

This business update is a joint press release issued by BP Exploration (Caspian Sea) Limited, in its capacity as operator of the Azeri-Chirag-Gunashli (ACG) field, as manager of the Baku-Tbilisi-Ceyhan (BTC) pipeline and as common operator of the BTC pipeline and the South Caucasus Pipeline (SCP), and by BP Exploration (Shah Deniz) Limited in its capacity as operator of the Shah Deniz field, with each of these entities providing information relevant to its project and making any statements applicable to its project.



BUSINESS UPDATE

Third quarter 2021 results

4 November 2021

Azeri-Chirag-Deepwater Gunashli (ACG)

ACG participating interests are: bp (30.37%), SOCAR (25.0%), MOL (9.57%), INPEX (9.31%), Equinor (7.27%), ExxonMobil (6.79%), TPAO (5.73%), ITOCHU (3.65%), ONGC Videsh Limited (OVL) (2.31%).

BP Exploration (Caspian Sea) Limited is the operator on behalf of the Contractor Parties to the ACG Production Sharing Agreement.

In the first three quarters of 2021, we spent more than \$398 million in operating expenditure and about \$1,243 million in capital expenditure on ACG activities.

During the third quarter of the year, the Azeri Central East (ACE) project progressed according to the plan along with the other bp-operated activities.

Most of the remaining major equipment was delivered to Baku during the quarter. The delivery of the final four packages is planned for the fourth quarter of 2021 and will complete the shipment of all equipment as part of the project.

Fabrication activities on the topsides and drilling facilities continued at the fabrication yard in Bibi-Heybat. This included progressing the pipe erection and hydrotesting, cable pulling and installation of the final topsides weather deck panel and lower derrick. All living quarters modules were successfully installed on the topsides followed by the commencement of integration and internal hook-up. Drilling mechanical completion handovers progressed as planned, the drilling commissioning at grade commenced in the main drilling support and drilling equipment set modules.

At the Heydar Aliyev Baku Deepwater Jackets factory (BDJF), the jacket fabrication continued with the centre box skidding completed and assembly of the jacket towers commenced.

Subsea fabrication of the structures and spools is close to completion. Subsea installation commenced with the subsea construction vessel Khankendi installing all subsea crossing mattresses.

The project also progressed the offshore installation works associated with the spare power scope on the East Azeri platform, with the gas insulated switchgear (GIS) module installed offshore.

At the end of the third quarter, the ACE project reached the 60% progress milestone. The project construction activities are currently at peak and involve about 5,500 people across Baku, Europe and the UK, with the majority being Azerbaijani nationals.

Overall, the engineering, procurement and fabrication works remain on track to support first production from the ACE project in 2023.

Production

During the third quarter, ACG continued to safely and reliably deliver stable production. Total ACG production for the first three quarters was on average about 461,000 barrels per day (b/d) (about 126 million barrels or 17 million tonnes in total) from the Chirag (29,000 b/d), Central Azeri (109,000 b/d), West Azeri (115,000 b/d), East Azeri (77,000 b/d), Deepwater Gunashli (87,000 b/d) and West Chirag (44,000 b/d) platforms.

On 18 September 2021, the ACG field reached 4 billion barrels of total oil production since start.

As part of the ACG annual work programme, two planned maintenance programmes (turnaround - TAR) were successfully implemented on the ACG platforms this year – on West Azeri in the second quarter and on Chirag in the third quarter.

At the end of the quarter, 136 oil wells were producing, while 30 were used for water and eight for gas injection.

Drilling and completion

During the first three quarters of 2021, ACG completed seven oil producer and three injector wells.

Associated gas

During the three quarters, ACG delivered an average of 8 million cubic metres per day of ACG associated gas to SOCAR (2.2 billion cubic metres in total), primarily at the Sangachal terminal but also to SOCAR's Oil Rocks facility. The remainder of the associated gas produced was re-injected for reservoir pressure maintenance.

Sangachal terminal

In the third quarter of 2021, oil and gas from ACG and Shah Deniz continued to flow via subsea pipelines to the Sangachal terminal.

The daily capacity of the terminal's processing systems is currently 1.2 million barrels of crude oil and condensate, and about 81 million standard cubic metres of Shah Deniz gas, while overall processing and export capacity for gas, including ACG associated gas is around 100 million standard cubic metres per day.

During the first three quarters, the Sangachal terminal exported about 172 million barrels of oil and condensate. This included about 148 million barrels through Baku-Tbilisi-Ceyhan (BTC) and around 24 million barrels through the Western Route Export Pipeline (WREP).

Gas is exported via the South Caucasus Pipeline (SCP), the SCP expansion system and via SOCAR gas pipelines connecting the terminal's gas processing facilities with Azerigas's national grid system.

On average, around 58 million standard cubic metres (about 2,063 million standard cubic feet) of Shah Deniz gas was exported from the terminal daily in the three quarters of 2021.

Baku-Tbilisi-Ceyhan (BTC)

The BTC Co. shareholders are: bp (30.1%); AzBTC (25.00%); MOL (8.90%); Equinor (8.71%); TPAO (6.53%); Eni (5.00%); Total (5.00%), ITOCHU (3.40%); INPEX (2.50%), ExxonMobil (2.50%) and ONGC (BTC) Limited (2.36%).

In the first three quarters of 2021, BTC spent more than \$96 million in operating expenditure and more than \$22 million in capital expenditure.

Since the 1,768 km BTC pipeline became operational in June 2006 till the end of the third quarter of 2021, it carried a total of 3.71 billion barrels (more than 495 million tonnes) of crude oil loaded on 4,863 tankers and sent to world markets.

In the first three quarters, around 148 million barrels (about 19.6 million tonnes) BTC-exported crude oil was lifted at Ceyhan loaded on 204 tankers.

The BTC pipeline currently carries mainly ACG crude oil and Shah Deniz condensate from Azerbaijan. In addition, other volumes of crude oil and condensate continue to be transported via BTC, including volumes from Turkmenistan, Russia and Kazakhstan.

Shah Deniz

Shah Deniz participating interests are: bp (operator – 28.83%), TPAO (19.0%), PETRONAS (15.5%), AzSD (10.0%), LUKOIL (10.0%), NICO (10.0%) and SGC Upstream (6.67%).

In the first three quarters of 2021, Shah Deniz spent \$1.57 billion in operating expenditure and around \$524 million in capital expenditure, the majority of which was associated with the Shah Deniz 2 project.

This year, Shah Deniz celebrates its 25th anniversary since the signing of the Shah Deniz Production Sharing Agreement (PSA). The PSA was signed on 4 June 1996 between SOCAR and a consortium of foreign companies. It was ratified by the Milli Majlis and became effective on 17 October the same year. The project is the second after ACG largest foreign direct investment made in Azerbaijan and as such it has further strengthened the country's economy. The Shah Deniz 25th anniversary marks an important milestone in the new history of Azerbaijan's oil and gas industry.

Production

During the third quarter, the Shah Deniz field continued to provide deliveries of gas to markets in Azerbaijan (to Azerkontrakt), Georgia (to GOGC), Turkey (to BOTAS), to the BTC Company in multiple locations and to buyers in Europe.

In the first nine months of the year, the field produced around 16 billion standard cubic metres (bcm) of gas and around 3 million tonnes (around 24 million barrels) of condensate in total from the Shah Deniz Alpha and Shah Deniz Bravo platforms.

The existing Shah Deniz facilities' production capacity is currently about 70 million standard cubic metres of gas per day or more than 25 bcma.

The Shah Deniz 2 project

In the third quarter of 2021, the Shah Deniz 2 project reached full production rates from the East South flank following its safe start-up in the second quarter of the year. As a result of the production ramp-up from the East South flank, in July 2021, the daily production rates of the Shah Deniz Bravo platform reached the Shah Deniz Alpha rates for the first time.

On the West South flank, the pipelay barge Israfil Huseynov completed the subsea pipeline construction activities in the third quarter. The scope was delivered ahead of schedule with the barge achieving its best ever performance and highest productivity. This has allowed to commence subsea pipelaying activities on the East North flank in 2021, originally planned for the second quarter of 2022.

Overall, all West South subsea installation activities are progressing on schedule for the production start-up planned for the middle of 2022.

In the third quarter, the project also continued preparation activities for the production start-up from the final 5th well on the North Flank planned for the fourth quarter of 2021.

Drilling

During the third quarter of 2021, the Shah Deniz Alpha platform rig was on warm stack.

The Istiglal and Maersk Explorer rigs have already drilled 21 wells in total and completed 19 out of those for Shah Deniz 2 production and subsequent ramp-up. The completed wells include five wells on the North Flank, four wells on the West Flank, four wells on the East South Flank, four wells on the West South Flank and two wells on the East North flank. One well on the West South flank and one well on the East North flank were drilled to final depth and suspended.

The South Caucasus Pipeline (SCP)

The SCP Co. shareholders are: bp (28.83%), TPAO (19.0%), PETRONAS (15.5%), AzSCP (10.0%), NICO (10.0%), LUKOIL (10.0%) and SGC Midstream (6.67%).

In the first three quarters of 2021, SCP spent around \$39 million in operating expenditure and around \$8 million in capital expenditure in total.

The SCP has been operational since late 2006, transporting Shah Deniz gas to Azerbaijan, Georgia and Turkey. The expanded section of the pipeline commenced commercial deliveries to Turkey in June 2018 and to Europe in December 2020.

During the three quarters, the daily average throughput of SCP was 46.8 million cubic metres of gas per day.

On 1 August 2021 the transition of the technical operatorship of the South Caucasus Pipeline Company (SCPC) from BP Exploration (Shah Deniz) Limited to SOCAR Midstream Operations LLC was finalized. The transition process which started in March 2020 was successfully completed in July 2021. Despite the challenges caused by COVID-19 bp and SOCAR worked in close collaboration to effectively implement all the aspects of the process.

The transfer of technical operatorship was carried out in fulfilment of the obligations undertaken in the revised SCPC Pipeline Owners' Agreement, signed in December 2013 as part of the Final Investment Decision on the Shah Deniz Stage 2 and South Caucasus Pipeline Expansion (SCPX) projects.

Exploration

On the Shafag-Asiman offshore block, the drilling of the first exploration well was completed in March 2021 to the base of the Fasila reservoir to a depth of 7,189 metres. Post-well analysis of the data received during the drilling is currently ongoing. This analysis is required in order to evaluate the hydrocarbon discovery and plan the next stage of exploration activities.

In the Shallow Water Absheron Peninsula (SWAP) area, the first exploration well was spudded in the North Khali prospective area on 16 August 2021. Drilling activities are currently ongoing at the depth of around 2,300 metres. Once the well reaches the target depth, the well data will be analysed and, if successful, an evaluation programme may be conducted to confirm the results. The draft Environmental and Socio-economic Impact Assessment (ESIA) document for the second SWAP exploration well was submitted to the government and disclosed to the public on 1 July 2021 and we are now in discussions

with the government to obtain necessary permissions to start drilling the well in the fourth quarter of 2021.

On D230, the interpretation of the seismic data is currently ongoing. If the results from the interpretation of the seismic survey are positive, bp will consider further exploration activities.

People

At the end of the third quarter of 2021, the number of bp's Azerbaijani national employees was 2,287 including fixed-term employees.

Since mid-2018, 90% of bp Azerbaijan's professional staff has been nationals. Non-professional staff of bp in Azerbaijan is 100% nationalized.

bp will continue its efforts to optimize its learning and development programmes and will actively participate in public and private sector initiatives contributing to the development of the local talent market.

Social Investment

In the Caspian region and in Georgia, the success of projects depends, in part, on the operators' ability to create tangible benefits from these projects for the people of the region. To achieve this, bp and the co-venturers continue to implement major social investment projects, which include educational programmes, building skills and capabilities in local communities, improving access to social infrastructure in communities, supporting local enterprises through provision of access to finance and training, support for cultural legacy and sport, as well as technical assistance to public institutions.

In the third quarter of 2021, bp and the co-venturers in bp-operated joint ventures spent about \$152,000 in Georgia on social investment projects.

Some of the examples of the social investment projects in Georgia are:

bp (on behalf of the co-venturers in the joint ventures that bp operates in Georgia) is implementing Community Development Initiative phase 6 (CDI 6) in 98 communities along BTC/SCP pipeline, with budget 1,584,883 USD; Program started in August 2018 and will be ended in December 2021.

The program is focused on social impact in terms of population integration and engagement through combining their forces around the projects of community interest,

as well as supporting viable business opportunities, establishing strong private sector through small start-up business, as well as agri-business development.

Program proposes to support communities to rehabilitate 44 rural infrastructures, support 210 small business development, create at least 280 jobs. 80 youth will benefit in Rustavi target schools via participating in competence building programs.

In 3 Q, 2021 program achieved the following

- 3 infrastructure rehabilitation projects funded, cumulative – 44
- Communities initiated to plant 30 more trees around the rehabilitated projects sites; total number of planted trees by communities reached 480 trees
- 19,165 Households benefited from Infrastructure rehabilitation
- Three more small businesses granted via the grant competition, bringing together 213 small and medium size businesses granted in total
- 60% businesses are led by women
- Average monthly profit generated by the granted businesses vary between 1,600 GEL – 3,100 GEL
- 42 Businesses operators are coached in business management technics like SWOT analysis, cost accounting, customer feedback assessment, total more than 200 business operators received several types of trainings on business administration
- 30% of funded businesses reinvested into their businesses
- 66 more farmers were trained agricultural technologies, total number of farmers who improved knowledge in agricultural technologies reached 214
- Livestock mortality and livestock infection decreased by 80-82% in the farms, where the knowledge on relevant agricultural technologies was provided to the farmers
- 12 new farmers participated in climate smart agriculture and global warming awareness sessions. 160 farmers in total

bp (on behalf of the co-venturers in the joint ventures that bp operates in Georgia) is implementing Small Business Development Project, phase 3 (SBDP3) in 121 communities along WREP pipeline with budget 610,620 USD; Program started in July, 2018 and will be ended in December 2021.

The program is focused on social and economic development of the pipeline communities through supporting establishment of the small businesses and scaling up the existed enterprises as well as strengthening entrepreneurs' skills via education in

business administration. Program is aimed to support establishment of 244 small businesses, create of at least 290 jobs.

- 264 start-up businesses funded in total
- 22 small businesses granted to scale up business activities; cumulative 40
- Businesses supported creation of 290 jobs in total
- Average monthly profit generated by the granted businesses vary between 520 GEL – 3,000 GEL
- 20% of funded businesses reinvested into their businesses
- 300 coaching session provided to businesses; total number of coaching sessions are 2,150
- 19 farmers participated in climate smart agriculture and global warming awareness sessions; total 129