

Press release

29 April, 2021

Equinor first quarter 2021 results

Equinor reports adjusted earnings of USD 5.47 billion and USD 2.66 billion after tax in the first quarter of 2021. IFRS net operating income was USD 5.22 billion and the IFRS net income was USD 1.85 billion.

The first quarter of 2021 was characterised by:

- Strong results due to price recovery, sustained cost improvements and strict capital discipline.
- Very strong cash flow and a 7.1 percentage points reduction of adjusted net debt ratio to 24.6%.
- Solid operational performance and high production efficiency. Some impact from Covid-19 and restrictions on projects in execution.
- Significant gain of USD 1.38 billion from farm downs in offshore wind assets.
- Cash dividend of USD 0.15 per share.

“With sustained improvements and capital discipline, we are able to capture value from recovering oil and gas prices and achieve our best quarterly results since 2014. We deliver a net cash flow above 5 billion dollars and reduce our adjusted net debt ratio to below 25 percent. The forceful response and solid operational performance delivered by our organisation during the pandemic is providing for a strong position for safe operations, value creation and cash flow generation in 2021 and going forward,” says Anders Opedal, President and CEO of Equinor ASA.

“Equinor aims to be a leader in the energy transition and during the quarter we strengthened our position within offshore wind with the awarded offtake contracts from New York State for Empire Wind 2 and Beacon Wind 1. We also booked capital gains of around 1.4 billion dollars from farm downs, demonstrating our ability to create value from accessing and maturing renewable projects. Within low carbon solutions we have started construction of the Northern Lights terminal and secured funding for three low carbon projects in the UK”, says Opedal.

Adjusted earnings [5] were USD 5.47 billion in the first quarter, up from USD 2.05 billion in the same period in 2020. Adjusted earnings after tax [5] were USD 2.66 billion, up from USD 0.56 billion in the same period last year.

Higher realised prices for gas and liquids positively impacted the results from all upstream segments, further supported by sustained costs improvements and strict capital discipline.

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

The Renewables segment delivers strong financial results with a capital gain from farm downs of around USD 1.4 billion, included in both IFRS and adjusted results, from the divestments of a 50% non-operated interest in the offshore wind projects Empire Wind and Beacon Wind in the US and a 10% equity interest in the Dogger Bank A and B in the UK.

IFRS net operating income was USD 5.22 billion in the first quarter, up from USD 0.06 billion in the same period in 2020. IFRS net income was USD 1.85 billion in the first quarter, compared to negative USD 0.71 billion in the first quarter of 2020. Net operating income was impacted by higher prices for gas and liquids, gains from transactions, and lower impairments of USD 0.43 billion in the first quarter of 2021.

Equinor delivered total equity production of 2,168 mboe per day in the first quarter, down from 2,233 mboe per day in the same period in 2020. Shut down of the Hammerfest LNG plant and maintenance at Peregrino were partially offset by higher flex gas volumes, increased gas volumes from the US onshore and increased production from Johan Sverdrup and Snorre Expansion. Equity production of renewable energy for the quarter was 450 GWh, down from 558 GWh for the same period last year, impacted by lower winds than expected for the season.

At the end of first quarter 2021, Equinor has completed 5 exploration wells with 4 commercial discoveries and 11 wells were ongoing. The 4 discoveries at the Norwegian continental shelf have added around 60 million boe net to Equinor near existing infrastructure. Adjusted exploration expenses in the first quarter were USD 0.23 billion, compared to USD 0.30 billion in the same quarter of 2020.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 6.62 billion for the first quarter, compared to USD 4.50 billion for the same period in 2020. Organic capital expenditure [5] was USD 1.96 billion for the first three months of 2021. At quarters end, net debt to capital employed⁽¹⁾ was 24.6%, down from 31.7% last quarter. Including the lease liabilities according to IFRS 16, the net debt to capital employed⁽¹⁾ was 30.6%.

The board of directors has decided a cash dividend of USD 0.15 per share for the first quarter 2021.

The safety statistics for the first quarter of 2021 indicate fewer serious incidents and personal injuries in Equinor compared to the same period last year. The twelve-month average Serious Incident Frequency (SIF) for the period ending at 31 March was 0.5 for 2021, down from 0.6 in 2020. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending at 31 March was 2.3 for 2021, down from 2.4 in 2020.

(in USD million, unless stated otherwise)	Quarters			Change Q1 on Q1
	Q1 2021	Q4 2020	Q1 2020	
Net operating income/(loss)	5,220	(989)	58	>100%
Adjusted earnings [5]	5,467	756	2,047	>100%
Net income/(loss)	1,854	(2,416)	(705)	N/A
Adjusted earnings after tax [5]	2,662	(554)	561	>100%
Total equity liquids and gas production (mboe per day) [4]	2,168	2,043	2,233	(3%)
Group average liquids price (USD/bbl) [1]	56.4	40.6	44.2	28%

¹ This is a non-GAAP figure. Comparison numbers and reconciliation to IFRS are presented in the table Calculation of capital employed and net debt to capital employed ratio as shown under the Supplementary section in the report.

GROUP REVIEW

First quarter 2021

Total equity liquids and gas production [4] was 2,168 mboe per day in the first quarter of 2021, down 3% compared to 2,233 mboe per day in the first quarter of 2020 mainly due to expected natural decline, the shutdown at the Hammerfest LNG plant and production halt on Peregrino in Brazil due to repairs. Ramp-up of fields on the Norwegian continental shelf and higher flexible gas off-take partially offset the decrease.

Total entitlement liquids and gas production [3] was 2,014 mboe per day in the first quarter of 2021, down 3% compared to 2,076 mboe per day in the first quarter of 2020. The production was negatively influenced by the factors mentioned above in addition to higher US royalty volumes, partially offset by lower effects from production sharing agreements (PSA) [4]. The net effect of PSA and US royalties was 154 mboe per day in total in the first quarter of 2021 compared to 157 mboe per day in the first quarter of 2020.

Condensed income statement under IFRS (unaudited, in USD million)	Quarters			Change Q1 on Q1
	Q1 2021	Q4 2020	Q1 2020	
Total revenues and other income	17,549	11,746	15,130	16%
Purchases [net of inventory variation]	(7,166)	(5,533)	(7,396)	(3%)
Operating and administrative expenses	(2,120)	(2,156)	(2,603)	(19%)
Depreciation, amortisation and net impairment losses	(2,797)	(3,478)	(4,438)	(37%)
Exploration expenses	(247)	(1,569)	(635)	(61%)
Net operating income/(loss)	5,220	(989)	58	>100%
Net income/(loss)	1,854	(2,416)	(705)	N/A

Net operating income was USD 5,220 million in the first quarter of 2021, compared to USD 58 million in the first quarter of 2020. The increase was mainly due to higher average prices for liquids and gas, lower net impairments in the first quarter of 2021 and gain on sale of assets in the Renewables (REN) segment. Lower operational and administrative expenses and exploration expenses in the first quarter of 2021 added to the increase, partially offset by lower production for liquids in addition to weak refinery margins in MMP.

In the first quarter of 2021, net operating income was negatively impacted by impairments² of USD 431 million and unrealised loss on gas derivatives of USD 16 million. Net operating income was positively impacted by inventory hedge contracts of USD 271 million in addition to operational storage effects of USD 105 million.

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

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

Adjusted earnings (in USD million)	Q1 2021	Quarters Q4 2020	Q1 2020	Change Q1 on Q1
Adjusted total revenues and other income	17,287	11,985	14,970	15%
Adjusted purchases [6]	(7,071)	(5,298)	(7,856)	(10%)
Adjusted operating and administrative expenses	(2,133)	(2,184)	(2,445)	(13%)
Adjusted depreciation, amortisation and net impairment losses	(2,386)	(2,495)	(2,321)	3%
Adjusted exploration expenses	(230)	(1,252)	(302)	(24%)
Adjusted earnings [5]	5,467	756	2,047	>100%
Adjusted earnings after tax [5]	2,662	(554)	561	>100%

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

Adjusted total revenues and other income were USD 17,287 million in the first quarter of 2021 compared to USD 14,970 million in the first quarter of 2020. The increase was mainly due to higher average prices for liquids and gas, gain on sale of assets in REN and higher gas production, especially from the E&P USA segment. The increase was partially offset by lower liquids production from E&P International and E&P USA. Losses on derivative positions were offset by higher realised value of physical commodities sales in the MMP segment.

Adjusted purchases [6] were USD 7,071 million in the first quarter of 2021, compared to USD 7,856 million in the first quarter of 2020. The decrease was mainly due to lower third-party volumes for liquids, partially offset by higher average prices for liquids and gas.

Adjusted operating and administrative expenses were USD 2,133 million in the first quarter of 2021, compared to USD 2,445 million in the first quarter of 2020. The decrease was mainly due to lower transportation costs, especially in the MMP segment, primarily due to lower freight rates on shipping of liquids in addition to lower operation and maintenance cost due to reduced activity in E&P International and E&P USA. The NOK/USD currency development partially offset the decrease.

Adjusted depreciation, amortisation and net impairment losses were USD 2,386 million in the first quarter of 2021, compared to USD 2,321 million in the first quarter of 2020. The increase was mainly due to higher investments and the NOK/USD currency development. The increase was partially offset by higher reserves estimates, especially in the E&P International segment, and a lower depreciation basis resulting from net impairments in previous periods and a classification of a US onshore asset as held for sale.

Adjusted exploration expenses were USD 230 million in the first quarter of 2021, compared to USD 302 million in the first quarter of 2020. The decrease was mainly due to lower drilling cost and a lower portion of exploration expenditure capitalised in earlier years being expensed this quarter. A lower portion of exploration expenses being capitalised this quarter partially offset the increase. For more information, see the table titled Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments³ of USD 247 million to net operating income, **Adjusted earnings [5]** were USD 5,467 million in the first quarter of 2021, up USD 3,420 million from the first quarter of 2020.

Adjusted earnings after tax [5] were USD 2,662 million in the first quarter of 2021, which reflects an effective tax rate on adjusted earnings of 51.3%, compared to 72.6% in the first quarter of 2020. The decrease in the effective tax rate was mainly due to increased adjusted earnings in the first quarter of 2021 in entities with lower than average tax rates, and in entities without recognised taxes.

Cash flows provided by operating activities increased by USD 941 million compared to the first quarter of 2020. The increase was mainly due to decreased tax payments and higher liquids and gas prices, partially offset by a change in working capital and decreased cash flow from derivatives.

Cash flows used in investing activities decreased by USD 1,163 million compared to the first quarter of 2020. The decrease was mainly due to increased proceeds from sale of assets, decreased financial investments and lower capital expenditures, partially offset by increased derivative payments.

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

Cash flows used in financing activities increased by USD 1,839 million compared to the first quarter of 2020. The increase was mainly due to repayment of finance debt and increased payment of short-term debt, partially offset by decreased dividend paid.

Total cash flows increased by USD 264 million compared to the first quarter of 2020.

Free cash flow [5] in the first quarter of 2021 was USD 5,170 million compared to USD 362 million in the first quarter of 2020. The increase was mainly due to higher operating cash flow mainly due to higher liquids and gas prices, increased proceeds from sale of assets, decreased tax payments, decreased dividend paid and lower capital expenditures, partially offset by decreased cash flow from derivatives.

OUTLOOK

- **Organic capital expenditures** [5] are estimated at an annual average of USD 9-10 billion for 2021-2022⁴.
- Equinor intends to continue to mature its attractive portfolio of exploration assets and estimates a total **exploration activity** level of around USD 0.9 billion for 2021, excluding signature bonuses, accruals and field development costs.
- Equinor's ambition is to keep the **unit of production cost** in the top quartile of its peer group.
- For the period 2020-2026, **production growth**⁵ [7] is expected to come from new projects resulting in around 3% CAGR (Compound Annual Growth Rate) based on current forecast.
- **Scheduled maintenance activity** is estimated to reduce equity production by around 50 mboe per day for the full year of 2021.
- **Production** for 2021 is estimated to be around 2% above 2020 level⁵.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. We continue to monitor the impact of Covid-19 on our operations. Deferral of production to create future value, production cuts, gas off-take, timing of new capacity coming on stream, operational regularity, the ongoing impact of Covid-19 and activity level in the US onshore represent the most significant risks related to the foregoing production guidance. There has been considerable uncertainty created by the Covid-19 pandemic and we are still unable to predict the ultimate impact of this event, including impact on general economic conditions worldwide. Our future financial performance, including cash flow and liquidity, will be impacted by the extent and duration of the current market conditions, the development in realised prices, including price differentials and the effectiveness of actions taken in response to the pandemic. For further information, see section Forward-looking statements.

References

To see end notes referenced in main table and text please download our complete report from our website - <https://www.equinor.com/quarterlyreports>

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⁴ USD/NOK exchange rate assumption of 9.0.

⁵ The growth percentage is based on historical production numbers, adjusted for portfolio measures.