

2021
Equinor Energy AS

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Board of directors' report

2021 was an extraordinary year for the oil and gas industry which has seen improving energy markets impacting results compared to 2020. The financial results of Equinor Energy AS in 2021 were influenced by higher gas and liquids prices, strong production including increasing gas production to capture the significant price increase for gas towards the end of 2021 and net reversals of impairments related to improved price assumptions. The energy market is subject to volatility, however the company based on its robust financial position and strong portfolio has the flexibility to capture and handle different future market scenarios.

Net operating income was USD 33,777 million in 2021 compared to a Net operating loss of USD 1,261 million in 2020. The change was related to higher revenues due to higher gas and liquids prices and net reversals of impairments in 2021 compared to impairments in 2020.

Net income was USD 9,737 million in 2021 compared to a Net loss of USD 3,205 million in 2020. The change was related to higher revenues due to higher gas and liquids prices and net reversals of impairments, partially offset by higher income tax in 2021 compared to 2020.

Equinor Energy AS was founded in 2007 and is domiciled in Norway. Equinor Energy's business consists principally of the exploration, production and transportation of petroleum and petroleum-derived products. In accordance with the Norwegian Accounting Act §3-7, Equinor Energy AS does not prepare consolidated financial statements. For further information, see the notes to the financial statements and Equinor ASA's annual report 2021.

The financial statements of Equinor Energy AS are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

Our business

Equinor Energy AS is a wholly owned subsidiary of Equinor ASA, and operates about 70% of all oil and gas production on the Norwegian continental shelf.

Effective 1 January 2009, Equinor Energy AS received certain assets and assumed certain liabilities from its parent company. The transfer included all of the parent company's exploration and production assets and liabilities on the Norwegian continental shelf (NCS) and related transportation systems, processing plants and terminals. Following the restructuring of assets and liabilities within the Equinor group, Equinor Energy AS has become the co-obligor or guarantor of certain parent company liabilities.

Through its subsidiaries and other equity accounted companies, Equinor Energy AS owns additional licences in oil and gas fields internationally. The company also owns oil and gas processing and transportation facilities in Norway.

Equinor Energy AS has no employees, but purchases services from the parent company and other companies in the Equinor group.

Profit and loss analysis

Net operating income was USD 33,777 million in 2021 compared to negative USD 1,261 million in 2020. The increase was attributable to higher revenues due to higher gas and liquids prices and net reversals of impairments related primarily to improved price assumptions and upward revision of reserves.

Condensed financial statements	Full year		
(in USD million)	2021	2020	Change
Revenues	42,467	14,444	>100%
Net income/(loss) from subsidiaries and other equity accounted investments	1,995	(5,267)	N/A
Other income	544	33	>100%
Total revenues and other income	45,006	9,210	>100%
Purchases [net of inventory variation]	(1,344)	(263)	>100%
Operating, selling, general and administrative expenses	(4,323)	(3,611)	20%
Depreciation, amortisation and net impairment losses	(5,199)	(6,174)	-16%
Exploration expenses	(363)	(423)	-14%
Total operating expenses	(11,229)	(10,471)	7%
Net operating income/(loss)	33,777	(1,261)	N/A
Net financial items	(422)	(205)	>100%
Income/(loss) before tax	33,355	(1,467)	N/A
Income tax	(23,619)	(1,739)	>100%
Net income/(loss)	9,737	(3,205)	N/A

Revenues amounted to USD 42,467 million in 2021, compared to USD 14,444 million in 2020. The increase was mainly due to higher gas and liquids prices and increased volumes.

Net income from subsidiaries and other equity accounted investments amounted to USD 1,995 million in 2021, compared to a loss of USD 5,267 million in 2020.

Other income was USD 544 million in 2021, mainly related to proceeds from insurance claims related to Snøhvit. In 2020, Other income was USD 33 million, mainly related to proceeds from insurance claims related to Skarv.

Equinor Energy AS purchases natural gas and pipeline transport on a back-to-back basis from Equinor ASA. Equinor Energy AS carries all the risks related to these purchases and they are therefore presented as purchase. Purchases amounted to USD 1,344 million in 2021 compared to USD 263 million in 2020. The increase was mainly due to a higher price on third party gas.

Operating expenses include field production and transport systems costs related to the company's share of oil and natural gas production while selling, general and administrative expenses include expenses related to the sale and marketing of our products. Operating expenses and selling, general and administrative expenses in 2021 was USD 4,323 million compared to USD 3,611 million in 2020. The increase was mainly due to higher operation costs, Gassled removal costs, higher environmental taxes and electricity prices.

Depreciation, amortisation and net impairment losses include depreciation of production installations and transport systems, depletion of fields in production and amortisation of intangible assets. The 16% decrease from 2020 was mainly due to net impairment reversals in 2021 compared to impairments in 2020 and higher depreciation in 2021 as a result of ramp-on of Martin Linge compared to 2020.

Exploration expenditures are capitalised to the extent that exploration efforts are considered successful, or pending such assessment. Otherwise, such expenditures are expensed. The exploration expenses consist of the expensed portion of our exploration expenditures in

2021 and exploration expenditures capitalised in previous years. Exploration expenses decreased by 14% compared to 2020, mainly due to lower drilling activity.

Net operating income was positive USD 33,777 million in 2021 compared to negative USD 1,261 million in 2020, mainly due to higher gas and liquid prices and net impairments reversals in 2021 compared to impairments in 2020.

Net financial items amounted to a loss of USD 422 million in 2021, compared to a loss of USD 205 million in 2020. The increased loss in 2021 compared to 2020 is mainly due to net foreign exchange losses in 2021 compared to net foreign exchange gains in 2020 and higher interest expenses and other finance expenses.

Income taxes were USD 23,619 million in 2021 compared to USD 1,739 million in 2020, equivalent to an effective tax rate of 70.8% in 2021 and negative >100% in 2020. The change in tax rate is mainly explained by positive income before tax in 2021, which includes a higher income in subsidiaries and other equity accounted investments which is not tax deductible.

In accordance with §3-3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the basis of the going concern assumption.

Cash flows

Cash flows provided by operating activities contributed with USD 22,034 million, cash flows used in investing activities amounted to USD 962 million and cash flows used in financing activities amounted to USD 21,044 million in 2021.

Cash flows provided by operating activities increased by USD 13,932 million in 2021 compared to the full year 2020. The increase was mainly due to higher liquids and gas prices, partially offset by higher tax payments.

Cash flows used in investing activities decreased by USD 4,906 million in 2021 compared to the full year 2020. The decrease was mainly due to capital contribution received from group companies.

Cash flows used in financing activities increased by USD 18,831 million in 2021, compared to the full year 2020. The increase was mainly due to higher financial receivables from Equinor ASA.

Liquidity and capital resources

Equinor Energy AS has maintained a solid financial position through 2021.

Our annual cash flow from operations is highly dependent on oil and gas prices and our levels of production. It is only influenced to a small degree by seasonality and maintenance turnarounds. The financial results of operations largely depend on a number of factors, most significantly those affecting prices received in NOK for sold products.

Equinor Energy AS' liquidity and debt position are managed at Equinor group level.

Risk review

Equinor Energy AS is exposed to risks that separately, or in combination, could affect its operational and financial performance. In this section, some of the key risks are addressed.

Equinor below means Equinor Group, Equinor Energy AS and its subsidiaries.

Risks related to our business, strategy and operations

This section describes the most significant potential risks relating to Equinor`s business, strategy and operations.

Oil and natural gas price

Fluctuating prices of oil and/or natural gas impact our financial performance.

Generally, Equinor will not have control over the factors that affect the prices of oil and natural gas. The prices of oil and natural gas have fluctuated significantly over the last years. Fundamental market forces and other factors beyond the control of Equinor or other similar market participants have impacted and will continue to impact oil and natural gas prices.

Factors that affect the prices of oil and natural gas include:

- economic and political developments in resource-producing regions and key demand regions
- actions taken by governments and international organizations, including changes in energy and climate policies;
- global economic conditions;
- global and regional supply and demand development;
- the ability of the Organization of the Petroleum Exporting Countries (OPEC) and/or other producing nations to influence global production levels and prices;
- social and health situations in any country or region, including an epidemic or pandemic, measures taken by governments and non-governmental organisations in response to such situations, and the effects of such situations on demand;
- prices of alternative fuels that affect the prices realised under Equinor's long-term gas sales contracts;
- war or other international conflicts;
- changes in population growth and consumer preferences;
- the price and availability of new technology;
- changes in supply from new oil and gas sources; and
- weather conditions and climate change.

In 2021, there has been significant price volatility, primarily triggered by high economic growth and subsequent supply chain bottlenecks on the back of measures to contain the Covid-19 pandemic. See also "Covid-19 pandemic" below. Developments relating to Russia's invasion of Ukraine could adversely affect global and regional economic conditions and trigger volatility in the prices of oil, natural gas and energy generally.

Climate change in general, the energy transition, governmental regulations and policies, and the world`s ambition to reach the climate targets set out in the Paris Agreement, could either together or independently influence oil and natural gas prices. Estimating global energy demand decades ahead is an extremely difficult task, as it involves assessing the future development in supply and demand, technology change, taxation (including, taxes on emissions), production limits and other factors. Equinor's long-term plans have to take into consideration a large outcome space for how the global energy markets may develop in the long term. Estimating is difficult, in particular because of the broad outcome space.

Decreases in oil and/or natural gas prices could have an adverse effect on Equinor's business, the results of operations, financial condition, and liquidity and Equinor's ability to finance planned capital expenditure, including possible reductions in capital expenditures, which in turn could lead to reduced reserve replacement.

A significant or prolonged period of low oil and natural gas prices or other indicators would, if deemed to have longer term impact, lead to reviews for impairment of the group's oil and natural gas assets. Such reviews would reflect management's view of long-term oil and natural gas prices and could result in a charge for impairment that could have a significant effect on the results of Equinor's operations in the period in which it occurs. Changes in management's view on long-term oil and/or natural gas prices or further material reductions in oil, gas and/or product prices could have an adverse impact on the economic viability of projects that are planned or in development. See also note 2 Significant accounting policies in the Financial statements for a discussion of key sources of uncertainty with respect to management's estimates and assumptions that affect Equinor's reported amounts of assets, liabilities, income and expenses and note 11 Property, plant and equipment in the Financial statements for a discussion of price assumptions and sensitivities affecting the impairment analysis.

Proved reserves and expected reserves estimates

Crude oil and natural gas reserves are based on estimates and Equinor's future production, revenues and expenditures with respect to its reserves may differ from these estimates.

The reliability of the reserve estimates is dependent on:

- the quality and quantity of Equinor's geological, technical and economic data;
- the production performance of Equinor's reservoirs;
- extensive engineering judgments; and
- whether the prevailing tax rules and other government regulations, contracts and oil, gas and other prices remain the same as on the date the estimates are made.

Many of the factors, assumptions and variables involved in estimating reserves are beyond Equinor's control and may prove to be incorrect over time. The results of drilling, testing and production after the date of the estimates may require substantial upward or downward revisions in Equinor's reserve data.

In addition, proved reserves are estimated based on the US Securities and Exchange Commission (SEC) requirements and may therefore differ substantially from Equinor's view on expected reserves. The prices used for proved reserves are defined by the SEC and are calculated based on a 12 month un-weighted arithmetic average of the first day of the month price for each month during the reporting year, leading to a forward price strongly linked to last year's price environment.

Fluctuations in oil and gas prices will have a direct impact on Equinor's proved reserves.

Climate change and transition to a lower carbon economy

A transition to a lower carbon economy will affect Equinor's business and entails risks related to policy, legal, regulatory, market, technology developments as well as reputational impact.

Risks related to changes in policies, laws and regulations

Equinor expects, and is preparing for, regulatory changes and policy measures targeted at reducing greenhouse gas emissions. Stricter climate regulations and policies could impact Equinor's financial outlook, including the value of its assets, whether directly through changes in taxation, other costs to operations and projects, access to acreage, or indirectly through changes in consumer behaviour or technology developments.

Equinor expects greenhouse gas emission costs to increase from current levels and to have a wider geographical range than today. Equinor applies a default minimum carbon price in investment analysis starting at 58 USD per tonne in 2022, increasing towards 100 USD per tonne by 2030. In countries where the actual or predicted carbon price is higher than our default at any point in time, Equinor applies the actual or expected cost, such as in Norway where both a CO2 tax and the EU Emission Trading System (EU ETS) apply.

The new EU Green Deal, EU Taxonomy and climate-related regulations and carbon pricing in specific countries imply more future uncertainty. Climate-related policy changes may also reduce access to prospective geographical areas for exploration and future production. Disruptive policy changes may not be ruled out, possibly triggered by severe weather events affecting public perception and policy making.

Market and technology risks

A transition to a low carbon economy contributes to uncertainty over future demand and prices for oil and gas as described in the section "Oil and natural gas price". Increased demand for and improved cost competitiveness of renewable energy, and innovation and technology changes supporting the further development and use of renewable energy and low-carbon technologies, represent both threats and opportunities for Equinor.

Reputational and financial impact

Increased concern over climate change could lead to increased expectations on fossil fuel producers, as well as a more negative perception of the oil and gas industry. This could lead to increased litigation-related costs and poor reputation could affect our license to operate as well as our ability to attract and retain talent and key competences.

All of these risks could lead to an increased cost of capital. For example, certain lenders have recently indicated that they will direct or restrict their lending activities based on environmental parameters.

Equinor's net zero path and climate related ambitions are a response to challenges related to climate change and the energy transition. There is no assurance that Equinor's climate related ambitions will be achieved. The achievement of the mid- and long-term climate ambitions depends, in part, on broader societal shifts in consumer demands and technological advancements, each of which are beyond Equinor's control. Should society's demands and technological innovation not shift in parallel with Equinor's pursuit of significant greenhouse gas emission reductions, Equinor's ability to meet its climate ambitions will be impaired.

Global operations

Equinor is engaged in global activities that involve several technical, commercial and country-specific risks.
Technical risks of Equinor's exploration activities relate to Equinor's ability to conduct its seismic and drilling operations in a safe and efficient manner and to encounter commercially productive oil and gas reservoirs. Technical risks of Equinor's development and operation activities relate to Equinor's ability to design, construct, operate and maintain facilities and installations for hydrocarbon exploitation, renewable energy generation and climate-related projects, such as carbon capture and storage.

Commercial risks relate to Equinor's ability to secure access to new business opportunities in an uncertain global, competitive environment and to recruit and maintain competent personnel and continue to ensure commercial viability of such business opportunities in this context.

Country-specific risks relate, among other things, to health, safety and security, the political environment, compliance with and understanding of local laws, regulatory requirements and/or license agreements, and impact on the environment and the communities in which Equinor operates.

These risks may adversely affect Equinor's current operations and financial results, and, for its oil- and gas activities, its long-term replacement of reserves.

See "COVID-19 pandemic" below for further details on how the Covid-19 pandemic impacts Equinor's operations.

Decline of reserves

Failure to acquire, discover and develop additional reserves, will result in material decline of reserves and production from current levels.
Equinor's future production is dependent on its success in discovering or acquiring and developing additional reserves adding value. If unsuccessful, future total proved reserves and production will decline.

If upstream resources are not progressed to proved reserves in a timely manner, Equinor's reserve base, and thereby future production, will gradually decline and future revenue will be reduced.

In particular, in a number of resource-rich countries, national oil companies control a significant proportion of oil and gas reserves that remain to be developed. To the extent that national oil companies choose to develop their oil and gas resources without the participation of international oil companies, or if Equinor is unable to develop partnerships with national oil companies, its ability to discover or acquire and develop additional reserves will be limited.

In addition, undeveloped resources could be impacted by low oil and/or gas prices over a sustained period of time. Such low prices may result in Equinor deciding not to develop these resources or at least deferring development awaiting improved prices.

Health, safety and environmental

Equinor is exposed to a wide range of health, safety and environmental risks that could result in significant losses.
Exploration, project development, operation and transportation related to oil and natural gas, as well as development and operation of renewable energy production, can be hazardous. In addition, Equinor's activities and operations are affected by external factors like difficult geographies, climate zones and environmentally sensitive regions.

Risk factors that could affect health, safety and the environment include human performance, operational failures, detrimental substances, subsurface behaviour, technical integrity failures, vessel collisions, natural disasters, adverse weather conditions, epidemics or pandemics, restructuring and organizational changes and other occurrences. Furthermore, non-compliance with our management system could influence the potential for negative effects. These risk factors could result in disruptions of our operations and could, among other things, lead to blowouts, structural collapses, loss of containment of hydrocarbons or other hazardous materials, fires, explosions and water contamination that cause harm to people, loss of life or environmental damage. In particular, all modes of transportation of hydrocarbons - including road, sea or pipeline - are susceptible to a loss of containment of hydrocarbons and other hazardous materials and represent a significant risk to people and the environment.

As operations are subject to inherent uncertainty, it is not possible to guarantee that the management system or other policies and procedures will be able to identify all aspects of health, safety and environmental risks. It is also not possible to say with certainty that all activities will be carried out in accordance with these systems.

Covid-19 pandemic
Equinor's operations and workforce have and continue to be impacted by the global Covid-19 pandemic. The continuation or a resurgence of the pandemic, or the outbreak of other epidemics or pandemics, could precipitate or aggravate the other risk factors identified in this report and materially impact Equinor's operations and financial condition

In 2021, the Covid-19 pandemic showed signs of being less severe. However, there continues to be uncertainty around the duration and extent of the impact of the Covid-19 pandemic. Equinor's operations and workforce, including projects under development, have and

continue to be impacted by the global Covid-19 pandemic. Quarantine rules, travel restrictions, manpower shortage, supply chain disruptions and social distancing requirements, including limitations in capacity utilisation of offshore beds, have resulted in lower activity on certain sites, causing delays, cost increases and consequences for further work. As a consequence, the start-up of projects (Njord future, Johan Castberg and Peregrino phase 2) has been postponed. In addition, certain of our suppliers and customers are impacted by the spread of the pandemic and the efforts to contain it and may as a result explore contractual clauses such as those involving force majeure. There can be no assurance that the continued spread of Covid-19, new variants and efforts to contain the virus will not materially impact our operations or financial condition.

The changes in market risk and economic circumstances as a result of Covid-19 will continue to impact Equinor's assumptions about the future and related sources of estimation uncertainty. The unprecedented nature of such market conditions could cause current management estimates and assumptions to be challenged in hindsight.

The continuation or a resurgence of the pandemic, or outbreak of other pandemics or epidemics, could precipitate or aggravate the other risk factors identified in this report. Such occurrences could further adversely affect Equinor's business, financial condition, liquidity, results of operations and profitability, including in ways not currently known or considered by us to present significant risks. The effect of any infection control measures may also impact project execution.

Physical effects of climate change

Changes in physical climate parameters could impact Equinor's facility design and operations.
Examples of physical parameters that could impact Equinor's facility design and operations include acute effects like increasing frequency and severity of extreme weather events, and chronic effects like rising sea level, changes in sea currents and reduced water availability. There is also uncertainty regarding the magnitude and time horizon for the occurrence of physical impacts of climate change, which increases uncertainty regarding their potential impact on Equinor. The impact to Equinor could be increased costs or incidents affecting our operations.

Unexpected changes in meteorological parameters, such as in the average wind speed, can also affect renewable power generation outputs, resulting in performance above or below expectations.

Security and cybersecurity threats

Equinor is exposed to security threats that could have a materially adverse effect on Equinor's results of operations and financial condition.
Security threats such as acts of terrorism, state-sponsored cyber operations, unauthorised access or attacks by hackers, computer viruses, breaches due to unauthorized use, errors or malfeasance by employees or others who have gained access to the networks and systems on which Equinor depends could result in loss of production, information, life and other losses.

Failure to maintain and develop cybersecurity barriers, which are intended to protect Equinor's IT infrastructure from being compromised by unauthorized parties, may affect the confidentiality, integrity and availability of Equinor's information systems and digital solutions, including those critical to its operations. Attacks on Equinor's information systems could result in significant financial damage to Equinor, including as a result of material losses or loss of life due to such attacks.

Crisis management systems

Equinor's crisis management systems may prove inadequate.
If Equinor does not respond or is perceived not to have prepared, prevented, responded or recovered in an effective and appropriate manner to a crisis, people, environment, assets and reputation could be severely affected. A crisis or disruption might occur as a result of a security or cybersecurity incident or if a risk described under "Health, safety and environmental" materializes.

Competition; innovation

Equinor encounters competition from other companies in all areas of its operations. Equinor could be adversely affected if competitors move faster than it in the development and deployment of new technologies and products.
Equinor may experience increased competition from larger players with stronger financial resources, from smaller ones with increased agility and flexibility, and from an increasing number of companies applying new business models. Gaining access to attractive opportunities via license rounds, auctions, and acquisitions, in addition to continued exploration and development of existing assets are key to ensure the long-term economic viability of the business. Failure to address this could negatively impact future performance.

Technology and innovation are key competitive advantages in Equinor's industry – both within the traditional oil and gas industry and the renewable and low carbon industries. The ability to maintain efficient operations, develop and adapt to innovative technologies and digital solutions, and seek profitable low carbon energy solutions are key success factors for future business and resulting performance. Competitors may be able to invest more than Equinor in developing or acquiring intellectual property rights to technology. Equinor could be adversely affected if it lags behind competitors and the industry in general in the development or adoption of innovative technologies, including digitalisation and low carbon energy solutions.

Project development and production operations

Equinor's development projects and production operations involve uncertainties and operating risks which could prevent Equinor from realising profits and cause substantial losses.

Oil and gas, renewable, low carbon and climate-related projects may be curtailed, delayed or cancelled for many reasons. Unexpected events as equipment shortages or failures, natural hazards, unexpected drilling conditions or reservoir characteristics, irregularities in geological formations, challenging soil conditions, accidents, mechanical and technical difficulties, challenges due to new technology and quality issues might have significant impact. The risk is higher in new and challenging areas such as deep waters or other harsh environments.

Equinor's portfolio of development projects comprises a high number of mega-projects (eg. Njord Future and Johan Castberg), "first-off" projects (i.e., those involving a new project type/concept, a new area, a new execution model, a new market and/or a new main contractor for Equinor), and new value chains represent, an increasing portfolio complexity and potential execution risk.

Strategic objectives

Equinor may not achieve its strategic objective of successfully exploiting profitable opportunities.

Equinor intends to continue to nurture attractive commercial opportunities to create value. This may involve acquisition of new businesses, and/or properties or moving into new markets. Failure by Equinor to successfully pursue and exploit new business opportunities, including in renewable and new energy solutions, could result in financial losses and inhibit value creation.

Equinor's ability to achieve this strategic objective depends on several factors, including the ability to:

- maintain Equinor's zero-harm safety culture;
- identify suitable opportunities;
- build a significant and profitable renewables portfolio;
- achieve its ambitions to reduce net carbon intensity and reach carbon neutral global operations;
- negotiate favourable terms;
- compete efficiently in the rising global competition for access to new opportunities;
- develop new market opportunities or acquire properties or businesses in an agile and efficient way;
- effectively integrate acquired properties or businesses into Equinor's operations;
- arrange financing, if necessary; and
- comply with legal regulations.

Equinor anticipates significant investments and costs as it cultivates business opportunities in new and existing markets. New projects and acquisitions may have different embedded risks than Equinor's existing portfolio. As a result, new projects and acquisitions could result in unanticipated liabilities, losses or costs, as well as Equinor having to revise its forecasts either or both with respect to unit production costs and production. In addition, the pursuit of acquisitions or new business opportunities could divert financial and management resources away from Equinor's day-to-day operations to the integration of acquired operations or properties. Equinor may require additional debt or equity financing to undertake or consummate future acquisitions or projects, and such financing may not be available on terms satisfactory to Equinor, if at all, and it may, in the case of equity, be dilutive to Equinor's earnings per share.

Transportation infrastructure

The profitability of Equinor's oil, gas and power production in remote areas may be affected by infrastructure constraints.

Equinor's ability to commercially exploit discovered petroleum resources depends, among other factors, on infrastructure to transport oil, petroleum products and gas to potential buyers at a commercial price. Oil and petroleum products are transported by vessels, rail or pipelines to potential customers/refineries, petrochemical plants or storage facilities, and natural gas is transported to processing plants and end users by pipeline or vessels (for liquefied natural gas). Equinor's ability to commercially exploit renewable opportunities depends on available infrastructure to transmit electric power to potential buyers at a commercial price. Electricity is transmitted through power transmission and distribution lines. Equinor must secure access to a power system with sufficient capacity to transmit the electric power to the customers. Equinor may be unsuccessful in its efforts to secure transportation, transmission and markets for all its potential production.

International political, social, and economic factors

Equinor has interests in regions where political, social and economic instability could adversely affect Equinor's business.

Equinor has assets and operations in several countries and regions around the globe where negative political, social and economic developments could occur. These developments and related security threats require continuous monitoring. Political instability, civil strife, strikes, insurrections, acts of terrorism and acts of war, adverse and hostile actions against Equinor's staff, its facilities, its transportation systems and its digital infrastructure (cyberattacks) may cause harm to people and disrupt or curtail Equinor's operations and business opportunities, lead to a decline in production and otherwise adversely affect Equinor's business, operations, results and financial condition.

On 28 February 2022 Equinor announced that it will stop new investments into its Russian businesses and will start the process of exiting its joint ventures in Russia. It is expected that this decision will impact the book value of Equinor's Russian assets and lead to impairment. Equinor Energy AS has no significant investments in Russia and the effect of the exit is hence limited.

Reputation

Equinor's reputation is an important asset. Erosion of the reputation could adversely affect Equinor's brand, social license to operate, and business opportunity set.

Societal and political expectations from our industry and business are high, especially in Norway with the Norwegian state as Equinor's majority owner. Safe and sustainable operations, ethical business conduct and compliance with laws and regulations are prerequisites for access to natural resources, industrial value creation and contribution to society. Failure to deliver on societal and political expectations, or non-compliance with ethical standards, laws and regulations, HSE and security/cybersecurity incidents could impact our reputation. This could in turn have an adverse effect on Equinor's licence to operate, ability to secure new business opportunities, earnings and cash flow.

Norwegian State's exercise of ownership. Failure to deliver on expectations from the Parliament and the Ministry of Trade, Industry and Fisheries (MTIF), and failure to deliver on societal and political expectations in general could impact the manner which the Norwegian State exercises its ownership of the company.

On 1 July 2021 the responsibility to exercise the Norwegian State's ownership in Equinor was transferred from the Ministry of Petroleum and Energy (MPE) to MTIF. The MTIF's exercise of ownership could also be subject to scrutiny by the Norwegian Parliament.

In February 2021, Equinor was invited to a parliamentary hearing in the standing committee for scrutiny and constitutional affairs on the Auditor-General's review of the follow-up by the MPE of the state's ownership in Equinor, with a specific focus on the company's international investments. Following the hearing, the standing committee in May 2021 endorsed the Auditor-General's review, including conclusions and recommendations. The recommendations expressed expectations with respect to the follow-up by the ministry on Equinor's financial reporting, and on risk, profitability and return in Equinor's international portfolio.

Workforce

Equinor may not be able to secure the right level of workforce competence and capacity.

As the energy industry is a long-term business, it needs to take a long-term perspective on workforce capacity and competence. The uncertainty of the future of the oil industry, in light of potential reduced oil and natural gas prices, climate policy changes, the climate debate affecting the perception of the industry, and increased competition for talent pose a risk to securing the right level of workforce competence and capacity through industry cycles.

Changes to Equinor's corporate structure

The implementation of the new corporate structure in 2021 and its continued implementation may pose a risk for upholding safe and secure operations.

The changes to Equinor's corporate structure were decided and implemented to further strengthen Equinor's ability to deliver on our strategy of always safe, high value and low carbon. The ongoing implementation process of these changes may divert management and employee attention from tasks and responsibilities with a potential, negative impact on our ability to uphold safe and secure operations.

Insurance coverage

Equinor's insurance coverage may not provide adequate protection from losses.

Equinor maintains insurance coverage that includes coverage for physical damage to its properties, third-party liability, workers' compensation and employers' liability, general liability, sudden pollution, and other coverage. Equinor's insurance coverage includes deductibles that must be met prior to recovery and is subject to caps, exclusions, and limitations. There is no assurance that such coverage will adequately protect Equinor against liability from all potential consequences and damages. The fire at Hammerfest LNG in September 2020, leading to a financial loss for the group related to physical damage, postponement of production, and gas trading, illustrates that insurance may not completely protect the group from significant financial impact following an insurable loss.

Uninsured losses could have a material adverse effect on Equinor's financial position.

Legal, regulatory and compliance risks

International governmental and regulatory framework

Equinor's operations are subject to dynamic political and legal factors in the countries in which it operates.
Equinor has oil and gas and renewable assets in several countries where the political and regulatory regime can change over time. Further, Equinor has activities in countries with emerging or transitioning economies that, in part or in whole, lack well-functioning and reliable legal systems, where the enforcement of contractual rights is uncertain or where the governmental and regulatory framework is subject to unexpected or rapid change. Equinor's oil and gas exploration and production activities in these countries are often undertaken together with national oil companies and are subject to a significant degree of state control. In recent years, governments and national oil companies in some regions have begun to exercise greater authority and to impose more stringent conditions on energy companies. Intervention by governments in such countries can take a wide variety of forms, including:

- restrictions on exploration, production, imports and exports;
- the awarding, denial or unavailability of exploration and production interests;
- the imposition of specific seismic and/or drilling obligations;
- price and exchange controls;
- tax or royalty increases, imposition of new taxes or other governmental charges
- nationalization or expropriation of Equinor's assets;
- unilateral cancellation or modification of Equinor's license, contractual rights or industry incentives;
- the renegotiation of contracts;
- payment delays and capital transfer restrictions,
- currency exchange restrictions or currency devaluation.

The likelihood of these occurrences and their overall effect on Equinor vary greatly from country to country and are hard to predict. If such risks materialize, they could cause Equinor to incur material costs, cause decrease in production, and potentially have a materially adverse effect on Equinor's operations or financial condition.

Policies and actions of the Norwegian State could affect Equinor's business

The Norwegian State governs the management of NCS hydrocarbon resources through legislation, such as the Norwegian Petroleum Act, tax law and safety and environmental laws and regulations. The Norwegian State awards licenses for exploration, development projects, production, transportation, and applications for production rates for individual fields. The Petroleum Act provides that if important public interests are at stake, the Norwegian State may instruct operators on the NCS to reduce petroleum production.

The Norwegian State has a direct participation in petroleum activities through the State's direct financial interest (SDFI). In the production licenses in which the SDFI holds an interest, the Norwegian State has the power to direct petroleum licenses' actions in certain circumstances.

If the Norwegian State were to change laws, regulations, policies, or practices relating to energy or to the oil and gas industry (including in response to environmental, social or governance concerns), or take additional action under its activities on the NCS, Equinor's international and/or NCS exploration, development and production activities, and the results of its operations, could be affected.

Health, safety and environmental laws and regulations

Compliance with health, safety and environmental laws and regulations that apply to Equinor's activities and operations could materially increase Equinor's costs. The enactment of, or changes to, such laws and regulations could increase such costs or create compliance challenges.
Equinor incurs, and expects to continue to incur, substantial capital, operating, maintenance and remediation costs relating to compliance with increasingly complex laws and regulations for the protection of the environment and human health and safety, as well as in response to concerns relating to climate change, including:

- higher prices on greenhouse gas emissions;
- costs of preventing, controlling, eliminating or reducing certain types of emissions to air and discharges to the sea;
- remediation of environmental contamination and adverse impacts caused by Equinor's activities;
- decommissioning obligations and related costs; and
- compensation of costs related to persons and/or entities claiming damages as a result of Equinor's activities.

In particular, Equinor's activities are increasingly subject to statutory strict liability in respect of losses or damage suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities.

Equinor's investments in US onshore producing assets are subject to evolving regulations that could affect these operations and their profitability. In the United States, Federal agencies have taken steps to rescind, delay, or revise regulations seen as overly burdensome to the upstream oil and gas sector, including methane emission controls. To the extent new or revised regulations impose additional compliance or data gathering requirements, Equinor could incur higher operating costs.

Compliance with laws, regulations and obligations relating to climate change and other health, safety and environmental laws and regulations could result in substantial capital expenditure, reduced profitability as a result of changes in operating costs, and adverse effects on revenue generation and strategic growth opportunities. However, more stringent climate change regulations could also represent business opportunities for Equinor. For more information about climate change related to legal and regulatory risks, see the risks described under the heading "Climate change and transition to a lower carbon economy" in "Risks related to our business, strategy and operations" in this section.

Supervision, regulatory reviews and financial reporting

Equinor conducts business in many countries and its products are marketed and traded worldwide. Equinor is exposed to risk of supervision, review and sanctions for violations of laws and regulations at the supranational, national and local level. These include, among others, laws and regulations relating to financial reporting, taxation, bribery and corruption, securities and commodities trading, fraud, competition and antitrust, safety and the environment, labor and employment practices and data privacy rules.

Violations of applicable laws and regulations may lead to legal liability, substantial fines, claims for damages, criminal sanctions and other sanctions for noncompliance.

Equinor is subject to supervision by the Norwegian Petroleum Supervisor (PSA), which supervises all aspects of Equinor's operations, from exploration drilling through development and operation, to cessation and removal. Its regulatory authority covers the whole NCS including offshore-wind as well as petroleum-related plants on land in Norway. As its business grows internationally, Equinor may become subject to supervision or be required to report to other regulators, and such supervision could result in audit reports, orders and investigations.

Equinor Energy AS` parent company, Equinor ASA is listed on both the Oslo Børs and New York Stock Exchange (NYSE) and is a reporting company under the rules and regulations of the US Securities and Exchange Commission (the SEC). Equinor is required to comply with the continuing obligations of these regulatory authorities, and violation of these obligations may result in legal liability, the imposition of fines and other sanctions.

Equinor is also subject to financial review from financial supervisory authorities such as the Norwegian Financial Supervisory Authority (FSA) and the SEC. Reviews performed by these authorities could result in changes to previously published financial statements and future accounting practices. In addition, failure of external reporting to report data accurately and in compliance with applicable standards could result in regulatory action, legal liability and damage to Equinor's reputation. Also, any identification of a material weakness in internal controls over financial reporting could cause investors to lose confidence in reported financial information.

Anti-corruption, anti-bribery laws and Equinor's Code of Conduct and the Human Rights policy

Non-compliance with anti-bribery, anti-corruption and other applicable laws or failure to meet Equinor's ethical requirements, including the Human Rights policy, has the potential to expose Equinor to legal liability, lead to a loss of business, loss of investor confidence, damage our reputation and our social license to operate, as well as to erode shareholder value. It could also lead to an adverse effect on the human rights of various right-holders.

Equinor is a global company with a presence and/or suppliers and other business partners in many parts of the world – including where corruption and bribery represents a high risk and where the human rights situation is challenging. Such risks often exist in combination with weak legal institutions and lack of transparency. Governments routinely play a significant role in the energy sector, through ownership of resources, participation, licensing, and local content which leads to a high level of interaction with public officials. Equinor is subject to anti-corruption and bribery laws in multiple jurisdictions, including the Norwegian Penal code, the US Foreign Corrupt Practices Act and the UK Bribery Act. A violation of such applicable anti-corruption or bribery laws could expose Equinor to investigations from multiple authorities and may lead to criminal and/or civil liability with substantial fines. Incidents of noncompliance with applicable anti-corruption and bribery laws and regulations and the Equinor Code of Conduct could be damaging to Equinor's reputation, competitive position, and shareholder value. Similarly, failure to uphold our Human Rights policy may damage our reputation and social license to operate. Similarly, failure to identify or address potential adverse human rights impacts in line with our Human Rights policy, e.g., in parts of our supply chains, could damage our reputation, and weaken our social license to operate.

Throughout 2021, the organization monitored potential increased risks or changed risk picture with respect to Equinor's ethics and compliance standards due to the Covid-19 situation. Continuation or a resurgence of the pandemic could continue to impact and/or potentially increase our ethics and compliance risks in ways not currently known or considered by us.

International sanctions and trade restrictions

Equinor's activities may be affected by international sanctions and trade restrictions.

In 2021, as in previous years, there were several changes to sanctions and international trade restrictions. Equinor seeks to comply with these where they are applicable. Equinor's diverse portfolio of projects worldwide could expose its business and financial affairs to political and economic risks, including operations in markets or sectors targeted by sanctions and international trade restrictions.

Sanctions and trade restrictions are complex, unpredictable and are often implemented on short notice. Equinor's business portfolio is evolving and will constantly be subject to review. Given the use of trade restrictions by, amongst others, the US, UK and EU, it is possible

that Equinor will decide to take part in new business activity in markets or sectors where sanctions and trade restrictions are particularly relevant.

While Equinor remains committed to do business in compliance with sanctions and trade restrictions and takes steps to ensure, to the extent possible, compliance therewith, there can be no assurance that no Equinor entity, officer, director, employee or agent is not in violation of such sanctions and trade restrictions. Any such violation, even if minor in monetary terms, could result in substantial civil and/or criminal penalties and could materially adversely affect Equinor's business and results of operations or financial condition.

The following discusses Equinor's interests in certain jurisdictions:

For a discussion of Equinor's intent to exit its business activities in Russia, see "International, political, social and economic factors" above. In addition, Equinor is monitoring and remains committed to comply with Norwegian, EU, UK, US and any other applicable trade restrictions and sanctions targeting Russian sectors, entities and persons, including Rosneft:

Joint arrangements and contractors

Many of Equinor's activities are conducted through joint arrangements and with contractors and sub-contractors which may limit Equinor's influence and control over the performance of such operations. This exposes Equinor to financial, operational, safety, security, and compliance risks as well as reputational risks and risks related to ethics, integrity, and sustainability, if the operators, partners or contractors fail to fulfil their responsibilities.
Operators, partners, and contractors may be unable or unwilling to compensate Equinor against costs incurred on their behalf or on behalf of the arrangement. Equinor is also exposed to enforcement actions by regulators or claimants in the event of an incident in an operation where it does not exercise operational control.

International tax law

Equinor is exposed to potentially adverse changes in the tax regimes of each jurisdiction in which Equinor operates.
Changes in the tax laws of the countries in which Equinor operates could have a material adverse effect on its liquidity and results of operations.

Market, financial and liquidity risks

Foreign exchange

Equinor's business is exposed to foreign exchange rate fluctuations that could adversely affect the results of Equinor's operations.
A large percentage of Equinor's revenues and cash receipts are denominated in USD, and sales of gas and refined products are mainly denominated in EUR and GBP. Further, Equinor pays a large portion of its income taxes, operating expenses, capital expenditures and dividends in NOK. The majority of Equinor's long-term debt has USD exposure. Accordingly, changes in exchange rates between USD, EUR, GBP and NOK may significantly influence Equinor's financial results. See also "Financial risk".

Liquidity and interest rate

Equinor is exposed to liquidity and interest rate risks.
Equinor is exposed to liquidity risk, which is the risk that Equinor will not be able to meet obligations of financial liabilities when they become due. Equinor's main cash outflows include the quarterly dividend payments and Norwegian petroleum tax payments which are paid six times per year. Liquidity risk sources include but are not limited to business interruptions and commodity and financial markets price movements.

Equinor is exposed to interest rate risk, which is the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally long-term debt and associated derivatives. Equinor's bonds are normally issued at fixed rates in a variety of local currencies (USD, EUR and GBP among others). Most bonds are kept as or converted to fixed rate USD while some are converted to floating rate USD by using interest rate and/or currency swaps.

Equinor has started the transition from London Inter-bank Offered Rates (LIBOR) to alternative reference rates and expects to complete this process within 2023.

For interest rate derivatives contracts, Equinor expects to follow the ISDA Fallback Protocol outlining the process for conversion of LIBOR to the Official ISDA Fallback Rates for derivatives, or other official adjusted reference rates (such as SONIA or SOFR). The expectation is that the transition from LIBOR to alternative reference rates for floating rate bonds will follow the principles outlined by ICMA (International Capital Markets Association) and that loan agreements and facilities in general will follow the LMA (Loan Market Association). Equinor believes that the financial risks for Equinor related to the transition are small.

Trading and supply activities

Equinor is exposed to risks relating to trading and supply activities.
Equinor is engaged in trading and commercial activities in the physical markets. Equinor uses financial instruments such as futures, options, over-the-counter (OTC) forward contracts, market swaps and contracts for differences related to crude oil, petroleum products, natural gas and electricity to manage price differences and volatility. Equinor also uses financial instruments to manage foreign

exchange and interest rate risk. Trading activities involve elements of forecasting, and Equinor bears the risk of market movements, the risk of losses if prices develop contrary to expectations, and the risk of default by counterparties and transport of liquids.

Financial risk

Equinor is exposed to financial risk.
Equinor Energy AS is exposed to financial risk as guarantor for debt issued by Equinor ASA.
The main factors influencing Equinor's operational and financial results include oil/condensate and natural gas prices and trends in the exchange rates between mainly the USD, EUR, GBP and NOK; Equinor's oil and natural gas entitlement production volumes (which in turn depend on entitlement volumes under PSAs where applicable) and available petroleum reserves, and Equinor's own, as well as its partners', expertise and cooperation in recovering oil and natural gas from those reserves; and changes in Equinor's portfolio of assets due to acquisitions and disposals.

Equinor's operational and financial results also are affected by trends in the international oil industry, including possible actions by governments and other regulatory authorities in the jurisdictions in which Equinor operates, possible or continued actions by members of the Organization of Petroleum Exporting Countries (OPEC) and/or other producing nations that affect price levels and volumes, refining margins, the cost of oilfield services, supplies and equipment, competition for exploration opportunities and operatorships and deregulation of the natural gas markets, all of which may cause substantial changes to existing market structures and to the overall level and volatility of prices and price differentials.

Significant downward adjustments of Equinor's commodity price assumptions could result in impairments on certain producing and development assets in the portfolio. See note 11 Property, plant and equipment in the Financial statements for sensitivity analysis related to impairments.

Fluctuating foreign exchange rates can also have a significant impact on the operating results. Equinor's revenues and cash flows are mainly denominated in or driven by USD, while a large portion of the operating expenses, capital expenditures and income taxes payable accrue in NOK. In general, an increase in the value of USD in relation to NOK can be expected to increase Equinor's reported net operating income.

Historically, Equinor's revenues have largely been generated by the production of oil and natural gas on the NCS. Norway imposes a 78% marginal tax rate on income from offshore oil and natural gas activities (a symmetrical tax system). Equinor's earnings volatility is moderated as a result of the significant proportion of its Norwegian offshore income that is subject to this 78% tax rate in profitable periods and the significant tax assets generated by its Norwegian offshore operations in any loss-making periods. For 2020 and 2021 the tax value of losses on the NCS will be refunded by the state on a current basis. For further information, see section 2.9 Corporate Taxation of Equinor.

Currently, the majority of dividends received by Equinor ASA are from Norwegian companies. Dividends received from Norwegian companies and from similar companies' resident in the EEA for tax purposes, in which the recipient holds more than 90% of the shares and votes, are fully exempt from tax. For other dividends, 3% of the dividends received are subject to the standard income tax rate of 22%, giving an effective tax rate of 0.66%. Dividends from companies resident in low-tax jurisdictions in the EEA that are not able to demonstrate that they are genuinely established and carry on genuine economic business activity within the EEA and dividends from companies in low-tax jurisdictions and portfolio investments below 10% outside the EEA will be subject to the standard income tax rate of 22% based on the full amounts received.

Market risk

Equinor uses financial instruments to manage commodity price risks, interest rate risks and currency risks. Significant amounts of assets and liabilities are accounted for as financial instruments.

See also note 4 Financial risk management and measurement of financial instruments in the Financial statements.

Risks related to state ownership

This section discusses some of the potential risks relating to Equinor's business that could derive from the Norwegian State's majority ownership and from Equinor's involvement in the SDFI.

Control by the Norwegian State

The interests of Equinor's majority shareholder, the Norwegian State, may not always be aligned with the interests of Equinor's other shareholders, and this may affect Equinor's activities, including its decisions relating to the NCS.

The Norwegian State has resolved that its shares in Equinor and the SDFI's interest in NCS licences must be managed in accordance with a coordinated ownership strategy for the Norwegian State's oil and gas interests. Under this strategy, the Norwegian State has required Equinor to market the Norwegian State's oil and gas together with Equinor's own oil and gas as a single economic unit. Pursuant to this coordinated ownership strategy, the Norwegian State requires Equinor, in its activities on the NCS, to take account of the Norwegian State's interests in all decisions that may affect the marketing of Equinor's own and the Norwegian State's oil and gas.

The Norwegian State directly held 67% of Equinor's ordinary shares as of 31 December 2021 and has effectively the power to influence the outcome of any vote of shareholders, including amending its articles of association and electing all non-employee members of the corporate assembly. The interests of the Norwegian State in deciding these and other matters and the factors it considers when casting its votes, especially the coordinated ownership strategy for the SDFI and Equinor's shares held by the Norwegian State, could be different from the interests of Equinor's other shareholders.

If the Norwegian State's coordinated ownership strategy is not implemented and pursued in the future, then Equinor's mandate to continue to sell the Norwegian State's oil and gas together with its own oil and gas as a single economic unit is likely to be prejudiced. Loss of the mandate to sell the SDFI's oil and gas could have an adverse effect on Equinor's position in the markets in which it operates.

Risk management

As discussed above, Equinor activities carry risk, and risk management is therefore an integrated part of Equinor's business operations. Equinor's risk management includes identifying, analysing, evaluating and managing risk in all its activities in order to create value and avoid incidents, always with Equinor's best interest in mind.

To achieve optimal solutions, Equinor bases its risk management on an enterprise risk management (ERM) approach where:

- focus is on the value impact for Equinor, including upside and downside risk; and
- risk is managed in compliance with Equinor's requirements with a strong focus on avoiding HSE, human rights and business integrity incidents (such as accidents, fraud and corruption).

Managing risk is an integral part of any manager's responsibility. In general, risk is managed in the business line, but some risks are managed at the corporate level to provide optimal solutions. Risks managed at the corporate level include oil and natural gas price risks, interest and currency risks, risk dimension in the strategy work, prioritisation processes and capital structure discussions.

ERM involves using a holistic approach where correlations between risks and the natural hedges inherent in Equinor's portfolio are considered. This approach allows Equinor to reduce the number of risk management transactions and avoid sub-optimisation. Some risks related to operations are partly insurable and insured via Equinor's captive insurance company operating in the Norwegian and international insurance markets. Equinor also assesses oil and gas price hedging opportunities on a regular basis as a tool to increase financial robustness and strengthen flexibility.

Risk is integrated into the company's Management Information System (IT tool) where Equinor's purpose, vision and strategy are translated into strategic objectives, risks, actions and KPIs. This allows for aligning risk with strategic objectives and performance and makes risk an embedded part of a holistic decision basis. Equinor's risk management process is aligned with ISO31000 Risk management – principles and guidelines. A standardised process across Equinor allows for comparing risk on a like-for-like basis and supports efficiency in decisions. The process seeks to ensure that risks are identified, analysed, evaluated and managed. In general, risk adjusting actions are subject to a cost-benefit evaluation (except certain safety related risks which could be subject to specific regulations).

Equinor's corporate risk committee, headed by the chief financial officer, is responsible for defining, developing and reviewing Equinor's risk policies and methodology. The committee is also responsible for overseeing and developing Equinor's Enterprise Risk Management and proposing appropriate measures to manage the overall risk profile.

Outlook and market view

Equinor Energy AS aims to ensure safe and efficient operations, maximising the value potential from the Norwegian continental shelf (NCS). At the same time, Equinor Energy AS plans to transform the NCS using digital and carbon-efficient solutions.

The price environment significantly improved in 2021 with the oil and gas prices increasing throughout the year leading to a steep increase for the gas price in the second half of 2021 which resulted in the average invoiced group gas price for Europe increasing to 14.60 USD/mmBtu at the end of 2021 from 3.58 USD/mmBtu at the end of 2020. Geopolitical shifts, challenges in liquids resource replenishments, market cyclicality, the impact. of Covid-19, structural changes to costs and increasing momentum towards low carbon implies uncertainty and volatility. To be prepared, Equinor Energy AS is focusing on building a more resilient, diverse and option-rich portfolio, delivered by an agile organisation that embraces change and empowers its people. To deliver on the sharpened strategy and fulfil the strategic intent of "always safe, high value, low carbon", Equinor Energy AS will continue to build on the unique position to maximize and develop long-term value on the NCS.

Equinor Energy AS' income could vary significantly with changes in commodity prices, even if volumes remain stable through the year. There is a small seasonal effect on volumes in the winter and summer seasons due to normally higher off-takes of natural gas during cold periods. There is normally an additional small seasonal effect on volumes as a result of the higher maintenance activity level on offshore

production facilities during the second and third quarters each year, since generally better weather conditions allow for more maintenance work.

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.

Safety, security and sustainability[1]

Equinor Energy AS' ambition is to be an industry leader in safety, security and sustainability

Health, safety and security
In a society fighting a pandemic, the running of safe operations and provision of energy, with as low major accident risk as possible, has remained our priority. Our vision is zero harm, which is supported by one of our three strategic pillars, "Always Safe". The safety and security of our people, and integrity of our operations, is our top priority.

We have in 2021 developed a new framework for major accident prevention. This is built on three pillars: "Leadership culture and organisational frame conditions", "Safe practices and design" and "Safety barriers". The implementation of this framework remains a priority for 2021 and beyond.

Our "I am safety roadmap 2025" sets our ambition for safety performance. It outlines prioritised activities within four categories across the company: safety visibility, leadership and behaviour; learning and follow up, and safety indicators. We are stepping up the work to consistently improve our safety performance and work continuously to develop a proactive safety culture, where safe and secure operations are incorporated into everything we do. Two important initiatives to achieve this were implemented in 2021. These include the strengthening of "human and organisational performance (HOP)" and the implementation of digital "observation cards" to facilitate more engagement and improved safety behaviour across the workforce.

Our efforts related to health and working environment during 2021 have been impacted by the Covid-19 pandemic in several areas. The medical risk of infection resulted in a focus on measures including hygiene and social distancing. We worked proactively to address the mental health impact of working from home. Where we were permitted to do so, offices were re-opened with safety measures in place so that those who needed or wanted to return, could do so safely. Medical resources with competence on ergonomics and psychosocial risk have been allocated to support leaders and teams managing risks related to working from home.

In 2021, we experienced no fatalities or major accidents. The total serious incident frequency, which includes near misses, was 0.7 incident per million work hours in 2021, down from 1.3 in 2020[2]. The total recordable injury frequency per million hours worked (TRIF) was 4.5, down from 4.7 in 2020[2]. For accidental oil spills, the total oil spill volume was 29 m^3 in 2021, up from 18m^3 in 2020[2].

Preventing oil and gas leakages is important to avoid major accidents. We experienced five oil and gas leakages ≥0.1kg per sec in 2021, a decrease from six in 2020[2]. All leakages of this magnitude are subject to formal investigation in order to capture learning.

Climate and energy transition
Climate change and reaching the goals of the Paris Agreement represent fundamental challenges to society. As outlined in the COP26 Glasgow Climate Pact, achieving the most ambitious goals of the Paris Agreement now requires rapid, deep and sustained reductions in global greenhouse gas emissions. This includes reducing global carbon dioxide emissions by 45% by 2030 relative to 2010 levels, and to net zero around mid-century. The average increase in global temperatures has already reached 1.1°C above pre-industrial levels, according to the Intergovernmental Panel on Climate Change.

Climate change is a collective challenge, and we will contribute by accelerating its response to the energy transition in partnership with governments, investors, customers and society at large. Our industry will play an important role. While individual company-level decarbonisation ambitions are important, the journey towards net zero can only be met through an "unprecedented transformation of how energy is produced, transported and used globally", according to the International Energy Agency (IEA).

Our ambition is to be a leading company in the energy transition and to become a net-zero company by 2050, including emissions from production through to final energy consumption. In 2021 and into 2022, we further strengthened our ambitions to reduce our absolute greenhouse gas emissions.

Direct greenhouse gas emissions in 2021 were 8.8 million tonnes CO_2 equivalents, which is a decrease from 9.8 million tonnes CO_2 equivalents in 2020. The main driver to the decrease is the fire at Hammerfest LNG plant in September 2020 which caused the plant to shut down for the remainder of 2020 and throughout 2021.

[1] All data in this section are reported based on an operational control boundary

[2] The scope for safety performance data has, since our 2020 reporting, been harmonized with the scope for other SSU data in this section.

Greenhouse gas emissions include carbon dioxide (CO_2) and methane (CH_4), where CO_2 constitutes the largest part; 8.5 million tonnes CO_2 in 2021 compared to 9.6 million tonnes CO_2 in 2020. Methane (CH_4) emissions were 9.7 thousand tonnes in 2021, down from 11.6 thousand tonnes in 2020., mainly as a consequence of several turnarounds in the NCS in 2021.

The CO_2 intensity for Equinor Energy AS' offshore assets (upstream CO_2 intensity) ended at 7kg CO_2 per boe in 2021, a decrease from 8kg CO_2 per boe in 2020. The key driver for the positive development is increased oil and gas export levels from the NCS compared to 2020, particularly from Johan Sverdrup, Oseberg and Troll. Johan Sverdrup and Troll A have low emissions per boe due to on-shore power.

The intensity for our Norwegian offshore portfolio is significantly lower than the global industry average of 15kg CO_2 per boe.

Environmental impact
Globally, there is an increasing expectation for urgent actions to address the twin threats of climate change and nature loss. As a large offshore oil and gas operator, proper management of our operations and potential impacts on the marine environment from our operations is very important.

In this respect, significant environmental aspects to manage include discharges of produced and processed water to sea, spills, emissions of NOx and SOx, and waste management. We aim to systematically manage these aspects as an integrated part of our governance, risk and performance framework. The precautionary approach and mitigation hierarchy are central to implementing measures to avoid, reduce or mitigate adverse direct impacts and to enhance positive outcomes. We seek to continuously improve our environmental management system and performance. Our management approach includes environmental risk and impact assessments, as well as stakeholder engagement in planning phases before construction or operation activities take place. It also includes environmental baseline studies, surveys, monitoring programmes, and collaborative research projects to build knowledge and develop tools.

The total volume of oil discharged to sea decreased by 12% in 2021 compared to 2020.The key driver to the decrease is chemical substitution and improved water cleaning process at Statfjord. NOx and SOx emissions have decreased by 3% and 10%, respectively. This is largely a result of less drilling activities at several fields on the NCS. The nmVOC emissions decreased by 27% compared to 2020 levels. The decrease is mainly due to change in emission factor at several assets and plants (e.g Gullfaks A, Gullfaks C, Åsgard B, Statfjord B, Sture) and several turnarounds in 2021
In 2021, the total volume of generated waste was 191 thousand tonnes compared to 215 thousand tonnes in 2020. The main contributor to the change is a decrease in hazardous waste because of less drilling activity on the NCS. The quantities of hazardous waste decreased by 12% in 2021, from 200 thousand tonnes in 2020 to 175 thousand tonnes. The non-hazardous waste increased by 6%, from 15 to 16 thousand tonnes, mainly due to fire training at Kollsnes and maintenance at Hammerfest LNG and Kårstø.

Working with suppliers
Equinor Energy AS is committed to using suppliers who operate consistently in accordance with the company's values and who maintain high standards of safety, security and sustainability. These aspects are incorporated in all phases of the procurement process. All potential suppliers must meet Equinor Energy AS' minimum requirements in order to qualify as a supplier and these include safety, security and sustainability criteria.

Human rights
Understanding and managing our risks of adverse human rights impacts related to our activities remains at the core of our human rights commitment, consistent with the United Nations Guiding Principles on Business and Human Rights (UNGPs), the ten principles of the Global Compact and the Voluntary Principles on Security and Human Rights. We recognise that our activities can cause, contribute, or be linked to negative human rights and other social impacts especially in jurisdictions with weak regulatory frameworks, and as such we aim to promote good practice and share learnings with partners. In 2021 the Covid-19 pandemic continued to exacerbate risks in some areas of our operations. In parallel, governments and society are sharpening their focus towards human rights performance.

The company's human rights policy applies to all our activities. When we identify human rights risks and adverse impacts, we work to prevent, mitigate or remediate as relevant to each situation. We make efforts to build and use leverage towards our suppliers or partners including through senior level engagement, capacity building opportunities and access to third party expertise.

As part of environmental and social impact assessments for new operated assets, potential human rights risks and impacts are identified. In addition, we undertake human rights assessments and due diligence for certain assets on a risk basis. We set requirements for all suppliers regarding general human rights expectations. We also include human rights clauses in significant agreements and contracts and follow up selected suppliers on their performance through verifications and follow-up findings.

We have developed a performance framework built around four pillars; leadership and governance, risk management, partner and supplier maturity, and management of salient issues. A set of internal monitoring indicators will be implemented as a first step under this framework.

Following the adoption of our supply chain due diligence priorities, we saw an increase in engagement with prioritised first-tier suppliers. Through risk mapping and assessment of red flags within value and supply chains of seven suppliers, risks and impacts are being addressed jointly.

Transparency, ethics and anti-corruption
Our commitment to conduct business in an ethical, socially responsible and transparent manner has during the Covid-19 pandemic remained the same. The Code of Conduct sets out our commitment and requirements for how we do business. We train our employees on how to apply the Code of Conduct in their daily work and require all employees to confirm annually that they understand and will comply with it. We expect our suppliers to act in a way that is consistent with our Code of Conduct and engage with them to help them understand our ethical requirements and how we do business.

Our Code of Conduct explicitly prohibits engaging in bribery and corruption in any form. Our Anti-Corruption Compliance Program summarises the standards, requirements and procedures implemented to comply with applicable laws and regulations and maintaining our high ethical standards. The Program lays down the foundation for ensuring that anti-bribery and corruption risks are identified, concerns are reported, and measures are taken to mitigate risk throughout the organisation.

Our Code of Conduct also addresses the requirement to comply with applicable competition and antitrust laws. Our Competition and Antitrust Program consists of governing documents and manuals, training of employees in high-risk positions as well as risk assessments and assurance activities.

The Code of Conduct imposes a duty to report possible violations of the Code or other unethical conduct. We require leaders to take their control responsibilities seriously to prevent, detect and respond to ethical issues. Employees are encouraged to discuss concerns with their leader or the leader's superior or use available internal channels to provide support. Concerns may also be reported through our Ethics Helpline which allows for anonymous reporting and is open to employees, business partners and the general public. Equinor Energy AS has a strict non-retaliation policy.

People and organisation

Equinor Energy AS has no employees, and relies on the services provided by other companies in the Equinor group and the Equinor group's principles and practices pertaining to people and organisation.

Research and development

Equinor is a technology intensive group of companies and research and development is an integral part of its strategy.

Improved oil and gas recovery and improved drilling and well solutions are important to successfully fight declining production from mature fields. The research and development work is managed at Equinor group level, and is in close cooperation with universities and research institutions. Equinor has achieved some of the petroleum industry's highest recovery factors on the Norwegian continental shelf by combining scientific and engineering capabilities and boldly introducing new technology. As a part of the Equinor group, we contribute to the group's intention to further advance the most important technologies to meet forthcoming improved oil recovery ambitions.

Research and development expenditures were USD 227 million in 2021, compared to USD 203 million in 2020.

Board of directors

At present, Equinor Energy AS' board of directors consists of 5 members.

The board held four meetings in 2021, in addition to five extraordinary meetings. The average meeting attendance at these board meetings was 96%.

STAVANGER, 25 March 2022

THE BOARD OF DIRECTORS OF EQUINOR ENERGY AS

/s/ SVEIN SKEIE
CHAIR

/s/ ASLEIV BRANDSØY
MANAGING DIRECTOR

/s/ METTE FERKINGSTAD

/s/ FINN LEXOW

/s/ SIV HELEN RYGH TORSTENSEN

Financial statements

STATEMENT OF INCOME EQUINOR ENERGY AS

(in USD million)	Note	Full year 2021	2020
Revenues	5	42,467	14,444
Net income/(loss) from subsidiaries and other equity accounted investments	13	1,995	(5,267)
Other income		544	33
Total revenues and other income		45,006	9,210
Purchases [net of inventory variation]		(1,344)	(263)
Operating expenses		(4,258)	(3,535)
Selling, general and administrative expenses		(65)	(76)
Depreciation, amortisation and net impairment losses	11, 12	(5,199)	(6,174)
Exploration expenses	12	(363)	(423)
Total operating expenses		(11,229)	(10,471)
Net operating income/(loss)		33,777	(1,261)
Interest expenses and other financial expenses		(465)	(407)
Other financial items		43	202
Net financial items	9	(422)	(205)
Income/(loss) before tax		33,355	(1,467)
Income tax	10	(23,619)	(1,739)
Net income/(loss)		9,737	(3,205)

STATEMENT OF COMPREHENSIVE INCOME EQUINOR ENERGY AS

(in USD million)	Note	Full year 2021	2020
Net income/(loss)		9,737	(3,205)
Foreign currency translation effects		(234)	331
Items that may subsequently be reclassified to the Statement of income		(234)	331
Other comprehensive income/(loss)		(234)	331
Total comprehensive income/(loss)		9,503	(2,874)
Attributable to the equity holders of the company		9,503	(2,874)

BALANCE SHEET EQUINOR ENERGY AS

(in USD million)	Note	At 31 December 2021	2020
ASSETS			
Property, plant and equipment[1)]	11	36,720	39,527
Intangible assets	12	1,223	1,579
Investments in subsidiaries and other equity accounted investments	13	15,496	17,863
Derivative financial instruments	4	241	203
Prepayments and financial receivables		98	120
Receivables from group companies	14	18	24
Total non-current assets		53,796	59,315
Inventories		182	128
Trade and other receivables	15	1,046	687
Receivables from group companies	14	29,949	6,130
Derivative financial instruments	4	70	20
Total current assets		31,247	6,964
Total assets		85,043	66,280
EQUITY AND LIABILITIES			
Share capital		5,530	5,530
Additional paid-in capital		9,505	9,505
Reserves for unrealised gains		114	60
Retained earnings		10,105	7,902
Other reserves		(3,382)	(3,148)
Total equity	16	21,872	19,848
Lease liabilities	19	813	1,139
Deferred tax liabilities	10	13,517	10,783
Liabilities to group companies	14	7,404	12,468
Provisions and other liabilities[1)]	17	12,929	14,553
Total non-current liabilities		34,662	38,943
Trade, other payables and provisions	18	1,752	1,974
Current tax payable	10	12,857	770
Lease liabilities	19	481	480
Liabilities to group companies	14	13,419	4,264
Total current liabilities		28,509	7,489
Total liabilities		63,171	46,431
Total equity and liabilities		85,043	66,280

1) Restated 31 December 2020 figures due to a policy change affecting ARO, see note 2 Significant accounting policies and note 17 Provisions and other liabilities.

STATEMENT OF CASH FLOWS EQUINOR ENERGY AS

(in USD million)	Note	Full year 2021	2020
Income/(loss) before tax		33,355	(1,467)
Depreciation, amortisation and net impairment losses	11, 12	5,199	6,174
Exploration expenditures written off	12	(34)	91
(Gains)/losses on foreign currency transactions and balances		40	(127)
(Gains)/losses on sale of assets and businesses	3	0	(9)
(Income)/loss from equity accounted subsidiaries and investments without cash effects		(1,792)	5,649
(Increase)/decrease in other items related to operating activities		655	231
(Increase)/decrease in net derivative financial instruments		(1,596)	(122)
Interest received		85	93
Interest paid		(145)	(154)
Cash flows provided by operating activities before taxes paid and working capital items		35,768	10,359
Taxes paid		(8,079)	(2,535)
(Increase)/decrease in working capital		(5,654)	278
Cash flows provided by operating activities		22,034	8,102
Capital expenditures and investments	11, 12, 13	(5,103)	(5,903)
(Increase)/decrease in other interest bearing items		57	(3)
Proceeds from sale of assets and businesses and capital contribution received		4,085	38
Cash flows used in investing activities		(962)	(5,868)
Repayment of lease liabilities	19	(495)	(478)
Group contribution		(3,584)	0
Increase/(decrease) in financial receivables and liabilities to/from Equinor group companies[1)]	14	(16,966)	(1,735)
Cash flows provided by/(used in) financing activities		(21,044)	(2,213)
Net increase/(decrease) in cash and cash equivalents		29	21
Foreign currency translation effects		(3)	5
Cash and cash equivalents at the beginning of the period		41	15
Cash and cash equivalents at the end of the period[2)]		67	41

1) Mainly/including deposits in Equinor group's internal bank arrangement in 2021 and 2020 respectively.
2) Cash and cash equivalents are included in the line Trade and other receivables in the Balance sheet. In addition, Equinor Energy AS is taking part in an internal cash pool arrangement with Equinor ASA. See note 14 Financial assets and liabilities for more information.

Notes to the Financial statements Equinor Energy AS

1 Organisation

Equinor Energy AS was founded in 2007 as a demerger of Norsk Hydro Produksjon AS, prior to and in connection with the merger between Equinor ASA and the oil and gas activities of Norsk Hydro ASA (Hydro Petroleum), which was effective 1 October 2007. The company is incorporated and domiciled in Norway. The address of its registered office is Forusbeen 50, N-4035 Stavanger, Norway.

Equinor Energy AS' business consists of the exploration, production and transportation of petroleum and petroleum-derived products, as well as financial support to other Equinor group entities. The group internal financial support includes the issuance of guarantees, and serving as co-obligor for certain finance debt entered into by Equinor ASA. The Equinor group's net assets on the Norwegian continental shelf are owned by Equinor Energy AS.

Equinor Energy AS is consolidated into Equinor ASA's Consolidated financial statements, cf. Equinor ASA's annual report. In accordance with the Norwegian Accounting Act §3-7, Equinor Energy AS does not prepare consolidated financial statements. For more information see Equinor ASA's annual report 2021. The Consolidated financial statements can be obtained by contacting Equinor ASA, Forusbeen 50, 4035 Stavanger or from the website, www.equinor.com.

The financial statements of Equinor Energy AS for the full year of 2021 were authorised for issue in accordance with a resolution of the board of directors on 25 March 2022.

2 Significant accounting policies

Statement of compliance
The financial statements of Equinor Energy AS ("the company" or "Equinor") are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

Voluntary change in significant accounting policy related to discount rate for Asset Retirement Obligation (ARO) calculation
With effect from 1 October 2021, Equinor changed its discount rate used in calculation of the ARO so that it no longer includes an element covering Equinor's own credit risk. This voluntary accounting policy change is made because the credit element's exclusion from the discount rate in estimating the ARO liability is deemed to better represent the risks specific to the ARO liability. The change affects the amounts of ARO liabilities and the ARO elements of property, plant and equipment materially, and prior periods' balance sheet amounts in this respect have been restated, see further details in note 17 Provisions and other liabilities. The policy change will impact future depreciation expenses as well as potential asset impairments or impairment reversals. The impact on relevant lines in the income statement and on equity upon implementation of the voluntary policy change are immaterial. Prior period income statements and statements of changes in equity have not been restated.

Basis of preparation
The financial statements are prepared on the historical cost basis with some exceptions, as detailed in the accounting policies set out below. These policies have been applied consistently to all periods presented in these financial statements, except as otherwise noted. Certain amounts in the comparable years have been restated to conform to current year presentation. The subtotals and totals in some of the tables in the notes may not equal the sum of the amounts shown in the primary financial statements due to rounding.

The statement of cash flows has been prepared in accordance with the indirect method.

Subsidiaries, associated companies and joint arrangements
Shareholdings and interests in subsidiaries and associated companies (companies in which Equinor Energy AS does not have control, or joint control, but has the ability to exercise significant influence over operating and financial policies, generally when the ownership share is between 20% and 50%), as well as Equinor's participation in joint arrangements that are joint ventures, are accounted for using the equity method. Under the equity method, the investment is carried on the Balance sheet at cost plus post-acquisition changes in Equinor Energy AS' share of net assets of the entity, less distribution received and less any impairment in value of the investment. Goodwill may arise as the surplus of the cost of investment over Equinor's share of the net fair value of the identifiable assets and liabilities of the subsidiary, joint venture or associate. Goodwill included in the balance sheets of subsidiaries and associated companies is tested for impairment as part of the related investment in the subsidiary or associated company. The Statement of income reflects Equinor's share of the results after tax of an equity-accounted entity, adjusted to account for depreciation, amortisation and any impairment of the equity-accounted entity's assets based on their fair values at the date of acquisition in situations where Equinor Energy AS has not been the owner since the establishment of the entity. Net income/loss from equity accounted investments is presented as part of Total

revenues and other income, as these investments in other companies engaged in energy-related business activities are considered part of Equinor's main operating activities.

Reserves for valuation variances included within the company's equity are established based on the sum of contributions from the individual equity accounted investment, with the limitation that the net amount cannot be negative.

Interests in joint operations (arrangements in which Equinor and other participants have joint control and each of the parties have rights to the assets and obligations for the liabilities, relating to their respective share of the arrangement) and similar arrangements (licenses) outside the scope of IFRS 11 are recognised on a line-by-line basis, reflecting Equinor Energy AS' share of assets, liabilities, income and expenses.

Indirect operating expenses, such as personnel expenses from Equinor ASA, are accumulated in cost pools. These costs are allocated on an hour incurred basis to business areas and to Equinor-operated joint operations under IFRS 11 and to similar arrangements (licenses) outside the scope of IFRS 11. Costs allocated to the other partners' share of operated joint operations and similar arrangements reduce the costs in the Statement of income.

Asset transfers between Equinor Energy AS and its subsidiaries
Transfers of assets and liabilities between Equinor Energy AS and entities directly or indirectly controlled by Equinor Energy AS are accounted for at the carrying amounts of the assets and liabilities transferred, when the transfer is part of a reorganisation within the Equinor group.

Functional currency and foreign currency translations
Equinor Energy AS' functional currency is Norwegian Krone (NOK), based on an evaluation of the company's primary environment and related cash-flows. Transactions in foreign currencies are translated to NOK, at the foreign exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to NOK at the foreign exchange rate at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of income. Non-monetary assets that are measured at historical cost in a foreign currency are translated using the exchange rate at the dates of the transactions.

Presentation currency
The Statement of income, the Balance sheet and the Statement of cash flows of Equinor Energy AS are translated from NOK into the presentation currency USD, in consistence with the presentation currency of Equinor ASA and the Group. Assets and liabilities are translated into USD at the foreign exchange rate at the balance sheet date. Revenues and expenses are translated using the foreign exchange rates on the dates of the transactions. Foreign exchange differences arising on translation from functional currency to presentation currency are recognised separately within Other comprehensive income (OCI). Currency translation rates (NOK/USD) applicable for the period are as follows: 8.53 (31 Dec 2020), 8.82 (31 Dec 2021) and 8.60 (year-average).

Revenues
Revenue from contracts with customers is recognised upon satisfaction of the performance obligations for the transfer of goods and services in each such contract. The revenue amounts that are recognised reflect the consideration to which Equinor expects to be entitled in exchange for those goods and services. Revenue from the sale of crude oil, natural gas, petroleum products and other merchandise is recognised when a customer obtains control of those products, which normally is when title passes at point of delivery, based on the contractual terms of the agreements. Each such sale normally represents a single performance obligation. In the case of natural gas, sales are completed over time in line with the delivery of the actual physical quantities.

Revenues from the production of oil and gas in which Equinor shares an interest with other companies are recognised on basis of volumes lifted and sold to customers during the period (the sales method). Where Equinor has lifted and sold more than the ownership interest, an accrual is recognised for the cost of the overlift. Where Equinor has lifted and sold less than the ownership interest, costs are deferred for the underlift.

Research and development
The company undertakes research and development both on a funded basis for licence holders, and on an unfunded basis for projects at its own risk. The company's own share of the licence holders' funding and the total costs of the unfunded projects are considered for capitalisation under the applicable IFRS requirements. All other research and development expenditures are expensed as incurred. Subsequent to initial recognition, any capitalised development costs are reported at cost less accumulated amortisation and accumulated impairment losses.

Emission allowances
CO2 free quotas received under the EU Emissions Trading System (EU ETS) are reflected evenly over the accounting year. Additional quotas purchased are reflected at cost in Operating expenses as incurred in line with emissions. Accruals for CO2 quotas required to cover emissions to date are valued at market price and reflected as a current liability within Trade, other payables and provisions. Quotas owned, but exceeding the emissions incurred to date, are carried in the Balance sheet at cost price, classified as Other current receivables, as long as such purchased quotas are acquired in order to cover own emissions and may be kept to cover subsequent years' emissions.

Obligations resulting from current year emissions and the corresponding amounts for quotas that have been bought, paid and expensed, but which have not yet been surrendered to the relevant authorities, are reflected net in the Balance sheet.

Income tax
Income tax in the Statement of income for the year comprises current and deferred tax expense. Income tax is recognised in the Statement of income except when it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax consists of the expected tax payable on the taxable income for the year and any adjustment to tax payable for previous years. Uncertain tax positions and potential tax exposures are analysed individually, and as tax disputes are mostly binary in nature, the most likely amount for probable liabilities to be paid (unpaid potential tax exposure amounts, including penalties) and assets to be received (disputed tax positions for which payment has already been made) in each case are recognised within current tax or deferred tax as appropriate. Interest income and interest expenses relating to tax issues are estimated and recognised in the period in which they are earned or incurred and are presented within Net financial items in the Statement of income. Uplift benefit on the Norwegian continental shelf (NCS) is recognised when the deduction is included in the current year tax return and impacts taxes payable.

Deferred tax assets and liabilities are recognised for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, subject to the initial recognition exemption. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. In order for a deferred tax asset to be recognised based on future taxable income, convincing evidence is required, taking into account the existence of contracts, production of oil or gas in the near future based on volumes of proved reserves, observable prices in active markets, expected volatility of trading profits and similar facts and circumstances. When an asset retirement obligation or a lease contract is initially reflected in the accounts, a deferred tax liability and a corresponding deferred tax asset are recognised simultaneously and accounted for in line with other deferred tax items.

Oil and gas exploration, evaluation and development expenditures
Equinor Energy AS uses the successful efforts method of accounting for oil and gas exploration costs. Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration and evaluation expenditures within Intangible assets until the well is complete and the results have been evaluated, or there is any other indicator of a potential impairment. Exploration wells that discover potentially economic quantities of oil and natural gas remain capitalised as intangible assets during the evaluation phase of the find. This evaluation is normally finalised within one year after well completion. If, following the evaluation, the exploratory well has not found potentially commercial quantities of hydrocarbons, the previously capitalised costs are evaluated for derecognition or tested for impairment. Geological and geophysical costs and other exploration and evaluation expenditures are expensed as incurred.

Capitalised exploration and evaluation expenditures, including expenditures to acquire mineral interests in oil and gas properties, related to wells that find proved reserves, are transferred from exploration expenditure (Intangible assets) to assets under development (Property, plant and equipment) at the time of sanctioning of the development project. The timing from evaluation of a discovery until a project is sanctioned could take several years depending on the location and maturity, including existing infrastructure, of the area of discovery, whether a host government agreement is in place, the complexity of the project and the financial robustness of the project.

For exploration and evaluation asset acquisitions (farm-in arrangements) in which the company has made arrangements to fund a portion of the selling partners' exploration and/or future development expenditures (carried interests), these expenditures are reflected in the financial statements as and when the exploration and development work progresses. The company reflects exploration and evaluation asset dispositions (farm-out arrangements) on a historical cost basis with no gain or loss recognition.

A gain related to a post-tax-based disposition of assets on the NCS includes the release of tax liabilities previously computed and recognised related to the assets in question. The resulting gross gain is recognised in full in the line item Other income in the Statement of income.

Exchanges (swaps) of exploration and evaluation assets are accounted for at the carrying amounts of the assets given up with no gain or loss recognition.

Property, plant and equipment
Property, plant and equipment is reflected at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of an asset retirement obligation, if any, exploration costs transferred from intangible assets and, for qualifying assets, borrowing costs. Proceeds from production ahead of a project's final approval is regarded as "early production" and are recognised as revenue rather than as a reduction of acquisition cost.

Exchanges of assets are measured at the fair value, primarily of the asset given up, unless the fair value of neither the asset received, nor the asset given up is measurable with sufficient reliability.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Inspection and overhaul costs, associated with regularly scheduled major maintenance programs planned and carried out at recurring intervals exceeding one year, are capitalised and amortised over the period to the next scheduled inspection and overhaul. All other maintenance costs are expensed as incurred.

Capitalised exploration and evaluation expenditures, development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of production wells, and field-dedicated transport systems for oil and gas are capitalised as producing oil and gas properties within Property, plant and equipment. Such capitalised costs, when designed for significantly larger volumes than the reserves from already developed and producing wells, are depreciated using the unit of production method based on proved reserves expected to be recovered from the area during the concession or contract period. Depreciation of production wells uses the unit of production method based on proved developed reserves, and capitalised acquisition costs of proved properties are depreciated using the unit of production method based on total proved reserves. In the rare circumstances where the use of proved reserves fails to provide an appropriate basis reflecting the pattern in which the asset's future economic benefits are expected to be consumed, a more appropriate reserve estimate is used. Depreciation of other assets and transport systems used by several fields is calculated on the basis of their estimated useful lives, normally using the straight-line method. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. For exploration and production assets the company has established separate depreciation categories which as a minimum distinguish between platforms, pipelines and wells.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in Other income or Operating expenses, respectively, in the period the item is derecognised.

Monetary or non-monetary grants from governments, when related to property, plant and equipment and considered reasonably certain, are recognised in the Consolidated balance sheet as a deduction to the carrying value of the asset and subsequently recognised in the Consolidated statement of income over the life of the depreciable asset as a reduced depreciation expense.

Leases
A lease is defined as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Equinor Energy AS is for most part the lessee in its lease contracts, where the company leases assets used in its operations, such as drilling rigs, supply vessels, land bases and helicopters. As a lessee, for each contract that meets the definition of a lease, Equinor Energy AS recognises a lease liability at commencement of the lease term, equal to the net present value of non-variable lease payments over the lease term. The lease term includes non-cancellable lease periods under the lease contracts, including periods covered by lease extension options considered reasonably certain to be executed and periods covered by lease termination options, when the lease termination options are considered reasonably certain not to be exercised. Short-term leases (<12 months), leases of low value assets, variable lease elements and non-lease components within lease contracts are expensed as incurred. The discount rate used to calculate the lease liability is based on Equinor Energy AS' incremental borrowing rate. Correspondingly, a right-of-use (RoU) asset is recognised at an amount which normally would equal the lease liability. The RoU asset is depreciated over the lease term, unless the lease costs are included in the cost of another asset, typically in exploration or development activities.

Lease payments are separated into repayment of the lease liability, presented within cash flows used in financing activities in the Statement of cash flows, and payments of interests, presented with financial items in the Statement of income and operating cash flows in the Statement of cash flows.

Where all partners in a licence are considered to share the primary responsibility for lease payments under a contract, the related lease liability and RoU asset will be recognised net by Equinor, on the basis of Equinor's participation interest in the licence. When Equinor is considered to have the primary responsibility for the full external lease payments, the lease liability is recognised gross (100%). Equinor derecognises a portion of the RoU asset equal to the non-operator's interests in the lease, and replace it with a corresponding financial lease receivable, if a financial sublease is considered to exist between Equinor and the licence. A financial sublease will typically exist where Equinor enters into a contract in its own name, has the primary responsibility for the external lease payments, the underlying asset will only be used on one specific licence, and the costs and risks related to the use of the asset are carried by that specific licence.

Intangible assets including goodwill
Intangible assets are stated at cost, less accumulated amortisation and accumulated impairment losses. Intangible assets mainly include expenditure on the exploration for and evaluation of oil and natural gas resources and goodwill.

Intangible assets relating to expenditures on the exploration for and evaluation of oil and natural gas resources are not amortised. When the decision to develop a particular area is made, its intangible exploration and evaluation assets are reclassified to Property, plant and equipment.

Goodwill is initially measured at the excess of the aggregate of the consideration transferred over the fair value of the identifiable assets acquired and liabilities assumed in a business combination at the acquisition date. Goodwill acquired is allocated to each cash generating unit (CGU), or group of units, expected to benefit from the combination's synergies. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. In acquisitions made on a post-tax basis according to the rules on the NCS, a provision for deferred tax is reflected in the accounts based on the difference between the acquisition cost and the transferred tax depreciation basis. The offsetting entry to such deferred tax amounts is reflected as goodwill, which is allocated to the CGU or group of CGUs on whose tax depreciation basis the deferred tax has been computed.

Other intangible assets with a finite useful life, are depreciated over their useful life using the straight-line method.

Financial assets excluding derivatives
Financial assets are initially recognised at fair value. Trade and other receivables are subsequently carried at amortised cost, which for receivables are represented by the original invoice amount, less a provision for doubtful receivables which represents expected losses computed on a probability-weighted basis. The line-item Receivables from group companies includes the company's positive internal bank balances, as these represent a receivable against the cash pool in Equinor ASA. See note 14 Financial assets and liabilities for more details. The line-item Trade and other receivables also includes the company's cash and cash equivalents. See note 15 Trade and other receivables for more details.

Financial assets are presented as current if these contractually will expire or otherwise are expected to be recovered within 12 months after the balance sheet date, or if these are held for the purpose of being traded. Financial assets and financial liabilities are shown separately in the Balance sheet, unless Equinor has both a legal right and a demonstrable intention to net settle certain balances payable to and receivable from the same counterparty, in which case they are shown net in the Balance sheet.

Derivative financial instruments
Equinor uses commodity-based derivative financial instruments to manage certain exposures to fluctuations in commodity prices. As described in note 21 Related parties, Equinor Energy AS carries the risk related to certain contracts entered into by Equinor ASA through back-to-back arrangements. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value through profit and loss. Equinor Energy AS presents the fair value of such derivative positions as intercompany receivables or liabilities towards Equinor ASA. The impact of commodity-based derivative financial instruments is recognised in the Statement of income under Revenues, as such derivative instruments are related to sales contracts or revenue-related risk management for all significant purposes.

Embedded derivatives within sales or purchase contracts between Equinor Energy AS and other companies within the Equinor group are not separated from the host contract.

Reserves for unrealised gains included within the company's equity consists of accumulated unrealised gains on non-exchange traded financial instruments and the fair value of embedded derivatives, with the limitation that the net amount cannot be negative.

Contingent consideration which is included in Equinor's sales transactions from time to time is initially reflected at its fair value in the computation of transaction gain or loss, and, depending on the terms of the agreement, subsequently in most cases have been reflected in the accounts as a derivative, with the impact on the Statement of income included in Other income.

Inventories
Commodity inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Inventories of drilling and spare parts are reflected according to the weighted average method.

Impairment of property, plant and equipment, right-of-use assets and intangible assets including goodwill
The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped based on lowest levels with separately identifiable and largely independent cash inflows. Normally, separate cash generating units (CGUs) are individual oil and gas fields or plants. For capitalised exploration expenditures, the CGUs are individual wells. In Equinor Energy AS' line of business, judgement is involved in determining what constitutes a CGU. Development in production, infrastructure solutions, markets, product pricing, management actions and other factors may over time lead to changes in CGUs such as the disaggregation of one original CGU into several.

In assessing whether a write-down of the carrying amount of a potentially impaired asset is required, the asset's carrying amount is compared to the recoverable amount. The recoverable amount of an asset is the higher of its fair value less cost of disposal or its value in use. Fair value less cost of disposal is determined based on comparable recent arm's length market transactions or based on Equinor's estimate of the price that would be received for the asset in an orderly transaction between market participants. Such fair value estimates are mainly based on discounted cash flow models, using assumed market participants' assumptions, but may also reflect market multiples observed from comparable market transactions or independent third-party valuations. Value in use is determined using a discounted cash flow model. The estimated future cash flows applied in the value in use are based on reasonable and supportable

assumptions and represent management's best estimates of the range of economic conditions that will exist over the remaining useful life of the assets, as set down in the Equinor group's most recently approved long-term forecasts. Updates of assumptions and economic conditions in establishing the long-term forecasts are reviewed by management on a regular basis and updated at least annually. See note 11 Property, plant and equipment for a presentation of the most recently updated commodity price assumptions. For assets and CGUs with an expected useful life or timeline for production of expected oil and gas reserves extending beyond 5 years, the forecasts reflect expected production volumes, and the related cash flows include project or asset specific estimates reflecting the relevant period. Such estimates are established on the basis of Equinor group`s principles and group assumptions and are consistently applied.

In performing a value-in-use-based impairment test, the estimated future cash flows are adjusted for risks specific to the asset and discounted using a real post-tax discount rate which is based on Equinor's post-tax weighted average cost of capital (WACC). The use of post-tax discount rates in determining value in use does not result in a materially different determination of the need for, or the amount of, impairment that would be required if pre-tax discount rates had been used.

Unproved oil and gas properties are assessed for impairment when facts and circumstances suggest that the carrying amount of the asset or CGU to which the unproved properties belong may exceed its recoverable amount, and at least once a year. Exploratory wells that have found reserves, but where classification of those reserves as proved depends on whether major capital expenditure can be justified or where the economic viability of that major capital expenditure depends on the successful completion of further exploration work, will remain capitalised during the evaluation phase for the exploratory finds. Thereafter it will be considered a trigger for impairment evaluation of the well if no development decision is planned for in the near future and there are no firm plans for future drilling in the licence.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer be relevant or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Impairment losses and reversals of impairment losses are presented in the Statement of income as Exploration expenses or Depreciation, amortisation and net impairment losses, on the basis of their nature as either exploration assets (intangible exploration assets) or development and producing assets (property, plant and equipment and other intangible assets), respectively.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the CGU, or group of units, to which the goodwill relates. Where the recoverable amount of the CGU, or group of units, is less than the carrying amount, an impairment loss is recognised. When impairment testing goodwill originally recognised as an offsetting item to the computed deferred tax provision in a post-tax transaction on the NCS, the remaining amount of the deferred tax provision will factor into the impairment evaluations. Once recognised, impairments of goodwill are not reversed in future periods, and as such, Equinor considers impaired goodwill as derecognised.

Financial liabilities
Interest-bearing loans and borrowings are generally from the parent company Equinor ASA, or from other entities in the Equinor group. These are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated including any issue costs as well as discount or premium on settlement.

Financial liabilities are presented as current if the liability is expected to be settled as part of Equinor's normal operating cycle, the liabilities are due to be settled within 12 months after the balance sheet date, Equinor does not have the right to defer settlement of the liability more than 12 months after the balance sheet date, or if the liabilities are held for the purpose of being traded. Financial liabilities are de-recognised when the contractual obligations are settled, or if they expire, are discharged or cancelled.

Dividends payable and group contributions
Dividends are reflected as Dividends payable within current liabilities. Group contributions for the year to other entities within Equinor's Norwegian tax group are reflected in the Balance sheet as current liabilities within Liabilities to group companies. Under simplified IFRS, the presentation of dividends payable and group contributions payable differs from the presentation under IFRS, as it also includes dividends and group contributions payable which at the balance sheet date is subject to a future general assembly approval before distribution.

Provisions
Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised under interest and other financial expenses in Net financial items.

Onerous contracts

The company recognises as provisions the net obligation under contracts defined as onerous. Contracts are deemed to be onerous if the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received in relation to the contract. The provision for onerous contracts comprises the costs that relate directly to the contract, both incremental costs and an allocation of other costs that relate directly to fulfilling the contracts. A contract which forms an integral part of the operations of a cash generating unit whose assets are dedicated to that contract, and for which the economic benefits cannot be reliably separated from those of the cash generating unit, is included in impairment considerations for the applicable cash generating unit.

Asset retirement obligations
Provisions for Asset retirement obligations (ARO) are recognised when the company has an obligation (legal or constructive) to dismantle and remove a facility or an item of property, plant and equipment and to restore the site on which it is located, and when a reliable estimate of that liability can be made. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. The cost is estimated based on current regulation and technology, considering relevant risks and uncertainties. The discount rate used in the calculation of the ARO is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows. To better represent the risks specific to the ARO liability, and as described in a previous paragraph regarding changes in accounting policies, Equinor no longer includes a credit premium reflecting Equinor's own credit risk. Normally an obligation arises for a new facility, such as an oil and natural gas production or transportation facility, upon construction or installation. An obligation may also arise during the period of operation of a facility through a change in legislation or through a decision to terminate operations or be based on commitments associated with the company's ongoing use of pipeline transport systems where removal obligations rest with the volume shippers. The provisions are classified under Provisions in the Balance sheet.

When a provision for ARO is recognised, a corresponding amount is recognised to increase the related property, plant and equipment and is subsequently depreciated as part of the costs of the facility or item of property, plant and equipment. Any change in the present value of the estimated expenditures is reflected as an adjustment to the provision and the corresponding property, plant and equipment. When a decrease in the ARO provision related to a producing asset exceeds the carrying amount of the asset, the excess is recognised as a reduction of Depreciation, amortisation and net impairment losses in the Statement of income. When an asset has reached the end of its useful life, all subsequent changes to the ARO provision are recognised as they occur in Operating expenses in the Statement of income. Removal provisions associated with shipping of volumes through third party transport systems are expensed as incurred.

Use of estimates
The preparation of the financial statements requires that management makes estimates and assumptions that affect reported amounts of assets, liabilities, income and expenses. The estimates are prepared based on tailormade models, while the assumptions on which the estimates are based rely on historical experience, external sources of information and various other factors that management assesses to be reasonable under the current conditions and circumstances. These estimates and assumptions form the basis of making the judgements about carrying values of assets and liabilities when these are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis considering the current and expected future set of conditions.

The nature of Equinor Energy AS' operations, and the many countries in which the company's subsidiaries operates, is subject to changing economic, regulatory and political conditions. Equinor Energy AS does not believe it is vulnerable to the risk of a near-term severe impact as a result of any concentration of its activities.

The effects of the initiatives to limit climate changes and the potential impact of the energy transition are relevant to some of the economic assumptions in our estimations of future cash flow. The results the development of such initiatives, and the degree to which Equinor's operations will be affected by them, are sources of uncertainty. Equinor's commodity price assumptions applied in value-in-use impairment testing are set in accordance with accounting regulations and based on management's best estimate of the development of relevant current circumstances and the likely future development of such circumstances. Estimating global energy demand and commodity prices towards 2050 is a challenging task, as this comprises assessing the future development in supply and demand, technology change, taxation, tax on emissions, production limits and other important factors. The assumptions may change, which could materialise in different outcomes from the current projected scenarios. The best estimate price-set is currently not equal to a price-set required to achieve the goals in the Paris Agreement as described in the WEO Sustainability Development Scenario, or the Net Zero Emissions by 2050 Scenario. A future change in the trajectory of how the world acts with regards to implementing actions in accordance with the goals in the Paris agreement could, depending on the detailed characteristics of such a trajectory, have a negative impact on the valuation of Equinor's property, plant and equipment in total. See note 11 Property plant and equipment for an impairment sensitivity based on a price set considered in alignment with the goals in the Paris agreement.

During 2020, the Covid-19 pandemic slowed economic growth and had dramatic consequences for energy demand, particularly mobility fuels, resulting in a collapse in commodity prices in the first half of 2020. Commodity prices rebounded through the second half of 2020 and have since the first quarter of 2021 surpassed pre-pandemic levels. When setting Equinor's estimates for global supply, demand and commodity prices, management factored in the effects of global roll-out of vaccines during 2021 and 2022. Virus mutation is still causing

new waves of lockdown and other restrictions, but the Omicron variant seems less dangerous, letting governments ease restrictions as former variants are being outcompeted. Even though we expect to see the end of the pandemic in the near future, there is always inherent uncertainties and a risk of new virus flare-ups for as long as the virus is allowed to mutate. As the outlook is still somewhat uncertain, the full resulting operational and economic impact for Equinor cannot be fully ascertained at this time.

Oil and gas reserves estimates are complex and based on a high degree of professional judgement involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors and installed plant operating capacity. Recoverable oil and gas quantities are always uncertain. The reliability of these estimates at any point in time depends on both the quality and availability of the technical and economic data and the efficiency of extracting and processing the hydrocarbons. Reserves quantities are, by definition, discovered, remaining, recoverable and economic. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time. Proved oil and gas reserves have been estimated by internal experts on the basis of industry standards and are governed by the oil and gas rules and requirements in the Securities Exchange Commission (SEC) regulations S-K and S-X, and the Financial Accounting Standards Board (FASB) requirements for supplemental oil and gas disclosures. Changes in proved oil and gas reserves may impact the carrying amounts of oil and gas producing assets, as changes in the proved reserves, for instance as a result of changes in prices, will impact the unit of production rates used for depreciation and amortisation.

Expected oil and gas reserves are the estimated remaining, commercially recoverable quantities, based on Equinor's judgement of future economic conditions, from projects in operation or decided for development. Recoverable oil and gas quantities are always uncertain. As per Equinor's internal guidelines, expected reserves are defined as the 'forward looking mean reserves' when based on a stochastic prediction approach. In some cases, a deterministic prediction method is used, in which case the expected reserves is the deterministic base case or best estimate Expected reserves are therefore typically larger than proved reserves as defined by the SEC, which are high confidence estimates with at least a 90 % probability of recovery when a probabilistic approach is used. Changes in the expected oil and gas reserves, for instance as a result of changes in prices, may materially impact the amounts of asset retirement obligations, as a consequence of timing of the removal activities, and value-in-use calculations for oil and gas assets used for impairment testing.

Equinor has significant investments in property, plant and equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring its carrying amount to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Where recoverable amounts are based on estimated future cash flows, reflecting Equinor's, market participants' and other external sources' assumptions about the future and discounted to their present value, the estimates involve complexity. Impairment testing requires long-term assumptions to be made concerning a number of economic factors such as future market prices, refinery margins, foreign currency exchange rates and future output, discount rates, impact of the timing of tax incentive regulations among others, in order to establish relevant future cash flows. Long-term assumptions for major economic factors are made at a group level, and there is a high degree of reasoned judgement involved in establishing these assumptions, in determining other relevant factors such as forward price curves, in estimating production outputs and in determining the ultimate terminal value of an asset. The key assumptions used will bear the risk of change based on the inherent volatile nature of macro-economic factors such as the unknown speed of the new energy transition and uncertainty in asset specific factors such as reserve estimates and operational decisions impacting the production profile or activity levels.

Equinor has significant obligations to decommission and remove offshore installations at the end of the production period. Establishing the appropriate estimates for such obligations are based on historical knowledge combined with knowledge of ongoing technological developments and involve the application of judgement and involve an inherent risk of significant adjustments. The costs of decommissioning and removal activities require revisions due to changes in current regulations and technology while considering relevant risks and uncertainties. Most of the removal activities are many years into the future, and the removal technology and costs are constantly changing. The speed of the transition to new renewable energy may also influence the timing of the production period, hence the timing of the removal activities. The estimates include assumptions of norms, rates and time required which can vary considerably depending on the assumed removal complexity. Moreover, changes in the discount rate and foreign currency exchange rates may impact the estimates significantly. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement.

3 Acquisitions and disposals

No significant acquisitions or disposals in 2020 or 2021.

4 Financial risk management and measurement of financial instruments

General information relevant to financial risks
Equinor Energy AS activities expose the company to market risk, liquidity risk and credit risk. Financial risks are managed at Equinor group level. Equinor's approach to risk management includes assessing and managing risk in activities using a holistic risk approach by considering the correlation between the most important market risks and the natural hedges inherent in Equinor's portfolio, with focus on achieving the highest risk adjusted returns for the group within the given mandate.

Market risk
Equinor Energy AS operates in the worldwide crude oil and natural gas market and is exposed to market risks including fluctuations in hydrocarbon prices, foreign currency rates and interest rates that can affect the revenues and costs of operating, investing and financing. Equinor has guidelines for entering into derivative contracts to manage its commodity price, foreign currency rate, and interest rate risk, which encompasses Equinor Energy AS most significant market risks.

Commodity price risk
Commodity price risk represents Equinor Energy AS most important market risk. Equinor Energy AS has intercompany commodity based derivative contracts with Equinor ASA in order to manage the short-term commodity price risk, mainly related to gas prices. The commodity based derivative contracts consist of over-the-counter forward contracts, futures, market swaps and options related to natural gas. The term for natural gas derivatives is usually three years or less. Equinor's bilateral gas sales portfolio is exposed to various price indices with a combination of gas price markers.

Currency risk
Equinor Energy AS operating results and cash flows are affected by foreign currency fluctuations of the most significant currencies, the United States Dollar (USD), the Euro (EUR) and the British Pound (GBP), against the Norwegian Krone (NOK). The company's cash inflows are largely denominated in or driven by USD while cash outflows, such as operating expenses and taxes payable, are to a large extent denominated in NOK. Foreign currency exchange risk is managed at corporate level in accordance with policies and mandates.

Interest rate risk
Equinor Energy AS has liabilities with both variable and fixed interest rates. The liabilities with floating interest rate condition expose the company to cash flow risk caused by market interest rate fluctuations.

Liquidity risk
Liquidity risk is the risk that Equinor Energy AS will not be able to meet obligations of financial liabilities when they become due. The purpose of liquidity management is to make certain that Equinor Energy AS has sufficient funds available at all times to cover its financial obligations.

Equinor manages liquidity and funding at the corporate level, ensuring adequate liquidity to cover Equinor's operational requirements. Equinor has a high focus and attention on credit and liquidity risk. In order to secure necessary financial flexibility, which includes meeting the financial obligations, Equinor maintains a conservative liquidity management policy. To identify future long-term financing needs, Equinor carries out three-year cash flow forecasts on a regular basis.

Credit risk
Key elements in Equinor's credit risk management are identification and assignment of credit rating as well as exposure limits. Equinor uses risk mitigation tools to reduce or control credit risk both on a counterparty and portfolio level. The main tools include bank and parental guarantees, prepayments and cash collateral.

Credit risk is the risk that Equinor Energy AS customers or counterparties will cause Equinor Energy AS financial loss by failing to honour their obligations. Credit risk arises from credit exposures with customer accounts receivables as well as from derivative financial instruments. Equinor Energy AS is mainly exposed to credit risk related intercompany transactions and the back-to-back contracts with Equinor ASA. See note 5 Revenues for further information.

Measurement of financial instruments
Equinor Energy AS derivative financial instruments are measured at fair value. All other financial instruments are measures at amortised cost and mainly consist of group liabilities and receivables, trade and other payables, and trade and other receivables. Amortised cost is a reasonable approximate of fair value, except for non-current group financial liabilities.

Fair value measurement of derivative financial instruments
The fair value of certain earn-out agreements contracts is determined by the use of valuation techniques with price inputs from observable market transactions as well as internally generated price assumptions and volume profiles. The discount rate used in the valuation is a risk-free rate based on the applicable currency and time horizon of the underlying cash flows adjusted for a credit

premium to reflect either Equinor's credit premium, if the value is a liability, or an estimated counterparty credit premium if the value is an asset. In addition, a risk premium for risk elements not adjusted for in the cash flow may be included when applicable. The fair values of these assets derivative financial instruments have been classified in their entirety in the third level in the fair value hierarchy within current derivative financial instruments and non-current derivative financial instruments.

During 2021 the derivative financial instruments within third level has a net increase in the fair value of USD 89 million. USD 118 million is recognised in the Statement of income related to changes in fair value. Related to the same earn-out agreements, USD 20 million has been fully realised as the underlying volumes have been delivered during 2021.

Commodity price risk
The table below contains the commodity price risk sensitivities of Equinor Energy AS derivative financial instruments including the back-to-back derivative contracts with Equinor ASA. See note 2 Significant accounting policies for further information regarding derivative financial instruments.

Price risk sensitivities at the end of 2021 and 2020 at 30%, are assumed to represent a reasonably possible change based on the duration of the derivatives.

	2021		2020	
(in USD million)	**- 30% sensitivity**	**+ 30% sensitivity**	**- 30% sensitivity**	**+ 30% sensitivity**
At 31 December				
Natural gas net gains/(losses)	(419)	418	108	(108)

5 Revenues

	Full year	
(in USD million)	**2021**	**2020**
Revenues third party	26,440	5,933
Intercompany revenues	16,027	8,511
Revenues	42,467	14,444

Equinor Energy AS sells most of its gas volumes to external customers through the parent company Equinor ASA. A significant portion of these sales are based on back-to-back contracts between Equinor Energy AS and Equinor ASA whereby Equinor Energy AS carries all risks related to the sale. These back-to-back sales contracts are considered as revenues third party. The receivables from these sales are included in the Balance sheet as receivables from group companies. Equinor Energy AS sells most of its liquid volumes to Equinor ASA whereby Equinor ASA takes over all risks related to the external sale of these volumes. These sales are considered intercompany sales in Equinor Energy AS. The receivables from these sales are included in the Balance sheet as receivables from group companies.

6 Remuneration

The company has no employees. No salary or other remuneration has been paid to the managing director in 2021 or 2020. The managing director is employed and paid by Equinor ASA.

No compensation was paid to the board of directors in 2021 or 2020.

7 Auditor's remuneration

Auditor's remuneration

(in USD million, excluding VAT)	Full year 2021	2020
Audit fee Ernst & Young	0.3	0.3
Audit related fee Ernst & Young	0.6	0.5
Total remuneration	1.0	0.8

In addition to the figures above, audit fees and audit related fees to the external auditor related to Equinor Energy AS operated licences amounted to USD 0.5 million and USD 0.5 million in 2021 and 2020, respectively.

There are no fees incurred related to tax advice or other services.

8 Research and development expenditures

Equinor Energy AS has research and development (R&D) activities within exploration, subsurface, drilling and well, facilities, low carbon and renewables. Our R&D contributes to maximizing and developing long-term value from Equinor's assets.

R&D expenditures amounted to USD 227 million and USD 203 million in 2021 and 2020, respectively. R&D expenditures are partly financed by partners of Equinor Energy AS operated licences. Equinor Energy AS share of the expenditures has been recognised in the Total operating expenses in the Statement of income.

9 Financial items

(in USD million)	Full year 2021	2020
Net foreign currency exchange gains/(losses)	(40)	127
Interest income from group companies	74	73
Interest income current financial assets and other financial items	10	1
Interest income and other financial items	84	74
Capitalised borrowing costs	220	231
Accretion expense asset retirement obligations	(294)	(264)
Interest expense lease liabilities	(22)	(17)
Interest expense to group companies	(339)	(367)
Interest expense current financial liabilities and other finance expenses	(30)	10
Interest expenses and other finance expenses	(465)	(407)
Net financial items	(422)	(205)

10 Income taxes

Income tax

(in USD million)	Full year 2021	2020
Current taxes	20,453	419
Change in deferred tax	3,166	1,319
Income tax	23,619	1,739

As a measure to maintain activity in the oil and gas related industry during the Covid-19 pandemic, the Norwegian Government on 19 June 2020 enacted temporary targeted changes to Norway's petroleum tax system for investments incurred in 2020 and 2021 and for new projects with Plans for development and operations (PDOs) or Plans for installation and operations (PIOs) submitted to the Ministry of Oil and Energy by the end of 2022 and approved prior to 1 January 2024. The changes are effective from 1 January 2020 and provide companies with a direct tax deduction in the special petroleum tax (56% tax rate) instead of tax depreciation over six years. In addition, the tax uplift benefit, which has increased from 20.8% to 24%, will be recognised over one year instead of four years. Tax depreciation towards the ordinary offshore corporate tax (22% tax rate) will continue with a six-year depreciation profile.

Reconciliation of Norwegian statutory tax rate to effective tax rate

(in USD million)	Full year 2021	2020
Income/(loss) before tax	33,355	(1,467)
Calculated income taxes at:		
Statutory tax rate[1)]	(7,338)	323
Norwegian petroleum tax at statutory tax rate [2)]	(18,679)	821
Tax effect of:		
Uplift[3)]	914	1,006
Income not subject to Norwegian petroleum tax rate	63	24
Permanent differences divestments on the NCS	(0)	(8)
Tax effect of permanent differences related to equity accounted investments	1,443	(4,108)
Permanent differences other	(4)	10
Income tax prior years	23	217
Other	(39)	(24)
Income tax	(23,619)	(1,739)
Effective tax rate	70.8 %	>(100%)

1) Statutory tax rate is 22% for 2021 and 2020.
2) Norwegian petroleum tax at statutory tax rate is 56% for 2021 and 2020.
3) When computing the petroleum tax of 56% on income from the Norwegian continental shelf, an additional tax-free allowance, or uplift, is granted on the basis of the original capitalised cost of offshore production installations. Normally, a 5.2% uplift may be deducted from taxable income for a period of four years starting in the year in which the capital expenditure is incurred. For 2020 and 2021 temporary rules allow direct deduction of the whole uplift at a rate of 24% in the year the capital expenditure is incurred. For investments made in 2019 the uplift is calculated at a rate of 5.2% per year, while the rate is 5.3% per year for investments made in 2018 and 7.5% per year for investments under the transitional rules from 2013. Unused uplift may be carried forward indefinitely. At year-end 2021 and 2020, unrecognised uplift credits amounted to USD 272 million and USD 836 million, respectively.

Significant components of deferred tax assets and liabilities:

(in USD million)	At 31 December 2021	2020
Deferred tax assets		
Other items	475	457
Asset retirement obligations [1)]	9,659	11,097
Lease liabilities	1,009	1,263
Total deferred tax assets	11,143	12,817
Deferred tax liabilities		
Derivatives	1,451	224
Property, plant and equipment [1)]	21,395	21,548
Capitalised exploration expenditures and capitalised interest	1,813	1,828
Total deferred tax liabilities	24,660	23,600
Net deferred tax liabilities	13,517	10,783

1) Restated 2020 figures due to a policy change affecting ARO calculation, see note 2 Significant accounting policies. The net deferred tax liability in Property, plant and equipment has increased by USD 1.491 million and the net deferred tax asset in Asset retirement obligation has increased by USD 1.491 million.

Deferred tax liabilities

(in USD million)	2021	2020
Deferred income tax liability at 1 January	10,783	9,055
Charged to the Statement of income	3,166	1,319
Foreign currency translation effects, acquisition and divestment	(432)	409
Deferred income tax liabilities at 31 December	13,517	10,783

Current tax payable

(in USD million)	2021	2020
Tax payable at 1 January	770	3,210
Current tax payable	20,453	419
Tax settlement previous years	(376)	(2,314)
Tax instalment current year	(7,703)	(206)
Other	(287)	(340)
Tax payable at 31 December	12,857	770

11 Property, plant and equipment

(in USD million)	Machinery, equipment and transportation equipment	Production plants and oil and gas assets	Refining and manufacturing plants	Buildings and land	Assets under development	Right of use assets[5]	Total
Cost at 31 December 2020 as reported	215	109,050	529	100	9,223	2,068	121,185
Impact of policy change[6]	-	1,844	-	-	67	-	1,911
Cost at 31 December 2020 as restated	215	110,894	529	100	9,290	2,068	123,096
Additions through business combinations	0	2	0	0	1	0	3
Additions and transfers	5	6,287	4	8	(2,515)	(155)	3,632
Disposals at cost	0	(8)	(2)	(16)	0	(16)	(43)
Foreign currency translation effects	(7)	(3,901)	(17)	(3)	(120)	(62)	(4,111)
Cost at 31 December 2021	213	113,274	513	88	6,656	1,834	122,578
Accumulated depreciation and impairment losses at 31 December 2020	(196)	(81,512)	(365)	(4)	(1,091)	(401)	(83,569)
Depreciation	(6)	(5,936)	(27)	(22)	0	(232)	(6,223)
Impairment losses and transfers	0	(1,375)	0	0	1,034	0	(341)
Reversal of impairment losses	0	1,379	0	0	0	0	1,379
Accumulated depreciation and impairment on disposed assets	0	8	2	16	0	16	43
Foreign currency translation effects	7	2,837	13	0	(22)	19	2,853
Accumulated depreciation and impairment losses at 31 December 2021	(196)	(84,598)	(377)	(9)	(79)	(599)	(85,858)
Carrying amount at 31 December 2021	17	28,675	136	79	6,577	1,235	36,720
Estimated useful lives (years)	3 - 10	UoP[1]	15 - 20/UoP[2]	15 - 25/UoP[3]		1 - 16[4]	

1) Depreciation according to unit of production method (UoP), see note 2 Significant accounting policies.
2) Includes UoP method on offshore activity assets.
3) Land is not depreciated. Buildings include UoP method on offshore activity assets.
4) Depreciation linearly over contract period.
5) See note 19 Leases.
6) See note 2 Significant accounting policies and note 17 Provisions and other liabilities.

Impairment
In 2021 net impairment reversals of USD 1,037 million was recognised mainly due to increased gas price assumptions and upward revision of reserves. In 2020 net impairment of USD 1,448 million were recognised.

For impairment purposes, the asset's carrying amount is compared to its recoverable amount, defined as the higher of fair value less cost of disposal (FVLCOD) and estimated value in use (VIU). The table below shows the method used, the net impairment loss (reversal) and the recoverable amounts for assets tested for impairment.

(in USD million)	At 31 December 2021		At 31 December 2020	
Valuation method	Carrying amount after impairment[1)]	Net impairment loss (reversal)	Carrying amount after impairment[1)]	Net impairment loss (reversal)
VIU	5,442	(1,099)	7,042	1,220
FVLCOD	236	62	668	228

1) Carrying amount relates to assets impaired/reversed.

The recoverable amounts of assets tested for impairment were mainly based on value in use (VIU) estimates or net present value estimates using assumed market participant assumptions based on internal forecasts on costs, production profiles and commodity prices. The base discount rate for VIU calculations is 5% (2020: 5%) real after tax. The discount rate is derived from Equinor's weighted average cost of capital. A derived pre-tax discount rate is in the range of 18-32% depending on asset specific characteristics, such as specific tax treatments, cash flow profiles and economic life.

Accounting assumptions
Management's future commodity price assumptions and currency assumptions are used for value in use impairment testing. The same assumptions are also used for evaluating investment opportunities, together with other relevant criteria, including among others robustness targets (value creation in lower commodity price scenarios). While there are inherent uncertainties in the assumptions, the commodity price assumptions as well as currency assumptions reflect management's best estimate of the price and currency development over the life of the Group's assets based on its view of relevant current circumstances and the likely future development of such circumstances, including energy demand development, energy and climate change policies as well as the speed of the energy transition, population and economic growth, geopolitical risks, technology and cost development and other factors. Management's best estimate also takes into consideration a range of external forecasts.

Equinor has performed a thorough and broad analysis of the expected development in drivers for the different commodity markets and exchange rates. Significant uncertainty exists regarding future commodity price development due to the transition to a lower carbon economy, future supply actions by OPEC+ and other factors. The management's analysis of the expected development in drivers for the different commodity markets and exchange rates resulted in changes in the long-term price assumptions with effect from the third quarter of 2021. The following price assumptions have been the basis for the impairment assessments.

All commodity prices are on a real 2021 basis, and comparable prices as per the fourth quarter of 2020 and up to the third quarter of 2021 are given in brackets.

For Brent blend, Equinor expects a price of 65 USD/bbl in 2025 (67 USD/bbl) then gradually an increase to a peak in 2030 before declining to 64 USD/bbl in 2040 (66 USD/bbl), and further down to below 60 USD/bbl in the 2050s. Price assumptions from 2025 are unchanged compared to year-end 2020.

For natural gas in the UK (NBP), we expect some volatility, where the trend is a decrease to 6.4 USD/mmbtu in 2030 (6.7 USD/mmbtu). From 2030, a flatter price-curve is expected, with the price gradually increasing to 7.7 USD/mmbtu in 2040 (8.0 USD/mmbtu). Beyond 2040, a declining price trend is foreseen as the energy transition is expected to impact the demand side. For 2050, the price is expected to be at the pre-2035 level of 7.0 USD/mmbtu (7.7 USD/mmbtu).

Climate considerations are included in the impairment calculations directly by estimating the CO2 taxes in the cash flows. Indirectly, the expected effect of climate change is also included in the estimated commodity prices where supply and demand are considered. The prices also have effect on the estimated production profiles and economic cut-off of the projects. Furthermore, climate considerations are a part of the investment decisions following Equinor's strategy and commitments to the energy transition.

The EU ETS price has increased significantly from 56 EUR/tonne since the third quarter assessment and is expected to remain high, in the region of 80 EUR/tonne towards the middle of the decade. Then the price is expected to be 65 EUR/tonne (27.5 EUR/tonne) in 2030 and thereafter increasing to 100 EUR/tonne (41 EUR/tonne) in 2050 (assumptions used in 2020 in brackets). Norway's Climate Action Plan

for the period 2021-2030 (Meld. St 13 (2020-2021)) which assumes a gradually increased CO2 tax (the total of EU ETS + Norwegian CO2 tax) in Norway to 2,000 NOK/tonne in 2030 is used for impairment calculations of Norwegian upstream assets.

The long-term NOK currency exchange rates are expected to be unchanged. The NOK/USD rate from 2024 and onwards is kept at 8.50.,

The Weighted Average Cost of Capital (WACC) rate is 5%. This rate is basically the interest rate used for upstream activities. For other business areas the discount rate will be determined based on a risk assessment. Typically, the rate will decrease for assets/projects where the revenue is secured by fixed fees or government grants.

Sensitivities
Commodity prices have historically been volatile. Significant downward adjustments of Equinor's commodity price assumptions would result in impairment losses on certain producing and development assets in Equinor's portfolio that are subject to impairment assessment under IAS36, while an opposite adjustment could lead to impairment-reversals. If a decline in commodity price forecasts over the lifetime of the assets were 30%, considered to represent a reasonably possible change, the impairment amount to be recognised could illustratively be in the region of USD 2 billion before tax effects.

A future change in the trajectory of how the world acts with regards to implementing actions in accordance with the goals in the Paris agreement could, depending on the detailed characteristics of such a trajectory, have a negative impact on the valuation of Equinor's property, plant and equipment.

A calculation of a possible effect of using the prices (including CO2 prices) in a 1.5°C compatible Net Zero Emission by 2050 Scenario as estimated by the International Energy Agency (IEA) could result in an impairment of around USD 2 billion before tax.
These illustrative impairment sensitivities, both based on a simplified method, assumes no changes to input factors other than prices; however, a price reduction of 30% or those representing Net Zero Emission by 2050 Scenario is likely to result in changes in business plans as well as other factors used when estimating an asset's recoverable amount. These associated changes reduce the stand-alone impact on commodity price sensitivity. Changes in such input factors would likely include a reduction in the cost level in the oil and gas industry as well as offsetting foreign currency effects, both of which have historically occurred following significant changes in commodity prices. The illustrative sensitivities are therefore not considered to represent a best estimate of an expected impairment impact, nor an estimated impact on revenues or operating income in such a scenario. In comparison, following the amended assumptions described above in the accounting assumptions section and the decline in commodity prices, the impairment impact recognised is considerably lower. A significant and prolonged reduction in oil and gas prices would also result in mitigating actions by Equinor and its licence partners, as a reduction of oil and gas prices would impact drilling plans and production profiles for new and existing assets. Quantifying such impacts is considered impracticable, as it requires detailed technical, geological and economical evaluations based on hypothetical scenarios and not based on existing business or development plans.

12 Intangible assets

(in USD million)	Exploration expenses	Acquisition costs - oil and gas prospects	Goodwill	Other	Total
Cost at 31 December 2020	730	152	679	40	1,601
Additions through business combinations	0	0	1	0	1
Additions	116	6	0	14	136
Disposals at cost	(22)	0	0	0	(22)
Transfers	(417)	(25)	0	0	(442)
Expensed exploration expenditures previously capitalised	41	(7)	0	0	34
Impairment of goodwill	0	0	(1)	0	(1)
Foreign currency translation effects	(22)	(4)	(22)	(2)	(50)
Cost at 31 December 2021	426	121	657	52	1,256
Accumulated amortisation and impairment losses at 31 December 2020				(21)	(21)
Amortisation and impairments for the year				(12)	(12)
Foreign currency translation effects				1	1
Accumulated amortisation and impairment losses at 31 December 2021				(33)	(33)
Carrying amount at 31 December 2021	426	121	657	19	1,223

The table below shows the aging of capitalised exploration expenditures:

(in USD million)	2021	2020
Less than one year	177	189
Between one and five years	157	324
More than five years	92	217
Total capitalised exploration expenditures	426	730

The table below shows the components of the exploration expenses:

	Full year	
(in USD million)	2021	2020
Exploration expenditures	522	470
Expensed exploration expenditures previously capitalised	(34)	91
Capitalised exploration	(125)	(138)
Exploration expenses	363	423

13 Investments in subsidiaries and other equity accounted companies

(in USD million)	2021	2020
Investments at 1 January	17,863	22,106
Net income/(loss) from subsidiaries and other equity accounted companies	1,995	(5,267)
Increase/(decrease) in paid-in capital	(4,116)	1,288
Distributions	(206)	(386)
Divestments	(0)	(10)
Foreign currency translation effects	(40)	132
Investments at 31 December	15,496	17,863

The closing balance of investments at 31 December 2021 of USD 15,496 million consists of investments in subsidiaries amounting to USD 15,490 million and investments in other equity accounted companies amounting to USD 6 million. In 2020, the amounts were USD 17,857 million and USD 6 million, respectively.

The translation adjustments relate to foreign currency translation effects from subsidiaries with functional currencies other than USD. In addition, there are also foreign currency exchange rate effects caused by the difference in Equinor Energy AS functional currency (NOK) and presentation currency (USD).

In 2021, Net income/(loss) from subsidiaries and other equity accounted companies was impacted by net impairments of USD 165 million after tax mainly related to impairments of prospects and signature bonuses of exploration assets in USA and South America and net impairments onshore USA caused by downward reserve revisions and sale of assets.

In 2020, Net income/(loss) from subsidiaries and other equity accounted companies was impacted by impairments related to property, plant and equipment and exploration assets of USD 3,308 million after tax mainly due to reduced price assumptions, negative reserve revisions and increased cost estimates.

Increase/(decrease) in paid-in capital in 2021 mainly consist of equity repayment from Equinor Holding Netherlands BV of USD 4,077 million.

The acquisition cost for investments in subsidiaries and other equity accounted companies are USD 36,279 million in 2021 and USD 41,670 million in 2020.

The following table shows the most significant subsidiaries directly held by Equinor Energy AS at 31 December 2021:

Name	Ownership share in %	Country of incorporation
Equinor Angola AS	100	Norway
Equinor Dezassete AS	100	Norway
Equinor Energy International AS	100	Norway
Equinor Global New Ventures 2 AS	100	Norway
Equinor Holding Netherlands BV	100	Netherlands
Equinor International Well Response Company AS	100	Norway
Equinor Murzuq AS	100	Norway
Equinor US Holdings Inc.	100	USA

14 Financial assets and liabilities

Non-current liabilities to group companies:

	At 31 December	
(in USD million)	2021	2020
Interest bearing liabilities to group companies	7,370	12,306
Non-interest bearing liabilities to group companies	34	162
Liabilities to group companies	7,404	12,468

The total amount of the credit facility given from Equinor ASA is USD 11.906 billion at 31 December 2021, of which USD 4.535 billion is reclassified to current liabilities. Correspondingly the credit facility given at 31 December 2020 was USD 12.306 billion. In 2021 and 2020 the facility is fully utilized. Of the total interest bearing non-current liabilities at 31 December 2021 USD 4.535 billion is due later than five years. USD 2.835 billion is due within the next five years.

Current receivables from subsidiaries and other equity accounted companies include positive internal bank balances of USD 20.317 billion at 31 December 2021. The corresponding amount was USD 3.727 billion at 31 December 2020.

15 Trade and other receivables

	At 31 December	
(in USD million)	2021	2020
Trade receivables	78	57
Other receivables	967	630
Trade and other receivables	1,046	687

Other receivables mainly consist of joint venture receivables, prepaid expenses, other current receivables (non-interest bearing) and accruals for lifting imbalances related to Equinor Energy AS operated licences. Other receivables also include Cash and cash equivalents of USD 67.2 million at 31 December 2021. The corresponding amount was USD 41.1 million at 31 December 2020.

16 Equity and shareholders

(in USD million)	2021	2020
Shareholders' equity at 1 January	19,848	26,233
Net income/(loss)	9,737	(3,205)
Foreign currency translation effects[1)]	(234)	331
Group contributions[2)]	(7,479)	(3,510)
Other	0	(1)
Shareholders' equity at 31 December	21,872	19,848

Share capital of NOK 36,172,224,000 (USD 5,529,516,612) comprised of 17,424,000 shares at a nominal value of NOK 2,076. All shares are owned by Equinor ASA.

1) The foreign currency translation reserve as of 31 December 2021 was negative USD 3,382 million and negative USD 3,148 million as of 31 December 2020.
2) Includes group contribution to Equinor ASA of USD 7,245 million and Equinor Insurance AS of USD 125 million related to 2021.

17 Provisions and other liabilities

(in USD million)	Asset retirement obligations	Other provisions and liabilities	Total
Non-current portion at 31 December 2020 before restatement	12,260	382	12,642
Impact of ARO policy change	1,911	0	1,911
Non-current portion at 31 December 2020 after restatement	14,171	382	14,553
Current portion at 31 December 2020	56	13	69
Provisions and other liabilities at 31 December 2020	14,227	395	14,622
New or increased provisions and other liabilities	505	232	737
Change in estimates	(1,209)	29	(1,180)
Amounts charged against provisions and other liabilities	(45)	(18)	(63)
Effects of change in the discount rate	(948)	(18)	(966)
Accretion expenses	294	0	294
Reclassification and transfer	0	(0)	(0)
Foreign currency translation effects	(440)	(12)	(452)
Provisions and other liabilities at 31 December 2021	12,384	608	12,992
Non-current portion at 31 December 2021	12,334	595	12,929
Current portion at 31 December 2021	49	13	63

The timing of cash outflows of asset retirement obligations depends on the expected production cease at the various facilities.

The Other provisions and liabilities category relates to expected payments on cancellation fees, onerous contracts and other liabilities.

For further information of methods applied and estimates required, see note 2 Significant accounting policies.

Restatement of ARO due to change in the discount rate

The discount rate used in the calculation of ARO no longer includes Equinor Energy AS own credit risk element. See note 2 Significant accounting policies for a description of this change. The impact of this ARO calculation policy change on affected financial statement lines of previous years' financial statements is summarised in the table below. For 2021, the effect on the line items Property, plant and equipment and Provisions and other liabilities amounted to approx. USD 1,252 million.

Line items impacted in the Balance sheet (in USD million)	01.01.2020 before restatement	Impact of ARO policy change	01.01.2020 after restatement	31.12.2020 before restatement	Impact of ARO policy change	31.12.2020 after restatement
Property, plant and equipment	36,018	1,150	37,168	37,616	1,911	39,527
Total non-current assets	60,002	1,150	61,152	57,404	1,911	59,315
Total assets	67,131	1,150	68,281	64,369	1,911	66,280
Provisions and other liabilities	10,142	1,150	11,292	12,642	1,911	14,553
Total non-current liabilities	32,371	1,150	33,521	37,032	1,911	38,943
Total liabilities	40,898	1,150	42,048	44,520	1,911	46,431

Expected timing of cash outflows:

(in USD million)	Asset retirement obligations	Other provisions and liabilities	Total
2022 - 2026	259	62	322
2027 - 2031	888	35	924
2032 - 2036	3,600	56	3,656
2037 - 2041	5,547	37	5,584
Thereafter	2,089	418	2,507
At 31 December 2021	12,384	608	12,992

18 Trade, other payables and provisions

	At 31 December	
(in USD million)	2021	2020
Trade payables	166	128
Joint venture payables	1,249	1,529
Other non-trade payables, accrued expenses and provisions	338	317
Trade, other payables and provisions	1,752	1,974

19 Leases

Equinor Energy AS is for the most part a lessee in its lease contracts, in which it leases assets used in operational activities, such as drilling rigs, supply vessels, helicopters and land bases. The use of leases in Equinor merely serves operational purposes, rather than as a tool for financing.

Information related to lease payments and lease liabilities

(in USD million)	2021		2020	
Lease liabilities at 1 January		1,619		1,677
New leases, including remeasurements and cancellations		197		424
Gross lease payments	(526)		(533)	
Lease interest	30		39	
Lease repayments	(496)	(496)	(495)	(495)
Foreign currency translation effects		(26)		13
Lease liabilities at 31 December		1,294		1,619
Current lease liabilities		481		480
Non-current lease liabilities		813		1,139

Lease expenses not included in lease liabilities

(in USD million)	2021	2020
Short-term lease expenses	114	180

Payments related to short-term leases are mainly related to drilling rigs and supply vessels, for which a significant portion of the lease costs have been included in the cost of other assets, such as rigs used in exploration or development activities. Variable lease expense and lease expense related to leases of low value assets are not significant.

Equinor recognised revenues of USD 152 million in 2021 and USD 131 million in 2020 related to lease costs recovered from licence partners related to lease contracts being recognized gross by Equinor. At year-end 2021 total finance sublease receivables were USD 68 million, which are included in the line items Prepayments and financial receivables and Trade and other receivables in the Balance sheet.

Commitments relating to lease contracts which had not yet commenced at year end are included within commitments in note 20 Other Commitments, contingent liabilities and contingent assets.

Non-current lease liabilities maturity profile

	At 31 December	
(in USD million)	2021	2020
Year 2 and 3	516	703
Year 4 and 5	158	243
After 5 years	138	193
Total repayment of non-current lease liabilities	813	1,139

Undiscounted contractual lease payments for Equinor's lease liabilities are USD 503 million in 2022, USD 708 million within two to five years and USD 146 million after five years.

Information related to right of use assets

(in USD million)	Drilling rigs	Vessels	Land and buildings	Other	Total
Right of use assets at 1 January 2021	989	318	274	86	1666
Additions including remeasurements	13	13	19	84	129
Depreciation[1)]	(305)	(109)	(39)	(64)	(516)
Foreign currency translation effects	(26)	(8)	(9)	(2)	(44)
Right of use assets at 31 December 2021	671	214	245	105	1,235

(in USD million)	Drilling rigs	Vessels	Land and buildings	Other	Total
Right of use assets at 1 January 2020	858	388	295	126	1667
Additions including remeasurements	370	18	8	27	424
Depreciation[1)]	(264)	(92)	(35)	(66)	(458)
Foreign currency translation effects	25	3	6	(1)	33
Right of use assets at 31 December 2020	989	318	274	86	1,666

1) USD 285 million in 2021 and USD 268 million in 2020 of the depreciation costs have been allocated to activities being capitalised.

The Right of use assets are included within the line item Property, plant and equipment in the Balance sheet. See also note 11 Property, plant and equipment.

20 Other commitments, contingent liabilities and contingent assets

Contractual commitments
Equinor Energy AS had contractual commitments of USD 2,464 million at 31 December 2021. The contractual commitments reflect Equinor's proportional share and mainly comprise construction and acquisition of property, plant and equipment.

As a condition for being awarded offshore oil and gas exploration and production licences, participants may be committed to drill a certain number of wells. At the end of 2021, Equinor was committed to participate in 8 offshore wells, with an average ownership interest of approximately 36%. Equinor's share of estimated expenditures to drill these wells amounts to USD 121 million. Additional wells that Equinor may become committed to participating in, depending on future discoveries in certain licences, are not included in these numbers.

Other long-term commitments
Equinor Energy AS has entered into various long-term agreements for pipeline transportation as well as terminal use, processing, storage and entry/exit capacity commitments and commitments related to specific purchase agreements. The agreements ensure the rights to the capacity or volumes in question, but also impose on Equinor Energy AS the obligation to pay for the agreed-upon service or commodity, irrespectively of actual use. The contracts' terms vary, with duration of up to 2060.

Take-or-pay contracts for the purchase of commodity quantities are only included in the table below if their contractually agreed pricing is of a nature that will or may deviate from the obtainable market prices for the commodity at the time of delivery.

Obligations payable by Equinor Energy AS to entities accounted for using the equity method are included in the table below with Equinor Energy AS's full proportionate share. For assets (such as pipelines) that are included in the Equinor Energy AS accounts through joint operations or similar arrangements, and where consequently Equinor Energy AS's share of assets, liabilities, income and expenses (capacity costs) are reflected on a line-by-line basis in the financial statements, the amounts in the table include the net commitment payable by Equinor Energy AS (i.e. Equinor's proportionate share of the commitment less Equinor's ownership share in the applicable entity).

The table below includes USD 875 million related to the non-lease components of lease agreements reflected in the accounts according to IFRS 16, as well as leases not yet commenced. See note 19 Leases for information regarding lease related commitments.

Nominal minimum commitments at 31 December 2021:

(in USD million)	
2022	1,165
2023	943
2024	738
2025	606
2026	551
Thereafter	2,966
Total other long-term commitments	6,969

Guarantees
All of Equinor's Norwegian continental shelf (NCS) net assets are owned by Equinor Energy AS, and the company is co-obligor or guarantor of existing debt securities and other loan arrangements of Equinor ASA. For the portion of the debt for which it is co-obligor, Equinor Energy AS assumes and agrees to perform, jointly and severally with Equinor ASA, all payment and covenant obligations. At year-end 2021 the carrying value of debts for which Equinor Energy AS is the co-obligor and guarantor is equivalent to USD 2,157 million and USD 25,493 million, respectively.

Contingencies
Equinor has an ongoing dispute regarding the level of Research & Development cost to be allocated to the offshore tax regime. Based on Equinor's correspondence with the Norwegian tax authorities in the matter and the Petroleum Taxation Appeal Board's decision regarding some of the income years, the maximum exposure in this matter is estimated to approximately USD 206 million. Equinor has provided for its best estimate in the matter.

The Oil Taxation Office has challenged the internal pricing of certain products of natural gas liquids sold from Equinor Energy AS to Equinor ASA in the years 2011-2020. During 2021 there has been development in various elements of the case, where parts of the exposure are resolved, while for another element, a first-tier court decision ruled in Equinor's favour but has been appealed. Second level court proceedings are scheduled in June 2022. Other parts of the dispute remain outstanding. Where relevant, exposure for the period 2020–2021 has been added. Following these developments, which did not impact the Consolidated statement of income significantly, the maximum exposure regarding the gas liquid pricing remains at an estimated USD 100 million. Equinor has provided for its best estimate in the matter.

During the normal course of its business Equinor Energy AS is involved in legal proceedings, and several other unresolved claims are currently outstanding. The ultimate liability or asset in respect of such litigation and claims cannot be determined at this time. Equinor Energy AS has provided in its financial statements for probable liabilities related to litigation and claims based on the company's best judgment. Equinor Energy AS does not expect that its financial position, results of operations or cash flows will be materially affected by the resolution of these legal proceedings.

21 Related parties

The Norwegian State is the majority shareholder of Equinor ASA and also holds major investments in other Norwegian entities. Equinor ASA is the parent company of Equinor Energy AS. This ownership structure means that Equinor Energy AS participates in transactions with many parties that are under a common ownership structure and therefore meet the definition of a related party.

Revenue transactions with related parties are presented in note 5 Revenues. Total intercompany revenues amounted to USD 16,027 million and USD 8,511 million in 2021 and 2020, respectively. A major part of intercompany revenues is attributed to Equinor ASA, USD 15,973 million and USD 8,430 million in 2021 and 2020, respectively.

Equinor Energy AS purchases natural gas and pipeline transport on a back-to-back basis from Equinor ASA. Similarly, Equinor ASA enters into certain financial contracts, also on a back-to-back basis with Equinor Energy AS. Equinor Energy AS carries all the risks related to these transactions and they are therefore presented as third party purchases, operating expenses and financial instruments in these financial statements.

Expenses incurred on behalf of Equinor Energy AS are accumulated in cost pools in Equinor ASA and other group companies. Such expenses are allocated to Equinor Energy AS and to licences where Equinor Energy AS is operator. Expenses allocated from group companies amounted to USD 7,258 million and USD 4,880 million in 2021 and 2020, respectively. A major part of these expenses is allocated from Equinor ASA, USD 6,594 million and USD 4,681 million in 2021 and 2020, respectively. Equinor Energy AS share of these

expenses is reflected in the Statement of income and the remaining part is recharged to the other partners in the licences. Equinor Energy AS does not have any employees but purchases administrative services from Equinor ASA. A major part of the allocation is related to such personnel expenses from Equinor ASA, which is charged to Equinor Energy AS at cost on hours incurred basis.

Expenses related to services allocated from Equinor Energy AS to group companies amounted to USD 101 million and USD 132 million in 2021 and 2020, respectively.

Finance transactions with group companies are presented in note 9 Financial items.

Non-current and current liabilities to group companies are included in note 14 Financial assets and liabilities.

22 Reserves (unaudited)

The company's proved oil and gas reserves have been estimated by its parent company's experts in accordance with industry standards under the requirements of the US Securities and Exchange Commission. At year-end 2021, the company's estimated proved reserves amounted to 601 million Sm3 oil equivalents. At year-end 2020, estimated proved reserves amounted to 605 million Sm3 oil equivalents.

Proved reserves are expected to be produced in the period from 2022 to 2054.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations. Unless evidence indicates that renewal is reasonably certain, estimates of economically producible reserves only reflect the period before the contracts providing the right to operate expire. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time.

STAVANGER, 25 March 2022

THE BOARD OF DIRECTORS OF EQUINOR ENERGY AS

/s/ SVEIN SKEIE
CHAIR

/s/ ASLEIV BRANDSØY
MANAGING DIRECTOR

/s/ METTE FERKINGSTAD

/s/ FINN LEXOW

/s/ SIV HELEN RYGH TORSTENSEN

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Equinor Energy AS

Opinion

We have audited the financial statements of Equinor Energy AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of comprehensive income and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Managing Director) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Stavanger, 28 March 2022
ERNST & YOUNG AS

The auditor's report is signed electronically

Tor Inge Skjellevik
State Authorised Public Accountant (Norway)

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