Press release

10 February, 2021

Equinor fourth quarter 2020 and year end results

Equinor reports adjusted earnings of positive USD 0.76 billion and negative USD 0.55 billion after tax in the fourth quarter of 2020. IFRS net operating income was negative USD 0.99 billion and the IFRS net income was negative USD 2.41 billion, following net impairments of USD 1.30 billion and a write down of USD 0.98 billion related to the Tanzania LNG project.

2020 was characterised by:

- Results impacted by low oil and gas prices
- Solid operational performance during extraordinary circumstances
- Positive cash flow in a low-price environment
- Delivering USD 3.7 billion in capex and cost reductions, well above ambition for the action plan to strengthen financial resilience
- Progressing and capturing value within renewables
- Setting ambition to be a net-zero energy company by 2050 to create value as a leader in the energy transition

"Our results are impacted by the market turmoil during the year, but with strong cost improvements and capital discipline we delivered positive net cash flow for the quarter and the full year. During 2020 we have delivered more than 3.7 billion dollars in savings, well above our ambition for the action plan we launched in March to strengthen financial resilience. We are well positioned for value creation and strong cash flow in 2021 and the coming years," says Anders Opedal, President and CEO of Equinor ASA.

"I am impressed by how the organisation has responded, delivering strong operational performance and production growth in a long-lasting challenging situation during the pandemic. We are increasing production volumes from Johan Sverdrup even further, and we used our flexibility to have high gas production as gas prices increased in the quarter. In addition, we have started production from Snorre Expansion ahead of time and well below cost estimates," says Opedal.

"Equinor is committed to ensuring long-term competitiveness and creating value as a leader in the energy transition, setting an ambition to be a net-zero energy company by 2050. During 2020 we delivered significant progress in our renewables portfolio, taking the investment decision for Dogger Bank A and B, winning the largest ever offshore wind award in the US, starting construction at Hywind Tampen and capturing value from transactions. We are also taking actions to optimise within oil and gas, building a more robust portfolio for the future, but resulting in a write down in Tanzania and an impairment related to an operated US onshore asset in the quarter," says Opedal.

Adjusted earnings [5] were USD 0.76 billion in the fourth quarter, down from USD 3.55 billion in the same period in 2019. Adjusted earnings after tax [5] were negative USD 0.55 billion, down from USD 1.19 billion in the same period last year. Low prices for liquids impacted the earnings for the quarter.

Equinor launched an action plan of USD 3 billion in March 2020 to strengthen financial resilience, including a reduction in operating costs of USD 0.70 billion. Delivery on the plan resulted in savings of more than USD 3.7 billion, including a reduction in fixed operating costs of around USD 1 billion. Unit production costs are reduced by 5% since 2019, realising the 2021 ambition already in 2020.

In the E&P Norway segment, Equinor realised weaker liquids prices and the production was reduced mainly as a result of turnarounds moved to fourth quarter due to the ongoing pandemic.

Results in the E&P International segment were impacted by low prices and the impairment of the Tanzania LNG project of USD 0.98 billion. The E&P USA segment was also impacted by weak prices, partially offset by significant reductions in operating costs.

The Marketing, midstream and processing segment captured value from strong trading results from gas to Europe, partially offset by low refinery margins and shutdown of production at Hammerfest LNG plant.

New energy solutions delivered high availability on offshore wind assets. A capital gain of around USD 1 billion is expected to be booked from the divestment of a 50% non-operated interest of the offshore wind projects Empire Wind and Beacon Wind in the US. A capital gain from the farm down of 10% equity interest in Dogger Bank A and B in the UK is expected to be booked in the first quarter of 2021.

IFRS net operating income was negative USD 0.99 billion in the fourth quarter, down from positive USD 1.52 billion in the same period in 2019. IFRS net income was negative USD 2.42 billion in the fourth quarter, compared to negative USD 0.23 billion in the fourth quarter of 2019. Net operating income was negatively impacted by net impairments of USD 1.30 billion, mainly relating to a refinery as a result of reduced margin assumptions and some increase in cost estimates, and to an operated unconventional onshore asset in North America due to reclassification as held for sale.

Equinor delivered total equity production of 2,043 mboe per day in the fourth quarter, down from 2,198 mboe per day in the same period in 2019, with a minor increase in gas share due to high flexible production in gas fields. Adjusting for portfolio transactions the production growth for 2020 was 2.4%.

In 2020, Equinor completed 34 exploration wells with 16 commercial discoveries and 1 well under evaluation. At year end, 12 wells were ongoing. Adjusted exploration expenses in the fourth quarter were USD 1.25 billion, compared to USD 0.44 billion in the same quarter in 2019.

The proved reserves replacement ratio (RRR) was negative 5% in 2020, following capital discipline and the prioritisation of financial flexibility during market uncertainty, with a three-year average of 95%. With 5.26 billion barrels in proved reserves, Equinor's reserves to production ratio (R/P) was 7.4 years.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 14.0 billion in 2020, compared to USD 21.8 billion in 2019. Organic capital expenditure [5] was USD 7.8 billion for 2020. At year end, net debt to capital employed [(1)] was 31.7%, stable from 31.6% at the end of the third quarter of 2020. Following the implementation of IFRS 16, net debt to capital employed[(1)] was 37.3%.

The board of directors proposes to the annual general meeting a cash dividend of USD 0.12 per share for the fourth quarter 2020.

Average CO2-emissions from Equinor's operated upstream production, on a 100% basis, was 8.0 kg per barrel in 2020.

The twelve-month average Serious Incident Frequency (SIF) for 2020 was 0.5, down from 0.6 in 2019. The twelve-month average Recordable Injury Frequency (TRIF) was 2.3 for 2020, compared to 2.5 in 2019.

	Quarters		Change			Full year	
Q4 2020	**Q3 2020**	**Q4 2019**	**Q4 on Q4**	**(in USD million, unless stated otherwise)**	**2020**	**2019**	**Change**
(989)	(2,019)	1,516	N/A	Net operating income/(loss)	**(3,423)**	9,299	N/A
756	780	3,550	(79%)	Adjusted earnings [5]	**3,938**	13,484	(71%)
(2,416)	(2,124)	(230)	>(100%)	Net income/(loss)	**(5,496)**	1,851	N/A
(554)	271	1,186	N/A	Adjusted earnings after tax [5]	**924**	4,925	(81%)
2,043	1,994	2,198	(7%)	Total equity liquids and gas production (mboe per day) [4]	**2,070**	2,074	(0%)
40.6	38.3	56.5	(28%)	Group average liquids price (USD/bbl) [1]	**36.5**	56.0	(35%)

[1] This is a non-GAAP figure. Comparison numbers and reconciliation to IFRS are presented in the table Calculation of capital employed and net debt to capital employed ratio as shown under the Supplementary section in the report.

GROUP REVIEW

Fourth quarter 2020

Total equity liquids and gas production [4] was 2,043 mboe per day in the fourth quarter of 2020, down 7% compared to 2,198 mboe per day in the fourth quarter of 2019 mainly due to expected natural decline, turnarounds for several fields especially on the Norwegian continental shelf (NCS) and the shutdown at the Hammerfest LNG plant. Production halt in Brazil and the divestment of the Eagle Ford asset in the E&P USA segment in the fourth quarter of 2019 contributed to the decrease. New fields on the NCS, higher flexible gas off-take and new wells in the US onshore partially offset the decrease.

Total entitlement liquids and gas production [3] was 1,912 mboe per day in the fourth quarter of 2020, down 7% compared to 2,056 mboe per day in the fourth quarter of 2019. The production was negatively influenced by the factors mentioned above, partially offset by lower effects from production sharing agreements (PSA) [4], and lower US royalty volumes. The net effect of PSA and US royalties was 131 mboe per day in total in the fourth quarter of 2020 compared to 142 mboe per day in the fourth quarter of 2019.

Q4 2020	Quarters Q3 2020	Q4 2019	Change Q4 on Q4	Condensed income statement under IFRS (unaudited, in USD million)	2020	Full year 2019	Change
11,746	11,339	15,169	(23%)	Total revenues and other income	**45,818**	64,357	(29%)
(5,533)	(5,307)	(6,603)	(16%)	Purchases [net of inventory variation]	**(20,986)**	(29,532)	(29%)
(2,156)	(2,368)	(2,405)	(10%)	Operating and administrative expenses	**(9,537)**	(10,469)	(9%)
(3,478)	(4,798)	(4,165)	(17%)	Depreciation, amortisation and net impairment losses	**(15,235)**	(13,204)	15%
(1,569)	(886)	(480)	>100%	Exploration expenses	**(3,483)**	(1,854)	88%
(989)	(2,019)	1,516	N/A	Net operating income/(loss)	**(3,423)**	9,299	N/A
(2,416)	(2,124)	(230)	>(100%)	Net income/(loss)	**(5,496)**	1,851	N/A

Net operating income was negative USD 989 million in the fourth quarter of 2020, compared to positive USD 1,516 million in the fourth quarter of 2019. The decrease was mainly due to lower liquids and gas prices and write down of previously capitalised well costs of USD 982 million related to the Tanzania LNG project. Lower production for liquids and gas in addition to weak refinery margins contributed to the decrease. Lower depreciation expenses and operating expenses partially offset the decrease.

In the fourth quarter of 2020, net operating income was negatively impacted by impairments[2] of USD 1,299 million and inventory hedging effects of USD 315 million.

In the fourth quarter of 2019, net operating income was negatively impacted mainly by net impairments of USD 1,425 million which includes USD 23 million related to associated companies, changes in fair value of derivatives and inventory hedge contracts of USD 282 million and higher volumes in inventory with unrealised profit written down to production cost of USD 591 million. Net operating income was positively affected by a net gain from the sale of assets of USD 185 million.

[2] For more information, see note 2 Segments to the Condensed interim financial statements.

Q4 2020	Quarters Q3 2020	Q4 2019	Change Q4 on Q4	Adjusted earnings (in USD million)	2020	Full year 2019	Change
11,985	10,909	15,336	(22%)	Adjusted total revenues and other income	**45,908**	63,335	(28%)
(5,298)	(5,203)	(6,048)	(12%)	Adjusted purchases [6]	**(21,154)**	(29,024)	(27%)
(2,184)	(2,179)	(2,496)	(13%)	Adjusted operating and administrative expenses	**(9,159)**	(9,850)	(7%)
(2,495)	(2,445)	(2,806)	(11%)	Adjusted depreciation, amortisation and net impairment losses	**(9,520)**	(9,775)	(3%)
(1,252)	(302)	(437)	>100%	Adjusted exploration expenses	**(2,138)**	(1,203)	78%
756	780	3,550	(79%)	Adjusted earnings [5]	**3,938**	13,484	(71%)
(554)	271	1,186	N/A	Adjusted earnings after tax [5]	**924**	4,925	(81%)

For items impacting net operating income/(loss), see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

Adjusted total revenues and other income were USD 11,985 million in the fourth quarter of 2020 compared to USD 15,336 million in the fourth quarter of 2019. The decrease was mainly due to lower average prices for liquids and gas and lower production, especially for liquids.

Adjusted purchases [6] were USD 5,298 million in the fourth quarter of 2020, compared to USD 6,048 million in the fourth quarter of 2019. The decrease was mainly due to lower average prices for liquids and gas, partially offset by higher third-party volumes for liquids.

Adjusted operating and administrative expenses were USD 2,184 million in the fourth quarter of 2020, compared to USD 2,496 million in the fourth quarter of 2019. The decrease was mainly due to lower transportation costs, especially in the MMP segment, primarily due to lower freight rates on shipping of liquids in addition to decreased production in the E&P International segment. Lower operation and maintenance costs due to reduced activity in the E&P International and E&P USA segments, the divestment of the Eagle Ford asset in the E&P USA segment, and a settlement with COSL in the fourth quarter of 2019 contributed to the decrease. Increased Gassled removal cost in the E&P Norway segment partially offset the decrease.

Adjusted depreciation, amortisation and net impairment losses were USD 2,495 million in the fourth quarter of 2020, compared to USD 2,806 million in the fourth quarter of 2019. The decrease was mainly due to lower production in all segments and higher proved reserves estimates especially in the E&P International and E&P USA segments. Lower depreciation basis resulting from net impairments in previous periods contributed to the decrease. Higher investments partially offset the decrease.

Adjusted exploration expenses were USD 1,252 million in the fourth quarter of 2020, compared to USD 437 million in the fourth quarter of 2019. The increase was mainly due to write down of previously capitalised well costs of USD 982 million related to the Tanzania LNG project and a lower portion of exploration expenditures being capitalised. Lower drilling, seismic and field development costs partially offset the increase. For more information, see the table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[3] of USD 1,746 million to net operating income, **Adjusted earnings** [5] were USD 756 million in the fourth quarter of 2020, a 79% decrease from USD 3,550 million in the fourth quarter of 2019.

Adjusted earnings after tax [5] were negative USD 554 million in the fourth quarter of 2020, which reflects an effective tax rate on adjusted earnings of 173.2%, compared to 66.6% in the fourth quarter of 2019. The increase in the effective tax rate was mainly due to decreased adjusted earnings in the fourth quarter of 2020 in entities with lower than average tax rates, and in entities without recognised taxes, partially offset by the temporary changes to Norway's petroleum tax system as described in note 8 Impact of pandemic and oil price decline to the Condensed interim financial statements.

Cash flows provided by operating activities increased by USD 570 million compared to the fourth quarter of 2019. The increase was mainly due to decreased tax payments, partially offset by lower liquids and gas prices and a change in working capital.

Cash flows used in investing activities increased by USD 577 million compared to the fourth quarter of 2019. The increase was mainly due to reduced proceeds from sale of assets, increased derivative payments and increased financial investments, partially offset by lower capital expenditures.

[3] For items impacting net operating income, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

Cash flows provided by financing activities increased by USD 379 million compared to the fourth quarter of 2019. The increase was mainly due to decreased dividend paid, increased collateral received and increased short-term debt, partially offset by no new finance debt in the quarter.

Total cash flows increased by USD 370 million compared to the fourth quarter of 2019.

Free cash flow [5] in the fourth quarter of 2020 was USD 1,363 million compared to negative USD 513 million in the fourth quarter of 2019. The increase was mainly due to decreased tax payments and decreased dividend paid, partially offset by lower liquids and gas prices and reduced proceeds from sale of assets.

Full year 2020

Net operating income was negative USD 3,423 million in 2020 compared to positive USD 9,299 million in 2019. The decrease was mainly due to lower liquids and gas prices, net impairments[4] primarily related to reduced price assumptions[5] in addition to negative reserve updates and write down of previously capitalised well costs of USD 982 million related to the Tanzania LNG project.

In 2020, net operating income was negatively impacted mainly by net impairments[4] of USD 7,053 million and provisions of USD 296 million.

In 2019, net operating income was negatively affected mainly by net impairments of USD 4,103 million which includes USD 23 million related to associated companies, provisions of USD 485 million and a change in accounting policy of USD 123 million and net overlift effect of USD 134 million. Net operating income was positively impacted by a net gain on the sale of assets of USD 1,184 million and operational storage effects of USD 121 million in 2019.

Adjusted total revenues and other income were USD 45,908 million in 2020 compared to USD 63,335 million in 2019. The decrease was mainly due to lower average prices for liquids and gas.

Adjusted purchases [6] were USD 21,154 million in 2020 compared to USD 29,024 million in 2019. The decrease was mainly due to lower average prices for liquids and gas, partially offset by higher volumes for liquids.

Adjusted operating and administrative expenses were USD 9,159 million in 2020, a decrease of USD 691 million compared to 2019. The decrease was mainly due to the NOK/USD exchange rate development and the divestment of the Eagle Ford asset in the E&P USA segment in the fourth quarter of 2019. Lower royalties and production fees driven by lower volumes and prices in addition to lower activity level contributed to the decrease. Higher transportation cost for liquids mainly due to higher freight rates on shipping in the MMP segment partially offset the decrease.

Adjusted depreciation, amortisation and net impairment losses were USD 9,520 million in 2020, down USD 255 million compared to 2019. The decrease was mainly due to higher proved reserves estimates for several fields and lower depreciation basis resulting from net impairments in previous periods. Lower field specific production especially in the E&P International segment contributed to the decrease. Higher investments mainly in the US in addition to ramp-up of new fields especially on the NCS partially offset the decrease.

Adjusted exploration expenses increased by USD 936 million to USD 2,138 million in 2020, primarily due to write down of previously capitalised well costs of USD 982 million related to the Tanzania LNG project and a lower portion of exploration expenses being capitalised this year. Lower seismic, drilling, field development and other costs partially offset the increase. For more information, see table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[6] of USD 7,361 million to net operating income, **Adjusted earnings** [5] were USD 3,938 million in 2020, down 71% from USD 13,484 million in 2019.

Adjusted earnings after tax [5] were USD 924 million in full year of 2020, compared to USD 4,925 million in the full year of 2019. The effective tax rate on adjusted earnings was 76.5% in full year of 2020, compared to an effective tax rate of 63.5% in full year of 2019. The increase in the effective tax rate was mainly due to decreased adjusted earnings in 2020 in entities with lower than average tax rates, and in entities without recognised taxes, partially offset by the temporary changes to Norway´s petroleum tax system as described in note 8 Impact of pandemic and oil price decline to the Condensed interim financial statements, in addition to changes in provision for best estimates for uncertain tax positions.

[4] For more information, see note 2 Segments to the Condensed interim financial statements.
[5] For more information, see note 6 Property, plant and equipment and intangible assets to the Condensed interim financial statements.
[6] For items impacting net operating income, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

Based on adjusted earnings after tax and average capital employed, calculated **return on average capital employed (ROACE)** [5] was 1.8% for the 12-month period ended 31 December 2020 and 9.0% for the 12-month period ended 31 December 2019.

Organic capital expenditures [5] amounted to USD 7.8 billion for the year ended 2020, compared to guidance for 2020 of USD 8.5 billion. Total capital expenditures were USD 9.8 billion in 2020.

Estimated **Proved reserves** at the end of 2020 were 5.260 billion barrels of oil equivalent (boe), a net decrease of 744 million boe compared to 6.004 billion boe at the end of 2019.

The decrease was mainly due to negative revisions of net 171 million boe, strongly influenced by the reduction in commodity prices in 2020. Negative revisions totaled 388 million boe, of which 194 million boe was due to the reduction in prices. Positive reserves revisions and improved oil recovery (IOR) efforts of 217 million boe, extensions and discoveries of 131 million boe and purchases of 6 million boe added to proved reserves in 2020.

The negative effect of the entitlement production was 710 million boe in 2020, compared to 698 million boe in 2019.

The reserve replacement ratio (RRR) was negative 5% in 2020 compared to positive 76% in 2019. The RRR measures the estimated proved reserves added to the reserve base, including the effects of sales and purchases, relative to the amount of oil and gas produced. The reduction in RRR from last year was primarily due to negative revisions caused by lower prices and less proved reserves added from new projects sanctioned. The average three-year replacement ratio (including the effects of sales and purchases), was 95% at the end of 2020 compared to 147% at the end of 2019.

All numbers are preliminary and including equity accounted entities.

Cash flows provided by operating activities decreased by USD 3,362 million compared to 2019. The decrease was mainly due to lower liquids and gas prices and a change in working capital, partially offset by decreased tax payments and increased cash flow from derivatives.

Cash flows used in investing activities increased by USD 1,498 million compared to 2019. The increase was mainly due to increased financial investments, reduced proceeds from sale of assets and increased derivative payments, partially offset by lower cash flow used for business combinations and capital expenditures.

Cash flows provided by financing activities increased by USD 8,487 million compared to 2019. The increase was mainly due to bond issues, increased short-term debt, decreased dividend paid and increased collateral payments related to derivatives, partially offset by increased repayment of finance debt and increased payments related to the share buy-back programme.

Total cash flows increased by USD 3,627 million compared to 2019.

Free cash flow [5] for 2020 was USD 85 million including USD 332 million received from the Lundin divestment included in the line item (Increase)/decrease in the Consolidated statement of cash flow, compared to negative USD 175 million in 2019. The increase was mainly due to decreased tax payments, lower cash flow used for business combinations, lower capital expenditures, decreased dividend paid and increased cash flow from derivatives, partially offset by lower liquids and gas prices, reduced proceeds from sale of assets and increased payments related to the share buy-back programme.

OUTLOOK

- **Organic capital expenditures** [5] are estimated at an annual average of USD 9-10 billion for 2021-2022[7]
- Equinor intends to continue to mature its attractive portfolio of exploration assets and estimates a total **exploration activity** level of around USD 0.9 billion for 2021, excluding signature bonuses, accruals and field development costs
- Equinor's ambition is to keep the **unit of production cost** in the top quartile of its peer group
- For the period 2020–2026, **production growth** [7] is expected to come from new projects resulting in around 3% CAGR (Compound Annual Growth Rate) based on current forecast
- **Scheduled maintenance activity** is estimated to reduce equity production by around 50 mboe per day for the full year of 2021
- **Production** [7] for 2021 is estimated to be around 2% above 2020 level

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. We continue to monitor the impact of Covid-19 on our operations. Deferral of production to create future value, production cuts, gas off-take, timing of new capacity coming on stream, operational regularity, the ongoing impact of Covid-19 and activity level in the US onshore represent the most significant risks related to the foregoing production guidance. There has been considerable uncertainty created by the Covid-19 pandemic and we are still unable to predict the ultimate impact of this event, including impact on general economic conditions worldwide. Our future financial performance, including cash flow and liquidity, will be impacted by the extent and duration of the current market conditions, the development in realised prices, including price differentials and the effectiveness of actions taken in response to the pandemic. For further information, see section Forward-looking statements.

References

To see end notes referenced in main table and text please download our complete report from our website - https://www.equinor.com/quarterlyreports

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[7] USD/NOK exchange rate assumption of 9.0