



Aker BP updates its investment program

Aker BP is updating its investment program and financial framework in order to secure additional financial optionality in response to the high uncertainty caused by the COVID-19 crisis.

The main changes to Aker BP's investment program are:

- Non-sanctioned field development projects are put on hold. For 2020, this represents a capex reduction of 20 percent compared to previous guidance. For 2021-22 the initial estimate is a reduction in capital spend of USD 1-2 billion
- Exploration spending is reduced by 20 percent in 2020, with further significant reductions planned for 2021-22
- Production costs are reduced to USD 7-8/boe, down around 20 percent from previous guidance, as all non-critical activities are being postponed and the weaker NOK favourably impacts the cost level
- The production guidance for 2020 remains unchanged at 205-220 mboepd

"Our industry is currently facing an extremely challenging situation. In Aker BP, we have been working systematically over many years to improve efficiency and reduce costs, to build a significant portfolio of profitable investment opportunities, and to strengthen our financial capacity. With the measures we are now undertaking, Aker BP is well prepared to face the challenging market situation, and we have the financial resources to pursue value accretive growth opportunities ahead" says Karl Johnny Hersvik, CEO in Aker BP.

Aker BP utilizes the flexibility of its portfolio

Aker BP's original spending plan for 2020 was presented at the company's Capital Markets Update in February and consisted of USD 1.5 billion in field developments ("capex"), USD 500 million in exploration activities ("expex") and USD 200 million related to in abandonment ("abex"). Production costs were estimated to USD 10/boe. In response to the current challenging market conditions, Aker BP will utilize the high flexibility of its portfolio to reduce spending by postponing non-sanctioned projects until further notice.

The planned capex in 2020 is mainly related to the projects Johan Sverdrup phase II, Ærøft phase I and the completion of the Valhall Flank West project. These projects will continue as planned. Approximately 20 percent of the capex is however related to non-sanctioned projects, including the Hod redevelopment project in the Valhall area, and these projects are now put on hold. Consequently, Aker BP expects its 2020 capex to be reduced by 20 percent to approximately USD 1.2 billion. For 2021-22, the company expects capex to drop well below USD 1 billion.

Aker BP's original exploration plan for 2020 consisted of 10 exploration wells. In cooperation with its partners, Aker BP has already resolved to postpone two of these wells, and together with other cost reducing measures, the company now forecasts exploration spend of approximately USD 400 million for the year. Further measures are being evaluated, including postponing additional exploration wells.

The company is also targeting a 20 percent reduction in production costs and is cancelling or postponing activities that are not necessary to maintain safe and stable operations. This includes a significant reduction in the planned maintenance and modification activities. As a material part of Aker BP's costs are denominated in NOK, the recent weakening of the NOK versus USD contributes to lowering the company's cost base measured in USD. The estimated production cost for 2020 has consequently been reduced to USD 7-8/boe, compared to the previous guidance of USD 10/boe.

The planned measures are not expected to have a material impact on the company's production capacity in 2020, and the production guidance of 205-220 mboepd remains unchanged.

The company will continue to look for opportunities to reduce cost and improve efficiency across all its activities. Updated guidance for 2020 will be provided at the quarterly presentation in May. The company will also in due course provide the market with an updated version of its long-term plan which was last presented at the Capital Markets Update in February this year.

Maintaining a robust balance sheet

Under the current challenging market conditions, the main financial priority is to secure the company's financial robustness, to protect its investment grade credit profile, and to secure future financial capacity to pursue value-accretive growth opportunities going forward.

Following the successful issuance of USD 1.5 billion in new bonds in January 2020, Aker BP's available cash and undrawn credit facilities amounted to approximately USD 3.9 billion as per 20 March 2020. The company has no major debt maturities in 2020

and 2021. With its existing debt facilities, Aker BP is fully financed for its current investment plans.

As part of its risk management policy, Aker BP is using put options to protect its income against significant reductions in oil prices. The company's inventory of oil put options covers approximately 60 percent of the net after tax value of the expected oil production for the first half of 2020 at an average strike price of approximately USD 54 per barrel. The company does not currently hold any longer-dated options.

Under the Norwegian petroleum tax system, only the company's net profit is taxable. This significantly reduces the tax burden in periods of low oil prices. As previously communicated, Aker BP expects to pay approximately USD 150 million in taxes during the first half of 2020 related to the fiscal year 2019. At current oil and gas prices, the company does not expect to be in a tax paying position for the fiscal year 2020, implying zero tax payments in the second half of the year.

Aker BP's ambition of returning the company's value creation to shareholders through cash dividends remains firm. However, before concluding on dividend distribution in the coming quarters, the Board will make a holistic assessment of all relevant factors, including oil prices, risks enhanced by COVID-19, and impact on the company's balance sheet and liquidity position.

Operational response to the COVID-19 situation

"The key priorities for Aker BP are the safety of our personnel, the integrity of our operations and the financial robustness of the company, and we are doing what we can to support the society's efforts to combat the spread of COVID-19", says Karl Johnny Hersvik.

Aker BP's main operational priority is to keep its personnel safe while maintaining stable production. To minimize the risks related to COVID-19, the company is reducing the activity level and the number of offshore personnel to a minimum. The company has also established additional measures to prevent the COVID-19 infection from reaching its offshore facilities. No cases of COVID-19 infection have been reported from the company's offshore facilities, and so far in 2020, Aker BP's oil and gas production has progressed as planned.

Aker BP has mobilized significant resources to monitor, manage and normalize the COVID-19 situation, and is also updating its contingency plans to be prepared in case of an escalation of the situation.

Investor contacts:

Kjetil Bakken, VP Investor Relations, tel.: +47 91 889 889

Lars Mattis Hanssen, Senior IR Professional, tel.: +47 994 59 460

Media contact:

Ole-Johan Faret, Press Spokesman, tel.: +47 402 24 217

About Aker BP:

Aker BP is a fully-fledged E&P company with exploration, development and production activities on the Norwegian Continental Shelf. Aker BP is the operator of Alvheim, Ivar Aasen, Skarv, Valhall, Hod, Ula and Tambar. The company is also a partner in the Johan Sverdrup field. Aker BP is headquartered at Fornebu, Norway, and is listed on the Oslo Stock Exchange under the ticker 'AKERBP'. More about Aker BP at www.akerbp.com.

This information is subject to disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.