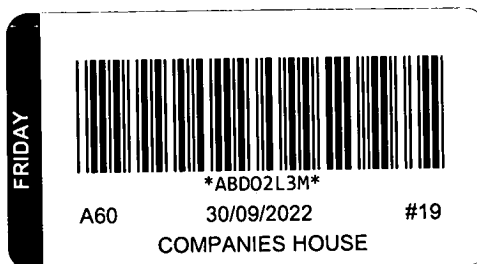


**Annual Report and Financial
Statements**

Equinor UK Limited

31 December 2021



Equinor UK Limited

Registered No. 1285743

DIRECTORS

Alex Grant (appointed 11 June 2021)
Arne Gürtner
Svein Skeie
Fride Seljevold Methi (Resigned 1 September 2022)
Bente Hovland (Resigned 11 June 2021)
Catherine Allsopp (Resigned 11 June 2021)
Stephen Bull (Resigned 18 February 2021)
Trine Borus Bojsen (Appointed 7 June 2022)
Cathrine Oftedal (1 September 2022)

SECRETARY

Leanne Adrienne Paul

AUDITOR

Ernst and Young LLP
2 Marischal Square
Broad Street, Aberdeen
AB10 1BL
United Kingdom

BANKERS

Deutsche Bank AG
6 Bishopgate
London
EC2P 2AT

SOLICITORS

Lovells LLP
21 Holborn Viaduct
London
EC1A 2DY

REGISTERED OFFICE

1 Kingdom Street
London
W2 6BD
United Kingdom

Equinor UK Limited

STRATEGIC REPORT

The Directors of Equinor UK Limited (the “Company”) present their strategic report for the Company for the year ended 31 December 2021.

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 on the United Kingdom Continental Shelf “UKCS”, the most significant of 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 the Shetland Islands. The field includes a production, drilling and living quarter platform based on a steel jacket. Oil is exported by offshore loading from a floating storage unit. Production from the field commenced in August 2019 and averaged 19.5 mboe/d in 2021 (2020: 15 mboe/day).

Barnacle

The Barnacle field (interest of 65.71%, operator) is located in the UK North Sea, some 2 km from the UK-Norway maritime border. The field includes 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 1.4 mboe/d in 2021 (2020: 2 mboe/d). In February 2021, Equinor completed the acquisition of a 21.37% interest in the Barnacle field from Esso Exploration and Production UK Limited. As a result of the transaction, Equinor increased its working interest in Barnacle to 65.71%.

Utgard

Utgard (interest of 38%, non-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 4.6 mboe/d in 2021 (2020: 8 mboe/d). The field is operated by Equinor ASA within the Equinor Group.

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 UKCS. In January 2022, the project entered the definition phase of development.

Bressay

Bressay (interest of 40.81%, non-operator) is a heavy oil discovery. On 20 January 2021, Equinor completed the sale of a 40.81% interest in Bressay and transferred the operatorship of the Bressay oil field development to EnQuest Heather Limited.

Equinor UK Limited

STRATEGIC REPORT (CONTINUED FOR THE YEAR END 2021)

Exploration

At the end of the year, the Company held an interest in 6 (2020: 12) exploration licences on the UKCS and is the operator of 5 (2020: 9) of those.

Marketing

The Company marketed and supplied gas to a portfolio of end users. All the contracts were terminated within Q1 2021 (2020: 4).

KEY PERFORMANCE INDICATORS

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

	2021	2020	Change
	£'000	£'000	%
Turnover	681,134	422,176	62%
Operating (loss)	(1,388,846)	(1,215,114)	-14%
(Loss) for the year	(651,805)	(554,815)	-17%
Equity shareholder's funds	1,772,820	2,404,301	-26%

	2021	2020	Change
Production (mboe/d)	25.6	24.9	3%
Serious incident frequency (SIF)*	1.8	0.0	180%
Total recordable injury frequency (TRIF)*	2.3	0.7	328%

*SIF and TRIF relate to Equinor UK Limited.

Turnover in 2021 includes oil and gas sales from producing fields, as well as sale of services. Turnover increased in 2021 mainly due to higher oil and gas prices and a minor growth in production volumes to 9,337 mboe in 2021 (2020: 9,118 mboe).

The main factor attributing to operating loss is impairment of upstream fixed assets.

FUTURE DEVELOPMENTS

There are no planned changes to the activities of the company in the future.

GOING CONCERN

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 30 September 2023 (the 'going concern period').

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 £ 1,500m by its parent Equinor ASA in order to fund the Mariner Development, which was fully drawn as at 31 December 2019. The first instalment of £ 200m was repaid in December 2019 as scheduled. In June 2022, the Company issued 500 million of £1 ordinary shares. In August 2022, the Company repaid further £ 701m towards the loan balance. The final instalment is due in December 2023.

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 by applying a price reduction of 40%. 40% reduction scenario did not lead to a different conclusion on going concern.

The Company is closely monitoring the developments relating to Russia's invasion of Ukraine and COVID-19 pandemic and its possible impact on the Company's operations. More details can be found in the Risk section of the strategic report and in the Corporate governance report.

Based on the above, together with the Directors' knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

There are a number of risks 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

COVID-19 pandemic

The COVID-19 pandemic affects demand for, and supply of, oil and gas, impacts commodity prices and can cause disruption to operations. Equinor UK Limited supplies energy to the United Kingdom and has a range of operational activities, including operating offshore oil and gas and wind facilities in UK waters.

Additional COVID-19 risks were identified and mitigated in 2021, for example, managing the health and safety risks to our workforce from catching and transmitting COVID-19 whilst maintaining business continuity.

Throughout 2021, the Company took steps to mitigate against the COVID-19 risks including: providing employees with an allowance to purchase home office equipment, promoting safe at home working practices and supporting mental wellbeing through campaigns. Business continuity and emergency response plans were reviewed, and measures were taken to strengthen preventive and mitigation barriers, such as introducing COVID-19 testing for personnel working on our offshore installations (see Workforce and employee engagement in corporate governance statement).

Price risk

The prices of oil and natural gas have fluctuated significantly over the last years. Fundamental market forces and other factors beyond the control of the Company and other similar market participants have impacted and will continue to impact oil and natural gas prices.

In 2021, there was significant price volatility, primarily triggered by high economic growth and subsequent supply chain bottlenecks on the back of measures to contain the COVID-19 pandemic. See also "COVID-19 pandemic" risk above. Developments relating to Russia's invasion of Ukraine could adversely affect global and regional economic conditions and trigger volatility in the prices of oil, natural gas and energy generally. Climate change in general, the energy transition, governmental regulations and policies, and the world's reach of the climate targets set out in the Paris Agreement, could either together or independently influence oil and natural gas prices.

Health, safety and environmental

The Company is exposed to a wide range of health, safety and environmental risks that could result in harm to our workers and the environment. Exploration, offshore oil and gas and new energy/wind operations present safety and environmental hazards to personnel and wider society. Risks are identified, assessed, evaluated, and managed through the Company's risk management framework. Risk factors that could affect health, safety and the environment include operational work scopes, use of hazardous substances, technical integrity failures, vessel collisions, and adverse weather. Equinor UK Limited has a robust risk management and safety management system to mitigate and manage the health, safety and environmental risks, including the major accident risks.

The safety and security of our people is Equinor's top priority. Our safety and security work is 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 strategic pillars, and our ambition is to be an industry leader in safety and security. We aim to continuously develop a proactive safety culture where safe and secure operations are integrated into everything we do. To improve our results, we regularly evaluate monitoring indicators, review and learn from incidents, conduct verification activities, and implement improvement measures as needed.

Equinor UK Limited

STRATEGIC REPORT (CONTINUED FOR THE YEAR END 2021)

The major accident risks are governed 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

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 adopt innovative technologies and digital solutions, to seek profitable low-carbon energy solutions, are key success factors for future business.

Credit risk

Credit risk is the risk that the Company's customers or counterparties will cause Equinor UK Limited financial loss by failing to honor their obligations. 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.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The management team monitors cash flow forecasts and acts proactively in case of an indication of liquidity risks materializing by planning the remedial actions. The Company is a fully owned subsidiary of Equinor ASA, and it is Equinor ASA's present policy to operate and finance wholly owned subsidiaries to enable them to meet their obligations under any extended open credit on transactions with their suppliers and joint venture partners.

Security and cybersecurity risks

The Company is exposed to security threats that could have a material adverse effect on the Company's operations and financial condition.

Security threats such as acts of terrorism and cyber-attacks against the Company's operations, 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 cybersecurity 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 cybersecurity and Information Management are audited, reviewed, and updated to adapt to the changing risk picture. Equinor requires employees to maintain a high level of cybersecurity awareness through training programmes and monitors their individual progress and understanding.

Brexit

The UK left the European Union on 31 December 2020, and a new Trade and Cooperation Agreement came into force, governing the relationship. Not all elements of the new relationship have been finalized, and some elements, including energy, are subject to review. In the first year of the new arrangements, Equinor UK Limited found increased administrative costs and complexities with new customs rules, and some restrictions on trade due to Rules of Origin requirements. The effects of changes to the movement of people have been masked by the wider COVID-19 limitations on travel. We will continue to keep the impacts of Brexit under review.

Low carbon

A transition to a lower carbon economy will impact the Company's business and entails risks related to policy, legal, regulatory, market, technology, and reputation. Stricter climate regulations and policies could impact the demand for oil and gas and the Company's financial outlook, including the carrying value of its assets. Increased concern over climate change could lead to increased expectations on fossil fuel producers, as well as a more negative perception of the oil and gas industry.

The Company is preparing for regulatory changes and policy measures targeted at reducing greenhouse gas emissions. Equinor's climate roadmap, including climate ambitions, is a response to challenges related to climate change.

Reserves

Crude oil and natural gas reserves are based on estimates and the Company's future production, revenues, and expenditures with respect to its reserves may differ from these estimates. Many of the factors, assumptions and variables involved in estimating reserves are beyond the Company's control and may prove to be incorrect over time.

Section 172 Companies Act 2006

The Company applied The Wates Corporate Governance Principles for Large Private Companies, which provides a framework for Board decision making and management to ensure the long term success of the company and its stakeholders and comply with the requirements of Section 172 of the Companies Act 2016.

Our Corporate governance report against the Wates principles 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, - Principles 1 and 4.

- Safety and COVID-19

Always safe is one of Equinor's strategic pillars and safety is on the agenda for all BoD meetings. In 2021, the Board approved the updated Corporate Major Accident Prevention Policy (CMAPP) to reflect the changes in the organisation and Board following the corporate reorganisation mentioned below. The outbreak of COVID-19 continued to affect the Company's business and activities in 2021. The Company took actions to protect our workforce whilst safeguarding our operations. Directors were regularly informed of the impact of COVID-19 on our people, projects and portfolio and the measures taken to secure business continuity. Discussions also addressed hybrid working in parallel with return to office issues in preparation for a full reopening of offices in line with government and Equinor guidance.

Section 172 Companies Act 2006 (continued)

- Organisation

A corporate reorganization was implemented in 2021 which required the need to further detail the operating model for functions at a country level and also the need to update the Equinor UK Limited Board composition. Discussions centred on the objective to ensure alignment and co-ordination between the Business Areas (BAs), corporate functions and competency centre resources with a presence in the UK.

- COP26, 1-12 November 2021 in Glasgow

Workstreams and discussions focused on directing and overseeing a significant number of relevant COP26 meetings with ministers and industry participants with an objective of raising external awareness of Equinor's climate goals and low-carbon projects.

- Risk management

The Board focuses on ensuring adequate control of the company's internal control and risk management. The Board is presented with the Company's risks and the risk mitigation measures, based on enterprise risk management. Risks are managed by the Business Area line managers, represented on the BoD. In connection with monitoring the Company's internal control over financial reporting, the Board is presented with the test results from internal audits as well as external auditors' observations.

- Other

The Board approved the purchase of Spirit Energy Resources Limited's participating interest share in certain production licenses in the Statfjord and Barnacle areas and draft 'Agreement for the Sale and Purchase of interests in UK licenses relating to the Statfjord Field'.

- (b) the interests of the company's employees – Principles 5 and 6.
- (c) the need to foster the company's business relationships with suppliers, customers and others, Principle 6.
- (d) the impact of the company's operations on the community and the environment, Principle 6 – Local communities.
- (e) the desirability of the company maintaining a reputation for high standards of business conduct Principles 1, 2,3,4,5,6.
- (f) the need to act fairly 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

Arne Gürtner

Arne Gürtner
Director
30 September 2022

Equinor UK Limited

DIRECTORS' REPORT

The Directors present their annual report and financial statements of the Company for the year ended 31 December 2021.

EVENTS AFTER THE REPORTING DATE

Events after the reporting date are stated are listed in note 25 of these Financial statements.

RESULTS AND DIVIDENDS

The loss for the year after taxation amounted to £651.8m (2020 loss after taxation: £554.8m). 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 Principle 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 (Principle 6 – Stakeholder relationships and engagement).

BRANCH

In June 2020, the Company registered a branch of Equinor UK Limited in Norway.

DIRECTORS AND THEIR INTERESTS

The Directors who served the Company during the year and changes since 31 December 2021 are listed on page 1. None of the Directors had any beneficial interest in the shares of the Company.

Equinor UK Limited

DIRECTORS' REPORT (CONTINUED FOR YEAR END 2021)

STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Energy Use and Carbon Emissions

The following tabulates the energy use and direct carbon emissions of Equinor UK Limited and its subsidiaries. :

	2021		2020	
	Energy Use (MWh)	Direct CO ₂ emissions (tonnes)	Energy Use (MWh)	Direct CO ₂ emissions (tonnes)
Mariner field	732,833	152,741	662,397	144,762
• Mariner A	• 667,201	• 135,196	• 517,038	• 105,902
• Mariner B	• 51,476	• 13,761	• 63,204	• 16,897
• Noble Lloyd Noble	• 14,156	• 3,784	• 82,155	• 21,963
Sheringham Shoal	2,993		2,885	
London and Aberdeen offices	2,790		2,654	
Total	738,616	152,741	667,936	144,762

The Mariner field is the largest energy user within Equinor UK Limited. Produced gas is used to generate power for the drilling, production, processing, storage and utility systems on the Mariner A installation, Mariner B is powered by diesel. Surplus produced gas that is not used for power generation is flared. Lesser amounts of energy are consumed by the wind energy developments and the associated onshore offices, primarily electricity for heating, lighting and instrumentation.

Intensity ratio

The intensity ratio for the Mariner asset in 2021 was 13.6 kg CO₂ emitted per barrel of oil produced (2020 – 14.8 kg CO₂). The average CO₂ intensity from a UKCS production platform is 20.6 kg/boe (2021 OGUK Energy Transition Outlook). No intensity ratios have been established for offshore wind energy developments and hence none is given here.

Energy-Saving Measures

Following the baseline establishment in 2020, the focus has been on energy efficiency through the energy and production optimisation group and their associated tools for visualising energy use. 'Quick win' decarbonisation initiatives are pro-actively being developed and deployed. Identification of further carbon reduction initiatives and the planning of previously identified projects was progressed through 2021, including modifications to the flare knock out drum to reduce flaring, and the replacement of the Mariner B pot water heater to a more efficient type, ready for implementation in 2022.

Equinor UK Limited

DIRECTORS' REPORT (CONTINUED FOR YEAR END 2021)

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

Ernst and Young LLP was re-appointed as auditor of the Company.

By order of the Board of Directors

Arne Gürtner

Arne Gürtner
Director

30 September 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework" (FRS 101).

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;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- 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 REPORT

Equinor UK Limited 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.

Since 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).

The Company's application of the Principles throughout the year 2021 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 around 30 countries. 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, a growing renewables business within wind, solar and storage, as well as low carbon solutions.

Equinor's identity is set out in the **Equinor Book** (<https://www.equinorbook.com/brandcenter/en/equinorbook>), which imposes 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 **Strategy** is Always safe, High value, Low carbon. We are committed to long-term value creation in a low carbon future.

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

- Open
- Collaborative
- Courageous
- Caring

Our **Leadership** principles act as a guide for all leaders in Equinor and inspire those with leadership responsibility to:

- Shape our future by, setting a clear direction, looking beyond the known, and eagerly driving change. Empower people by, trusting and supporting, developing and learning together, energising through inclusion.
- Deliver results by, role modelling safety and compliance, driving commercial outcomes, achieving sustainable impact.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 maintains the Ethics Helpline, a 24-hour phone service and portal. The Ethics Helpline ensures confidentiality and protection of the rights of both the caller and the potential subject of a report.

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.

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.

In June 2021, the parent company of Equinor UK Limited, Equinor ASA implemented a new organisation. Changes were to support enhanced value creation from our world-class oil and gas portfolio, accelerated growth within renewables and the development of low carbon solutions and zero emission value chains. The new organisation structure and operating model aimed to improve safety, increase efficiency and to be more adaptable and flexible to deliver on the company ambitions.

The new operating model - One Equinor 2021 was to ensure a holistic approach to improve all aspects of our operating model in a coordinated manner, inclusive of: the leadership we deploy and develop, the capabilities we develop, the work processes we shape, the objectives and KPIs we set and the performance management we apply, the tools and systems we choose, and the suppliers we collaborate with.

One Equinor 2021 introduces a leaner organisational setup. Smaller leadership teams and extended use of competence centres facilitate developing capabilities according to business needs - a setup that allows for more flexibility.

The competence centres are essential as Equinor develops further into a broad, global energy company where oil and gas, renewables and low-carbon solutions are interlinked.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The Equinor organisation in the UK (Equinor UK) is structured to be able to respond to current and future business needs. 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.

In our new organisation from 1 June 2021, five distinct business areas (BA) are active in the UK and business activities are undertaken, to varying degrees, through Equinor UK Limited:

- Exploration & Production International (EPI)
- Marketing, Midstream & Processing (MMP)
- Renewables (REN)
- Projects, Drilling and Procurement (PDP)
- Technology, Digital and Innovation (TDI)

Business areas are supported by the corporate centre functions active in Equinor UK Limited.

In May 2021 and as part of the One Equinor 2021 reorganisation, Equinor appointed a new Country Manager for its activities in the UK. The UK Country Manager is supported by a UK Country Management team consisting of Business Area representatives and Corporate Centre representatives, covering all Equinor's activities and employees in the UK. The UK Country Management team addresses cross BA operational and strategic issues. In 2021, the most frequently discussed topics were implications of the COVID-19 pandemic, including business continuity measures, working from home, return to office and Brexit, as well as the One Equinor 2021 reorganisation. Throughout the year, BA specific topics, including strategy and roadmaps, were also discussed.

Equinor UK has an Organisation, Management and Control document (OMC) (part of the Equinor Management System) which clearly describes the organisation, operating model and framework for Equinor in the United Kingdom (UK), and which was updated to reflect the new organisation effective 1 June 2021. The objective of the OMC is to ensure clear alignment and co-ordination between the Business Areas (BAs), corporate functions and resource that have presence in the UK.

The strategy of the Company is in line with the strategy of the Equinor group, which is discussed on pages 17-21 of the Equinor ASA annual report (www.equinor.com/ivestors/annual-reports).

PRINCIPLE 2 – BOARD COMPOSITION

The Board is made up of representative Directors from respective business areas active in the Company, contributing broad expertise and insight on all the Company's activities. 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 regularly invites relevant members of the Corporate Centre functions to advise, inform and report on specific matters, for example, the People and Organisation (PO) function reporting on people matters, and the Safety, Security and Sustainability (Safety, Security and Sustainability) function advising on matters of safety and security.

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 2021 consisted of a mix of Norwegian and British nationals. Appointments and resignations occurred to adapt to the new operating model One Equinor 2021 and the business needs of the Company. Equinor continues to develop and improve on diversity mix in all aspects

CORPORATE GOVERNANCE REPORT (CONTINUED)

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, as is the case for all Equinor employees, 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.

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 Limited 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 Corporate Centres who are charged with advising the Board and informing their decisions with the right considerations on specific matters. These Corporate Centres also implement measures within the company in accordance with Equinor group policies with approval from the Board, including but not limited to:

- People and Organisation (PO) who are responsible for people planning, policies, reward, employee relations, strategy, competence, employment law and employee tax compliance 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;

CORPORATE GOVERNANCE REPORT (CONTINUED)

- 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.

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. During 2021, the Company had six (2020 – five) scheduled meetings and one (2020 – four) ad hoc meetings.

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 identified at a group and country level. The opportunities are drawn from the business areas and Corporate Centres 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. This is based on the principle that risks and opportunities are owned and mitigated by the business line in which they arise and impact. Example of such risks are safety and environmental risks arising from our operational activities. 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). 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 5 in the Strategic report.

Controls

Equinor UK Limited has identified and documented key controls to mitigate risks related to financial reporting, 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 in an on-line tool on a quarterly basis to confirm compliance. 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

CORPORATE GOVERNANCE REPORT (CONTINUED)

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.

Equinor always aims to pay men and women equally for work of equal value, and differentiation in remuneration should only be based on experience, responsibilities and performance ensuring our approach to pay is non-discriminatory and fair. However, we recognise the challenge that the industry has as a whole, in representation of women within the workforce. We are taking positive steps to have achieve a better balance by attracting more women into our industry through actions such as links with education, graduate recruitment, sponsoring apprentices and making improvements in our recruitment advertising practices. We acknowledge that we do have a gender pay gap which, whilst being in line with our peers, we need to better understand and work on improving.

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 UK's 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, UK Works Council and location works councils.

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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

The UK Works Council is a forum of elected employees and management representatives, and 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.

The UK Works Council agreement stipulates that it will sit a minimum of three times a year. Given the ongoing pandemic during 2021, the global reorganisation of Equinor's business structure (One Equinor 2021) and change of the Country Manager, the Council sat more often: four routine meeting; four consultation meetings related to One Equinor 2021; two meetings for reward matters and a meeting to discuss the Council structure and operating model.

Additionally, Council members were invited to participate in meetings relating to reorganisation of Equinor's administration functions, the organisation of our UK wind farm operations and hybrid working arrangements

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 the safety culture, working environment, engagement and the drive for continuous improvement and change. In 2021, we had a strong response rate, with results aligning well with those at a corporate level, showing a downwards trend in all areas including Satisfaction & Motivation, and Commitment.

2021 continued to be a challenging year and GPS (Global People Survey) responses show an organisation impacted by change, namely the corporate One Equinor 2021 reorganisation, alongside the continued progression of the global pandemic. Whilst GPS action planning belongs primarily within the Business Areas, further to the 2021 UK GPS results, the UK Country Manager is engaging in partnership directly with the UK Works Council to identify further opportunities to have sustainable impact on Equinor UK Limited.

For the second year, Equinor UK has run a webinar series addressing mental health concerns and a voluntary health and wellbeing programme, referred to as Virgin Pulse. Both as virtual employee engagement activities which employees can participate in individually or as virtual teams at their convenience and from a home office environment.

Suppliers

Equinor UK Limited is committed to using Suppliers who operate in accordance with our values and who maintain high standards for Health, Safety and Environment, Ethics and Corporate Social Responsibility.

We require our suppliers and business partners to comply with applicable laws, respect internationally recognised human rights principles and be guided by the ethical standards set forth in our Code of Conduct when working for or in partnership with Equinor. We will only establish or extend existing Supplier relationships if the Supplier meets our standards.

Our Suppliers are fundamental to our business as they enable us to remain competitive by maintaining continuity of operations, contribute to ensuring safe and efficient operation at our facilities and drive our digitalisation and continuous improvement agenda

To ensure openness and collaborative based sharing of future plans, Equinor attends industry stakeholder events within the locations where we operate, and we are a key member of industry forums such as Offshore Energies UK (OEUK). For new projects, we work closely with Suppliers to develop robust Supply Chain Plans. Equinor is also committed to adhering to OEUK's Supply Chain Principles and the North Sea Transition Deal.

The Equinor website has a dedicated Supplier page (<https://www.equinor.com/en/supply-chain.html#1a>) to enable Suppliers to understand our procurement process requirements (including Code of Conduct, HSE and Human Rights expectations) and highlight the key databases we use in order to source and qualify Suppliers.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Within Equinor, we have a key focus on Supplier Relationship Management. This is based upon a tiered system, which categorises the strategic importance of the Contract and Supplier. The system incorporates regular performance reviews and Key Performance Indicator (KPI) to drive performance with Suppliers

Equinor's Human Rights Policy commits to respect all internationally recognised Human Rights and sets out how we relate to our Employees, Contractors, Suppliers, Partners and Communities affected by our business activities. Further, the Company sets out expectations of our Suppliers and their continued efforts to comply with and maintain high standards towards Human Rights. We have a framework within which we consistently monitor and assure our Suppliers and their sub-suppliers adhere to all Human Rights expectations. As part of Equinor's ongoing review of Human Rights, a new Human Rights Risk Assessment Tool was introduced within Equinor globally and our Contract terms and conditions were updated to reflect our latest specific compliance requirements.

Equinor UK Limited monitors and reports on our performance for Supplier payment. According to the latest Payment Practice Reports published at Gov.uk, the average time for Equinor to pay Supplier invoices for the period 1 January 2021 – 31 December 2021 was 29.5 days.

In addition, on an annual basis the Directors approve the Modern Slavery act Statement which the company is required to prepare and publish outlining the steps taken by the Company to ensure that slavery and human trafficking are not taking place in supply chains or own business activities and confirming that such steps have been taken. Throughout 2021 the Company continued raising awareness among employees to enable them to identify potential risks. This continuous effort has long term benefits for the Company and its stakeholders, enhances company's reputation and welfare of the Company's suppliers and own employees.

Joint venture partners

Collaborative, strong and constructive relationships with Joint Venture partners are of paramount importance for the Company. The Company has processes in place to manage relationships with its Joint Venture partners in order to identify and 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 Joint Venture, Joint Operating Agreement (JOA) for Rosebank Joint Venture and all exploration Joint Ventures). The relationships with Joint Ventures are managed via a variety of forums, including Joint Operating Committees.

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 ASA management system.

Government

As an energy company, Equinor in the UK operates in a mature regulated industry and has operations in England and Scotland. Equinor maintains close relationships with the relevant parts of the UK government,

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 and Scottish governments during 2021 included, inter alia, discussion on strategic energy and climate policy issues, 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.

Offshore Regulators

North Sea Transition authority (formerly Oil and Gas Authority), Health and Safety Executive and Offshore Petroleum Regulator for Environment and Decommissioning

Company Directors, Managers and representatives liaise with the regulators in a variety of ways: informal and formal meetings, report submissions and data monitoring and reporting as well as facilitating onshore and offshore regulatory inspections.

Industry associations

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.

Net Zero Technology Centre (NZTC)

Equinor is a corporate member of NZTC and a strategic partner of the TechX Pioneer Programme, a technology accelerator and incubator for start-ups. The goal of NZTC 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.

Renewable UK (RUK)

Equinor cooperates with RUK on many areas such as aligning messaging to government on offshore wind, participation in the Global Offshore Wind conference, different work groups etc. Equinor is concentrating efforts to focus on offshore wind and participates in workstreams important in shaping the future of offshore wind in the UK such as, aviation, system flexibility and services, market design, offshore consents and Licensing, and supply chain development.

OWIC

The Offshore Wind Industry Council (OWIC), a senior Government and industry forum consisting of 10 developers and 3 OEM to drive the development of the world-leading offshore wind sector in the UK. Equinor has been very active in following up the different workstreams of the Sector Deal and Equinor is the Sponsor for Offshore Wind Growth Partnership (OWGP). The Council oversee and drive the implementation of the Sector Deal and are supported by a Secretary/Offshore Wind Sector Deal Programme Manager, hosted within RUK. The OWGP is the main vehicle of the Sector Deal supporting high growth companies in the UK offshore wind supply chain to enable 60% UK content by 2030.

G+ Global Offshore Wind Health and Safety Organisation

Equinor held the chairperson role for G+ in 2021 and will from 2022 be a board member. Equinor also participates in the monthly meetings in the G+ Focal Group focusing on Safety. During 2021 there have also been meetings to share learning and experience from COVID-19 challenges. Learning and transfer of experience is the focus of G+ and the organization issues yearly accident statistics. The secretariate for G+ sit in London and are part of the Energy Institute.

CORPORATE GOVERNANCE REPORT (CONTINUED)

GWO – Global Wind Organisation

GWO provides training standards for the wind industry that are in use globally and there are several training centres in the UK providing the GWO training that is mandatory for offshore wind duty holders. Equinor have a seat in the GWO Executive Committee and have the co-chair of the Training Committee.

Offshore Energies UK (OEUK)

Equinor UK Limited is an active member of OEUK (formerly, Oil and Gas UK), the leading representative body for the UK offshore oil and gas industry, with Board representation and membership of a variety of sub-groups. OEUK membership offers an opportunity to shape the industry agenda and work collaboratively with industry peers on policy advocacy and promotion of industry 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.

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 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 (2018-2022). 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 departments, but the scope has now been broadened into other important areas such as e.g., renewable energy (offshore wind), energy transition and digitalization

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

Opinion

We have audited the financial statements of Equinor UK Limited for the year ended 31 December 2021 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 25, 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 101 "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 2021 and of its loss 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. 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, as applied to other entities of public interest, 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's going concern assessment process. We also engaged with management early to ensure all key risks and factors were considered in their assessment.
- We obtained management's going concern assessment which covers the period up to 30 September 2023. The company has modelled an adverse scenario in their cash forecasts in order to incorporate unexpected changes to the forecasted liquidity of the company.
- We tested the assumptions included in the management's cash forecasts; comparing prices used against readily available benchmark data, evaluating forecast reductions in revenues in light of reasonably plausible scenarios based on historic data, assess the likelihood of maintained cost profiles given our understanding of the business, validated the nature of cash/non-cash movements based on historic data and assessed their impact on the working capital position of the Company in light of the impact of Covid-19. We compared the actual results for 2021 with those modelled for 2022-2023 to ensure that they were appropriate, factoring in price reductions of 40% on expected production flow rates.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF EQUINOR UK LIMITED (CONTINUED)

- We assessed the credit facilities from other group companies available to the Company and the ability of those companies to provide such financing via inspection of intercompany loan documentation, review of board meeting minutes to understand managements' plans to arrange further intragroup finance and analysing the liquidity position of the parent company at year-end in order to understand and challenge the Company's capability to make repayment of loans due by the Company.
- We obtained management's reverse stress test which adjusted revenue until the liquidity headroom was removed entirely and identified and evaluated corroborative and contrary evidence to assess whether these adjustments to the assumptions were within a range of possible outcomes.
- We read the Company's going concern disclosures included in the financial statements in order to assess that the disclosures were appropriate and in conformity with the reporting standards

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up to 30 September 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF EQUINOR UK LIMITED (CONTINUED)

- 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 12, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company must comply with laws and regulations relating to its operations, including health and safety, employees, GDPR and anti-bribery and corruption.
- We understood how the Company is complying with those frameworks by making enquires of management, those charged with governance and the Company's general counsel to understand how the Company maintains and communicates its policies and procedures in these areas and reviewed correspondence with relevant authorities. We corroborated this information by reading through the board minutes. We did not find anything that would contradict management's assertions.

Equinor UK Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF EQUINOR UK LIMITED (CONTINUED)

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter, or detect fraud. We gained an understanding of the entity level controls and policies that the Company has applied. Where instances of risk behaviour patterns were identified through data analytics, we performed additional procedures to address the identified risks.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved enquires of management, including that of the general counsel, and testing of journal entries, with a focus on journals indicating unusual transactions or meeting our defined risk criteria based on our understanding of the business.

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
30 September 2022

Equinor UK Limited

PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME for the year ended 31 December 2021

	Notes	2021 £000	2020 £000
Turnover	2	681,134	422,176
Cost of sales		<u>(690,463)</u>	<u>(625,514)</u>
Gross Loss		(9,329)	(203,338)
Administrative expenses		(65,837)	(72,198)
Foreign exchange		5,520	(4,578)
Impairment of tangible fixed assets	11	(1,319,200)	(935,000)
Operating Loss		<u>(1,388,846)</u>	<u>(1,215,114)</u>
Reversal of Impairment of investments/(Impairment of investments)	12	2,014	(6,633)
Loss on sale of disposals of non current assets	13	<u>0</u>	<u>(1,184)</u>
Loss before interest and taxation		2,014	(7,817)
Interest receivable and similar income	6	657	2,160
Interest payable and similar charges	7	(24,604)	(29,280)
Other finance charges	8	<u>(9,875)</u>	<u>(5,463)</u>
		(31,808)	(40,400)
Loss before taxation		(1,420,654)	(1,255,514)
Tax on Loss	9	<u>768,849</u>	<u>700,699</u>
Loss after taxation		(651,805)	(554,815)
Other Comprehensive Loss			
Remeasurements of net defined benefit asset net of tax	20	20,325	(11,523)
Total Comprehensive Loss for the year		<u><u>(631,480)</u></u>	<u><u>(566,338)</u></u>

All operations are continuing.

Notes 1 to 25 form part of these financial statements.

Equinor UK Limited

BALANCE SHEET at 31 December 2021

	Notes	2021 £000	2020 £000
Non current assets			Restated
Property, plant and equipment	11	624,054	2,343,289
Intangible assets	10	291,917	287,053
Right of use assets	18	32,506	38,545
Investments	12	2,014	-
Pension surplus	20	62,582	41,715
Deferred tax	9	2,280,636	1,514,039
		<u>3,293,709</u>	<u>4,224,641</u>
Current assets			
Inventories	14	19,232	14,581
Debtors	15	432,964	214,708
Cash at bank and in hand		<u>1,583</u>	<u>2,421</u>
		<u>453,779</u>	<u>231,710</u>
 Creditors: amounts falling due within one year	16	(777,844)	(54,886)
Provisions: amounts falling due within one year	19	(4,047)	(4,240)
Net current (liabilities)/assets		<u>(328,112)</u>	<u>172,584</u>
 Total Assets less current liabilities		2,965,597	4,397,225
 Creditors: amounts falling due after more than one year	17	(859,585)	(1,562,752)
Provisions: amounts falling due after more than one year	19	(333,192)	(430,172)
 Net assets		<u>1,772,820</u>	<u>2,404,301</u>
Capital and reserves			
Called up share capital	21	2,518,000	2,518,000
Profit and loss account		<u>(745,180)</u>	<u>(113,699)</u>
 Equity shareholder's funds		<u>1,772,820</u>	<u>2,404,301</u>

Notes 1 to 25 form part of these financial statements.

These financial statements were approved by the Board of Directors on 5th of September 2022 were signed on its behalf by:

Arne Gürtner

Arne Gürtner
Director
30 September 2022

Equinor UK Limited

STATEMENT OF CHANGES IN EQUITY at 31 December 2021

	Called up Share Capital £000	Profit & loss Account £000	Equity Shareholder's funds £000
At 1 January 2020	2,518,000	452,639	2,970,639
Loss for the year	-	(554,815)	(554,815)
Remeasurements of net defined benefit asset	-	(11,523)	(11,523)
At 31 December 2020	2,518,000	(113,699)	2,404,301
At 1 January 2021	2,518,000	(113,699)	2,404,301
Loss for the year	-	(651,806)	(651,806)
Remeasurements of net defined benefit asset	-	20,325	20,325
At 31 December 2021	2,518,000	(745,180)	1,772,820

Notes 1 to 25 form part of these financial statements.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2021

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 2021 were authorised for issue by the Board of Directors’ on 5th September 2022 and the balance sheet was signed on the Board’s behalf by Arne Gürtner.

Basis of preparation

These Financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 (FRS 101) 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 pounds. Amounts are rounded to the nearest £1,000s.

The functional currency of the Norwegian Branch of Equinor UK Limited, NUF is US dollar. The exchange rate of USD/GBP 0.74 as at 31.12.2021 and 2021 average rate of USD/GBP 0.73 were applied for the conversion of the Norwegian Branch balances.

Due to rounding, the figures in one or more rows or columns included in the financial statements and notes may not add up to the subtotals or totals of that row or column.

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 101 in respect of the following disclosures:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (e) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;
- (f) the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 40A to 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- g) the requirements of paragraphs 30 and 31 of IAS 8;
- (h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 – Impairment of Assets – provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated;
- (i) the requirement in paragraph 38 of IAS 1 ‘Presentation of Financial Statements’ to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets; and
- (j) The requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.
- (k) the requirements of paragraphs 52, 58, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

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

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 30 September 2023 (the 'going concern period').

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 £ 1,500m by its parent Equinor ASA in order to fund the Mariner Development, which was fully drawn as at 31 December 2019. The first instalment of £ 200m was repaid in December 2019 as scheduled. In June 2022, the Company issued 500 million of £1 ordinary shares. In August 2022, the Company repaid further £ 701m towards the loan balance. The final instalment is due in December 2023.

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 by applying a price reduction of 40%. 40% reduction scenario did not lead to a different conclusion on going concern.

The Company is closely monitoring the developments relating to Russia's invasion of Ukraine and COVID-19 pandemic and its possible impact on the Company's operations. More details can be found in the Risk section of the strategic report and in the Corporate governance report.

Based on the above, together with the Directors' knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2021.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

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 at the fair market 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 accrual's basis.

Financial assets

Financial assets are initially recognised at fair value when the Company becomes a party to the contractual provisions of the asset.

The subsequent measurement of the financial assets depends on which category they have been classified into at inception. At initial recognition, the Company classifies its financial assets into the following three categories: Financial investments at amortised cost, at fair value through profit or loss, and at fair value through other comprehensive income based on an evaluation of the contractual terms and the business model applied.

Cash and cash equivalents include cash in hand, current balances with banks and similar institutions.

Trade receivables are carried at the original invoice amount less a provision for doubtful receivables which represent expected losses computed on a probability-weighted basis.

Financial liabilities

Financial liabilities are initially recognised at fair value when Equinor becomes a party to the contractual provisions of the liability. The subsequent measurement of financial liabilities depends on which category they have been classified into. The categories applicable for the Company are either financial liabilities at fair value through profit or loss or financial liabilities 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.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

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.

Capitalisation of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 proved reserves. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation.

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.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Useful life and depreciation profiles

The following factors are considered in determining the useful life of an asset: expected usage of the asset, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production etc.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and changes in useful lives are accounted for prospectively.

Leases

A lease is defined as: "A contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration

For lessees, leases shall be recognised on the balance sheet as a "Right of use" asset (RoU asset) and a "lease liability". The RoU asset is depreciated over the lease term, while the period lease payments are split between payments of interests and down-payment of the lease liability. The period cost will consist of depreciation expense from depreciation of the RoU asset and interest cost. For leases used in the construction of other assets, the lease cost should be capitalised as part of the cost price of that asset. Service and capacity contracts, which do not meet the definition of a lease, are expensed as incurred (normally linearly).

For lessors, financial leases are accounted for as a sale of an asset, with the net present value of future lease payments recognised as a financial lease receivable. Related lease payments are considered payments of interests and repayments of the financial lease receivable, while the lessor recognises payments from operational leases as income over the lease period.

The requirements in IFRS 16 Leases do not apply for leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources. This includes the intangible right to explore for those natural resources and rights to use the land in which those natural resources are contained (that is, unless those rights of use include more than the right to explore for natural resources), but not equipment used to explore for the natural resources.

Lease contracts signed on behalf of a license partnership In situations where the operator signs the contract in its own name and is considered to have the primary responsibility for lease payments towards the external lessor, the operator shall report the lease liability and the related RoU asset on a gross basis. When the operator's use of this asset on a license is considered a financial sublease from the operator to the license, the operator shall derecognise the nonoperator's portion of the RoU asset and recognise a financial sublease receivable from the non-operators.

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.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

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

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 101 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 made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognised in the financial statements.

Deferred tax

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.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

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. The investment portfolio is managed and evaluated on a fair value basis in accordance with an investment strategy and is accounted for at fair value through profit or loss.

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.

Lease term

The lease term is the non-cancellable period of a lease, including any periods subject to lease extension options where the lease extension option is considered reasonably certain to be exercised and any periods subject to lease termination options where the lease termination is reasonably certain not to be exercised. Assessing whether a lease termination option or a lease extension option is considered reasonably certain to be exercised requires judgment. The key assessment is whether the contract or other facts and circumstances indicate that there is an economic incentive for extending or terminating the lease term. The assessment of whether a termination or extension option is considered reasonably certain to be exercised shall be made at inception of the lease (date when contract terms are set, normally the date of the contract).

Lease discount rate

When recognising a lease liability, the lease payments over the lease term shall be discounted using the implicit interest rate in the lease. If no implicit interest rate exists, the Company's incremental borrowing rate shall be used, reflecting the contract currency, the duration of the lease and any security or guarantees provided to the lessor.

The Company has centralised the process of identifying the discount rate to be used for each lease contract. The incremental borrowing rate to be used will depend on lease term (duration of contract), contract currency and the credit risk assigned to the legal entity carrying the lease liability. The discount rate used when recognising a lease liability shall remain fixed (unchanged) throughout the lease term unless a variable interest rate is set in the lease contract.

Estimation of proved oil and gas reserves

Capitalised exploration and evaluation expenditures, development expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of production wells, and field-dedicated transport systems for oil and gas are capitalised as Producing oil and gas properties within Property, plant and equipment. Such capitalised costs, when designed for significantly larger volumes than the reserves from already developed and producing wells, are depreciated using the unit of production method based on proved reserves expected to be recovered from the area during the concession or contract period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

1. ACCOUNTING POLICIES (CONTINUED)

Depreciation of production wells uses the unit of production method based on proved developed reserves, and capitalised acquisition costs of proved properties are depreciated using the unit of production method based on total proved reserves. In the rare circumstances where the use of proved reserves fails to provide an appropriate basis reflecting the pattern in which the asset's future economic benefits are expected to be consumed, a more appropriate reserve estimate is used.

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, and under existing economic conditions, operating methods and government regulations.

Proved oil and gas reserves may impact the carrying amounts of oil and gas producing assets, as changes in the proved reserves, for instance as a result of changes in prices, will impact the unit of production rates used for depreciation and amortisation.

Reserves estimates are complex and based on a high degree of professional judgement involving geological and engineering assessments of in-place hydrocarbon volumes, the production, historical recovery and processing yield factors and installed plant operating capacity. Recoverable oil and gas quantities are always uncertain. The reliability of these estimates at any point in time depends on both the quality and availability of the technical and economic data and the efficiency of extracting and processing the hydrocarbons. Reserves quantities are, by definition, discovered, remaining, recoverable and economic.

New standards applied

New and amended standards and interpretations

Interest rate benchmark reform - amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

Following the decision taken by global regulators to replace Interbank Offered Rates (IBORs) with alternative nearly risk-free rates (RFRs), IASB released two publications addressing issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an RFR (phase one), and issues that affect financial reporting when an existing interest rate benchmark is replaced with an RFR (phase two), typically modifications to contracts as a result of the reform. The amendments provide specific guidance on how to treat financial assets and financial liabilities where the basis for determining the contractual cash flows changes as a result of the interest rate benchmark reform. As a practical expedient, the amendments require an entity to change the basis for determining the contractual cash flows prospectively by revising the effective interest rate. Had the expedient not existed, the financial instrument should be derecognised by such a contractual change, or, if the modification was insubstantial, the carrying value of the financial instrument recalculated and the adjustment recognised as a profit/loss. The phase one amendments were effective from 1 January 2020 and the phase two amendments were effective for annual periods beginning on or after 1 January 2021. The Company has applied the amendments at the effective dates. For the Company, the transition is relevant for issued bonds with floating interest rates, terms of conditions for bank accounts, project financing, legal contracts and joint venture cash calls as well as for derivatives. In collaboration with our counterparties, Equinor is in the process of replacing contracts which include references to IBORs with new contracts with references to RFRs. Currently, the IBOR reform mainly implies an administrative burden and no material financial impact from the reform is expected. Equinor's risk management strategy has not changed to a significant degree following the IBOR reform.

Voluntary change in significant accounting policy related to discount rate for Asset Retirement Obligation (ARO) calculation

With effect from 1 October 2021, Equinor changed its discount rate used in calculation of the ARO so that it no longer includes an element covering Equinor's own credit risk. This voluntary accounting policy change is made because the credit element's exclusion from the discount rate in estimating the ARO liability is deemed to better represent the risks specific to the ARO liability. The change affects the amounts of ARO liabilities and the ARO elements of property, plant and equipment materially, and prior periods' balance sheet amounts in this respect have been restated, see further details in Note 23. The policy change will impact future depreciation expenses as well as potential asset impairments or impairment reversals. The impact on relevant lines in the income statement and on equity upon implementation of the voluntary policy change are immaterial. Prior period income statements and statements of changes in equity have not been restated.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

2. TURNOVER

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

The revenue increase from the sale of oil and gas is due to increased prices.

	2021 £000	2020 £000
Revenue from sale of:		
-Oil	391,674	213,365
-Gas	55,473	51,824
Revenue from provision of services:		
-Transportation	135,450	59,257
-Timewriting	92,716	92,076
-Storage and other	5,821	5,654
	<u>681,134</u>	<u>422,176</u>

Timewriting relates to provision of services by the Company's employees to group undertakings.

	2021 £000	2020 £000
By geographical location		
United Kingdom	172,412	117,017
Norway	498,423	295,032
The Netherlands	530	875
USA	1,955	3,922
Denmark	5,707	2,991
Other	2,107	2,339
	<u>681,134</u>	<u>422,176</u>

3. EXPENSES AND AUDITOR REMUNERATION

Included in loss are the following:

Operating loss is stated after charging/(crediting)

	2021 £000	2020 £000
Depreciation		
- Owned assets	873	907
- Fields in production and development DD&A	417,341	376,879
- RoU assets depreciation	5,230	4,277
Total	<u>423,444</u>	<u>382,063</u>
Short term lease rentals	1,554	1,550
Auditor's remuneration		
Audit of these financial statements:		
Ernst and Young LLP	94	94

No fees were paid to the auditors for other services.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

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

	2021	2020
	£000	£000
Wages and Salaries	49,799	47,199
Social Security costs	7,561	7,443
Other pension costs	4,867	5,070
	<u>62,227</u>	<u>59,712</u>

The average number of employees during the year was 379 (2020 – 383). All employees are employed in operative and direct support functions.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2021	2020
	£000	£000
Bank deposit interest	0	15
Interest receivable from parent undertaking	1	653
Net finance interest on pension scheme	542	1,095
Interest income from financial sublease (note 18)	114	397
	<u>657</u>	<u>2,160</u>

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2021	2020
	£000	£000
Interest payable to parent undertaking	23,389	26,790
Other interest and financial costs	20	389
Interest on lease liabilities (note 18)	1,195	2,101
	<u>24,604</u>	<u>29,280</u>

For more information about the interest on financial sublease see note 18 Leases.

8. OTHER FINANCE CHARGES

	2021	2020
	£000	£000
Accretion of decommissioning liability	<u>9,875</u>	<u>5,463</u>

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

9. TAX ON LOSS

a) Tax on loss

	2021 £000	2020 £000
<i>Current tax:</i>		
Group relief (prior year)	(2,251)	-
Withholding tax	-	1
Total Current tax	(2,251)	1
<i>Deferred tax:</i>		
Deferred corporation tax – current year movement	(801,978)	(701,424)
Deferred corporation tax – prior year movement	38,927	-
Deferred PRT	(3,547)	724
Total deferred taxes (note 9c)	(766,598)	(700,700)
Tax on loss	(768,849)	(700,699)

b) Factors affecting tax charge are reconciled below:

	2021 £000	2020 £000
Loss before taxation	(1,420,654)	(1,255,514)
Loss multiplied by corporation tax in the UK of 40% in 2021 (40% in 2020)	(568,262)	(502,206)
Effects of:		
PRT	(2,127)	434
Non ring fence temporary difference on which no DTA recognised	587	1,218
Other permanent differences	(7,129)	(1,369)
Depreciation in excess of capital allowances	32,823	4,248
Rate change and differences in tax rates	(30)	1,005
Losses arising due to Ring Fence Expenditure supplement	(197,999)	(204,030)
Prior year adjustments – CT/SCT	(2,251)	-
Deferred tax not previously recognized	(29,365)	-
Activated Investment allowance	(34,023)	-
	38,927	-
Deferred tax prior year		
Other	-	1
Total tax (note 9a)	(768,849)	(700,699)

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

9. TAX ON LOSS (continued)

c) Deferred tax:

	2021 £000	2020 £000
Included in non current assets	2,280,636	1,514,039
Provision for deferred corporation tax	2,257,562	1,494,511
Deferred PRT asset	23,074	19,528
Deferred tax asset	2,280,636	1,514,039
Cost:		£000
At 1 January 2021		1,514,039
Deferred tax in profit and loss account		766,597
At 31 December 2021		2,280,636

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

	2021 £000	2020 £000
Accelerated capital allowances	(176,046)	(865,842)
Decommissioning	128,917	141,129
Losses	2,313,921	2,227,035
Deferred PRT	23,074	19,528
Deferred corporation tax on deferred PRT	(9,230)	(7,811)
Deferred tax asset	2,280,636	1,514,039

e) Factors that may affect future tax charges

At Budget 2021, the government announced that the Corporation Tax main rate will increase from 19% to 25% from 1 April 2023. The new rate of 25% has been substantively enacted therefore a rate of 25% has been applied to the deferred tax calculations in these accounts.

The Corporation tax rate change will only be applicable to the Company's non-ring-fence (non-oil and gas) activities. As the Company is in a tax loss position and has not recognized deferred tax on those losses there is no consequential change arising from the future increase in the tax rate.

On 26 of May 2022 the UK chancellor announced a "temporary, targeted energy profits levy" of 25% but with a 90% tax relief for firms that invest in oil and gas extraction in the UK. This change has not affected the current nor deferred tax computation.

On 23 September 2022, the Chancellor of the Exchequer announced that the UK corporation tax rate on Non-Ring Fence activities will remain at 19% from 1 April 2023 – reversing a previously enacted measure to increase the rate to 25%. The announcement of the reversal in the tax rate from 1 April 2023 was not enacted or substantively enacted at the balance sheet date and accordingly has no impact on the tax balances at 31 December 2021.

If the tax rate change had been substantively enacted or enacted at the balance sheet date, the impact on the deferred tax balances at the balance sheet date would have been immaterial

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2021

f) Unrecognised tax losses

As at 31 December 2021, a deferred tax asset arising on capital losses of £14.9 m (2020: £14.9 m) 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 £35.6m (2020: £30.7 m). 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 £11.5m (2020: £9.2m). This is due to the uncertainty of the availability of suitable taxable profits arising from non-ring activities against which losses may be deducted.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

10. INTANGIBLE FIXED ASSETS

	Oil and gas licences	Exploration acreage	Total
COST	£,000	£,000	£,000
Balance At 1 January 2021	286,122	10,616	296,738
Additions	5,795	(0)	5,795
Balance at 31 December 2021	291,917	10,616	302,533
Impairment/write off			
Write offs At 1 January 2021	0	(9,685)	(9,685)
Write offs for the year	0	(931)	(931)
At 31 December 2021	0	(10,616)	(10,616)
	0		
At 31 December 2021	291,917	(0)	291,917
At 31 December 2020	286,122	931	287,053

The Oil and Gas licences relate to exploration holdings on the UK Continental Shelf, these licences are pre-development and are classed as intangible. Exploration acreage represents exploration costs. The write off of exploration wells relates to wells with no commercial reserves found due to no firm plans to drill further appraisal wells. Addition in oil and gas licences relates to the adjustment in fair value of Rosebank.

11. TANGIBLE FIXED ASSETS

	Fields in production and development	Capitalized interest	Property & short leasehold assets	Other fixed assets	Total
COST					
At 1 January 2021	3,777,119	118,260	8,430	5,390	3,909,199
Impact of policy change*	67,876	-	-	-	67,876
At 1 January 2021 restated	3,844,995	118,260	8,430	5,390	3,977,075
Additions	17,613	0	469	97	18,179
At 31 December 2021	3,862,608	118,260	8,899	5,487	3,995,254
ACCUMULATED DEPN & IMPAIRMENT					
At 1 January 2021	1,594,809	28,729	5,352	4,896	1,633,786
Charge for the year	1,714,157	22,384	572	301	1,737,414
At 31 December 2021	3,308,966	51,113	5,924	5,197	3,371,200
NET BOOK VALUE					
At 31 December 2021	553,642	67,147	2,975	290	624,054
At 31 December 2020 (Restated)	2,250,186	89,531	3,078	494	2,343,289

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

11. TANGIBLE FIXED ASSETS (CONTINUED)

In the first quarter of 2021, the basis for Mariner depreciation was changed from proved reserves to remaining recoverable reserves in order to better reflect the pattern in which the asset's economic benefits were expected to be consumed by the entity at the time. In the 4th quarter of 2021, the depreciation method reversed to the use of proved reserves, following a revision of recoverable reserves in the Mariner field.

In the fourth quarter of 2021, Equinor revised its estimate of the total recoverable reserves in the Mariner field from an earlier assessment of approximately 275 mmbbl to about 180 mmbbl. The revision was linked to an updated seismic interpretation and experience from production of the Maureen reservoir, which led to a revised reservoir model. The revised reservoir model was further supported by results from the first well drilled into the Heimdal reservoir in the fourth quarter of 2021. The revision led to an impairment of tangible fixed assets in the amount of £ 1,313m recognised in relation to the Mariner asset. The recoverable amount was determined on the basis of value in use reflecting the present value of the future cash flows expected to be derived from the Mariner asset. The impairment is shown in the Impairment of tangible fixed asset line item of the Profit and loss account and other comprehensive income.

For impairment purposes, the asset's carrying amount is compared to its recoverable amount. The recoverable amount is the higher of fair value less cost of disposal (FVLCD) and estimated value in use (VIU).

The base discount rate for value in use calculations used by the Company is 5.0% real after tax (2020: 6.0%). The discount rate is derived from Equinor's weighted average cost of capital. See note 1 Significant accounting policies to the financial statements for further information regarding impairment on property, plant and equipment.

Key assumptions

Management's future commodity price assumptions and currency assumptions are used for value in use impairment testing. While there are inherent uncertainties in the assumptions, the commodity price assumptions as well as currency assumptions reflect management's best estimate of the price and currency development over the life of the Company's assets based on its view of relevant current circumstances and the likely future development of such circumstances, including energy demand development, energy and climate change policies as well as the speed of the energy transition, population and economic growth, geopolitical risks, technology and cost development and other factors. Management's best estimate also takes into consideration a range of external forecasts.

The following price assumptions formed the basis for the impairment assessments.

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

For Brent blend, the Company expected a price of 65 USD/bbl in 2025 (67 USD/bbl), then gradually an increase to a peak in 2030 before declining to 64 USD/bbl in 2040 (66 USD/bbl), and further down to below 60 USD/bbl in the 2050s. Price assumptions from 2025 were unchanged compared to year-end 2020, with the exception that the real year has been changed from 2020 to 2021.

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

Additional details regarding assumptions (including prices and discount rates) which were used for impairment calculations can be found in consolidated Financial Statements of Equinor ASA for the year 2021 (pages 231-232).

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

12. INVESTMENTS

	2021	2020
	£000	£000
Subsidiary undertakings as at 31 December 2020	0	6,633
Reversal of Impairment/(Impairment)	2,014	(6,633)
Subsidiary undertakings as at 31 December 2021	<u>2,014</u>	<u>(0)</u>

Subsidiary undertakings

The impairment of investment in subsidiaries occurred in 2020 as the subsidiaries were in net liabilities position. The net asset position in subsidiaries triggered the reversal of impairment in 2021.

The Company's investment in Equinor Energy Trading Limited as at 31.12.2021 was £0.07m.

The Company's investment in Equinor Production UK Limited as at 31.12.2021 was £1.94m.

All held by the Company unless indicated:

<i>Name of Company</i>	<i>Holding</i>	<i>% held</i>	<i>Nature of business</i>	<i>Country of registration or incorporation</i>
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

	2021	2020
	£000	£000
Loss on sale of non current assets	<u>0</u>	<u>(1,184)</u>

The loss on sale in 2020 mainly relates to the final settlement of the sales price of the Dunlin field in sold in 2007. The price adjustment of £1.2 m represents the final settlement of a dispute in regards of PRT and CT.

14. INVENTORIES

These consist principally of hydrocarbons and spares.

	2021	2020
	£000	£,000
Hydrocarbons	616	948
Spares	18,616	13,633
	<u>19,232</u>	<u>14,581</u>

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

15. DEBTORS: amounts falling due within one year

	2021	2020
	£000	£000
Trade debtors	24,079	5,257
Amounts owed by Group undertakings:		
Parent undertaking	339,586	188,649
Subsidiary undertakings	15,654	5,758
Fellow subsidiary undertakings	35,008	5,053
Other debtors	9,121	7,544
Prepayments	123	161
VAT	9,393	2,286
	<u>432,964</u>	<u>214,708</u>

Amounts owed to group undertakings are unsecured, interest free and repayable within payment terms, except the balances with Internal home bank (IHB) of £312.8m (2020: £170.4m), which are interest bearing with interest income on the IHB of £0 m (2020: £0.1m). The management has done the assessment and concluded that the expected credit loss is nil (2020 – nil).

16. CREDITORS: amounts falling due within one year

	2021	2020
	£000	£000
Trade creditors	22,551	6,085
Amount due to group undertakings:		
Parent undertaking	709,188	7,863
Subsidiary undertakings	8,393	2,983
Fellow subsidiary undertakings	1,021	4,658
Other creditors	36,691	33,297
	<u>777,844</u>	<u>54,886</u>

Included within Other creditors is overlift of £0.81m (2020: £3.9m). The amounts due from subsidiary and fellow subsidiary undertakings are interest free, unsecured trading balances repayable within payment terms. Amount due to parent undertaking – see note 17.

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

	2021	2020
	£000	£000
Amount due to parent undertaking	859,585	1,562,752

The Company has a loan facility with its parent for £1,520 m rate which bears interest at a 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. Loan repayment is scheduled to December 2022 and December 2023 payable in equal instalments.

From January 2022 the interest rate per annum changed from GBP LIBOR + 1.59% to 1.62% above SONIA.

18. LEASES

Throughout 2020 and 2021 the Company had lease contracts for various offices, vessels and a drilling rig. The amounts recognized in the statements of the financial position are as follows.

a) Amounts recognized in the statement of financial position:

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

18. LEASES (CONTINUED)

Right of Use assets	2021	2020
	£000	£000
Balance at 1 January	38,545	71,026
Additions	3,483	16,365
Transfers	(4,292)	(44,569)
Depreciation for the year	(5,230)	(4,277)
Balance at 31 December	<u>32,506</u>	<u>38,545</u>
Lease liabilities		
Non current liabilities	(27,857)	(36,026)
Current liabilities	<u>(10,685)</u>	<u>(9,092)</u>
	(38,542)	(45,118)
b) Amounts recognized in the Income statement		
Depreciation on Right of Use assets	<u>(5,230)</u>	<u>(4,277)</u>
Interest on lease liabilities (included in Finance cost)	<u>(1,195)</u>	<u>(2,201)</u>
Interest income from financial sublease	<u>113</u>	<u>397</u>
Short term lease expense	<u>1,554</u>	<u>1,550</u>

The company leases various offices and vessels. Rental contracts for vessels are typically made for fixed periods of 1 to 4 years but may have extension options. Leases of the offices have lease terms of around 20 years.

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Internal Bank rate (IBR) for offices is 3.53%, vessels from 0.74% to 2.23%.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

19. PROVISIONS FOR LIABILITIES

Decommissioning

	2021 £000	2020 £000 <i>Restated</i>
At 1 January 2021	366,536	318,666
of which:		
Non current	362,296	312,265
Current	4,240	6,401
Impact of ARO policy change*	67,876	40,839
Asset retirement obligation restated	434,412	359,505
Additions during the year	4,039	18,805
Utilised during the year	(10,454)	(3,016)
Changes in estimates	(58,447)	53,665
Changes in discount rate	(40,579)	-
Unwinding of discount factor	8,268	5,463
At 31 December 2021	337,239	434,412
of which;		
Non Current	333,192	430,172
Current	4,047	4,240

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 0.72% to 1.95% (2020 from 0.98% to 2.51%). The timing of decommissioning payments is anticipated to occur between 2022 and 2050.

Current provisions relate to plug and abandonment of wells on the Jupiter field (Europa EZ and NW Bell subsea well) scheduled for 2022 as well as removal and disposal of subsea equipment.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

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. As of 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 special contributions, which is a subject to certain criteria being met.

As at 31 December 2021, there is a surplus of 62.9m in the balance sheet (2020 surplus £41.7m). The main reason for the increase in the funding position is an increase in the discount rate assumption.

The assets and liabilities at 31 December:

	2021	2020
	£000	£000
Scheme assets at fair value:		
Equity	160,474	200,718
Bonds	156,167	138,029
Cash	16,152	2,656
Fair value of scheme assets	<u>332,793</u>	<u>341,403</u>
Present value of scheme liabilities	<u>(270,211)</u>	<u>(299,688)</u>
Surplus/(deficit) in funded scheme	62,582	41,715

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

	2021	2020
	£000	£000
<i>Recognised in the Income statement</i>		
Past service cost	0	0
Net interest on the net defined benefit liability	<u>(542)</u>	<u>(1,095)</u>
Total expense	<u>(542)</u>	<u>(1,095)</u>
<i>Recognised in Other Comprehensive Income</i>		
Actuarial / losses/(gains) on the liabilities	(17,868)	51,909
Return on Assets, excluding interest income	<u>(2,457)</u>	<u>(40,386)</u>
Total remeasurement - defined benefit liability (asset)	<u>(20,325)</u>	<u>11,523</u>

A full actuarial valuation of the Plan was carried out as at 30 June 2021 and has been updated to 31 December 2021 by a qualified independent actuary. The major assumptions used by the actuary were:

	2021	2020
	£000	£000
<i>Main assumptions;</i>		
Discount rate	1.85%	1.30%
Inflation assumption (RPI)	3.70%	3.35%
Inflation assumption (CPI)	3.00%	2.65%
Pension increases (linked to RPI – capped at 7.5%)	3.70%	3.35%

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

at 31 December 2021

20. PENSION COMMITMENTS (CONTINUED)

	2021	2020
<i>Main assumptions;</i>		
<i>Assumed life expectancies on retirement at age 60 are;</i>		
Retiring today – Males	29.4	29.3
Retiring today – Females	30.6	30.5
Retiring in 20 years' time – Males	30.9	30.8
Retiring in 20 years' time – Females	32.1	32.0

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

	2021 £000	2020 £000
<i>Benefit Obligation at beginning of year</i>	299,688	254,881
Interest cost	3,796	5,224
Actuarial(gains)/ losses	(17,868)	51,909
Benefits paid	(15,405)	(12,326)
<i>Benefit Obligation at end of year</i>	270,211	299,688

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

	2021 £000	2020 £000
<i>Fair value of scheme assets at beginning of year</i>	341,403	307,024
Interest income on scheme assets	4,338	6,319
Return on Assets, excluding interest income	2,457	40,386
Benefits paid	(15,405)	(12,326)
<i>Fair value of scheme assets end of year</i>	332,793	341,403

Changes in the Surplus during the year;

	2021 £000	2020 £000
<i>Surplus in scheme at beginning of the year</i>	41,715	52,143
Movement in year:		
Other finance income	542	1,095
Past service cost	0	0
Actuarial gains/(losses)	20,325	(11,523)
<i>Surplus in scheme at end of the year</i>	62,582	41,715

21. SHARE CAPITAL

Ordinary shares of £1.00 each	2021 £000	2020 £000
Allotted and fully paid		
At 1 January 2021	2,518,000	2,518,000
Issue of ordinary shares	0	0
At 31 December 2021	2,518,000	2,518,000

Note 25 provides further details on the Company's share capital.

Equinor UK Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) at 31 December 2021

22. COMMITMENTS

Exploration, appraisal and development activities

At 31 December 2021 and 2020 respectively, the Company had specific commitments.

	2021 £000	2020 £000
Offshore	41,770	54,568
	<u>41,770</u>	<u>54,568</u>

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 vessels and helicopters for Mariner, exploration and other contractual commitments.

23. ARO RESTATEMENT

The Company has changed its accounting policy related to measurement of its asset retirement obligations. With effect from 2021, the discount rate used in calculation of the ARO liability no longer includes an element covering Equinor's own risk. This change in the accounting policy is made because the exclusion of the credit element from the discount rate is considered to better represent the risk specific to the ARO liability. The new accounting policy has been retrospectively applied, and affects the prior amounts related to ARO liability and the ARO elements of property, plant and equipment. A 3rd balance sheet has not been presented on the grounds that management views the impact of the restatements to be immaterial. The effect of the implementation of the new accounting policy on the opening balance of retained earnings 1 January 2020 was £6.9 million. This is considered immaterial, and the opening balance of retained earnings 1 January 2020 has not been restated. Also, income statement effects for 2020 related to depreciation expense, financial items due changes in accretion expense, and tax expense have not been corrected to immaterial amounts totalling £ 0.2 m.

The table below shows the effect of the restatement for the year 2020:

	01.01.2020 (as reported) £000	restatement	01.01.2020 (restated) £000	31.12.2020 (as reported) £000	restatement	31.12.2020 (restated) £000
Property plant and equipment	3,602,347	40,839	3,643,186	2,275,413	67,876	2,343,289
ARO provision	(318,666)	(40,839)	(359,505)	(366,536)	(67,876)	(434,412)

See further details in note 11 and 19.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
at 31 December 2021

24. 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.

25. EVENTS AFTER THE REPORTING DATE

Statfjord field

On 8 December 2021, Equinor announced that it entered into an agreement to acquire all of Spirit Energy's production licenses in the Statfjord area which spreads across the Norwegian and UK Continental Shelves and are developed by three integrated production platforms (Statfjord A, B, C). All licenses are operated by Equinor. The transaction has a commercial effective date 1 January 2021. The transaction was completed on 31 May 2022.

As part of closing the transaction, the Company has received a payment of £ 59.5 m from Spirit Energy.

Share capital

In June 2022 the Company issued 500 million new £1 ordinary shares to Equinor ASA for a consideration of £500 m.

Loan repayment

In August 2022 the Company paid the loan installment of £ 701 m to the parent company Equinor ASA.