Press release

27 October, 2021

Equinor third quarter 2021 results

Equinor reports adjusted earnings of USD 9.77 billion and USD 2.78 billion after tax in the third quarter of 2021. IFRS net operating income was USD 9.57 billion and the IFRS net income was USD 1.41 billion.

The third quarter of 2021 was characterised by:

- Strong results due to higher prices and solid operating performance
- Very strong cash flow and continued improvement of adjusted net debt ratio[(1)] to 13.2%.
- Optimising gas production and Troll Phase 3 brought on stream
- Cash dividend of USD 0.18 per share and increasing second tranche of share buy-back from USD 300 million to USD 1 billion

"We capture value from the higher commodity prices and with a solid operational performance we deliver strong results. Strict capital discipline and a very strong net cash flow strengthen our balance sheet and improve our adjusted net debt ratio to 13.2%," says Anders Opedal, President and CEO of Equinor ASA.

"The global economy is in recovery, but we are still prepared for volatility related to the impact of the pandemic. The current unprecedented level and volatility in European gas prices underlines the uncertainty in the market. Equinor has an important role as a reliable energy provider to Europe and we have taken steps to increase our gas exports to respond to the high demand," says Opedal.

"The highly profitable Troll Phase 3 was brought on stream and Martin Linge has been ramping up, both supplying gas to Europe with low emissions from production. Our large offshore wind projects are progressing according to plan. Together with our partners, we reached an important milestone with the East Coast Cluster in the UK named as one of the two first carbon capture, usage and storage clusters in the country. In Norway, we launched a plan for industry cooperation for the transition of the Norwegian Continental Shelf as an energy hub in a low carbon future," says Opedal.

Adjusted earnings [5] were USD 9.77 billion in the third quarter, up from USD 0.78 billion in the same period in 2020. Adjusted earnings after tax [5] were USD 2.78 billion, up from USD 0.27 billion in the same period last year.

IFRS net operating income was USD 9.57 billion in the third quarter, up from negative USD 2.02 billion in the same period in 2020. IFRS net income was USD 1.41 billion in the third quarter, compared to negative USD 2.12 billion in the third quarter of 2020. Net operating income was impacted by higher prices for gas and liquids, significant positive effects from derivatives mainly related to European gas, and net reversal of impairments of USD 0.51 billion including a reversal of USD 0.98 billion related to an offshore asset in E&P Norway and an impairment of USD 0.48 billion related to a refinery in the Marketing, midstream and processing segment.

The results of all E&P segments are positively impacted by the higher commodity prices. Strong operational performance, continued improvement focus and strict capital discipline supported additional value creation and strong cash flow. Based on updated estimates, taxes to be paid on the Norwegian Continental Shelf in the fourth quarter are expected at around USD 6.32 billion[(2)], of which USD 4.99 billion was paid on 1 October. Half of the petroleum taxes to Norway related to 2021 will be paid in the first half of 2022.

E&P Norway also benefitted from a positive contribution from new fields in production. With only one tax payment based on previously lower price expectations, E&P Norway contributed significantly to the group cash flow in the quarter.

The Marketing, midstream and processing segment delivered high results mainly due to the mark to market impact of derivatives related to gas sales to Europe. These gains will be followed by losses in the segment when volumes are delivered under the long-term contracts.

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[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] Based on USD/NOK exchange rate of 8.78

The decision to take derivative positions has been beneficial to the group but created volatility in this segment. In addition to the effect from the derivatives related to the European gas market, the results were positively impacted by solid results from North American gas.

Compared to the same quarter last year the Renewables segment experienced lower winds for the offshore wind assets, partially offset by high availability and higher electricity prices. From the third quarter Equinor has decided to change its policy and will exclude gains and losses from sales of assets from the adjusted earnings for the Renewables segment.

Equinor delivered total equity production of 1,996 mboe per day in the third quarter, up from 1,994 mboe per day in the same period in 2020. Production from a new field and increased production from Johan Sverdrup, as well as solid production efficiency and optimised gas production was partially offset by the divestment of Bakken and the shutdown of Hammerfest LNG. Equity production of renewable energy for the quarter was 304 GWh, down from 319 GWh for the same period last year, impacted by lower wind than the seasonal average.

At the end of third quarter 2021, Equinor had completed 17 exploration wells with 6 commercial discoveries and 11 wells were ongoing. Adjusted exploration expenses in the third quarter were USD 0.21 billion, compared to USD 0.30 billion in the same quarter of 2020.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 10.80 billion for the third quarter, compared to USD 3.34 billion for the same period in 2020. Organic capital expenditure [5] was USD 5.89 billion for the first nine months of 2021. At the end of the quarter adjusted net debt to capital employed (3) was 13.2 %, down from 16.4% in the second quarter of 2021. Including the lease liabilities according to IFRS 16, the net debt to capital employed(3) was 20.2%.

The board of directors has declared a cash dividend of USD 0.18 per share for the third quarter of 2021.

In the quarter Equinor completed the market transactions of the first tranche of the share buy-back program for 2021 with a total value of USD 99 million. This corresponds to USD 300 million in total, including shares to be redeemed from the Norwegian State and annulled.

Based on favourable commodity price conditions, strong cash flow generation and an adjusted net debt ratio(3) of 13.2% the board of directors has decided to increase the size of the second tranche of the share buy-back, from an indicative level of USD 300 million communicated at the Capital Market Day in June, to USD 1 billion, including shares to be redeemed from the Norwegian State. The second tranche commences on 27 October and will end no later than 31 January 2022.

The twelve-month average Serious Incident Frequency (SIF) for the period ending 30 September was 0.4 for 2021, down from 0.5 in 2020. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending 30 September was 2.5, up from 2.3 in 2020.

	Quarters		Change		First nine months		
Q3 2021	**Q2 2021**	**Q3 2020**	**Q3 on Q3**	**(in USD million, unless stated otherwise)**	**2021**	**2020**	**Change**
9,567	5,298	(2,019)	N/A	Net operating income/(loss)	**20,085**	(2,434)	N/A
9,771	4,641	780	>100%	Adjusted earnings [5]	**18,497** 1)	3,181	>100%
1,409	1,943	(2,124)	N/A	Net income/(loss)	**5,206**	(3,080)	N/A
2,777	1,578	271	>100%	Adjusted earnings after tax [5]	**5,644** 1)	1,478	>100%
1,996	1,997	1,994	0%	Total equity liquids and gas production (mboe per day) [4]	**2,053**	2,079	(1%)
69.2	63.7	38.3	81%	Group average liquids price (USD/bbl) [1]	**63.2**	35.2	80%

1) Restated following a change in the policy for adjusted earnings. For more information, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

3 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

Third quarter 2021

Total equity liquids and gas production [4] was 1,996 mboe per day in the third quarter of 2021, compared to 1,994 mboe per day in the third quarter of 2020. The increase was mainly due to higher flexible gas off-take, ramp-up and positive contributions of fields on the Norwegian continental shelf, offset by the divestment of an unconventional US onshore asset in the previous quarter, expected natural decline and the shutdown at the Hammerfest LNG plant.

Total entitlement liquids and gas production [3] was 1,855 mboe per day in the third quarter of 2021, down 1% compared to 1,865 mboe per day in the third quarter of 2020. The production was negatively influenced by the factors mentioned above in addition to lower entitlements under production sharing agreements (PSA) [4] as a result of higher prices. The net effect of PSA and US royalties was 141 mboe per day in total in the third quarter of 2021 compared to 129 mboe per day in the third quarter of 2020.

	Quarters		Change	Condensed income statement under IFRS	First nine months		
Q3 2021	Q2 2021	Q3 2020	Q3 on Q3	(unaudited, in USD million)	2021	2020	Change
23,264	17,462	11,339	>100%	Total revenues and other income	**58,316**	34,073	71%
(9,052)	(7,399)	(5,307)	71%	Purchases [net of inventory variation]	**(23,617)**	(15,453)	53%
(2,386)	(2,329)	(2,368)	1%	Operating and administrative expenses	**(6,875)**	(7,382)	(7%)
(2,034)	(2,111)	(4,798)	(58%)	Depreciation, amortisation and net impairment losses	**(6,942)**	(11,757)	(41%)
(226)	(326)	(886)	(74%)	Exploration expenses	**(798)**	(1,914)	(58%)
9,567	5,298	(2,019)	N/A	Net operating income/(loss)	**20,085**	(2,434)	N/A
1,409	1,943	(2,124)	N/A	Net income/(loss)	**5,206**	(3,080)	N/A

Balance sheet information: The sum of equity accounted investments and non-current segment assets was USD 73,281 million at 30 September 2021, compared to USD 74,305 million at 30 September 2020.

Net operating income was positive USD 9,567 million in the third quarter of 2021, compared to negative USD 2,019 million in the third quarter of 2020. The increase was mainly due to higher average prices for liquids and gas, significant positive impact from commodity derivatives and net reversal of impairments in the third quarter of 2021 compared to net impairment losses in third quarter of 2020.

In the third quarter of 2021, net operating income was positively impacted by net reversal of impairments[4] of USD 513 million and negatively impacted by inventory hedges of USD 748 million. In the third quarter of 2020, net operating income was negatively impacted by net impairments of USD 2,928 million and provisions of USD 108 million. Changes in fair value of derivatives and inventory hedge contracts of USD 352 million partially offset the decrease.

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

Q3 2021	Quarters Q2 2021	Q3 2020	Change Q3 on Q3	Adjusted earnings (in USD million)	First nine months 2021	2020	Change
24,134	17,173	10,909	>100%	Adjusted total revenues and other income	**57,252** 1)	33,923	69%
(9,127)	(7,531)	(5,203)	75%	Adjusted purchases [6]	**(23,729)**	(15,856)	50%
(2,464)	(2,287)	(2,179)	13%	Adjusted operating and administrative expenses	**(6,924)**	(6,975)	(1%)
(2,565)	(2,500)	(2,445)	5%	Adjusted depreciation, amortisation and net impairment losses	**(7,451)**	(7,025)	6%
(207)	(212)	(302)	(31%)	Adjusted exploration expenses	**(650)**	(886)	(27%)
9,771	4,641	780	>100%	Adjusted earnings [5]	**18,497** 1)	3,181	>100%
2,777	1,578	271	>100%	Adjusted earnings after tax [5]	**5,644** 1)	1,478	>100%

For items impacting net operating income/(loss), see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.
1) Restated following a change in the policy for adjusted earnings. For more information, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

Adjusted total revenues and other income were USD 24,134 million in the third quarter of 2021, compared to USD 10,909 million in the third quarter of 2020. The increase was mainly due to significantly higher average prices for liquids and gas and higher gas production, partially offset by lower liquids production.

Adjusted purchases [6] were USD 9,127 million in the third quarter of 2021, compared to USD 5,203 million in the third quarter of 2020. The increase was mainly due to significantly higher average prices for liquids and gas, partially offset by lower third party purchases.

Adjusted operating and administrative expenses were USD 2,464 million in the third quarter of 2021, compared to USD 2,179 million in the third quarter of 2020. The increase was mainly due to higher operation and maintenance costs and the NOK/USD exchange rate development.

Adjusted depreciation, amortisation and net impairment losses were USD 2,565 million in the third quarter of 2021, compared to USD 2,445 million in the third quarter of 2020. The increase was mainly due to investments and new fields in production, partially offset by higher reserves estimates especially in the E&P International segment and a lower depreciation basis due to a divestment of a US onshore asset.

Adjusted exploration expenses were USD 207 million in the third quarter of 2021, compared to USD 302 million in the third quarter of 2020. The decrease was mainly due to lower drilling costs, partially offset by a lower portion of wells being capitalised this quarter and higher field development costs. For more information, see the table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[5] of USD 204 million to net operating income, **Adjusted earnings** [5] were USD 9,771 million in the third quarter of 2021, an increase of USD 8,991 million from the third quarter of 2020.

Adjusted earnings after tax [5] were USD 2,777 million in the third quarter of 2021, which reflects an effective tax rate on adjusted earnings of 71.6%, compared to 65.3% in the third quarter of 2020. The change in the effective tax rate was mainly caused by lower effect of uplift deduction including the effect of the temporary changes to Norway's petroleum tax system in the third quarter of 2021. This was partially offset by positive adjusted earnings in countries with unrecognised deferred tax assets in the third quarter of 2021.

Cash flows provided by operating activities increased by USD 5,407 million compared to the third quarter of 2020. The increase was mainly due to higher liquids and gas prices and increased cash flow from derivatives, partially offset by increased tax payments and by a change in working capital.

Cash flows used in investing activities decreased by USD 1,215 million compared to the third quarter of 2020. The decrease was mainly due to decreased financial investments and increased cash flow from derivatives.

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

Cash flows used in financing activities increased by USD 464 million compared to the third quarter of 2020. The increase was mainly due to increased repayment of short-term debt and increased collateral payments, partially offset by decreased repayment of debt and decreased payments related to the share buy-back program.

Total cash flows increased by USD 6,157 million compared to the third quarter of 2020.

Free cash flow [5] in the third quarter of 2021 was USD 6,725 million compared to USD 217 million in the third quarter of 2020. The increase was mainly due to higher operating cash flow primarily due to higher liquids and gas prices, increased cash flow from derivatives, decreased payments related to the share buy-back program, partially offset by increased tax payments.

First nine months 2021 review

Net operating income was positive USD 20,085 million in the first nine months of 2021, compared to negative USD 2,434 million in the first nine months of 2020. The increase was mainly due to higher liquids and gas prices, significant positive impact from commodity derivatives, and net reversal of impairments[6] in the first nine months of 2021 compared to net impairments in the first nine months of 2020.

In the first nine months of 2021, net operating income was positively impacted by net gains on sale of assets of USD 1,362 million, net reversal of impairments of USD 361 million and operational storage effects of USD 233 million, partially offset by inventory hedge contracts of USD 394 million. In the first nine months of 2020, net operating income was negatively impacted mainly by net impairments of USD 5,752 million and provisions of USD 290 million.

Adjusted total revenues and other income were USD 57,252 million in the first nine months of 2021 compared to USD 33,923 million in the first nine months of 2020. The increase was mainly due to significantly higher average prices for liquids and gas, partially offset by negative effects related to derivatives.

Adjusted purchases [6] were USD 23,729 million in the first nine months of 2021 compared to USD 15,856 million in the first nine months of 2020. The increase was mainly due to significantly higher average prices for liquids and gas.

Adjusted operating and administrative expenses were USD 6,924 million in the first nine months of 2021, compared to USD 6,975 million in the first nine months of 2020. 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 lower volumes. The NOK/USD exchange rate development partially offset the decrease.

Adjusted depreciation, amortisation and net impairment losses were USD 7,451 million in the first nine months of 2021, compared to USD 7,025 million in the first nine months of 2020. The increase was mainly due to the NOK/USD exchange rate development, investments and new fields in production. The increase was partially offset by higher reserves estimates especially in the E&P International segment and a lower depreciation basis due to a divestment of a US onshore asset.

Adjusted exploration expenses were USD 650 million in the first nine months of 2021, compared to USD 886 million in the first nine months of 2020. The decrease was mainly due to lower drilling and other costs, a lower portion of exploration expenditure capitalised in earlier years being expensed, and wells expensed in earlier years being recapitalised due to related projects on NCS being matured. The decrease was partially offset by a lower portion of exploration expenditure being capitalised this year and higher field development costs. For more information, see table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[7] of USD 1,588 million to net operating income, **Adjusted earnings** [5] were USD 18,497 million in the first nine months of 2021, an increase of USD 15,316 million compared to the first nine months of 2020.

Adjusted earnings after tax [5] were USD 5,644 million in first nine months of 2021, compared to USD 1,478 million in the first nine months of 2020. The effective tax rate on adjusted earnings was 69.5% in first nine months of 2021, compared to an effective tax rate of 53.6% in first nine months of 2020. The increase in the effective tax rate was mainly caused by lower effect of uplift deduction including the effect of temporary changes to Norway's petroleum tax system in the first nine months of 2021 and changes in provision for best estimates for uncertain tax positions in the first nine months of 2020. This was partially offset by positive adjusted earnings in countries with unrecognised deferred tax assets in the first nine months of 2021.

Cash flows provided by operating activities increased by USD 12,622 million compared to the first nine months of 2020. The increase was mainly due to higher liquids and gas prices and decreased tax payments, partially offset by a change in working capital.

[6] For more information, see note 2 Segments to the Condensed interim financial statements.
[7] Restated following a change in the policy for adjusted earnings. For more information on items impacting net operating income, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

Cash flows used in investing activities decreased by USD 1,458 million compared to the first nine months of 2020. The decrease was mainly due to increased proceeds from sale of assets, partially offset by increased financial investments.

Cash flows used in financing activities increased by USD 9,288 million compared to the first nine months of 2020. The increase was mainly due to bonds issued in the first half of 2020 and increased repayment of short-term debt and increased collateral payments, partially offset by decreased payments related to the share buy-back program and decreased dividend paid.

Total cash flows increased by USD 4,792 million compared to the first nine months of 2020.

Free cash flow [5] for the first nine months of 2021 was positive USD 16,406 million, compared to negative USD 1,277 million in the first nine months of 2020. The increase was mainly due to higher operating cash flow primarily due to higher liquids and gas prices, increased proceeds from sale of assets, decreased payments related to the share buy-back program, decreased dividend paid and decreased tax payments.

OUTLOOK

- **Organic capital expenditures** [5] are estimated at around USD 8 billion for 2021, at an annual average of USD 9-10 billion for 2021-2022 and around USD 12 billion annual average for 2023-2024[8].
- **Production** for 2021 is estimated to be around 2% above 2020 level [7].
- Equinor´s ambition is to keep the **unit of production cost** in the top quartile of its peer group.
- **Scheduled maintenance activity** is estimated to reduce equity production by around 45 mboe per day for the full year of 2021.

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, gas off-take, timing of new capacity coming on stream, operational regularity and the ongoing impact of Covid-19 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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[8] USD/NOK exchange rate assumption of 9.