

2012 Fourth Quarter and Preliminary Full Year Results

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Speakers:

Paolo Scaroni - CEO

Massimo Mondazzi - CFO

Paolo Scaroni

Good afternoon ladies and gentlemen, and welcome to our conference call.

I will take you through some of the highlights of this year, and then I will hand you over to Massimo Mondazzi, our CFO - who many of you know well from his time as deputy CFO of Eni and in key positions in E&P - for a more detailed look at the Q4 and full-year numbers.

With regards to the highlights, in 2012 eni delivered a robust performance. On top of that, we have fundamentally changed the profile of our company.

Eni is now financially stronger and more focused.

Our balance sheet has been transformed. Through the disposal of significant stakes in Snam and Galp we have reduced net debt by almost €13bn, bringing our leverage to 25% from the previous 46%. Our remaining stakes in Snam and Galp are worth around €5bn at current market prices, and we will continue to pursue value-creating opportunities.

The transformation of our balance sheet has gone hand in hand with that of our long-term growth prospects.

Exploration has been truly exceptional. In 2012 we have added over 3.6bn boe of new resources, or almost 6 times our 2012 production. And this is not just Mozambique; we have also had significant success in the Barents Sea, West Africa and in Egypt. And through efficient project sanctioning we have achieved an organic reserve replacement ratio of 147%.

We are on track with our major development projects; in particular, we are pressing ahead with Mozambique, thanks to the agreement struck with Anadarko in December, and confirm FID by 2014. And with regards to Kashagan, we are progressing steadily towards completion and will start up before the contractual date of June 2013.

Of course, growth needs to be built on a secure base. And on that front you should note that Libya has delivered a robust performance, with a quicker ramp up than many were expecting, although there is still a shortfall compared to pre-revolution production levels.

While Eni's value creation opportunities have never been stronger, reaping the full benefits of this transformation requires structural reform of our mid and downstream businesses.

In G&P, we have seen continuing demand destruction. In 2012 consumption was 6% lower in Italy and in key European countries year-on-year, and 12% lower compared to pre-crisis 2008. This has prevented European oversupply from being absorbed, and spot prices from closing the gap with oil linked prices.

In this context, our focus is on the renegotiation of our supply portfolio. We have now opened renegotiations regarding around 80% of our supply base. At the same time, we have focused our commercial efforts on segments in which we can add value, such as retail and LNG.

On top of that, we have launched a reorganization to integrate the supply activities of G&P and R&M together with trading, risk management and the wholesale commercial activities of gas and power including LNG. This integration will allow eni to capture synergies between supply, trading and sales, which are becoming increasingly interconnected as the market for natural gas becomes more liquid.

This activity will be led by Marco Alvera' who is currently in charge of our trading arm and in the past has run the supply activities of G&P.

Turning to R&M, here too we are facing unprecedented product demand declines, down 10% year on year in Italy, adding further pressure to Europe's structural refining over-capacity. We have made progress in aligning capacity with demand, through the temporary closures at the Gela, Venice and Taranto refineries, and have reduced costs by over €100m.

Lastly, Versalis has experienced the worst scenario on record, with high naphtha and utility costs and low prices for commodity chemicals. We are working to reduce our exposure to loss-making commodity chemicals while at the same time striking international alliances to strengthen our position in more profitable niches.

Overall, 2012 was a strong year for our company, with robust results in E&P, and good progress on the restructuring of our downstream businesses. As a result the Board of Directors intends to submit a proposal to the AGM for a full year 2012 dividend of €1.08 per share.

And now over to Massimo for a more detailed look at our numbers.

Massimo Mondazzi

Thank you Paolo.

In the fourth quarter of 2012, the market environment was mixed.

The average Brent price was 110 dollars a barrel, slightly up versus both last quarter and year-on-year.

The refining margin in the Mediterranean area remained volatile and the Brent/Ural margin dropped down from the high level seen in Q3 to around 2.8 \$/barrel, 10% lower than the same quarter last year.

Despite the improving trend of the Euro against the US dollar, comparing Q4 2012 with Q4 2011 the US dollar has appreciated 3.8%vs Euro.

Before we turn to our results, you should note that, following the sale of 30% of Snam to CDP which closed in October, from the fourth quarter Snam is completely deconsolidated whilst a portion of it, the so-called continuing operations under IFRS 5, was present in Q4 2011. As you may remember, until Q3 2012 continuing operations included the results of Snam's transactions with Eni.

This change in perimeter affects our year on year comparisons. In terms of adjusted operating profit, in the fourth quarter of 2012 we reported a 17% increase to €4.96 billion. Excluding Snam from Q4 11, Eni would have reported an increase of approximately 30% in adjusted operating profit.

The result reflects a robust operating performance in Exploration & Production division (up 15.4%) also due to the ongoing production recovery in Libya. Gas & Power reported a profit, reversing the prior year loss, driven by the Marketing activity which benefited from the renegotiations of certain supply contracts and the ongoing recovery of Libyan supplies. Refining & Marketing reported a substantial reduction in operating losses driven by efficiency and optimization gains.

Turning now to adjusted net profit from continuing operations, in Q4 it was €1.52 billion a 3.6% decline YoY. Adjusted for the Snam deconsolidation, this metric would have shown a 9% gain year on year. Q4 net profit was impacted by a higher than average adjusted tax rate of 67.3%, affected by the write-down of deferred tax assets accrued as adjusted profit in the previous quarters of this year. Excluding this effect, the Q4 tax rate would have been 62.5%, still higher than the 56.4% recorded in the corresponding period of 2011 due to the higher E&P tax rate and the lower result from associates. And now let me give you some highlights for each business.

First, E&P. In the fourth quarter of 2012, reported liquids and gas production was 1.747 kboe/d. This figure is calculated assuming the new eni conversion rate of gas to barrels equivalent, which was also used in Q3. [senza sarebbe 1738]

Performance was sustained by the recovery of activities in Libya, the start up/ramp up of fields, particularly in Russia, and higher production in Iraq.

These positive factors were partially offset by the shut down of the Elgin/Franklin field in the UK, force majeure events in Nigeria and mature field decline.

The stronger production led to higher E&P ebit, which was up 15.4% to €4,862 million.

And now G&P. In the fourth quarter of 2012, despite the contraction in European demand, Eni's gas sales of 24.4 bcm were in line with the fourth quarter of 2011 excluding the impact of the Galp disposal.

Eni's sales in Italy increased by 9.1% from the fourth quarter of 2011. The positive performance was driven by increased sales at certain Italian spot exchanges (up 0.62 bcm), to wholesalers (up 0.37 bcm) and industrials customers (0.14 bcm) following the positive effects of commercial initiatives. These increases were partly offset by lower sales to the power generation sector (down 0.20 bcm) reflecting the ongoing economic downturn, while sales to residential customers were stable.

The increase in the sales in Italy was offset by the fall in European markets, which on a comparable basis were down 8%. This decline is mainly attributable to the UK/Northern Europe due to the unavailability of gas as a result of the accident which occurred at Elgin/Franklin, and the Iberian Peninsula, which was down 9%.

In terms of economic results, in the fourth quarter of 2012 the Gas & Power division reported an adjusted operating profit of €41 million, reversing the loss of €72 million in the fourth quarter of 2011. This performance was driven by the Marketing activity, which benefited from the renegotiations of certain supply contracts and the ongoing recovery of Libyan supplies. These positives were partly offset by lower sales prices due to the current demand downturn in gas and electricity and strong competitive pressures. The international transport result (+€75 million) was broadly in line with the same period of 2011.

As you may recall, a number of our G&P activities, among which Union Fenosa Gas, are not consolidated in ebit. Income from these associates in the fourth quarter accounted for €23 million versus €93 million last year, impacted by the European recession, and lower income from Galp following the sale.

As for R&M, in the fourth quarter of 2012, it reported an adjusted operating loss of €9 million with a significant improvement from the fourth quarter of 2011, reflecting:

- efficiency gains and optimization measures
- lower throughputs at less competitive plants Gela and Taranto,
- better Marketing performance due to additional sales to the Italian wholesale sector as a consequence of the shutdown of certain competitors' refineries.

These positives helped to mitigate continuing margin weakness and volatility.

Finally, the other businesses.

In the fourth quarter of 2012, the Chemical division reported an adjusted operating loss of €117 million. The improved performance versus last year was mainly due to slightly better margins at cracking plants, which benefitted from lower supply costs of oil-based feedstock and efficiency measures.

The Engineering & Construction segment reported a lower adjusted operating profit, which was down by 18.7% in the fourth quarter of 2012 to €317 million.

Other activities was in line with the previous year, while Corporate showed a loss of 83m€ compared to 19m€ last year, partly as a consequence of the lower contribution from eni insurance related to the increase in claims settled.

In line with our new structure, we have strengthened our net debt position which as of December 31, 2012 amounted to €15.4 billion, a reduction of €12.6 billion from December 31, 2011.

Net cash generated by operating activities was €12.4 billion in the year. This was impacted by a deterioration of working capital of 3.4 billion euro due mainly to E&C, G&P payment delays from clients and take or pay pre-payments to suppliers, and a general deterioration in the European economic environment.

Capital expenditure amounted to €12.8 billion, and mainly relates to the continuing development of oil and gas reserves, and the upgrading of the Saipem's offshore vessels and drilling units. Financial investments amounted to €0.57bn.

Dividend payments to eni and minority shareholders were 4.4 billion euro.

Our balance sheet transformation was driven by the streamlining of our corporate structure. Asset disposals, mainly related to the sale of 35% of Snam, 9% of Galp, and upstream assets including the 10% stake in Karachaganak, generated proceeds of €6.6bn and deconsolidated €12.4 billion of debt.

This stronger balance sheet position has been accompanied by an improvement of our cash & cash equivalents position from €1.5 billion at year end 2011 to €7.8bn at year end 2012.

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

Paolo Scaroni

Thank you Massimo. Looking forward to 2013:

- In E&P, we will grow production by over 3% at our plan scenario of 90\$/bbl, driven by key start ups such as Kashagan, Angola LNG and the Algerian projects. We will also continue our focus on exploration and target over 1bn boe of new resources.
- In Gas&Power, we expect results to be lower than those reported in 2012 owing to significant competitive pressure, especially on the oversupplied Italian market. We will contain the impacts of the market deterioration by accelerating our renegotiation efforts with all major suppliers.
- In R&M, we expect results to be better than those reported in 2012 as cost efficiencies and a stronger retail performance will more than offset the expected deterioration in the refining environment and weak product demand.

Capex will remain broadly in line with 2012, 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.

Thank you for your attention. Massimo and I - together with other key managers from the business units – will now be pleased to take your questions.