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PRESENTATION

Operator

Thank you for standing by. My name is Kat, and I will be your conference operator today. At this time, I would like to welcome everyone to the Equinor Analyst Call second quarter. (Operator Instructions)

I would now like to turn the call over to Bård Glad Pedersen, Senior Vice President, and Head of Investor Relations. Please go ahead.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Thank you, operator, and thank you to all of you for calling in. I'm here today together with our CFO, Torgrim Reitan. As usual, he will present our second quarter results before we open up for a Q and A session. As usual, we will keep this within one hour in total. So with that, I hand it to you, Torgrim to take us through the numbers.

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thank you, Bård, and good morning, and thank you for joining us. I hope you are enjoying your summer. Before we get to our results, let me draw your attention to the photo of Johan Castberg, a truly impressive field. Johan Castberg has ramped up to plateau production in less than three months to 220,000 barrels per day. The oil is of high quality, and we are now realizing a premium around $6 per barrel compared to Brent.

Today, we report solid financial results, driven by strong operational performance, new fields onstream and strong production growth from US onshore. We report adjusted operating income of $6.5 billion before tax. Our IFRS net income of $1.3 billion was impacted by an impairment on our US offshore wind. I will come back to this.

Year to date, our cash flow from operations after tax has been strong at $9.3 billion. Our adjusted earnings per share was $0.64. Energy markets continue to be impacted by geopolitical unrest, conflicts and uncertainty around tariffs and trade wars. We have seen significant volatility in oil markets. The European gas market is impacted by lower storage levels.

Inventories are now almost 20-percentage-points lower than last year and also well below the average of the last five years. Warm weather in Europe has, over the past weeks, driven additional gas to power demand. At the same time, we see storage filling in Asia, also driving demand and less LNG is now coming to Europe. In these times of uncertainty, we continue to focus on what we are able to control. Our operations and how we maintain resilience.

We are committed to cost and capital discipline, and we report a flat cost development in the quarter, which is our goal for the year. Our CapEx guidance stays firm. And our balance sheet remains robust through a lower price environment. Across the portfolio, we are making strategic progress. Johan Castberg reached plateau quickly, as I mentioned. We took the final investment decision on Johan Sverdrup Phase 3 and Fram South in the Troll area. All of this supports longevity on the NCS, maintaining production levels all the way to 2035.

Recently, we announced 2 large, long-term contract -- long-term agreements for the supply of gas to UK and Germany. This demonstrates that large commercial players in Europe see the need for Norwegian gas for power production and the industry, for decades to come. Internationally, we continue to optimize the portfolio. This quarter, we increased our US onshore gas production by 50% based on the transactions we did last year, and we captured almost 80% higher gas prices.

In Brazil, we have announced the divestment of the Peregrino field for a value of $3.5 billion. And we now focus our attention on the development of Bacalhau and Raia. We expect first oil at Bacalhau this autumn, and Raia, a domestic gas field, is expected to start production in 2028. Within our Renewables business, we have secured a project financing package of EUR 6 billion for the Baltic 2 and 3 offshore wind farms in Poland. This is at favorable terms, supporting double-digit equity returns.

On Empire Wind 1, the stop work order was lifted in May, and the project is back in execution. This is positive, and I'm very glad to report that. However, we are making an impairment of $955 million in the quarter. The main driver for this is the changes in regulations for future offshore wind projects in the US. Part of the impairment is related to the undeveloped Phase 2 of Empire Wind.

However, the largest portion is related to the South Brooklyn Marine Terminal. The development of the terminal assumed future projects would use it. This is now unlikely with the current framework conditions. And this new reality is reflected in the updated book value for Empire Wind 1 and the South Brooklyn Marine Terminal.

The impairment also includes the effect of higher tariffs on steel and a more limited amount related to the stop work order. The development we have seen leads to lower life cycle returns on Empire Wind. But the best way to protect value for our shareholders in the current situation was clearly to move forward with the project. And on a portfolio basis, our offshore wind projects in operations and execution still deliver double-digit equity returns. Then to capital distribution. For the quarter, the Board approved an ordinary cash dividend of $0.37 per share. And a third tranche of share buyback of up to $1.265 billion, including the state's share. In total, we expect to deliver around $9 billion in capital distribution for the year, in line with what we said at the CMU.

So let's dive into our results. Safety remains our top priority. We again deliver our best safety results with a serious incident frequency of 0.27 and a personal injury rate of 2.2. We continue to learn from incidents and work hard towards improvements. In the second quarter, we produced 2,096,000 barrels per day, up more than 2% from last year. We are on track to deliver 4% production growth for the year.

On the NCS, our liquids production is up 4%, driven by the ramp-up of Johan Castberg and starting Halten East. And also high regularity on Johan Sverdrup and other fields had a significant impact. NCS production was impacted by planned maintenance and the shutdown of Hammerfest LNG.

Our increased US onshore gas production is around double the production loss from divesting Nigeria and Azerbaijan, which impacted our international production. We produced 1.1 terawatt hours this quarter. Renewable production increased by 26%, mainly driven by the ramp-up of Dogger Bank A in the UK.

Now over to our financial results. Liquids prices were lower than the same quarter last year, while gas prices were higher in Europe and the US. This has impacted our results across segments. Adjusted operating income in E&P Norway totalled $5.7 billion before tax and $1.2 billion after tax. Our E&P International business delivered higher production from Brazil and new wells in Argentina and Angola.

Peregrino and assets under our UK IJV are classified as held for sale. This represents around $10 billion, and we do not report depreciation for these assets any longer. Our E&P US results were driven by high onshore gas production. Also, there was a one-off related to an increased cost estimate in the abandonment obligations for Titan. MMP delivered solid gas trading, but results were below the guided range, impacted by the Hammerfest LNG maintenance and weaker crude trading. Our renewable results reflect high project activity, but also significantly lower business development and early phase costs.

This quarter, cash flow from operations was $9.2 billion. Total taxes paid was $7.2 billion, driven by two NCS tax instalments totalling around $6.8 billion. For the second half of this year, the NCS tax payments are expected to be NOK100 billion. These taxes will be paid across five equal instalments from August through December. This reflects a change from previously paying 6 tax instalments to now paying 10 annual tax instalments in Norway.

This quarter, we distributed $1.3 billion to our shareholders. Organic CapEx was $3.4 billion, and our net cash flow was negative $2.6 billion. We have a solid financial position with around $24 billion in cash and cash equivalents. Our net debt to capital employed ratio increased to 15.2% this quarter.

This reflects the state's share of the buyback from last year booked as a finance debt, impacting the net debt ratio by around 8-percentage-points, as we said last quarter. The cash flow impact of this will be next quarter. At current forward prices, we expect the net debt ratio to remain around current levels towards the end of the year.

Finally, to our guidance. We maintain the guidance we communicated at our CMU in February. Our progress is in line with those ambitions, both in terms of production growth and investments, as well as capital distribution. So now back to you, Bård, and then I look forward to the Q and A session.

QUESTIONS AND ANSWERS

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

(Event Instructions) Biraj Borkhataria, RBC.

Biraj Borkhataria - *RBC Capital Markets Inc - Analyst*

The first one is just on the Empire Wind impairment and the impairment testing. The 3% discount rate, I think, it's probably the lowest I've seen and it looks a bit odd relative to sort of 10- or 30-year treasury. So could you just give me some rationale as to why you use that number? And then the second one is on working capital. We had another release this quarter.

You talked about the lower volatility in trading. I'm trying to understand whether is this a more structural level of working capital that we should be at relative to the last few years because, I guess, lower volatility means less capital for trading. What should we expect going forwards?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Biraj. So first on Empire Wind, yes. So the 3% discount rate we use, I just want to be clear on a couple of things. That is an unlevered discount rate, and it is a real discount rate after tax as such. So I think that's two very important parameters going into that. Oil and gas investments, the discount rate we use for them is 5.5-percentage-points. So there's a difference here, 5.5 and 3% between those two projects.

What justifies a lower discount rate within this project is actually that the revenue profile is fixed and is fixed for 25 years as such. So there's a lot of reasoning and analysis behind all the discount rates we are using. So these should be consistent and applied consistently across the portfolio that we use.

Your second question, Biraj, was related to working capital movements. So working capital is now $5 billion and is a reduction of $550 million as far as I remember. It is actually not driven by the trading activities. It is driven by movements in the upstream segments as such. And on your question whether this is sort of a normal level, it has been stable. The working capital within the trading environment has remained stable for the time being.

But on your point on sort of the volatility. There is a lot of volatility. The point is that the volatility is different than sort of the traditional volatility and the volatility is driven by political decisions, which makes it harder for traders to trade around. So there is less risk-taking in the trading environment currently, and this is going across the whole trading environment as such and that's sort of the nature of what's happening in the world for the time being. So thanks, Biraj.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Irene Himona, Bernstein.

Irene Himona - *Sanford C Bernstein & Co LLC - Equity Analyst*

My first one on the new tax system in Norway, just to clarify, I think you said that all of the 10 instalments for 2025 are payable over the 5 months August to December. Is that correct? And then how will it be spread into 2026? My second question on gearing at 15%. So you've now reached the low end of your – through the cycle – range of 15% to 30%.

I just wonder, with Brent at less than 70 and this higher but unstructured volatility, is perhaps 15% to 20% preferable to 15% to 30% when the Board sets investor distributions.

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Irene. So first, on the tax, the structure of the tax payments. So the tax payment will be evenly distributed over the years. So in the second half of this year, there will be five instalments, and then there will be five instalments in the first half next year.

So there are tax payments in all months, except for July and January. So it's just a way of distributing it even more evenly throughout the year than the six. So this is a minor adjustment to the payment schedule and we'll see to that we guide you for every quarter coming, how many instalments you should expect for the next quarter and all of that. So the reason why bringing it up is sort of -- if you want to update your cash flow models, please do. And Investor Relations is happy to provide even more details to this, as necessary.

Your second question around gearing 15%, yes. So the increase of 8-percentage-points from last quarter is driven by sort of the annual payments to the state regarding share buyback programs. So 15%, we expect that to be around that level towards the end of the year. So it is very important for us to run with a conservative balance sheet and a robust financial position. And that is going to be the case going forward as well.

We have no intention to sort of change the range. The range is not a target in itself. It's something that is broadly seen as consistent with our rating ambitions. So there is no sort of mathematical link here as such. When it comes to the link to share buyback, and I think you mentioned that, I mean, share buyback is an important part of our capital distribution structure.

We have not linked our capital distribution to development in cash flow from operations or free cash flow or what have you. But we are committed to remain competitive using those metrics when we compare ourselves to peers going forward. Meaning that there will be times where sort of the balance sheet will strengthen, and there are times when the balance sheet will sort of be weakened.

So there's not sort of a mathematical relationship here. And these boundaries are not seen as absolutely in a way. We want to run with a very strong balance sheet and a strong cash position as we -- as you know that we have.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Alejandro Vigil, Santander Bank.

Alejandro Vigil - *Banco Santander - Analyst*

Yes. The first one is about Brazil. Just trying to understand the timing of the Peregrino divestment. And also, the Bacalhau project, the expectations of production next year. Trying to understand if the Peregrino divestment is going to be offset by Bacalhau volumes next year.

And the second question is about the US onshore gas business that has been a clear focus of your strategy recently. If you see more opportunities of growth there through acquisitions and also if you are planning on investments in the downstream, in the gas-fired projects, for example, trying to leverage the AI boom in the US.

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Alejandro. So, yes, so the divestment of Peregrino is -- it is signed. It is not closed yet. So we expect to close the deal towards the end of the year. We are very satisfied with the price that we achieved and is value-creative. So -- and the reasoning behind doing that now is to concentrate on the new developments, Bacalhau and Raia and quite a few people will be moved from the Peregrino organization into a new organization, so this is from a portfolio high grading point of view.

And Peregrino has been through a long life already. We have invested in to solidify it and make it high-quality, and it was good time to realize that value. Brazil remains very, very important and a key country for us going forward, and we will keep sort of investing and that brings me over to Bacalhau.

So Bacalhau is progressing well. Commissioning is ongoing on the remaining systems. We have two drilling rigs drilling, drilling wells working, and we had two installation vessels working on subsea. So this is going according to plan, and we will have quite a handful of wells producing by year-end on Bacalhau.

And then, of course, there will be -- so we assume production contribution in the second half from Bacalhau. Yes. And then there will be a lot of drilling activities going forward on Bacalhau, and it will be a significant contributor to our international production.

On US onshore gas, yes. So around a year ago or nine months ago, we made two acquisitions from EQT into the Marcellus Play, increasing our exposure quite a bit into that asset. That adds close to 100,000 barrels a day with gas production under operatorship of Expand. Since then, gas prices has increased significantly, and that is now contributing very well to the cash flow and earnings of the company.

A little bit of color to why we do that. We do believe in natural gas in the long term. We see it as a very important part of energy transition and a significant part of the electrification of the world that is ongoing. And you're absolutely right, the location of Marcellus gas in the North-East fits well with sort of a big drive in the US to focus on data centers and build competitiveness related to AI.

And energy is seen as the big facilitator for competitiveness of the US economy over the next years. So we are well positioned with what we have. And on your question on whether we could be interested in sort of seeing more opportunities and into gas-fired power plants. There's no concrete plans, but we do see that there is a stronger and stronger link between gas markets and power markets going forward.

So we are watching that space naturally.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Peter Low, Redburn.

Peter Low - *Redburn Atlantic - Analyst*

The first was just on unit OpEx costs in Norway. It looks like they've increased by around 10% year over year. I think part of that is just FX, but I'm not sure that explains all of it. I was just wondering what else was going on there. Does it relate to the cost profile of the projects that are ramping up?

The second question was just, is there any notable maintenance or turnaround expected in the third quarter that you're able to flag?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Peter. So, when it comes to unit costs for NCS, unit production cost, we see that as a stable quarter-on-quarter, a broader topic is that's at a level of $6.7 per barrel. But it's sort of a good opportunity to broaden the discussion on costs. We said earlier this year that we aim this year to keep costs flat and fighting inflation and neutralizing the impact on inflation across the portfolio. So that is -- we really start seeing the impact of that.

And there's a lot of initiatives and actions and momentum across the portfolio within operating and maintenance, strong push on efficiency. We have significantly reduced early phase in business development costs and also staff costs are coming down, and we hardly do external recruitments any longer, as such,. So this is -- and you see it in the number, you see that on a quarter-to-quarter basis, we have been able to keep that flat even if we are growing production. So this will also be reflected in the unit production cost.

So when it comes to turnaround, maybe one thing to mention is Hammerfest LNG which has been in a turnaround situation for -- in the second quarter. That is still in maintenance, but we actually expect it to come back by the end of July and then being back in production in August and September.

So other than that, when it comes to the coming quarters. We see -- let's see here, is it around [50,000] (corrected by company after call) barrels per day in turnaround impact in the third quarter and lower in the fourth quarter, maybe 14,000 to 15,000 barrels per day as such. So the third quarter in total is on par with the second quarter as such.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Henri Patricot, UBS.

Henri Patricot - *UBS AG - Equity Analyst*

Two questions, please. The first one, going back to the Peregrino disposal and the proceeds of close to $3 billion. How should we think about these? Is it mostly about strengthening the balance sheet or it potentially opens up the potential for some acquisitions to replace Peregrino volumes in international E&P or elsewhere?

And then secondly, on the two deals that you mentioned, Torgrim, in the UK and Germany natural gas sales. Could you go through the benefits for Equinor of signing these long-term contracts and maybe also the rationale for sticking to spot prices rather than maybe find another pricing mechanism that could reduce your exposure to spot prices in a few years when we could see potentially low prices as the market is over-supplied?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Yes. Okay. Thanks, Henri. So first on Peregrino. So the headline value of the deal is a $3.5 billion. The effective date was first of January 2024, which is important to note. So since then, there will be a pro&contra contract settlement in sort of ultimately when they closed this deal towards the end of the year. So the proceeds that we will receive is less than $3.5 million depending on the prices, is a little bit, but it is actually quite a bit of cash that sort of has been generated over the last two years that will need to be taken away from the headline number.

On your question whether this opens up or other acquisitions, well, we do acquisitions and we do divestments more driven by the strategic reasoning and the value creation opportunities behind it. And over the last years, we have done quite a few, maybe worth mentioning a few. We have divested out of Nigeria and Azerbaijan, bringing in value. We have made acquisitions into US onshore.

We have the Peregrino divestments. And then we are combining our portfolios in the UK with Shell and creating the largest operator in the UK as such. So it has been quite an active a couple of years within M&A. And you can rest assure that we will have a focus on a strong balance sheet, normally what we do on the M&A front.

Then on gas contracts, I think it's important for me to leave you with -- well, first of all, I mean, those contracts really demonstrates the attractiveness of Norwegian gas to EU. This is clearly driven by security of supply for the long-term customers. So we have signed three long-term contracts over the last 1.5 years. That is actually 20% of our natural gas position on the NCS and it actually covers 6% of the EU in imports.

And then your question is, so how does this work? Well, they are priced based on spot prices in general. They also have free sourcing associated with it. So we don't need to source them with our own gas. We can buy gas in the market if we find that suitable. So it's sort of -- it maintains full -- we have full flexibility in our gas production system. And also, it doesn't limit us in any way as such. It's just a contract that adds value.

It is important for me that you as investors have exposure to the European gas market when you buy the Equinor share. And we will continue to swap everything to an exposure equal to 70% day ahead and 30% month ahead in the portfolio, meaning that when you see volatility in the gas markets in Europe, you can rest assure that we will be able to capitalize on it and it will find its way to our earnings.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Teodor Sveen-Nilsen, Sparebank 1 Markets.

Teodor Sveen Nilsen - *Sparebank 1 Markets. - Analyst*

First question that is on Wisting. Could you please provide an update on Wisting also maybe how Wisting's role will be in your ambition of keeping NCS production flat from 2020 to 2035? Second question, I just want to go back to the 3% discount rate to use for impairment testing for Empire. Definitely understand there's a difference between the rate we use for impairment testing and rate to use for investment decisions, still I just wanted to explain the relation between the 3% you used for impairment testing and the 4% to 8% real return that you indicate as ambition for renewable projects.

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Teodor. So Wisting is a promising discovery in the very north in the Barents Sea, as some of you would know. And we are actively working that to bring it forward to an investment decision. And the investment decision might come next year, might come later. So we'll see.

We do believe that the project absolutely has the characteristics to become a good development for Equinor in the future. When it will ultimately be sanctioned and put in production, we will have to come back to when -- of course, when we know more about that.

When it comes to the 2035 ambition and keeping NCS flat, the main driver behind that is projects that we have concrete and specific plans for. We have more than 200 IOR projects that are currently being matured to deliver into that. And also we have more than 200 prospects that we are maturing to get into that portfolio. And then this is a risked portfolio. So it's very hard to say whether Wisting is in or out. That is a natural part that we take that into the portfolio from a risk perspective towards 2035.

When I'm touching that point, I am an old man, and I remember in the IPO in 2001, that concern with investors was, but NCS is declining. Why is this attractive? And here we are after 25 years, producing more than in 2001 and actually looking at the production in 2035 on the same level.

So I mean, it's a remarkable story of a basin that has kept giving. I used the opportunity for a sales pitch here Teodor. But anyway, it is an important part of the portfolio. On the 3% discount rate versus what we do for investment decisions. So the discount rate that we use for these purposes is meant to mirror our cost of capital and relevant cost of capital for these investments.

For investment decisions, we clearly are not satisfied with the cost of capital. We need a significant premium to that. And for renewables projects, we want to see double-digit returns on the money that we invest the equity that invest. So there's a -- these are not consistent. The 4% to 8%, we have abandoned. We don't use that anymore, Teodor. So we use more than 10% on the money that we invest.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Paul Redman, BNP Paribas Exane.

Paul Redman - *Exane SA - Analyst*

Yes. I guess my first question is just I think you said in the prelims remarks, the view is that debt would remain flat at current levels or the gearing would remain flat at current levels. I just wanted to ask what's included in that assumption? Price, is there a view on working capital included? How much Peregrino inflows do you expect? So just some of the steps that are taken to get to that assumption?

And then a second question on the CapEx. I think for your $13 billion guidance for the year, you're using an 11 NOK-USD rate. What's the impact if that goes down to 10 – that FX rate impact?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Paul. So in when it comes to net debt towards the year-end. So around current levels, I mean, it's -- we all know that prices can fluctuate. So in that statement, sort of based on where the prices are currently, forward prices as such and working capital assumptions in that is sort of fairly stable working capital assumptions.

And Peregrino, the closing of Peregrino is there are two separate transactions there. And we assume at least one of them to be in this side of new year and then the other one is a little bit more uncertain. So that's why we say around because, I mean, there are so many moving parts here.

But I just want to give you some sort of guidance on that. The step up during this year is happening in the second quarter. And after the second quarter, it is a stable development. Then on your CapEx. Yes, so $13 billion, we maintain that guidance, and we have used the currency assumption of 11 as you say.

So there is a certain part of investments that is in Norwegian kroner. So hard to give an exact number, but around 30 percentage-ish points, I would say, is exposed to Norwegian kroner. So with a stronger Norwegian kroner it has sort of a pressure into the number, but we work very hard to manage all of this. And with all the efforts going on currently in the portfolio, we have decided to maintain the guidance.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Michele Della Vigna, Goldman Sachs.

Michele Della Vigna - *Goldman Sachs Group Inc - Analyst*

Two questions, if I may. I wanted to refer back to your comment on maintaining a competitive cash return to shareholders and whether perhaps you could elaborate a bit more on what metrics you're mostly looking at. If I look at your peers, most of them are using an operating cash flow payout. So I wonder if that would be something that you're referring to?

And then secondly, thinking about some of the opportunities opening up globally, there is a very public process led by Galp on Namibia, which is one of the interesting new basins that are opening up. I was wondering if you're actively participating in that one?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Michele. So capital distribution to be competitive. So of course, we know very well what our peers are using and all of that. So we want to remain competitive in that setting. I can give you maybe a couple of data points. The cash dividend is currently at $0.37 per share. We have grown that by $0.02 per year, and we want to keep growing that cash dividend sort of also in the future. So you should see that part of capital distribution as bankable, this will be something that we are extremely committed to keep on delivering through the cycles.

Then we will use on top of that share buyback to see to that the total package is competitive. And we will also use share buyback to sort of -- we had an extreme situation in 2022 with very, very high prices and we use share buyback to sort of distribute that part of the earnings in a way. So we want to use share buyback as that tool. So we don't have a formula, and I don't intend to introduce a formula. We know what the others are doing, and we want to put forward a share buyback program that keeps us competitive versus peers.

When you measure us against those type of metrics, I'm not talking about yield, I'm talking about those type of metrics others are using. When that is said, from time to time, we are willing to use the balance sheet if we find that appropriate. And all this time, we find it appropriate to strengthen the balance sheet as such. So thanks, Michele.

Then you had a second one. That was on Namibia. I'm not in a -- clearly, we know what's going on. And I won't comment on specifics on Namibia. But what I would like to say is that what we have done over the last few years is focusing our upstream E& P portfolio internationally, and that has served us well. And clearly, deepening into areas where we are is something that typically has priority.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Martijn Rats, Morgan Stanley.

Martijn Rats - *Morgan Stanley - Analyst*

A lot of good questions have already been asked, but the answer, I just wanted to sort of follow up on what you just replied to Michele. As in this point about being competitive compared to peers is quite crucial and important. As you can imagine, we're all very interested in what the buyback will be in 2026.

But if the buyback is meant -- if the buyback is going to be competitive, then it sort of implies that the CapEx also has to be competitive. In the sense that if -- in an overall financial framework, you can only be sort of competitive in one area if you do something similar in another area, too.

And relative to CFFO, Equinor's CapEx is quite high, the sort of CapEx percentage of CFFO is much higher than many of the other European peers. So I understand that you're saying, well, the distribution should also be competitive, but how can the distributions be competitive if the CapEx is at a much higher percentage of CFFO, how are we ending up in a competitive space then?

And secondly, the other point I wanted to ask about the buyback sort of somewhat of a mechanical point, but would you envision to continue to simply communicate to the market what the buyback is for the following year at the full year results?

Or could you also move to more of a sort of quarterly sort of – come & go type guidance? Because I can imagine that looking into 2026, it might be quite hard to make up your mind on how the entire year is going to pan out already like right at the start. I was hoping you could say if you think about these two things.

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Martijn . So on the first one, actually, a very good question, and I'm very glad you asked it because there's something to comment around that because the Norwegian tax system creates a disturbance when you compare us to others. CapEx is a pretax number. Cash flow from operation is an after-tax number.

And when you look at our CapEx profile, a significant part of that is sort of in the Norwegian continental shelf with 78% tax deduction as we spend. So as you would understand, our after tax cash flow to CapEx is significantly lower and if you compare that number to our peers, you probably will get to another conclusion as such.

And then that number needs to be prepared on an equal basis with cashflow from operations post tax. There's a lot of details in this and clearly more than happy to follow up with you afterwards, Martin, through Investor Relations and all of that. But I'm very glad you asked that because it's such an important driver behind why we might look different than the others, while we are actually more similar than you should believe.

Okay. Then on your second question on buyback. That is not a topic for discussion today – if there will be any changes to this. I mean, we will typically do that on a Capital Markets Day or something like that. But it's something that we have nothing to say about currently. And then if there is something new to it, it will have to come at such an event.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

John Olaisen, ABG Sundal Collier.

John Olaisen - *ABG Sundal Collier Holding ASA - Analyst*

A couple of questions very quickly. What is your latest view of the timing of when Johan Sverdrup will come off plateau? And secondly, you talked about cost inflation and the fighting cost inflation. Do you still see the same cost inflation? Or has cost inflation come down?

Is cost inflation about coming down a little bit? And maybe are there differences between Norway and outside of Norway when it comes to cost inflation, I will assume you see some maybe some deflation in onshore in the US. So if you could comment a little bit on these things.

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Perfect, John. So first on Johan Sverdrup. This quarter, we had a very high regularity on Johan Sverdrup. Actually 99%. So there's a great job done by the organization to keep it that way. Production this year in 2025, we say that's pretty close to the production levels we saw in 2023, '24, maybe around 720,000 barrels per day. So there are a couple of things I really would like to underline here that is going very well. One is sort of the work related to water management.

And as you would understand, as you produce these wells, there will be sort of water produced and our ability to manage water as sort of that increases is extremely important. And this is a core capability that we have done for 40 years, but that is going well. We are also now drilling or retrofitting multilaterals into wells we have drilled earlier and multilaterals, several wells out of one wellbore. That is also producing well.

So -- and then lastly, we made a final investment decision on Johan Sverdrup Phase 3 earlier this year. And all of these have enabled us to increase our assumptions when it comes to recovery rates from 65% to 75%. So I mean, it's going well with Johan Sverdrup. We have, the Phase 2 of Johan Sverdrup was designed to bring forward volumes at a very much higher level, but of course, coming off plateau earlier as such.

So the field will come off plateau. And I don't have a number for you, but I just want to leave with you that this has a high attention and we have our very best people working on these topics and we will give you an update later on that. When it comes to cost inflation, we see that we continue to be able to take out efficiency in the organization and in the portfolio. It comes from scale. In our operations, we can put on new developments without increasing the organization and limited cost. We are prioritizing very hard. We have a lot of opportunities but prioritizing very hard and taking out sort of efficiency across the more administrative or structural part of the company.

So that sort of internal thing is going well. Looking outside and inflation, there is still a tight market within the oil and gas sector. Still a heated market, but maybe a couple of points. We see that within drilling and well, high-end floater market has softened a bit. We also see that within engineering and construction, it is tight in Norway currently due to the tax package, and you know that very well, John, but that will drop off, so we actually see that sort of the pressure there will come off in the next maybe 12 months and also a little bit coming off in sort of the high-end floater market in Norway.

When it comes to the yards and Asian yards, we see that is busy. We do think that will continue. There's a lot of FPSOs being built. And that leads me to subsea and Marine, which we do think will remain hard because FPSO going forward. They always have a large subsea scope as such.

So to summarize, I think in Norway, there might be a little bit of easing when all this activity related to the tax package is coming off. Apart from that is a fairly tight market John. So thank you very much.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Kim Fustier, HSBC.

Kim Fustier - *Hsbc International - Analyst*

I wanted to ask about operations and just that ramp-up on your Castberg was remarkably fast. I mean, what's that ramp up in line with your plan and your expectations or was it in fact better than expectations? And what did you do in terms of preparation or anything that made this ramp up faster than others we've seen before?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. Thanks, Kim. Yes, thank you for the question. Yes, Johan Castberg is a mega greenfield development. And the fact that we were able to bring it on plateau in less than three months is just remarkable. We had assumed in our plans that we should be able to go quickly, but we actually ended up doing it even quicker than we had planned to. So, Johan Castberg is a 220,000 barrels per day at plateau production.

And it's going to be a significant contribution to the production growth this year and have a full impact in the second half of this year into the 4% production growth that we have put forward. So -- good installation of the ship and assets on the field.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Nash Cui, Barclays.

Naisheng Cui - *Barclays Services Corp - Equity Analyst*

Just a follow-up on the cost inflation side. I think one of your Norwegian peers mentioned about CapEx cost inflation, it's interesting that earlier you mentioned about 30% of your '25 CapEx is as opposed to Norwegian kroner. Just wonder how should you think about 2026 impact? And you mentioned that you still want to keep the CapEx guidance? Do you have to give up any opportunities?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Thanks, Nash. So managing currency exposure is a natural part of what we do. We define ourselves as a dollar company, revenues are in dollars, accounts are in dollars, investments largely in dollars, costs also in dollars, and you should think about as a dollar company.

And then we'll have to manage fluctuations in other currencies like Norwegian kroner and particularly Norwegian kroner and so on. So clearly, we have the intention to be able to tighten up the portfolio further, so we can actually stay within our current guiding even if there will be a little bit Norwegian kroner exposure in there. So that's the plan.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Matt Lofting, JPMorgan.

Matthew Lofting - *J.P. Morgan - Analyst*

Most of mine have been asked, but I'll just ask you to Torgrim on MMP. I think you made some comments earlier around sort of the challenges in the recent environment around the trading businesses, less happy at that time to take risk in the second quarter. How do you see the environment going forward from here, thinking about the second half of the year? Do you expect or so to see today any changes around that? And or is the business in a position where if it doesn't change that the setup and the exposures can be better adapted to work around it?

Torgrim Reitan - *Equinor ASA - Chief Financial Officer, Executive Vice President*

Okay. No, thanks, Matt. Yes, it's a good question. There are still a lot of value to be had been within the trading environment even if the risk is different. And I can give you a couple of examples. Within our gas trading, we see a geographical arbitrage opportunities that is not linked to political risk in any way.

For instance, with Russian gas now getting out of the market, we see higher prices in the East than in the West, and we have access to all these markets through our pipeline systems and contracts and all of that. So currently, we are actually selling more gas towards the East than the West and taking out arbitrage opportunities and that -- and you'll see that in the MMP result, you saw that in the second quarter.

Also, based on your portfolio of oil qualities and shipping fleets and contracts enables you to take out value of trading. So this is sort of a little bit back to basic when it comes to trading and sort of asset-backed trading and physical trading and all of that will still continue.

However, within sort of the more trades that are exposed to geopolitical changes and all of that. Traders are struggling for the time being and there's a little bit of risk-off on that part of the portfolio, something that we see across the whole trading community as such. Still quite a bit of value to be had, but the volatility almost say, volatility is different than it used to be and it's harder for traders to create value out of it.

Bård Pedersen - *Equinor ASA - Senior Vice President and Head of Investor Relations*

Thank you, Torgrim. There was a lot of questions today, but we have now passed the hour, and I want to be respectful for everybody's time. We didn’t manage to get fully through the list. But of course, the Investor Relations team remain available for calls during today and later in the week to follow up. So then we can conclude the call. And I thank you all for calling in and for asking your questions. Have a good rest of the day.
