# 2013 Third Quarter Results

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**Speakers:**

Massimo Mondazzi – CFO

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Good afternoon ladies and gentlemen, and welcome to our third quarter results.

Before I take you through the financial results, let me give you a summary of the main highlights of the quarter and a few words about the market environment.

In E&P, we finalized the sale to CNPC of a 20% stake of Area 4 in Mozambique. This sale realised 3 billion euro of net cash, monetising early our world-class exploration success.

Q3 was another rewarding quarter in terms of exploration, with almost 700 million barrels of resources added through the drill bit.

Production in the quarter was impacted by geopolitical factors, with significant force majeure events in Nigeria and Libya.

In G&P, supply contract renegotiations are progressing while market conditions remain tough.

In line with our plan, we are continuing to expand our retail base, particularly in Europe and we recorded good results from our trading and LNG business.

In Downstream, we are continuing to aggressively reshape our business. Around 13% of our refining capacity has been permanently taken offline.

In addition, we are progressing with the rationalisation of capacity in our Chemicals sector.

Finally, having received the Board's approval, we are ready to start our buy-back programme.

And now on to our results.

In term of market conditions, third quarter 2013 was quite tough.

The average Brent price was 110.4 dollars a barrel, slightly up year-on-year.

However, the euro appreciated 6% versus the US dollar to 1.32, as a result, reducing by 5% the euro-denominated oil price.

Refining margins were particularly depressed. The Brent/Ural margin averaged 1.7 dollar a barrel, down 77% year-on-year.

On top of this, Italian gas demand was down 14% YoY and also demand for refined products continued to decline in the quarter vs last year.

And now a few comments on our results.

Adjusted operating profit was €3.44 billion, down 15.7% versus the third quarter of 2012.

Exploration & Production was down €419 million, due to the appreciation of the euro and extraordinary disruptions of production.

Refining & Marketing and Gas & Power Divisions reported deeper losses as a result of the continued deterioration of market conditions.

Adjusted net profit was €1.17 billion, down 29.4% versus the previous year.

The decline was due to a reduced operating performance and an increase of almost 9 percentage points YoY in the Group adjusted tax rate, due to the greater contribution of the E&P division which is typically subject to higher fiscal take.

Turning to E&P, in the third quarter of 2013, Eni's total production was down 3.8% versus last year, reflecting significant Force Majeure events in Nigeria and Libya and the divestments made in 2012.

The decline was partially offset by new fields start-ups and continuing ramp-ups mainly in Russia, Algeria, Angola and Egypt.

Operating profit was down 9.7%, due to lower production and the scenario effect.

And now G&P.

Eni's gas sales declined by 1 bcm, to 17.8, because of the ongoing downturn in demand.

Sales in Italy reported a slight increase (up by 2.9%) due to higher spot sales offsetting continuing lower supplies to the power generation segment.

International sales decreased by 9.1%, as a result of increased competitive pressure in the industrial segment.

Gas & Power Division reported deeper losses of €356m, €52 million worse versus Q3 12, due to the continued deterioration in sale prices and margins, reflecting weak demand, oversupply and increasing competitive pressures.

It is worth mentioning that our results benefited only partially from certain price revisions at long-term supply contracts, some of which are still pending and therefore delaying the recognition of the associated economic effects.

As for R&M,
in the third quarter of 2013, the Division reported an adjusted operating loss of €61 million. The reduction by €113 million YoY was mainly due to the falling of the refining margin which, on the contrary, was very high in Q3 2012 .

On the other hand, we recorded an improved performance in our Marketing business, notwithstanding depressed market environment.

Refining throughputs declined by 12% in particular due to scheduled standstills of those refineries most exposed to the ongoing industry downturn and the shutdown of the Venice plant for its conversion to a Green Refinery.

Overall sales declined by 6.6% YoY , driven by the fall in retail sales in Italy that was partially compensated by an increase in Europe and in the wholesale sector.

And finally, the other businesses

Versalis reported an adjusted operating loss of €111 million, improving by €62 million from the third quarter of 2012, thanks to the recovery of the cracking margin and the continuous improvement of our operations.

The Engineering & Construction segment reported an operating profit of €238 million, down by 39% from the third quarter of 2012.

Other Activities and Corporate posted an aggregate loss of €144 million, versus a loss of €104 million in the corresponding period of last year, mainly due to “one-off” higher insurance claims.

Turning now to the debt,

Net cash generated by operating activities and disposals amounted to over €6.5 billion, of which  €3 billion from operating activities and €3.5 billion from divestments, mainly related to the Mozambique farm out.

Capital expenditure for the quarter amounted to €3.1 billion of which 83% in the E&P sector. Total capex up to September amounted to € 9 billion, while on yearly basis we expect an overall amount broadly in line with 2012.

As a result, after dividends, net financial debt at the end of September 2013 was down €1.4 billion in the quarter, resulting in a leverage of 24%.

Before the Q&A session, a few words on buyback.

Considering the strong fundamentals of our businesses, our board has approved the start of our buyback programme .

As we presented in March, Eni’s multi-year buyback programme is projected to be a flexible tool aimed at contributing to a progressive dividend policy.

The pace will be therefore a function of our strategic achievements and of prevailing market conditions.

Share purchases will begin in the next few weeks.