

# Equinor second quarter 2020 results

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Equinor (OSE: EQNR, NYSE: EQNR) reports adjusted earnings of USD 0.35 billion and USD 0.65 billion after tax in the second quarter of 2020. IFRS net operating income was negative USD 0.47 billion and the IFRS net income was negative USD 0.25 billion.

The second quarter was characterised by

- Financial results impacted by the Covid-19 pandemic and very low commodity prices.
- Strong trading results, capturing significant value in volatile markets.
- Overall solid operational performance and cost reductions.
- After tax results positively impacted by temporary tax changes in Norway.
- Net debt ratio (1) increased to 29.3% due to very low commodity prices and tax payments from 2019 earnings.

Our financial results for the second quarter were impacted by very low realised oil and gas prices due to the Covid-19 pandemic, but also by a strong trading performance in volatile markets. We now see gradual reopening of society in some parts of the world, while other regions are still heavily impacted by the pandemic. Equinor has taken forceful actions to protect the safety of our people, and to contribute positively in society and mitigate the spread of the virus. We have also been able to maintain stable operations and implemented several measures to safeguard our financial strength, says Eldar S?tre, President and CEO of [Equinor ASA](#).

We have reduced costs, maintained solid operational performance and continued to prioritise value over volume by deferring significant flexible gas production to periods with higher expected prices. We also continued to progress our highly competitive project portfolio, supported by active policy measures in Norway enabling the industry to continue to work on planned projects that will stimulate new investments and maintain activity in a challenging period. Since the start of the quarter, we have signed contracts and framework agreements for more than 10 billion kroner to competitive suppliers in Norway, says S?tre.

We expect market volatility to continue going forward. The long-term market implications from Covid-19, with possible lower demand and reduced investments in the industry, remain uncertain. However, Equinor's strategic direction remains firm and we are committed to develop Equinor as a broad energy company to create value in a low carbon future. Together with our partners, we have taken positive investment decisions for transportation and storage of CO2 in the Northern Lights project and for the Sleipner field to be partly electrified with renewable energy from shore, says S?tre.

Adjusted earnings [5] were USD 0,35 billion in the second quarter, down from USD 3.15 billion in the same period in 2019. Adjusted earnings after tax [5] were USD 0.65 billion, down from USD 1.13 billion in the same period last year. Very low realised prices for both liquids and gas impacted the earnings for the quarter, while trading operations in volatile markets captured significant value.

Equinor is on track to deliver on the announced plan for reducing costs (2) for 2020 by around USD 700 million compared to original estimates. Upstream operating costs and the unit production costs are significantly reduced from the second quarter of 2019.

For E&P Norway Equinor saw very low commodity prices and production was impacted by deferring significant gas volumes to later periods to capture higher expected value as well as government imposed oil production curtailments.

As from the second quarter, Equinor has established E&P USA as a separate reporting segment. Results in

this segment were impacted by very low commodity prices, while significant cost reductions contributed positively. Results in the E&P International segment (excluding E&P USA) were also impacted by low prices, despite a reduction of operating costs.

The Marketing, midstream and processing segment delivered a record high result in the quarter, particularly from crude oil and liquids trading where values were extracted from a market in contango and ability to utilise the asset portfolio. In addition, there was positive a contribution from renegotiations of gas contracts.

New energy solutions delivered an around neutral result in the quarter, including costs related to maturation of new projects.

IFRS net operating income was negative USD 0.47 billion in the second quarter, down from USD 3.52 billion in the same period of 2019. IFRS net income was negative USD 0.25 billion in the second quarter, down from USD 1.48 billion in the second quarter of 2019.

Net operating income was impacted by net impairment charges of USD 0.37 billion, mainly related to a gas processing plant in Norway and exploration.

Equinor delivered total equity production of 2,011 mboe per day in the second quarter, at the same level as in the same period in 2019, with strong growth in liquids production on the NCS. Adjusting for portfolio transactions and government-imposed curtailments, this represents a production growth of more than 4% compared to the second quarter of 2019. The flexibility in some gas fields was used to defer significant production into periods with higher expected gas prices. Successful ramp-up of new fields, including Johan Sverdrup, as well as new well capacity, contributed to growth in production.

At the end of the second quarter Equinor has completed 15 exploration wells with 6 commercial discoveries and 2 wells under evaluation. 17 wells were ongoing at the quarter end. Adjusted exploration expenses in the quarter were USD 0.28 billion, compared to USD 0.24 billion in the same quarter of 2019.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 6.86 billion in the first half of 2020, compared to USD 12.0 billion in the first half of 2019. Organic capital expenditure [5] was USD 4.11 billion for the first six months of 2020. At the closing of the quarter net debt to capital employed (3) was 29.3%, up from 25.8% at the end of the first quarter, mainly as a result of very low commodity prices and tax payments related to 2019 earnings. Following the implementation of IFRS 16, net debt to capital employed (3) was 34.7%.

The board of directors has decided a cash dividend of USD 0.09 per share for the second quarter 2020.

The twelve-month average Serious Incident Frequency (SIF) for the period ending 30 June was 0.6 for 2020, compared to 0.5 in 2019. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending 30 June was 2.3 for 2020, compared to 2.6 in 2019.

\* \* \*

(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.

(3) 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.

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

the Supplementary disclosures.

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*This information is subject to the disclosure requirements pursuant to Section 5-12 the Norwegian Securities Trading Act*

Attachments

- Second quarter 2020 Financial statements and review
- Press release second quarter 2020 results
- CFO presentation 2nd Quarter 2020 results

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