

Vår Energi project portfolio and operational update

Sandnes, Norway, 19 September 2023: Vår Energi ASA (OSE: VAR) today provides an update on the project development portfolio following completion of a baseline review of cost and schedule. In addition, the Company narrows the full-year 2023 production guidance range to 210-220 kboepd, while maintaining the end-2025 production target of above 350 kboepd¹.

Key highlights

- Vår Energi is on track to deliver more than 50% high value production growth on the Norwegian Continental Shelf (NCS) by the end of 2025 supported by 12 projects under development.
- 10 out of the 12 projects are progressing in accordance to estimates and plan, 8 projects are more than 50% completed. The Breidablikk project is likely to start-up in the fourth quarter this year, earlier than the planned first quarter 2024.
- The Balder X targeted start-up is maintained in Q3 2024. To reflect a tighter supplier market, mitigate schedule risk and to improve construction productivity the capex estimate has increased by approximately USD 340 million (~NOK 3.6 billion²) net pre-tax to Vår Energi.
- The Equinor operated Johan Castberg project is impacted by similar factors in addition to increased scope of work in Norway after mobilisation from Singapore. The capex estimate has increased by approximately USD 390 million (~NOK 4 billion²) net pre-tax to Vår Energi. The scheduled start-up in fourth quarter 2024 remains unchanged.
- The majority of net incremental capex is expected to impact 2024. There is no change to 2023 capex guidance.
- Full-year 2023 oil and gas production guidance is narrowed to 210-220 kboepd, compared to the previous range of 210-230 kboepd. The 2023 exit rate³ is expected to be more than 230 kboepd.
- 2023 dividend guidance and long-term dividend policy of a range between 20% to 30% of the CFFO after tax is maintained.
- The Neptune acquisition, that will add scale, diversification and further longevity to Vår Energi's portfolio, is confirmed to have expected completion in the first quarter of 2024.

"Balder X and Johan Castberg are two major development projects that will materially contribute to our industry-leading production growth and long-term value creation despite the announced increased capex," said Nick Walker, the CEO of Vår Energi. "We aim to extend the Balder area production beyond 2045 with the upgraded Jotun FPSO as a host for potential new tie-ins such as the King and Prince fields discovered in 2021, and future discoveries and tie-ins"

High activity on the NCS, supply chain challenges and the war in Ukraine have contributed to cost inflation and resource constraints which are impacting two key growth projects, Balder X and Johan Castberg. This has impacted the productivity, and increased expected capex to reach completion, reflecting additional man-hours to maintain progress, as well as higher prices and rates for equipment, offshore support vessels and labour.

For the Balder X project, the upgrade of the Jotun FPSO has successfully met key milestones with the re-float and heavy lift installations completed on plan and current focus is on executing the remaining construction work and commissioning. Drilling and subsea activities are progressing according to schedule and the overall project is more than 80% complete.

The increased capex estimate for Johan Castberg is mainly due to the transfer of more work than planned from Singapore to the yard in Norway, increased complexity and lower than expected productivity. Market prices for marine operations, drilling and completion services have also increased since the last update. Vår Energi has a 30% stake in Johan Castberg.

The revised estimates for Balder X and Johan Castberg will be included in Norway's National Budget for 2024 to be published 6 October 2023.

1. Excluding the Neptune acquisition
2. FX USD/NOK 10.5
3. December average

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About Vår Energi

Vår Energi is a leading independent upstream oil and gas company on the Norwegian continental shelf (NCS). We are committed to deliver a better future through responsible value driven growth based on over 50 years of NCS operations, a robust and diversified asset portfolio with ongoing development projects, and a strong exploration track record. Our ambition is to be the safest operator on the NCS, the partner of choice, an ESG leader with a tangible plan to reduce emissions from our operations by 50% within 2030.

Vår Energi has around 1000 employees and equity stakes in 39 fields and the company produced net 208 kboepd¹ in first half of 2023. We have our headquarters outside Stavanger, Norway, with offices in Oslo and Hammerfest. To learn more, please visit varenergi.no.

1. Excluding the Neptune acquisition