



## **IN A DIFFICULT INTERNATIONAL REFINING SCENARIO ENAP ACHIEVED PROFITS FOR US\$ 29.4 MILLION IN THE THIRD QUARTER 2011**

- *The result shows the positive effects generated by the cost-containment policy applied by the Administration to face the industry's complex international situation.*

The consolidated earnings of Holding ENAP, for the third quarter of 2011, measured as profit after income tax and special tax of 40%, reached US\$ 29.4 million, which compares favourably to the US\$ 7.8 million loss obtained during the same period of 2010.

This is the result of the cost-control measures implemented by the company since the second term of 2010, which allowed showing positive consolidated figures for this financial year so far.

The gross margin for the first nine months was US\$ 247.5 million, which compares positively to the margin of US\$ 82.2 million obtained for the same period of 2010.

The improved margin is explained, mainly, by an increase of 38.0% in sales revenues versus an increase of sales costs of 35.7%, both strongly influenced by this year's volatility of international prices of oil and refined products, which have shown an erratic behavior of ups and downs during most part of the period.

The increase on financial expenses by US\$ 11.2 million between September 2011 and the same period of 2010 is due to the higher level of liabilities that ENAP faced as a result of the increase of the company's working capital because of the rise of international prices of crude oils and refined products.

The exchange rate differential went from a profit of US\$ 51.6 million in September 2010, to a loss of US\$40.8 million in September 2011. This variation, which had a strong impact on the results of the period, is due to the increase experienced by the exchange rate during September 2011.

### **Prices of Crude Oil and Refined Products**

During the period January-September 2011, the price of West Texas Intermediate (WTI) global benchmark crude oil at the New York Mercantile Exchange, showed an average of US\$ 95.5 per barrel, increasing by 22.9% as compared to the average for January-September 2010 (US\$ 77.7 per barrel).

Through the period between January and September, there was an increasing disconnection of the WTI Crude oil price and the crude oil price level in the global market. Although the WTI crude oil price rose with the rest of the oil market, its increase was much less than that of the crude oil in the international markets, due to the oversupply situation.

WTI, which historically traded with a slight premium over the Brent crude oil, the other major oil benchmark market, has become to be traded with a discount with respect to it. On some occasions, this discount exceeded US\$ 26 per barrel during the period January-September. During that period, the WTI price averaged US\$ 16.0 lower per barrel than the price of Brent crude oil.

In consideration of the foregoing, Brent crude has achieved prominence as a sole global benchmark, as the situation of oversupply in the U.S. Midwest has worsened. According to this benchmark, the increase of the international oil price was even more remarkable considering the WTI. Brent price averaged US\$ 111.5 per barrel during the period January-September 2011 on the Intercontinental Exchange of London, increasing by 43,1% over the same period in 2010 (US\$ 77.9 per barrel).

The rise in oil prices is explained by the increase in global demand and the difficulties in oil supply to grow at the same rate.

World demands grew 2.0 million barrels per day (MMbpd), from 86.0 MMbpd during January-September 2010, to 88.0 MMbpd, during January-September 2011, with the increase being concentrated during the first half of the year, and then suffer a partial reversal in the third quarter along with the global economic slowdown.

The global oil supply grew more slowly than its demand. 1.4 MMbpd between the periods compared, stocking up the difference through a reduction of the global oil inventories of 0.6 MMbpd. Libyan civil war and the consequent interruption of production and exports of high-quality oil was the main cause of supply shortages. As of September, it was expected an accumulated loss of 310 million barrels of Libyan crude oil. Since last

February, the loss was supplied, almost equally, with an increased production of the Middle East and reduction in stock levels.

Although year comparison shows a substantial increase in oil prices during the period between January and September 2011, they can be divided into three distinct sub-periods: (i) In the period January-April dominated a very sharp upward trend, which brought the price of Brent from US\$ 94.8 to US\$ 125.9 per barrel (the largest value for the year was recorded on April 29), with an average of US\$ 109.7 per barrel. The increase reflected a strong economic recovery in the United States and a high growth of Asian emerging economies, concerning the demand, and a failure to supply caused by the civil war in Libya; (ii) The period May-July, where the price fell sharply from its peak in April at an average level of US\$ 115.3 US\$ per barrel, due to the slowdown of the U.S. economy and the worsening fiscal crisis in Greece that produced a stagnation in Europe, while, at the same time, the lack of Libyan crude oil couldn't be compensated by increased production from other sources; and (iii) The period August-September, where the price fell to an average of US\$ 109.9 per barrel, although with large daily fluctuations, as the European financial crisis continued unresolved and the U.S. economy showed clear recession rates, reducing demand.

In the U.S. international markets, the prices of products followed, in general, the Brent crude oil price trend in the period between January and September 2011 over the same period in 2010, although the percentage increases were smaller. In the case of gasoline, the price rose by 38.8%, from US\$ 86.5 to US\$ 120.1 per barrel; the price of diesel rose by 41.9%, from US\$ 88.3 to US\$ 125.3 per barrel; and in the case of fuel oil N° 6, the price change between the periods of nine months referred to above, was 38.7%, from US\$ 68.5 to US\$ 95.0 per barrel.

### **Assets, Financial Debt and Ebitda**

As of September 30, 2011, ENAP's total assets increased by 7.8%, from US\$ 5,733 million at December 31, 2010, to US\$ 6,182 million at September 30, 2011. This increase is mainly due to higher inventories, which grew by US\$ 390 million as a result of an increase in crude inventories for US\$ 161 million (the effect of volume and higher value of the raw material), and increased product inventories by US\$ 210 million, affected by the higher international price of the products. The increase at an inventory level was due to the need to cope with increased demand, typical of the season.

As of June 30, 2011, current and non-current liabilities (excluding equity), increased by US\$ 382 million (7.2%), compared to December 31, 2010. The main variations are given in the category Commercial Accounts Payable, which increased by US\$ 381 million as a result of higher values of the international prices of crude oil and products, Other Current Financial Liabilities that increased by US\$ 266 million, which in turn are offset by a decrease in Non-Current Financial Liabilities that decreased by US\$ 207 million and a drop of US\$ 35 million in Current Provisions for Employee Benefits.

EBITDA generated by ENAP as of September 30, 2011, reached US\$ 391 million, which compares favourably with the EBITDA generated by June 30, 2010 that amounted to US\$ 220 million, representing an increase of 77,7%.

<b>FINANCIAL INDICATORS</b>			
		<u>September 2011</u>	<u>September 2010</u>
SALES	MMUS\$	8.282	6.001
GROSS MARGIN	MMUS\$	248	82
EBITDA	MMUS\$	391	220
EARNINGS AFTER TAX	MMUS\$	29	(8)

Santiago, October 26, 2011.

Further information at [www.enap.cl](http://www.enap.cl)