

2009 First Quarter Results
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Speaker:

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Good afternoon Ladies and Gentlemen, and welcome to our first quarter results presentation.

Here with me is Claudio Descalzi and together we will be pleased to answer to your question at the end of the presentation.

In the first quarter of 2009 the Brent price continued to weaken averaging 44 \$ per barrel and declining by approximately 54% compared to the first quarter of 2008.

The benchmark European refining margin averaged 5.3\$/bbl, increasing by 40% compared to one year ago.

The margins realized by our own refineries did increase, but less than the benchmark as a result of the narrowing light-heavy oil differential and CIF-FOB spreads.

The euro showed a depreciation of 13% versus the US dollar compared to the same period of last year.

As usual, I would like to remind you that Eni's results are affected by several issues, including the seasonal factor affecting the demand for natural gas and petroleum products used for residential heating, the demand for which is highest in the first quarter of the year, the coldest months, and lowest in the third quarter, the warmest months. Therefore, Eni's operating profit and change in net debt in the first quarter cannot be extrapolated for the full year.

In the first quarter of 2009 the adjusted operating profit was about 3.8 billion euro, down 36%. This was due to the weaker operating performance of our Upstream and Gas & Power business segments due to falling oil prices and lower natural gas demand.

The adjusted net profit also reported a 42% decrease for the performance at the operating level and for the lower contribution from equity accounted investments.

It was also impacted by the higher tax rate in Italy and in some E&P subsidiaries outside Italy.

Starting from this quarter, in accordance with the IFRS, we will include the overall impact of derivatives on commodities which don't meet the requirements of effectiveness required by the accounting standards in the reported operating profit line instead of in the net financial charges line. The adjusted operating profit will include only the realized component while the mark to market (or unrealized) component will be treated as a special item.

The aim of this reporting change is to better reflect the operating profitability of the businesses which hedge a portion of their commercial transactions in order to achieve margin targets and is in line with the best practices in the oil sector.

In the **E&P division**, hydrocarbon production in the first quarter decreased by around 1% compared to the same period of 2008.

This performance is the result of the OPEC cut (31 kboe/d), the weaker gas demand and the force majeure events which occurred mainly in Nigeria, Congo and GoM (overall 34 kboe/d). These negative factors were partially offset by the impact of PSA and the contribution of 2008 start ups.

E&P adjusted operating profit amounted to 2.2 billion euro, down 49% compared to the first quarter of 2008.

This decrease was due mainly to:

lower oil realization prices in dollars (-51%) [1];

lower production sold [2];

and

higher DD&A [3].

These negative factors were partially offset by the depreciation of the euro versus the US dollar [4], higher gas prices (+4%) [1] and lower exploration charges [5].

Starting from this quarter, as a result of the regulated business restructuring expected in the second half of 2009, the Storage business result will be reported in the Regulated segment of the G&P division instead of in the E&P Division [6]. The 2008 figures have been restated accordingly.

[1] All in all, lower hydrocarbon realisation prices accounted for -1.390 mln euro

[2] It accounted for -870 mln euro

[3] It accounted for -175 million euro

[4] It accounted for +250 mln euro

[5] It accounted for +150 mln euro

[6] It accounted for +84 mln euro in 2009 and +85 mln euro in 2008

As for the **Gas & Power division**, overall gas volumes sold, including both consolidated and associated companies, increased by more than 6%, totalling around 31 bcm.

In particular:

- International gas sales increased by more than 46%, reflecting the Distrigas acquisition (+6 bcm) and the higher volumes sold in the target markets despite a declining gas demand;
- in Italy, including own consumption, gas sales decreased by 22% as a consequence of the economic slowdown which caused a significant decrease in gas sales to industrial (-20%) and power customers (-44%).

The Gas & Power adjusted operating profit amounted to approximately 1.4 billion euro, down 18% over the same period of 2008.

This reduction was primarily due to the lower volume sold in Italy and weaker contribution from power activity [1]. This negative element was partially offset by the favorable trend in energy parameters to which gas purchase cost and selling price are indexed [2] and the acquisition of Distrigas [3].

Furthermore Regulated business accounted for a lower adjusted operating profit as a result of the revision of the tariff mechanism that smoothed the seasonality of the distribution business [4], as well as the lower volume transported as a consequence of the lower gas demand [5]. These negative

elements were partially offset by the incentives provided on the new investments in the transportation network. [6]

- [1] It accounted for around -300 million euro
- [2] It accounted for around +80 million euro
- [3] It accounted for +25 million euro
- [4] It accounted for around -100 million euro
- [5] It accounted for around -35 million euro
- [6] It accounted for around +10 million euro

G&P proforma adjusted Ebitda amounted to 1.7 billion euro. This compares to 1.8 billion euro in the first quarter of 2008.

The **Marketing segment** result was effectively flat. The lower volumes sold in Italy [1] were offset by the favorable trend in energy parameters [2], the acquisition of Distrigas [3] and the adjustment for the impact of derivatives on commodities and exchange rates related to sales in other accounting periods.

The Regulated business Ebitda declined for the reasons commented on the EBIT adjusted.

Finally, international transportation showed a 10% increase versus the first quarter of 2008 thanks to the increased transport capacity.

- [1] It accounted for around -300 million euro
- [2] It accounted for around +180 million euro
- [3] It accounted for an overall +135 million euro

R&M adjusted operating result for the first quarter accounted for 55 million euro compared to 12 million euro in the same period of 2008.

This result reflects the lower utilities cost [1] and the depreciation of the euro vs dollar [2]. These positive elements were partially offset by the lower throughput due to planned and unplanned maintenance activities [3]

The Marketing activities showed a stable operating result.

- [1] It accounted for +34 million euro.
- [2] It accounted for +12 million euro.
- [3] It accounted for -7 million euro.

Petrochemicals posted an adjusted operating loss of 111 million euro due to the economic downturn driving a 25% decline in sales and weaker base chemical margins.

In the **Engineering & Construction sector**, the first quarter adjusted operating profit amounted to 272 million euro, versus 214 million euro in 2008; the increase is attributable to higher results in all business segments.

The overall result from Other Activities and Corporate was substantially flat year on year.

Moving now to the operating cash flow, this amounted to 5.4 billion euro in the first quarter, divestment accounted for 0.2 billion euro. Capex amounted to 3.1 billion euro, in line with the first quarter of 2008.

Net financial debt at the end of March, declined to 16.5 billion euro.

Since then we have paid €2 bn to Distrigas' minorities shareholders and received 3.1 billion euro from Gazprom for the 20% stake in Gazpromneft.

At the end of April our gearing is therefore below 0.32 .

At year-end, gearing is expected to slightly increase vs the 2008 level.

Thank you for your attention and now, together with Claudio Descalzi, I am pleased to answer any questions you may have.