2010 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 today are Claudio Descalzi and Domenico Dispenza. We will be happy to answer your questions at the end of the presentation.

In the first quarter of 2010, market fundamentals had a mixed impact on Eni's results and the energy sector in general.

Oil prices increased by 72% compared with the first quarter of 2009 while European refining margins, which averaged 2.4 dollars per barrel, were down 55%.

Finally, the euro showed an appreciation of 6% versus the US dollar averaging 1.38 during the quarter.

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

Moving to the results, adjusted operating profit in the first quarter was 4.3 billion euros, up 15% year-on-year thanks to the higher contribution of the Exploration & Production division, partially offset by the weaker performance of the Gas and Power and Refining & Marketing divisions.
Adjusted net profit in the first quarter increased by 4% to 1.8 billion euros as a result of a stronger operating performance which was partially offset by the higher adjusted tax rate, up 4 percentage points in the quarter, as a consequence of the increased contribution of the E&P.

Hydrocarbon production in the first quarter increased by 2.1% compared to the same period of 2009, averaging one million eight hundred and sixteen thousand boe per day (1,816 kboe/d).
This increase is due to production ramp-up and new field start-ups mainly in Nigeria, Congo, and Gulf of Mexico as well as lower OPEC cuts of 26 kboe/d. These positives were partially offset by the negative impact of PSAs of 47 kboe/d, mature field declines, facilities downtime in Norway, Kazakhstan and China due to the harsh weather conditions recorded in January and lower gas off-take from Libya.
When compared to the fourth quarter of 2009, production was down by 70 thousand boe per day. This difference is mainly due to the positive (one-off) effect registered at the end of 2009 related to the royalties received in USA and to the negative effect of the facilities downtime recorded in January 2010 as well as lower gas off-take from Libya.

Moving now to economic performance, the first quarter adjusted operating profit of 3.1 billion euro was up 44% compared to the corresponding quarter of 2009, mainly as a result of higher hydrocarbons realizations in dollars (oil + 69%; gas -19%), increased production sold and lower exploration charges. These positive elements were partially offset by higher operating costs and DD&A as well as by the appreciation of the euro versus the US dollar.

The overall gas volumes sold in the first quarter of 2010, including both consolidated and associated companies, decreased by approximately 6% year on year, totalling 28.9 bcm. The decline in volumes is mainly due to increased competitive pressure in Italy which was partially compensated by steady trends in sales on the European markets.

Adjusted operating profit decreased by 7% compared to the same period of 2009, mainly as a result of lower sales and weaker margins.

The first quarter adjusted operating profit doesn't include 21 million euro of gains from settlement of non-hedging commodity derivatives associated with future sales of gas and electricity at fixed prices.

G&P adjusted proforma Ebitda for the first quarter of 2010 was 1.4 billion euros, compared to 1.7 billion euros in the first quarter of 2009.
Results in the Marketing segment declined by 28% mainly as a result of lower volumes sold and lower margins in Italy, due to increased competitive pressure as well as the unfavorable trend in energy parameters. These negative factors were partially compensated by the impact of the renegotiation of certain long term supply contracts as well as supply optimization measures.

The Regulated business generated 379 million euros, up 11% versus the first quarter of 2009. The increase mainly reflects the new tariff system that recognizes fuel gas costs and the higher volume transported.

Finally, International Transportation, which for the time being still includes TAG, TENP and Transitgas, showed a result substantially in line with the first quarter of 2009.

In R&M, utilization rate declined to 70% in response to the weak trading environment.

The first quarter recorded an adjusted operating loss of 94 million euro compared to an operating profit of 55 million euro in the same period of 2009. This loss mainly reflected the lower refining margins due to weaker relative prices of products to oil feedstock cost.

Marketing activities delivered a weaker operating performance due to lower demand for oil products.

In the first quarter of 2010, the results of the Petrochemicals business have improved, with the operating loss down to 59 million euro from the 111 million euro operating loss of the first quarter of 2009, driven by recovery of demand for products and benefiting from cost saving.

In the Engineering & Construction sector, the first quarter adjusted operating profit amounted to 289 million euro, up 6% versus the first quarter of 2009.
The Other Activities and Corporate showed an aggregated loss of 122 million euro versus a loss of 113 million euro in the first quarter of 2009.

In the first quarter of 2010, operating activities generated cash flows of 4.6 billion euro. On top of this the proceeds associated with the second instalment of the disposal of SeverEnergia to Gazprom and those associated to the sale of non-core upstream assets located in the North Sea, contributed 0.7 billion euro, bringing the overall cash generated to 5.3 billion euros.

The cash flow generated financed capex of 2.8 billion euro, and other uses of 0.5 billion euro (mainly exchange rate differences), for a total cash outflow of 3.2 billion euros.

Net financial debt, as at the end of March, amounted to 21.1 billion euro and the debt to equity ratio decreased to 0.39 when compared to 0.46 at the 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.