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Aker BP

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Speakers



Karl Johnny Hersvik
CEO | Aker BP



David Tønne
CFO | Aker BP



Company Representative



Tianhong Bi
Analyst | Citi



Teodor Sveen-Nilsen
Analyst | SpareBank 1



Sasikanth Chilukuru
Analyst | Jefferies



Alejandra Magana
Analyst | JPMorgan



Naish Cui
Analyst | Barclays



Victoria McCulloch
Analyst | RBC



John Olaisen
Analyst | ABG



James Carmichael
Analyst | Berenberg

Prepared Remarks

**Karl Johnny Hersvik**

CEO | Aker BP

Good morning everyone, and welcome to Aker BP's second quarter presentation. It was a quarter of strong operational execution and robust financial results. Production averaged 384,000 bbl of oil equivalents per day, operating cash flow was \$3.1 billion. We have raised the lower end and narrowed our production guidance for the year. Our major projects remain on track with important milestones across Yggdrasil, Valhall PWP-Fenris, Skarv Satellites, and Johan Sverdrup Phase 3.

**Karl Johnny Hersvik**

CEO | Aker BP

At the same time, we continued to strengthen the portfolio for future growth, including through a new strategic collaboration with Equinor. We also maintain a robust financial position with \$6 billion in available liquidity and an unchanged quarterly dividend. Operationally, this was a quarter shaped by seasonally high level of activity with continued high efficiency across the portfolio.

**Karl Johnny Hersvik**

CEO | Aker BP

Production was lower than in the previous quarter, mainly due to planned maintenance at Edvard Grieg and Ivar Aasen, combined with normal quarter-to-quarter variations. Despite these planned impacts, production efficiency was 94%, a very strong performance by industry standards. Production cost increased to \$8.8 per barrel, mainly reflecting planned seasonal activity across the portfolio, including maintenance at Edvard Grieg and Ivar Aasen, diving operations at Alvheim, and well intervention activity at Valhall. Lower production volumes also increased the reported unit cost. Emissions intensity was 3.1 kilos of CO2 per barrel, mainly reflecting lower volumes in the denominator. Aker BP remains among the global leaders in low emissions oil and gas production. Johan Sverdrup is a world-class field, combining large scale with low operating cost, low emissions, and excellent safety performance.

**Karl Johnny Hersvik**

CEO | Aker BP

In the second quarter, our share of production averaged 214,000 bpd, supported by high production efficiency and continued optimization of the field. It remains a key contributor to our cash flow. We are also investing to sustain and extend that production. The subsea drilling campaign is progressing with new infill wells and water injectors, we continue to mature the next phases of the field. Phase 3, sanctioned last year, is on plan. The subsea templates are installed. Drilling starts in the fourth quarter, production is scheduled for the fourth quarter of 2027, while Phase 4 is being matured with potential startup in 2029. We also recently concluded a redetermination process initiated in 2025 following an updated assessment of the field. This resulted in an increase in Aker BP's ownership by 0.15 percentage points, resulting in a net participation of 31.72%.

**Karl Johnny Hersvik**

CEO | Aker BP

Let me now turn to our development projects. In December 2022, we sanctioned 10 PDO projects, of which five subsea tiebacks have started production, in total, we are over two-thirds completed with the entire project portfolio. These projects are adding more than 800 million barrels of resources and will contribute to lifting our production above 500,000 bpd in 2028. Several visible milestones were delivered in the quarter, before going into the details, I would like to show what that progress looks like in practice. Such pictures truly make me proud and happy, we made great progress in the quarter. You just saw that the 2,500-tonne Hugin B topside was safely lifted from the barge and installed on its jacket last week. With that, the first topside is now in place at Yggdrasil.

**Karl Johnny Hersvik**

CEO | Aker BP

Hugin B is a normally unmanned wellhead platform tied back to Hugin A. Also at Yggdrasil, another major milestone was achieved this quarter, with the completion of the power-from-shore system clearing the path of the installation of Hugin A towards the end of the year. I would like to extend my gratitude to all our project teams, alliance partners, and other suppliers who have contributed to making this happen. From engineering and construction to offshore execution and marine operations, these achievements reflect the dedication, expertise, and teamwork of the entire OneTeam. At Valhall PWP-Fenris, we are now preparing for the next offshore phase. Hookup of the Fenris topside has commenced, and the Valhall PWP topside will leave the yard at Stord and be installed offshore in late August.

**Karl Johnny Hersvik**

CEO | Aker BP

As Yggdrasil and Valhall PWP-Fenris move through the final construction phase and installation phase, we are actively managing the remaining scope to support safe and efficient completion. For Yggdrasil, we are investing more in the final onshore completion work to ensure that the Hugin A platform is as complete as possible before sail away. This reduces both execution risk and the remaining offshore work. For Valhall PWP-Fenris, the updated estimates mainly reflects a larger remaining offshore scope, including hookup and completion activity. The additional activity is reflected in our updated investment estimates, which are now around 6% above the previous estimates. Most importantly, Yggdrasil and Valhall PWP-Fenris remain on track for first production next summer. Skarv Satellite is our most advanced project this year and is now approaching startup.

**Karl Johnny Hersvik**

CEO | Aker BP

It ties three discoveries, Alvheim Nord, Idun Nord, and Ørn, back to the Skarv FPSO, extending production from infrastructure we already operate. Drilling and completions of the wells is finished. The subsea installation is complete, while commissioning continues on the FPSO. Startup remains on track for late August. With Yggdrasil and Valhall PWP-Fenris on stream, our production is set to increase by around 35% from 2026 to 2028 and support cash generation well into the 2030s. At the same time, we continue to build the next set of opportunities through increased recovery, maturation of discoveries, targeted exploration, and active portfolio management. The transaction package agreed with Equinor in May is a good example of how we are going to do this in practice. Let me take you through some of the key elements. The first element is Ringvei Vest in the Troll-Fram area of the North Sea.

**Karl Johnny Hersvik**

CEO | Aker BP

This is a subsea cluster development planned as a tie-back to the existing Troll infrastructure. It brings together several discoveries in the area, including Kvite, where Aker BP already has a 19% interest. Through the transaction with Equinor, we establish a 90% ownership position across most of the Ringvei Vest area, giving us a strong foothold in a development expected to contain around 240 million barrels of gross resources. The strategic logic is very much in line with how we think about value creation at NCS. Discovered resources, nearby infrastructure, and a coordinated development concept that can turn smaller discoveries into a larger, more efficient project. The second piece of the puzzle is the wider Frigg area around Yggdrasil. Last year, the Omega Alpha discovery confirmed oil in the eastern part of the old Frigg area.

**Karl Johnny Hersvik**

CEO | Aker BP

We are now preparing further exploration drilling next year to better understand the full potential of the structure with a clear objective of finding additional oil volumes that can be developed at Yggdrasil. Through the transaction, we will acquire a position in the U.K. license adjacent to the Norwegian acreage. This gives us exposure to a larger part of the structure and creates a more balanced ownership position on both sides of the border. This matters because any future development will need to be evaluated across license boundaries and across the border. For Aker BP, the strategic logic is clear. Yggdrasil is not only a major project but a new hub in an area with significant remaining potential. The third element is Wisting. Wisting is one of the largest undeveloped discoveries on the NCS, with around 500 million barrels in recoverable resources.

**Karl Johnny Hersvik**

CEO | Aker BP

It is a long-term opportunity. The project has made good progress through the recent rematuration phase, moving towards a concept select. As a part of the transaction with Equinor, we reduce our ownership to 27.5% from 35%. For Aker BP, this is a disciplined portfolio move. We retain meaningful exposure to a major resource while reducing our capital commitment ahead of the next decision points. Before I hand over to David, let me share a few thoughts on exploration. Exploration remains an important part of how we build future growth. Our approach is targeted and disciplined. Over time, we aim for around 80% of our activity to be near existing infrastructure, either as single tie-backs or as a part of future cluster developments. The remaining 20% is typically high-impact exploration with standalone potential in new areas. This year's program is particularly weighted towards infrastructure-near targets.

**Karl Johnny Hersvik**

CEO | Aker BP

These barrels can often be developed faster with lower incremental cost because they build on infrastructure and operating positions we already know well. In the second quarter, we completed Tonjer and Carmen. Tonjer is an attractive addition in the Johan Sverdrup area, while Carmen is promising but will require further appraisal. The third quarter will be our most active exploration quarter this year. Looking ahead into next year, we are preparing for an even more active program, including the Frigg area around Yggdrasil. With that, let me hand over to David, who will go through the financial results in more detail.

**David Tønne**

CFO | Aker BP

Thank you, Karl. Good morning, everyone. The second quarter was another strong financial quarter for Aker BP. High realized prices, all-time high operating cash flow. The transaction package with Equinor supporting more profitable growth in the years to come. Production, operating costs, and project schedules are tracking our full-year plan. Cash generation in the first half of the year strengthened materially compared with recent periods. Now, let me start off with our achieved oil prices. The quarter was characterized by a strong physical oil market, particularly in the early period before prices somewhat normalized towards the end. Front-month Brent, which is the benchmark most often referenced in the media, averaged around \$97 per barrel, while Brent Dated, which is more relevant for our realized prices, averaged around \$104 per barrel.

**David Tønne**

CFO | Aker BP

As shown in the bridge on the right-hand side, we also achieved strong premiums on our crude qualities. Combined with some negative timing effects, this lifted our realized oil price to \$110 per barrel. Including NGLs and condensate, our realized liquid price was \$108 per barrel. In the second quarter, production averaged 384,000 bbl of oil equivalents per day, bringing first half production to 391,000 bbl, well within our full-year guidance. Due to underlift in the quarter, sold volumes were slightly lower, averaging around 376,000 bbl. Together with the strong realized prices, this resulted in a total income of \$3.7 billion for the quarter. Oil and liquids represented 86%, while gas and other income was 14%. Looking briefly at the income statement, total income was 22% higher than in the first quarter.

**David Tønne**

CFO | Aker BP

Unit production cost was \$8.80 per barrel, as Karl mentioned, the increase mainly reflects the phasing of planned activities in the summer months. We expect lower unit costs in the second half, and our full-year guidance of around \$8 per barrel remains unchanged. After exploration expenses of \$47 million, EBITDA for the quarter was just shy of \$3.4 billion. In the quarter, we recognized an impairment of \$625 million related to other intangible assets at Valhall. The impairment was driven by lower short-term oil and gas prices and updated cost profiles and is offsetting the large impairment reversal we had on Valhall in the first quarter. The methodology and assumptions are described in Note 7 to the report. As a result, net profit was \$521 million, or \$0.82 per share. Excluding impairment charges, earnings per share was \$1.15. Moving from earnings to cash, the second quarter was very strong.

**David Tønne**

CFO | Aker BP

Operating cash flow amounted to \$3.1 billion, an all-time high for Aker BP. This primarily reflected higher income and positive working capital movements, partly offset by higher tax payments. After cash flow to investments of almost \$1.8 billion, free cash flow was \$2.10 per share in Q2, up from \$0.30 in the previous quarter. This strong cash flow generation supports our financial flexibility and is a natural bridge to talk about how we allocate capital. The framework is unchanged. A strong balance sheet comes first. It gives us flexibility through the cycle and is the foundation for long-term value creation. At the end of the quarter, we had \$6 billion of available liquidity, up from \$5.4 billion three months ago, while our leverage ratio improved to 0.55 times, down from 0.69 at the end of the first quarter.

**David Tønne**

CFO | Aker BP

From this foundation, we invest in high-quality projects that drive future cash flow and dividend capacity. This includes Yggdrasil, Valhall PWP-Fenris, and the high-return tieback portfolio. Over the next two to three years, we expect production to grow by around 35% from projects that have an expected payback time of one to two years. Lastly, we return capital to shareholders through a predictable growing dividend, currently at \$0.6615 per share per quarter, or \$2.65 for the full year, up 5% from 2025. Zooming in on our investment plan, all our projects are making good progress with several very important milestones confirmed this quarter, and we are particularly glad to see that both Yggdrasil and PWP-Fenris remain on track for first production next summer.

**David Tønne**

CFO | Aker BP

As Karl explained, we have updated our investment estimates to reflect the remaining scope required to complete the projects, including offshore hookup and completion work. For Yggdrasil, we now expect total investments net to Aker BP of \$12.5 billion-\$13 billion pre-tax, compared to our previous estimate of approximately \$12.1 billion. The increase mainly reflects additional activity to complete more work onshore before sail away and support efficient project execution. For PWP-Fenris, the updated estimate is \$7.3 billion-\$7.6 billion pre-tax, compared with approximately \$7 billion previously. This mainly reflects a larger remaining offshore scope, including hookup and completion activity. At the midpoint of these ranges, the increase is around \$1.1 billion pre-tax or approximately 6%, compared with our previously communicated estimates for the ongoing PDO projects. We expect roughly half of the latest increase to materialize in 2026, with the remainder spread over the completion period.

**David Tønne**

CFO | Aker BP

The majority of the investments are eligible under the 2020 tax regime. As a result, the after-tax cash flow impact is estimated at around \$200 million over the next two to three years. Let me bring this together in our updated full year guidance. As mentioned, production averaged 391,000 bbl of oil equivalents per day in the first half of the year, in line with our expectations. With half of the year now behind us with strong performance, we lift the low end of our guidance range and update the full year production guidance to 380,000 bpd-400,000 bpd. Production cost was \$8.20 per barrel in the first half of the year, impacted by maintenance activity in the second quarter. This is in line with our plans, and we still expect around \$8 per barrel for the full year. 2026 remains our peak investment year.

**David Tønne**

CFO | Aker BP

We invested \$3.5 billion in the first half. Reflecting the updated estimates for Yggdrasil and Valhall PWP-Fenris, we now expect full year CapEx of approximately \$6.8 billion-\$7.2 billion pre-tax. Exploration spend is \$161 million year to date. The program is somewhat back-end loaded in 2026, with several exciting wells coming up. We still expect exploration spend of around \$400 million pre-tax for the full year and abandonment around \$100 million. With that, let me hand back to Karl for some concluding remarks.

**Karl Johnny Hersvik**

CEO | Aker BP

Thank you, David. To conclude, this was a strong quarter for Aker BP, with robust production, high efficiency, strong realized prices, and record operating cash flow. Our major project, Yggdrasil and Valhall PWP-Fenris, remain on track for first production next summer. The updated investment estimates reflect active final phase execution, with additional onshore completion work at Yggdrasil and a larger remaining offshore scope at Valhall PWP-Fenris.

**Karl Johnny Hersvik**

CEO | Aker BP

At the same time, we are strengthening the portfolio through exploration, increased recovery, and selective transactions. In short, we are delivering today, progressing the projects that will lift production from 2027, and building the portfolio for profitable growth into the 2030s. We will now take a short pause before opening the Q&A session. As usual, to participate, please use the Teams link on the webcast page. If you prefer to listen only, please stay tuned, and we'll resume in one minute. Okay, everybody, welcome back. I'm assuming there are, as usual, quite a lot of questions.

Q&A

**Company Representative**

There are, and the first question today comes from Tianhong Bi from Citi. Please go ahead.

**Tianhong Bi**

Analyst | Citi

Morning, guys. Can you hear me?

**David Tønne**

CFO | Aker BP

Yes, we can.

**Karl Johnny Hersvik**

CEO | Aker BP

Yeah, we can.

**Tianhong Bi**

Analyst | Citi

Hello.

**Karl Johnny Hersvik**

CEO | Aker BP

Go ahead, Tianhong.

**Tianhong Bi**

Analyst | Citi

Cool. Yeah. Thanks for taking the questions. The first one is on shareholder returns. Last quarter, you guys kind of hinted that if the oil prices stay high, you will revisit the dividend policy. Oil is now trading at \$85. Your liquidity has improved substantially. Deleveraging seems to be on track, and your peers have raised their return frameworks quite recently as well. Is it time for you guys to reconsider your return framework as well? The second question is on CapEx increase. Can you clarify the split between additional resources versus spending to protect first oil? I think last time with a similar increase, it was one-third additional resources versus two-thirds scheduled production. Is that still roughly the same right split? Thank you.

**Karl Johnny Hersvik**

CEO | Aker BP

You want to start on shareholder returns, David?

**David Tønne**

CFO | Aker BP

Yeah, I can do that. I think the starting point is our capital allocation priorities. They remain firm, Tianhong. All the value creation that we have in Aker BP will be returned to shareholders at one point. I think the last quarter has really shown us that oil and gas prices are quite volatile. We are, of course, also currently investing in profitable growth that will significantly increase our production and also our cash flow generation over the next three years.

**David Tønne**

CFO | Aker BP

The policy framework, it sort of favors a resilient and growing dividend through this investment cycle. The ambition is to grow the dividend by a minimum of 5% per year. In the past, we have also increased by more than that. For 2026, the dividend has been guided 5% up from 2025, that should also be your base case. I think we'll come back to 2027 and beyond at our capital markets update in February as normal.

**Karl Johnny Hersvik**

CEO | Aker BP

Yeah. Thank you, David. On CapEx, we are approaching the finishing line on this project. That means that we have, I would say, a fairly good and significantly more advanced understanding of the remaining risks. Of the CapEx guidance that David just talked about, the mid-range includes about a 10% contingency of the remaining CapEx. The way to look at this is that there is a certain set of risks and risk elements that are now associated with the remaining operations. The lower end of the guidance, that would probably mean that we have been able to mitigate and alleviate quite a lot of our risks, whereas the upside is including somewhat some of these risks that may or may not occur. A lot of this is impactable by Aker BP, but some of it is also non-impactable.

**Karl Johnny Hersvik**

CEO | Aker BP

As you move offshore, you move into a situation where you have logistics, you have flotels, you are also more exposed to things like weather, which are factors that we cannot impact. What we have done this time is to focus on the startup in summer of 2027 and put some more robustness around the investment program to make sure that we deliver on that startup. As I said in my presentation, the projects are on track. Several milestones have already been delivered. We have started up power from shore. Not started up, but completed. We have installed Hugin B, we have now fixed the date for both the Valhall PWP topside installation and also the Munin installation, which will happen in late August.

**Tianhong Bi**

Analyst | Citi

Thanks, Karl. Thank you.

**Company Representative**

The next question is from Teodor Sveen-Nilsen from SpareBank 1. Teodor, please go ahead.

**Teodor Sveen-Nilsen**

Analyst | SpareBank 1

Good morning, Karl and David. Thanks for taking my questions. Two questions from me. First on, again, on CapEx, I think you understand that most of the increase is related to keeping your schedule. I am just curious, in the scenario, if you are forced to complete a project without any CapEx increase, how would that have impacted first oil? Second question, that is on Ringvei Vest. By the way, congrats on several good deals here. On Ringvei Vest, how should we think around the net production contribution to Aker BP? Thanks.

**Karl Johnny Hersvik**

CEO | Aker BP

I'm not sure I understood the question.

**Teodor Sveen-Nilsen**

Analyst | SpareBank 1

Yeah. Sorry about that. I just wonder, if you did not increase CapEx, I assume you will still be able to reach some kind of first oil, but how would that have impacted the timing of first oil?

**Karl Johnny Hersvik**

CEO | Aker BP

That is a relatively hypothetical question, Teodor. The point here is that as we are progressing into these projects, we have seen somewhat lower productivity in the final stages of construction as built which have been compensated by some more resources which are part of this. We have also increased somewhat the robustness of the offshore scope, particularly related to Valhall PWP. These are measures that we would have done almost regardless in order to protect the schedule. That is the most important thing. The increase, you may think that it is large, or you may think that it is low. My view on this is that it is relatively modest compared to the overall scope. There is actually really nothing dramatic.

**Karl Johnny Hersvik**

CEO | Aker BP

It is simply the fact that we are moving towards a completion, and then we are adjusting as necessary to make sure that the plans are as robust as we can possibly make them. What would happen if we didn't do that? Well, I don't think I'm going to answer that. I think every prudent operator would have done the same in this case.

**Teodor Sveen-Nilsen**

Analyst | SpareBank 1

Okay. That's fair

**Karl Johnny Hersvik**

CEO | Aker BP

The production impact on Ringvei Vest, let me come back to that when we provide guidance and the updated profiles as we usually do in the capital markets day in February. I don't think I will speculate on that at this point in time.

**Teodor Sveen-Nilsen**

Analyst | SpareBank 1

Okay. Thank you.

**Company Representative**

Good. It's Sasikanth Chilukuru from Jefferies next in line.

**Sasikanth Chilukuru**

Analyst | Jefferies

Hi. Thanks for taking my questions. I had two, please. The first one was going back to Ringvei Vest. The development concept is agreed. I was just wondering, what are the next milestones? What kind of timeline should we expect, especially related to the investment decision now, or maybe even an indicative startup time? The second was on the realizations. I suppose you had these crude premiums come through in 2Q. I was just wondering how you're seeing these play out right now as we speak and your expectations going in 3Q as well. Thank you.

**Karl Johnny Hersvik**

CEO | Aker BP

You want to touch on Ringvei Vest?

**David Tønne**

CFO | Aker BP

I can do that.

**Karl Johnny Hersvik**

CEO | Aker BP

You can do it, David.

**David Tønne**

CFO | Aker BP

On Ringvei Vest, as you mentioned, the concept back to Troll has been agreed between all the partners and the different licenses that goes into this cluster development. FID is planned for late next year, I believe. Production from this development, you should expect that to be in the 2030s. This is production that will support our profitable growth in the next decade. I believe your second question was related to the physical oil market and realized prices, if I was correct.

**Sasikanth Chilukuru**

Analyst | Jefferies

Yeah.

**David Tønne**

CFO | Aker BP

As mentioned in my presentation, we have seen that the tightness in the market has come somewhat down. The most elevated prices was in the middle of the quarter. We have seen a normalization, but we are still, of course, seeing the impact of the war in the Middle East, and, of course, the volatility related to that situation is very hard to predict. I will refrain from trying to do that.

**Karl Johnny Hersvik**

CEO | Aker BP

Probably wise.



Company Representative

That's good. That's exactly what you were supposed to say, David. Thank you. Are we done, Sasi? Can we move on to the next caller?



Sasikanth Chilukuru

Analyst | Jefferies

Thank you. Thanks.



Company Representative

Thank you, Sasi. Next caller is Alejandra Magana from JPMorgan. Please go ahead, Alejandra.



Alejandra Magana

Analyst | JPMorgan

Hi. Good morning. Thanks for taking my question. You have active portfolio management as one of the key pillars supporting the next phase of growth in your slides, and you recently established your collaboration with Equinor and did an initial set of transactions aimed at improving ownership alignment and supporting development. Should we view this as a preferred path for portfolio management over the foreseeable future, and should we think about this as primarily accelerating delivery of your longer-term production ambitions or increasing the likelihood of ultimately achieving them?



Alejandra Magana

Analyst | JPMorgan

My second question is on production. As you look across the second half of the year, what are the key swing factors within the revised range, and what would need to go right for production to finish toward the upper end?



Karl Johnny Hersvik

CEO | Aker BP

Okay. Thanks. Excellent questions. Let me start with a few reflections on the M&A, or you call it longer range. I think for a period of time now in Aker BP, we've had a very strong focus on two main factors. That is delivering high-quality operations with high production efficiency, excellent safety, and excellent progress on the projects. The second one is making sure that this project portfolio that we decided back in 2022 with nearly \$19.3 or eight, or whatever it was, billion was executed. Now we are about two-thirds in, we have started to lift our eyes a bit more. The way to think about it is that there is a set of opportunities. It's almost like a menu of opportunities that we're looking at. One of those are organic growth. You'll see more focus on exploration going forward.



Karl Johnny Hersvik

CEO | Aker BP

You'll see more focused, call it exploration deliveries this year, predominantly focused on, call it sub-tie backs, but next year more balanced, potentially also increasing. There's a set of, call it organic M&A opportunities. Whether this transaction that we did with Equinor was kind of framing that is, I don't know. We are a bit more disciplined. This was an excellent opportunity for us to increase our exposure in the west of Yggdrasil area and also increase our exposure to the Ringvei Vest area, while taking down some of the exposure in the Wisting area. It was an excellent portfolio optimization. We enjoy this co-opetition relationship with Equinor. That means that we are competing where we need to, but we're also collaborating excellently with Equinor on other areas. The final part of this may be bigger type of M&A.



Karl Johnny Hersvik

CEO | Aker BP

You have actually seen all these mechanics being active in the Aker BP history in the past, you should expect that we will also be active across all these three vectors in the future. When you talk about production, well, the remaining part, now that we are almost done with the, call it heavy maintenance season of this summer, is probably mostly impacted by startup of, for example, Skarv and the initial startup rates, how fast we're able to clean up the wells, et cetera. Again, we feel fairly confident that we will be able to come within the range, this is also why we're lifting the lower end of the guidance. I would say as usual, we have a fairly good plan and a fairly robust plan for delivering the remaining part of production in 2026.



Alejandra Magana

Analyst | JPMorgan

Thank you for the color.



Company Representative

Thank you. We move on to Victoria McCulloch from RBC. Are you there, Victoria? Probably not. Let's just move on to the next one. Naish Cui from Barclays, are you available?



Naish Cui

Analyst | Barclays

Hey, everyone. Hey, I am. I'm not sure whether my peer want to speak before me, anyway, I'm here. First, I really like the videos. I like to see the Aker BP employees rowing together as a team. That's very nice. Thank you for that. I have two questions, please. The first one of your Norwegian peers recently announced that they are going to grow their medium to long run NCS production by 100,000 barrels a day, which is quite a lot.



Naish Cui

Analyst | Barclays

I wonder, how does this change Aker BP's view on your future growth plan, and are you concerned about CapEx inflating the medium term? My second question is, I see Aker BP as one of the best energy companies at deploying technology, including AI. It has been a few quarters since you started some of your AI initiatives. I wonder if you could talk about what has surprised you the most so far. Thank you.



Karl Johnny Hersvik

CEO | Aker BP

Yeah. First of all, thank you for the comment on the FIFA World Cup. I think this is one of the events, at least in my lifetime, that have really congealed the nation, and it's unbelievable how effective that has been. Even the Aker BP employees are pitching in and rowing. That's good. On the growth, I think what other companies do or do not do not necessarily impact how we think about it. As I've been quoted on saying in quite a few of these quarters, we have started to raise our gaze on the, call it the next round of growth after these projects that are now in the process of being executed and completed. The directors are, as I just stated to Alejandra, is organic growth through exploration, focused exploration.



Karl Johnny Hersvik

CEO | Aker BP

It is M&A growth through smaller transactions, and there might also be other bigger transactions that will be a part of this. We have a very clear ambition to produce above 500,000 bbl well into the 2030s, and that hasn't really changed. We've had that ambition for quite some time now. Yes, useful reminder that we haven't talked a lot about technology in the last few quarters, we need to do something about that, David. Let me just give you a very high-level impact. We are in the process of actively deploying artificial intelligence across Aker BP on many different levels. What has surprised me the most, probably the fact that this isn't really about technology deployment. It is about reconstructing the work processes. I no longer believe that the technology in itself will be a key competitive differentiator.



Karl Johnny Hersvik

CEO | Aker BP

It is about how you actually restructure work. What we're seeing fundamental changes to how we execute engineering work and how we execute repetitive processes. Maybe the easy example is everything that is going through a sequential set of operations, every step enhancing the value of the information, is now much more a concurrent and iterative process, fundamentally changing how we think about the work processes and the timeline of these work processes. We are seeing compaction in time in orders of magnitude. That is from months and weeks to days and hours. I continue to be amazed on the speed and, call it, the capacity of this technology. Useful reminder, Naish. I can promise you we'll be back with much more next quarter.



Naish Cui

Analyst | Barclays

This is very helpful. Thank you, Karl. Can I just quickly follow up on the medium-term CapEx view? Do you feel that more competition in the NCS will have a bit of a cost push pressure on your CapEx?



Karl Johnny Hersvik

CEO | Aker BP

There is certainly a little bit of push on inflation. I don't really believe that that has to do with, call it, the ecosystem on the Norwegian Continental Shelf. It probably has to do with inflation in terms of such as raw materials, high-end metals, et cetera, which are flowing into the oil and gas industry from other parts of the industrial ecosystem consuming the same raw materials. The way we try to counter this is by being more effective, being more clear with our alliance partners on when we need equipment to allow them better time to execute their procurement processes. We're also looking at our technical specs, whether we can actually do away with a bit of a different set of materials to avoid some of these cost inflations.

**Naish Cui**

Analyst | Barclays

Very helpful. Thank you so much.

**Company Representative**

Thank you, Naish. Now, Victoria McCulloch, we are ready for you.

**Victoria McCulloch**

Analyst | RBC

Thanks very much. Couple of questions from me. Firstly, you highlighted you want to acquire the U.K. license that impacts East Frigg. Do you have any concerns about the U.K. track record for approving oil and gas developments? Could that be of any drag to further tie-backs in that region, given the overlap of the licenses? Then secondly, just following on from the previous question on the inflation of, I guess, breakeven levels. I guess, the commentary is that a sign you are seeing some inflationary pressure on breakevens? Can you give us any updated guidance on where you're targeting breakeven levels for your tiebacks and also for Wisting? Thanks very much.

**Karl Johnny Hersvik**

CEO | Aker BP

Yeah. Let me start with the U.K. track record for approving. Probably not the best commentator on that topic. There are several possibilities when it comes to field developments there. One of the possibilities are, of course, that we do a sequential field development, basically extending subsea infrastructure from Hugin A and westward. First one is obviously East Frigg, which will be a part of the Hugin A or Yggdrasil initial development. We have Omega Alpha discovered last year. Next year, we're going to drill into the Frigg main field, or the old Frigg main field, and also investigate the potential on the U.K. side of the border. You should assume that we will be quite active towards U.K. authorities to make sure that that approval process is as speedy as it can possibly be.

**Karl Johnny Hersvik**

CEO | Aker BP

If we, for some reason, should end up in a situation where the, call it, the red line on the plan runs through the approval process, we might have to consider a different field development or a more sequential field development, if that may be the case. Personally, I don't believe that that will happen, and I sincerely do not believe that that will happen. When it comes to breakeven, we haven't really changed, even though we see some inflationary pressure. We haven't changed our decision criteria or capital allocation criteria. That is the same as it's been for quite some time now.

**Karl Johnny Hersvik**

CEO | Aker BP

The reason is that while there is some, call it, inflation on the equipment side, we do believe that we should be able to compress time quite significantly to counter most of it, if not more, of the inflationary pressure by far, amongst others, as I said when talking to Naish, about the implementation of AI and more, call it, systemic processes to compact time. There are some pros and there are some cons on this. In the long and the short of it is that we haven't really changed our breakeven criteria.

**Victoria McCulloch**

Analyst | RBC

Thanks. That's colorfully helpful. As a follow-up to that then, where's the range of timelines for Wisting from FID to first oil? Where should we think about that coming in as a producing contributor?

**Karl Johnny Hersvik**

CEO | Aker BP

Yeah. Concept select will be later this year. We are targeting FID towards the back end of 2027, and then a bit dependent on what kind of concept you should assume four to five years of construction period from FID to first oil.

**Victoria McCulloch**

Analyst | RBC

Thank you.

**Company Representative**

All right. We move on to John Olaisen from ABG. The line is open, John.



John Olaisen

Analyst | ABG

Yes. Thank you for taking my questions. A couple of questions, if I may. Firstly, installations of large topsides in the winter season in Norway is usually difficult and risky. Could you tell us why this is not the case for Hugin A? That's question number one. Number 2, Karl, you said that Aker BP will have more exploration focus going forward. In 2026, your exploration spending guidance is \$400 million. What should we expect in terms of dollars spent on exploration in the years going forward, please?



Karl Johnny Hersvik

CEO | Aker BP

Hugin A. You're absolutely right. That is a brilliant question, and I love that you ask that question because it gives me an opportunity to do a little bit of technical nerding in this quarterly presentation. The reason that this is different is twofold. The first one is the installation method using the Pioneering Spirit, which was the same vessel as we used on, for example, parts of the Johan Sverdrup installations. It's almost counterintuitive maybe, but the bigger the weights of these installations, the less responsive they are to behavior of the waves on installation. The second one, this is a 29,000 ton topside, so it's right on the border of what Pioneering Spirit is able to do, not necessarily due to the weight, but also due to the size. The second one is that we need a very narrow window.



Karl Johnny Hersvik

CEO | Aker BP

Usually you have quite a wide range or quite a long window where you need weather criterias inside the lifting criterias. Here the whole lift will probably be done in less than a couple of hours, and from leaving the quay to where installed is probably less than a day. That means that gives us a very different opportunity to install. The way we have thought about it is that we can install Hugin A probably year-round with very high probabilities of meeting a weather window that is fitting within the normal two-week period. That is the technical explanation why this is actually doable. It's one of the reasons that we've built it like this, is to make sure that we have a lot of flexibility on installation. Your second question, I'm not going to provide you with updated guidance on assumed expense in the future.



Karl Johnny Hersvik

CEO | Aker BP

What I'm saying is that you should assume that as we are ramping up the activity levels and now putting more focus on the next set of opportunities, some of those will actually be starting out as exploration projects. We'll come back with more on the longer-range expectations in February, as we usually do.



John Olaisen

Analyst | ABG

Right. Thank you. If I may, a last question. I was somewhat surprised to see you joining the board of Ørsted, Karl. Aker BP has been very firm in not going to do any renewables. We're going to stick to oil and gas in Norway. That's it. Could you tell us a little bit, why did you decide to join the Ørsted board, please?



Karl Johnny Hersvik

CEO | Aker BP

Yeah. Although that initiative or engagement has nothing to do with Aker BP. It is a fact that there is a lot of what we do in Aker BP, one has to do with project execution and understanding the energy system that are also applicable to the activities that Ørsted is going through. I'm assuming that the election committee at Ørsted has felt that I had something to provide also to the Ørsted group on these two topics.



John Olaisen

Analyst | ABG

Okay. Well, thank you very much for taking my questions. Have a nice summer.



Karl Johnny Hersvik

CEO | Aker BP

Likewise.



Company Representative

Thank you, John. Now we have one caller left in the queue, and that is James Carmichael from Berenberg. Please go ahead, James.



James Carmichael
Analyst | Berenberg

Hi. Morning, guys. Slightly higher level one, hopefully not covering too much ground you've already been over. I guess in previous conversations, Karl, you've stated that it's going to be difficult for everyone on the shelf to meet their sort of 2030, 2035 production targets, and that maybe the NCS is moving into a slightly different phase of competition. I think you said away from sort of risk management, and now it's a bit more elbows out. Can you just remind us sort of why you think you're better placed to deliver that than your peers and maybe some thoughts on what the main challenges are that you see in meeting those ambitions?



Karl Johnny Hersvik
CEO | Aker BP

Obviously, as a start of that commentary, it's probably a challenge that will be bigger the further you push out. I don't really think that 2030 is going to be a big issue. That's just three and a half years down the road, and we should have fairly good visibility on the performance. 2035, on the other hand, might be more of a challenge. As you push out time, you're also dependent on factors like yet to be discovered, yet to be decided, technology development, et cetera, which are basically the underlying factors of how good you are utilizing the resources.



Karl Johnny Hersvik
CEO | Aker BP

My simple observation is just a simple set of summations of the initiatives and I call it strategic ambitions or visions or whatever you want to call it, that has been communicated to the market, held up against the NPD's view on the Norwegian Continental Shelf. The other way of looking at it is just putting yourself in 2035, add up the numbers from each of these actors, ask yourself, how much oil do you actually need to find in the years before and after to have a reserve replacement rate of roughly one? If you're going to grow, you need more than one. That is a simple kind of numbers game. Why do I believe Aker BP is better positioned? I think there are three main factors, and I think I've been over them over and over again.



Karl Johnny Hersvik
CEO | Aker BP

First, the foundation for any oil and gas company is excellent operations. This is a topic we've spent now, I would call it 10 years on making Aker BP as efficient as we possibly can. I think we are proving that as an operator, we are among the most efficient operators of oil and gas fields anywhere on this planet. Second, it is about maximizing the recoverable resources out of the asset you have. Again, I think we have demonstrated first on Alvheim, then on Valhall, and now on Skarv, and also Edvard Grieg and Ivar Aasen, that we're extremely efficient identifying and building out sub-tiebacks and other IOR targets to make sure that we produce as much as we possibly can over time from these assets.



Karl Johnny Hersvik
CEO | Aker BP

Thirdly, it is about developing new oil and gas fields on time and on budget, if possible, with high quality. Again, our track record in sub-tieback speaks for itself, and now our track record in delivering large project is also going to be really, really good. I think we have the foundation for competing well against any player also on the Norwegian Continental Shelf. Going forward, there are probably also factors like implementation of technology, recruitment of personnel, and other moves that are important to us. I actually do believe that Aker BP has the foundation, we have the capabilities, and we do have the ambition and have demonstrated the ability to utilize those capabilities to be very, very competitive on the Norwegian Continental Shelf. I'm fairly certain that in this game, Aker BP will come out on top.



James Carmichael
Analyst | Berenberg

Great. Thank you.



Company Representative

That concludes all the questions from the audience.



Karl Johnny Hersvik
CEO | Aker BP

Excellent. Thank you, guys. Even though we did not win the quarterfinals against England, I still want to wish you all an excellent summer. As I usually say to Aker BP, whatever you're doing this summer, stay safe