2019
Equinor Energy AS

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Board of directors' report

The oil and gas industry has seen a volatile market during the year and the financial results of Equinor Energy AS in 2019 were influenced by lower liquids and gas prices. The oil and gas market is still subject to volatility, however the company has flexibility to handle different future market scenarios based on its strong financial position and a strong portfolio including early start-up and effective ramp up of the Johan Sverdrup field.

On 30 August, Equinor completed the sales of a 16% stake in Lundin Petroleum AB for around USD 1.51 billion and the acquisition of a 2.6% stake in the Johan Sverdrup field for USD 910 million. Following the transactions, Equinor Energy AS holds a 42.6% direct interest in the Johan Sverdrup field.

The giant Johan Sverdrup oil and gas field in the North Sea was brought on stream on 5 October. The field is expected to produce for more than 50 years. Powered by electricity from shore, the field has record-low CO_2 emissions of 0.7kg per barrel.

Net operating income was USD 6,973 million in 2019 compared to USD 16,292 million in 2018. The decrease was related to decreased revenues due to lower liquids and gas prices, and impairments in 2019 compared to impairment reversals in 2018.

2019 was a challenging year for Equinor Energy AS. Net loss was USD 168 million in 2019 compared to net income USD 5,299 million in 2018, largely affected by the decrease in liquids and gas prices and impairments in 2019 compared to impairment reversals in 2018.

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 2019.

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 licenses 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 6,973 million in 2019 compared to USD 16,292 million in 2018. The decrease was attributable to decreased revenues due to lower liquids and gas prices, and impairments in 2019 compared to impairment reversals in 2018.

Condensed financial statements	Full year		
(in USD million)	2019	2018	Change
Revenues	20,500	24,799	-17%
Net income/(loss) from subsidiaries and other equity accounted companies	(2,941)	1,065	N/A
Other income	194	566	-66%
Total revenues and other income	17,753	26,430	-33%
Purchases [net of inventory variation]	(466)	(680)	-31%
Operating, selling, general and administrative expenses	(4,016)	(4,489)	-11%
Depreciation, amortisation and net impairment losses	(5,821)	(4,537)	28%
Exploration expenses	(478)	(431)	11%
Total operating expenses	(10,780)	(10,138)	6%
Net operating income/(loss)	6,973	16,292	-57%
Net financial items	(318)	(274)	16%
Income/(loss) before tax	6,654	16,018	-58%
Income tax	(6,822)	(10,719)	-36%
Net income/(loss)	(168)	5,299	N/A

Revenues amounted to USD 20,500 million in 2019, compared to USD 24,799 million in 2018. The 17% decrease was mainly due to lower liquids and gas prices, partially offset by increased third party gas sales volumes.

Net loss from subsidiaries and other equity accounted companies amounted to USD 2,941 million in 2019. In 2018, net income from subsidiaries and other equity accounted companies amounted to USD 1,065 million.

Other income was USD 194 million in 2019, mainly related to gains from sales of ownership interests in Alve, Ringhorn and Vilje fields discovery on the Norwegian continental shelf (NCS). In 2018 Other income was USD 566 million, mainly related to gains from sales of ownership interests in the Tommeliten discovery, the King Lear discovery and the Luno II discovery on the NCS.

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 466 million in 2019 compared to USD 680 million in 2018. The decrease was mainly due to a lower gas price on third party gas purchased.

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 2019 was USD 4,016 million compared to USD 4,489 million in 2018. The decrease was mainly due to decreased transportation and operation costs.

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 28% increase from 2018 was mainly due to impairments, partially offset by lower depreciation.

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 2019 and exploration expenditures capitalised in previous years. Exploration expenses increased by 11% compared to 2018, mainly due to higher drilling activity, partially offset by a lower average well cost.

Net operating income was USD 6,973 million in 2019 compared to USD 16,292 million in 2018, mainly due to lower liquids and gas prices, and impairments in 2019 compared to impairment reversals in 2018.

Net financial items amounted to a loss of USD 318 million in 2019, compared to a loss of USD 274 million in 2018. The increased loss compared to last year is mainly due to increased foreign exchange loss, partially offset by decreased interest expense.

Income taxes were USD 6,822 million in 2019, equivalent to a tax rate of >100%, compared to USD 10,719 million in 2018, equivalent to an effective tax rate of 66.9%. The higher tax rate is mainly explained by low income before tax in 2019, which includes loss in subsidiaries and other equity accounted companies with no tax deduction.

The net loss of USD 168 million in 2019 is covered by prior years retained earnings.

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 8,433 million, cash flows used in investing activities amounted to USD 8,258 million and cash flows used in financing activities amounted to USD 186 million in 2019.

Cash flows provided by operating activities decreased by USD 3,988 million in 2019 compared to the full year 2018. The decrease was mainly due to lower liquids and gas prices, partially offset by decreased tax payments.

Cash flows used in investing activities decreased by USD 23 million in 2019 compared to the full year 2018. The decrease was mainly related to lower capital expenditures, partially offset by decreased proceeds from sale of assets.

Cash flows used in financing activities decreased by USD 3,954 million in 2019, compared to the full year 2018. The decrease was mainly related to reduced deposits in internal bank, partially offset by lease payments being reclassified to financing cash flow following the IFRS 16 implementation.

Liquidity and capital resources

Equinor Energy AS has maintained a solid financial position through 2019.

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 prices

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 few years. There are several reasons for these fluctuations, but fundamental market forces beyond the control of Equinor or other similar market participants have impacted and will continue to impact oil and natural gas prices in the future.

Factors that affect the prices of oil and natural gas include:
- economic and political developments in resource-producing regions
- global and regional supply and demand
- the ability of the Organization of the Petroleum Exporting Countries (OPEC); and/or other producing nations to influence global production levels and prices
- adverse social and health situations in any country, 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 realized under Equinor's long-term gas sales contracts
- regulations and actions of governments and international organizations, including changes in energy and climate policies;
- global economic conditions
- war or other international conflicts
- changes in population growth and consumer preferences
- the price and availability of new technology
- increased supply from new oil and gas sources
- weather conditions

Recently, there has been [significant] price volatility, triggered, among other things by the changing dynamic among Opec+ members and the uncertainty regarding demand created by the COVID-19 pandemic. See also COVID-19 pandemic below.

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 could, 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.

COVID-19 Pandemic

The COVID-19 pandemic could affect demand for, and supply of, oil and gas, commodity prices and Equinor´s ability to operate its facilities effectively.
Recently, the COVID-19 pandemic has been declared a global emergency by the World Health Organisation (WHO), and has made countries, organisations and Equinor take measures to mitigate risk for communities, employees and business operations. The pandemic continues to progress and evolve, and at this juncture it is challenging to predict the full extent and duration of resulting operational and economic impact for Equinor. A continued development of the pandemic and mitigating actions implemented by health authorities create uncertainty related to commodity prices and demand for and supply of oil and gas, as well as uncertainty related to the key assumptions applied in the valuation or our assets. Mitigating actions and the consequences of the spread of the virus might also affect Equinor´s ability to operate its facilities effectively and to maintain production at planned levels, in addition to creating a risk in respect of the execution of Equinor´s project portfolio.

Proved reserves and expected reserves estimates

Equinor´s 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
- whether the prevailing tax rules and other government regulations, contracts and oil, gas and other prices will 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. For fields governed by production sharing agreements (PSAs), a lower price may lead to higher entitlement to the production and increased reserves for those fields. Conversely, a lower price environment may also lead to lower activity resulting in reduced reserves. For PSAs, these two effects may to some degree offset each other. In addition, a low-price environment may result in earlier shutdown due to uneconomic production. This will affect both PSAs and fields with concession types of agreement.

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.

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.

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.

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 acquiring or finding and developing additional reserves adding value. If unsuccessful, future total proved reserves and production will decline.

Successful implementation of Equinor's group strategy for value growth is dependent on sustaining its long-term reserve replacement. If upstream resources are not progressed to prove 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 find and acquire or develop additional reserves will be limited.

In addition, Equinor's US onshore portfolio contains significant amounts of undeveloped resources that depend on Equinor's ability to develop these successfully. Low oil and/or gas prices over a sustained period of time 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 such as difficult geographies, climate zones and environmentally sensitive regions.

Risks that could affect health, safety and the environment include human error, operational failures, detrimental substances, subsurface behavior, technical integrity failures, vessel collisions, natural disasters, adverse weather conditions and other occurrences. These risks 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, rail, sea or pipeline - are particularly 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.

Climate change and transition to a lower carbon economy

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

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 carrying value of its assets, whether directly through changes in taxation or other costs to operations and projects, or indirectly through changes in consumer behavior or technology developments. Equinor expects greenhouse gas emission costs to increase from current levels and to have a wider geographical range than today. We apply an internal carbon price of at least USD 55 per tonne of CO_2 in investment analysis. In countries where the actual or predicted carbon price is higher than USD 55, we apply the actual or expected cost, such as in Norway where both a CO_2 tax and the EU Emission Trading System (EU ETS) apply.

Other regulatory risks entail litigation risk and potential direct regulations in line with increasing carbon neutrality ambitions in various jurisdictions, such as the EU's European Green Deal. Climate-related policy changes may also reduce access to prospective geographical areas for future exploration and production. Disruptive developments may not be ruled out, possibly triggered by severe weather events affecting public perception and policy making.

Market and technology risks: 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. The effectiveness of the choices Equinor makes regarding investing in and pursuing renewable business opportunities is subject to risk and uncertainty.

Reputational and financial impact: Increased concern over climate change could lead to increased expectations to fossil fuel producers, as well as a more negative perception of the oil and gas industry. This could lead to litigation and divestment risk and could also have an impact on talent attraction and retention and on our licenses to operate in certain jurisdictions.

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 climate roadmap, including climate ambitions, has been established to manage risks related to climate change. There is no assurance that Equinor's climate ambitions will be achieved. The achievement of Equinor's Net Carbon Intensity ambition 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.

Physical effects of climate change

Changes in physical climate parameters could impact Equinor's operations.

Examples of parameters that could impact Equinor's operations include increasing frequency and severity of extreme weather events, rising sea level, changes in sea currents and restrained 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.

Hydraulic fracturing

Equinor is exposed to risks as a result of its use of hydraulic fracturing.

Equinor's US operations use hydraulic fracturing which is subject to a range of applicable federal, state and local laws, including those discussed under the heading "Legal, Regulatory and Compliance Risks". A case of subsurface migration of hydraulic fracturing fluids or a case of spillage or mishandling of hydraulic fracturing fluids during these activities could subject Equinor to civil and/or criminal liability and the possibility of incurring substantial costs, including for environmental remediation. In addition, various states and local governments have implemented, or are considering, increased regulatory oversight of hydraulic fracturing through additional permit requirements, operational restrictions, disclosure requirements and temporary or permanent bans. Changes to the applicable regulatory regimes could make it more difficult to complete oil and natural gas wells in shale formations, cause operational delays, increase costs of regulatory compliance or in exploration and production, which could adversely affect Equinor's US onshore business and the demand for its fracturing services.

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, cyber-attacks and insider threats against Equinor's production and exploration facilities, offices, pipelines, means of transportation, digital infrastructure or computer or information systems, or breaches of Equinor's security system, could result in losses. In particular, the scale, sophistication and severity of cyber-attacks continue to evolve. Increasing digitization and reliance on information technology systems make managing cyber-risk a priority for many industries, including the energy industry. Failure to manage these risks could result in injury or loss of life, damage to the environment, damage to or the destruction of wells and production facilities, pipelines and other property. Equinor could face, among other things, regulatory action, legal liability,

damage to its reputation, a significant reduction in revenues, an increase in costs, a shutdown of operations and a loss of its investments in affected areas.

In particular, failure to maintain and develop IT security barriers, which are intended to protect Equinor's information systems and digital infrastructure from being compromised by unauthorized parties, may affect the confidentiality, integrity and availability of Equinor's information systems and digital infrastructure, 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.
In addition, failure to remediate the material weakness in our internal control over financial reporting due to control deficiencies in the operation of controls related to our management of information technology (IT) access controls could increase our exposure to a cyber-attack on our information systems.

Crisis management systems

Equinor's crisis management systems may prove inadequate.
If Equinor does not respond or is perceived not to have responded in an appropriate manner to either an external or internal crisis, or if its plans to carry on or recover operations following a disruption or incident are not effectuated, or not effectuated quickly enough, its business, operations and reputation could be severely affected. Inability to restore or replace critical capacity could prolong the impact of any disruption and could severely affect Equinor's business and operations. 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 commercial resources via license acquisition, exploration or development of existing assets is key to ensuring the long-term economic viability of the business and failure to address this could negatively impact future performance.

Technology and innovation are key competitive advantages in Equinor's industry. 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 projects and renewable projects may be curtailed, delayed or cancelled for many reasons, including 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 or inadequate investment decision basis. This is particularly relevant for Equinor's activities in deep waters or other harsh environments. In US onshore, low regional prices may render certain areas unprofitable, and Equinor may curtail production until prices recover. Prolonged low oil, gas and power prices, combined with high levels of tax and government take in several jurisdictions, could erode the profitability of some of Equinor's activities.

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, properties or moving into new markets. Failure by Equinor to successfully pursue and exploit new business opportunities, including in 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 on the expected timeline
- achieve its ambitions to reduce net carbon intensity and reach carbon neutral global operations on the expected timeline
- negotiate favorable 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
- 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 and gas to potential buyers at a commercial price. Oil is transported by vessels, rail or pipelines to refineries, 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 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.

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, as well as the climate debate affecting the perception of the industry, pose a risk to securing the right level of workforce competence and capacity through industry cycles.

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. 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 assets in several 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 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 or denial of exploration and production interests
- the imposition of specific seismic and/or drilling obligations
- price and exchange controls
- tax or royalty increases, including retroactive claims
- nationalization or expropriation of Equinor's assets
- unilateral cancellation or modification of Equinor's license or contractual rights
- the renegotiation of contracts
- payment delays
- 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. Equinor supports Federal regulation of methane emissions and aims to operate in compliance with all current requirements. Equinor has also joined voluntary emission reduction programmes (One Future and API's Environmental Partnership) and implemented a climate roadmap to reduce CO2 and methane emissions. 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.

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, and labor and employment practices.

Violations of applicable laws and regulations may lead to legal liability, substantial fines 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 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.

Anti-corruption, anti-bribery laws, human rights policy and Equinor Code of Conduct

Non-compliance with anti-bribery, anti-corruption and other applicable laws, including failure to meet Equinor's ethical requirements, including our Human Rights policy, exposes Equinor to legal liability and damage to its reputation, business and shareholder value.
Equinor has activities in countries which present corruption risks and which may have weak protection of human rights, weak legal institutions and lack centralised control and transparency. In addition, governments 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 any 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 non-compliance 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 licence to operate.

International sanctions and trade restrictions

Equinor's activities may be affected by international sanctions and trade restrictions.
In 2019 there were several changes to sanctions and international trade restrictions. Equinor seeks to comply with these where they are applicable. Given that Equinor has a diverse portfolio of projects worldwide, this 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, are becoming less predictable and are often implemented on short notice. For example, in 2019 new trade restrictions were introduced in relation to Turkey, where Equinor has activities. Equinor's business portfolio is evolving and will constantly be subject to review. Given the current trend in relation to the use of trade restrictions, 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.

Equinor continues to take part in business activities in Russia, where it holds an interest in several on- and offshore oil and gas projects. Some of these projects result from a strategic cooperation with Rosneft Oil Company (Rosneft) initiated in 2012. In each of these projects, Rosneft holds the majority interest. A minority of the projects are in Arctic offshore and/or deep-water areas. Norwegian, EU and US trade restrictions and sanctions target several sectors in Russia, including the financial and energy sector, and Rosneft itself is targeted. Accordingly, the manner in which Equinor conducts its business in Russia is affected. Moreover, Equinor's ability to continue to progress its projects in Russia relies in part on government authorisations as well as the future of sanctions and trade controls. While Equinor continues to pursue and expand its business in Russia within existing sanctions and trade controls, it is possible that future political developments could impact Equinor's ability to continue and conclude its projects as envisaged.

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 and compliance risks if the operators, partners or contractors fail to fulfill 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.

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). Bonds are normally converted to floating USD bonds by using interest rate and currency swaps.

It is expected that the London Inter-Bank Offered Rate (LIBOR) will be discontinued and replaced with alternative reference rates by the end of 2021. Equinor is exposed to LIBOR on interest rate derivatives contracts, floating rate bonds, loan agreements and facilities, among others, the majority of which, Equinor believes, provide for alternative reference rates or calculation methods upon LIBOR discontinuation. Equinor is following this transition closely.

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 are also 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.

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.

Disclosures about market risk

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

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 ASA (which is the direct parent company of Equinor Energy AS) 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 2019 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
- risk is managed in compliance with Equinor's requirements with a strong focus on avoiding HSE 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 adjust risk.

Outlook and market view

Equinor Energy AS aims to deepen and prolong its position on the Norwegian continental shelf (NCS) by accessing and maturing opportunities into valuable production. At the same time, Equinor Energy AS plans to improve the efficiency, reliability, carbon emissions and lifespan of fields already in production.

An increase in the oil price throughout the first five months of 2019 was followed by high volatility for the rest of the year, closing the year at USD 67.8 per barrel. 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

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

Safety and security
Our safety and security work is guided by our commitment to prevent harm to people's health, safety and security and the environment. The management approach comprises safeguarding of people and the environment in design, ongoing reviews of technical and non-technical barriers, proactive maintenance work, periodic risk assessments and emergency preparedness training. This also includes collaboration with our partners and contractors. To improve our results, we regularly evaluate monitoring indicators, review and learn from incidents, conduct verification activities, and implement improvement initiatives as needed.

The safety and security of our people and integrity of our operations continues to be our top priority. Over the last decade we have improved our safety performance. However, in 2019 the total serious incident frequency (SIF), which include incidents and near misses, ended at 0.9 incidents per million work hours, up from 0.7 in 2018. We are working hard to get back to the positive development we saw and the "Safety beyond 2020" project will continue to be our main initiative for improvement.

In 2019, we experienced no major accidents or incidents with fatalities.

Total recordable injuries per million hours worked (TRIF) decreased from 4.3 in 2018 to 4.2 in 2019.

For accidental oil spills, the total oil spill volume increased from 32 m3 in 2018 to 158 m3 in 2019. The largest spill in 2019, of 150 m3, was due to unintended discharge of produced water contaminated with oil from the Statfjord A platform in November 2019.

Preventing oil and gas leakages is important to avoid major accidents. The total number of oil and gas leakages ≥0.1kg per sec decreased from 5 in 2018 to 1 in 2019. None of these oil and gas leakages ignited. All leakages of this magnitude are subject to formal investigation in order to capture learning.

Greenhouse gas emissions
Equinor has "low carbon" as one of the main strategic pillars for the company and firmly believes that companies with low carbon portfolios will thrive in the future economy. To contribute to the societal challenge of providing energy with less emissions, we are setting an ambition to reduce our net carbon intensity by at least 50% by 2050. To achieve this, we need to work more collaboratively with governments, customers and industry sectors to speed up the pace of the transition and deliver solution at scale.

Therefore, Equinor is launching a renewed climate roadmap, which not only focuses on our own industry and assets, but also extends to how we work with other industries, partners and customers.

Equinor is committed to reduce the absolute greenhouse gas emission (GHG) in Norway by 40% from 2005 level by 2030 and 70% by 2040. The new ambitions include our upstream production and processing facilities and refinery in Norway and imply a total reduction of around 5 million tonnes. This will be achieved by energy efficiency improvement measures, reduced flaring and a step-up in electrification, carbon capture and storage (CCS) and hydrogen.

In 2017, Equinor set a target at group level to achieve carbon emission reduction measures equivalent to 3 million tonnes of CO_2 annually by 2030 (relative to 2017)[1], of which Equinor Energy AS is expected to deliver a major share of the reductions. Since 2017, Equinor Energy has delivered around 0.8 million tonnes of CO_2 emission reductions, of which 234,000 tonnes were achieved in 2019.
Direct greenhouse gas emissions decreased from 10.5 million tonnes CO_2 in 2018 to 10,4 million tonnes CO_2 in 2019[2]. Greenhouse gas emissions include carbon dioxide (CO_2) and methane (CH_4), where CO_2 constitutes the largest part (10,1 million tonnes in 2019 compared to 10.2 million tonnes in 2018). Methane (CH_4) emissions decreased from 12,000 tonnes in 2018 to 10,000 tonnes in 2019, mostly due to reduced oil loading volumes.

The CO_2 intensity for Equinor Energy AS' offshore assets (upstream CO_2 intensity) increased from 8kg CO_2 per boe in 2018 to 9kg CO_2 per boe in 2019, largely as a result of lower gas export levels. The intensity is significantly lower than the industry average of 18kg CO_2 per boe[3].

Environmental impact

Equinor Energy AS is committed to using resources efficiently and strives to apply high standards in dealing with waste management, emissions to air and impact on ecosystems. Precautionary rules and regulations are followed to minimise potential negative effects of the company's activities.

NO_x emissions have decreased by 10% from 2018 to 2019, largely due to turnarounds/shut-downs but also due to an adjustment of NO_x factors for mobile drilling rigs in Development & Production Norway, generally resulting in lower emission figures for NO_x. SO_x emissions increased by 5%, mainly as a result of factors changes and also a slight increase in drilling activity on the Norwegian continental shelf (NCS).

Regular discharges of oil to water has increased by 4% since 2018, mostly due to higher volume of produced water from wells and an integrity issue causing shut-down of an injection well and discharge of produced water.

Emissions of non-volatile organic compounds were reduced by 16%, mostly due to reduced oil loading volumes.

In 2019, the total volume of waste was 197,000 tonnes compared to 193,000 tonnes in 2018. The main contributor to the change is a slight increase in drilling with oil-based mud, and consequently generation of hazardous waste on the NCS. There has also been an increase in non-hazardous waste, largely generated from construction related activities at Martin Linge in 2019.

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

Our human rights policy has been created to be consistent with the United Nations Guiding Principles on Business and Human Rights. The policy addresses the most relevant human rights issues pertaining to our operations and role as an employer, business partner, buyer, and to our presence in local communities. We express our commitment to provide a safe, healthy and secure working environment, and to treat them and those impacted by our operations fairly and without discrimination.
After a company-wide review process on the progress of the implementation of the human rights policy, a human rights improvement project was established with the aim of strengthening processes and capabilities in our company.

Human rights aspects are integrated into relevant internal management processes, tools and training. On-going activities, business relationships and new business opportunities are assessed for potential human rights impacts and aspects, following a risk-based approach. In 2019 we implemented a human rights risk assessment methodology, allowing risk to people to be reported in a consistent manner through our risk management system. The supply chain continues to be an important focus area for our human rights efforts. Our Human Rights Expectations to Suppliers were launched in 2019.

Transparency, ethics and anti-corruption

Equinor Energy AS believes that responsible and ethical behaviour is a prerequisite for sustainable business. We have a zero-tolerance policy towards all forms of corruption. This is embedded across the company through our values, Code of Conduct and anti-corruption compliance programme.

Our anti-corruption programme ensures that corruption risk is identified, and measures are taken to mitigate risk in all parts of the organisation and towards our suppliers. We work with partners and suppliers to ensure that ethics and anti-corruption is embedded in our business relationships. During 2019 we have also further improved our anti-money laundering programme and continued implementation of the Employee Fraud Prevention Programme.

The company provides regular training across the organisation to build awareness and understanding of our Code of Conduct, anti-corruption compliance and employee fraud prevention. Our in-person workshops are designed to facilitate meaningful in-depth discussion on specific issues. In addition to in-person workshops, we have a mandatory Code of Conduct e-learning.

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[1] This implies that the annual CO2 emissions will be 3 million tonnes less than they would have been, had no reduction measures been implemented.

[2] All environmental data are reported based on operational control boundary (i.e. total emissions from operated assets).

[3] International association of oil and gas producers (IOGP) Annual Environmental Performance indicators – IOGP members annual report. The reporting is lagging one year, so the industry average given is based on 2018 data.

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 229 million in 2019, compared to USD 266 million in 2018.

Board developments

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

The board held four meetings in 2019, in addition to five extraordinary meetings. The average meeting attendance at these board meetings was 91%.

STAVANGER, 25 MARCH 2020

THE BOARD OF DIRECTORS OF EQUINOR ENERGY AS

/s/ LARS CHRISTIAN BACHER
CHAIR

/s/ KJELL BYBERG
MANAGING DIRECTOR

/s/ METTE FERKINGSTAD

/s/ GEIR AALHUS

/s/ SIV HELEN RYGH TORSTENSEN

Financial statements

STATEMENT OF INCOME EQUINOR ENERGY AS

		Full year	
(in USD million)	Note	2019	2018
Revenues	5	20,500	24,799
Net income/(loss) from subsidiaries and other equity accounted companies	13	(2,941)	1,065
Other income	3	194	566
Total revenues and other income		17,753	26,430
Purchases [net of inventory variation]		(466)	(680)
Operating expenses		(3,960)	(4,403)
Selling, general and administrative expenses		(56)	(86)
Depreciation, amortisation and net impairment losses	11, 12	(5,821)	(4,537)
Exploration expenses	12	(478)	(431)
Total operating expenses		(10,780)	(10,138)
Net operating income/(loss)		6,973	16,292
Interest expenses and other financial expenses		(404)	(393)
Other financial items		86	119
Net financial items	9	(318)	(274)
Income/(loss) before tax		6,654	16,018
Income tax	10	(6,822)	(10,719)
Net income/(loss)		(168)	5,299

STATEMENT OF COMPREHENSIVE INCOME EQUINOR ENERGY AS

(in USD million)	Note	Full year 2019	2018
Net income/(loss)		(168)	5,299
Currency translation adjustments		(13)	(386)
Net gains/(losses) from available for sale financial assets		0	64
Items that may subsequently be reclassified to the Statement of income		(13)	(322)
Other comprehensive income/(loss)		(13)	(322)
Total comprehensive income/(loss)		(181)	4,977
Attributable to the equity holders of the company		(181)	4,977

BALANCE SHEET EQUINOR ENERGY AS

(in USD million)	Note	At 31 December 2019	2018
ASSETS			
Property, plant and equipment	11	36,018	32,298
Intangible assets	12	1,542	1,011
Investments in subsidiaries and other equity accounted companies	13	22,106	23,371
Derivative financial instruments	4	204	212
Prepayments and financial receivables		132	169
Total non-current assets		60,002	57,061
Inventories		134	159
Trade and other receivables	15	708	753
Receivables from group companies	14	6,257	6,529
Derivative financial instruments	4	30	42
Total current assets		7,129	7,483
Total assets		67,131	64,545
EQUITY AND LIABILITIES			
Share capital		5,530	5,530
Additional paid-in capital		9,505	9,505
Reserves for unrealised gains		53	62
Retained earnings		14,625	14,777
Other reserves		(3,479)	(3,466)
Total equity	16	26,233	26,409
Lease liabilities	19	1,198	0
Deferred tax liabilities	10	9,055	8,422
Liabilities to group companies	14	11,976	13,847
Provisions and other liabilities	17	10,142	8,611
Total non-current liabilities		32,371	30,880
Trade, other payables and provisions	18	2,350	2,188
Current tax payable	10	3,210	4,323
Lease liabilities	19	479	0
Liabilities to group companies	14	2,489	744
Total current liabilities		8,527	7,256
Total liabilities		40,898	38,135
Total equity and liabilities		67,131	64,545

STATEMENT OF CASH FLOWS EQUINOR ENERGY AS

(in USD million)	Note	Full year 2019	2018
Income/(loss) before tax		6,654	16,018
Depreciation, amortisation and net impairment losses	11, 12	5,821	4,537
Exploration expenditures written off	12	59	65
(Gains)/losses on foreign currency transactions and balances		31	(39)
(Gains)/losses on sale of assets and businesses	3	(110)	(489)
(Increase)/decrease in other items related to operating activities		3,675	532
(Increase)/decrease in net derivative financial instruments		(52)	72
Interest received		113	89
Interest paid		(59)	(117)
Cash flows provided by operating activities before taxes paid and working capital items		16,132	20,666
Taxes paid		(7,669)	(8,287)
(Increase)/decrease in working capital		(31)	41
Cash flows provided by operating activities		8,433	12,421
Cash used in business combinations	3	(1,024)	(1,541)
Capital expenditures and investments	11, 12, 13	(7,255)	(7,323)
(Increase)/decrease in other interest bearing items		2	(181)
Proceeds from sale of assets and businesses and capital contribution received	3	20	765
Cash flows used in investing activities		(8,258)	(8,281)
Repayment of lease liabilities	19	(434)	0
Increase/(decrease) in financial receivables and liabilities to/from Equinor group companies[1]	14	248	(4,140)
Cash flows provided by/(used in) financing activities		(186)	(4,140)
Net increase/(decrease) in cash and cash equivalents		(11)	(0)
Effect of exchange rate changes on cash and cash equivalents		(1)	(0)
Cash and cash equivalents at the beginning of the period		27	27
Cash and cash equivalents at the end of the period[2]		15	27

1) Including deposits in Equinor group's internal bank arrangement.
2) Cash and cash equivalents represents a receivable against the cash pool in Equinor ASA, and are included in the line Trade and other receivables in the balance sheet.

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 2019. The Consolidated financial statements can be obtained by contacting Equinor ASA, Forusbeen 50, 4035 Stavanger or from the website, www.equinor.com.

The functional currency of Equinor Energy AS is Norwegian Krone (NOK), based on an evaluation of the company's primary environment and related cash flows, while its presentation currency is United States dollars (USD). The USD to NOK rates of exchange employed at year-end 2019 and 2018 are 8.78 and 8.69, respectively.

2 Significant accounting policies

Statement of compliance
The financial statements of Equinor Energy AS ("the company") 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.

With effect from 1 January 2019, Equinor Energy AS implemented IFRS 16 Leases. See note 19 Leases for further information on this policy change.

Additionally, with effect from 1 January 2019, Equinor Energy AS voluntary changed its accounting policy for recognising revenue from the production of oil and gas properties in which Equinor Energy AS shares an interest with other companies. Instead of recognising revenue based on Equinor Energy AS' ownership in producing fields, Equinor Energy AS now recognises revenue on the basis of volumes lifted and sold to customers during the period (the sales method). The impact of this change on Equinor Energy AS' financial statements was not material.

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.

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 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). 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 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).

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 properties in which Equinor shares an interest with other companies are recognized 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 recognized 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.

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 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 recognized 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.

For exploration and evaluation asset acquisitions (farm-in arrangements) in which the company has made arrangements to fund a portion of the selling partners' (farmor's) 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.

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 reliably measurable.

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 de-recognition 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.

Leases
Equinor Energy AS implemented the new accounting standard IFRS 16 Leases with effect from 1 January 2019. See note 19 Leases, for a description of this policy change. The standard has been implemented without retrospective application for prior periods.

Under IFRS 16, 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. Prior to 1 January 2019, these leases were mainly operating leases being expensed as incurred as operating expenses or included in the cost of the exploration or development assets.

As a lessee, 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) and 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 down-payment 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 income statement and operating cash flows in the statement of cash flows.

Certain leases, such as land bases, supply vessels and helicopters, are entered into by Equinor Energy AS for subsequent allocation of costs to licenses operated by Equinor Energy AS. These lease liabilities are recognized on a gross basis in the balance sheet, income statement and statement of cash flows when Equinor is considered to have the primary responsibility the full lease payments. Lease liabilities related to assets dedicated to specific licenses, where each license participant is considered to have the primary responsibility for lease payments, are reflected net of partner share. This would typically involve drilling rigs dedicated to specific licenses on the Norwegian continental shelf.

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.

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 and the amount recognised for any non-controlling interest 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.

Financial assets
Trade and other receivables are carried at the original invoice amount, less a provision for doubtful receivables which represents expected losses computed on a probability-weighted basis.

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.

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 are reflected according to the weighted average method.

Derivative financial instruments
Commodity-based derivatives are valued at fair value and the resulting gains and losses are recognised in the statement of income.

Equinor uses 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.

Impairment of intangible assets and of property, plant and equipment
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 division 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 and 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. 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.

Impairment of goodwill
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.

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 by taking into account any issue costs as well as discount or premium on settlement.

Financial liabilities are presented as current if the liabilities are due to be settled within 12 months after the balance sheet date, or if these are held for the purpose of being traded.

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 payable group contributions differs from the presentation under IFRS, as it also includes dividends and group contributions payable which at the date of the balance sheet 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. 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) costs 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 reasonable 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. 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, adjusted for a credit premium which reflects the company'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 cost 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
Preparation of the financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as disclosures of contingencies. Actual results may ultimately differ from the estimates and assumptions used.

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.

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 regulations S-K and S-X, and the Financial Accounting Standards Board (FASB) requirements for supplemental oil and gas disclosures. 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.

Expected oil and gas reserves, which differ from proved reserves, have been estimated by internal experts on the basis of industry standards and are used for impairment testing purposes and for calculation of ARO.

3 Acquisitions and disposals

2019
Swap of interests in the Norwegian Sea and the North Sea region of the Norwegian continental shelf
In the second quarter of 2019 Equinor and Faroe Petroleum closed a swap transaction in the Norwegian Sea and the North Sea region of the Norwegian continental shelf (NCS) with no cash effect at the effective date. The effective date of the swap transaction is 1 January 2019. The assets and liabilities related to the acquired interests have been reflected in accordance with the principles of IFRS 3 Business Combinations. The acquisition resulted in increased assets of USD 280 million, including goodwill of USD 82 million, and increased liabilities of USD 97 million. In the third quarter of 2019 the purchase price allocation was finalised with no significant change compared to initial recognition. A gain of USD 137 million on the divested interests has been presented in the line item Other income in the statement of income. The transactions were tax-exempted.

Acquisition of interest in Johan Sverdrup field
In the third quarter of 2019 Equinor closed the acquisition of 2.6% interest in Johan Sverdrup field. The acquired interest has been reflected in accordance with the principles of IFRS 3 Business Combinations. The acquisition resulted in increased assets of USD 1,580 million, including goodwill of USD 612 million, increased deferred tax of USD 612 million and other changes of USD 13 million. The acquisition was tax-exempted.

2018
Divestment of the interests in the discoveries on the Norwegian continental shelf
In the fourth quarter of 2018 Equinor Energy AS closed an agreement with Aker BP to sell its 77.8% operated interest in the King Lear discovery on the Norwegian continental shelf (NCS) shelf for a total consideration of USD 250 million and an agreement with PGNiG to sell its non-operated interests in the Tommeliten discovery on the NCS for a total consideration of USD 220 million. A total gain of USD 449 million has been presented in the line item Other income in the Statement of income of Equinor Energy AS. The transaction was tax exempted under the Norwegian petroleum tax legislation.

Acquisition of interests in Martin Linge field and Garantiana discovery
In the first quarter of 2018 Equinor and Total closed an agreement to acquire Total's equity stakes in the Martin Linge field (51%) and the Garantiana discovery (40%) on the NCS. Through this transaction Equinor increased the ownership share in the Martin Linge field from

19% to 70%. Equinor has paid Total a consideration of USD 1,541 million and has taken over the operatorships. The assets and liabilities related to the acquired portion of Martin Linge and Garantiana have been reflected in accordance with the principles of IFRS 3 Business Combinations. The acquisition resulted in an increase of Equinor´s property, plant and equipment of USD 1,418 million, intangible assets of USD 116 million, goodwill of USD 265 million, deferred tax liabilities of USD 265 million and other assets of USD 7 million. The partners have joint control and Equinor continues to account for its interest on a pro-rata basis using Equinor's new ownership share.

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 all activities using a holistic risk approach 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) and the Euro (EUR), 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 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 is 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 Equinor Energy 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 2019 the derivative financial instruments within third level has a net decrease in the fair value of USD 21 million. USD 24 million is recognised in the statement of income related to changes in fair value. Related to the same earn-out agreements, USD 42 million has been fully realised as the underlying volumes have been delivered during 2019.

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 2019 and 2018 at 30%, are assumed to represent a reasonably possible change based on the duration of the derivatives.

	2019		2018	
(in USD million)	**- 30% sensitivity**	**+ 30% sensitivity**	**- 30% sensitivity**	**+ 30% sensitivity**
At 31 December				
Natural gas net gains/(losses)	(104)	105	765	(764)

5 Revenues

	Full year	
(in USD million)	**2019**	**2018**
Revenues third party	9,386	11,726
Intercompany revenues	11,113	13,073
Revenues	20,500	24,799

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 liquids 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 2019 or 2018. The managing director is employed and paid by Equinor ASA.

No compensation was paid to the board of directors in 2019 or 2018.

7 Auditor's remuneration

Auditor's remuneration

(in USD million, excluding VAT)	Full year 2019	2018
Audit fee Ernst & Young (principal accountant 2019)	0.2	
Audit fee KPMG (principal accountant 2018)	0.1	0.4
Audit related fee Ernst & Young (principal accountant 2019)	0.3	
Audit related fee KPMG (principal accountant 2018)	0.9	0.4
Total	1.5	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 0.9 million in 2019 and 2018, respectively.

There are no fees incurred related to tax advice or other services. On 17 September 2019, the general meeting of shareholders appointed Ernst & Young AS as Equinor Energy AS's auditor, thereby replacing KPMG AS.

8 Research and development expenditures

Research and development (R&D) expenditures amounted to USD 229 million and USD 266 million in 2019 and 2018, respectively. R&D expenditures are partly financed by partners of Equinor Energy AS operated licenses. Equinor Energy AS share of the expenditures has mainly been recognised as operating expenses in the statement of income.

9 Financial items

(in USD million)	Full year 2019	2018
Net foreign exchange gains/(losses)	(31)	39
Dividends received	1	1
Interest income from group companies	95	79
Interest income current financial assets and other financial items	22	(1)
Interest income and other financial items	118	79
Capitalised borrowing costs	345	322
Accretion expense asset retirement obligations	(295)	(311)
Interest expense lease liabilities	(25)	0
Interest expense to group companies	(422)	(433)
Interest expense current financial liabilities and other finance expenses	(7)	29
Interest expenses and other finance expenses	(404)	(393)
Net financial items	(318)	(274)

10 Income taxes

Income tax expense

	Full year	
(in USD million)	**2019**	**2018**
Current taxes	6,696	9,307
Change in deferred tax	126	1,412
Income tax expense	6,822	10,719

Reconciliation of Norwegian statutory tax rate to effective tax rate

	Full year	
(in USD million)	**2019**	**2018**
Income/(loss) before tax	6,990	16,018
Calculated income taxes at:		
Statutory tax rate[1)]	(1,538)	(3,684)
Norwegian petroleum tax at statutory tax rate [2)]	(3,915)	(8,810)
Tax effect of:		
Uplift[3)]	632	736
Income not subject to Norwegian petroleum tax rate	(113)	751
Permanent differences divestments on the NCS	119	382
Permanent differences equity method	(2,032)	(183)
Permanent differences other	(1)	292
Income tax prior years	73	(80)
Other	(46)	(123)
Total	(6,822)	(10,719)
Effective tax rate	97.6 %	66.9 %

1) Statutory tax rate is 22% for 2019 and 23% for 2018.
2) Norwegian petroleum tax at statutory tax rate is 56% for 2019 and 55% in 2018.
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. The 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 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, 5.4% per year for investments made in 2017 and 5.5% per year for investments made in 2016. Transitional rules apply to investments from 5 May 2013 covered by among others Plans for development and operation (PDOs) or Plans for installation and operation (PIOs) submitted to the Ministry of Oil and Energy prior to 5 May 2013. For these investments the rate is 7.5% per year. Unused uplift may be carried forward indefinitely. At year end 2019 and 2018, unrecognised uplift credits amounted to USD 1,678 million and USD 1,780 million, respectively.

Significant components of deferred tax assets and liabilities were as follows:

(in USD million)	At 31 December 2019	2018
Deferred tax assets on		
Other items	298	158
Asset retirement obligations	7,686	6,553
Lease liabilities	1,308	0
Total deferred tax assets	9,292	6,711
Deferred tax liabilities on		
Derivatives	112	96
Property, plant and equipment	16,469	13,358
Capitalised exploration expenditures and capitalised interest	1,766	1,680
Total deferred tax liabilities	18,347	15,133
Net deferred tax liabilities	9,055	8,422

The movement in deferred income tax

(in USD million)	2019	2018
Deferred income tax liability at 1 January	8,422	7,431
Charged to the statement of income	126	1,412
Translation differences, acquisition and divestment	507	(421)
Deferred income tax liabilities at 31 December	9,055	8,422

Reconciliation of tax payable

(in USD million)	Full year 2019	2018
Tax payable at 1 January	4,323	3,681
Current tax payable	6,696	9,307
Tax settlement previous years	(3,696)	(3,074)
Tax installment current year	(3,970)	(5,135)
Other	(143)	(456)
Tax payable at 31 December	3,210	4,323

11 Property, plant and equipment

(in USD million)	Machinery, equipment and transportation equipment	Production plants oil and gas, including pipelines	Refining and manufacturing plants	Buildings and land	Assets under development	Right of use assets[4]	Total
Cost at 31 December 2018	198	93,047	392	81	8,716	0	102,435
Implementation of IFRS 16 Leases	0	0	0	0	0	1,760	1,760
Cost at 1 January 2019	198	93,047	392	81	8,716	1,760	104,194
Additions through business combinations	0	859	5	0	381	0	1,245
Additions and transfers	7	8,461	101	7	(1,897)	134	6,812
Disposals at cost	0	(474)	0	0	(2)	0	(476)
Effect of changes in foreign exchange	(2)	(751)	(0)	(1)	(303)	(39)	(1,096)
Cost at 31 December 2019	204	101,142	498	88	6,895	1,854	110,681
Accumulated depreciation and impairment losses at 31 December 2018	(180)	(69,554)	(319)	(2)	(80)	0	(70,136)
Depreciation	(7)	(4,324)	(13)	(0)	0	(187)	(4,531)
Impairment losses and transfers	0	(419)	0	0	(700)	0	(1,119)
Accumulated depreciation and impairment on disposed assets	0	459	0	0	0	0	459
Effect of changes in foreign exchange	2	686	3	0	(26)	(1)	665
Accumulated depreciation and impairment losses at 31 December 2019	(185)	(73,152)	(329)	(3)	(807)	(187)	(74,662)
Carrying amount at 31 December 2019	19	27,991	168	85	6,088	1,667	36,018
Estimated useful lives (years)	3 - 10	UoP[1]	15 - 20	20 - 33[2]		1 - 16[3]	

1) Depreciation according to unit of production method (UoP), see note 2 Significant accounting policies.
2) Land is not depreciated.
3) Depreciation linearly over contract period.
4) See note 19 Leases.

For additions through business combinations, see note 3 Acquisitions and disposals.

Impairment
In 2019 net impairment of USD 1,119 million were recognised triggered by decreased short-term gas price assumptions in addition to the annual required assessment of goodwill. The impairment amount is impacted by how tax uplift is to be included in the pre-tax net present value estimate. In 2018 net impairment reversal of USD 604 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.

USD million	2019		2018	
Impairment method	Carrying amount after impairment[1]	Net impairment loss (reversal)	Carrying amount after impairment[1]	Net impairment loss (reversal)
At 31 December				
ViU	4,406	1,119	1,966	(201)
FVLCOD	0	0	1,232	(402)

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. Short-term commodity prices are forecasted by using observable forward prices for 2019 and a linear projection towards the 2023 internal forecast. The base discount rate for VIU calculations is 6.0% 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 15-25% depending on asset specific characteristics, such as specific tax treatments, cash flow profiles and economic life.

The price assumptions used for impairment calculations were as follows (prices used in 2018 impairment calculations for the respective years are indicated in brackets):

Year (Prices in real terms)[1]	**2020**		**2025**		**2030**	
Brent Blend – USD/bbl	59	(68)	77	(78)	80	(82)
NBP - USD/mmbtu	4.2	(7.7)	7.0	(8.2)	7.5	(8.2)

1) Basis year 2019.

The update of short-term price assumptions reflects movements in forward markets. The update of long-term price assumptions is the result of management decision after a thorough evaluation and update of key drivers in different markets, conducted during the year. Drivers include updated resource estimates, evaluation of long-run marginal costs, assumptions on energy and climate policies in relevant markets, updated demand assumptions, assumptions on price development for competing fuels, and risk premiums. As part of the internal evaluations Equinor has also benchmarked with different external evaluations.

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. 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 3 billion before tax effects. This illustrative impairment sensitivity, based on a simplified method, assumes no changes to input factors other than prices; however, a price reduction of 30% is likely to result in changes in business plans as well as other factors used when estimating an asset´s recoverable amount. Changes in such input factors would likely significantly reduce the actual impairment amount compared to the illustrative sensitivity above. Changes that could be expected would include a reduction in the cost level in the oil and gas industry as well as offsetting currency effects, both of which have historically occurred following significant changes in commodity prices. The illustrative sensitivity is 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. A significant and prolonged reduction in oil and gas prices would also result in mitigating actions by Equinor and its license 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 2018	607	149	239	21	1,016
Additions through business combinations	0	0	633	0	633
Additions	200	10	0	8	217
Disposals at cost	(7)	0	0	0	(7)
Transfers	(71)	0	0	0	(71)
Expensed exploration expenditures previously capitalised	(58)	(1)	0	0	(59)
Impairment of goodwill	0	0	(164)	0	(164)
Effect of changes in foreign exchange	(5)	(2)	(5)	(0)	(12)
Cost at 31 December 2019	666	157	703	28	1,553
Accumulated amortisation and impairment losses at 31 December 2018				(5)	(5)
Amortisation and impairments for the year				(6)	(6)
Accumulated amortisation and impairment losses at 31 December 2019				(11)	(11)
Carrying amount at 31 December 2019	666	157	703	17	1,542

For additions through business combinations, see note 3 Acquisitions and disposals.

The table below shows the aging of capitalised exploration expenditures:

(in USD million)	2019	2018
Less than one year	198	211
Between one and five years	230	249
More than five years	238	147
Total	666	607

The table below shows the components of the exploration expenses:

(in USD million)	Full year 2019	2018
Exploration expenditures	617	573
Expensed exploration expenditures previously capitalised	59	65
Capitalised exploration	(198)	(207)
Exploration expenses	478	431

13 Investments in subsidiaries and other equity accounted companies

(in USD million)	2019	2018
Investments at 1 January	23,371	21,285
Net income/(loss) from subsidiaries and other equity accounted companies	(2,941)	1,065
Increase/(decrease) in paid-in capital	2,090	2,608
Distributions	(477)	(1,431)
Net gains/(losses) from available for sale financial assets	0	64
Currency translation adjustments	63	(220)
Investments at 31 December	22,106	23,371

The closing balance of investments at 31 December 2019 of USD 22,106 million consists of investments in subsidiaries amounting to USD 22,100 million and investments in other equity accounted companies amounting to USD 6 million. In 2018, the amounts were USD 23,366 million and USD 5 million, respectively.

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

In 2019 net income from subsidiaries and other equity accounted companies was impacted by impairments related to property, plant and equipment and exploration assets of USD 2,822 million after tax. The impairments were caused by reduced long term price assumptions, reduced reserve estimates and reduced fair value of one asset.

In 2018 net income from subsidiaries and other equity accounted companies was impacted by net impairment related to property, plant and equipment and exploration assets of USD 544 million after tax. The net impairment was caused by negative change in the long-term price assumptions and negative changes in reserve estimates partially offset by improved production profile and various operational improvements.

The acquisition cost for investments in subsidiaries and other equity accounted companies are USD 39,171 million in 2019 and USD 37,514 million in 2018.

The following table shows the most significant subsidiaries directly held by Equinor Energy AS as of 31 December 2019:

Name	in %	Country of incorporation
Equinor Angola AS	100	Norway
Equinor Dezassete AS	100	Norway
Equinor Energy Brazil 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:

(in USD million)	At 31 December 2019	2018
Interest bearing liabilities to group companies	11,959	13,811
Non-interest bearing liabilities to group companies	17	36
Liabilities to group companies	11,976	13,847

The total amount of credit facility given from Equinor ASA is NOK 120 billion (USD 13,667 million) at 31 December 2019 and NOK 120 billion (USD 13,811 million) at 31 December 2018. In 2019 and 2018 the facility is fully utilised. Of the total interest bearing non-current liabilities at 31 December 2019 USD 7,403 million (NOK 65 billion) is due later than five years. USD 6,264 million (NOK 55 billion) is due within the next five years, including USD 1,708 (NOK 15 billion), which is due within twelve months and classified as current receivables from subsidiaries and other equity accounted investments.

Current receivables from subsidiaries and other equity accounted companies include positive internal bank balances of USD 3.7 billion at 31 December 2019. The corresponding amount was USD 4.1 billion at 31 December 2018.

15 Trade and other receivables

(in USD million)	At 31 December 2019	2018
Trade receivables	61	43
Other receivables	647	710
Trade and other receivables	708	753

Other receivables mainly consist of joint venture receivables, prepaid expenses and accruals for lifting imbalances related to Equinor Energy AS operated licenses.

16 Equity and shareholders

(in USD million)	2019	2018
Shareholders' equity at 1 January	26,409	20,505
Net income/(loss)	(168)	5,299
Foreign currency translation adjustments[1)]	(13)	(386)
Net gains/(losses) from available for sale financial assets	0	64
Additions	0	876
Group contributions	2	51
Other	3	0
Shareholders' equity at 31 December	26,233	26,409

Share capital of NOK 36,172,224,000 (USD 5,529,516,612) comprised 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 2019 was negative USD 3,479 million and negative USD 3,466 million as of 31 December 2018.

17 Provisions and other liabilities

(in USD million)	Asset retirement obligations	Other provisions and liabilities	Total
Non-current portion at 31 December 2018	8,346	264	8,611
Current portion at 31 December 2018	55	9	64
Provisions and other liabilities at 31 December 2018	8,401	274	8,675
New or increased provisions and other liabilities	335	9	343
Change in estimates	(246)	14	(232)
Amounts charged against provisions and other liabilities	(43)	(5)	(49)
Effects of change in the discount rate	1,262	47	1,308
Reduction due to divestments	(46)	0	(46)
Accretion expenses	295	0	295
Reclassification and transfer	0	21	21
Currency translation	(103)	(4)	(107)
Provisions and other liabilities at 31 December 2019	9,854	354	10,208
Non-current portion at 31 December 2019	9,797	345	10,142
Current portion at 31 December 2019	57	10	67

Expected timing of cash outflows:

(in USD million)	Asset retirement obligations	Other provisions and liabilities	Total
2020 - 2024	260	78	339
2025 - 2029	439	10	448
2030 - 2034	2,587	0	2,587
2035 - 2039	3,544	17	3,562
Thereafter	3,023	250	3,273
At 31 December 2019	9,854	354	10,208

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

The asset retirement obligation, a legal or constructive obligation to decommission and remove on- and offshore installations at the end of the production period, is of nature long term and with uncertainty to timing, discount rate, estimates, currency, regulations and market situation.

The other provisions category relates to expected payments on cancellation fees, onerous contracts and other. The line item Reclassification and transfer mainly relates to Equinor´s divestment of the ownership interests in offshore licences, where certain commitments related to asset removal were retained by Equinor. The previous ARO for the licences has been reclassified and included under Other provisions and liabilities.

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

18 Trade, other payables and provisions

	At 31 December	
(in USD million)	2019	2018
Trade payables	144	159
Joint venture payables	1,835	1,514
Other non-trade payables, accrued expenses and provisions	371	515
Trade, other payables and provisions	2,350	2,188

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)		Lease liabilities
Lease liabilities per 1 January 2019		1,760
New leases, including remeasurements and cancellations		387
Gross lease payments	(483)	
Lease interest	46	
Lease down-payments	(437)	(437)
Currency and other		(33)
Lease liabilities per 31 December 2019[1)]		1,677

1) Of which USD 479 million is current and USD 1,198 million is presented as non-current lease liabilities. Of the total lease liabilities, 85% are due within 5 years.

Lease payments not included in lease liabilities

(in USD million)	2019
Short-term lease expense	245

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.

In 2019, Equinor recognized revenues of USD 110 million related to lease costs recovered from licence partners related to lease contracts being recognized gross by Equinor.

Commitments relating to lease contracts which had not yet commenced per 31 December 2019 are included within commitments in note 20 Commitments and contingencies.

Information related to Right of use assets

(in USD million)	Drilling rigs	Vessels	Lands and buildings	Other	Total
Right of use assets per 1 January 2019	993	313	267	187	1760
Additions including remeasurements	151	164	73	(1)	387
Depreciation[1)]	(264)	(81)	(39)	(56)	(440)
Currency and other	(22)	(8)	(6)	(4)	(40)
Right of use assets per 31 December 2019	858	388	295	126	1,667

1) USD 254 million of the depreciation cost have been allocated to activities being capitalised.

Change in accounting principle for leases

IFRS 16 covers the recognition of leases and related disclosure information in the financial statements and was implemented by Equinor on 1 January 2019.

The new standard defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In the financial statement of lessees, IFRS 16 requires recognition in the balance sheet for each contract that meets its definition of a lease as right of use (RoU) asset and a lease liability, while lease payments are reflected as interest expense and a reduction of lease liabilities. The RoU assets are depreciated over the shorter of each contract's term and the assets' useful life.

IFRS 16 has replaced IAS 17 Leases, under which only leases considered to be financing were capitalised while operating leases were expensed as incurred and reported as off-balance commitments.

Upon implementation of IFRS 16, the following main implementation and application policy choices were made by Equinor Energy AS:

IFRS 16 transition choices

- IFRS 16 has been implemented according to the modified retrospective method, without restatement of prior periods' reported figures, which are still presented in accordance with IAS 17.
- Contracts already classified either as leases under IAS 17 or as non-lease service arrangements have maintained their respective classifications upon the implementation of IFRS 16 ("grandfathering of contracts").
- Leases for which the lease term ends within 12 months from 1 January 2019 were not reflected as lease liabilities under IFRS 16.
- RoU assets have for most contracts initially been reflected at an amount equal to the corresponding lease liabilities.

IFRS 16 policy application choices

- Short-term leases (12 months or less) and leases of low value assets are not reflected in the balance sheet but are expensed or (if appropriate) capitalised as incurred, depending on the activity in which the leased asset is used.
- Non-lease components within lease contracts will be accounted for separately for all underlying classes of assets and reflected in the relevant expense category or (if appropriate) capitalised as incurred, depending on the activity involved.

Impact of IFRS 16 on the balance sheet
The implementation of IFRS 16 on 1 January 2019 has increased the balance sheet by adding lease liabilities of USD 1.8 billion and RoU assets of USD 1.8 billion. Equinor´s equity was not impacted by the implementation of IFRS 16. The following line items in the balance sheet have been impacted as a result of the new accounting standard:

(in USD million)	At 31 December 2018	IFRS 16 Adjustments	At 1 January 2019
Property, plant and equipment	32,298	1,760	34,058
Total assets		1,760	
Non-current lease liabilities	0	1,337	1,337
Current lease liabilities	0	423	423
Total liabilities		1,760	

The weighted average incremental borrowing rate used when calculating lease liabilities per 1 January 2019 was 2.7%.

The table below shows the impact on the balance sheet per 31 December 2019 from the implementation of IFRS 16:

		At 31 December 2019	
(in USD million)	IFRS as reported (IFRS 16)	IAS 17	Difference
Total non-current assets	77,067	75,400	1,667
Total current assets	7,129	7,129	0
Total assets	84,196	82,529	1,667
Total equity	43,298	43,322	(24)
Total non-current liabilities	32,371	31,159	1,212
Total current liabilities	8,527	8,048	479
Total equity and liabilities	84,196	82,529	1,667

Impact of IFRS 16 on the statement of income for 2019

Under IFRS 16, lease costs consist of interest expense on the lease liabilities, presented within Net financial items, and depreciation of right of use assets, presented within Depreciation, amortisation and net impairment losses.

For leases allocated to activities which are capitalised, the costs will continue to be expensed as before, through depreciation of the asset involved or through the subsequent expensing of capitalised exploration.

Lease costs recovered from licence partners on Equinor operated licences, when the lease liabilities are reported gross by Equinor Energy AS, are presented within Revenues. Under IAS 17, only Equinor's proportional share was reflected.

The table below shows the impact on the statement of income from the implementation of IFRS 16:

	Full year 2019		
(in USD million)	**IFRS as reported (IFRS 16)**	**IAS 17**	**Difference**
Total revenues and other income	20,695	20,585	110
Purchases [net of inventory variation]	(466)	(466)	0
Operating expenses	(3,960)	(4,056)	96
Selling, general and administrative expenses	(56)	(56)	0
Depreciation, amortisation and net impairment losses	(5,821)	(5,634)	(187)
Exploration expenses	(478)	(478)	0
Net operating income/(loss)	9,914	9,895	19
Net financial items	105	134	(29)
Income/(loss) before tax	10,020	10,030	(10)
Income tax	(6,822)	(6,807)	(15)
Net Income/(loss)	3,197	3,222	(25)

Impact of IFRS 16 on the statement of cash flows for 2019

In the cash flow statement, down-payment of lease liabilities are presented as a cash flow used in financing activities under IFRS 16, while interests are presented within cash flow used in operating activities. Under IAS 17, operating lease costs were presented within cash flows from operations or investing cash flows respectively, depending on whether the leased asset is used in operating activities or activities being capitalised.

In situations where Equinor Energy AS is considered to have the primary responsibility for a lease liability, and consequently reflects the lease liability on a gross basis, any corresponding payments from partner recharges recognised as other revenue in the income statement will also be reported on a gross basis in the statement of cash flows, with the gross lease down-payments being recognised as a financing cash flow and the revenues from partners recognised within operating cash flows.

The table below shows the impact on the statement of cash flows from the implementation of IFRS 16:

	Full year 2019		
(in USD million)	**IFRS as reported (IFRS 16)**	**IAS 17**	**Difference**
Cash flows provided by operating activities	8,433	8,269	164
Cash flows used in investing activities	(8,258)	(8,531)	273
Cash flows provided by/(used in) financing activities	(186)	251	(437)
Net increase/(decrease) in cash and cash equivalents	(11)	(11)	0

Reconciliation of IFRS 16 lease liabilities to IAS 17 operating lease commitments per 31 December 2018

(in USD million)	
Operating lease commitments (IAS 17) at 31 December 2018	3,468
Short-term leases and leases expiring during 2019	(477)
Non-lease components	(1,131)
Commitments related to leases not yet commenced	(699)
Leases reported gross vs net	683
Effect of discounting and other	(84)
Lease liabilities reported under IFRS 16 at 1 January 2019	1,760

Equinor Energy AS's previous practice for lease commitments reporting was to not distinguish fixed non-lease components within a lease contract from the actual lease components. The choice made under IFRS 16 to account for non-lease components separately for all classes of assets consequently represents a change in Equinor Energy AS's lease accounting.

Leases not yet commenced relates to situations where a contract is signed, but where Equinor Energy AS has not yet obtained the right to control an underlying asset, either on its own or through a joint operation.

Extension and termination options within the lease contracts are in all material respect reported on the same basis as under IAS 17 Leases. Most leases are used in operational activities. Extension options which are considered reasonably certain to be exercised are included in the reported lease liabilities. These are mainly those extension options for which operational decisions have been made which make the leased assets vital to the continued relevant business activities.

20 Commitments, contingent liabilities and contingent assets

Contractual commitments
Equinor had contractual commitments of USD 2,858 million at 31 December 2019. 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 2019, Equinor was committed to participate in 12 offshore wells, with an average ownership interest of approximately 35%. Equinor's share of estimated expenditures to drill these wells amounts to USD 136 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 2035.

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 1,487 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 2019:

(in USD million)	
2020	1,335
2021	1,227
2022	1,100
2023	929
2024	716
Thereafter	2,432
Total	7,739

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 2019 the carrying value of debts for which Equinor Energy AS is the co-obligor and guarantor, mainly for Equinor ASA, are equivalent to USD 2,195 million and USD 21,563 million, respectively.

Contingencies
Some long-term gas sales agreements contain price review clauses, which in certain cases lead to claims subject to arbitration. The range of exposure related to ongoing arbitration has been estimated to approximately USD 1.3 billion for gas delivered prior to year-end 2019. Based on Equinor's assessment, no provision is included in the financial statements at year-end 2019. The timing of the resolution is uncertain but is estimated to 2020. Price review arbitration related changes in provisions throughout 2019 are immaterial and have been reflected in the statement of income as adjustments to revenues.

In January 2020, Equinor on behalf of the Troll licence signed a settlement agreement with COSL Offshore Management AS in the dispute over the 2016 termination of the long-term contract for the rig COSL Innovator. Equinor's share of the agreed settlement payment amounts to USD 57.5 million, which has been reflected in Operating expenses in 2019.

On 28 February 2018, Equinor Energy AS received a notice of deviation from Norwegian tax authorities related to an ongoing dispute regarding the level of Research & Development cost to be allocated to the offshore tax regime, increasing the maximum exposure in this matter to approximately USD 500 million. Equinor 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 11,113 million and USD 13,073 million in 2019 and 2018, respectively. The major part of intercompany revenues is attributed to Equinor ASA, USD 10,963 million and USD 12,887 million in 2019 and 2018, 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 Equinor Energy AS 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 3,877 million and USD 4,147 million in 2019 and 2018, respectively. The major part of these expenses is

allocated from Equinor ASA, USD 3,826 million and USD 4,016 million in 2019 and 2018, 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 licenses. Equinor Energy AS does not have any employees but purchases administrative services from Equinor ASA. The 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 135 million and USD 56 million in 2019 and 2018, 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 the end of the year the company's estimated proved reserves amounted to 679 million Sm3 oil equivalents. At year-end 2018, estimated proved reserves amounted to 721 million Sm3 oil equivalents.

Proved reserves are expected to be produced in the period from 2020 to 2057.

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.

23 Subsequent events

During the first quarter of 2020 the spread of the coronavirus (Covid-19) has impacted an increasing number of countries with increasing severity. In March 2020, the World Health Organisation (WHO) declared Covid-19 a global pandemic. During this period countries, organisations and Equinor have taken considerable measures to mitigate risk for communities, employees and business operations. The full extent, consequences, and duration of the Covid-19 pandemic and the resulting operational and economic impact for Equinor Energy AS cannot be predicted at the time of publication of the Financial statements.

STAVANGER, 25 MARCH 2020

THE BOARD OF DIRECTORS OF EQUINOR ENERGY AS

/s/ LARS CHRISTIAN BACHER
CHAIR

/s/ KJELL BYBERG
MANAGING DIRECTOR

/s/ METTE FERKINGSTAD

/s/ GEIR AALHUS

/s/ SIV HELEN RYGH TORSTENSEN

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders Meeting of Equinor Energy AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Equinor Energy AS, which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income and statements 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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 Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Managing Director (management) are responsible for the other information. Our opinion on the audit of 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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including

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International Standards on Auditing (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 law, regulations and generally accepted auditing principles in Norway, including 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 those charged with governance 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Companys accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

/s/ Ernst & Young AS

Stavanger, Norway

25 March 2020