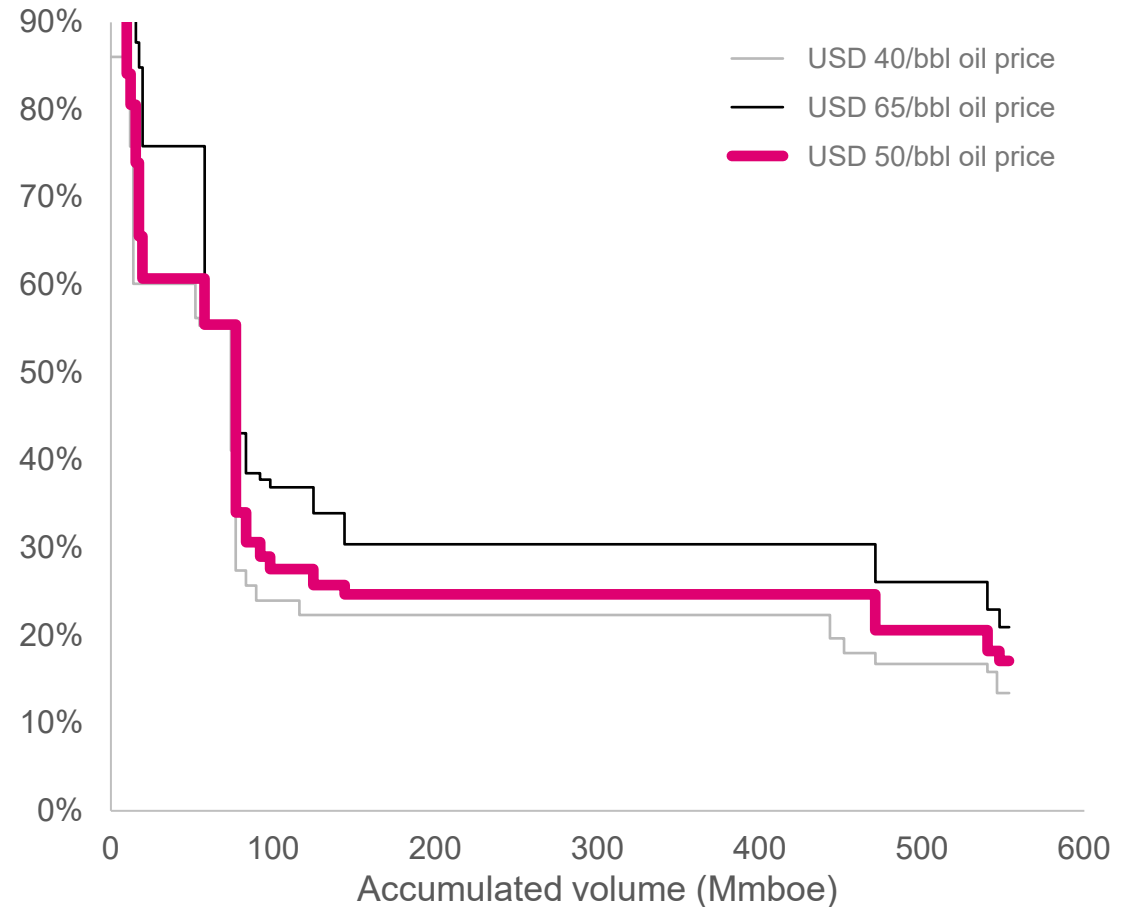
portfolio break-even<sup>1</sup>

**>30%**

avg. IRR @ USD 50/bbl

## IRR for projects targeted for FID by 2022

Preliminary figures

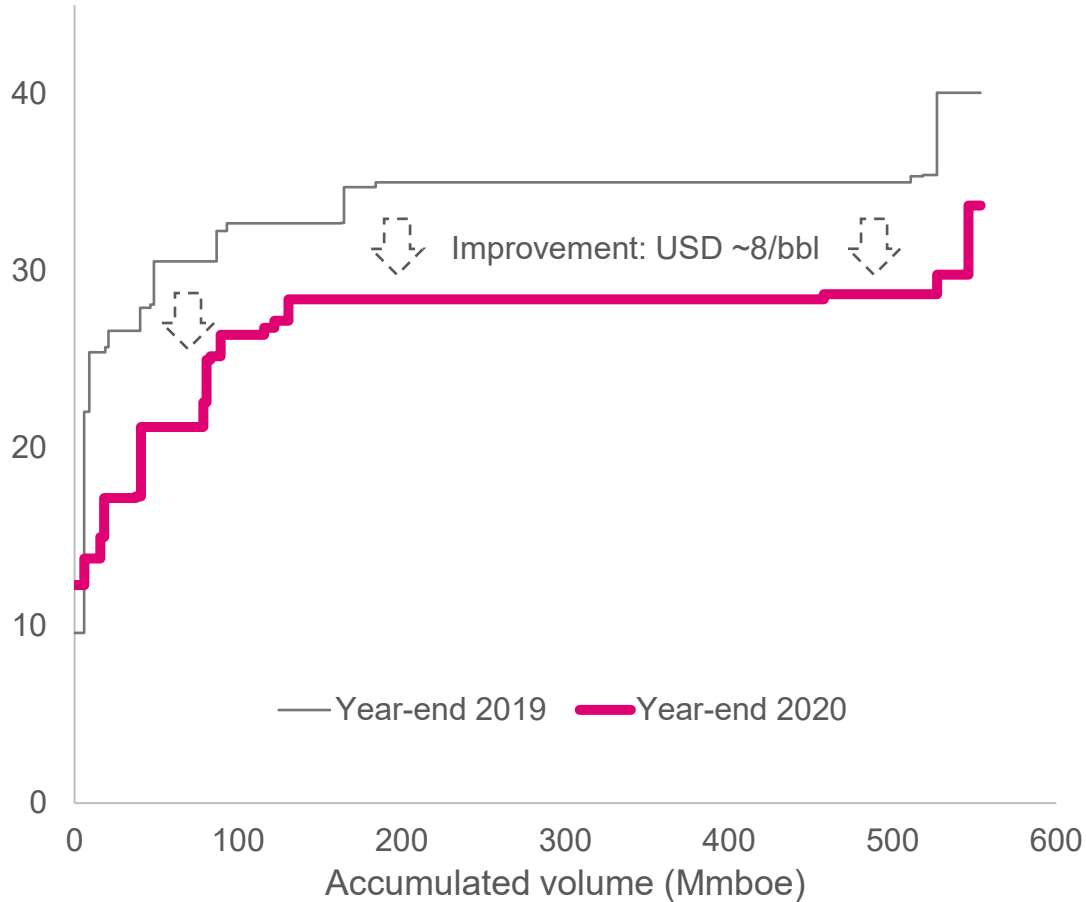


INVEST IN PROFITABLE GROWTH

# Economics substantially improved in temporary fiscal regime

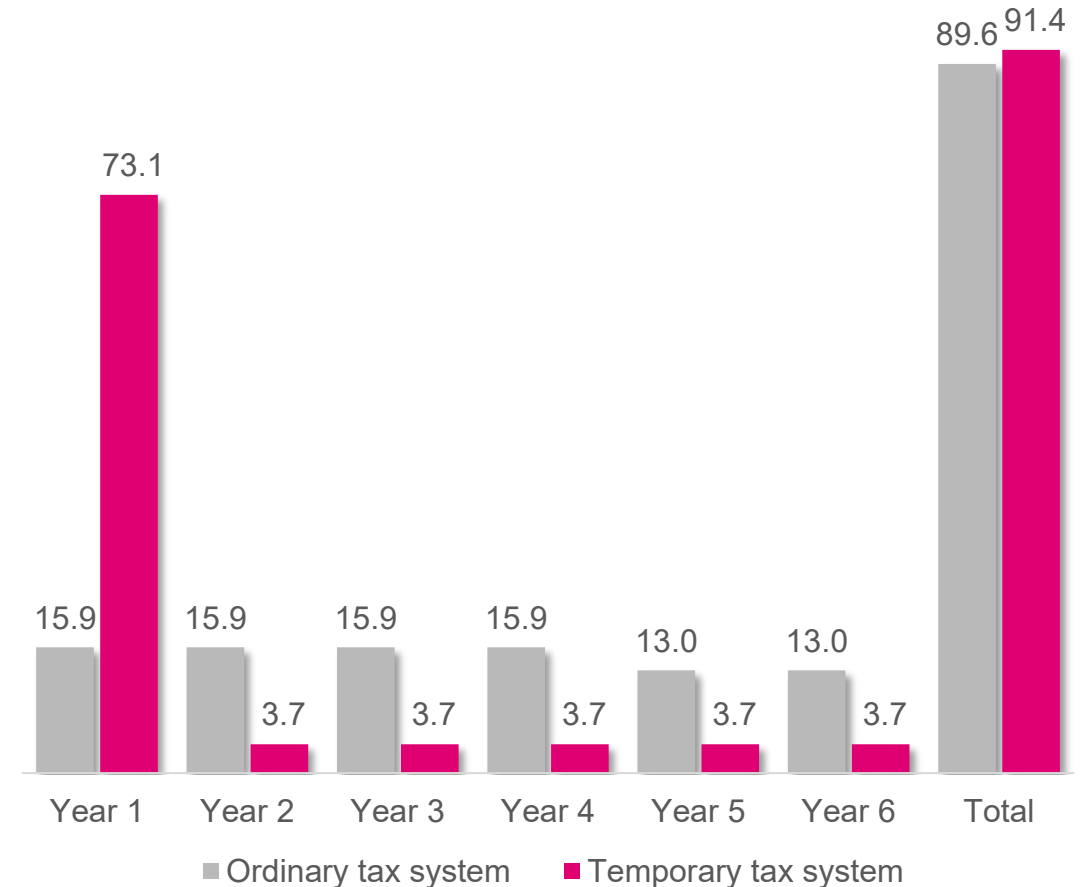
## Break-even for projects targeted for FID by 2022

Preliminary figures, USD/boe<sup>2</sup>



## Accelerated tax deductions for investments on NCS

Tax deduction in percent of invested amount on tax bill for fiscal year



# Summary of Norwegian tax changes

## Ordinary tax system

Corporate tax (22%)	Capex depreciated over 6 years
Special tax (56%)	Capex depreciated over 6 years
Uplift on capex	20.8% over 4 years
Time limit	N/A
Tax losses	Carried forward <sup>1)</sup>

## Temporary tax system

**No change**

**Immediate depreciation**

**24% in year 1**

**All capex 2020-21 PDOs by end-2022 <sup>2)</sup>**

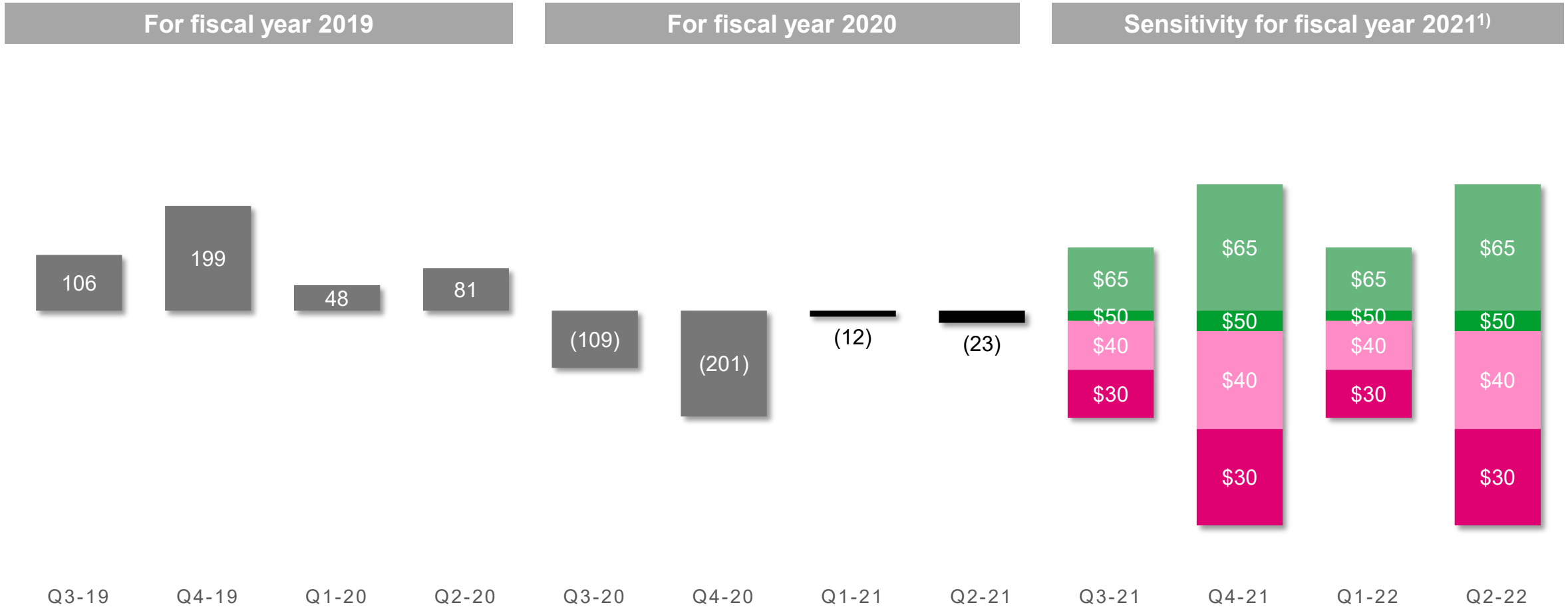
**Cash refund in 2020 and 2021**



INVEST IN PROFITABLE GROWTH

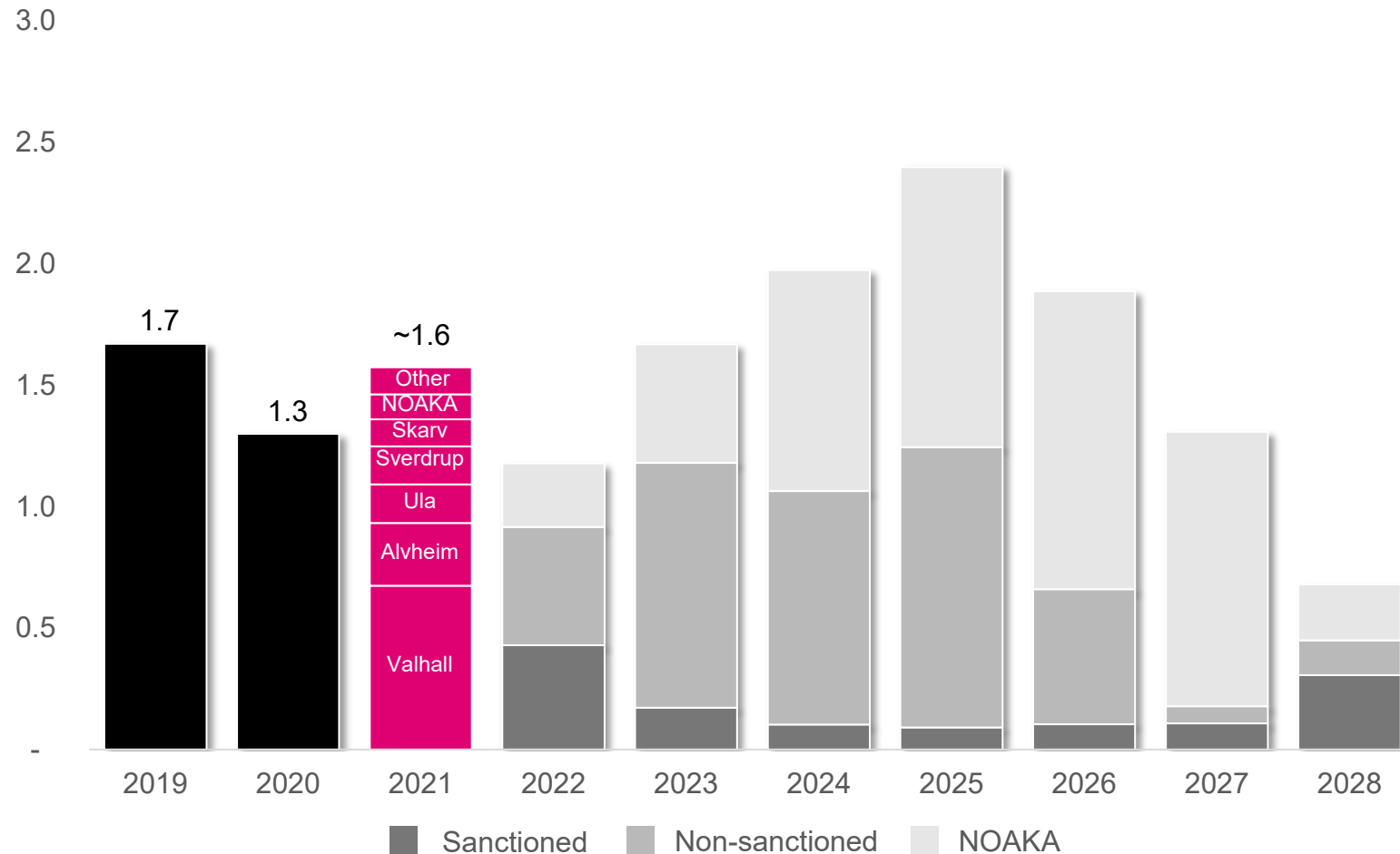
# Expected tax payments

USD million



# Attractive investment program driven by FIDs in 2021/22

Capex outlook, USD billion



■ Near all capex related to sanctioned projects or projects planned to be sanctioned by end-2022

■ Expected 2021 capex of USD 1.6 bn

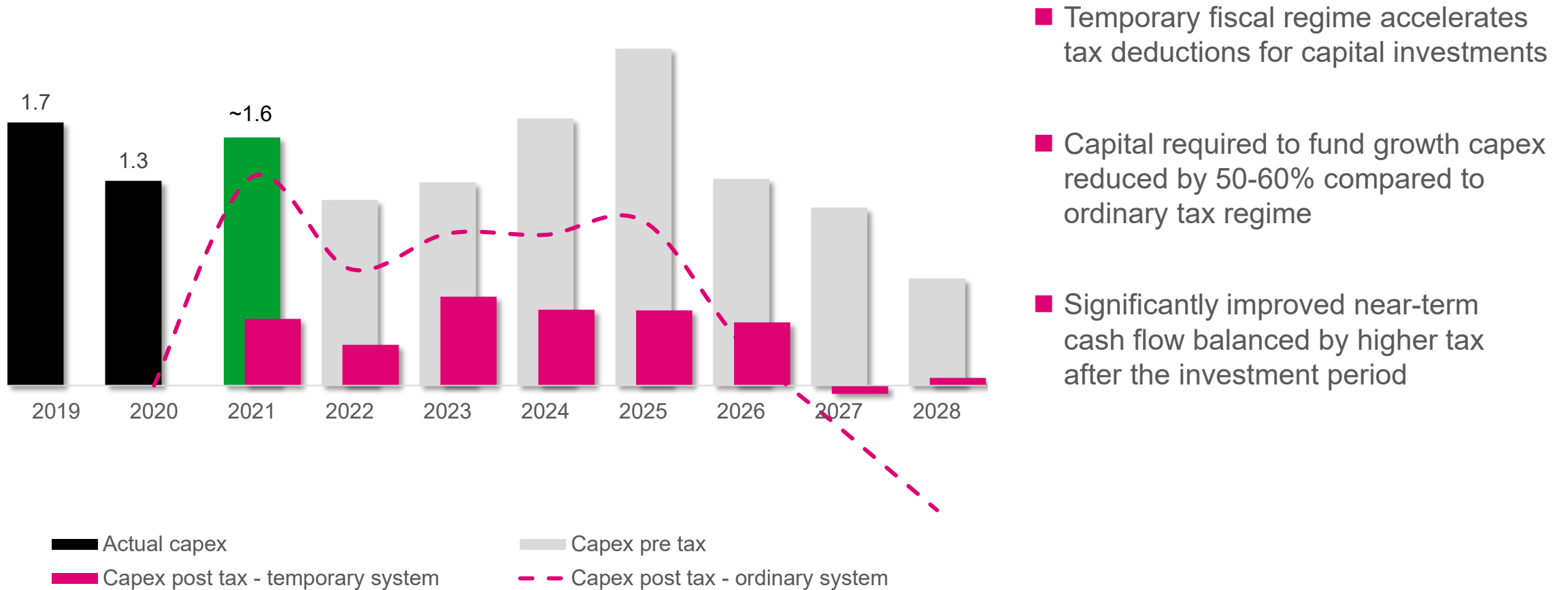
- Accelerating infill wells to benefit from the temporary fiscal regime
- Strengthened NOK increases capex estimates measured in USD

■ 2021 capex breakdown

- Ca. ½ related to production drilling
- Ca. ⅓ related to development investments

# Post-tax capex outflow significantly reduced

Illustrative pre-tax and post-tax capex outlook, USD billion

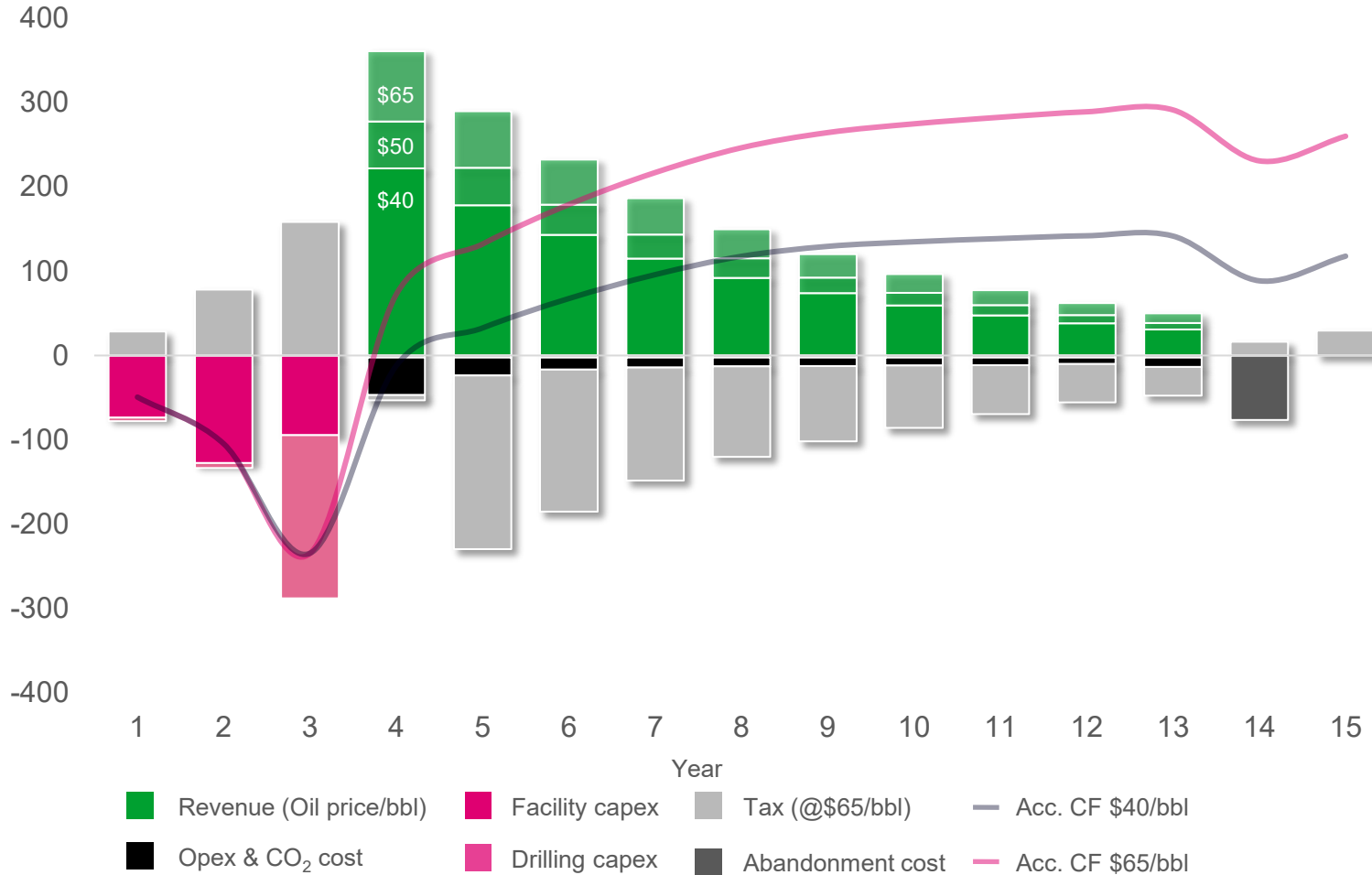




INVEST IN PROFITABLE GROWTH

# Economics of a typical project with below USD 30/bbl break-even

Illustrative project on the Norwegian Continental Shelf, USD million



**USD 27/bbl**

break-even at 10% discount rate

**20-35% IRR**

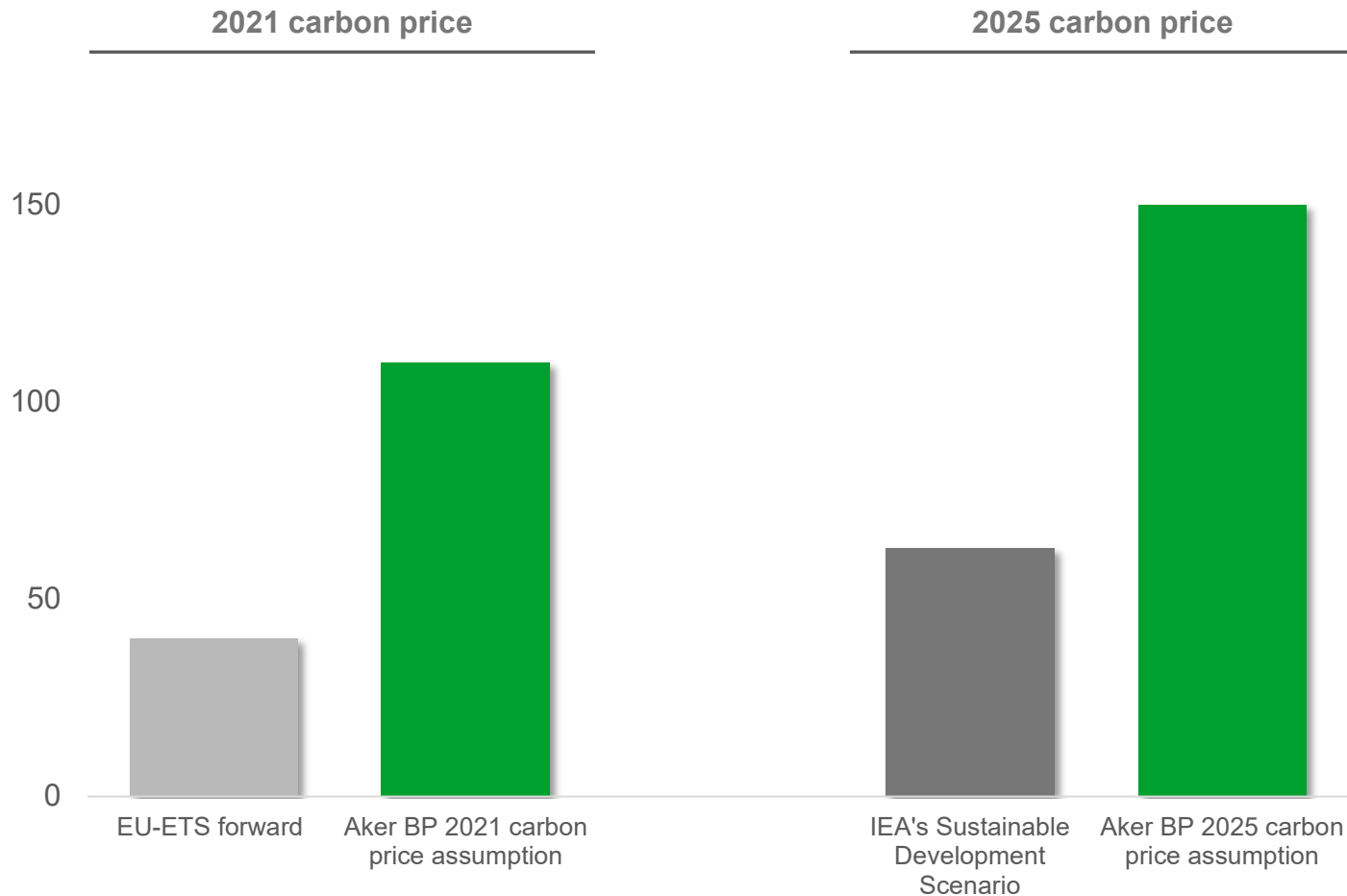
at 40-65 USD/bbl Brent

**1 year payback**

from first oil

# Carbon pricing consistent with meeting climate goals

Climate risk embedded in all investment decisions, USD per tonne CO<sub>2</sub>



■ All investments tested against a cost of carbon significantly higher than the IEA's Sustainable Development Scenario

■ Carbon price assumptions (2021 real):

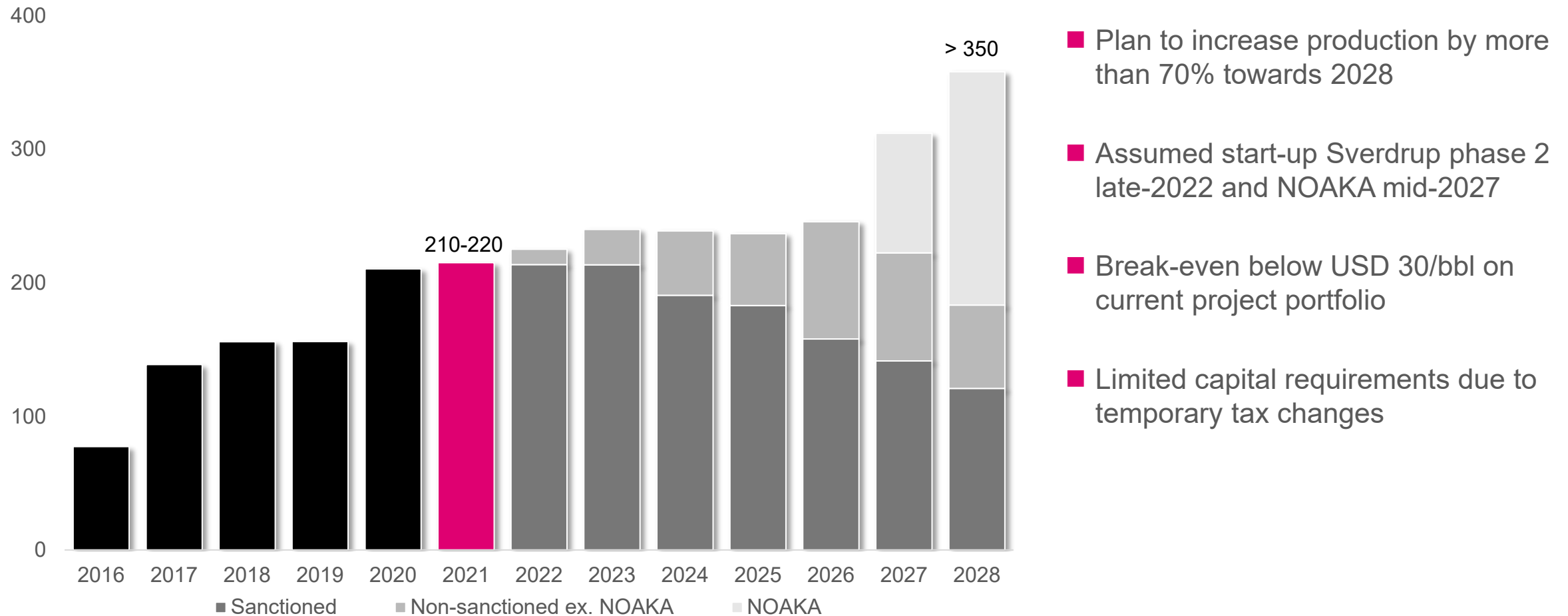
- USD ~ 110/tonne CO<sub>2</sub> in 2021
- USD ~ 150/tonne CO<sub>2</sub> in 2025
- USD ~ 240/tonne CO<sub>2</sub> in 2030

■ Carbon price assumptions increased in line with new targets from Norwegian government

## INVEST IN PROFITABLE GROWTH

# Strong production growth by investing in high-return barrels

Production outlook, mboepd

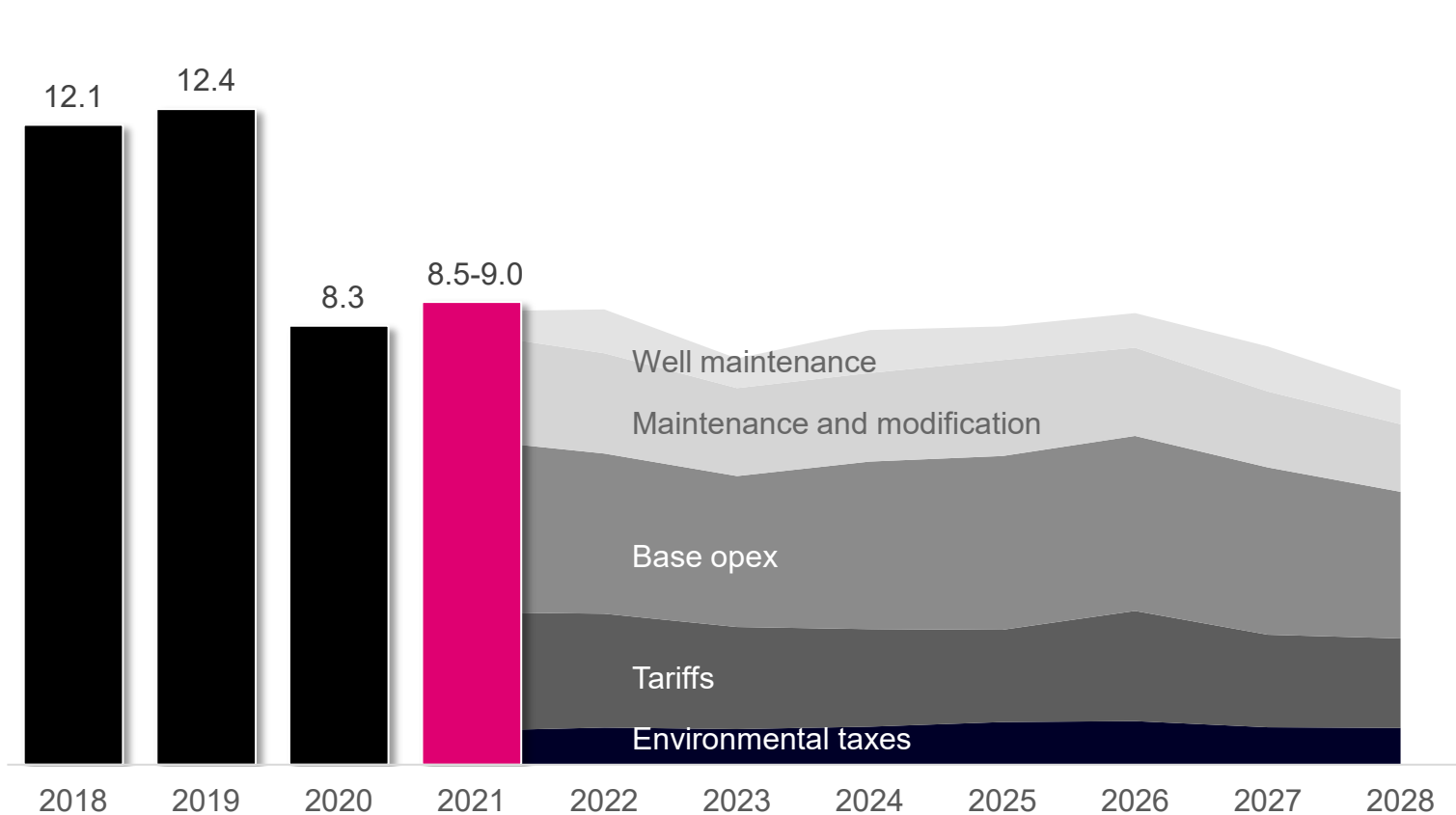




## INVEST IN PROFITABLE GROWTH

# Ambition to drive down production cost further

Production cost outlook, USD/boe

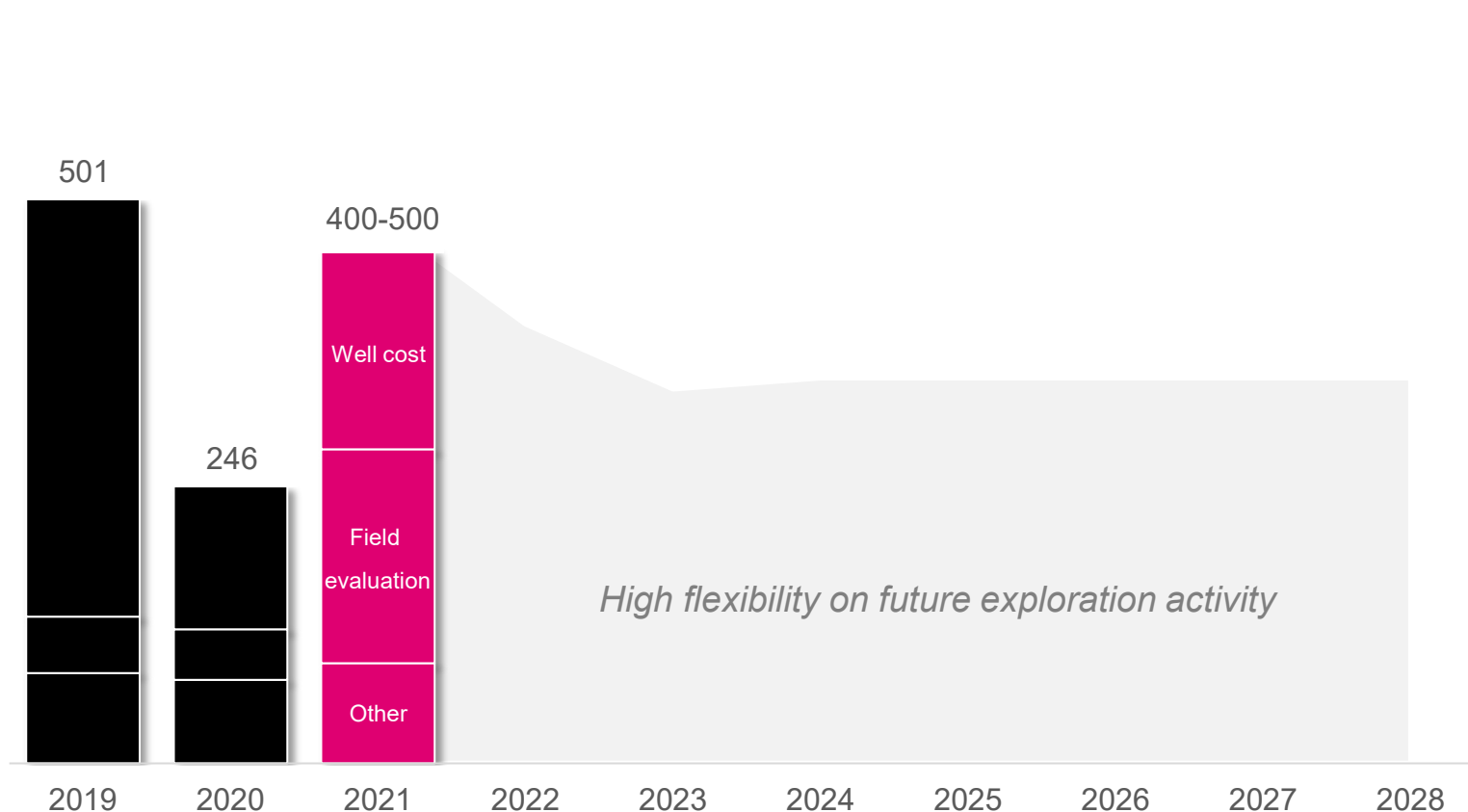


- Underlying cost continues to trend down in 2021, offset by stronger NOK
- Key drivers are operating model improvements and new production
- Cost of emissions set to increase in line with government targets
- Target of reaching USD 7/bbl sustained

## INVEST IN PROFITABLE GROWTH

# Exploration provides upside to current plan

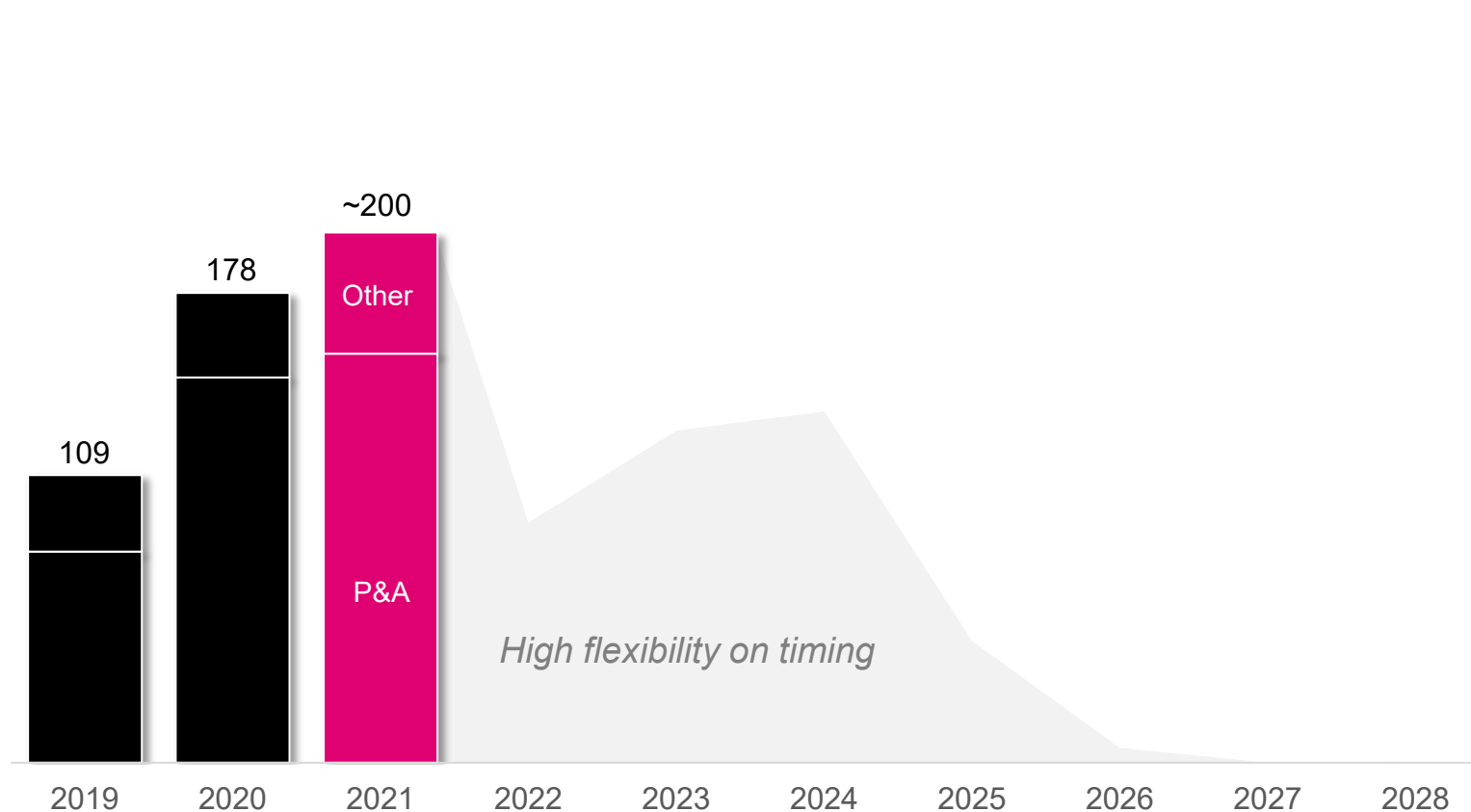
Exploration spend outlook, USD million



- 2020 program reduced
  - 4 wells completed and 6 moved
  - Discovered net 10-30 mmboe
- 2021 plan includes 9 wells
  - Near-field and appraisal wells
  - Finishing the Barents campaign
- NOAKA categorized as field evaluation until final concept is selected
- Expex is fully deductible same year as incurred at 78% tax rate

# Strong performance driving down decommissioning cost

Abandonment spend outlook, USD million



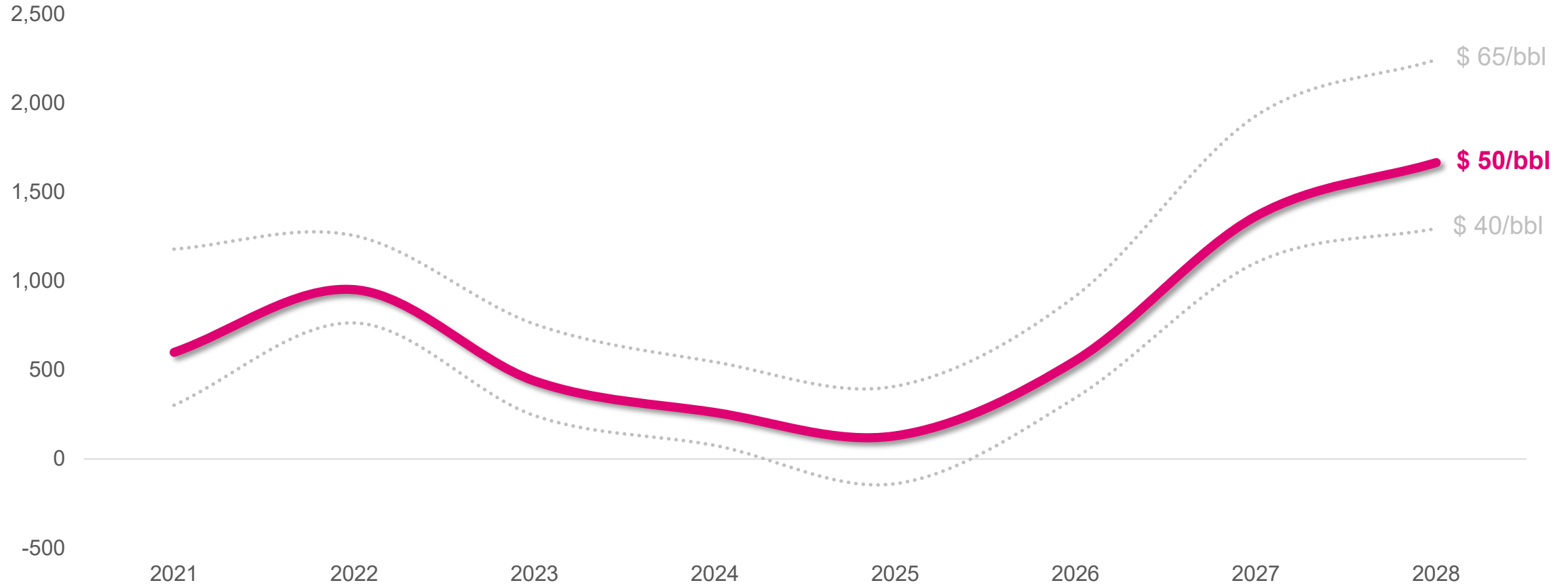
- 2020 program driven by P&A at Valhall with strong performance
- In 2021 P&A at Valhall continues, and together with slot recoveries at Ula it makes up most of the spend
- ~85% of spend from 2022-28 related Valhall with  $\frac{2}{3}$  being P&A
- Abex is fully deductible same year as incurred at 78% tax rate



## RETURN VALUE CREATION

# Robust free cash flow generation

Annual free cash flow outlook, USD million<sup>1</sup>

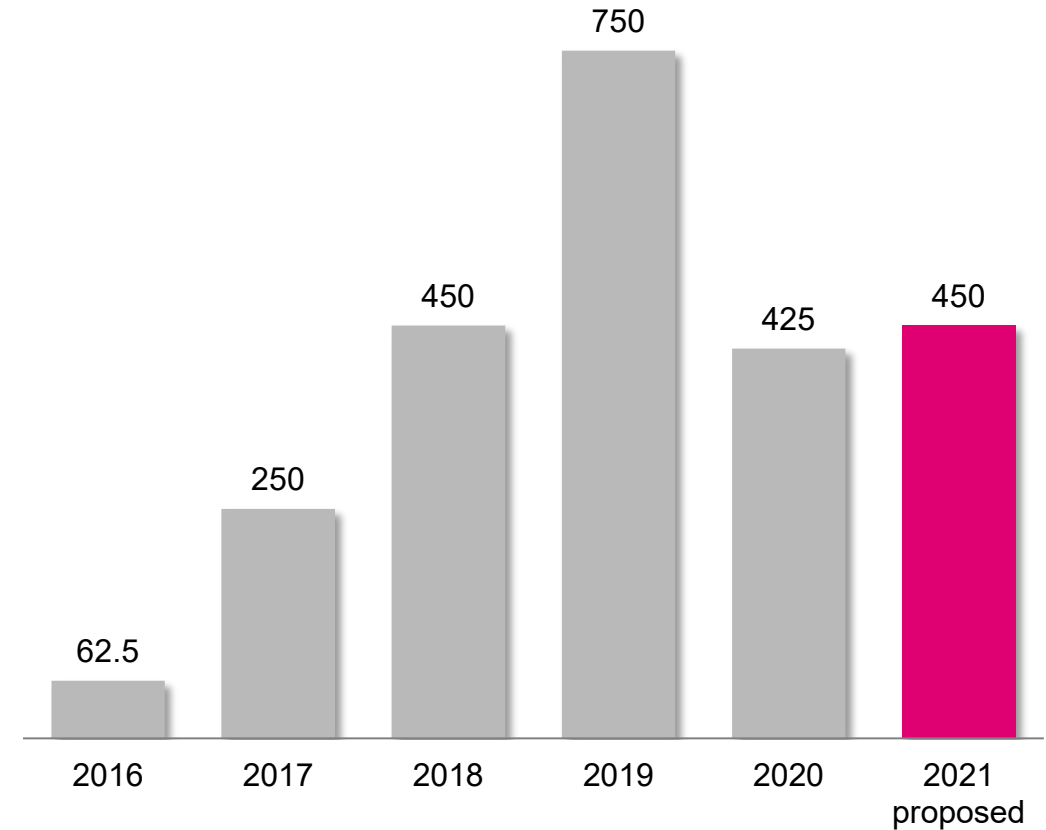


# Dividend policy supports goal of maximizing value creation

Integrated part of capital allocation framework

- Dividends reflect distribution capacity through the cycle, considering long-term financial outlook and credit profile
- Ambition of minimum 5% annual increase in dividends from 2022 at oil price above USD 40/bbl
- Cash dividends main mechanism for distribution
- Proposed dividend to be paid in 2021 of USD 450 million (USD 1.25 per share) in four installments

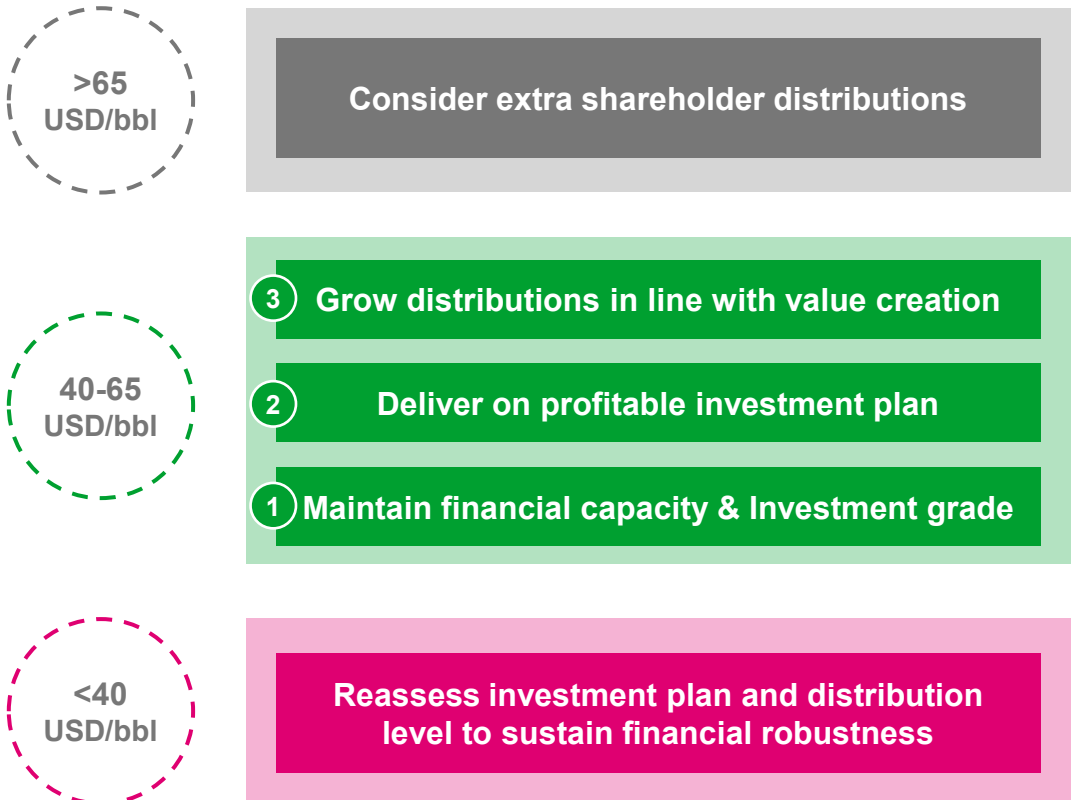
Dividends, USD million



RETURN VALUE CREATION

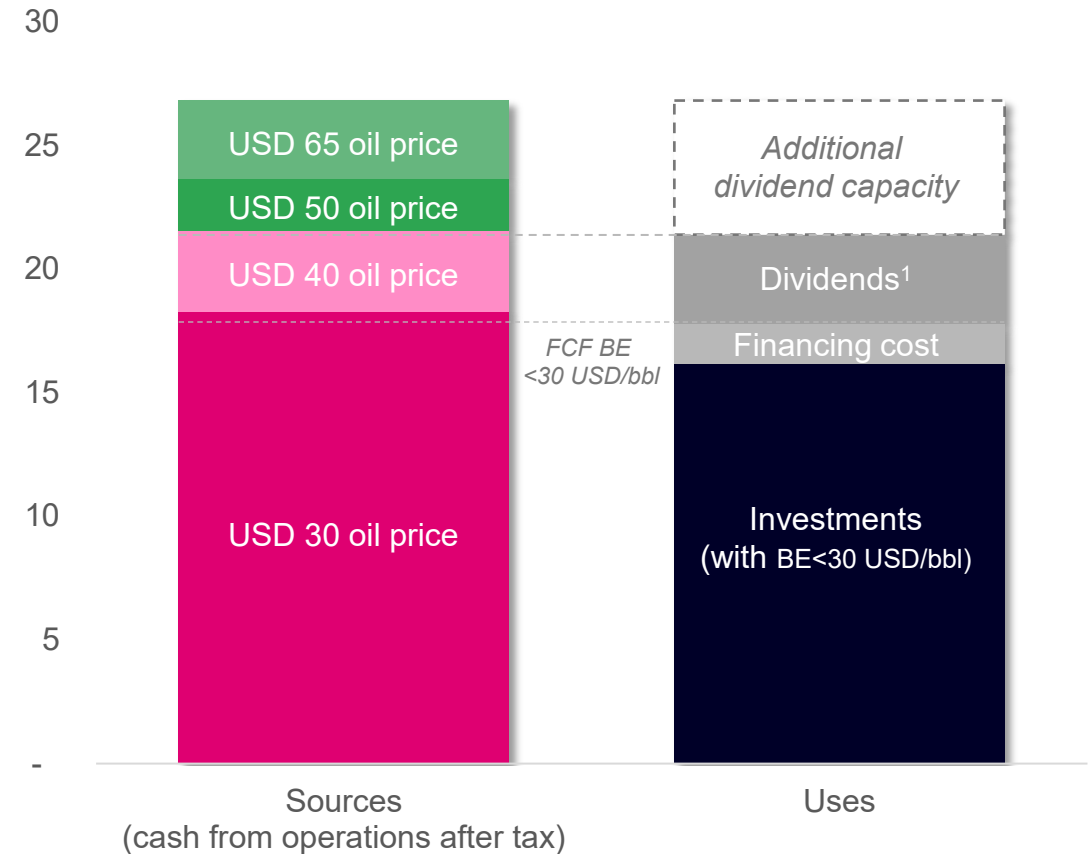
# Clear priorities - attractive returns - capacity to grow

## Dividend considerations across oil price scenarios



## Aker BP investment plan 2021-2028

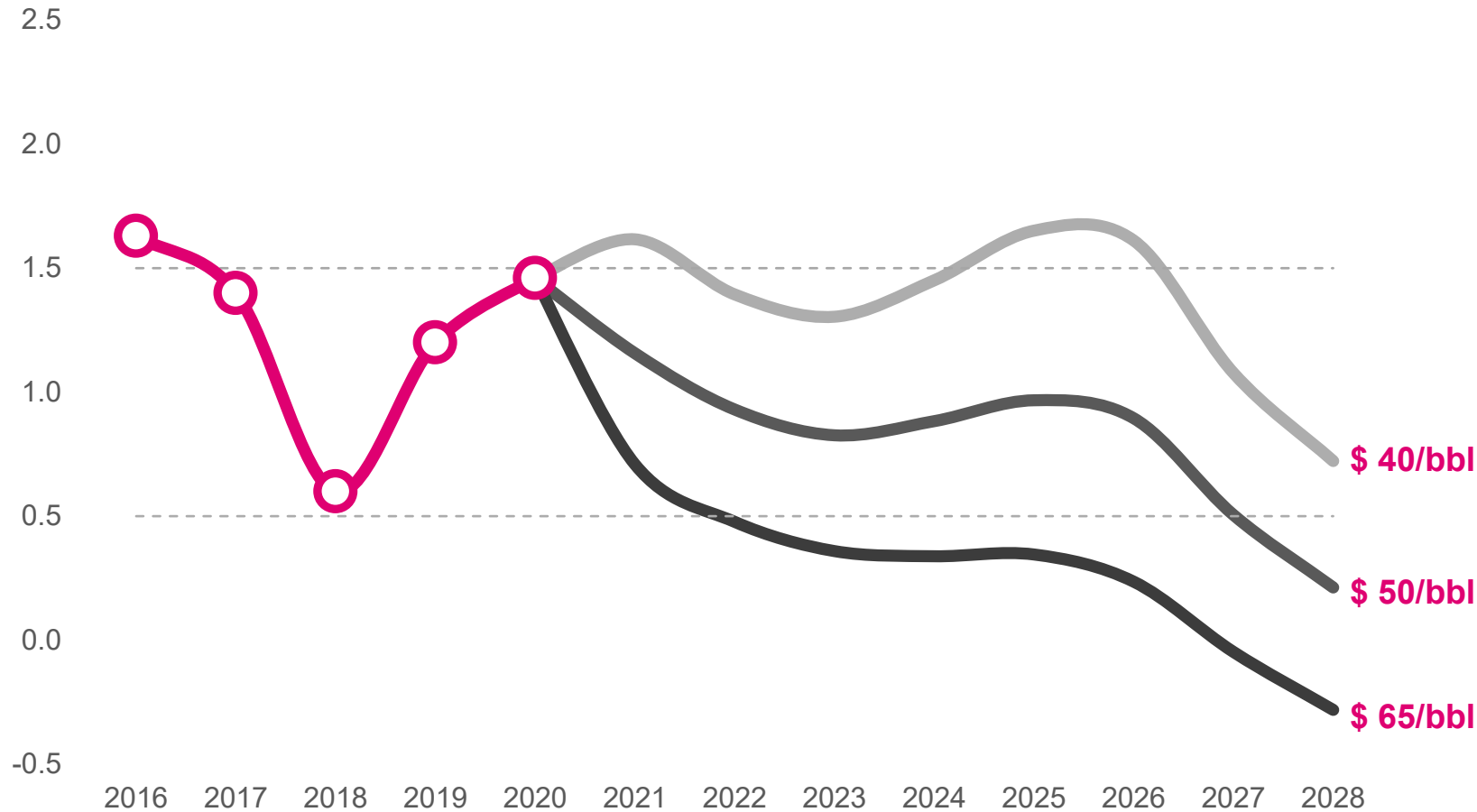
USD billion, accumulated



COMBINING THE FULL CAPITAL ALLOCATION PLAN

# Plan set for deleveraging while growing cash flow and returns

Leverage ratio - an approximation incl. all investments and annual dividend increase of 5% from 2022



**Investment Grade**

credit profile commitment

**>70%**

production increase to 2028

**USD 450m**

minimum annual dividend ambition



# Guidance for 2021

PRODUCTION

**210-220**

mboepd

CAPITAL SPEND<sup>1</sup>

**2.2-2.3**

USD billion

PRODUCTION COST

**8.5-9.0**

USD/boe

PROPOSED DIVIDEND

**450**

USD million



# Our priorities



**EXECUTE**

Safe and efficient operations with flawless project execution through our alliances

**IMPROVE**

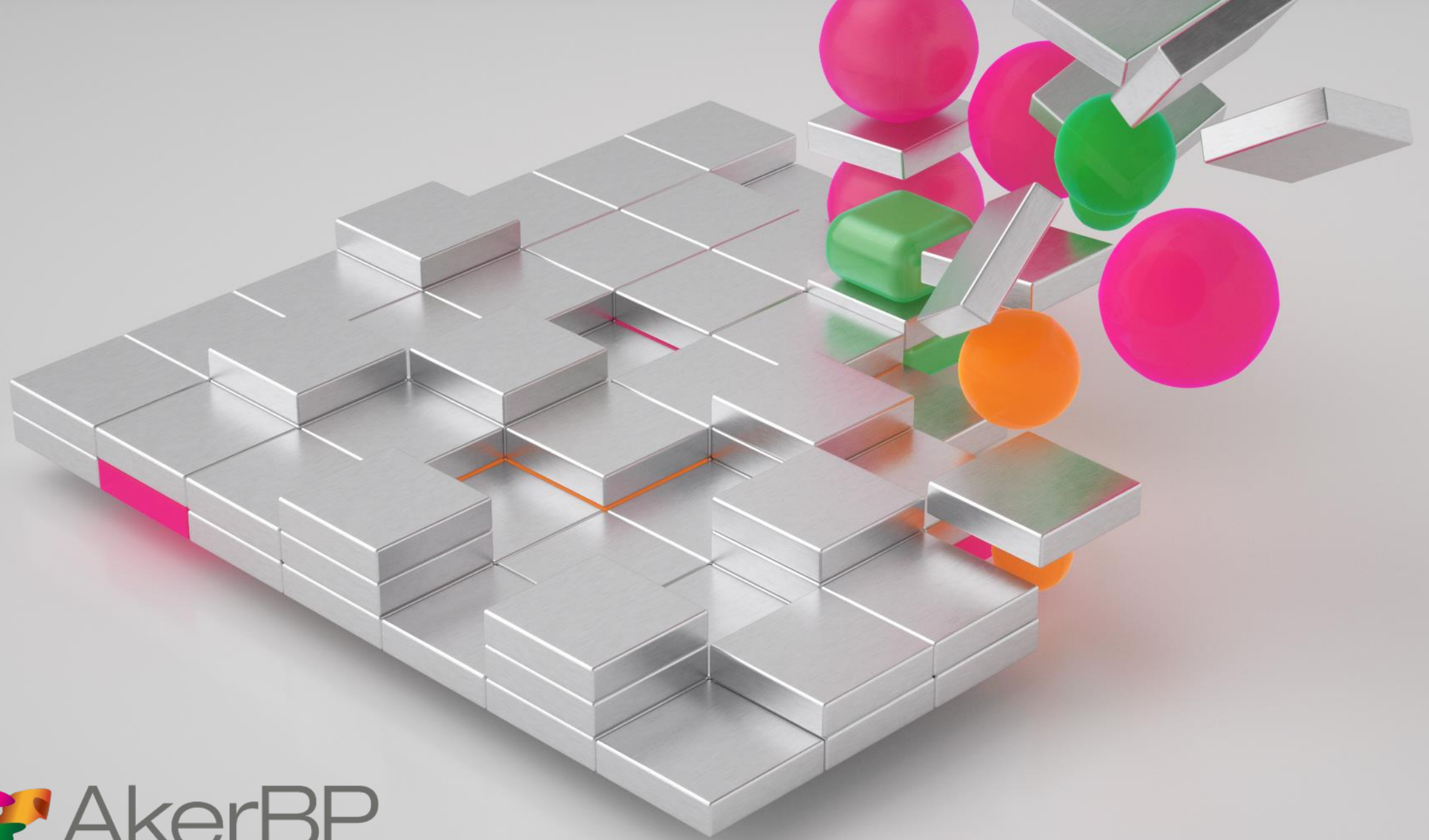
New operating model for increased efficiency and reduced emissions

**GROW**

Mature NOAKA and other prioritized projects for FID by end of 2022 and significantly lift production towards 2028

# Aker BP is uniquely positioned for value creation

-  Pure-play oil and gas company with industry-leading low emissions
-  Efficient low-cost operations enabled by digitalization
-  Project execution through world-class alliances
-  Strong production growth by investing in high-return barrels
-  Robust free cash flow and attractive returns in supportive fiscal regime



 AkerBP