2011 Fourth Quarter and Full Year Preliminary Results

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Speakers:

Paolo Scaroni – CEO

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Paolo Scaroni

Good afternoon ladies and gentlemen.

I am pleased to welcome you to our 2011 fourth quarter and full year results presentation.

2011 was a year in which we made exceptional progress on our medium and long-term growth prospects.

We had some remarkable successes in exploration, beyond our own expectations, with important discoveries :

- in the Far East, with the discoveries in Jangkrik North East, which have almost doubled resources in the area;
- in the Barents Sea, where Skrugard and, in recent weeks, Havis, have opened up a new hub with 500mboe of recoverable reserves;
- of course in Mozambique, where we have today announced the results of our second well Mamba North and raised our estimate of gas in place to 30tcf. We are very excited about the Block's further potential, and have expanded our exploration and appraisal plan with 8 further wells to be drilled in the next two years.

Overall, we have added 1.1 bn boe of resources in 2011, building on our excellent track record in exploration over the past four years.

We have also made good progress on our key projects for medium-term growth, signing the GSAs and taking final investment decisions for Perla, in Venezuela and for our fields in the Yamal Peninsula in Russia. We are pleased with the technical and commercial progress on these developments, which alongside with the year's other FIDs will contribute 140kboe/d of new production by 2015.

Another highlight of Eni's performance in 2011 was the quick operational recovery in Libya.

While the turmoil in our largest producing country affected both volumes and results last year, our consolidated local relationships and experience helped to contain the impacts of the crisis.

We were the only IOC to maintain some level of production in Libya during the revolution, with local employees continuing to work at Wafa, and gas production for domestic power generation exempt from international sanctions.

And since the liberation of Tripoli in September, we have restarted all of our fields and re-opened the Greenstream, ramping up production faster than even we had anticipated.

Today, we are almost back to pre-crisis levels, and expect 2012 production from Libya of around 230-240kboe/d, compared to the 110 kboe/d reported for the full year 2011 and 273 kboe/d in 2010.

Let's now turn to gas and power, R&M and petrochemicals.
For all of these businesses, the market context in 2011 was difficult, and we saw a deterioration in the fourth quarter of the year as the sovereign debt crisis started to affect the European – and particularly the Italian – economy.

This crisis spread across all our Italian businesses.
In gas & power, demand was down 11% in the quarter, also due to mild weather.
In R&M, consumption of refined products declined by 5.5% in the quarter, and for petrochemicals the second part of the year was the worst in the last 10 years.

In this context, we have taken steps to strengthen our competitive position in each sector.

In gas and power, we continue our strategy of reviewing our supply costs and have already closed the agreement with Sonatrach. However, it is worth reminding you that G&P results do not yet include the expected benefits of the Gazprom renegotiation, which is progressing constructively and will be retroactive for the whole of 2011.
Meanwhile, we have strengthened our position in the most resilient retail segment through organic growth in Italy and selective acquisitions in France and Belgium.

In R&M we are concentrating our efforts on efficiency. In 2011 we exceeded our target with over €150m of savings.

In Petrochemicals, alongside cost cutting, we are refocusing our business on more profitable niches. An example comes from our innovative project to convert a structurally loss-making basic chemicals plant to biochemicals, giving us a foothold in this fast growing market.

Thank you for your attention, and I will now hand you over to Sandro for a closer look at our fourth quarter results.

Alessandro Bernini

Thank you Paolo.

In the fourth quarter of 2011, the market environment was mixed.

The Brent price averaged 109 dollars a barrel, up 26% compared to the fourth quarter of 2010. Meanwhile, the average European refining margin Brent/Ural was 2.5$/bbl, well below historical levels and showing an 8% decline year-on-year.

The Euro/Dollar exchange rate was broadly in line with the last quarter of 2010, at 1.35 dollar per euro.

Moving to our results, Eni's adjusted operating profit for the fourth quarter of 2011 was €4.3 billion, a decrease of 10% from the fourth quarter 2010.

This result reflects the operating losses recorded by the downstream businesses against the backdrop of a recessionary environment and the increased competitive pressure on G&P marketing results, which only partially include the benefits of supply renegotiations.

These negatives were to some extent offset by the improved operating performance in E&P, where operating profits were up 4.3% year on year, reflecting higher oil prices and the effort made to recover Libyan production after the suspension of much of our activity in the country during the crisis.

Adjusted net profit for the fourth quarter of 2011 was €1.54 billion, down 9.5% compared with a year ago. This decrease reflects lower operating results and higher Group consolidated adjusted tax rate. The group tax rate was approximately 3 percentage points higher, due to the higher contribution of E&P to group profits as well as the upward revision of the so-called Robin Tax.

In the fourth quarter of 2011, Eni's hydrocarbon production amounted to 1,678 kboe/d, a decrease of about 14% compared to Q4 2010.

The decrease was mainly driven by the Libyan crisis. However, the extraordinary efforts made in the last part of the year to restart production and re-open the Greenstream pipeline helped to reduce the impact of force majeure. Fourth quarter production from Libya was over 160kboe/d, compared to third quarter production of around 50kboe/d.

Furthermore, the sharp increase in oil prices compared to the fourth quarter of 2010 negatively affected entitlements under PSA contracts, with an estimated impact of 20 kboe/d.

The division's adjusted operating profit was supported by higher oil prices, and amounted to 4.2 billion euro, up 4% compared to the fourth quarter of last year.

In terms of reserves, we added 827m boe through organic promotions, a result driven by the important FIDs taken in 2011, amongst which the first two developments in the Yamal

Peninsula in Russia, Samburskoye and Urgengoskoye, and the supergiant Perla field in Venezuela.

Overall reserves at the end of 2011 were 7.1mboe, a figure which rises to 7.2mboe excluding price effect, compared to 6.8mboe at the end of 2010.

Our organic reserve replacement before price effects was 160%. Even assuming full Libyan production in 2011, it would have been in the region of 120%.

In Gas & Power, overall gas volumes sold, including consolidated and associated companies, totalled 24.7 bcm, a decrease of around 9% compared with last year. The decline is mainly attributable to weak demand in Europe, growing competitive pressure and the effect of force majeure in Libya on off-takes by importers to Italy.

Adjusted operating profit in the fourth quarter decreased by 50% compared to the same period of 2010, due to the sharply lower results delivered by the Marketing business.

It is worth reminding you that fourth quarter Marketing results reflect the benefits of the finalised renegotiation with Sonatrach, backdated to April 1st 2011, and do not yet reflect the benefits of the pending negotiation with Gazprom, although this will also be retroactive to January 1st 2011.

G&P adjusted proforma Ebitda for the fourth quarter of 2011 was 623 million euro, compared to 921 million euro in the same quarter of 2010.

International Transportation results showed a 42% decrease, mainly due to the divestment of eni's interests in the gas pipelines from Northern Europe and Russia. The Regulated businesses generated 387 million euro, in line with the corresponding period of last year.

Adjusted pro-forma Ebitda in the Marketing and Power business was negatively impacted by a recessionary environment and increasing competitive pressure in Italy and Europe as well as unusually mild weather conditions.

Increased competitive pressure was partially offset by the positive outcome of the renegotiation of long term supply contracts with Sonatrach and other suppliers, as well as by portfolio optimisation strategies. On the other hand, the result does not yet reflect the benefits of the pending renegotiation with Gazprom, whose effects will be retroactive to January 1st 2011.

Furthermore, the lower production in Libya reduced volumes to shippers and affected margins, owing to the substitution of recently renegotiated Libyan gas with other sources of supply.

Turning now to R&M, in the fourth quarter of 2011 the division reported an adjusted operating loss of 271 million euro, versus a loss of 39 million euro in the same period of last year.

This decrease reflects the worsening result of the refining business, with unprofitable refining margins due to rising costs for feedstock and plant utilities (particularly fuel oil). Eni's complex refineries were also impacted by the reduction in the spread between light and heavy crudes. These negatives were partially offset by efficiency enhancement measures, the synergic integration of refineries and the optimization of supply activities.

Meanwhile, operating profits in Marketing were impacted by declining fuel consumption for transport and industry in a recessionary environment, and by increased competitive pressures.

In the fourth quarter of 2011, the Petrochemical business reported an adjusted operating loss of 154 million euro, compared to a loss of 74 million euro in the fourth quarter of 2010. The business was negatively impacted by falling margins and a substantial decrease in demand.

Saipem delivered adjusted operating profits of 390 million euro, up 3% versus Q4 2010.

Other Activities and Corporate showed an aggregate loss of 88 million euro, compared to a loss of 129 million euro in the fourth quarter of 2010. This decline is mainly related to year-end adjustments of insurance costs thanks to improved injury frequency rates, and other one-off items.

Cash flow from operations was 14.3 billion euro in 2011. Proceeds from divestments amounted to almost 2 billion euro, including the sale of eni's interest in gas transport pipelines from Northern Europe and Russia, gas distribution activities in Brazil and non-strategic upstream assets.

Cash outflows related to capital expenditure of 13.4 billion euro and dividend payments of 4.3 billion euro, including dividends paid to Saipem and Snam minorities.

Net financial debt at year end amounted to 28 billion euro and the ratio of net borrowings to total equity (leverage) stood at 0.46, compared to 0.47 in 2010.

Thank you for your attention and now I will hand you over to Paolo for his final remarks.

Paolo Scaroni

Thank you Sandro. And now our outlook for 2012.

Our upstream production will grow by around 10% net of PSA effects, driven by the recovery in Libya and start-ups in Algeria, Angola and Russia. This guidance factors in reduced growth expectations from Iraq, where bureaucratic difficulties have slowed the ramp-up in our entitlements.

Turning to Gas & Power, as you are aware the Italian government has issued a decree which includes the proprietary separation of Eni and Snam – a move which is coherent with our medium-term strategy. The timing and shape of this disposal are yet to be determined, and our guidance refers to group structure as it currently stands.

Regulated businesses will continue to perform well, although international transport results will reflect the sale of our European pipelines, completed in the fourth quarter of 2011.

Our marketing activities will benefit from the recovery in Libyan supply and continued renegotiations of long-term contracts, which will have a material impact on 2012 results and provide the basis for a more competitive commercial strategy. Following the agreement reached with Sonatrach, we expect to close negotiations with Gazprom in the first part of 2012.

At the same time, our merchant business will face additional market pressure. Expected regulatory changes will impact our Italian retail business. And – while the economic and climate effects remain volatile – we see a weak 2012 on the back of the deterioration experienced in the fourth quarter. In this context, we will continue to grow sales in our key markets and increase LNG volumes, investing in our market position coherently with our view of a longer-term tightening.

In R&M, in the context of weak refining margins, we will further improve the efficiency of our operations.

Consolidated capex will remain broadly in line with 2011, and will be mainly focused on the development of our new major projects. These will continue to fuel eni's growth in the future – a theme which we will discuss further in our Strategy Presentation next month.

We will now be pleased to answer your questions.