Press release

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Equinor first quarter 2019 results

Equinor reports adjusted earnings of USD 4.19 billion and USD 1.54 billion after tax in the first quarter of 2019. IFRS net operating income was USD 4.73 billion and the IFRS net income was USD 1.71 billion.

The first quarter was characterised by:

- Solid results across all segments
- Strong cash flow. Net debt ratio reduced to 19.4% [11]
- On track to deliver on guidance from Capital Markets Update
- Quarterly dividend of USD 0.26 per share

"In a quarter with lower commodity prices, we deliver higher after-tax results than in the same period last year. Our cash flow from operating activities was strong at 6.5 billion dollars in the quarter, and we have reduced our net debt ratio to 19.4%. We maintain high production, continue with strong cost focus and strict capital discipline, and we are on track to deliver on our guidance from our Capital Markets Update in February," says Eldar Sætre, President and CEO of Equinor ASA.

"Johan Sverdrup will start production later this year, and our project developments are on track to deliver production growth towards 2025. So far this year, we have accessed attractive new acreage in Norway and Argentina, announced the investment decision for a new platform at the ACG field offshore Azerbaijan and had the official opening of the Arkona wind farm in Germany," says Sætre.

Adjusted earnings [5] were USD 4.19 billion in the first quarter, down from USD 4.41 billion in the same period in 2018. Adjusted earnings after tax [5] were USD 1.54 billion, up from USD 1.47 billion in the same period last year. Production was maintained at a high level, but lower prices impacted the result. Underlying operating costs and administrative expenses per barrel increased somewhat from the same quarter last year, mainly due to new fields coming on stream. Adjusted depreciation expenses was down, mainly due to positive reserve revisions. A one-off provision effect related to earlier periods, negatively impacted the results from the Marketing, Midstream & Processing reporting segment in the quarter. IFRS net operating income was USD 4.73 billion in the first quarter, down from USD 4.96 billion in the same period of 2018. IFRS net income was USD 1.71 billion, up from USD 1.29 billion in the first quarter of 2018.

Equinor delivered total equity production of 2,178 mboe per day in the first quarter, on par with the same period in 2018. Expected natural decline from mature fields was offset by portfolio changes, new wells and new fields coming on stream.

As of the end of first quarter 2019, Equinor had completed 11 exploration wells with four commercial discoveries. Adjusted exploration expenses [5] in the quarter were USD 0.27 billion, up from USD 0.24 billion in the same quarter of 2018, mainly due to higher field development costs.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 6.45 billion for the first quarter of 2019 compared to USD 7.13 billion same period 2018. Organic capital expenditure [5] was USD 2.21 billion for the first three months of 2019. At quarter end, net debt to capital employed [11] was reduced to 19.4%. Following the implementation of IFRS 16, the net debt ratio was 25.8% [5].

The board of directors has decided on a dividend of USD 0.26 per share for the first quarter, a 13% increase from the same quarter last year.

The twelve-month average Serious Incident Frequency (SIF) was 0.5 for the twelve months ended 31 March 2019, compared to 0.5 in the same period a year ago.

(in USD million, unless stated otherwise)	Q1 2019	Quarters Q4 2018	Q1 2018	Change Q1 on Q1
Net operating income	**4,732**	6,745	4,960	(5%)
Adjusted earnings [5]	**4,187**	4,387	4,414	(5%)
Net income	**1,712**	3,367	1,285	33%
Adjusted earnings after tax [5]	**1,535**	1,537	1,473	4%
Total equity liquids and gas production (mboe per day) [4]	**2,178**	2,170	2,180	(0%)
Group average liquids price (USD/bbl) [1]	**55.8**	59.0	60.2	(7%)

GROUP REVIEW

First quarter 2019

Total equity liquids and gas production [4] was 2,178 mboe per day in the first quarter of 2019, at the same level as in the first quarter of 2018. Expected natural decline from mature fields on the NCS and in the E&P International reporting segment was offset by portfolio changes, new fields coming on stream and new wells in the US onshore business.

Total entitlement liquids and gas production [3] was 2,002 mboe per day in the first quarter of 2019, slightly up compared to 1,993 mboe per day in the first quarter of 2018. The increase was due to portfolio changes, new fields coming on stream and new wells as described above, and lower effects from production sharing agreements (PSA) [4]. The increase was partially offset by expected natural decline from mature fields and higher US royalties [4]. The net effect from PSA and US royalties were 177 mboe per day in total in the first quarter of 2019 compared to 186 mboe per day in the first quarter of 2018.

Condensed income statement under IFRS (unaudited, in USD million)	Q1 2019	Quarters Q4 2018	Q1 2018	Change Q1 on Q1
Total revenues and other income	**16,482**	22,438	19,884	(17%)
Purchases [net of inventory variation]	**(6,656)**	(9,821)	(9,794)	(32%)
Operating and administrative expenses	**(2,639)**	(2,701)	(2,514)	5%
Depreciation, amortisation and net impairment losses	**(2,188)**	(2,729)	(2,368)	(8%)
Exploration expenses	**(268)**	(442)	(249)	8%
Net operating income	**4,732**	6,745	4,960	(5%)
Net income	**1,712**	3,367	1,285	33%

Net operating income was USD 4,732 million in the first quarter of 2019, compared to USD 4,960 million in the first quarter of 2018. The decrease was mainly impacted by lower average prices for liquids and gas, lower third-party crude oil volumes and higher operating and administrative expenses mainly due to portfolio changes and new fields coming on stream. A one-off provision effect related to earlier periods added to the decrease. The decrease was partially offset by lower depreciation expenses mainly due to increased proved reserves estimates, in addition to the NOK/USD exchange rate development.

In the first quarter of 2019, net operating income was positively impacted by changes in unrealised fair value of derivatives and inventory hedge contracts of USD 706 million and an impairment reversal of USD 116 million. In addition, net operating income was negatively impacted by an implementation effect of USD 123 million from a change of accounting policy for lifting imbalances.

In the first quarter of 2018, net operating income was positively impacted by an implementation effect of USD 287 million related to a change of accounting policy for lifting imbalances.

Adjusted earnings (in USD million)	Q1 2019	Quarters Q4 2018	Q1 2018	Change Q1 on Q1
Adjusted total revenues and other income	**15,772**	19,874	19,408	(19%)
Adjusted purchases [6]	**(6,543)**	(9,784)	(9,859)	(34%)
Adjusted operating and administrative expenses	**(2,470)**	(2,705)	(2,530)	(2%)
Adjusted depreciation expenses	**(2,303)**	(2,582)	(2,368)	(3%)
Adjusted exploration expenses	**(268)**	(417)	(238)	13%
Adjusted earnings [5]	**4,187**	4,387	4,414	(5%)
Adjusted earnings after tax [5]	**1,535**	1,537	1,473	4%

Adjusted total revenues and other income were USD 15,772 million in the first quarter of 2019 compared to USD 19,408 million in the first quarter of 2018. Lower third-party crude oil volumes and lower average prices for liquids and gas decreased Adjusted total revenues and other income as well as Adjusted purchases [6].

Adjusted operating and administrative expenses were USD 2,470 million in the first quarter of 2019, a reduction of USD 60 million compared to the first quarter of 2018. The decrease was mainly driven by the NOK/USD exchange rate development and the implementation of IFRS 16[1], partially offset by portfolio changes, new fields coming on stream and higher operation and maintenance costs.

Adjusted depreciation expenses were USD 2,303 million in the first quarter of 2019, compared to USD 2,368 million in the first quarter of 2018. The 3% reduction was mainly due to higher proved reserves estimates and no depreciation effect for one of the fields on the NCS, in addition to the NOK/USD exchange rate development. The decrease was partially offset by portfolio changes and new fields coming on stream, and the implementation of IFRS 16[1].

Adjusted exploration expenses were USD 268 million in the first quarter of 2019, an increase of USD 30 million compared to the first quarter of 2018, mainly due to higher field development costs and a lower portion of exploration expenditures being capitalised this quarter. For more information. see table Adjusted exploration expenses in the Supplementary disclosures.

After total adjustments[2] of USD 544 million to net operating income, **Adjusted earnings** [5] were USD 4,187 million in the first quarter of 2019, a 5% reduction from USD 4,414 million in the first quarter of 2018.

Adjusted earnings after tax [5] were USD 1,535 million in the first quarter of 2019, which reflects an effective tax rate on adjusted earnings of 63.3%, compared to 66.6% in the first quarter of 2018. The decrease in the effective tax rate was mainly due to increased adjusted earnings in the first quarter of 2019 in entities with unrecognised deferred tax assets and decreased provisions due to tax disputes in the first quarter of 2018.

Cash flows provided by operating activities decreased by USD 1,941 million compared to the first quarter of 2018. The decrease was mainly due to change in working capital of USD 993 million. In addition, there was an impact of increased derivative payments and increased tax payments.

Cash flows used in investing activities increased by USD 3,337 million compared to the first quarter of 2018. The increase was mainly due to increased financial investments, partially offset by decreased additions through business combinations and decreased capital expenditures.

Cash flows used in financing activities decreased by USD 18 million compared to the first quarter of 2018. The decrease was mainly due to reduced repayment of finance debt, partially offset by increased dividend paid and leasing payments reclassified to financing cash flow following the IFRS 16[1] implementation.

Total cash flows decreased by USD 5,260 million compared to the first quarter of 2018.

[1] See note 8 Changes in accounting policies 2019 to the Condensed interim financial statements
[2] For adjustments to net operating income, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

Free cash flow [5] in the first quarter of 2019 was USD 1,837 million, an increase of USD 308 million compared to the first quarter of 2018. The increase was mainly due to decreased additions through business combinations, decreased capital expenditures and lease payments being reclassified to financing cash flow following the IFRS 16[3] implementation, partially offset by decreased liquids volumes and liquids prices, increased dividend paid and increased tax payments.

OUTLOOK

- **Organic capital expenditures** [5] for 2019 are estimated at around USD 11 billion
- Equinor intends to continue to mature its large portfolio of exploration assets and estimates a total **exploration activity** level of around USD 1.7 billion for 2019, excluding signature bonuses
- Equinor´s ambition is to keep the **unit of production cost** in the top quartile of its peer group
- For the period 2019 – 2025, **production growth** [7] is expected to come from new projects resulting in around 3% CAGR (Compound Annual Growth Rate)
- **Production** [7] for 2019 is estimated to be around the 2018 level
- **Scheduled maintenance activity** is estimated to reduce the quarterly production by approximately 60 mboe per day in the second quarter of 2019. In total, maintenance is estimated to reduce equity production by around 40 mboe per day for the full year of 2019

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. Deferral of production to create future value, gas off-take, timing of new capacity coming on stream, operational regularity, activity level in the US onshore, as well as uncertainty around the closing of the announced transactions represent the most significant risks related to the foregoing production guidance. 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/en/investors.html#our-quarterly-results

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[3] See note 8 Changes in accounting policies 2019 to the Condensed interim financial statements