Statoil: High activity and good operations

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Statoil's (OSE:STL, NYSE:STO) second quarter 2010 net operating income was NOK 26.6 billion, compared to NOK 24.3 billion in the second quarter of 2009.

The quarterly result was affected by a 32% increase in liquids prices measured in NOK, a 6% increase in equity production and a 12% decrease in gas prices measured in NOK. Also impairments, loss on derivatives and a provision for an onerous contract influenced net operating income.

Adjusted earnings in the second quarter 2010 were NOK 36.4 billion, up 25% from second quarter 2009 when adjusted earnings were NOK 29.2 billion.

Net income in the second quarter of 2010 was NOK 3.1 billion. This result reflects higher oil prices and increased liftings, lower net financial losses and lower tax rates partly offset by lower gas prices, impairments, losses on derivatives and an onerous contract compared to the second quarter of 2009, when net income was zero and the tax rate unusually high.

Adjusted earnings after tax were NOK 10.6 billion in the second quarter of 2010, up 21% from second quarter 2009 when adjusted earnings after tax were NOK 8.8 billion. Adjusted earnings after tax excludes the effect of financial items and the tax on net financial items, and represents an effective adjusted tax rate of 71% in the second quarter of 2010 and 70% in the second quarter of 2009.

"Statoil's second quarter is characterised by strong operational performance and a high activity level," says Statoil's Chief Executive Officer Helge Lund.

"We are making good progress on important projects. The Gjøa production platform is now anchored at the field in the North Sea. The Gudrun development was approved by the Norwegian Parliament in June, and key contracts have now been awarded. In Brazil, the Peregrino field development is moving forward and we have agreed to bring in Sinochem as a 40% partner in the project," says Lund.

"Statoil's production is on track. Equity production is up 6% compared to second quarter last year. However, planned maintenance turnarounds will heavily impact production in the third quarter," says Statoil's CEO Helge Lund.

Highlights since first quarter 2010:

* Equity production is up 6% from second quarter 2009 to 1,957 mboe per day. For the first six months of the year, equity production is 2,029 mboe per day.
* Entitlement production is up 2% from second quarter last year to 1,765 mboe per day.
* Average prices measured in NOK are up 32% for liquids and down 12% for gas compared to second quarter last year. Gas prices continue to be low in a historical perspective.
* On 19 May pressure change and loss of drilling fluid occurred in the C-06 well at Gullfaks C, causing production on Gullfaks C, Gimle and Tordis to be shut down. Production on Gullfaks and Gimle was resumed 14 July, and Tordis will be back on stream after a planned pipeline operation, which started on 20 July.
* On 21 May Statoil announced its agreement with the Sinochem Group to sell 40% of the Peregrino field offshore Brazil.
* On 27 May a six months drilling moratorium was imposed in the Gulf of Mexico.
* On 16 June the Norwegian Parliament (Stortinget) approved the plan for development and operation (PDO) for Gudrun.
* On 1 July the Agbami equity determination process was completed increasing

Statoil's share in the Nigerian field from 18.85% to 20.21%.

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