

# Equinor third quarter 2020 results

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Equinor (OSE: EQNR, NYSE: EQNR) reports adjusted earnings of USD 0.78 billion and USD 0.27 billion after tax in the third quarter of 2020. IFRS net operating income was negative USD 2.02 billion and the IFRS net income was negative USD 2.12 billion, following net impairments of USD 2.93 billion mainly due to reduced future price assumptions.

- Solid results from operations in a low-price environment
- On track to deliver on USD 3 billion action plan to strengthen financial resilience
- Strong value creation from renewables
- Net debt ratio(1) increased to 31.6%, due to net impairments and payment for government share of share buy-back

Our financial results are impacted by weak prices as regions across the world are still severely affected by the pandemic. We see the results of our forceful response to the market turmoil, with significant cost improvements and strict financial discipline. Net impairments in the quarter are mainly due to reduced price assumptions. Significant uncertainty remains around the future commodity price development underlining the importance of increased competitiveness and financial resilience, says Eldar Sætre, President and CEO of [Equinor ASA](#).

We deliver solid operational results in the quarter with an underlying production growth of nine percent. We progress our competitive project portfolio, supported by the tax policy measures in Norway, with the delivery of Plan for Development and Operation of the Breidablikk field. Our specialised organisation for late-life production at the Norwegian continental shelf had a successful start-up showing improved production efficiency and reduced cost, says Sætre.

We continue to capture value from our renewable energy portfolio and position ourselves for profitable growth in value chains for carbon capture and storage. This quarter we announced our partnership with BP, including the divestment of half of our share of offshore wind projects Empire Wind and Beacon Wind in the US. We are progressing H2H Saltend, a project for large-scale production of hydrogen in the UK, and in Norway we are progressing the Northern Lights project as part of creating full value chains for carbon capture, transportation and storage, says Sætre.

Adjusted earnings [5] were USD 0.78 billion in the third quarter, down from USD 2.59 billion in the same period in 2019. Adjusted earnings after tax [5] were USD 0.27 billion, down from USD 1.08 billion in the same period last year. Low prices for liquids and gas impacted the earnings for the quarter.

Equinor is on track to deliver on the action plan launched in March 2020 of USD 3 billion to strengthen financial resilience, including a reduction of operating costs of USD 0.70 billion. Unit production costs are significantly reduced from third quarter last year.

In the E&P Norway segment, Equinor saw weak prices impacting the results but took advantage of the flexibility in gas production as gas prices in Europe recovered through the quarter.

Results in the E&P International segment were impacted by low prices, partially offset by a substantial reduction in costs. The E&P USA segment was also impacted by weak prices, while continuing efforts to reduce activity and costs.

The Marketing, midstream and processing segment captured value from gas sales to Europe, offset by slightly negative refinery margins in the quarter.

New energy solutions delivered a positive result in the quarter, including costs related to maturation of new

projects. A capital gain of around USD 1 billion from the divestment of a 50% non-operated interest of the offshore wind projects Empire Wind and Beacon Wind in the US is expected to be booked in the first quarter of 2021.

IFRS net operating income was negative USD 2.02 billion in the third quarter, down from negative USD 0.47 billion in the same period of 2019. IFRS net income was negative USD 2.12 billion in the third quarter, down from negative USD 1.11 billion in the third quarter of 2019.

Net operating income was impacted by net impairments of USD 2.93 billion mainly due to reduced future price assumptions as well as some reductions in reserves estimates. Net impairments include USD 1.38 billion in the E&P USA segment, of which USD 1.21 billion is related to US onshore. Impairments in the E&P International segment were USD 1.18 billion, while impairments within the E&P Norway segment was USD 0.37 billion. In total, USD 0.58 billion of the net impairment was recognised as exploration expenses.

Equinor delivered total equity production of 1,994 mboe per day in the third quarter, up from 1,909 mboe per day in the same period in 2019, with an increased share of gas. Adjusting for portfolio transactions and government-imposed curtailments, this represents an underlying production growth of around 9% compared to the third quarter of 2019.

At the end of the third quarter Equinor has completed 26 exploration wells with 13 commercial discoveries and two wells under evaluation. At the quarter end, 16 wells were ongoing. Adjusted exploration expenses in the quarter were USD 0.30 billion, compared to USD 0.26 billion in the same quarter of 2019.

Cash flows provided by operating activities before taxes paid and changes in working capital amounted to USD 10.2 billion in the first nine months of 2020, compared to USD 16.6 billion in the first nine months of 2019. Organic capital expenditure [5] was USD 5.99 billion for the first nine months of 2020. At the closing of the quarter net debt to capital employed(2) was 31.6%, up from 29.3% at the end of the second quarter of 2020, mainly impacted by the net impairment in the quarter, as well as share buy-back from the Norwegian state. Following the implementation of IFRS 16, net debt to capital employed(2) was 37.0%.

The board of directors has decided a cash dividend of USD 0.11 per share for the third quarter 2020.

The twelve-month average Serious Incident Frequency (SIF) for the period ending 30 September was 0.6 for 2020, similar to the same period for 2019. The twelve-month average Recordable Injury Frequency (TRIF) for the period ending 30 September was 2.3 for 2020, compared to 2.5 in 2019.

\* \* \*

(1) (2) 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 in the Norwegian Securities Trading Act*

Attachments

- Third quarter 2020 Financial statements and review
- Press release third quarter 2020 results
- CFO presentation 3rd Quarter 2020 results

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