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Aker BP ASA (AKRBP.NO)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Karl Johnny Hersvik

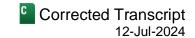
Chief Executive Officer, Aker BP ASA

Good morning, everyone. With this intro from the sail away of the Fenris jacket and pre-drilled module from the Verdal yard a few weeks ago, and the subsequent successful offshore installation on Valhall area, we welcome you to Aker BP's Second Quarter 2024 Presentation. It will be given by our CFO, David Tønne and myself, followed by our usual Q&A session. But before that, let me start with the highlights.

Aker BP achieved excellent operational performance this quarter with high production efficiency. We continued to demonstrate strong cost discipline and maintained our position as a global industry leader in low emissions. I am pleased to report that our projects are progressing well. Fabrication and construction activities are underway at multiple sites in Norway and abroad, with the installation work offshore ramping up as shown in the intro. And the total CapEx estimate for our project portfolio remains unchanged. We maintain a strong financial position supported by robust cash flow from operations. This allows us to invest in our profitable projects while also providing attractive dividends to our shareholders.

At Aker BP, we consistently deliver high production from our world-class asset portfolio. In the second quarter, we produced 444,000 barrels oil equivalents per day, and the production efficiency increased to 95%, which is leading on the NCS as we remained continually laser focused on operational performance. Compared to the previous quarter, Alvheim, Skarv, and Valhall delivered stable production. At Edvard Grieg, we saw a reduction due to a combination of natural decline, planned maintenance and a shutdown linked to the start-up of Hanz.

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At Johan Sverdrup, it's a pleasure to see just how it keeps on performing. This giant field with almost 3 billion barrels in initial reserves, was originally designed for gross oil capacity of 660,000 barrels per day. Last year, this was increased to 755,000 barrels. If we also include natural gas, the field has the capacity to deliver close to 800,000 barrels of oil equivalents per day, and the performance has been nothing but remarkable. With high production efficiency, very low production cost of around \$2 per barrel, and with maybe the lowest emission intensity in the industry of less than 1 kilogram of CO2 per barrel.

In the second quarter, Aker BP share of production from Johan Sverdrup increased to 241,000 barrels of oil equivalents per day. As we have previously discussed, water production has been increasing in some of the wells over the last year. Now, this is as expected and something that the operator is managing but continuously optimizing production on a well-by-well basis. We are also adding new wells with four added in the first half of 2024 and a fifth well have been started up now in July. Another five wells are planned for the second half.

As of today, Johan Sverdrup continues to produce at the elevated plateau and the ongoing drilling activity will help to maintain this level until late 2024 or early 2025. The next step is to drill additional laterals from existing wellbores, to increase reservoir exposure and mitigate water production. We are also approaching a concept select for phase 3. This is a project that will involve subsea wells tied back to the Johan Sverdrup field center with production start-up targeted from late 2027.

At Aker BP, we believe that maintaining low cost is crucial for gaining a competitive edge in the oil and gas industry and we systematically work towards this goal. And I'm very pleased with the progress we have made. Our production cost for the quarter was \$6.4 per barrel, well within our full year guidance of \$7. This quarter, the production cost was positively impacted by high production volumes, limited maintenance activities and favorable currency effect. But yet, it marks a very strong start of 2024.

When comparing our production cost to those other relevant industry peers, Aker BP maintains a strong competitive position. As illustrated in the chart to the right, data from Wood Mackenzie show that Aker BP has the lowest production cost among a group of 20 comparable companies. Aker BP's greenhouse gas emissions were below 3 kilograms of CO2 equivalents per barrel in the second quarter, marking a significant improvement over the last few years. This progress is driven by enhanced energy efficiency and an increased share of production from fields powered from shore.

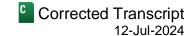
This outstanding performance cement our position as a global industry leader in greenhouse gas emissions intensity, a trend consistently demonstrated in the recent quarters. Among the approximately 300 largest upstream oil and gas companies worldwide, Aker BP stands out as one of the best in emission intensity as shown in this chart. This position gives us an excellent starting point for further reductions. We are committed to continually reducing emissions from our operations, which is a crucial part of our strategy to achieve net zero emissions across our operations by 2030.

Beyond that point, we plan to offset the remaining emissions through nature-based carbon solutions.

[Video Presentation] (00:06:13-00:07:18)

We are well underway with the execution of our large project portfolio, which will unlock nearly 800 million barrels of oil equivalent and grow Aker BP's production to over 500,000 barrels per day in 2028. These project have robust economics with breakeven oil prices as low as \$35 to \$40 per barrel and a rapid payback period or one to two years at an oil price of \$65 per barrel.

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The activity has now ramped up to full speed across the project portfolio and fabrication and construction activities are progressing according to plan at all sites. We have also started offshore installation for several projects. The Fenris jacket featured in today's opening sequence is one example. With this jacket in place, we are now ready to start the drilling campaign at Fenris.

Another example is the Skarv Satellite Project, where all three subsea templates are now installed on the seabed. And as we saw on the last video, the first five subsea templates have now been installed in the Yggdrasil area. We have also completed one project in the quarter as Hanz was brought on stream back in April. In parallel, with a construction and installation activity, we are also looking for further upsides. One very good example is the drilling of the Frigg Gamma Delta geopilot in the Yggdrasil area. Take a look at this.

[Video Presentation] (00:08:52-00:12:18)

Impressive work from the entire team under Frigg Gamma geopilot at Yggdrasil. Now, this initiative is crucial for optimizing volumes, operations and cost as we move into the production phase of the field. And as Hanna mentioned in the film, we have proven that a lot of good old – old oilfield practices is just old. And this has put us in a position to drill further, cheaper and better production wells. I absolutely love it. There's really is the spirit of Aker BP and our alliances. We continue to advance as the E&P Company of the future.

In conclusion, we are confidently on track to deliver our projects on time, on cost and on quality. Exploration for new oil and gas resources is an integral part of Aker BP strategy to sustain and grow our business. One of our key exploration objectives is to make new discoveries that can add value to our existing assets. Around 80% of our exploration activity is focused on such near-field opportunities, while 20% are focused on high risk, high reward wells in new areas.

In 2024, we have drilled eight wells so far and made several discoveries. The Adriana appraisal was successful appraisal, and this discovery is now a candidate for tie-in to Skarv. It will be followed up later this year with the Sabina well. The discovery at Trell North, although small, it's already included in the Tyrving project with first oil expected already in October.

And Ringhorne North was also a discovery which has a potential to tie-in to near-field infrastructure. In the Wisting area in the Barents Sea, the exploration wells at Ferdinand and Hassel resulted in two small gas discoveries. We were primarily looking for oil. However, the gas could still be valuable for our future Wisting development.

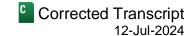
On a more positive note, Equinor recently drilled a successful appraisal well on the Wisting reservoir to gather data, both on reservoir and cap rock. This data is currently being analyzed and will be used in the ongoing work to establish a development concept for the field.

We do have several exciting exploration wells coming up in the second half of this year. We're currently drilling Storjo West, which is a follow-up of the Storjo East discovery from 2022. And a potential tie-back to Skarv.

Let me also highlight a few of the upcoming wells. First, I would like to mention Bounty. This prospect features an intriguing structure with significant upside potential in the Norwegian Sea. A well was drilled in this license a couple of years ago with oil shores. This new well will test the upside potential from this initial discovery.

Second, the Skrustikke and Kaldafjell are wells targeting additional volumes that might enhance the Garantiana development. It's also worth mentioning that following the Ypsilon discovery in the Yggdrasil area last year, we have added a new prospect named [ph] Omega (00:15:28) to the drilling plan for next year. This prospect features

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an interesting structure with a model similar to Ypsilon, which could further contribute to future growth of the Yggdrasil resource base.

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David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Good morning. I am pleased to see that another excellent operational quarter is also reflected in our financial results. We have achieved strong production and income in a fairly stable oil price environment while maintaining industry-leading low production cost.

Operating cash flow before tax increased to over \$3.2 billion. However, due to two tax installments this quarter compared to one in the previous quarter, post-tax cash flow decreased. Cash flow to investments increased as expected, reflecting good progress on our projects. This will also be evident in our tax payments in the second half of the year, which we anticipate will be reduced by around [ph] 50%(00:16:36). At the end of the quarter, our financial positions remain strong, with a low leverage ratio of 0.3 and ample financial liquidity of \$6.6 billion, including \$3.2 billion in cash.

I will now walk you through the key drivers behind the results, starting with the review of our revenues. Total income increased in the second quarter, driven by sustained high production and an overlift of 17,000 barrels per day. The average realized hydrocarbon price rose by 2% quarter-on-quarter, with liquid prices holding steady at \$83 per barrel. The realized oil price was in line with the average dated Brent for the quarter, where slight positive crude differentials were offset by timing of cargoes.

As a result, the average liquids price was slightly lower than the average Brent price, since liquids sales also include a small portion of NGL. Natural gas prices increased by 11% compared to the previous quarter, driven by higher European spot prices. And overall, total income was then \$3.4 billion.

Production costs related to sold volumes ended up \$290 million. The increase in Q2 is mainly due to the overlift compared to an underlift in the first quarter. The cost per barrel produced remains among the lowest in our industry at \$6.4 well within our full year guidance of \$7 per barrel. The increase from \$6.1 in Q1 was due to higher planned well maintenance activity at Valhall in the second quarter.

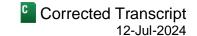
Exploration expenses were \$108 million for the quarter, driven by high exploration activity, while depreciation remained stable at \$588 million or \$14.5 per barrel. We also recognized an impairment of technical goodwill this quarter on Valhall and Edvard Grieg. As previously discussed, technical goodwill is recognized on various assets upon acquisition. Since technical goodwill is not depreciated, we will see more such non-cash impairments in the future as production continues from acquired fields.

The effective tax rate in Q2 was 75% in line with the previous quarter. And then net profit was \$561 million. We report strong operating cash flow before tax of \$3.2 billion. However, we also paid \$2.1 billion in taxes this quarter, covering the remaining tax installments for the fiscal year 2023. As expected, cash flow from investments increased to \$1.4 billion, reflecting our progress on the development projects.

In summary, this resulted in a negative free cash flow of \$283 million. Cash flow from financing consisted of two main items, the issuance of a Eurobond of €750 million and the payment of a quarterly dividend of \$0.60 per share. Overall, the net cash position was largely unchanged from the previous quarter.

As the tax payments for the fiscal year 2023 were completed in June, we will begin paying taxes for the fiscal year 2024 in the third quarter. The total tax to be paid in the second half of 2024 is currently set at approximately \$1.5

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billion, with one-third due in Q3 and two-thirds in Q4. As I mentioned, this amount is around half of what we paid in the first half of the year. This reduction is due in part to higher tax deductions from the increased investment level in 2024 compared to the previous year.

Moving forward, we therefore expect lower cash taxes, assuming stable commodity prices. When analyzing cash flows, it's essential to understand the timing of tax payments and consider more than one accounting period, focusing on a single period can distort the understanding of the underlying cash flow generation of the business.

Maintaining a robust balance sheet and the strong liquidity is a top priority for Aker BP. We are committed to upholding our investment grade credit rating, which ensures access to capital in the bond markets on competitive terms and we continuously work to optimize our capital structure. This quarter we issued €750 million Eurobond with an eight-year maturity at a 4% coupon rate. The issuance attracted significant interest from investors and was significantly oversubscribed. Following this transaction, we have less than \$1 billion in debt maturing before 2028, with an average maturity of six years and an average coupon rate of 4%.

At the end of the quarter, other key balance sheet metrics remain very strong. Net interest-bearing debt ended at \$3.4 billion. The increase from Q1 is primarily due to the two tax installments this quarter and the phasing of tax deductions for investments made so far in 2024 as already discussed. Our leverage ratio continues to be low at 0.3 times net debt to EBITDAX, well within our stated internal threshold of 1.5 times.

Lastly, we maintain a strong liquidity position with \$3.2 billion in cash and additional \$3.4 billion in available bank facilities. This compares favorably to the less than \$3 billion after tax CapEx of our investments planned from now and until the end of 2028.

Our strong underlying cash flow generation and robust financial position is also the basis for our dividend policy. In the period from 2023 to 2028, accumulated cash from operations after tax is expected to cover our total investments at oil prices less than \$40, while the rest is cash for debt service and distribution to shareholders.

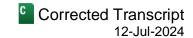
In Aker BP, we are committed to returning the value we create back to our shareholders with dividends that reflect our underlying financial capacity through the cycle. We are currently paying \$0.60 per share each quarter and our ambition is to increase the annual dividend by 5% or more over the current investment cycle, supported by strong cash flow, profitable investments and an investment friendly tax regime and a robust balance sheet.

To conclude the financial section, let me give a quick update on the guidance on key metrics. 2024 has been an excellent year so far. Production in the first half amounted to 446,000 barrels per day, which is above the high end of our full year guidance range. In the second half, maintenance activities are planned at several fields, and we still expect to stay within the original guidance range for the full year.

However, given the performance in the first half, we have narrowed the range by raising the lower end. The updated full year guidance is therefore 420,000 to 440,000 barrels per day. Production costs were \$6.4 per barrel in the second quarter and the year-to-date average is \$6.2. We continue to benefit from strong cost discipline and the favorable foreign exchange rate.

On the other hand, as we expect somewhat lower production volumes and higher maintenance activity in the second half, we also expect the unit cost to trend slightly up. Hence, we are maintaining our guidance at \$7 per barrel for now. On CapEx, we have spent slightly less than half of the budget by midyear. This is in line with expectations and reflects the increasing activity level in our projects as the year progresses. Therefore, we are

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maintaining our guidance unchanged. The same also goes for both exploration and abandonment spend, where both activities are developing in line with plan.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you, David. And before we begin the Q&A session, I'd like to summarize our performance and achievements this quarter within the context of the Aker BP strategy.

In the second quarter, we successfully achieved our operational and financial targets while further reducing our already industry-leading emissions intensity. Our development projects are progressing at schedule and within budget. We confirm our CapEx estimates, and our plan is to reach approximately 525,000 barrels per day of production by 2028. Additionally, this year's exploration results have resulted in discoveries with promising commercial potential, and we have a very interesting exploration program planned for the remainder of 2024.

So far this year, we are generating strong cash flow, bolstering our balance sheet, and we are also returning value to our shareholders in line with the dividend plan. We will now take a short pause before opening the Q&A session. And as usual, to participate, please use the Teams link provided on the webpage. If you prefer to listen only, please stay tuned and we will resume in approximately one minute.

Welcome back. I hope you took that opportunity to fill up your coffee cup or prepare your questions whatever you like to do. And I just think we'll go ahead with the Q&A without further ado. And as usual, I'll hand you over to Kjetil Bakken, which is heading IR in Aker BP. Kjetil?

QUESTION AND ANSWER SECTION

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Yes. Good morning. We have a forest of hands in the Teams meeting. So, first question comes from John Olaisen from ABG. Please go ahead, John.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Yeah. Good morning, gentlemen. And a question on Johan Sverdrup. You currently have – you have four new wells in production in the first half. Could you tell us a little bit on the impact – or the production level of the new wells? And also, if you have tone down the production from the other – the existing wells in order to give space for the new production from new wells? And how have the old wells reacted? Could you tell us a little bit about that, please?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

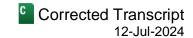
Okay. Yeah. I think I got your question. So, first of all, I think it's important to say that Johan Sverdrup is a really remarkable field, right. It's a pretty interesting story. Very low production cost, very low emissions intensity and exceptional uptime. And, yes, you're right, we have added four wells so far in and the quarter. We just added another well now in July. And there are four more wells to be added for the rest of the year.







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And this is essentially a question about optimization. So, of course, you are distributing – as you're pretty much utilizing the entire process capacity, you're distributing the available process capacity across the well stock. And that means that you're optimizing such things as well potential, water production, water handling, water injections. And this is – this is a process that is continually ongoing. So, of course, when you add new wells, you tune down the volumes from the other wells to manage that flow of oil and gas up to the platforms.

And the whole idea, and I think I've been over this quite a few times in these presentations before, is as you're adding new well stock, you're reducing the total exposure on the existing well stock that is taking down the average production rate. You have more wells. I think we'll end up at 41 wells when we finish this year. And you're distributing the production volumes across 41 wells, rather than 31. So, that means, of course, a slight reduction. The whole idea is, of course, to limit the water coning that I've been discussing on Johan Sverdrup. And so far, the wells have been reacting quite positively. And as a result of that, we're also saying that we expect the current production rates at Johan Sverdrup to extend into very late 2024, early 2025.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Yeah. Thank you. And for 2025, you're saying you're planning for retrofit multilaterals next year? Could you elaborate a little bit of that? And could you also comment, will you be drilling more new production wells as well next year or will it all be these retrofits?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. So, the whole idea with a retrofit multilateral is that you use the existing casing and your existing wellhead and Christmas tree, of course, and then you drill basically a new lateral. In this case, you're just placing it a bit higher in the reservoir. And therefore, further away from the water, less oil above the well, so to speak, which means less residual oil. So, it's again, it's an optimization.

Yeah. And yes, we plan to do quite a few of those. And then, of course, the phase after that will be a Phase 3 where we're planning or gearing up to, I would say, a concept select towards back end of this year and the production start late 2027. And there are no new well slots available on the dry side, so any new well slots will have to be subsea.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Okay. Thank you very much and have a nice summer.

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

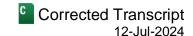
Yes. Thank you, John. Then the next question comes from Sasikanth Chilukuru from Morgan Stanley. Please go ahead, Sasi.

Sasikanth Chilukuru

Analyst, Morgan Stanley & Co. International Plc

Hi. Thanks for taking my questions. I had two, please. The first one relates to Yggdrasil resources. It seems like in this quarter you got back or reduced the net result, back to 413 million barrels of oil equivalent from 450. And this is essentially going back to your original guidance. I was just wondering if you could comment on this move? The second one was, again, as a clarification on Johan Sverdrup. You highlighted 10 new production being brought on

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stream in this year, bringing the total number of wells to 41. I was just wondering what – were these 10 wells and the figure of 41, are they part of your initial development plan or has this figure actually increased more recently?

Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA Thank you, Sasi. I don't – I didn't actually get your first question. Could you repeat that? Sasikanth Chilukuru Analyst, Morgan Stanley & Co. International Plc Yeah. So, the Yggdrasil resources, in this quarter, in the slightly back to 413 million boe net to Aker BP. Last quarter it was 450, but the 413 was your original one - original guidance as well. So, I was just wondering what, if you could comment on this move? Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA Yeah, I think the difference between 450 and 414 is East Frigg. Whether we - so what you're saying is it actually reduced from the previous quarter? Sasikanth Chilukuru Analyst, Morgan Stanley & Co. International Plc Yeah. In your slide pack, you have about 450... David Torvik Tønne Chief Financial Officer, Aker BP ASA [indiscernible] (00:33:45) is included in that slide or not. So, I think that's just the difference between the two. So, I think it's just a matter of how we represent the numbers, but there's no fundamental change in the resources or reserves there. Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA So, I think that's the number you should assume on Yggdrasil in total, including East Frigg is still 450 just for being absolutely clear. Sasikanth Chilukuru Analyst, Morgan Stanley & Co. International Plc Great. Thanks. Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

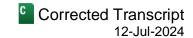
And then, Johan Sverdrup, and you asked whether we have added wells that we didn't plan. We always plan to use the entire capacity in terms of production wells. So, it's in support to the initial development scope.

Sasikanth Chilukuru

Analyst, Morgan Stanley & Co. International Plc

Okay. Thank you.

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Kjetil Bakken

Head-Investor Relations, Aker BP ASA

All right. Then, the next question is from Lydia Rainforth of Barclays. Please go ahead, Lydia.

Lydia Rainforth

Analyst, Barclays Capital Securities Ltd.

Thank you very much. And good morning, everybody. It is I think very impressive to see that the projects are on time, on budget. And the video showed us one area that has been better than expected. Can I just ask where else are you excited about the work that you're doing? Where else is that we're in flipside? And the flipside of that is it's rare for things to work as perfectly as it sounds like the [indiscernible] (00:35:01). So, is there anything that hasn't gone as you expected within the process – directly project process?

And then secondly, on the cost base side, I [indiscernible] (00:35:12) completely what you're saying about the projection for the second half of the year in the cost side. But is this really about being conservative now on the cost guidance? And I'll leave it there. Thank you.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. Thank you, Lydia. It's all about the good, the bad and the ugly, isn't it? Well, I think you're absolutely right. I think that there has been, of course, many successes. And I think the overall message is, as we pointed out, it is about keeping the project on track. And, of course, we're spending quite a lot of resources to do just that. There are quite a lot of successes, and just to mention a few, we've been able to place all contracts, we've been able to actually now start-up both prefabrication and ultimately component fabrication as well on most of these yards, some in Norway, some abroad. And the ramp up of that activity is actually going as expected. And this was, I think I discussed this last quarter, and that could be one of the focus areas for at least me as CEO of this company.

And then, of course, we've had challenges. I mean, which project haven't had challenges and certainly this kind of complexity. And most of this has been centered around deliveries from vendors where we're standardizing across the entire portfolio. And that being said, if one vendor is struggling, we're struggling across the entire portfolio. But I'm happy to say that all of those situations have actually been resolved as we're now entering the summer of 2014, which is due, to what I would say an extraordinary effort, and an extraordinary competency, but not the least to the alliance model that we present to these companies, which allows them to resource, prioritize and put focus on the projects in Aker BP.

And then, of course, this is a continuous battle, but at this point in time, we're starting to see the horizon. And you asked, where do I put my focus? Well, the most important thing right now is actually quality. So, when you're done or at least have engineering under control, the whole project schedule is driven by quality. If you can control quality, you can control schedule. If you control schedule, you control cost, once the procurement is done and the project settled, so that's where we spend the most resources at this point in time.

And then your final question was...

David Torvik Tønne

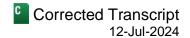
Chief Financial Officer, Aker BP ASA

On CapEx.

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Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

...are we being conservative? No, we're not. We try to be extremely transparent in Aker BP about what we actually believe in and very clear both in terms of guidance on production, on cost, on CapEx and expenditure. So, when we're putting out the number we are, it is because we believe is the real number that the market should expect. And it's not a surprise that we end up with a little bit lower burn rate in the first half than the second half. If you see the ramp up of activities across the different yards as they are now adding manning, adding steel and adding all the components from the vendors and therefore adding into payment schedules as we approach the back end of 2024.

Lydia Rainforth Analyst, Barclays Capital Securities Ltd.	Q
Brilliant. Thank you very much.	
Kjetil Bakken Head-Investor Relations, Aker BP ASA	A
Thank you, Lydia. And now the next question is from Yoann Charenton of Bernstein. Is that right, Yoann?	
Yoann Charenton Analyst, Bernstein Autonomous LLP	Q
Good morning. Yes. Good morning. Thank you, Kjetil. Good morning, everyone.	
Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA	A
Good morning, Yoann.	
Yoann Charenton Analyst. Bernstein Autonomous LLP	Q

I would like to ask three questions. So, one would be on the production for the full year. Would it be possible to know what are the assumptions for production efficiency for both the bottom and the top ends of the range? So, that's the first question.

Second question is on slide 17, which has just been updated, is it possible to spell out [ph] is the dated Brent and of gas (00:39:11) price assumptions you have used to derive the combined \$1.5 billion tax instalments falling due in the second half of this year?

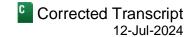
And then the third question will be with regards to CapEx. So we have seen this uptick in the second quarter. Is it reasonable to expect a seasonal moderation in the third quarter because this is summer before a reacceleration of spend in the fourth quarter?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Okay. Production guidance. I think what we have included in the production guidance and the remaining part of the production guidance is essentially driven by two components. So, the first one is the maintenance activities in Q3. And there are two separate activities or separate drivers I would say. The first one is the SAGE shutdown,

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which will mean no gas export from Edvard Grieg, Ivar Aasen and Alvheim and the length of that shutdown, that SAGE shutdown will drive the length of the shutdown on the fields.

And then second, we have a turnaround on Skarv to do essential tie-back work, which will need a carbon – hydrocarbon free environment in order to execute it. So, that's basically driving that activity. And then for the third – fourth quarter, it is about how much of this production will ramp up, how quickly after we start-up the fields again. And then, of course, that you have Tyrving coming on stream. And there are a bit of another moving bits and pieces, right. So, it's not as easy as explaining that there is a production guidance on the top and the bottom. And the reason that the span is what it is for the full year guidance, even though we have achieved 95%, it's those two key factors, right. So, it's not really driven by production efficiency, it's driven by activities and the length of those activities during the maintenance activity.

I'll leave the dated Brent question to you, David.

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Yeah. So, I assume you referred to the near-term tax payments slide Yoann. So, the rule of thumb here is that you can look at the tax payments that we illustrate for the second half of this year and the first half of next year as sort of a full year guidance, right. And then you can actually infer the price that we have used for setting the tax installments for the first – no, second half of this year. So, it's quite similar to the \$80 scenario, right, for the average for next – or for the second half of 2024, sorry. And then we gave the gas price assumption and the FX assumption also on the slide. So, \$9 per mmbtu and a US-NOK rate of 10 for the remaining of the year.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

And then for your third question regarding CapEx, and CapEx ramp up, I can actually assure you, and I do this with, I would say a lot of subjectivity, there will be no summer break when it comes to CapEx execution or spend.

Yoann Charenton

Analyst, Bernstein Autonomous LLP

All right. Well noted. Still, have a nice summer if you can.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you, so much.

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Thank you, Yoann.

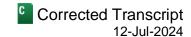
Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Thank you, Yoann. And now the next question is from Teodor Sveen-Nilsen from SpareBank 1. Are you there, Teodor?

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Teodor Sveen-Nilsen

Analyst, SpareBank 1 Markets AS

Good morning. Yes, I'm here. Congrats on the yet another strong quarter. Three questions for me. First, on Barents Sea. Karl, you discussed the discoveries in the Barents Sea. I just want how much more gas do you think you – we need to discover in the Barents Sea before we can justify a pipeline development in the Barents Sea? So, that's the first question.

And the second question, which actually is not important [indiscernible] (00:43:05) my curiosity. And thus far on the Sverdrup, how much has been produced from Avaldsnes and how much has been produced from Aldous Major compared to the total 2P reserves? And then latest and my last question is what's the latest on the socalled drilling in Yggdrasil and Tyrving? Thanks.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Could you just repeat the third question Teodor?

David Torvik Tønne Chief Financial Officer, Aker BP ASA

I think it was related to the court case. Related to the...

Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA

Oh. Court case. Okay. Fine. Good. So, let's start with the Barents Sea. Yeah, well, the gas discoveries up further in Hassel has a little to do with infrastructure and more to do with tie-back on this thing. So, it's a different case. Then you ask, how much gas do we need to discover to get to a pipeline? Yeah, that's a good question. It will depend on cost of the infrastructure, the quality of the gas, how much oil is associated, et cetera. So there're lots of different parameters. My guess, in the range of 150, maybe even as high as 200. Certainly not below 100.

I don't remember off the top of my head, the percentage split on yet on cumulative production from Avaldsnes and Aldous, so we'll have to get back to you on that.

And then on the court case, well, in reality, we're following two different tax. Of course, the court case in itself where Aker BP is not a party. So, that is going on as it is. And then we are looking at the situation where we're trying to [ph] repair (00:45:05) the discussions around what kind of information do – is missing and the current – in the current [ph] KU (00:45:15). I'm actually guite calm around this issue. At this point in time, I think we have a pretty good handle on what is needed and how to assemble that data. We've sent the program for a new revised [ph] KU and heard (00:45:32) at the hearing, and we're now about to finalize that piece of work. So, regardless of how the appeal case turn out, we will be in a position to issue the information needed.

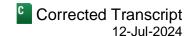
Teodor Sveen-Nilsen Analyst, SpareBank 1 Markets AS

Okay. Thank you. And just following up on the Barents Sea, you're talking about the 150 million barrels of oil

equivalent to 200 million barrels of oil equivalent, right?

Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA

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No, bcm of gas.

Teodor Sveen-Nilsen

Analyst, SpareBank 1 Markets AS

Bcm. Okay, bcm. Okay, that's clear. Perfect. Thank you and that's all for me.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

That's why – I mean, these volumes are very, very difficult to assess because if you actually find a lot of associated oil, then of course, you're subsidizing the field development, then you might need less gas to complete that infrastructure.

Teodor Sveen-Nilsen

Analyst, SpareBank 1 Markets AS

Sure. Absolutely. I understand, I'd say it's difficult to to assess that. Thank you.

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

All right, then the next question is from Victoria McCulloch from RBC. Please go ahead, Victoria.

Victoria McCulloch

Analyst, RBC Capital Market

Thanks. Good morning. And so, a couple of questions remaining for me. So, firstly on Edvard Grieg, can you give us a little bit more color about what's going on in that field? I appreciate there was a shutdown for Hanz on the field this quarter, but we're more than 30% down from this time, or this quarter last year. And so maybe what your expectations are on maybe more of a medium term? How we should see the declines of that field?

And then a bigger picture, again, question, can you give us – me a bit more color on the CO2 storage strategy for Aker BP? Is this optionality at the moment or something you think needs to be part of the company's strategy and – bigger picture going forward? Thanks very much.

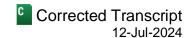
Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. So, both details and big picture. That's good, Victoria. On Edvard Grieg, I think we have been quite clear that we, even last year that we were approaching the end of the plateau. And then, of course, the decline on these fields, they're actually the strongest just after you go off plateau. And then, of course, as you kind of get down towards the, I wouldn't say tail, but as the decline tapers off, the decline rates in percentage per time unit declines, so to speak. And right now, we're actually seeing that we're in that bend where you actually start tapering off the decline rate and the models are actually working pretty well. So, I'm more comfortable that due for the remaining of 2024 and into 2025, we'll see a more stable rate out of the Edvard Grieg, Ivar Aasen hub area.

Hanz will offset it to a certain degree, but not entirely. But then there are also infill drills – infill wells to be drilled on Edvard Grieg in 2025. And then, of course, the satellites come on stream in 2027. So, this is kind of conventional oil field practice, it's just that normally in Aker BP when we take over these fields, they have already gone off plateau and we do these kind of redevelopment cases. In this case, we're actually following down the

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track before we are deploying the redevelopment activity. So, we're just applying the Aker BP model also to the Edvard Grieg, Ivar Aasen hub.

In terms of the CO2 storage, I see that as optionality at this point in time. I mean, really, really clear that Aker BP is a pure-play oil and gas company focused on the Norwegian continental shelf. And Aker BP will remain a pure-play oil and gas company focused on the Norwegian continental shelf. The reason that we are looking at this with a – I would say a fairly small number of people, is one, it gives us optionality if there are regulation changes potential to store CO2 ,it could potentially be used to offset [indiscernible] (00:49:35) nature-based offset mechanisms. You'll see in the net zero act, for example. So, we don't really know how that game will play out and therefore it's a very cheap, call it, insurance optionality for us.

Going forward, if this is to be an activity with a significant CapEx spend, we will look at structures that are more optimal towards the Aker BP existing oil and gas activities.

Victoria McCulloch

Analyst, RBC Capital Market

Super. Thanks very much.

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Thank you, Victoria. Next question is from Mark Wilson from Jefferies. Please go ahead, Mark.

Mark Wilson

Analyst, Jefferies International Ltd.

Okay Good morning. Thank you. Good morning, gents. My question, the first question is we've got – we're very clear on Johan Sverdrup oil production capacity 755,000 barrels and you say with gas, it's almost 800,000 barrels of oil a day. But can I ask what the water handling capacity is given the discussion on water coning? And then if you are at that water handling capacity, meaning that optimization is really the one variable you have as you bring on new production wells. And I have one follow-up. That's my first question.

Karl Johnny Hersvik Chief Executive Officer, Aker BP ASA

Yeah. So, water handling capacity, that's an interesting question. So, right now, we're actually at liquid maximum, and that liquid maximum is being used for oil processing essentially, right. We could handle significant amounts of water. So, in terms of processing plant, water handling capacity, we would probably never be the main restriction on Johan Sverdrup. It will be more about how you maximize the total liquid handling capacity at Johan Sverdrup. And then of course we are reinjecting all the produced water, so reinjection capacity could be an issue. At this point in time, we're injecting five times more than we are producing, so it's unlikely to become a restriction in the short term. And then you will have, call it, produced water quality issues, which are usually actually a case when you have a low water cut and not the high water cut, because then you get into water continuous phase. So, the way the process plant is set up, I think this will essentially be driven by the water cut and the available well capacity and the wells are not driven by topside water handling capacity.

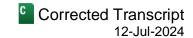
I mean, this is, to be honest, Mark, this is so overdesigned that you can process almost anything.

Mark Wilson

Analyst, Jefferies International Ltd.



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Got it. Okay. Well, my second question, and my last one now is you reiterated expect plateau to extend into very late this year or early 2025, that would infer that those multilateral wells that you're going to bring on next year, you don't expect them to be able to maintain the plateau in the manner that the new production wells you're bringing on this year do? It would just be interesting to understand the difference there.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

e a lot of

Yeah. So, the key difference is that, when we're now drilling the last 10 wells, that means that we have a lot of experience with how the existing wells are performing. We're more uncertain on how these multilaterals will be performing when we put them on stream, right. And this is always the case. I mean, we start with being a little bit conservative and then we get more expectancy, correct, if you want, as we get more experience.

So, we could end up actually with multilaterals that are really, really good. It's just that the modeling right now shows that we will probably not have the flow area in these multilaterals that we used to in the big 10.75-inch bore production wells that we're currently producing.

Mark Wilson

Analyst, Jefferies International Ltd.

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That's very clear. Thank you so much. My goodness, 10.75 inch. Okay. I'll hand it over and [indiscernible] (00:53:52).

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Α

Thank you.

Kjetil Bakken

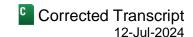
Head-Investor Relations, Aker BP ASA

That was the last question I believe. So, that's it.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

That's good. And that means that we're not essentially logging off here from the Aker BP headquarters. But at least we wish you an excellent summer break for those who are about to go out into a summer break. And for those who are not, I wish you a good weekend. And I usually say that I wish you people a safe weekend, so, I'll do that too. Thank you, everybody.



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