

2009 THIRD QUARTER RESULTS

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Speaker:

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

Here with me are Claudio Descalzi and Domenico Dispenza. We will be happy to answer to your questions at the end of the presentation.

The market environment in the quarter continued to be challenging, with commodity prices sharply lower when compared to the same period of last year (Brent was down 41% [and Henry Hub prices down 61%]) and European refining margin continuing to weaken, averaging 2.3 dollars per barrel, down 63% year on year.

The euro showed a depreciation of 5% versus the US dollar averaging 1.43 during the quarter.

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

Moving to the results, adjusted operating profit in the third quarter amounted to 3.1 billion euros, down 50% year-on-year. This result reflected the lower contribution of the Exploration & Production and the Refining & Marketing divisions.

Adjusted net profit in the third quarter declined by 61% to 1.2 billion euros as a result of weaker operating performance, lower results reported by equity-accounted entities and a higher adjusted tax rate (up 3.4 percentage point in the quarter).

Hydrocarbon production in the third quarter decreased by 4.9% compared to the same period of 2008, averaging one million six hundred and seventy eight thousand boe per day (1,678 kboe/d). The decrease is due to OPEC cuts (25 kboe/d), continuing security issues in Nigeria, weaker European gas demand and mature field declines. These negatives were partially offset by the production ramp-up and field start-ups in Congo, Kazakhstan, Norway, Venezuela and Gulf of Mexico as well as the positive impact of PSAs (around 50 kboe/d).

Third quarter adjusted operating profit amounted to 2.4 billion euros, down 54% compared to the third quarter of 2008, mainly as a consequence of lower hydrocarbon realizations in dollars [Oil (-37%) & Gas (-43%)] and lower production sold. These negative elements were partially offset by the depreciation of the euro over the US dollar and the lower exploration expenses.

As for the Gas & Power division, overall gas volumes sold in the third quarter of 2009, including both consolidated and associated companies, increased by approximately 12% year on year, totalling 21.1 bcm. The higher International gas sales, reflecting the Distrigas acquisition (+3.3 bcm) and the organic growth achieved European target markets, were partially offset by the lower volumes sold in Italy as a consequence of the economic downturn.

Adjusted operating profit amounted to 721 million euros, up 23% over the same period of 2008. The increase is mainly due to the higher contribution from Regulated Businesses in Italy benefiting from the new tariff mechanism for the Distribution business.

It is worth saying that performance in the Marketing segment benefited from the gains recorded on the settlement of certain non-hedging commodity derivatives amounting to €44 million associated with future sales of gas and electricity at fixed prices. Net of this effect performance in the marketing segment would have declined as a result of the current weak gas trading environment. This factor is excluded in the EBITDA proforma adjusted.

G&P adjusted proforma Ebitda for the third quarter of 2009 amounted to 703 million euros. This compares to 787 million euros in the third quarter of 2008. Results in the Marketing segment declined by 44% as a result of lower volumes sold in Italy due to the economic downturn and the weaker pro quota ebitda contribution from associates; these elements were partially offset by the higher international direct sales.

The Regulated business generated 338 million euros, up 44% versus the third quarter of 2008. The increase mainly reflects the higher contribution from distribution business as a result of the revision of the tariff mechanism in 2009 which smoothed the seasonality of the business. Furthermore, the Regulated business benefited from incentives provided on new investments in the transportation network, partially offset by lower volume transported due to the weak gas demand.

Finally, International Transportation declined versus the third quarter of 2008 as a result of higher amortization charges and costs incurred to repair the TMPC pipeline which was damaged in an accident last December.

Turning now to R&M, utilization rates declined by 12 p.p. year-on-year as a result of the weak trading environment and higher maintenance activity. The third quarter recorded an adjusted operating loss of 110 million euros compared to an operating profit of 227 million euros in the same period of 2008. This result reflects significantly weaker refining margins, mainly due to the narrowing of the differential between light and heavy crude. This reduction was partially offset by the depreciation of the euro/dollar exchange rate. Marketing performance declined as a result of lower margins and volumes sold due to the economic downturn.

In the third quarter of 2009, the Petrochemical business posted an adjusted operating loss of 65 million euros due to weak demand and high feedstock costs. In the Engineering & Construction sector, the third quarter adjusted operating profit amounted to 267 million euros, substantially in line with last year. The Other Activities and Corporate showed an aggregated loss of 146 million euros versus a loss of 125 million euros in the third quarter of 2008.

In the first nine months of 2009, operating activities generated a cash flow of 9.7 billion euros. On top of this:

- the disposal of the Gazpromneft 20% stake and of marginal E&P assets as well as
- the Snam Rete Gas minority shareholder capital increase contributed around 5.1 billion euros, bringing the overall cash generated to 14.8 billion euros.

The cash flow generated financed capex of 9.8 billion euros, acquisition costs mainly related to Distrigas' minorities of 2.3 billion euros and dividends paid in May and September, totalling 4.2 billion euros. Other uses absorbed 0.7 billion euros and brought the overall cash outflow to 17.0 billion euros.

Net financial debt, as at the end of September, amounted to 20.5 billion euros and the debt to equity ratio increased to 0.42 when compared to 0.38 of year end.

Thank you for your attention and now, together with Claudio Descalzi and Domenico Dispenza, I would be happy to answer any questions you may have.