equinor

Press release

4 May, 2022

Equinor first quarter 2022

Equinor reports adjusted earnings of USD 18.0 billion and USD 5.18 billion after tax in the first quarter of 2022. IFRS net operating income was USD 18.4 billion and the IFRS net income was USD 4.71 billion.

The first quarter of 2022 was characterised by:

- The invasion of Ukraine impacting already tight energy markets, increasing commodity prices and volatility.
- Strong operational performance and increased production of gas to Europe to support energy security.
- Very strong adjusted earnings and free cash flow* of USD 12.7 billion.
- Announced process for exiting Russia leading to an impairment of USD 1.08 billion.
- Continued progress on all strategic priorities with continued cost focus and capital discipline.
- Cash dividend of USD 0.20 per share, continued extraordinary cash dividend of USD 0.20 per share and second tranche of share buy-back of around USD 1.33 billion.

"The invasion of Ukraine stands as a dark moment for Europe and our thoughts are with all suffering the consequences of the brutal war. After having been in Russia for three decades, we saw the situation as untenable and acted decisively by stopping new investments into Russia and by starting the process of exiting Equinor's Russian joint ventures. Exiting Russia will heavily impact our employees, and it leads to impairments of our assets in the country this quarter", says Anders Opedal, president and CEO of Equinor ASA.

"With an energy crisis in Europe, Equinor's top priority is securing safe and reliable deliveries. Strong operational performance and good regularity gave high production in the quarter. We have optimised the gas production to deliver higher volumes, and Hammerfest LNG is on track for a safe start-up on 17 May. Further, continued capital discipline and cost focus enabled us to deliver very strong financial results and cash flow, strengthening the balance sheet", says Opedal.

"Equinor is developing as a leading company in the energy transition with forceful industrial progress within oil and gas, renewables, as well as low-carbon portfolios. On the Norwegian continental shelf the fifth and final platform at the Johan Sverdrup field is installed and the turbines for the floating wind farm Hywind Tampen are currently being assembled. Equinor has been awarded licences and operatorships for the development of two CO_2 storage sites, an important milestone in the work to make the Norwegian continental shelf a leading province in Europe for CO_2 storage. In Brazil the production from the first wells for increased recovery at Roncador is on stream", says Opedal.

Strong financial results from higher prices

Energy prices increased in the quarter, as Russia's invasion of Ukraine added to the uncertainty in already tight markets, in particular for European gas. Equinor realised higher prices for liquids and gas and delivered adjusted earnings* of USD 18.0 billion in the quarter, up from USD 4.09 billion in the same period in 2021. Adjusted earnings after tax* were USD 5.18 billion, up from USD 1.29 billion in the same period last year.

On 28 February Equinor announced its decision to stop new investments into Russia and to start the process of exiting its Russian joint ventures. We have recognised net impairments of USD 1.08 billion related to assets in Russia this quarter.

The Marketing, Midstream and Processing segment results were impacted by adverse effects of fair value accounting of price risk management derivatives. The negative effects were partially offset by strong trading results including a strong result from Danske Commodities.

IFRS net operating income was USD 18.4 billion in the quarter, up from USD 5.22 billion in the same period in 2021. IFRS net income was USD 4.71 billion in the quarter, compared to USD 1.85 billion in the first quarter of 2021. The net impairment reversal of USD 0.27 billion includes impairment reversals of USD 0.82 billion in the E&P Norway segment and USD 0.53 billion in the E&P USA segments, mainly due to the short-term commodity prices.

Strong operational performance with good regularity gave high production across all segments.
Strong operational performance and high production, as well as optimised production to deliver more gas to Europe, supported increased value creation in the quarter.

Equinor delivered a total equity production of 2,106 mboe per day in the first quarter, down from 2,168 mboe per day in the same period in 2021.

E&P Norway increased production by 4%, including an increase of gas to Europe of 10%, supporting a gas share of Equinor's equity production of 50%. Production from Martin Linge and increased production from Gina Krog and Gullfaks partially offset the effects of expected decline and sale of Bakken in the US.

The Renewable segment delivered equity production of 511 GWh in the quarter, up from 451 GWh for the same period last year, due to the production from the Guanizuil IIA solar plant in Argentina and the offshore wind farms benefitting from higher wind speeds.

In the first quarter Equinor completed 4 exploration wells offshore with no commercial discoveries and 4 wells were ongoing at quarter end.

Very strong cash flow and continued capital discipline further strengthening the balance sheet
Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 20.1 billion for the first quarter, compared to USD 6.62 billion for the same period in 2021. Organic capital expenditure* was USD 1.80 billion for the quarter.

At the end of the quarter adjusted net debt to capital employed* was negative 22.2%, further down from negative 0.8% in the fourth quarter of 2021. The one tax instalment of NCS taxes paid in the quarter relates to 2021 results. Including the lease liabilities according to IFRS 16, the net debt to capital employed* was negative 10.7%.

Competitive capital distribution
The board of directors has decided a cash dividend of USD 0.20 per share, and to continue the extraordinary cash dividend of USD 0.20 per share for the first quarter of 2022, in line with communication at the Capital markets update in February.

Based on the very strong first quarter results, the strength of the balance sheet, and the outlook, the board has decided to initiate a second tranche of the share buy-back programme of around USD 1.33 billion. This is in line with communication at the Capital markets update of executing a share buy-back programme for 2022 of up to USD 5 billion, and subject to authorisation from the Annual General Meeting on 11 May 2022. The second tranche will commence on 16 May and will end no later than 26 July 2022.

The first tranche of the share buy-back programme for 2022 was completed on 25 March 2022 with a total value of USD 1 billion.

The first quarter 2022 capital distribution is based on a continuation of high commodity prices from second half of 2021 and strong earnings into first quarter of 2022.

All share buyback amounts include shares to be redeemed by the Norwegian State.

Emissions and serious incidents frequency
Average CO_2-emissions from Equinor's operated upstream production, on a 100% basis, were 6.7 kg per boe in the first quarter, compared to 7.0 kg per boe for the full year of 2021.

The twelve-month average serious incident frequency (SIF) was 0.5, unchanged from the first quarter in 2021.

		Quarters		Change
(in USD million, unless stated otherwise)	Q1 2022	Q4 2021	Q1 2021	Q1 on Q1
Net operating income/(loss)	**18,392**	13,578	5,220	>100%
Adjusted earnings [5]	**17,991**	14,989	4,085	>100%
Net income/(loss)	**4,714**	3,370	1,854	>100%
Adjusted earnings after tax [5]	**5,179**	4,397	1,289	>100%
Total equity liquids and gas production (mboe per day) [4]	**2,106**	2,158	2,168	(3%)
Group average liquids price (USD/bbl) [1]	**97.1**	75.9	56.4	72%

* 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

First quarter 2022

Total equity liquids and gas production [4] was 2,106 mboe per day in the first quarter of 2022, compared to 2,168 mboe per day in the first quarter of 2021. The decrease was mainly due to the divestment of an unconventional US onshore asset in the second quarter of 2021 and expected natural decline. The decrease was partially offset by positive contribution from the new field Martin Linge and effects from a change in short-term gas strategy for certain fields on the NCS.

Total entitlement liquids and gas production [3] was 1,958 mboe per day in the first quarter of 2022, compared to 2,014 mboe per day in the first quarter of 2021. The production was influenced by the factors mentioned above in addition to lower entitlement under production sharing agreements (PSA) [4] as a result of higher prices. The net effect of PSA and US royalties was in total 148 mboe per day in the first quarter of 2022 compared to 154 mboe per day in the first quarter of 2021.

Condensed income statement under IFRS (unaudited, in USD million)	**Q1 2022**	**Quarters Q4 2021**	**Q1 2021**	**Change Q1 on Q1**
Total revenues and other income	**36,393**	32,608	17,589	>100%
Purchases [net of inventory variation]	**(13,510)**	(11,543)	(7,166)	89%
Operating and administrative expenses	**(2,271)**	(2,504)	(2,160)	5%
Depreciation, amortisation and net impairment losses	**(2,017)**	(4,777)	(2,797)	(28%)
Exploration expenses	**(203)**	(206)	(247)	(18%)
Net operating income/(loss)	**18,392**	13,578	5,220	>100%
Net income/(loss)	**4,714**	3,370	1,854	>100%

Net operating income was USD 18,392 million in the first quarter of 2022, compared to USD 5,220 million in the first quarter of 2021. Revenues increased significantly compared to same quarter last year, driven by higher average prices for both gas and liquids. Net impairment reversals due to changes to short term price assumptions added to the increase in Net operating income, partially offset by higher purchases.

Adjusted earnings (in USD million)	**Q1 2022**	**Quarters Q4 2021**	**Q1 2021**	**Change Q1 on Q1**
Adjusted total revenues and other income	**36,712**	31,836	15,945	>100%
Adjusted purchases [6]	**(13,781)**	(11,201)	(7,071)	95%
Adjusted operating and administrative expenses	**(2,450)**	(2,465)	(2,173)	13%
Adjusted depreciation, amortisation and net impairment losses	**(2,333)**	(2,979)	(2,386)	(2%)
Adjusted exploration expenses	**(157)**	(202)	(230)	(32%)
Adjusted earnings [5]	**17,991**	14,989	4,085	>100%
Adjusted earnings after tax [5]	**5,179**	4,397	1,289	>100%

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 36,712 million in the first quarter of 2022, compared to USD 15,945 million in the first quarter of 2021. The increase was mainly due to significantly higher average prices for gas and liquids, partially offset by lower production rates.

Adjusted purchases [6] were USD 13,781 million in the first quarter of 2022, compared to USD 7,071 million in the first quarter of 2021. The increase was mainly due to significantly higher average prices for gas and liquids in addition to higher third party purchases.

Adjusted operating and administrative expenses were USD 2,450 million in the first quarter of 2022, compared to USD 2,173 million in the first quarter of 2021. The increase was mainly due to higher operation and maintenance cost. Higher transportation costs and selling, general and administrative expenses added to the increase. The increase was partially offset by the NOK/USD exchange rate development.

Adjusted depreciation, amortisation and net impairment losses were USD 2,333 million in the first quarter of 2022, compared to USD 2,386 million in the first quarter of 2021. The reduction was due to increased reserves and lower overall production, partially offset by ramp-up of new field.

Adjusted exploration expenses were USD 157 million in the first quarter of 2022, compared to USD 230 million in the first quarter of 2021. Adjusted exploration expenses decreased mainly due to lower field development cost and other costs, partially offset by higher drilling cost. For more information, see the table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[1] of USD 401 million to net operating income, **Adjusted earnings** [5] were USD 17,991 million in the first quarter of 2022, an increase of USD 13,906 million from the first quarter of 2021.

Adjusted earnings after tax [5] were USD 5,179 million in the first quarter of 2022, which reflects an effective tax rate on adjusted earnings of 71.2%, compared to 68.4% in the first quarter of 2021. The change in the effective tax rate was mainly caused by high share of adjusted earnings from the Norwegian continental shelf and lower effect of uplift deduction.

Balance sheet information: The sum of equity accounted investments and non-current segment assets was USD 69,910 million at 31 March 2022, compared to USD 75,930 million at 31 March 2021.

Cash flows provided by operating activities were USD 15,771 million in the first quarter of 2022, compared to USD 5,984 million in the first quarter of 2021. The increase was mainly due to higher liquids and gas prices, partially offset by increased tax payments.

Cash flows used in investing activities were 4,465 million in the first quarter of 2022, compared to 613 million in the first quarter of 2021. The increase was mainly due to increased financial investments and decreased proceeds from sale of assets, partially offset by increased cash flow from derivatives.

Cash flows used in financing activities were 4,142 million in the first quarter of 2022, compared to 3,096 million in the first quarter of 2021. The increase was mainly due to increased collateral payments, an increase in repayment of current finance debt, and increased payments related to the share buy-back programme and dividends, partially offset by decreased repayment of finance debt.

Total cash flows were USD 7,165 million in the first quarter of 2022, compared to USD 2,274 million in the first quarter of 2021.

Free cash flow [5] in the first quarter of 2022 was USD 12,689 million compared to USD 5,170 million in the first quarter of 2021. The increase was mainly driven by higher operating cash flow mainly due to higher liquids and gas prices, partially offset by increased tax payments, decreased proceeds related to sale of assets and increased payments related to the share buy-back programme and dividends.

OUTLOOK

- **Organic capital expenditures** [5] are estimated at an annual average of around USD 10 billion for 2022-2023 and at an annual average of around USD 12 billion for 2024-2025[2].
- **Production** for 2022 is estimated to be around 2% above 2021 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 2022.

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. Deferral of production to create future value, gas off-take, timing of new capacity coming on stream, operational regularity, the ongoing impact of Covid-19, Russia's invasion of Ukraine and our subsequent decision to stop new investments into Russia and to start the process of exiting Russia represent the most significant risks related to the foregoing production guidance. Our future financial performance, including cash flow and liquidity, will be affected by the extent and duration of the current market conditions, the development in realised prices, including price differentials and other factors discussed elsewhere in the report. For further information, see section Forward-looking statements.

[1] For items impacting net operating income, see Reconciliation of net operating income/(loss) to adjusted earnings, and Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

[2] USD/NOK exchange rate assumption of 9.

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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