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Aker BP ASA (AKRBP.NO)

Q2 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Karl Johnny Hersvik
Chief Executive Officer, Aker BP ASA

Good morning and welcome to Aker BP's Presentation of our Q2 2025 Results. Today's agenda reflects a strong quarter, with clear momentum across both our operations and our strategic priorities. We will begin with an update on our operational performance, which continues to deliver solid results. Then, we'll move on to our field development portfolio, where we remain firmly on track and where we have sanctioned two new expansion projects this quarter at Johan Sverdrup and at Grieg Aasen. We are also pleased to share encouraging news from Yggdrasil on the exploration side, where we have discovered more oil in an ongoing exploration well. And as always, our CFO, David Tønne, will guide you through the financials later in the presentation.

In the second quarter, production averaged 415,000 barrels per day, down 26,000 barrels from the first quarter. This decline was primarily due to a one month planned maintenance shutdown at Valhall and Ula. Despite the shutdown, we maintained a portfolio-wide production efficiency of 95%. Our other assets, including Johan Sverdrup, continued to perform really well with a production efficiency ranging from 96% to nearly 100%.

During the Valhall shutdown, we also reached a key milestone on PWP-Fenris, the successful installation of the jacket and the connecting bridge for a new platform. Looking ahead, we expect lower production in the second half, driven by scheduled maintenance and natural decline. However, with a solid first half now behind us, forecast uncertainty has been reduced. As a result, we are narrowing our full year production guidance, raising the lower end of the range from 390,000 to 400,000 barrels per day.

Unit cost edged up to \$7.3 per barrel in the quarter, primarily due to lower production volumes, higher maintenance and a weaker US dollar against the Norwegian kroner. Nevertheless, we remain firmly on track to meet our full year production guidance of \$7 per barrel, a level that remains highly competitive within the industry.

On CO2 emissions, the picture remained consistent. Our emissions intensity held steady at 2.8 kilograms per barrel, an industry-leading level that continues to set the benchmark globally. At the start of the year, we outlined our ambition to sustain production above 500,000 barrels per day beyond 2030 and to pursue further growth. We are working every day to make this a reality.

On this illustration, the dark blue area represents the current business plan, covering production from existing fields, ongoing field developments and regular IOR activities. Key growth drivers include the large-scale Yggdrasil development, the Valhall PWP-Fenris project, and a series of tieback projects to Alvheim, Skarv and Grieg Aasen. It also includes Johan Sverdrup Phase 3 project and the tieback of the East Frigg discovery to Yggdrasil, which have now both been formally sanctioned in the partnerships. This visible outlook supports our target to produce around 525,000 barrels per day in 2028.

Beyond 2028, the light blue wedges illustrate our potential to sustain production above 500,000 barrels per day for infill drilling and tiebacks from known discovery across our portfolio. Progress this year has further strengthened our confidence in this trajectory.

Looking even further ahead, we see additional growth potential beyond the current outlook. With continued exploration success and selective M&A, we see a clear path to expanding our production base well into the next decade. This is our ambition and we are well equipped to deliver it. We have the people, the assets, the supplier, the digital ecosystem, the capital, and maybe most importantly, the track record to make it happen.

Our projects continue to advance steadily with several key milestones being achieved in the recent months. These include the successful offshore installation of the Valhall PWP jacket, the completion of the Fenris drilling campaign and others. And as we speak, we are preparing to install the jackets for the main Yggdrasil platform to Hugin A.

These achievements reflect the scale, pace and precision of our execution. They are the result of close collaboration across teams and partners, and they mark critical steps towards delivering on our long-term value creation plan. And since images speak louder than words, let's just have a look.

[Video Presentation] (00:05:17-00:07:35)

This video highlights the scale and complexity of the projects we are delivering and the impressive effort from our teams and alliance partners to make it happen. Offshore project progress through distinct phases – engineering, procurement, construction, offshore installation, commissioning and finally, handover to operations. The successful execution is defined not just with progress within each phase, but by the ability to transition smoothly between them. If a project is off track, it typically becomes visible at these transition points.

We are now roughly midway through the execution phase, with engineering and procurement largely complete. We are well into the construction phase and we reached a point where the modules are being assembled into complete platform units. This gives us a clear operational visibility into the remaining work and resource needs in the different projects.

In this context, we have conducted our most comprehensive project review and budget update since sanction. The conclusion is reassuring. The plan holds firm. The project to remain on schedule for planned startup in 2026 and 2027, as originally communicated. That said, we have naturally faced some challenges along the way. Some work packages have experienced delays, macroeconomic conditions have impacted prices and currencies, and labor markets have tightened. And finally, the security situation in the Middle East have led to longer sailing distances between Asia and Europe. All these external factors are driving up costs across the industry.

While we can't control global inflation, we can and do respond decisively. We have mobilized the necessary resources to navigate and mitigate these challenges, maintain focus and ensure momentum in the project execution. Now, taking all of these factors into account, we now project a roughly 6% increase in investments for the ongoing projects. These includes a 10% contingency of the remaining capital. And the adjustment reflects the full scope of what is needed to deliver on time and with quality.

Now, importantly, when we look at the value creation plan from 2023 to 2028, the total investment estimate for all the PDO project sanctioned in 2022 is up by only 3% to 4% on a like-for-like basis. This is a strong signal of disciplined execution in a highly dynamic environment.

Let's now turn to exploration and to what is arguably one of the most exciting wells on the Norwegian Continental Shelf this year, Omega Alfa in the Yggdrasil area. This well is remarkable, not only because we have discovered oil, which I will return to, but because we are breaking new ground in how we explore. Omega Alfa is pushing the frontiers of what is technically possible, using advanced geosteering to drill ultra-long, high-precision horizontal sections with unprecedented speeds. This enable us to map the subsurface with high accuracy and pinpoint oil accumulations with confidence.

Two years ago, with the East Frigg well, we set a new benchmark by achieving more than 13 kilometers of reservoir exposure. Since then, we have equipped our rigs with wired pipe technology, a high bandwidth data link between the drill bit and the surface. This innovation allows us to drill faster, steer with greater precision, and access significantly more reservoir in real time.

To put it into perspective, a typical exploration well might intersect a few hundred meters of reservoir. Omega Alfa, by contrast, is on track to exceed 20 kilometers of reservoir exposure at only twice the cost of a conventional well. Moreover, the quality and quantity of the data we are acquiring are vastly superior, substantially reducing uncertainty and accelerating the timeline from discovery to development. The East Frigg well is a prime example, with only two years between the discovery and the final investment decision.

Omega Alfa is a multilateral well, targeting five different structures: Omega, Alfa, Alfa South, Sigma Northeast and Pi. The combined pre-drill volume estimates ranged from 40 million to 135 million barrels. Drilling started in May and is progressing really well. We have already covered the Alfa structure and parts of the Omega structure, confirming commercial oil volumes in the range of 20 million to 40 million barrels. Operations are now progressing towards the northern part of Omega, as well as the Sigma Northeast and Pi, which together have a pre-drill volume estimates of 30 million to 70 million barrels.

Geologically, this setting resembles the East Frigg discovery, with thin oil zones sealed beneath a shale layer that effectively traps the hydrocarbons. We will, of course, provide further details once drilling is complete and the data has been more thoroughly analyzed. However, in my view, this is already a success and will contribute valuable additional volumes to the Yggdrasil development.

In essence, we are also pioneering a new exploration oil method, one that paves the way for efficient future exploration in the Frigg area west of Yggdrasil. Frigg was, as many remember, originally developed as a gas field in the 1970s and was decommissioned 20 years ago after producing 700 million barrels of oil equivalent exclusively of gas. The initial exploration well also identified an oil zone, with an estimated in-place volume of 1 billion barrels of oil. However, this was never produced as horizontal drilling was still years away at that time.

Based on the current geological insight, we see significant potential for further oil discoveries in the Frigg area, and this represent a substantial upside for the Yggdrasil development. And that is why we, together with the Yggdrasil partners, have secured this acreage and will be drilling additional exploration wells in the years ahead.

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Good morning. Aker BP has delivered another quarter of strong operational performance. And although commodity prices were down and we had planned maintenance at several fields, the operating cash flow was in line with recent quarters, where we paid two tax installments. Our current investment level is high, reflecting strong progress on our field development projects that were sanctioned back in December 2022.

As Karl has just mentioned, a thorough project review completed this quarter confirms that the ongoing projects are on schedule, while total investment estimates are up around 6% compared to original guidance.

In sum, this implies a significant derisking of the business cases of these highly profitable projects. Furthermore, we continue to see substantial upsides, as exemplified with the ongoing exploration in the Yggdrasil area.

At the end of the quarter, Aker BP's financial position remains strong with ample available liquidity, low leverage, and low net debt. Altogether, the quarter marks one more step forward on our value creation plan. We are well positioned to navigate market volatility as we focus on maximizing shareholder returns by maintaining financial flexibility, investing in profitable growth, and delivering a resilient dividend that grows in line with value creation.

Let's now take a closer look at the main drivers behind the results. Net production declined slightly, impacted by a one month planned shutdown at Valhall and Ula for maintenance and project activities. Production in the quarter was 415,000 barrels of oil equivalents per day. And with a very small underlift, sold volumes ended at 414,000.

Operating cost increased to \$7.3 per barrel, driven by reduced volumes and strengthening of the Norwegian kroner. Year-to-date, our unit cost is \$6.9, and we are on track to deliver on our full year guidance of approximately \$7 per barrel.

Cash flow from operations reached \$1.2 billion in the quarter. This is in line with previous quarters, where we have paid two tax installments, as can be seen on the illustration down to the left for the second and the fourth quarters last year.

Investments in the quarter increased to \$1.9 billion, reflecting high activity across our project portfolio. Within financing cash flow, the main item was the dividend payment of \$0.63 per share.

Zooming in on a few items in the income statement. With lower volumes and realized prices versus the first quarter, revenues decreased to \$2.6 billion in the second quarter. As mentioned, production cost per barrel increased due to lower volume and stronger NOK, but remained relatively flat on an absolute level.

Net financial items were impacted by currency losses on non-dollar-denominated balance sheet items, mainly from the revaluation of our euro-denominated bonds, while our Norwegian kroner hedging program covering current tax liabilities and investment plans generated a solid gain this quarter. As shown in the notes to the balance sheet, our derivatives positions are now valued at around \$200 million.

Impairments totaled \$717 million in the second quarter, consisting of technical goodwill on Johan Sverdrup, Valhall, Grieg/Aasen, and Alvheim, mainly driven by lower forward prices for oil and gas. Since goodwill impairment has no tax impact, this leads to an artificially high reported tax rate of 138%. Adjusted for impairments, earnings per share was \$0.62 in the quarter and the effective tax rate was 75%, which should be more in line with expectations. For more information on technical goodwill and impairments, I recommend watching the explanatory video that our IR team has published on our website.

Let me also briefly comment on cash flows. Taxes paid was relatively high and was, as mentioned, impacted by two installments this quarter compared to one in the first quarter. These payments are for taxes accrued in 2024. Taxes accrued in the second quarter was significantly lower than the taxes paid, which materially reduces tax payables in the balance sheet. For the quarter in isolation, this lowers free cash flow. But as taxes payable is reduced, we also expect lower tax payments in the coming quarters.

The observant reader may also have noticed a new line in the statement: investment in financial assets of \$300 million. This is short-term financial placements in liquid notes to enhance returns on surplus cash, while maintaining liquidity. While this is formally classified as an investment, it is considered as cash equivalents under our bank facilities and by rating agencies, and is also included in the net debt and leverage ratio calculations.

With the strong operational performance flowing through to the financial performance, we exit the second quarter with a continued strong financial position. Net interest-bearing debt increased to \$4.6 billion. But as we illustrated to the left, the main driver was the high tax payment in the second quarter, which reduced tax payables with an almost equal amount. Our leverage ratio remains at a low level, now marginally up to 0.4 times net debt-to-EBITDAX.

Total available liquidity remains conservative at \$6 billion, providing a lot of flexibility. The decrease quarter-on-quarter is driven by the tax payments and a planned stepdown in our undrawn RCF facility from \$3.4 billion to \$3 billion.

Following the completion of our comprehensive project review this quarter, we have also updated our total investment plan for 2025 to 2028. The approximate 6% increasing investments for our ongoing field development projects is now reflected in this updated plan. We continue to expect 2025 to be the peak investment year, with capital expenditures reaching approximately \$6.5 billion before tapering off from 2026 and onwards.

In aggregate, the updated net estimates for the ongoing PDO projects reflect an upward revision of around \$1.2 billion. As all of these projects fall under the 2020 tax system with approximate 87% tax deduction, the after-tax effect of this increase is between \$150 million and \$200 million.

One additional thing to note is that although this investment profile is sensitive to future changes in foreign exchange rate, the actual financial exposure to a further strengthening of the Norwegian kroner is limited, as we have over 75% of the planned NOK expenditures for the next three years hedged at an average dollar-NOK rate between NOK 10.5 and NOK 11.

The updated investment estimates have a marginal impact on project economics, our value creation plan and the financial metrics for the period up to 2028 that we presented back in February. The impact on estimated cumulative free cash flow generated across oil price scenarios largely follows the after-tax effect of the increased CapEx with some variations due to phasing of tax and financing costs. Consequently, our financial metrics remain very robust across most plausible oil price scenarios.

Assuming a continued 5% annual increase in dividends, our leverage remains comfortably below the internal threshold of 1.5 times and well within the bank covenant limit of 3.5 times. And even in a prolonged \$50 oil price environment, where we have conservatively assumed \$50 per barrel from the beginning of 2025, as we also did back in February, our modeling indicates that leverage only temporarily exceeds 1.5 times in 2026 before declining again in 2027.

In summary, our value creation plan is on track and we have the capacity and resilience for attractive shareholder distributions in the years to come.

Now, on the topic of shareholder distributions, our guiding principle is to maintain a resilient dividend that reflects our financial strength and outlook. And to be clear, our ambition to grow the dividend by at least 5% annually through this investment cycle remains firm. For 2025, our plan is to distribute a total dividend of \$2.52 per share. We have already paid two of the four quarterly installments and the board directors has resolved to distribute the third installment of \$0.63 in the third quarter.

Now, let me round off with a few comments to the main elements of our 2025 guidance, starting with near-term tax payments. As mentioned, the tax payments in the second quarter were relatively high at around \$1.5 billion and is the result of taxes accrued last year. Now in the third quarter, we will start paying taxes related to 2025, which will be significantly lower as the high investment level this year leads to higher tax deductions. This is a key feature of the Norwegian tax system. It provides resilience to market volatility when investing in profitable growth.

Moving on to the key operational parameters. Production averaged 428,000 barrels of oil equivalents per day in the first half of the year, above the top end of our full year guidance range, but in line with our expectations. We still anticipate some natural decline as the year progresses, along with planned maintenance shutdowns in the third quarter. But with half of the year now behind us, we lift the low end of the guidance range and update the full year estimate to 400,000 to 420,000 barrels per day.

Production cost is \$6.9 per barrel year-to-date. And although the recent strengthening of the Norwegian kroner adds some risk to the full year estimate before accounting for the financial effects of our hedging program, we maintain strong cost control and still expect to end at roughly \$7 per barrel for the full year.

Investment activities are currently at peak levels, with construction activity at full speed and drilling campaigns ramping up. We invested \$3.1 billion in the first half of the year and we lift our full year guidance to approximately \$6.5 billion. The increase in 2025 is a combination of very good progress across the projects, updated investment estimates and the cost impact of the strengthening of the Norwegian kroner. While most of the after-tax financial impact of the latter is hedged, the reported investment levels on a pre-tax basis is still impacted.

Exploration is progressing in line with plan. The program is somewhat frontloaded in 2025, so we still expect exploration spend of around \$450 million pre-tax for the full year. Abandonment activities are also on track, but we lower the cost estimate to around \$100 million, reflecting good execution, but also some phasing of plugging and abandonment activities to 2028.

And with that, I leave the word back to Karl for some concluding remarks.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you, David. So, to sum up, we have delivered a solid second quarter operationally, financially and strategically. Our project are progressing well, our exploration efforts are breaking new ground and remain firmly on track to deliver on long-term ambitions. We continue to navigate a complex external environment with discipline and resilience. And we're confident in the strength of our portfolio, our people and our partnerships.

We will now take a short pause before opening the Q&A session. To participate, please use the Teams link provided on the webpage or if you prefer to listen only, please stay tuned and we will resume in one minute.

QUESTION AND ANSWER SECTION

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Welcome back, everybody. And as usual, Kjetil Bakken, our eminent Head of IR, is running the queue of the questions today. And Kjetil, I assume we have our first questioner or our first caller.

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

We certainly do, Karl. And the first question is from Matt Smith from Bank of America. Please go ahead, Matt. Your line is open.

Matthew Smith

Analyst, Bank of America

Hey, there. Good morning, guys. Thank you for taking my questions. A couple, please. The first one would be touching on the capital increases for the ongoing projects. I just wondered if you could give us some sort of sense in terms of the contract structures and really trying to sort of reconcile what proportion of the project costs still are exposed to price inflation or price variation from here, and that would also give us a sort of a sense of what the current rate of inflation today actually is if we have an appreciation for what costs were already locked.

And then the second question would be moving on to Johan Sverdrup and Phase 3 with that project now FID-ed, expecting production in 2027. Just to give us a bit of a broader understanding of what you expect in terms of performance and contribution from that phase by the time that project starts to contribute.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Excellent. Thank you, Matt. We'll start with the CapEx question. All these projects, they go through different phases, right? So you start with feasibility, then you move into early phase engineering, and then you have detailed engineering and ultimately, you get into procurement, prefabrication, and then construction and assembly, and then, finally, commissioning, and then towards the end, handover to operations.

And as this project progress, you get better and better clarity of both scope, volume, prices, etcetera. So, you have some sort of estimation going in and then you have some sort of realization as you transit from one phase to another.

So what's happened now is that we have gone from basically we're done with engineering. We're basically done with procurement. We've done most of the prefabrication. There are only three pre-assembled units yet to be delivered until we're completely done with also the prefabrication. So now, we're moving into construction. So what we've done is basically a new bottom-up provision where we've taken everything that's behind us, which is basically the earlier phases, and then had a new look at what we had to do.

And obviously, as we are on time, there's not a lot of movement in terms of timing cost. So, what you basically see in that there is some price increase outside of what we expected it to be. There is some movement because of things we cannot control. For example, the security situation in the Middle East has increased the sailing routes from Asia to Norway by about four to six weeks, which means that we had to find work or actually accelerate work to compensate for that time. There has been some FX movements outside what we've had, etcetera. So it's a lot of smaller things actually leading up to this change.

Now, basically, I would say the price – there's very, very little scope variation. So there's almost no scope change inside the structure. This is quite different from what you normally see where scope variations are the main driving change in terms of CapEx. So, this is basically us just updating the estimates that we had going into the main construction phase.

This also means that what is ahead of us now is basically assembly, commissioning and then handover to operations, which is far easier for us to control as is essentially ours as an input factor because of both engineering and procurement is essentially behind us. So, we felt it was prudent to update the market on where we were in CapEx at this point in time.

Now, the good news is that the plan still holds, right. So with all these variations, with all these changes we've seen in the market since we sanctioned it back in 2022, maybe I'm pushing the point here, but I still believe that if you look at the totality of that value-creation plan and a price variation in the range of [ph] 3% to 40% (00:33:06), that's actually pretty good performance when you look across the quite fundamental changes we've seen both in capital markets, but also in retail markets in those three or four years or five years since we sanctioned the project.

Now, moving on to Johan Sverdrup Phase 3, do you want to do that, David?

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

A

Yeah. I can definitely do that. So, as you mentioned, we have sanctioned Phase 3 this quarter, two subsea templates. Initial scope is eight new wells and then there is an additional four available well slots that could be leveraged for additional IOR drilling. Startup time, 2027. This will, of course, not only add the additional resources of roughly 40 million to 50 million barrels gross terms, but it will also, of course, also accelerate production. So that's part of the business case of sanctioning Phase 3.

In terms of the exact contribution on production, I think I'll refrain from trying to give a detailed estimate on that. That, of course, is linked to the optimization of the full field. But of course, this is included in our production profile up until 2028, and we're very happy to have this milestone behind us now and moving into execution. Yeah. I'll stop there.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. Thanks, Matt.

A

Matthew Smith

Analyst, Bank of America

Perfect. Well, thanks for all the details. Happy to pass now.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you. Have a great day. And then I think we'll move on, Kjetil.

A

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Yes. Next question comes from Tianhong Bi of Citi. Please go ahead, Tianhong.

A

Tianhong Bi

Analyst, Citigroup Global Markets Ltd.

Hi. Morning, guys. Thanks for taking my questions. I've got two, please. The first one is on hedging. We've seen your US peers across the Atlantic hedged quite aggressively this quarter, taking advantage of the war premium to lock in high oil prices through 2026. So, it's a bit surprising to see that your hedge position hasn't changed materially and only limited to just 2025, especially given your policy allows hedging up to 100% of your production over the next 12 months and 75% for the subsequent 6 months, if I remember correctly. Could you please share your thinking here? Have you consider increasing your hedging to support cash flow through the production trough in 2026?

Q

The second question is on exploration. I'm sure there will be plenty of questions on Omega Alfa, but I'd like to shift your focus to frontier exploration first. With both Bounty and now Rondeslottet returning dry results in the first half and both having been positioned as high-potential opportunities, should we expect a reset of expectations around your frontier exploration strategy? Specifically, are you looking more towards near-field or lower risk prospects? And given potentially lower complexity, are you also considering how much you spend on exploration going forward? I'll leave it there. Thank you.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Excellent. Let's start with hedging, David.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Yeah, I can do that. So, you are correct. When you look at our current hedging positions, we have roughly 18% of the after-tax exposure hedged for the second half of this year using put options. And then we have policies in place that allows us to hedge further out in time using different instruments.

A

I think when we look at hedging, we look at the totality of the business profile, but also the physical system that we are in. So, comparing us against sort of US peers is not necessarily the right way to think about it given that we have a tax system which makes it, call it, less relevant to some extent to protect liquidity to hedge.

But that being said, we are constantly sort of evaluating our hedge positions also given the recent volatility that we have seen. So, this is something that we are consciously considering as we progress this in – towards 2026.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Thank you, David. And then moving on to exploration. Let's start with the strategy part of your question first, Chris (sic) [Tianhong]. So, for quite a few years now, we basically had this balanced view on exploration, where we spend roughly 80% of the expex budget on what you could call near-field exploration. And then near-field for us is anything that's 50 kilometers or less away from our own infrastructure. So, it's a pretty big area.

And then we spend 20% on frontier exploration. I don't really foresee that changing going forward. I still believe that we will spend the majority of our capital building up under the value-creation plans inside our assets, and we'll spend 20% or so, of course, dependent on what kind of prospects we'll see.

Now, Bounty and Rondeslottet, they are two very, very different place, right? So, Bounty is a classical high-risk, high-potential play opener type of prospect and you will, of course, see the majority of these play openers fail. Now, that's the nature of the game. The exploration potential here in terms of probability is probably around the 20% mark of discovering a barrel of oil, right? So, there's a certain risk element associated with this activity that's also reflected in our strategy.

Now, Rondeslottet is a very different animal. For us, that is the first dip of our toes into this high-potential play of tight oil on the Norwegian Continental Shelf. As I said last quarter, I don't believe this is going to be a sprint; I believe this is going to be a marathon. And I do believe that there will be a lot of these wells in the future before we crack that code.

Rondeslottet also was a bit of a different one, right, because the first Rondeslottet well drilled by Equinor called Ellida back in the day discovered oil. Now, we had this hypothesis that because of the depositional environment, you would see better porosity and permeability higher up on the structure.

We don't know exactly what happened, but at that position, there was little or no reservoir. So there might be some erosion event that have happened in geological time between these two geological positions. So that's a very – they are two very different cases. So, no, there won't be a fundamental reset of our strategy based on those two wells.

Tianhong Bi

Analyst, Citigroup Global Markets Ltd.

Q

Sorry. Just one follow-up. Is there any intention to revisit Rondeslottet through further drilling?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

First, I think we'll have to make up our minds about what actually happened here. So, right now, I think that option is paused. There might be a comeback if the geological evaluation tells us that that is an opportunity. But for the moment, we do not have any such plans, no.

Tianhong Bi

Analyst, Citigroup Global Markets Ltd.

Q

Okay. Thank you. Thanks so much.

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

A

All right. Then, the next question comes from John Olaisen from ABG.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

Hey. Good morning, and thanks for taking my question. Little bit on the increased CapEx. You mentioned that you had a 10% contingency on the CapEx for new projects. I just wonder if you can specify. Is this contingency for the increased CapEx or is there a 10% contingency for the whole budget for those projects?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Yeah. So, what we've done now is that we have done a new bottom-up estimate. So, when I'm saying 10% contingency, it's a 10% contingency on top of the new estimate on the going-forward expenditure, right? So, there's some of these expenditure that's behind you, and then the estimates, as you correctly point out, gone up about 6%. And of those, the remaining CapEx in the future, 10% is contingency.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

So 10% of what is left on the total projects from here is contingency?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Absolutely.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

All right. Does that mean that you used the 10% contingency for the CapEx that you spend up to now?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

No, a little less. So, the total volume – we're about, I don't know, 45%, 50% into the total CapEx program, and some of the contingency that's behind us has been consumed and some of it has been transferred into the future contingency amount.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

Okay. And then a little bit on the Yggdrasil development. I like the video. It's always nice to see actually how it works. But could you tell us a little bit more about which modules that are being constructed in Asia? It seems that all the projects going on in Norway seem to be going on track, but could you tell a little bit about the key risk you have towards Asian yards, please?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Yeah. So we have two primary Asian prefabrication yards, so what you call preassembly unit yards. So, NOV in Batam is producing MEG TEG regeneration and sulfur-producing units. That's basically taking the sulfur out of the seawater before you're injecting it. And then, Dubai Drydocks is constructing more, call it, preassembled units with basically steelworks, with piping and valves, which is used to stack up, as you saw in the video, before we finalize the construction at Stord.

Yeah, I think that the activity in both these yards has actually been pretty good. It's not what we're used to in Norway, of course, but I would say that we've been able to sail away on time for all the parts that's been – or preassembled units that's been delivered out of Dubai, and it looks good also in Malaysia. But the sailing time is increased, right?

So, we can't no longer go direct via the Sinai channel. We have to go around the Cape. That means that we have to spend some additional money, both on sailing, but also on catching up those weeks that we lose in transit.

And then, you're absolutely right, we spend a little bit of resources monitoring and following up these yards to make sure that we have the quality we need when it gets to Norway.

I think you're muted for some reason. At least we lost the sound.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

Sorry, I think I was muted. Sorry, I think I was muted. When will – all the key components being constructed in Asia, when will they have left the yards in Asia? What's the plan for that?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

The last departure, I think, is one of the last weeks in October. Everything will be en route to Norway.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

All right. Good. Then my final question. With the increased CapEx and also taking into consideration the exploration success at Yggdrasil – in the Yggdrasil area, what do you estimate to be the NPV breakeven for Yggdrasil as it stands for now, including exploration success, if that's the number you have?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Yeah. I don't think we've done that. That's the estimation. But I think last in Q1, we talked about sub [ph] 25% (00:44:28), and then that's fundamentally because of the CapEx before tax doesn't fundamentally change the after tax. So, it doesn't necessarily impact the breakeven that much. And then, we have one quarter left. So, I would probably say that we're still sub [ph] 25% (00:44:46), maybe even sub [ph] 20% (00:44:48).

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

A

Just to be clear, John, that's on a point forward basis. So, when we look at the full portfolio, including the adjusted CapEx estimates, we're still between \$35 and \$40 full life cycle breakeven on the project, and this does not include the latest discoveries in the Yggdrasil area. So we keep adding to the profitability of the project.

So, I think one additional point from my side here is that I think where we are now in the phasing of the project, this sort of updated baseline, including the milestones that are completed, mark sort of a significant derisking of the project. And of course, we keep adding to the profitability as we add additional resources.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

I think one additional point. When we construct the Yggdrasil, we always thought of this as a hub. So that means that both the topside but also the subsea infrastructure is all prepared to do exactly what we've now done in the East Frigg and with now the Omega. This will be another bolt-on.

We have standardized subsea equipment, standardized wellhead, standardized well technology, etcetera, etcetera. So this is basically add-on. So, the additional CapEx will be limited and that's, of course, increasing the NPV as we continue to add resources without, let's say, buying the infrastructure that you normally do in these tiebacks.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

So when you say \$35 to \$40, that excludes both the East Frigg and the other potential exploration success that you might have?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

That was the starting point.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

And Omega and everything?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Absolutely. That was the starting point back in 2022. Yes.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Q

And what kind of NPV breakeven would you need for East Frigg and Omega and for future exploration success, you think?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

So, we haven't really updated the estimates. So we are still using \$35 as a kind of a benchmark for this kind of decision basis. But obviously, both East Frigg and also Omega, when the time comes, will be significantly lower than that.

John A. S. Olaisen

Analyst, ABG Sundal Collier Holding ASA

Right. Thanks a lot. That's all for me. Have a nice day and nice summer.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you, John.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Thank you, John.

A

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Okay. Then the next question comes from Nash Cui from Barclays.

A

Naisheng Cui

Analyst, Barclays Capital Securities Ltd.

Hey, good morning, everyone. Thanks for taking my questions. I have two, if that's okay. So the first one is just to get some clarification on CapEx, especially for next year, 2026. I wonder, given the increased level of activity this year, your forex hedging, can you provide some color on where we will land on CapEx next year?

Q

Then my second question is more on leverage and working capital. Let me see. I'm just looking at slide 18 of your presentation because leverage ratio has reached 0.4 this quarter, kind of the highest level for the last two years. And this quarter, we also had a very positive working capital movement. I wonder where do you see leverage ratio by the end of the year and how should we think about working capital evolution as well. Thank you.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. Let's take CapEx first, then let's start with 2025 then, right? I think in the last quarterly presentation, I said that I would be very happy we reached the upper end of the CapEx estimates for 2025. And now, we have obviously increased those quite a little bit.

A

So, that basically means that as we're taking delivery of quite a lot of these procurement items, we're also closing out those accounts. So, in a way, you can say that the more we spend in 2026, the better it is because it actually proves that we have taken delivery of a lot of these procurement items and are now shipping them back to our site, as I went through both in my presentation and my answer to John.

And then for 2026, I don't think we have guided specifically apart from what is in the deck. But the way I would think about this is that the majority of the CapEx in front of us is basically a result of construction activities, meaning that we've past procurement, we've past engineering. So you shouldn't expect that kind of increase in 2026 that you've seen in 2025 because that's basically catching up with price increases and other out-of-control effects.

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

A

Leverage?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Leverage rate.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Yeah. Let me just add one additional point to Karl's comment around the 2026 CapEx. Just to be clear for everybody, as I also said in my presentation, the updated investment profile that we now have in the slide deck includes also adjustments to the other years, not only 2025.

A

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. Which is slide 19 for your reference, Nash.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

And then when it comes to leverage ratio, Naisheng, it's the same. So we have a slide in the deck which illustrates our leverage ratio development across various oil price scenarios. And that's also been updated with the latest estimates on CapEx.

A

So, I'll refrain from giving a point estimate with regards to the leverage ratio because it obviously depends on commodity price and so on, but I think that will give a very good outlook for where we expect to end, depending on ranges of outcomes in commodity prices.

Naisheng Cui

Analyst, Barclays Capital Securities Ltd.

Perfect. Thank you so much. It's very helpful.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you. Have a good summer, Nash.

A

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Okay. Next question is from Victoria McCulloch from RBC.

A

Victoria McCulloch

Analyst, RBC Europe Ltd.

Morning. Thanks very much for your time to take the questions this morning. So maybe, first of all, on Yggdrasil. Can you give us an idea of how much the East Frigg, now that it is added to the development, has been able to add to the plateau at Yggdrasil? Just to give us an idea of the impact that Omega Alfa could have if it characterizes in the same sort of size and way as that development has.

Q

Secondly, could you give us an idea of some of the maintenance that's scheduled for Q3 that's helping – I guess that's driving your guidance for lower production in the second half of the year?

And finally, it looks like you've given us quite a few wells into 2026 in this part of your – the exploration schedule on slide 11. Of that, it looks like there's fewer wells being drilled. Should we see that as just a preliminary estimate and the exploration sort of budget is broadly remaining flat into next year, given the sort of opportunities that you're clearly unlocking in Yggdrasil as well as other geographies or is that a reflection of a slightly lower sort of schedule for next year as it stands at the moment? Thanks very much.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Yeah. Let's start with the last question. I think it'll be a fair assessment to say that the expex next year is broadly in line with what we delivered in 2025. The fact of the matter is that we are, at this point in time, being constrained. That means that even if we wanted to drill more wells, we would have to take on additional rig capacity, which we obviously don't want to do, simply because we are trying to make these rigs into performance machines. And every time we shift rigs in/out of the portfolio, you get some sort of startup issues that happens every single time.

Moving on to Yggdrasil. One way to think about this is and will, of course, depend on the phasing of these reservoirs because Yggdrasil consists now of 8 to 10 different reservoirs. There are three production systems at Hugin A in terms of oil, gas and water separation. So it will depend on the phasing of the different reservoirs. But one easy way to think about it is that roughly 50 million barrels should equate to approximately a year in extended plateau, if you were to very simplify the way to think about it, right?

And if you remember correctly, that's about the size of East Frigg. And then depending on how much you find in the remaining part of Omega, this could now range from – let's call it the midpoint between 20 million barrels and 40 million barrels is 30 million barrels, and then you have 30 million barrels to 70 million barrels in the remaining parts. So you could easily end up anywhere in the range of, let's call it, 60 million barrels to 100 million barrels.

Now, obviously 100 million barrels would be quite a big development for this area. Now, this is exciting enough, Victoria. But what's really making Omega exciting is that we have proven that we have an ability to explore oil without penetrating these oil zones. So that means that as we are moving next year into the Frigg main, we can actually now drill a trajectory into Frigg and control the top or the bottom of the reservoir and understand the saturation profile in that whole trajectory. It's actually groundbreaking in terms of exploring for these oil pockets.

So that's what's really making this exciting. This could be a significant upside for the Yggdrasil area.

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

A

And then maintenance in Q3?

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

And then maintenance in Q3. So, the way to think about this is that there's a lot of smaller stuff like ESDs and – or major shutdown tests and different tests of safety equipment. The majority of the activity is related to about a month stop at the Grieg Aasen infrastructure and then we have about two weeks at Alvheim, if memory serves me right.

So very simply, I would basically look at the Q3 maintenance program as similar to the Q2 maintenance program in terms of production effect.

Victoria McCulloch

Analyst, RBC Europe Ltd.

Q

Super. Thanks very much. And just to confirm, the production profile that you've really provided in slide 7, that does already include East Frigg extent or opportunity within it...

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Yeah, absolutely. As we said, this now includes East Frigg. It includes the Johan Sverdrup Phase 3, and then it includes some of the IOR activities that is inside the base business plan.

Victoria McCulloch

Analyst, RBC Europe Ltd.

Q

Super. Thanks for confirming. Thanks for your time today.

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

A

Thank you. The next caller is Chris Wheaton from Stifel.

Christopher Wheaton

Analyst, Stifel Nicolaus Europe Ltd.

Q

Good morning, guys. Thanks very much, indeed. Three questions, if I may. Firstly, strategically, I would think you're starting to think about what happens next after Yggdrasil in terms of project sanctions, because if you're going to say if you want to get this production on in 2028, 2029, and maintain that plateau above 500,000 barrels a day, you need to be thinking about sanctioning them next year, I would think. I'm interested in your thoughts as to what's front of the queue for the next set of project sanctions to be able to keep the conveyor belt, the manufacturing process continuing to keep that going as production activity – or sorry, development activity starts to ramp down at Yggdrasil over the next 18 to 24 months.

My second question was on conjoining the [ph] Omega Reese (00:56:52) discovery, if you've really found a way of tapping into tight oil here. I'm interested in how much of 2026 exploration campaign could be changed at this point to try and focus on that, because it feels like that ought to be some of your lowest incremental cost to develop. So, your highest incremental return resources given the hub at Yggdrasil, and therefore you should be focusing on those. I'm interested in your sort of capital allocation thoughts there.

And lastly, a question for David. Your account is always extremely beautifully easy to read. The one number that left out at me was the \$350 million of other working capital inflow that wasn't inventory or trade payables. And I wondered if you could explain what that was because I thought at first that was derivatives given you've talked about your hedging of currency, but that doesn't seem to show up in the balance sheet. So I wondered if you could explain what that \$350 million was, please. Thank you very much.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

A

Thank you, Chris. Really good questions. So, let me start with the strategy. I think you're absolutely right. We are already starting to think about what's post-2027. So maybe two avenues of how to think about that. The first one is basically the portfolio. So, a lot of the stuff that will happen post-2027 will, to be honest, be you could call it tiebacks or series of tiebacks or lifetime extension projects, etcetera, etcetera. So we are already kind of doing a lot of the prep work while we are executing.

So in a way, there's a balance between keeping focus on the execution in this critical phase and then, of course, starting to think about the future. So what we've done from an organizational perspective is we have split those two organizations. So I have now one project organization who's only focusing on executing what we've already committed to and decided. And then we're setting down a new team, which is taking all the beautiful learnings and all the good things that we've done in this, call it, generation of execution, and then turbocharging that into the next generation of execution.

So, next generation, that will be digitally native. There won't be any documents. We're looking at the new generation of commercial models with the alliance partners, etcetera, etcetera. A long, long list of activities.

Then quite a bit of this is flowing in either through the drill bit or through the existing portfolio or through possible M&As. And the way I would think about it is that in the future, post-2027, you won't necessarily see the big topside project that you've seen now with PWP and Yggdrasil. You will see much more of these tiebacks going at high speed, where the game is to get from discovery to production as in a short as possible time. So that's what we're basically focusing on going forward, if you want a bit of a broad stroke.

Changes to 2026 program. The reality is that for 2026, maybe even for parts of 2027, we will be constrained by rig activity. So, even if we wanted to fundamentally change that program, we will be very disciplined, because we know that any changes to these exercises comes with an execution risk and an execution cost.

What we've demonstrated now with Omega is that we have an ability to fundamentally change the way exploration is done on the Norwegian Continental Shelf. We have drilled reservoir sections at unprecedented speeds that is outside the normal, you could call it, parameters of drilling. And we've proven that that is safe and we can actually steer and we can actually monitor the whole reservoir in one go in real time. This is quite a fundamental change.

Now, while we're acquiring all these data, we also have to go back and have a look at what that actually means. What does it mean in terms of our drill-out strategy? What does it mean in terms of do we stop drilling exploration wells and go directly for keeper wells? So, how do we actually think about this?

So, my view on this, Chris, is that as exciting as it is, it's worth taking a little bit of a breather and having a look at what we've actually done and how that will impact our strategy. So, I don't foresee big changes for the 2026 program, because, one, I'm rig-constrained, and two, I really want to think about how we can actually leverage that possibility to the maximum of its capability.

Then you want to talk about financial items and working capital?

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Unless you want to go into the nitty-gritties of the notes.

A

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

You want to switch places?

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

No, no, no. So, first of all, Chris, of course, thank you for the kind words with regards to how we position the accounts. So, the \$350 million that you're talking about, it can be split in two things, and you find more details also in the notes. So, it's other short-term receivables and other current liabilities that change. And on short-term receivables, one of the key things that we see a positive impact from is the reduction in prepayments. So, this is actually an effect of the progress on the projects.

And then the other one actually with regards to current liabilities is also linked actually to the increase in investment level. So, as we increase the spending, that typically also have a positive effect on working capital as we typically pay the bills slightly after the work has been executed. But more information in Note 8 and 14.

Christopher Wheaton

Analyst, Stifel Nicolaus Europe Ltd.

Great. Thanks very much indeed. Can I have just one follow-up, if I may, probably just on your answer? Given the cost inflation we're seeing, are you – back at the CMD, you talked about \$15 a barrel for incremental – breakeven for incremental projects. Are you still happy with that number despite the inflation you're seeing? Because it sounds like all the manufacturing process improvements you can put in place that you've just talked about, which you're clearly super excited about, that feels like that could offset some of that inflation. Are you still happy with that \$15 number?

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

If you talk about CapEx per barrel, is that what you're talking about, \$15? Yeah, I think I'm actually quite happy with that number. Some of these will be lower and some of these will be higher. But on an average, I think that will be a fair assessment.

And then that being said, I think you're on to a point there. I don't think a lot have captured this that we have actually offset quite a lot of the price increase by a basic increase in productivity in preassembly and prefabrication. And a lot of these, call it, early phase investments both in – as an alliance, but also into technologies like digital and machining and fiber lasers and all of that stuff – there's a long, long list – have basically ensured that we're able to catch up even as prices has increased and sailing times has increased, and all the stuff we've been able to kind of safeguard the time of these projects.

So, if we hadn't made those investments, you would have seen different numbers.

Christopher Wheaton

Analyst, Stifel Nicolaus Europe Ltd.

No, that's very clear. No, I look at what you're doing in the North Sea and think it's amazing when I compare it to the UK and think – it makes me want to cry. Anyway, I'll stop there. Thanks very much, indeed. Have a great summer holiday, guys. Thank you.

A

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Likewise, Chris.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Thank you.

A

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Next question comes from Mark Wilson from Jefferies.

A

Mark Wilson

Analyst, Jefferies International Ltd.

Okay. Good morning, gents. Just checking if you can hear me.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah, we can. Absolutely, Mark. Go ahead.

A

Mark Wilson

Analyst, Jefferies International Ltd.

Okay. Very good. Okay. Thank you. Okay. So all the questions are focused on Yggdrasil and the developments and, yeah, great job going on there. But I'd just like to switch and just ask some final questions on Johan Sverdrup. The first of which ties in a little bit to what you're just saying about development costs.

Q

Johan Sverdrup Phase 3, 40 million to 50 million barrels and \$1.3 billion – or NOK 13 billion or \$1.3 billion, it's quite a high unit CapEx. I would calculate there about \$29 a barrel. Maybe you could just speak to that in terms of the relative cost there to add 40 million to 50 million barrels at Johan Sverdrup. That's the first question.

And the second would be whether you've started drilling those multilaterals yet and if there's any update on your expectations of the plateau length at Johan Sverdrup. Thank you.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. Do you want to do the CapEx per barrel?

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Yeah, yeah, I can.

A

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

We've been discussing this quite a lot.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Yeah.

A

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

That's a good catch, Mark.

A

David Torvik Tønne

Chief Financial Officer, Aker BP ASA

Yeah. I agree, Mark. So, if you just look at the CapEx per barrel number, I agree that's high, but remember that the investment in Phase 3 is also linked to acceleration. So, that's an important part of the business case, which drives the profitability of the project.

A

And then in addition, the initial phase of Phase 3 is drilling 8 out of the 12 well slots. So in addition, we also have room for more IOR and infill drilling out of those templates. So, although the CapEx per barrel number is high, the profitability of the project is also very high. So, this is one of the reasons why we need to look at a lot of different parameters when evaluating the profitability of our investment decisions.

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

So what you're basically doing, Mark, is that you're investing a little bit now, because the investments, if you were to drill these last four wells at a later stage, would be significantly higher. That, of course, pushes the CapEx per barrel up beyond what you would normally see if you were just investing in the infrastructure necessary for the first four wells. And then, as David said, a lot of this is also about exploration and not necessarily about net reserves.

A

Mark Wilson

Analyst, Jefferies International Ltd.

So, is it fair to say then there's additional contingent resources that could come from the additional wells, IOR, or even multilaterals out of those same templates?

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. That's exactly why we're doing this. So we have a tendency in the oil and gas industry to kind of overpredict and not necessarily understand the kind of outcome space that you can have following these resources. And as we've talked about before, these kind of reservoirs, they have a tendency of getting bigger. We have the tendency of needing more wells to extract at the optimal rates, etcetera, etcetera. So that kind of experience from a philosophical perspective, that's been baked into also Johan Sverdrup Phase 2.

A

Yggdrasil is a bit the same, right? We've built almost twice the number of well slots that we will initially set into production. And now you see what's happening with East Frigg and now with Omega and the other exploration wells to come is that this is actually necessary and brings down the ultimate cost of the project in the lifecycle perspective.

Mark Wilson

Analyst, Jefferies International Ltd.

Okay.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Moving on to the MLTs, yes, we've done the first one. It's just set into production and I don't want to share too much details. I think the operator should do that, but I'm very happy. I think I'll...

A

Mark Wilson

Analyst, Jefferies International Ltd.

In which case, I will – we'll leave it there. Thank you very much.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Thank you.

A

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Good that you are happy, Karl. The final question for today comes from James Carmichael from Berenberg.

A

James Carmichael

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Hi. Morning, guys. Just one quick one. Just a follow-up to one of your answers earlier. Karl, you mentioned that from 2027 onwards, the expectation shouldn't be around sort of major topside projects. It's going to be more sort of near-field or ILX-type activity. I'm just wondering if that or if there are any implications from that statement with regard to Wisting or if that is still sort of ongoing in background. Thanks.

Q

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Yeah. I was referring to what we are operating in Aker BP and obviously, we are partners in Wisting. So there are, of course, projects on Norwegian Continental Shelf. That will require a large topside construction activities. Wisting is one of them.

A

From an Aker BP perspective, our view is that quite a few of the projects going forward now will be either of the lifetime extension type of project or they will be tiebacks or they will be a combination of these. You might also see quite a few of these, call it, copycats of unmanned production profiles or production platforms. We also see a little bit of a – yeah, quite a few actually of potential for reusing that technology in the future, right? So I'm not going to disregard that there will be topside activities in the Norwegian yards, but quite a few of the projects in the Aker BP portfolio will be dominated by subsea tiebacks.

James Carmichael

Analyst, Joh. Berenberg, Gossler & Co. KG (United Kingdom)

Perfect. Thank you.

Q

Kjetil Bakken

Head-Investor Relations, Aker BP ASA

Then, we have no further questions. So...

Karl Johnny Hersvik

Chief Executive Officer, Aker BP ASA

Then, I think we say thank you so much from David and Kjetil and myself, and we wish you all a very, very good and safe summer.

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