Statoil: Extensive maintenance, robust financials

03.11.2010 | Globenewswire Europe

Statoil's (OSE:STL, NYSE:STO) third quarter 2010 net operating income was NOK 28.2 billion, compared to NOK 28.3 billion in the third quarter of 2009.

The quarterly result was positively affected by a 14% increase in liquids prices and an 8% increase in gas prices compared with third quarter last year. In addition, we had a reduction in equity production of 17%, in line with management's expectations, largely caused by extensive maintenance activities impacting both oil and gas production.

Net income in the third quarter 2010 was NOK 13.8 billion compared to NOK 6.6 billion in the same period last year. This result reflects higher prices for both oil and gas, a strong net financial income, lower tax rate and reduced impairment losses, partly offset by lower volumes sold and reduced gains on derivatives.

Adjusted earnings in the third quarter 2010 were NOK 26.7 billion, down 14% from last year. Adjusted earnings after tax were NOK 8.5 billion in the third quarter, down 8% from last year. 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 68% compared to 70% in the third quarter of 2009.

"Extensive planned maintenance activities throughout the third quarter have affected both our oil and gas production significantly. Our financial performance and cash generation remains solid, reaffirming our financial flexibility to support a continued development of our portfolio. In a period with very high maintenance and modification activities, both offshore and at our gas processing facilities, we are pleased to see that the positive trend for our HSE results is demonstrated also in this quarter," says Statoil's CEO Helge Lund.

Recently, we have decided to temporarily reduce the current production on two North Sea fields (Gullfaks South and Kvitebjørn), securing sufficient reservoir pressure in order to drill additional wells in a safe manner, and thereby creating both more volumes and values from these fields. This decision, in addition to short term capacity constraints at Kollsnes, has triggered a downward adjustment of our production guidance for 2010 to 1,900 mboe per day from the previously guided range of 1,925-1,975 mboe per day.

Our portfolio of new field developments are progressing as planned towards 2012, however, with limited expected production growth in 2011.

Highlights since second quarter 2010:

* Equity production was down 17% from third quarter 2009 to 1,552 mboe per day. For the first nine months of the year, equity production was 1,868 mboe per day, which is down 3% compared to last year.
* Average prices measured in NOK are up 14% for liquids and up 8% for gas compared to third quarter last year.
* On 22 July the Norwegian Parliament (Stortinget) approved the plan for development and operation (PDO) of Marulk.
* On 1 August Morvin started production according to plan.
* On 23 September Statoil announced the acquisition of 20.67% of Nautical Petroleum's interest in the Mariner field in UK.
* On 10 October Statoil announced the agreements with Enduring Resources and Talisman regarding acquisition of 67,000 net acres in the Eagle Ford shale area in southwest Texas in the United States, adding approximately 550 million boe to Statoil's recoverable resources.

* On 21 October the plan for development and operation (PDO) of Valemon was submitted.
* On 22 October the subsidiary Statoil Fuel & Retail ASA was listed on the Oslo Stock Exchange.

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[HUG#1458297]

3Q 2010 presentation:
http://hugin.info/132799/R/1458297/397794.pdf

3Q 2010 Financial statements and review:
http://hugin.info/132799/R/1458297/397793.pdf

Press release 3rd quarter 2010:
http://hugin.info/132799/R/1458297/397792.pdf

Source: Statoil via Thomson Reuters ONE

Unternehmen: Statoil - ISIN: NO0010096985