

Equinor first quarter 2020 results

07.05.2020 | [GlobeNewswire](#)

Equinor (NYSE: EQNR, OSE: EQNR) reports adjusted earnings of USD 2.05 billion and USD 0.56 billion after tax in the first quarter of 2020. IFRS net operating income was USD 0.06 billion and the IFRS net income was negative USD 0.71 billion, following net impairments of USD 2.45 billion.

The first quarter was characterised by

- Rapid and forceful response to the Covid-19 pandemic, the fall in commodity prices and the market uncertainty
 - Launch of a USD 3 billion action plan for 2020 to strengthen financial resilience
 - Suspension of share buy-back under the share buy-back programme
 - Cash dividend for first quarter reduced to USD 0.09 per share
- Solid cash flow and net debt ratio(1) at 25.8%
- Financial results impacted by lower commodity prices
- Solid operational performance with record high production and successful ramp-up to a higher plateau production level at Johan Sverdrup at the end of April

The Covid-19 pandemic is impacting people, societies and industries across the world. Joint efforts by individuals, governments and companies are necessary to respond to the current global emergency. We are all in this together and Equinor has launched a forceful and rapid response. Safety is our first priority and we have taken actions to keep our people safe and healthy, contribute positively in the societies in which we operate and mitigate spread of the virus. We have also taken forceful actions to strengthen our financial resilience, and we are prepared to take further measures as necessary to protect people, operations and value creation," says Eldar S?tre, President and CEO of [Equinor ASA](#).

In times like this, with the current unprecedented market conditions and uncertainties, it is more important than ever to have a clear direction for the long-term development of the company. Our values and strategy remain firm, and we are committed to develop Equinor as a broad energy company. It is a sound business strategy to ensure competitiveness and drive change towards a low carbon future, based on a strong commitment to value creation for our shareholders," says S?tre.

Our financial results in the quarter were impacted by the lower commodity prices. However, we delivered strong operational performance with record high production and solid cash flow under these market conditions. Uncertainty remains high with very low commodity prices and increased differentials towards the end of first quarter and in the start of the second quarter. We will continue to prioritise value over volume and have already reduced activity, particularly in the US onshore. We will consider further activity reductions and use the flexibility we have in our portfolio as necessary," says S?tre.

Adjusted earnings [5] were USD 2.05 billion in the first quarter, down from USD 4.19 billion in the same period in 2019. Adjusted earnings after tax [5] were USD 0.56 billion, down from USD 1.54 billion in the same period last year. Lower prices for both liquids and gas impacted the earnings for the quarter.

In first quarter, Equinor announced a plan for reducing costs(2) for 2020 by around USD 700 million compared to original estimates. Operating costs in first quarter 2020, were improved from last quarter and we see lower unit production costs. For E&P Norway Equinor saw lower prices with increased production and high regularity. Results in the E&P International segment were impacted by the low prices on both gas and liquids, despite a slight reduction of operating costs and increase in production. The Marketing, Midstream and Processing segment reported strong results from European natural gas offset by the effects of weak refinery margins and product trading in a demanding volatile market. Equinor delivered record high electricity production from the renewable business.

IFRS net operating income was USD 0.06 billion in the first quarter, down from USD 4.73 billion in the same

period of 2019. IFRS net income was negative USD 0.71 billion in the first quarter, down from positive USD 1.71 billion in the first quarter of 2019. Net operating income was impacted by net impairment charges of USD 2.45 billion, of which USD 0.86 billion relates to assets at the Norwegian continental shelf and USD 1.40 billion to the international portfolio. Impairments are mainly triggered by reduction in short-term price assumptions.

Equinor delivered record high total equity production of 2,233 mboe per day in the first quarter, up 3% from the same period in 2019. The flexibility in the gas fields was used to defer production into periods with higher expected gas prices. Successful rampup of new fields as well as new well capacity, contributed to growth in production. The ramp- up of Johan Sverdrup contributes significantly to the increased production in the quarter, and the field reached a higher plateau production level at 470,000 boe per day in late April. Equinor expects to deliver an average annual production growth of around 3% from 2019 to 2026. Due to market uncertainties, government-imposed production curtailments and Equinor's value over volume approach, Equinor has suspended further production guidance for 2020.

At the end of first quarter 2020 Equinor has completed 5 exploration wells with 3 commercial discoveries, and 17 wells were ongoing. Adjusted exploration expenses in the quarter were USD 0.30 billion, compared to USD 0.27 billion in the same quarter of 2019.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 4.50 billion in the first quarter, compared to USD 6.45 billion in 2019. Organic capital expenditure [5] was USD 2.30 billion for the three first months of 2020. Equinor expects an organic capex of around USD 8.5 billion for 2020 and is updating its organic capex expectation for 2021 to around USD 10 billion. At the closing of the quarter net debt to capital employed(1) was 25.8%, up two percentage points mainly as a result of currency impact on equity. Following the implementation of IFRS 16, net debt to capital employed(1) was 31.3%.

The board of directors has decided a cash dividend of USD 0.09 per share for the first quarter 2020, a reduction of 67% compared to the proposed fourth quarter 2019 dividend level.

The twelve-month average Serious Incident Frequency (SIF) for the period ending 31 March was 0.6 for 2020 and in 2019. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending 31 March was 2.3 for 2020, compared to 2.9 in 2019.

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(1) This is a non-GAAP figure. Comparison numbers and reconciliation to IFRS are presented in the table Calculation of capital employed and net debt to capital employed ratio as shown under the Supplementary section in the report.

(2) Operating cost (excluding variable cost such as transportation and processing), sales and general administration and field development costs. Expensed exploration costs are not included.

[5] For items impacting net operating income, see Use and reconciliation of non-GAAP financial measures in the Supplementary disclosures.

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Attachments

- CFO presentation 1st Quarter 2020 results
- First Quarter 2020 Financial statements and review
- Press release First quarter 2020 results

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