Press release

07 May, 2020

Equinor first quarter 2020 results

Equinor reports adjusted earnings of USD 2.05 billion and USD 0.56 billion after tax in the first quarter of 2020. IFRS net operating income was USD 0.06 billion and the IFRS net income was negative USD 0.71 billion, following net impairments of USD 2.45 billion.

The first quarter was characterised by

- Rapid and forceful response to the Covid-19 pandemic, the fall in commodity prices and the market uncertainty
  - Launch of a USD 3 billion action plan for 2020 to strengthen financial resilience
  - Suspension of share buy-back under the share buy-back programme
  - Cash dividend for first quarter reduced to USD 0.09 per share
- Solid cash flow and net debt ratio[1] at 25.8%
- Financial results impacted by lower commodity prices
- Solid operational performance with record high production and successful ramp-up to a higher plateau production level at Johan Sverdrup at the end of April

"The Covid-19 pandemic is impacting people, societies and industries across the world. Joint efforts by individuals, governments and companies are necessary to respond to the current global emergency. We are all in this together and Equinor has launched a forceful and rapid response. Safety is our first priority and we have taken actions to keep our people safe and healthy, contribute positively in the societies in which we operate and mitigate spread of the virus. We have also taken forceful actions to strengthen our financial resilience, and we are prepared to take further measures as necessary to protect people, operations and value creation," says Eldar Sætre, President and CEO of Equinor ASA.

"In times like this, with the current unprecedented market conditions and uncertainties, it is more important than ever to have a clear direction for the long-term development of the company. Our values and strategy remain firm, and we are committed to develop Equinor as a broad energy company. It is a sound business strategy to ensure competitiveness and drive change towards a low carbon future, based on a strong commitment to value creation for our shareholders," says Sætre.

"Our financial results in the quarter were impacted by the lower commodity prices. However, we delivered strong operational performance with record high production and solid cash flow under these market conditions. Uncertainty remains high with very low commodity prices and increased differentials towards the end of first quarter and in the start of the second quarter. We will continue to prioritise value over volume and have already reduced activity, particularly in the US onshore. We will consider further activity reductions and use the flexibility we have in our portfolio as necessary," says Sætre.

Adjusted earnings [5] were USD 2.05 billion in the first quarter, down from USD 4.19 billion in the same period in 2019. Adjusted earnings after tax [5] were USD 0.56 billion, down from USD 1.54 billion in the same period last year. Lower prices for both liquids and gas impacted the earnings for the quarter.

In first quarter, Equinor announced a plan for reducing costs[2] for 2020 by around USD 700 million compared to original estimates. Operating costs in first quarter 2020, were improved from last quarter and we see lower unit production costs. For E&P Norway Equinor saw lower prices with increased production and high regularity. Results in the E&P International segment were impacted by the low prices on both gas and liquids, despite a slight reduction of operating costs and increase in production. The Marketing, Midstream and Processing segment reported strong results from European natural gas offset by the effects of weak refinery margins and product trading in a demanding volatile market. Equinor delivered record high electricity production from the renewable business.

IFRS net operating income was USD 0.06 billion in the first quarter, down from USD 4.73 billion in the same period of 2019. IFRS net income was negative USD 0.71 billion in the first quarter, down from positive USD 1.71 billion in the first quarter of 2019. Net operating income was impacted by net impairment charges of USD 2.45 billion, of which USD 0.86 billion relates to assets at the Norwegian continental shelf and USD 1.40 billion to the international portfolio. Impairments are mainly triggered by reduction in short-term price assumptions.

Equinor delivered record high total equity production of 2,233 mboe per day in the first quarter, up 3% from the same period in 2019. The flexibility in the gas fields was used to defer production into periods with higher expected gas prices. Successful rampup of new fields as well as new well capacity, contributed to growth in production. The ramp- up of Johan Sverdrup contributes significantly to the increased production in the quarter, and the field reached a higher plateau production level at 470,000 boe per day in late April. Equinor expects to deliver an average annual production growth of around 3% from 2019 to 2026. Due to market uncertainties, government-imposed production curtailments and Equinor's value over volume approach, Equinor has suspended further production guidance for 2020.

At the end of first quarter 2020 Equinor has completed 5 exploration wells with 3 commercial discoveries, and 17 wells were ongoing. Adjusted exploration expenses in the quarter were USD 0.30 billion, compared to USD 0.27 billion in the same quarter of 2019.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 4.50 billion in the first quarter, compared to USD 6.45 billion in 2019. Organic capital expenditure [5] was USD 2.30 billion for the three first months of 2020. Equinor expects an organic capex of around USD 8.5 billion for 2020 and is updating its organic capex expectation for 2021 to around USD 10 billion. At the closing of the quarter net debt to capital employed(1) was 25.8%, up two percentage points mainly as a result of currency impact on equity. Following the implementation of IFRS 16, net debt to capital employed(1) was 31.3%.

The board of directors has decided a cash dividend of USD 0.09 per share for the first quarter 2020, a reduction of 67% compared to the proposed fourth quarter 2019 dividend level.

The twelve-month average Serious Incident Frequency (SIF) for the period ending 31 March was 0.6 for 2020 and in 2019. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending 31 March was 2.3 for 2020, compared to 2.9 in 2019.

		Quarters		Change
(in USD million, unless stated otherwise)	**Q1 2020**	**Q4 2019**	**Q1 2019**	**Q1 on Q1**
Net operating income/(loss)	**58**	1,516	4,732	(99%)
Adjusted earnings [5]	**2,047**	3,550	4,187	(51%)
Net income/(loss)	**(705)**	(230)	1,712	N/A
Adjusted earnings after tax [5]	**561**	1,186	1,535	(63%)
Total equity liquids and gas production (mboe per day) [4]	**2,233**	2,198	2,178	3%
Group average liquids price (USD/bbl) [1]	**44.2**	56.5	55.8	(21%)

GROUP REVIEW

First quarter 2020

Total equity liquids and gas production [4] was 2,233 mboe per day in the first quarter of 2020, up 3% compared to 2,178 mboe per day in the first quarter of 2019. The increase was mainly due to contributions from new fields on the NCS and in the UK, in addition to new wells in the US onshore business. The increase was partially offset by expected natural decline, portfolio changes and reduced flexible gas production due to lower prices[3] this quarter.

Total entitlement liquids and gas production [3] was 2,076 mboe per day in the first quarter of 2020, up 4% compared to 2,001 mboe per day in the first quarter of 2019. In addition to the factors mentioned above, production was positively influenced by lower effects from production sharing agreements (PSA) [4], and lower US royalty volumes. The net effect of PSA and US royalties was 157 mboe per day in total in the first quarter of 2020 compared to 177 mboe per day in the first quarter of 2019.

[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.
[2] Operating cost (excluding variable cost such as transportation and processing), sales and general administration and field development costs. Expensed exploration costs are not included.
[3] For more information, see note 8 Impact of the Covid-19 pandemic and oil price decline to the Condensed interim financial statements.

Condensed income statement under IFRS (unaudited, in USD million)	Q1 2020	Quarters Q4 2019	Q1 2019	Change Q1 on Q1
Total revenues and other income	**15,130**	15,169	16,482	(8%)
Purchases [net of inventory variation]	**(7,396)**	(6,603)	(6,656)	11%
Operating and administrative expenses	**(2,603)**	(2,405)	(2,639)	(1%)
Depreciation, amortisation and net impairment losses	**(4,438)**	(4,165)	(2,188)	>100%
Exploration expenses	**(635)**	(480)	(268)	>100%
Net operating income/(loss)	**58**	1,516	4,732	(99%)
Net income/(loss)	**(705)**	(230)	1,712	N/A

Net operating income was USD 58 million in the first quarter of 2020, compared to USD 4,732 million in the first quarter of 2019. The decrease was primarily due to net impairments mainly related to decreased short-term oil price assumptions and construction delays mainly caused by the Covid-19 pandemic[4]. Lower liquids and gas prices in the E&P reporting segments and weak refinery margins and liquids trading in MMP added to the decrease.

In the first quarter of 2020, net operating income was negatively impacted mainly by net impairments of USD 2,452 million[3] and operational storage effects of USD 343 million.

In the first quarter of 2019, net operating income was positively impacted by changes in unrealised fair value of derivatives and inventory hedge contracts of USD 706 million and an impairment reversal of USD 116 million. In addition, net operating income was negatively impacted by an implementation effect of USD 123 million from a change of accounting policy for lifting imbalances.

Adjusted earnings (in USD million)	Q1 2020	Quarters Q4 2019	Q1 2019	Change Q1 on Q1
Adjusted total revenues and other income	**14,970**	15,336	15,772	(5%)
Adjusted purchases [6]	**(7,856)**	(6,048)	(6,543)	20%
Adjusted operating and administrative expenses	**(2,445)**	(2,496)	(2,470)	(1%)
Adjusted depreciation, amortisation and net impairment losses	**(2,321)**	(2,806)	(2,303)	1%
Adjusted exploration expenses	**(302)**	(437)	(268)	13%
Adjusted earnings [5]	**2,047**	3,550	4,187	(51%)
Adjusted earnings after tax [5]	**561**	1,186	1,535	(63%)

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

Adjusted total revenues and other income were USD 14,970 million in the first quarter of 2020 compared to USD 15,772 million in the first quarter of 2019 decreased mainly due to lower average prices for liquids and gas, partially offset by higher sales volumes.

Adjusted purchases [6] were USD 7,856 million in the first quarter of 2020, compared to USD 6,543 million in the first quarter of 2019. The increase was mainly due to higher third-party crude oil and gas volumes, partially offset by lower average prices for liquids and gas.

Adjusted operating and administrative expenses were USD 2,445 million in the first quarter of 2020, compared to USD 2,470 million in the first quarter of 2019. The minor decrease was mainly due to the positive NOK/USD currency exchange rate development and reduced Gassled removal costs in E&P Norway. Lower royalties and production fees in addition to portfolio changes in E&P International added to the decrease. Higher transportation costs for liquids especially in MMP mostly offset the decrease.

[4] For more information, see note 2 Segments and note 8 Impact of the Covid-19 pandemic and oil price decline to the Condensed interim financial statements.

Adjusted depreciation, amortisation and net impairment losses were USD 2,321 million in the first quarter of 2020, compared to USD 2,303 million in the first quarter of 2019. The slight increase was mainly due to ramp-up of new fields, especially on the NCS and in the UK in addition to increased investment mainly in the US onshore business. Higher proved reserves estimates, the positive NOK/USD exchange rate development and a lower cost base due to impairments of assets mostly offset the increase.

Adjusted exploration expenses were USD 302 million in the first quarter of 2020, compared to USD 268 million in first quarter of 2019. The increase was mainly due to higher drilling costs and a higher portion of exploration expenditure capitalised earlier years being expensed this quarter. A higher portion of exploration expenditures being capitalised and lower seismic costs this quarter mostly offset the increase. For more information, see the table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[5] of USD 1,989 million to net operating income, **Adjusted earnings** [5] were USD 2,047 million in the first quarter of 2020, a 51% reduction from USD 4,187 million in the first quarter of 2019.

Adjusted earnings after tax [5] were USD 561 million in the first quarter of 2020, which reflects an effective tax rate on adjusted earnings of 72.6%, compared to 63.3% in the first quarter of 2019. The increase in the effective tax rate was mainly due to decreased adjusted earnings in the first quarter of 2020 in entities with lower than average tax rates, and in entities without recognised taxes.

Cash flows provided by operating activities decreased by USD 91 million compared to the first quarter of 2019. The decrease was mainly due to lower liquids and gas prices, partially offset by a change in working capital, increased cash flow from derivatives and decreased tax payments.

Cash flows used in investing activities decreased by USD 3,106 million compared to the first quarter of 2019. The decrease was mainly due to decreased financial investments.

Cash flows used in financing activities increased by USD 96 million compared to the first quarter of 2019. The increase was mainly due to increased collateral payments related to derivatives, partially offset by decreased payment of short-term debt.

Total cash flows increased by USD 2,918 million compared to the first quarter of 2019.

Free cash flow [5] in the first quarter of 2020 was USD 362 million compared to USD 1,837 million in the first quarter of 2019. The decrease was mainly due to lower liquids and gas prices, partially offset by increased cash flow from derivatives and decreased tax payments.

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

OUTLOOK

- **Organic capital expenditures** [5] are estimated at around USD 8.5 billion for 2020[6], around USD 10 billion for 2021[6], and around USD 12 billion annual average for 2022-2023
- Equinor intends to continue to mature its attractive portfolio of exploration assets and estimates a total **exploration activity** level of around USD 1 billion for 2020, excluding signature bonuses 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 2019–2026, **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 25 mboe per day for the full year of 2020

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, impact of Covid-19, activity level in the US onshore, as well as uncertainty around the closing of the announced transactions 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 unable to predict the impact of this event. 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. We cannot predict how long current supply and demand imbalances will last or what the ultimate impact of Covid- 19 will be on general economic conditions worldwide. For further information, see section 5.7 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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[6] USD/NOK exchange rate assumption of 11.0.