Press release

28 July, 2021

Equinor second quarter 2021 results

Equinor reports adjusted earnings of USD 4.64 billion and USD 1.58 billion after tax in the second quarter of 2021. IFRS net operating income was USD 5.30 billion and the IFRS net income was USD 1.94 billion.

The second quarter of 2021 was characterised by:

- Strong results due to higher prices, sustained value focus and strict capital discipline.
- Solid operational performance and progress in the project portfolio, some projects impacted negatively by Covid-19.
- Strong cash flow and significant improvement of adjusted net debt ratio(1) to 16.4%.
- Cash dividend of USD 0.18 per share and launch of share buy-back programme.

"We deliver a strong result in the second quarter. Solid operational performance and continued focus on value creation have enabled us to capture additional value from higher commodity prices. Strict capital discipline and a net cash flow of more than USD 4.5 billion, reduce our net debt ratio to 16.4 percent and make us robust for volatility in commodity prices going forward," says Anders Opedal, President and CEO of Equinor ASA.

"Systematic and sustained improvements on the NCS enable us to capture additional value in the quarter. We progressed our project portfolio with the Norwegian government's approval of the development plan for Breidablikk, start-up of Martin Linge on NCS and the final investment decision on Bacalhau Phase 1 in Brazil. Projects in execution are progressing despite the impact of Covid-19," says Opedal.

"We continue to accelerate within renewables through strategic positions and partnerships. In Poland we made significant progress with the award of the support regime for Baltyk II & III with a potential total capacity at 1,440 megawatts. We continue our efforts to reduce emissions. In this quarter we submitted the plan for development and operation of the Troll West electrification, and we have made good progress on Hywind Tampen, the world's first floating windfarm to power offshore oil and gas platforms", says Opedal.

Adjusted earnings [5] were USD 4.64 billion in the second quarter, up from USD 0.35 billion in the same period in 2020. Adjusted earnings after tax [5] were USD 1.58 billion, up from USD 0.65 billion in the same period last year.

IFRS net operating income was USD 5.30 billion in the second quarter, up from negative USD 0.47 billion in the same period in 2020. IFRS net income was USD 1.94 billion in the second quarter, compared to negative USD 0.25 billion in the second quarter of 2020. Net operating income was impacted by higher prices for gas and liquids, and net reversals of impairments of USD 0.28 billion including USD 0.11 billion impairment of exploration licences in the second quarter of 2021.

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.

E&P Norway benefited from improved prices and solid operational performance. Combined with taxes paid based on the low 2020 results this contributed strongly to the group cash flow.

Results from the Marketing, midstream and processing segment were impacted by losses on hedges of gas forward sales, shut down of the Hammerfest LNG plant and weak refinery margins.

Compared to the same quarter last year the Renewables segment experienced lower winds for the offshore wind assets, partially offset by improved availability. The segment delivered adjusted earnings of negative USD 31 million, down from negative USD 1 million in the second quarter last year.

Equinor delivered total equity production of 1,997 mboe per day in the second quarter, down from 2,011 mboe per day in the same period in 2020. High planned maintenance, divestment of Bakken and shut down of the Hammerfest LNG plant were partially offset by higher flex gas volumes to capture higher prices and increased production from Johan Sverdrup. Equity production of renewable energy for the quarter was 282 GWh, down from 304 GWh for the same period last year, impacted by lower winds than the same quarter last year.

At the end of second quarter 2021, Equinor had completed 11 exploration wells with 5 commercial discoveries and 12 wells were ongoing. Adjusted exploration expenses in the second quarter were USD 0.21 billion, compared to USD 0.28 billion in the same quarter of 2020.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 6.54 billion for the second quarter, compared to USD 2.36 billion for the same period in 2020. Organic capital expenditure [5] was USD 4.03 billion for the first six months of 2021. At the end of the quarter adjusted net debt to capital employed [1] was 16.4%, down from 24.6% in the first quarter of 2021. Including the lease liabilities according to IFRS 16, the net debt to capital employed was 23.2%.

The board of directors has declared a cash dividend of USD 0.18 per share for the second quarter of 2021. 28 July Equinor commences execution of the first tranche of around USD 300 million of the USD 600 million share buy-back program for 2021 announced 15 June.

The twelve-month average Serious Incident Frequency (SIF) for the period ending 30 June was 0.5 for 2021, and down from 0.6 in 2020. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending at 30 June was 2.5, up from 2.2 in 2020.

On the Capital Markets Day on 15 June 2021 Equinor presented its updated strategy for accelerating its transition while growing cash flow and returns. Equinor's ambition is to deliver a competitive capital distribution and presented an updated programme for cash dividend and share buy-back. Equinor has an ambition to reach a 40% reduction in net carbon intensity by 2035, on the way towards net zero by 2050, and interim ambitions to reduce net carbon intensity with 20% by 2030.

Equinor expects gross investments [5] in renewables of around USD 23 billion from 2021 to 2026, and to increase the share of gross investments for renewables and low carbon solutions from around 4% in 2020 to more than 50% by 2030. Based on early low-cost access at scale, Equinor expects to reach an installed capacity of 12 – 16 GW (Equinor share) by 2030. Early access followed by targeted farm down is an integrated part of Equinor's value creation proposition. So far, Equinor has divested assets for USD 2.3 billion and booked a capital gain of USD 1.7 billion.

By 2035, Equinor's ambition is to develop the capacity to store 15 -30 million tonnes CO_2 per year and to provide clean hydrogen in 3-5 industrial clusters.

	Quarters		Change			First half	
Q2 2021	**Q1 2021**	**Q2 2020**	**Q2 on Q2**	**(in USD million, unless stated otherwise)**	**2021**	**2020**	**Change**
5,298	5,220	(472)	N/A	Net operating income/(loss)	**10,518**	(414)	N/A
4,641	5,467	354	>100%	Adjusted earnings [5]	**10,109**	2,401	>100%
1,943	1,854	(251)	N/A	Net income/(loss)	**3,797**	(956)	N/A
1,578	2,662	646	>100%	Adjusted earnings after tax [5]	**4,240**	1,207	>100%
1,997	2,168	2,011	(1%)	Total equity liquids and gas production (mboe per day) [4]	**2,082**	2,122	(2%)
63.7	56.4	22.9	>100%	Group average liquids price (USD/bbl) [1]	**60.0**	33.6	79%

[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

Second quarter 2021

Total equity liquids and gas production [4] was 1,997 mboe per day in the second quarter of 2021, down 1% compared to 2,011 mboe per day in the second quarter of 2020 mainly due to planned turnarounds, expected natural decline, divestment of an unconventional US onshore asset in the second quarter of 2021, in addition to the shutdown at the Hammerfest LNG plant. Higher flexible gas off-take and ramp-up of fields on the Norwegian continental shelf partially offset the decrease.

Total entitlement liquids and gas production [3] was 1,845 mboe per day in the second quarter of 2021, down 3% compared to 1,897 mboe per day in the second quarter of 2020. The production was negatively influenced by the factors mentioned above in addition to higher effects from production sharing agreements (PSA) [4]. The net effect of PSA and US royalties was 152 mboe per day in total in the second quarter of 2021 compared to 114 mboe per day in the second quarter of 2020.

	Quarters		Change	Condensed income statement under IFRS		First half	
Q2 2021	Q1 2021	Q2 2020	Q2 on Q2	(unaudited, in USD million)	2021	2020	Change
17,462	17,589	7,603	>100%	Total revenues and other income	**35,052**	22,733	54%
(7,399)	(7,166)	(2,750)	>100%	Purchases [net of inventory variation]	**(14,565)**	(10,146)	44%
(2,329)	(2,160)	(2,411)	(3%)	Operating and administrative expenses	**(4,489)**	(5,014)	(10%)
(2,111)	(2,797)	(2,522)	(16%)	Depreciation, amortisation and net impairment losses	**(4,908)**	(6,959)	(29%)
(326)	(247)	(393)	(17%)	Exploration expenses	**(572)**	(1,028)	(44%)
5,298	5,220	(472)	N/A	Net operating income/(loss)	**10,518**	(414)	N/A
1,943	1,854	(251)	N/A	Net income/(loss)	**3,797**	(956)	N/A

Net operating income was USD 5,298 million in the second quarter of 2021, compared to negative USD 472 million in the second quarter of 2020. The increase was mainly due to higher average prices for liquids and gas, and net reversal of impairments in the second quarter of 2021 compared to net impairment losses in second quarter of 2020. Lower results from liquids trading compared to the second quarter of 2020 partially offset the increase in net operating income.

In the second quarter of 2021, net operating income was positively impacted by net reversal of impairments[2] of USD 276 million, operational storage effects of USD 87 million, net overlifted volumes of USD 80 million, inventory hedge contracts of USD 67 million and unrealised loss on gas derivatives of USD 60 million. In the second quarter of 2020, net operating income was negatively impacted by impairments of USD 374 million.

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

Q2 2021	Quarters Q1 2021	Q2 2020	Change Q2 on Q2	Adjusted earnings (in USD million)	2021	First half 2020	Change
17,173	17,327	8,044	>100%	Adjusted total revenues and other income	**34,500**	23,014	50%
(7,531)	(7,071)	(2,798)	>100%	Adjusted purchases [6]	**(14,602)**	(10,653)	37%
(2,287)	(2,173)	(2,351)	(3%)	Adjusted operating and administrative expenses	**(4,461)**	(4,796)	(7%)
(2,500)	(2,386)	(2,259)	11%	Adjusted depreciation, amortisation and net impairment losses	**(4,886)**	(4,580)	7%
(212)	(230)	(282)	(25%)	Adjusted exploration expenses	**(443)**	(584)	(24%)
4,641	5,467	354	>100%	Adjusted earnings [5]	**10,109**	2,401	>100%
1,578	2,662	646	>100%	Adjusted earnings after tax [5]	**4,240**	1,207	>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 17,173 million in the second quarter of 2021, compared to USD 8,044 million in the second 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 7,531 million in the second quarter of 2021, compared to USD 2,798 million in the second quarter of 2020. The increase was mainly due to significantly higher average prices for liquids and gas in addition to higher third party volumes for gas in Europe.

Adjusted operating and administrative expenses were USD 2,287 million in the second quarter of 2021, compared to USD 2,351 million in the second quarter 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 2,500 million in the second quarter of 2021, compared to USD 2,259 million in the second quarter of 2020. The increase was mainly due to higher investments and the NOK/USD exchange rate development. The increase was partially offset by higher reserves estimates especially in the E&P International segment, lower depreciation basis resulting from net impairments in previous periods, and a classification of a US onshore asset as held for sale.

Adjusted exploration expenses were USD 212 million in the second quarter of 2021, compared to USD 282 million in the second quarter of 2020. The decrease was mainly due to previously expensed wells being recapitalised this quarter due to related projects being matured, and lower drilling and other costs. This is partially offset by a lower portion of wells being capitalized this quarter and higher field development costs. For more information, see the table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[3] of USD 656 million to net operating income, **Adjusted earnings** [5] were USD 4,641 million in the second quarter of 2021, an increase of USD 4,287 million from the second quarter of 2020.

Adjusted earnings after tax [5] were USD 1,578 million in the second quarter of 2021, which reflects an effective tax rate on adjusted earnings of 66.0%, compared to negative 82.3% in the second quarter of 2020. The change in the effective tax rate was mainly caused by the effect of the temporary changes to Norway's petroleum tax system in the second quarter of 2020, and changes in provision for best estimates for uncertain tax positions in the second quarter of 2020.

Cash flows provided by operating activities increased by USD 6,275 million compared to the second quarter of 2020. The increase was mainly due to higher liquids and gas prices, decreased tax payments and a change in working capital.

Cash flows used in investing activities increased by USD 918 million compared to the second quarter of 2020. The increase was mainly due to increased financial investments, partially offset by increased proceeds from sale of assets.

Cash flows used in financing activities increased by USD 6,985 million compared to the second quarter of 2020. The increase was mainly due to bonds issued in the second quarter of 2020, partially offset by increased short-term debt and decreased dividend paid.

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

Total cash flows decreased by USD 1,628 million compared to the second quarter of 2020.

Free cash flow [5] in the second quarter of 2021 was USD 4,510 million compared to negative USD 1,853 million in the second quarter of 2020. The increase was mainly due to higher operating cash flow mainly due to higher liquids and gas prices, decreased tax payments, increased proceeds from sale of assets and decreased dividend paid.

First half 2021 review

Net operating income was USD 10,518 million in the first half of 2021, compared to negative USD 414 million in the first half of 2020. The increase was mainly due to higher liquids and gas prices, lower net impairments in the first half of 2021 compared to the first half of 2020, and lower transportation and exploration costs.

In the first half of 2021, net operating income was positively impacted by inventory hedge contracts of USD 354 million, operational storage effects of USD 191 million and net overlifted volumes of USD 79 million, partially offset by net impairments of USD 152 million. In the first half of 2020, net operating income was negatively impacted mainly by net impairments of USD 2,825 million.

Adjusted total revenues and other income were USD 34,500 million in the first half of 2021 compared to USD 23,014 million in the first half of 2020. The increase was mainly due to significantly higher average prices for liquids and gas, and gain on sale of assets in the Renewables (REN) segment.

Adjusted purchases [6] were USD 14,602 million in the first half of 2021 compared to USD 10,653 million in the first half of 2020. The increase was mainly due to significantly higher average prices for liquids and gas, partially offset by lower volumes for liquids and third party sales.

Adjusted operating and administrative expenses were USD 4,461 million in the first half of 2021, compared to USD 4,796 million in the first half 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 4,886 million in the first half of 2021, compared to USD 4,580 million in the first half of 2020. The increase was mainly due to higher investments and the NOK/USD exchange rate development. The increase was partially offset by higher reserves estimates especially in the E&P International segment, lower depreciation basis resulting from net impairments in previous periods, and a classification of a US onshore asset as held for sale.

Adjusted exploration expenses were USD 443 million in the first half of 2021, compared to USD 584 million in the first half of 2020. The decrease was primarily due to lower drilling and other costs, a lower portion of exploration expenditure capitalized in earlier years being expensed this year in addition to wells expensed in earlier years being recapitalised due to related projects on NCS being matured. This is partially offset by a lower portion of exploration expenditure being capitalized this year, and higher field development costs. For more information, see table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[4] of USD 409 million to net operating income, **Adjusted earnings** [5] were USD 10,109 million in the first half of 2021, an increase of USD 7,707 million compared to the first half of 2020.

Adjusted earnings after tax [5] were USD 4,240 million in first half of 2021, compared to USD 1,207 million in the first half of 2020. The effective tax rate on adjusted earnings was 58.1% in first half of 2021, compared to an effective tax rate of 49.7% in first half of 2020. The increase in the effective tax rate was mainly caused by effect of the temporary changes to Norway's petroleum tax system in the first half of 2020 and changes in provision for best estimates for uncertain tax positions in the first half of 2020. This was partially offset by positive adjusted earnings in countries with unrecognised deferred tax assets.

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 2021 and 9.0% for the 12-month period ended 31 December 2020.

Organic capital expenditures [5] amounted to USD 7.8 billion for the year ended 2021, compared to guidance for 2021 of USD 8.5 billion. Total capital expenditures were USD 9.8 billion in 2021.

Estimated **Proved reserves** at the end of 2021 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 2020.

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

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

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 2021 compared to positive 76% in 2020. 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 2021 compared to 147% at the end of 2020.

All numbers are preliminary and including equity accounted entities.

Cash flows provided by operating activities increased by USD 7,216 million compared to the first half 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 and decreased cash flow from derivatives.

Cash flows used in investing activities decreased by USD 244 million compared to the first half 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 8,824 million compared to the first half of 2020. The increase was mainly due to bonds issued in the first half of 2020 and increased repayment of finance debt, partially offset by decreased dividend paid.

Total cash flows decreased by USD 1,364 million compared to the first half of 2020.

Free cash flow [5] for the first half of 2021 was USD 9,683 million, compared to negative USD 1,492 million in the first half of 2020. The increase was mainly due to higher operating cash flow mainly due to higher liquids and gas prices, decreased tax payments, increased proceeds from sale of assets and decreased dividend paid, partially offset by decreased cash flow from derivatives.

OUTLOOK

- **Organic capital expenditures** [5] are estimated at an annual average of USD 9-10 billion for 2021-2022 and around USD 12 billion annual average for 2023-2024[5].
- **Production** for 2021 is estimated to be around 2% above 2020 level[6] [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 50 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, 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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[5] USD/NOK exchange rate assumption of 9.
[6] Adjusted for portfolio measures.