Director's Annual Report and Financial Statements

Equinor UK Limited

31 December 2019

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COMPANIES HOUSE

Registered No. 1285743

DIRECTORS

Svein Skeie
Bente Hovland (Appointed 11 March 2019)
Stephen Bull (Appointed 12 February 2020)
Arne Grthner (Appointed 2 September 2019)
Jenny Morris (Resigned 20 December 2019)
Fride Seljevold Methi (Appointed 01 April 2020)
Catherine Allsopp (Appointed 3 August 2020)

Beate Myking (Resigned 12 February 2020)
Robert Adams (Resigned 11 March 2019)
Hedda Felin (Resigned 2 September 2019)
Uno Holm Rognli (Resigned 2 September 2019)
Helge Haugane (Resigned 01 April 2020)

SECRETARY

Leanne Adrienne Paul (Appointed 26 September 2019)
Lina Balbuckaite (Appointed 28 June 2019, resigned 26 September 2019)
Tony Saul (Resigned 28 June 2019)

AUDITOR
Ernst and Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

BANKERS
Deutsche Bank AG
6 Bishopgate
London
EC2P 2AT

SOLICITORS
Lovells LLP
21 Holborn Viaduct
London
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REGISTERED OFFICE
1 Kingdom Street
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W2 6BD

The directors of Equinor UK Limited (the "Company") present their strategic report for the Company for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are the exploration, development, production and supply of oil and gas and the provision of services. The Company supports Equinor's development of its corporate strategy and manages business development and merger and acquisition activities, while maintaining a responsible approach to health, safety and the environment.

REVIEW OF THE BUSINESS

Development and Production – The Company is involved in joint ventures and projects in the United Kingdom Continental Shelf "UKCS" which are detailed below.

Mariner

The Mariner oil field (interest of 65.11%, operator) is located in the UK North Sea, some 150 km east of Shetland. The field has been developed with a production, drilling and living quarter platform based on a steel jacket, with oil being exported to a floating storage unit and then to shore via tankers. Production from the field commenced in August 2019 and averaged 4,547 boe/d in 2019.

Barnacle

The Barnacle field (interest of 44.34%, operator) is located in the UK North Sea, some 2 km from the UK-Norway maritime border. The field has been developed through an extended reach well tied back to the Statfjord B platform on the Norwegian side of the North Sea. Production from the field started in December 2019 and averaged 209 boe/d in 2019.

Utgard

Utgard (interest of 38% in the UK and 38.44% in the Norwegian sector, operator) is a gas and condensate discovery in the North Sea. The cross-border field development includes two wells in a standard subsea concept, tied back to the Sleipner platform on the Norwegian side of the North Sea. Production commenced in September 2019 and averaged 4,957 boe/d in 2019.

Rosebank

The Rosebank oil and gas field (interest of 40%, operator) some 130 km northwest of the Shetland Islands is the largest known undeveloped resource on the UK Continental Shelf. In January 2019, Equinor completed the acquisition of Chevron's 40% interest and assumed operatorship of Rosebank. A three-year extension for the Rosebank licences was awarded by the UK Oil and Gas Authority in May 2019.

Bressay

Bressay (interest of 81.6%, operator) is a heavy oil discovery. The Company along with its joint venture partner has agreed an extension of the licence period until December 2020 with the UK Oil and Gas Authority (OGA). In July 2020 a sale of 40.81 % interest in and transfer of operatorship of the Bressay oil field development on the UK continental shelf to EnQuest was agreed.

Jupiter

The Jupiter gas field (interest of 30%) is located in the southern part of the UK North Sea, operated by ConocoPhillips. Following cessation of production in 2016, a decommissioning campaign led by the operator remains ongoing.

Alba

On 30 April 2018, the Company sold its total non-operated interest of 17% in the Alba field to Verus Petroleum and retained its share of the decommissioning liabilities for the existing infrastructure. Verus Petroleum assumed decommissioning liabilities for any new infrastructure.

Aldborough

The Aldbrough Gas Storage facility and topside located on the East coast of the UK consist of nine underground storage caverns which operate on a fast cycle storage has been written off due to the low performance of the asset.

Exploration
At the end of the year, the Company held an interest in 17 (2018: 15) exploration licenses on the UK CS and is the operator of 14 (2017: 12) of those.

During the year, the Company was awarded 4 licences (excluding 1 merged with an existing extant licence), 3 as operator and 1 as partner, in the 31st Offshore Licensing Round on the UKCS. These awards are a result of a strategic decision by the Company to explore in prolific but mature basins.

Marketing
The Company markets and supplies gas to a portfolio of end users. During the year, the average number of end users fell to 4 (2018: 9).

KEY PERFORMANCE INDICATORS
The Company's key financial and other performance indicators during the year were as follows:

	2019	2018	Change
	£'000	£'000	%
Turnover	359,618	769,700	-53%
Operating (loss)	(203,872)	(74,260)	-175%
Profit for the year	42,993	164,989	-74%
Equity shareholder's funds	2,972,075	2,388,808	24%

	2019	2018	Change
Production (boe/d)	9,713	1,760	452%
Serious incident frequency (SIF)*	0.8	0.2	300%
Total recordable injury frequency (TRIF)*	3.9	5.60	(30)

*specific to the Mariner project

Turnover in 2019 includes oil and gas sales from producing fields as well as sale of services. Turnover and cost of sales were higher in 2018 primarily due to sales of 4 purchased crude cargos on behalf of Equinor ASA with an average volume of 1,993mboe and average sales price of US$73.73/bbl. This was a one off activity.

The main factor attributing to operating loss increase is the increased depreciation accounted on unit of production basis for production on the Mariner field which was not offset by the revenues.

The profit for the current financial year is mainly attributable to the Company recognising deferred tax credits on additional capital expenditure.

FUTURE DEVELOPMENTS
The coronavirus (COVID-19) pandemic has been declared as a global emergency by the World Health Organization (WHO), and has made countries, organizations, Equinor as a whole and Equinor UK Limited 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 impacts for the Company.

Our markets are volatile by nature, and the effects of the Covid-19 and the sharp drop in the oil price particularly in the first half of 2020, are strong reminders of this. Thanks to strict cost discipline and strong commercial mindset we are a more resilient company today with significant business flexibility to handle volatility. The UKI (UK and Ireland) efficiency project has been initiated to respond to the challenging market conditions caused by the Covid-19 pandemic and low commodity prices, and to secure long-term competitiveness of the UKI organisation. The UKI efficiency project is targeting an annual cost reduction and workforce reduction compared to the 2019 levels. Once implemented, these measures should deliver a leaner UKI organisation with lower cost base and higher efficiency.

The Company has assessed the impact to its UK operations from the COVID-19 global pandemic and has put in place measures to mitigate the risks to employees and operations to ensure the safety of all personnel and the continuity of energy supply to the UK.

A risk of reduced work force due to moderate illness due to infection by COVID-19 is identified. This risk is mitigated by the implementation of a work from home procedure for office employees. Return to office will only be commenced after regulations allow the company to return office based staff. A risk assessment will be conducted to demonstrate the risk of returning to the office is ALARP (as low as reasonably practicable).

As part of upstream response we:

- established a COVID task force to monitor and respond to the situation;
- conducted a thorough risk assessment capturing ongoing activities and the risks and mitigating actions associated with operating and drilling from the Mariner A, Mariner B and NLN rig;
- updated Equinor Aberdeen Business Continuity Plan (BCP) to address COVID risk management, including emergency response;
- took measures to ensure the safety of personnel and to safeguard production during the outbreak, and suspended drilling and project development activities (in March-May) to prioritise production and income;
- instigated the "work from home" operating mode;
- participated in the relevant OGUK Strategy groups to align responses across the UKCS.

Due to mitigating actions, the risk posed by COVID-19 to its people and assets has been significantly reduced.

GOING CONCERN

Notwithstanding the Company's net current liabilities position at the year end, the financial statements have been prepared on the going concern basis.

The Company closely monitors and manages its funding position and liquidity risk, including monitoring cashflow forecast (both long term and short term), to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced, and sensitivities considered for changes in crude oil prices, production rates, costs and other factors. These forecasts and sensitivity analyses allow management to mitigate liquidity risks in a timely manner.

The Company has previously been provided with a financing facility of £1.5bn by its parent Equinor ASA in order to fund the Mariner Development, which was fully drawn as at 31 December 2019. The first instalment was repaid in December 2019 as scheduled. The remaining loan repayments were scheduled for December 2020 and 2021 in two equal instalments. However, the forecast cash flow showed that there is insufficient cash to meet these instalments due to reduced operating revenues, caused by significant decreases in oil and gas prices throughout 2020 due to the COVID-19 pandemic. The company has tabled an agreement with its parent to defer the loan repayments until December 2022, and December 2023. This measure will allow the Company to deal with the cash shortfall and ensure that the Company can meet its immediate obligations. The loan deferral will also allow the company to revert to a net current asset position at the end of 2020. The agreement is scheduled to be formally signed off in November 2020, consequently the Company has obtained a parental letter of support from Equinor ASA as of the date of sign off of these financial statements for a period of at least 12 months in order to give the Directors further assurance over the going concern status of the business prior to the loan deferral agreement conclusion.

In reaching the conclusion that the going concern basis is appropriate the Company performed sensitivity analysis and considered measures to maintain liquidity under a plausible downside scenario. These measures include taking more stringent measures for cost cutting, deferral of development projects, obtaining additional credit line facilities from the parent and equity injection. Even under such a plausible downside scenarios, this assessment of forecasts, in addition to the planned deferral of intercompany loan repayments, operational changes made to the business and the receipt of the parental support letter have allowed the Directors to conclude that the Company retains sufficient liquidity and that the going concern basis remains appropriate.

The Company is actively monitoring the impact on operations from COVID-19 and has implemented a number of mitigations to minimise the impact. More details can be found in note 24 of these financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks and mitigations that the Company faces in the course of conducting its business operations. Although not exhaustive, the following list highlights the principal risks and uncertainties.

	Risk	Mitigation
1.	**COVID-19 pandemic** The COVID-19 pandemic could affect demand for, and supply of, oil and gas, commodity prices and Company's ability to operate its facilities effectively. Equinor UK Limited is a major supplier of energy to the United Kingdom and operates offshore oil and gas facilities in UK waters.	The COVID-19 mitigating measures are discussed in note 24 – Events after the reporting date of these Financial statements.
2.	**Price risk** Fundamental market forces beyond the Company's control have affected and will continue to affect oil and natural gas prices in the future. Prolonged low oil prices could erode the profitability of the Company's operations, its financial condition, liquidity and ability to fund development projects, which in turn, can lead to reduced reserve replacement and proved reserves. 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 company does 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 UK Limited or other similar market participants have impacted and will continue to impact oil and natural gas prices in the future. Oil and natural gas price risks are managed at the corporate level at Equinor ASA.

the COVID-19 pandemic. See COVID-19 pandemic risk above.

3. **Health, safety and environmental**

The Company 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 can be hazardous. Risks that could affect health, safety and the environment include human error, operational failures, detrimental substances, subsurface behaviour, 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.

Our safety and security work are guided by our commitment to prevent harm to people's health, safety and security and the environment. Equinor's strategy defines "Always safe" as one of three pillars and our ambition is to be an industry leader in safety and security. The management approach comprises safeguarding people and the environment through design, ongoing reviews of technical and non-technical barriers, proactive maintenance work, periodic risk assessments and emergency preparedness training, as well as through 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 measures as needed.

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.

4 **Production operations risks**

The Company's future performance depends on efficient operations and the ability to develop and deploy new technologies and new products. The ability to maintain efficient operations, to develop and adapt to innovative technologies and digital solutions, to seek profitable low-carbon energy solutions, are key success factors for future business.

The operational risks are managed by the Corporate Major Accident Prevention Policy (CMAPP) which provides a high level summary of the arrangements in place for management and control of major accidents hazards across all Equinor UK Limited operated activities. The document outlines the lines of reporting and accountability.

5. **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's policies are aimed at minimising such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Company's debtors are shown in note 15 to the financial statements.

6. **Liquidity and cash flow risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Cash flow risk is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as future payments on a variable rate debt.

The board is confident that company is well placed to mitigate the liquidity risk which is attributable to two factors:

- The loan facilities from the parent company Equinor ASA. Further details of the loan are disclosed in notes 15 and 16 of these Financial statements.

-The Mariner, Utgard and Barnacle fields started production in 2019 and are expected to generate cash inflow.

7. **Security threats and Cyber-attacks risks**

The Company is exposed to security threats that could have a materially adverse effect on the Company's results of operations and financial condition.
Security threats such as acts of terrorism and cyber-attacks against the Company's production and exploration facilities, offices, means of transportation, digital infrastructure or computer or information systems or breaches of the Company's security system, could result in losses.

The Equinor group has a systematic approach to managing and mitigating the Cyber Security threat. Technical solutions are deployed to minimise the risk of intrusion and detection systems are monitored continually. Information within the organisation is protected and subject to access controls. Internal requirements and policies covering Cyber Security and Information Management are audited, reviewed and updated to adapt to the changing risk picture. Equinor requires employees to maintain a high level of cyber security awareness through training programmes and monitors their individual progress and understanding.

8. **Brexit**

The UK formally and politically left the European Union on 31 January 2019. Under the withdrawal agreement, the UK will have most of the rights and responsibilities of membership until the end of 2020, at which point new arrangements between the UK and the EU will be in force. The form of these arrangement is still uncertain.

The exit created uncertainty with respect to the UK's future relationship with the EU. This uncertainty affects Equinor as it relates to future energy and trade policies and the movement of people.

The Company continues to believe that Brexit will not pose a significant risk to our business. We continue to monitor developments in this area in line with our risk management processes and procedures. The risks relating to the retention, attraction and recruitment of talent from the EU/EEA; the uncertainty related to business travel; the data protection and the residency status of overseas and UK employees are being mapped and analysed. Mitigating measures include high quality data and tracking mechanisms for the reduction of business travel risks, accuracy and completeness of employment and immigration documentation for a multinational workforce.

Section 172 Companies Act 2006

The Company applied The Wates Corporate Governance Principles for Large Private Companies which provides a framework not only to demonstrate how the Board makes decisions for the long term success of the company and its stakeholders but also having regard to how the Board ensures the company complies with the requirements of Section 172 of the Companies Act 2016.
Our Corporate governance report against the Wates principals has been included on pages 12-21 of these Financial Statements.
The information of how the directors have had regard to the matters set out in section 172(1) of the companies Act 2006 can be found in the Corporate Governance report in the relevant sections referenced below:

(a)the likely consequences of any decision in the long term, - Principals 1 and 4.

The focus for 2019 was the drilling campaign in the UKCS including the Mariner oil field during which a good working relationship has been established with internal and external stakeholders.
Throughout the year directors regularly received risk updates (including KPIs – SIF Serious incident frequency and TRIF Total recoverable incident frequency).
In addition an updated Corporate Major Accident Prevention policy (CMAAP) was approved by the Board.

Close attention was paid to CO_2 carbon footprint and CO_2 reduction initiatives including the Polymer project which could provide a 20% reduction, it was confirmed that CO_2 initiatives were at the core of any new technical decisions taken in relation to the operation of the field. While considering the initiatives and CO_2 reduction steps the interest of wider stakeholder groups such as regulators, environmental groups, employees and shareholders were taken into account by the Board.
During the year a few Farm-in and Farm out opportunities were considered, assessed and approved by the Board.

(b)the interests of the company's employees – Principals 5 and 6.

(c)the need to foster the company's business relationships with suppliers, customers and others, Principal 6.

(d)the impact of the company's operations on the community and the environment, Principal 6 – Local communities.

(e)the desirability of the company maintaining a reputation for high standards of business conduct Principals 1, 2,3,4,5,6.

(f)the need to act fairly as between members of the company.

The company's only member is a parent company Equinor ASA. At the same time Equinor ASA acts as a major Customer of the Company.

The Board confirms that, throughout the year, the Company has applied the Principles set out in this report, both in spirit and in form. The information set out in the Corporate governance report is intended to provide an explanation of how the principles have been applied throughout the year. We have chosen to provide information that we believe stakeholders may benefit from a more specific explanation.

By order of the Board of Directors

Bente Hovland

Bente Hovland
Director
6 November 2020

The directors present their annual report and financial statements of the Company for the year ended 31 December 2019.

Events after the Reporting date are stated are in note 24 of these Financial statements.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £42,993 thousand (2018: £164,989 thousand). There were no dividends declared or paid during the current or preceding year.

EMPLOYEES

In the Company, we believe that being diverse and inclusive is a source of our competitive advantage. Diversity represents all people, all backgrounds, and all perspectives: ethnicity, experience, education, background, competence, sexual preference, religion, and disability shape our ideas and perspectives. Inclusion puts the concept and practice of diversity into action by creating an environment of involvement, respect, and connection—where the richness of ideas, backgrounds, and perspectives are harnessed to create business value. The Company is fostering an inclusive culture by mitigating against unconscious bias through leadership training, appointing inclusion ambassadors and making diversity and inclusion an agenda item for discussion in management meetings.

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim in accordance with our core value of being a caring organisation.

The Company is committed to employee involvement throughout the business. Employees are kept well informed of the performance and strategy of the Company through regular company council meetings, email and broadcasts by the Managing director and members of the Board throughout the year.

A statement summarising how the directors have engaged with employees and taken account of their interests is included in the Corporate Governance Report under Principal 6 – Workforce and employee engagement.

STAKEHOLDER RELATIONSHIPS

A statement summarising how the directors have engaged with suppliers and others in a business relationship with the company is included in the Corporate Governance Report (Principal 6 – Stakeholder relationships and engagement).

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year and changes since 31 December 2019 are listed on page 1. None of the directors had any beneficial interest in the shares of the Company.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Having made enquiries of fellow directors and of the Company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

KPMG LLP stepped down from their role as auditor in 2019 to be replaced by Ernst and Young LLP who was appointed as auditor of the Company.

By order of the Board of Directors

Bente Hovland

Bente Hovland
Director
6 November 2020

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

CORPORATE GOVERNANCE STATEMENT

Equinor UK Limited (the "**Company**") is a wholly owned subsidiary of Equinor ASA, a Norwegian company, listed on both the Oslo and New York stock exchanges. As a listed company, Equinor ASA complies with the requirement to report on its corporate governance in its annual report which can be downloaded from its website, www.equinor.com. Additional corporate governance information can also be found on the Equinor website.

For the year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council ('FRC') in December 2018 (the "**Principles**") and available on the FRC website).

Equinor UK Limited application of the Principles throughout the year 2019 is set out below.

PRINCIPLE 1 – PURPOSE AND LEADERSHIP

The Equinor Group – Corporate organisational structure

The Equinor group ("**Equinor**"/ the "**Equinor group**"), parented by Equinor ASA was originally founded as a Norwegian oil and gas company which has grown into a broad energy company with activities in more than 30 countries around the globe. The Equinor group's activities include most phases of the oil and gas value chain, from exploration of hydrocarbons through to developing, production and manufacturing, marketing and trading, as well as, a growing renewables business.

Equinor's identity is set out in the **Equinor Book (https://www.equinor.com/en/how-and-why/sustainability/codes-of-conduct.html)**, imposing a common framework for who we are and how we work and essentially sets standards for behaviour, performance and leadership.

Equinor - Who we are

Our **Purpose** is to turn natural resources into energy for people and progress for society.

Our **Vision** is shaping the future of energy.

Our **Values** help us set direction, guide our decisions, actions and the way we interact with others. They are:

- Open;
- Collaborative;
- Courageous;
- Caring.

Leaders in Equinor are role models for our values which means always putting the safety and security of our people first, understanding risks and acting with integrity and high ethical standards in everything they do. Our **Leadership** principles act as a guide for all leaders in Equinor and inspire those with leadership responsibility to:

- Shape our future by, looking for opportunities to improve our operations and business, and act on them;
- Empower people by, setting and communicating a clear direction, trusting people to deliver and engage across boundaries;
- Deliver results by, making a difference and adding value for Equinor by demonstrating safety leadership and commercial instinct.

Our **Strategy** is Always safe, High value, Low carbon. We are committed to long-term value creation in a low *carbon future.*

CORPORATE GOVERNANCE STATEMENT

Our success depends on thousands of individuals working together where each one makes a difference. Safety is our priority and is integrated in everything we do, and safety expectations are applicable to us all.

Equinor - How we work

Corporate Governance

Good corporate governance ensures that the Equinor group is run according to our values and for the benefit of our people, stakeholders and society as a whole. It also ensures that everyone has a clear understanding of their roles, responsibilities, rights and accountability. As a public limited company, Equinor adheres to Norwegian and applicable international corporate governance standards and requirements. We also ensure good corporate governance through our values-based culture, stringent ethical requirements, and a Code of Conduct that promotes integrity.

Equinor's **Code of Conduct** describes Equinor's code of business practice and the requirements for expected behaviour. The Code of Conduct applies to Equinor UK Limited board members, employees and hired personnel.

Equinor Ethics Helpline
Equinor employees and anyone that interact with Equinor has the right to, and are encouraged to, raise concerns when there is any suspected or potential breach of law or company policies including the Code of Conduct. For this purpose, Equinor has established the Ethics Helpline, a 24-hour phone service and portal, hosted by a third-party helpline provider, Ethics Point.
The Ethics Helpline has been set up to ensure confidentiality and to protect the rights of both the caller and the potential subject of a report. You may choose to be anonymous where permitted by law. The Ethics Helpline enables a two-way communication between the caller and the company. Equinor will not implement sanctions against anyone reporting in a responsible manner.

Our **Performance framework** translates our vision, values and strategy into actions and results, creating a clear link to team and individual contributions. In **Ambition to Action** we translate Equinor's purpose, vision and strategy into meaningful strategic objectives and risks, KPIs and actions for each business area. All business areas in Equinor UK Limited have their own Ambition to Action and use it to align their ambitions with Equinor's long-term strategy, disclose their strategic objectives, actions and progress towards targets and create a link to individual contributions.

We have a values-based performance culture in the Company. How we deliver is as important as what we deliver. This means that delivery and behaviour is equally weighted when evaluating the performance of our employees.

We have developed a **Management System** to capitalise on the collective knowledge and best practice we have gained over many years. The Management System contains the information we need to set us on the right path when performing our work. It is also one way we ensure safe and efficient execution of activities, reducing risk and saving time and costs.

Equinor UK organization

Equinor UK Limited follows the Corporate Governance structure set out in the Equinor Book and the Management System.

The Equinor organisation in the UK (Equinor UK) is structured to be able to respond to current and future business needs. Equinor's strategy and targets at a group level flow through to the UK business via the relevant business area. Equinor's business areas conduct business through Equinor UK Limited according to the nature of their activities and in accordance with the Equinor group strategy with respect to the UK.

CORPORATE GOVERNANCE STATEMENT

Five distinct business areas are active in the UK and business activities are undertaken, to varying degrees, through Equinor UK Limited:

- Development & Production International (DPI);
- Marketing, Midstream & Processing (MMP);
- New Energy Solutions (NES);
- Exploration (EXP);
- Global Strategy & Business Development (GSB).

This matrix structure enables us to deliver results in the most efficient way and maximise utilisation of expertise and resources across the Equinor group. Business areas are supported by the corporate staff and support functions active in Equinor UK Limited.

Equinor UK Limited, in keeping with the Equinor group's vision "shaping the future of energy" and its strategy "Always safe, High value, Low carbon" is committed to turning natural resources into energy for people and progress for society. Equinor UK Limited together with other Equinor companies active in the UK has formulated a UK strategy to deliver on this vision: "Building a broad energy partnership with the UK" (https://www.equinor.com/content/dam/statoil/documents/uk/uk-building-broad-energy-company-06-20.pdf)
Some of Equinor in the UK deliverables and initiatives include:

- Equinor starting production from the Mariner field in 2019, our first operated development in the UK North Sea. The field is expected to produce more than 300 million barrels of oil over the next 30 years. Mariner supports over 700 long term jobs and is one of our most innovative offshore developments.
- Equinor has over 20 years' experience in safely storing carbon emissions and producing hydrogen from natural gas. Equinor has supplied energy to the UK for over 35 years and is proud to be part of the Zero Carbon Humber alliance that seeks to make the region the UK's first net zero industrial cluster.
- Equinor invests in future generations through sponsorship in supporting education in Science, Technology, Engineering and Maths (STEM) as well as understanding digitalisation and renewable technologies in local communities and equipping young people with the knowledge and skills needed to participate in and contribute to UK society and the future of the energy industry.
- Equinor is partnering with SSE Renewables to deliver Dogger Bank – the world's biggest offshore wind farm and an important milestone in the UK's transition to renewable energy. Once complete, the wind farm is expected to produce enough electricity for 4.5 million British homes.

PRINCIPLE 2 – BOARD COMPOSITION

The Equinor UK Limited Board of Directors is composed to facilitate informed decision making in line with the business activities undertaken by the Company. With regards decision making of the Board, all Board decisions are made by majority vote of the Directors present with each Director having one vote, except in the case of parity of votes where the Chairperson has a second or casting vote. One Director serves as a permanent Chairperson of the Board for the duration of their appointment.

The Board is made up of one representative Director from each of the five business areas active in the Company (DPI, MMP, NES EXP and GSB), contributing broad expertise and insight on all the Company's activities. Each business area who wants to bring a matter to the board submits this through the relevant Director of Equinor UK Limited representing that business area, having first obtained approval through the decision authorities applicable in that business line.

The Board regularly invites relevant members of the corporate staff and support functions to advise, inform and report on specific matters with which they are charged, for example, the People and Leadership function often advises and reports on employee matters and the Safety, Security and Sustainability (Safety, Security and Sustainability) function advises on matters of safety and security.

CORPORATE GOVERNANCE STATEMENT

Directors gain knowledge of the wider Company's activities, other than their own business areas, from open discussion with other Directors and invitees at Board meetings, deep dives on topical issues, participating in and having access to the Country Management forum (a platform focusing on UK specific strategy, risks, and stakeholders) and its participants and experts, which consolidates the Equinor group's wider activities in the UK.

In terms of demonstrating diversity, the Board in 2019 consisted of a mix of Norwegian and British nationals and also had a good gender balance. Equinor continues to develop and improve on diversity mix in all aspects in its organisation and offers focused training on Mitigating Unconscious Bias and Inclusive Leadership to all leaders.

Directors are further guided in their duties by the 'Equinor Board of directors handbook' which sets out Equinor's expectations for board members sitting on boards of Equinor subsidiaries or joint venture companies.

On an annual basis, directors of the Company, are required to complete Equinor's on-line Code of Conduct training. The Code certification reminds all of their duty to comply with Equinor values and ethical requirements and creates an environment with open dialogue on ethical issues, both internally and externally.

In an average year, there are approximately four scheduled Board meetings, with ad hoc meetings held as and when required for the purpose of updates and obtaining relevant approvals from the Board.

PRINCIPLE 3 – DIRECTOR RESPONSIBILITIES

Accountability

Good corporate governance ensures the Company is run according to our values and for the benefit of our people, stakeholders and society. It also ensures that everyone has a clear understanding of their roles, responsibilities, rights and accountability.

While Board oversight is maintained, certain decisions are delegated to the business areas with the most appropriate business and industry experience. Each Board member has a clear understanding of their accountability and responsibilities. The Board has developed an annual programme to ensure that relevant matters are addressed. Each business area operating through the Company has its own Organisation, Management and Control document (OMC) (part of the Equinor Management System) which sets out in more detail, the activities for which it is accountable, their organisation, operating model and control processes.

The Equinor UK Limted Board of directors is accountable for ensuring that the Company's activities executed through different business areas are conducted safely and that policies, standards and procedures contained within the governing documents relating to a business area and its activities are followed and implemented effectively.
In addition to their direct reporting lines via their respective business areas, individual Directors are accountable to the Equinor UK Limited Board for ensuring, amongst other things, that their activities are conducted safely and securely and in accordance with the relevant governing documents that apply to the business area as detailed in the Equinor Management System whilst having regard to local law requirements and maintaining a degree of independence and control in the subsidiary. Further the Directors are guided in their duties by the principles set out in the 'Equinor Board of directors handbook'.

Integrity of information

Several mechanisms are in place to ensure that board members have appropriate oversight of and involvement in the activities carried out under the Company and can access reliable information sources to make more informed decisions. Other than input from directors representing different business areas, Board meetings are structured to include high level reports/updates of cross-company functions who are charged with advising the Board and informing their decisions with the right considerations on specific matters. These functions also implement measures within the company in accordance with Equinor group policies with approval from the Board, including but not limited to:

- People and Leadership (PL) who are responsible for people planning, policies, reward, relations, strategy, competence, and collaboration matters;
- Safety, Security and Sustainability (SSU) responsible for developing SSU policies, reporting on SSU performance, coordinating assurance activities, ensuring that emergency response plans are in place for all activities in the Company;
- Finance and Control (F&C) responsible for overseeing financial reporting and quality assurance of statutory reporting;
- Legal (LEG) responsible for monitoring and communicating changes in local law, ensuring consistency in the legal function and compliance across the Equinor group, serving as company secretary for the Company;
- access to UK Country Management forum to inform on common business themes e.g. political analysts, communication specialists, safety, security and sustainability experts.

Processes for collection, quality assuring and reporting data is governed by requirements in the Management System and is reviewed regularly by Equinor's internal audit function.

PRINCIPLE 4 – RISKS AND OPPORTUNITIES

Risks

Equinor applies the enterprise risk management approach for managing risks and opportunities. The framework is embedded in our management system and includes methods and processes to manage risks and opportunities related to achievement of our strategic objectives. By identifying and proactively addressing risks and opportunities, Equinor can protect and create value for its shareholders.

The Board of Directors focuses on ensuring adequate control of the Company's internal controls and overall risk management. Equinor UK Limited manages risk to make sure that operations are safe and in compliance with requirements.

Opportunities

Long-term strategic opportunities are highlighted in principle 1. The opportunities are drawn from the business areas and support functions and reflect our ambitions for the next 10 years. Short-term opportunities to improve performance are managed in Ambition to Action by each individual BA.

Responsibilities

In Equinor UK Limited, risks are identified and managed by the individual BA line managers. This is based on the principle that risks and opportunities are owned and mitigated by the business line in which they arise and impact. Examples of such risks are major accident risk and risks related to the operational efficiency of our assets.

To mitigate our most significant risks we have established policies and requirements embedded in our management system. One example is the Corporate Major Accident Prevention Policy (CMAPP) WR2527. The purpose of CMAPP is to provide a high-level summary of the arrangements in place for management and control of major accident risk across all Equinor UK Limited operated activities.

For an overview of risks and their mitigation, see page 4 in the Strategic report.

Controls

Equinor UK Limited has identified and documented key controls, covering all aspects of the company's operations. Each key control is assigned to at least one individual who takes ownership of the control and is required to complete a sign-off an on-line tool on a quarterly basis to confirm compliance. The controls are assigned to individuals in all BAs. We are working to continuously improve how we document our internal controls.

In designing and evaluating our disclosure controls and procedures, our management at a Corporate level, recognised that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance that the desired control objectives will be achieved, and that the management must necessarily exercise judgment when evaluating possible controls and procedures. Because of the limitations inherent in all controls systems, no evaluation of controls can provide absolute assurance that all control issues and any instances of fraud in the company have been detected.

PRINCIPLE 5 – REMUNERATION

Equinor UK Limited follows the Equinor global corporate reward principles in setting our Total Reward offering of compensation and benefits. Total Reward is designed to:

- Be an integral part of our performance framework;
- Reflect company performance and financial results;
- Be differentiated according to responsibilities and performance;
- Ensure a sustainable cost level;
- Be transparent, non-discriminatory and fair.

Ultimately our aim is a reward offering which reflects local market conditions and recognises and rewards performance equally on what we deliver and how we deliver.

Equinor's career model consists of a leadership and professional pathway, and employees are encouraged to develop across both. The model describes Equinor's expectations for different roles and opportunities to develop. Each job band in Equinor UK Limited has a salary range attached to it, with employees remunerated within the applicable band based on their experience and performance. Directors and senior management in Equinor are remunerated in the same way as other employees.

In our 2019 gender pay gap report we disclosed figures for 342 employees of Equinor UK Limited as required and based on April 2019 data. 2019 sees a reduction in both the mean and median gender pay gap for Equinor UK. There has been an increase in the gender bonus gap in the Company which is the result of factors such as gender imbalance amongst senior leadership and within our commodity trading functions. Improvements entail sustained efforts. There is a continued encouragement across all our BAs to bring about diversity in teams and projects.

Equinor recognises diverse and inclusive working environments as critical enablers of safe operations and innovation. Equinor's commitment to cultivate diversity in the way we work is underpinned by our shared values of being open, collaborative, courageous and caring.

We aim for gender balance and diversity in all our leadership activities, including talent and succession reviews, leadership assessments and development courses and top-tier leadership deployment. As part of this we pay close attention to positions and discipline areas dominated by employees of one gender.
We continue to strengthen diversity and inclusion in Equinor by embedding it into our key human resources processes, such as recruitment, succession planning, performance management, and leadership development. We are committed to developing awareness of how a diverse workforce contributes to stronger business performance and mitigate unconscious biases. During 2019 classroom and online training

on unconscious bias were delivered through the UK organisation, including leadership teams and our external providers.

PRINCIPLE 6 – STAKEHOLDER RELATIONSHIPS AND ENGAGEMENT

Good governance and effective communication are essential on a day-to-day basis to deliver on our vision and strategic ambitions to add and protect value, and to safeguard the company's brand, reputation and relationships with all our stakeholders.

We also recognise that aligning Equinor UKs strategic ambition and direction with key stakeholders is vital to delivering on our strategic ambitions. Equinor UK Limited has a broad range of stakeholders, however, the most important are the parent company, workforce, joint venture partners, suppliers, UK government, industry associations and local communities..

Workforce and employee engagement

The Board and management team engage employees using a variety of communication channels. Formal channels include the offshore safety committee meetings and UK Works Council.

The offshore safety committee's main role is to help promote and develop measures to ensure the occupational health and safety of the workforce on the offshore installations, through co-operation between management and the workforce.
The UK Works Council is a forum of elected employees and management representatives which sit a minimum of three times a year, as well as meeting in extraordinary circumstances. The purpose of the Council is to promote and foster an open environment in which employees at all levels of the Equinor UK organisation engage in constructive dialogue, collaboration and consultation relating to strategy, performance and matters affecting them in their employment.
On an annual basis, employees of the Equinor group are encouraged to participate in the Global People Survey (GPS). Equinor UK Limited complies with the survey requirements and the survey timetable. This survey is critical for evaluating and improving key topics that impact safety, working environment, engagement and the drive for continuous improvement and change.
Informally, employees are encouraged to comment on organisation strategy, direction and commercial activities as well as personal insights using internal social media, such as Yammer.

Suppliers

Equinor UK Limited is committed to using suppliers who operate consistently in accordance with our values, and who maintain high standards for health, safety and environment (HSE), ethics and corporate social responsibility.

- Supplier deliveries will enable us to maintain competitiveness over time.
- Suppliers help us to ensure safe and efficient operation at our facilities, to realise new projects and to give local ripple effects.
- Supplier spend accounts for approximately 80% of overall spend
- Innovation and continuous improvement initiative: innovation from the supply chain is required to drive efficiency and achievement digitalisation and improvement initiatives.

To ensure openness and collaborative based sharing of future plans, Equinor UK attends industry stakeholder events within the locations where we operate.

The Equinor website (www.equinor.com/en/supply-chain) has a dedicated supplier portal communicating activities in our operating locations, detailing how to work with us and has a dedicated contact form for contacting us: (www.cognitoforms.com/StatoilASA/SupplierContactForm).

Supplier engagement is performed via our tiered supplier follow up processes. The system incorporates monthly two-way performance reviews which feed into executive level forums with our key suppliers. These discussions influence supply chain strategy, including but not limited to, remuneration and incentivisation models and key performance indicators.

Equinor UK Limited monitors the effectiveness in paying our suppliers. According to the latest Payment practice report published at Gov.uk the average time for Equinor UK Limited to pay supplier invoices in 2019 was: 22 days with 1-day improvement in the second part of the year.

We expect our suppliers and business partners to comply with applicable laws, respect internationally recognised human rights and be guided by the ethical standards set forth in our Code when working for or together with us. We will only establish or amend business relationships if the relationship meets our Integrity Due Diligence requirements.

Joint venture partners

Collaborative, strong and constructive relationships with Joint Venture partners are of paramount importance for the Company, and the Company has processes in place to manage the relationship with its Joint Venture partners in order to mitigate risks, increase efficiencies, ensure alignment of interests and maximise the value of joint venture assets.

The Joint Venture partners are jointly responsible for the management of joint operations and are governed by relevant agreements (e.g. Area Operating Agreement (AOA) for the Mariner JV, Joint Operating Agreement (JOA) for Rosebank JV). The relationships with Joint Ventures are managed via Joint Operating Committees whose purpose is to exercise overall supervision and control of all matters pertaining to Joint Operations in a manner consistent with Good UKCS Oilfield Practice. Joint Operating Committees meet as a minimum once per quarter in technical, commercial and operating environments.

The Company continuously focuses on maximising Joint Venture engagement to ensure alignment and delivery against assets' strategy and vision.

Parent company

As the parent company of the Equinor Group and the 100% owner of Equinor UK Limited, Equinor ASA carries out activities on behalf of Equinor UK Limited related to external sales of oil and gas products, group management, corporate functions and group financing.

Equinor ASA markets and sells Equinor UK Limited oil and gas production from the UK continental shelf together with the production from other legal entities in the Group. All related party transactions are carried out on an arm's length basis.

Equinor ASA provides financing to Equinor UK Limited. The intra group financing arrangement is provided as a means of centralisation of the Group's cash and currency and to secure control and risk management.

Corporate governance and controls in Equinor UK Limited are based on the same principles and tools as in Equinor ASA. Representatives of Equinor UK Limited shall perform their duties in a professional and responsible manner and in line with Equinor ASAs management system.

Government

As an energy company, Equinor in the UK operates in a carefully regulated industry and has operations in England and Scotland. Equinor maintains close relationships with the relevant parts of the UK government, from central government and relevant ministers and officials, relevant committees in the UK Parliament, the devolved administrations, regulators, local MPs and local authorities.

Equinor's relationship with the UK government during 2019 included, inter alia, discussion on strategic issues such as the development of a new UK Government Energy White Paper, formal consultations run by the UK Government on various issues, attendance by UK Ministers and officials at Equinor events, and briefing of Ministers, interested politicians, and officials on Equinor's operations in the UK.

Industry associations

Oil and Gas UK (OGUK)

Equinor is an active member of Oil and Gas UK, the leading representative body for the UK offshore oil and gas industry, with representation throughout various technical workstreams. OGUK membership offers an opportunity to shape the industry agenda and work collaboratively with industry peers on policy advocacy and promotion of good practise.
Management and representatives represent the Company on a variety of industry led forums and workgroups, including safety and environment, supply chain, legal, and net zero groups and Council meetings.

Offshore Regulators:

Oil and Gas Authority (OGA), Health and Safety Executive (HSE) and Offshore Petroleum Regulator for Environment and Decommissioning (OPRED)

Regulators roles are to regulate, influence and promote the UK oil and gas industry in order to maximise the economic recovery of the UK's oil and gas resources, to ensure that health and safety risks are effectively managed and to regulate environmental activity for offshore oil and gas operations in the UK. Company Directors, Managers and representatives liaise with the regulators in a variety of ways: informal and formal meetings, report submissions and data monitoring as well as facilitating onshore and offshore regulatory inspections.

Step Change in Safety

Step Change in safety is a member-led organisation where the objective is to share and adopt best safety practices for UKCS offshore operations.

Oil and Gas Technology Centre (OGTC)

Equinor is a corporate member of OGTC and a strategic partner of the TechX Pioneer Programme, a technology accelerator and incubator for start-ups. The goal of OGTC is to unlock the full potential of the UK North Sea, anchor the supply chain in North East Scotland and inspire a culture of innovation and transformation.

Local community support

Active and effective stakeholder outreach is increasingly important in the UK as our business continues to grow. This also includes outreach to our local communities through, amongst other things, monetary donations, employee volunteering and participating in local events.

Equinor employees in the UK are entitled to use up to 2 working days a year for volunteer activities which are Company supported. Opportunities are many and varied and recent examples include engaging with local school children by hosting a Maths breakfast club, IT support sessions for the elderly and reading sessions with school children.

Alongside local community outreach, Equinor in the UK has a number of sponsorships, which are aimed at supporting the next generation through the promotion of Science, Technology, Engineering and Maths (STEM).

- We are title sponsor of Wonderlab: The Equinor Gallery at the Science Museum in London.
- We are Digital Futures Partner of the Aberdeen Science Centre.
- We sponsor a public outreach programme focussed on STEM through the Techfest Festivals in Aberdeen, delivering an annual 2-day STEM event.
- Through the University of Aberdeen Equinor supports an annual scholarship of the Integrated Petroleum Geoscience programme which provides funding as well as a placement project linked to our UK upstream portfolio.

Equinor has enjoyed a long-standing collaboration with Imperial College since 2013, currently through the sponsoring of 40 MSc scholarships over a 5 year period (2018-2023). The objective is to stimulate research and competence development within strategically important areas for both parties and to hire a proportion of sponsored graduating students. Over the years scholarships have been given within Civil and Chemical Engineering and the Earth Sciences, but the scope is now being broadened into other important areas such as e.g. renewable energy, energy transition and digitalization.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUINOR UK LIMITED

Opinion

We have audited the financial statements of Equinor UK Limited for the year ended 31 December 2019 which comprise the Profit and Loss Account and Other Comprehensive Income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to notes 1 and 24 of the financial statements, which describes the economic and social consequences the company is facing as a result of COVID-19 which is impacting financial markets, commodity prices, personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 21, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Clarke Cooper (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

Date: 9 November 2020

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Turnover	2	359,618	769,700
Cost of sales		(480,603)	(752,041)
Gross (Loss)/Profit		(120,985)	17,659
Administrative expenses		(87,354)	(82,690)
Foreign exchange		4,467	(9,229)
Operating (loss)		**(203,872)**	(74,260)
Income from interest in associate		-	3,638
Impairment of investments	12/3	(136)	(4,650)
Gain on sale of disposals of non current assets	13	157	110,056
Impairment of tangible fixed assets	11	(21,885)	0
(Loss)/Profit before interest and taxation		(225,736)	34,784
Interest receivable and similar income	6	2,558	1,659
Interest payable and similar charges	7	(1,972)	(1,063)
Other finance charges	8	(10,625)	(7,919)
		(10,039)	(7,323)
(Loss)/Profit before taxation		(235,775)	27,461
Tax on (Loss)/Profit	9	278,768	137,528
Profit after taxation		42,993	164,989
Other Comprehensive (loss)/income			
Remeasurements of net defined benefit asset	20	(9,726)	4,459
Total Comprehensive income for the year		**33,267**	169,448

All operations are continuing.

Notes 1 to 24 form part of these financial statements.

BALANCE SHEET
at 31 December 2019

	Notes	2019 £000	2018 £000
Non current assets			
Tangible assets	11	3,334,446	2,984,855
Intangible assets	10	267,901	11,554
Investments	12	6,633	6,769
Post-employment benefits	20	52,143	58,240
Deferred tax	9	811,972	535,184
		4,473,095	3,596,602
Current assets			
Inventories	14	24,057	42,885
Debtors	15	386,947	572,724
Cash at bank and in hand		2,057	619
		413,061	616,228
Creditors: amounts falling due within one year	16	(755,206)	(390,043)
Net current assets/(liabilities)		(342,145)	226,185
		4,130,950	3,822,787
Total Assets less current liabilities			
Creditors: amounts falling due after more than one year	17	(840,209)	(1,213,500)
Provisions for other liabilities	19	(318,666)	(220,479)
Net assets		**2,972,075**	2,388,808
Capital and reserves			
Called up share capital	21	2,518,000	1,968,000
Profit and loss account		454,075	420,808
Equity shareholder's funds		**2,972,075**	2,388,808

Notes 1 to 24 form part of these financial statements.

These financial statements were approved by the Board of Directors on 22 of October 2020 were signed on its behalf by:

Bente Hovland

Bente Hovland
Director

STATEMENT OF CHANGES IN EQUITY
at 31 December 2019

	Called up Share Capital £000	Profit & loss Account £000	Equity Shareholder's funds £000
At 1 January 2018	1,408,000	251,360	1,659,360
Shares issued in the year	560,000	-	560,000
Profit for the year	-	164,989	164,989
Remeasurements of net defined benefit asset	-	4,459	4,459
At 31 December 2018	**1,968,000**	**420,808**	**2,388,808**
At 1 January 2019	1,968,000	420,808	2,388,808
Shares issued in the year	550,000	-	550,000
Profit for the year	-	42,993	42,993
Remeasurements of net defined benefit asset	-	(9,726)	(9,726)
At 31 December 2019	**2,518,000**	**454,075**	**2,972,075**

Notes 1 to 24 form part of these financial statements.

1. ACCOUNTING POLICIES

Equinor UK Limited (the "Company") is a company limited by shares and is incorporated in the UK.
The financial statements the "Company" for the year ended 31 December 2019 were authorised for issue by the board of directors on 22 October 2020 and the balance sheet was signed on the board's behalf by Bente Hovland.

Basis of preparation
These Financial statement have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the requirements of the Companies Act 2006.

The functional and presentation currency of these financial statements is British sterling. Amounts are rounded to the nearest £1,000s.

The Company's ultimate parent undertaking, Equinor ASA, includes the Company in its consolidated financial statements. The consolidated financial statements of Equinor ASA are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from www.equinor.com. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period:

- Cash flow Statement and related notes: and

- Key Management Personnel compensation.

As the consolidated financial statements of Equinor ASA include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.
- The disclosures required by FRS 102.33 *Related Party Disclosures* in respect of key management personnel compensation in total and related party transactions.
- The disclosures required by FRS 102.7 *Statement of Cashflows*

Exemption from preparing consolidated financial statements
The results of the Company are included in the group financial statements of Equinor ASA. The Company is consequently exempt from the obligation to prepare and deliver group financial statements under section 400 of the Companies Act 2006. As a result these financial statements present information about the Company as an individual undertaking and not about its group.

Going concern

Notwithstanding the Company's net current liabilities position at the year end, the financial statements have been prepared on the going concern basis.

The Company closely monitors and manages its funding position and liquidity risk, including monitoring cashflow forecast (both long term and short term), to ensure that it has access to sufficient funds to meet forecast cash requirements. Cash forecasts are regularly produced, and

1. ACCOUNTING POLICIES (CONTINUED)

sensitivities considered for changes in crude oil prices, production rates, costs and other factors. These forecasts and sensitivity analyses allow management to mitigate liquidity risks in a timely manner.

The Company has previously been provided with a financing facility of £1.5bn by its parent Equinor ASA in order to fund the Mariner Development, which was fully drawn as at 31 December 2019. The first instalment was repaid in December 2019 as scheduled. The remaining loan repayments were scheduled for December 2020 and 2021 in two equal instalments. However, the forecast cash flow showed that there is insufficient cash to meet these instalments due to reduced operating revenues, caused by significant decreases in oil and gas prices throughout 2020 due to the COVID-19 pandemic. The company has tabled an agreement with its parent to defer the loan repayments until December 2022, and December 2023. This measure will allow the Company to deal with the cash shortfall and ensure that the Company can meet its immediate obligations. The loan deferral will also allow the company to revert to a net current asset position at the end of 2020. The agreement is scheduled to be formally signed off in November 2020, consequently the Company has obtained a parental letter of support from Equinor ASA as of the date of sign off of these financial statements for a period of at least 12 months in order to give the Directors further assurance over the going concern status of the business prior to the loan deferral agreement conclusion.

In reaching the conclusion that the going concern basis is appropriate the Company performed sensitivity analysis and considered measures to maintain liquidity under a plausible downside scenario. These measures include taking more stringent measures for cost cutting, deferral of development projects, obtaining additional credit line facilities from the parent and equity injection. Even under such a plausible downside scenarios, this assessment of forecasts, in addition to the planned deferral of intercompany loan repayments and the receipt of the parental support letter have allowed the Directors to conclude that the Company retains sufficient liquidity and that the going concern basis remains appropriate.

The Company is actively monitoring the impact on operations from COVID-19 and has implemented a number of mitigations to minimise the impact. More details can be found in note 24 of these financial statements.

The accounting policies set out below, unless otherwise stated, have been applied consistently throughout the period presented in these financial statements.

Measurement convention
The financial statements are prepared on the historical cost basis.

Investments in property plant and equipment

Equinor has chosen the cost model for reporting of Property Plant and Equipment and has decided not to use the revaluation model (fair value approach) under IAS 16.
According to the cost model property, plant and equipment that qualify for recognition as an asset shall be carried at its cost, less any accumulated depreciation and any accumulated impairment losses.
Property, plant and equipment are tangible items that:
a) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
b) are expected to be used during more than one period

The cost of an item of Property, Plant and Equipment shall be recognised as an asset if, and only if:
a) it is probable that future economic benefits associated with the item will flow to the entity; and
b) the cost of the item can be measured reliably.

1. **ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition
Revenue is generated from services provided by the Company and sales of crude oil and gas. Revenue is recognised and invoiced in the month in which it is generated. 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 the Company 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.

Financial items
Financial items are income and expense items relating to financial investments, the management of liquidity, interest and currency risk and loan financing of the entity's short-term, mid-term and long-term capital requirements, as well as other credits and financial guarantees received or furnished. Different types of loans, current and non-current, cash holdings and current and non-current financial investments are examples of items that are financial.
Typical financial items include:

- • interest income and interest expenses,
- • gains and losses on the sale of securities,
- • currency gains and losses,
- • transaction expenses and charges in connection with financial transactions.

Note: The financial accretion expense related to asset retirement obligation is classified as a financial item.

Underlifts and overlifts
Underlifts and overlifts of oil in jointly owned operations are reflected by adjusting cost of sales and working capital balances. Underlifts and overlifts are valued using the lower of cost and net realisable value. A proportion of the underlifts or overlifts reflects volumes that will be recovered from other joint venture parties in that field in proportion to future production and therefore is largely classified as a debtor or creditor.

Interest payable and receivable
Interest payable and receivable is charged or credited to the profit and loss account on an accruals basis.

Basic financial instruments
Trade and other debtors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other creditors and debtors
Trade and other creditors and debtors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Production and exploration costs
The Company accounts for production and exploration costs under the successful efforts method and thus all direct and indirect costs related to licence and data acquisition, geological and geophysical work and unsuccessful exploration drilling are expensed. The cost of initial exploration acreage acquired from other companies has been capitalised as intangible assets. Producing interests are capitalised on the basis of the costs of acquisition and treated as tangible assets, including acquisition of rights to explore and exploratory drilling.

1. ACCOUNTING POLICIES (CONTINUED)

Expenditures to acquire mineral interests in oil and gas properties and to drill and equip exploratory wells are capitalised as exploration and evaluation expenditure within intangible assets until the well is complete and the results have been evaluated.

Capitalised exploration and evaluation expenditure, 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 Construction in progress (Property, plant & equipment) at the time of sanctioning of the development project.

The Company undertakes a review for impairment of all fixed assets if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount that is the higher of fair value less costs to sell and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined based on estimated discounted future net cash flows.

Joint arrangements that are not entities
The Company has certain contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of assets, liabilities and cash flows in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the company's interest in the joint arrangement.

Borrowing costs
Borrowing costs on loans which are used to fund major developments are capitalised to the Fixed assets. All other borrowing costs are recognised in the profit and loss account in the period which they are incurred. See note 11 and 16.

Investments
Investments are accounted for at the lower of cost or fair value less costs to sell.

Depreciation
The capitalised costs of the producing fields are depreciated on a unit of production basis. Depreciation is calculated with reference to the proportion that production for the period bears to the total of the estimated remaining commercial reserves.

Other fixed tangible assets are depreciated by equal monthly instalments over their estimated useful economic lives as follows:

Property and short leasehold assets	–	period of lease
Gas storage facility project	–	25 years
Fixtures, fittings and office equipment	–	5 years
Motor vehicles	–	4 years

Non exploration intangible assets are amortised on a straight-line basis over their estimated useful economic lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

1. **ACCOUNTING POLICIES (CONTINUED)**

Leases

Accounting for leases where the company is the lessor or a lessee in the contract depends on whether the lease contract is considered a financial or operating lease.

Lease contracts which substantially transfer the risk and rewards related to ownership of the leased asset from the lessor to the license are considered financial leases. Other leases are considered operating leases.

Decommissioning provision

A decommissioning provision arises when the legal obligation to remove an installation arises for both oil and gas activities. The amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset is also created of an amount equal to the provision. This is subsequently depreciated together with the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Petroleum revenue tax (PRT)

Current UK PRT is treated as an income tax and is charged as a tax expense on chargeable field profits included in the profit and loss account.

Deferred petroleum revenue tax (deferred PRT)

Provision for deferred PRT is made on a field-by-field basis using the incremental liability method. Provision is made for timing differences in respect of capital and revenue expenditure and the decommissioning provision.

Research and development

Research and development expenditure is expensed as incurred.

Inventory

Inventory principally comprises of oil, oil products and spares, and is stated at the lower of cost and net realisable value. The cost includes all expenditure incurred in bringing each product to its present location and condition. Net realisable value is based on the estimated normal selling price less further costs expected to be incurred on disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

1. ACCOUNTING POLICIES (CONTINUED)

- Provision is made for deferred tax that would arise on remittance of the retained earnings of associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be available taxable profits from which future reversal of underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rate expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currency transactions
Transactions in foreign currencies are initially recorded in sterling by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account.

Pension costs
The company operates a defined benefit pension scheme. The cost of providing benefits under this scheme is determined using the projected unit credit actuarial valuation method. The employer's portion of current and past service costs, curtailment and settlement costs are charged to operating profit. Expected return on pension scheme assets and interest on pension scheme liabilities are credited to other finance income. Actuarial gains and losses are fully recognised through other comprehensive income as they arise such that the balance sheet reflects the scheme's full surplus at the balance sheet date. A surplus is recognised to the extent that the Company is able to recover the surplus through reduced contributions or refunds.

The Company also maintains a defined contribution scheme. Contributions are charged to the profit and loss account in the year in which they are due.

Accounting estimates and judgements
The preparation of financial statements in accordance with FRS 102 requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In the process of applying the Company's accounting policies, the Directors have the made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

<u>Deferred tax</u>
The Company accounts for significant changes to deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon proper application of, at times, very complex sets of rules and the recognition of changes in applicable rules.

1. ACCOUNTING POLICIES (CONTINUED)

Decommissioning provision
The Company has significant obligations to decommission and remove offshore installations at the end of the production period. The costs of these decommissioning and removal activities require revisions due to changes in current regulations and technology while considering relevant risks and uncertainties. Most of the removal activities are many years into the future, and the removal technology and costs are constantly changing. The estimates include assumptions of the time required and the day rates for rigs, marine operations and heavy lift vessels that can vary considerably depending on the assumed removal complexity. As a result, the initial recognition of the liability and the capitalised cost associated with decommissioning
and removal obligations, and the subsequent adjustment of these balance sheet items, involve the application of significant judgement.

Impairment/reversal of impairment
The Company has significant investments in property, plant and equipment and intangible assets. Changes in the circumstances or expectations of future performance of an individual asset may be an indicator that the asset is impaired, requiring the carrying amount to be written down to its recoverable amount. Impairments are reversed if conditions for impairment are no longer present. Evaluating whether an asset is impaired or if an impairment should be reversed requires a high degree of judgement and may to a large extent depend upon the selection of key assumptions about the future.

Pension Assets and Liabilities
When estimating the present value of defined benefit pension obligations that represent a long-term liability in the financial statements, management make a number of critical assumptions affecting these estimates. Most notably, assumptions made about the discount rate to be applied to future benefit payments and plan assets, the expected rate of pension increase and the annual rate of compensation increase, have a direct and potentially material impact on the amounts presented. Significant changes in these assumptions between periods can have a material effect on the financial statements.

2. TURNOVER

Turnover represents the amounts derived from the sales of hydrocarbons and services stated net of value added tax.

The revenue from oil generated in the year is mainly attributable to the start of production on three fields: Mariner, Utgard and Barnacle in the third and fourth quarters of 2019 whereas in 2018 oil revenue was mainly generated by sale of purchased oil cargoes to South Korea and sale of oil cargoes from the Alba field.

	2019 *£000*	*2018* *£000*
Revenue from sale of:		
-Oil	103,814	479,080
-Gas	32,911	55,542
Revenue from provision of services:		
-Transportation	102,707	124,031
-Timewriting	113,884	108,113
-Storage and other	6,302	2,934

	359,618	769,700
By geographical location		
South Korea	0	435,755
United Kingdom	163,854	215,763
Norway	183,371	62,218
The Netherlands	2,354	49,659
Other	10,039	6,305
	359,618	769,700

3. EXPENSES AND AUDITOR REMUNERATION

Included in profit / loss are the following:

	2019 *£000*	*2018* *£000*
Depreciation – owned assets	844	922
– Fields in production and development DD&A	162,440	68
Impairments of Investments (note 12)	136	4,650
Total DD&A and impairment	163,420	5,640
Operating lease rentals – land and buildings	5,136	5,698
- other	11,227	307
Auditor's remuneration		
Audit of these financial statements:		
KPMG LLP	0	80
Ernst and Young LLP	66	0

No fees were paid to the auditors for other services.

4. DIRECTORS' EMOLUMENTS

The directors did not receive, nor were due, any remuneration in respect of their services to the Company in either year as throughout their service for the Company they were employed by the ultimate parent company Equinor ASA.

5. STAFF COSTS AND NUMBERS

	2019 *£000*	*2018* *£000*
Wages and Salaries	52,903	48,400
Social Security costs	6,952	6,981
Other pension costs	3,326	3,758
	63,181	59,139

The average number of employees during the year was 365 (2018 – 333). All employees are employed in operative and direct support functions.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019 £000	2018 £000
Bank deposit interest	34	76
Intercompany interest	895	341
Net finance interest on pension scheme	1,629	1,242
	2,558	1,659

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2019 £000	2018 £000
Intercompany interest payable	1,354	1,023
Other interest and financial costs	618	40
	1,972	1,063

8. OTHER FINANCE CHARGES

	2019 £000	2018 £000
Accretion of decommissioning liability	10,625	7,919

9. TAX ON PROFIT (LOSS)

a) Tax on profit/loss

	2019 *£000*	*2018* *£000*
Current tax:		
Group relief (prior year)	(1,197)	(2,234)
Withholding tax	8	0
Consortium relief	(791)	0
Total Current tax	(1,980)	(2,234)
Deferred tax:		
Deferred corporation tax – current year movement	(271,360)	(140,579)
Deferred corporation tax – prior year movement	(12,517)	4,871
Deferred PRT	7,089	414
Total deferred taxes (note 9c)	(276,788)	(135,294)
Tax on profit/(loss)	(278,768)	(137,528)

b) Factors affecting tax charge:

are reconciled below:

	2019 *£000*	*2018* *£000*
Profit / (Loss) before taxation	(235,775)	27,461
Profit / (Loss) multiplied by corporation tax in the UK of 40% in 2019 (40% in 2018)	(94,310)	10,984
Effect of:		
PRT	4,253	248
Non ring fence temporary difference on which no DTA recognised	3,290	3,718
Depreciation in excess of capital allowances	2,091	94
Losses arising due to Ring Fence Expenditure supplement	(179,534)	(142,408)
Other permanent differences	(3,170)	443
Rate change and differences in tax rates	3,110	(13,244)
Prior year adjustments – DT	(12,517)	4,871
Prior year adjustments – CT/SCT	(1,197)	(2,234)
Other	(784)	0
Total tax (note 9a)	(278,768)	(137,528)

9. **TAX ON LOSS** (continued)

c) Deferred tax:

	2019 *£000*	*2018* *£000*
Included in non current assets	811,972	535,184
Provision for deferred corporation tax	791,720	507,843
Deferred PRT asset	20,252	27,341
Deferred tax asset	811,972	535,184

	Total *£000*
Cost:	
At 1 January 2019	535,184
Deferred tax in profit and loss account	276,788
At 31 December 2019	811,972

d) The deferred tax included in the balance sheet is as follows:

	2019 *£000*	*2018* *£000*
Accelerated capital allowances	(1,160,890)	(1,037,236)
Losses	1,960,711	1,556,015
Deferred PRT	20,252	27,341
Deferred corporation tax on deferred PRT	(8,101)	(10,936)
Deferred tax asset	811,972	535,184

e) Factors that may affect future tax charges

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%,cancelling the reduction in the UK corporation tax rate to 17% enacted by Finance Bill 2016. Therefore a rate of 17% has been applied to the deferred tax calculations in these accounts."

The company's future current tax charge will remain unchanged.

f) Unrecognised tax losses

As at 31 December 2019, a deferred tax asset arising on capital losses of £14,947 thousand (2018: £14,947 thousand) has not been recognised as the entity does not have any capital gains to offset against the capital losses.

No deferred tax asset has been recognised for the losses and provisions arising on non ring fence activities of £25,727 thousand (2018: £20,184 thousand). This is due to the uncertainty of the availability of suitable taxable profits arising from non ring activities against which losses may be deducted.

No deferred tax asset has been recognised for the fixed assets arising on non ring fence activities of £9,457 thousand (2018: £6,127 thousand). This is due to the uncertainty of the availability of suitable taxable profits arising from non ring activities against which losses may be deducted.

10. INTANGIBLE FIXED ASSETS

	Oil and Gas licences & Exploration acreage *£000*
Cost:	
Balance at 1 January 2019	11,554
Additions:	267,408
Balance as at 31 December 2019	**278,962**
Impairment/write off:	
Write off	(11,061)
Net book value	
At 1 January 2019	**11,554**
At 31 December 2019	**267,901**

The Oil and Gas licenses relate to exploration holdings on the UK Continental Shelf, these licenses are pre-development and therefore classed as intangible. Intangible assets as at 31.12.2019 consists of Chevron's 40% operated interest in the Rosebank project amounting to £ 257,099 thousand (2018 license costs:£ 1,573 thousand) and exploration costs amounting to £10,802 thousand (£2018: £9,981 thousand). Exploration acreage which represents exploration costs has been reclassed from Tangible fixed assets in 2018 to Intangible fixed assets in the year in accordance with the Company accounting policy.

11. TANGIBLE FIXED ASSETS

	Fields in production and development	**Gas storage project in development**	**Property & short leasehold assets**	**Other fixed assets**	**Total**
Cost					
At 1 January 2019	3,107,465	189,811	10,278	4,918	3,312,472
Additions	534,242	0	0	526	534,768
Disposals	0	(189,811)	(1,848)	(64)	(191,723)
At 31 December 2019	3,641,707	0	8,430	5,380	3,655,517
Depreciation and impairment					
At 1 January 2019	149,220	169,774	4,229	4,394	327,617
Charge for the year	162,440	(0)	561	282	163,283
Disposals	0	(169,774)	0	(55)	(169,829)
At 31 December 2019	311,660	0	4,790	4,621	321,071
NET BOOK VALUE					
At 31 December 2019	**3,330,047**	**(0)**	**3,640**	**759**	**3,334,446**
At 31 December 2018	**2,958,245**	**20,037**	**6,049**	**524**	**2,984,855**

Included in disposals are Gas storage project (NBV £20,037 thousand) and property/land (NBV £1,848 thousand) write off relating to Aldbrough as management believe that there is no value in the asset. Fields in production and development production include the following:

a) Capitalised interest amounting to £110,922 thousand (2018: £82,644 thousand) in relation to Mariner and Utgard projects, the interest capitalization rate for the year is 2.31% (2018 – 2.24%).

b) Assets under construction amounting to £84,849 thousand (2018: 2,730,841 thousand).

12. INVESTMENTS

	2019
	£000
Subsidiary undertakings as at 31 December 2018	6,769
Impairment	(136)
Subsidiary undertakings as at 31 December 2019	6,633

Subsidiary undertakings
The Company's investment in Equinor Energy Trading Limited was impaired by £136 thousand, as the recoverable amount was below the carrying value of the investment.

All held by the Company unless indicated:

Name of Company	*Holding*	*% held*	*Nature of business*	*Country of registration or incorporation*
Equinor Exploration UK Limited	Ordinary shares	100%	Dormant	England and Wales
Equinor Energy Trading Limited	Ordinary shares	100%	Gas marketing	England and Wales
Equinor Production UK Limited	Ordinary shares	100%	Provision of Services	England and Wales

The registered address of the subsidiaries listed above is 1 Kingdom Street, London, W2 6BD.

13. GAIN ON SALE OF DISPOSALS OF NON CURRENT ASSETS

	2019	*2018*
	£000	*£000*
Gain on sale of non current assets	157	110,056

In 2018 the Company transferred its entire shareholdings in Norsea Pipeline Ltd (27.304%) to the remaining shareholders of Norsea Pipeline Limited. The gain on disposal was £83m. Also in 2018 the Alba asset was sold with a gain realised on sale of £27m. The gain on sale in 2019 relates to final adjustments for the Alba sale and the sale of cars.

14. INVENTORIES

These consist principally of hydrocarbons and spares.

	2019	2018
	£000	£.000
Hydrocarbons	16,870	15,378
Spares	7,187	27,507
	24,057	42,885

15. DEBTORS: amounts falling due within one year

	2019	2018
	£000	£000
Trade debtors	8,788	6,662
Amount due from parent undertaking	329,095	525,888
Amount due from subsidiary undertakings	27,054	22,514
Other debtors	2,826	4,455
Prepayments	8,905	4,190
VAT	10,279	9,015
	386,947	572,724

The amount owed by parent undertaking included the internal home bank (IHB) balances of £292.3m (2018: £524.5m) repayable on demand. During the year the interest income on the IHB balance was £0.89m (2018 – £0.34m).

16. CREDITORS: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	51,168	37,132
Amount due to fellow subsidiary undertakings	8,795	10,929
Amount due to parent undertaking	671,150	243,141
Other creditors	3,057	85,842
Accruals	21,036	12,999
	755,206	390,043

Included in the amount due to parent undertaking is a current portion (£ 657m) of the loan which was due to Equinor ASA on 20 of December 2020. The interest rate of 1 month GBP LIBOR + 1.59%. During the year the interest on the loan amounted to £80,250 thousand (2018 £50,017 thousand).

The company has tabled an agreement with its parent to defer the loan repayments due in December 2020-2021 to December 2022-2023 and as a result the company current loan repayment liabilities became non-current.

17. CREDITORS: amounts falling due after more than one year

	2019	2018
	£000	£000
Amount due to parent undertaking	840,209	1,213,500

The Company has a loan facility with its parent for £1,520 m and the terms have a maturity date of December 2021 with an interest rate of 1 month GBP LIBOR + 1.59%. The loan is for the purpose of financing the Mariner field development. The loan has been fully drawn and repayments started in December 2019. As at 31 December 2019, the remaining repayments were due in two instalments in December 2020 with a final repayment of the loan in December 2021.

The company has tabled an agreement with its parent to defer the loan maturity date to December 2023.

A further loan is for USD 70 m and the terms have a maturity date for 2019 and interest rate of 12m USD LIBOR + 1.44%. The loan is for the purpose of financing the Mariner field development. The loan and interest were fully repaid 13 December 2019.

18. OPERATING LEASE OBLIGATIONS

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		Interconnector		Drilling rigs and vessels	
	2019 £,000	2018 £,000	2019 £,000	2018 £,000	2019 £,000	2018 £,000
Operating leases due to expire:						
Within one year	5,264	5,686	5	10	68,084	121,168
Between two and five years	21,278	22,744	-	7	2,602	68,793
After more than five years	16,027	25,006		-	-	217

During the year £11,277 thousand was recognised as an expense in the profit and loss account in respect of operating leases (2018: £307 thousand) and £5,136 thousand (2018: £5,686 thousand) in respect of office rent.

19. PROVISIONS FOR LIABILITIES

	Decommissioning £000
At 1 January 2019	220,479
Additions	17,021
Utilised during the year	(45)
Change in estimate / discount rate	70,586
Unwinding of discount factor	10,625
At 31 December 2019	**318,666**
of which:	
Non Current	312,265
Current	6,401

Decommissioning provision

Provision has been made for the estimated net present cost of decommissioning production and transportation facilities at the end of their producing lives. Discount rates range from 2.59% to 3.06%. The timing of decommissioning payments are anticipated to occur between 2020 and 2050.

Current provisions relate to removal of platforms and plug and abandonment of wells on the Jupiter field plus wellhead removal on the one Bressey field well. Final decommissioning of the Jupiter field is expected to be finalised at a future date.

20. PENSION COMMITMENTS

The Company operates a defined benefit scheme in the UK which offers both pensions in retirement and death benefits to members. Pension benefits are related to the members' final salary at retirement and their length of service. The scheme was closed to new members (excluding those as a result of the Norsk merger) on the 31 August 2005, and on 31 May 2016, the plan closed to future accrual. The impact of the guaranteed minimum pension (GMP) equalisation has been reviewed and allowed for, its overall impact was immaterial.

The Company funds the pension using normal and special contributions, with the special contributions subject to certain criteria being met. The normal contribution has been withdrawn from 3rd quarter 2019.

During the year the Company saw a decrease in the discount rate assumption and a change in the mortality assumptions which has served to increase the liabilities. Other comprehensive income for the year decreased by 9,726 thousand.

The assets and liabilities at 31 December:

	2019	*2018*
Scheme assets at fair value:	*£000*	*£000*
Equity	173,296	152,550
Bonds	132,260	121,820
Cash	1,468	2,504
Fair value of scheme assets	307,024	276,874
Present value of scheme liabilities	(254,881)	(218,634)
	52,143	58,240

The amounts recognised in the Company's Income Statement and in Other Comprehensive income for the year are analysed as follows;

	2019	*2018*
Recognised in the Income statement	*£000*	*£000*
Past service cost	0	167
Net interest on the net defined benefit liability	(1,629)	(1,242)
Total expense	(1,629)	(1,075)
Recognised in Other Comprehensive Income		
Actuarial (gains) / losses on the liabilities	37,451	(16,576)
Return on Assets, excluding interest income	(27,725)	12,117
Total remeasurement - defined benefit liability (asset)	9,726	(4,459)

A full actuarial valuation of the Plan was carried out as at 30 June 2018 and has been updated to 31 December 2019 by a qualified independent actuary. The major assumptions used by the actuary were:

	2019	*2018*
Main assumptions:	*£000*	*£000*
Pension increases (linked to RPI – capped at 7.5%)	3.40%	3.40%

Discount rate	2.10%	2.75%
Inflation assumption (RPI)	3.40%	3.40%
Inflation assumption (CPI)	2.70%	2.60%
Mortality post retirement (S2PA base table) – Male / Female	80%/89%	80%/89%

Main assumptions;		
Assumed life expectancies on retirement at age 60 are;		
Retiring today – Males	29.2	28.6
Retiring today – Females	30.5	29.8
Retiring in 20 years' time – Males	30.7	30.0
Retiring in 20 years' time – Females	31.9	31.3

Changes in the present value of defined benefit obligation are analysed as follows;

	2019	*2018*
	£000	*£000*
Benefit Obligation at beginning of year	218,634	236,461
Interest cost	5,915	5,707
Actuarial losses	37,451	(16,576)
Benefits paid	(7,119)	(7,125)
Past service cost	0	167
Benefit Obligation at end of year	254,881	218,634

Changes in the fair value of plan assets are analysed as follows;

	2019	*2018*
	£000	*£000*
Fair value of scheme assets at beginning of year	276,874	285,167
Interest income on scheme assets	7,544	6,949
Return on Assets, excluding interest income	27,725	(12,117)
Contributions by employers	2,000	4,000
Benefits paid	(7,119)	(7,125)
Fair value of scheme assets end of year	307,024	276,874

Changes in the Surplus during the year;

	2019	*2018*
	£000	*£000*
Surplus in scheme at beginning of the year	58,240	48,706
Movement in year:		
Contributions	2,000	4,000
Other finance income	1,629	1,242
Past service cost	0	(167)
Actuarial gains/(loss)	(9,726)	4,459
Surplus in scheme at end of the year	52,143	58,240

21. SHARE CAPITAL

Ordinary shares of £1.00 each	*2019*	*2018*
Allotted and fully paid	*£000*	*£000*
At 1 January	1,968,000	1,408,000
Issue of ordinary shares	550,000	560,000

At 31 December	2,518,000	1,968,000

During the year, the Company issued 550 million £1.00 shares for a consideration of £550 million to its ultimate parent Equinor ASA. During 2018 the Company issued 560 million £1.00 shares to its ultimate parent Equinor ASA.

22. COMMITMENTS

Exploration, appraisal and development activities
At 31 December 2019 and 2018 respectively the Company had specific commitments.

	2019 *£000*	*2018* *£000*
Offshore	139,198	251,583
	139,198	251,583

The Company is further committed to participate in various exploration programmes, the precise cost of which cannot be accurately determined at the balance sheet date. Capital commitments include amounts in relation to the rental of the Noble drilling rig and vessels for Mariner. This rig is under an operating lease for 3 years and is therefore also included in note 18.

23. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the Company is Equinor ASA, incorporated in Norway. The consolidated financial statements of Equinor ASA, which include the company, are available to the public and may be obtained from are available from Equinor ASA, 4035, Stavanger, Norway or www.equinor.com. It is also the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are prepared.

The ultimate controlling party is the Norwegian government.

24. EVENTS AFTER THE REPORTING DATE

COVID - 19

The coronavirus (COVID-19) pandemic has been declared as a global emergency by the World Health Organization (WHO), and has made countries, organizations, Equinor as a whole and Equinor UK Limited 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 impacts for the Company.

Our markets are volatile by nature, and the effects of the Covid- 19 and the sharp drop in the oil price particularly in the first half of 2020, are strong reminders of this. Thanks to strict cost discipline and strong commercial mindset we are a more resilient company today with significant business flexibility to handle volatility.

The UKI (UK and Ireland) efficiency project has been initiated to respond to the challenging market conditions caused by the Covid-19 pandemic and low commodity prices, and to secure long-term competitiveness of the UKI organisation. The UKI efficiency project is targeting an annual cost reduction and workforce reduction compared to the 2019 levels. Once implemented, these measures should deliver a leaner UKI organisation with lower cost base and higher efficiency.

The Company has assessed the impact to its UK operations from the COVID-19 global pandemic and has put in place measures to mitigate the risks to employees, and operations to ensure the safety of all personnel and the continuity of energy supply to the UK.

A risk of reduced work force due to moderate illness due to infection by COVID-19 is identified. This risk is mitigated by the implementation of a work from home procedure for office employees. Return to office will only be commenced after regulations allow the company to return office based staff. A risk assessment will be conducted to demonstrate the risk of returning to the office is ALARP (as low as reasonably practicable).

As part of upstream response we:

- established a COVID task force to monitor and respond to the situation;
- conducted a thorough risk assessment capturing ongoing activities, and the risks and mitigating actions associated with operating and drilling from the Mariner A, Mariner B and NLN rig;
- updated Equinor Aberdeen Business Continuity Plan (BCP) to address COVID risk management, including emergency response
- took measures to ensure the safety of personnel and to safeguard production during the outbreak, and suspended drilling and project development activities (in March-May) to prioritise production and income;
- instigated the "work from home" operating mode;
- participated in the relevant OGUK Strategy groups to align responses across the UKCS.

Due to mitigating actions, the risk posed by COVID-19 to its people and assets has been significantly reduced.

Impairment

The Mariner asset was subject to an impairment charge of £ 226m during the first quarter of 2020. This was due to significant rephasing of production volumes from near term to longer term in addition to lower short term prices.

Sale of 50% of Bressey ownership and transfer of Operatorship

In July 2020 the company has agreed to sell a 40.8125% interest in and transfer operatorship of the Bressay oil field development on the UK continental shelf to EnQuest for a consideration of £ 2.2m, payable as a carry against 50% of Equinor's net share of costs, and a contingent consideration of USD 15m following OGA approval of a field development plan for Bressay.

Loan

The company has tabled an agreement with its parent to defer the final loan repayment date from December 2021 to December 2023. The outstanding amount of the loan and interest as at 31.12.2019 is £1.4bn.