

May 10 - ENAP's Results Severely Affected by Earthquake

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Empresa Nacional del Petróleo produced a net consolidated loss of US\$ 81 million, mainly reflecting the effects on the operations of its refineries of the earthquake that occurred in the early hours of February 27. The results to March therefore include of loss of US\$ 64 million for impairment of fixed assets damaged by this disaster.

This result is net of income tax of 17% and foreign taxes. The result after deduction of the special tax applicable to public-sector companies (Law 2,398) was a loss of US\$ 89 million.

The gross margin in the first half of 2010 was US\$ 28 million, US\$ 64 million less than the level of the previous year. The reduced margin reflects lower international refining margins but principally the effect on the business of the stoppage of operations at [ENAP's](#) refineries as a consequence of the earthquake.

Administrative expenses declined by 3.6% between the first quarter of 2009 and that of 2010.

By the same comparison, financial expenses fell be the equivalent of US\$10 million, a reduction of 22.3% in costs, from US\$ 45 million to US\$ 35 million.

A gain of US\$ 10 million was recorded in the first quarter of 2010, compared to a loss of US\$ 5million in the same period of 2009.

Effects of the Earthquake

The earthquake that affected the center-south of Chile on February 27 upset the operations of the Biobío and Aconcagua refineries, mainly due to electricity blackouts and structural damage which led to the need to stop production for safety reasons. Both refineries were subjected to rigorous inspections to establish the amount of the damages and to determine the measures necessary for restoring their safe functioning.

The Aconcagua refinery resumed its operations gradually during the month of March, completing its start-up in the third week of April. The Biobío refinery, which suffered greater damage, has started up some of its plants and is expected to be fully operating next July.

[ENAP](#) has insurance to cover damage to property, losses through stoppage and civil damages caused by the earthquake. Claims have been made against these policies and our brokers, insurance companies and liquidators are currently working on the liquidation of the claims.

Prices of crude and refined products

The international crude oil price, based on the West Texas Intermediate (WTI) benchmark, averaged US\$ 78.8 per barrel in the first quarter of 2010, 3.7% higher than the average for the last quarter of 2009 (US\$ 76.0 per barrel). In the first quarter of 2009, the price had fallen to its lowest point since the beginning of the global recession, with an average price of US\$ 43.2 per barrel.

The prices of refined products on the US Gulf Coast market, which [ENAP](#) takes as a reference for setting domestic-market prices, continued their rising trend in the first quarter of 2010, compared to the last quarter of 2009. The average price of diesel was US\$ 86.6 per barrel in 2010, 4.8% higher than the average for the fourth quarter of 2009. In the case of gasoline, the average in the first quarter of 2010 was US\$86.7 per barrel, 8.0% more than in the previous quarter. The price of fuel oil No.6 averaged US\$ 70.3 per barrel in the first quarter of 2010, a rise of 1.7% over the last quarter of 2009.

Assets, financial debt and EBITDA

[ENAP's](#) total assets increased by 6.5%, from US\$ 5,560 million at December 2008 to US\$ 5,924 million at March 31, 2010. This increase is mainly explained by the increase in cash and cash equivalents due to the effect of [ENAP's](#) decision to protect its liquidity during the first weeks of March in order to face any potential contingency related to the effects of the earthquake, which at that time could not be fully determined, plus a higher value of inventories, increases that were offset by a reduction in trade debtors and other current accounts receivable.

Total liabilities, net of cash or equivalents, at March 2010 totaled US\$ 5,037 million, in line with the figure at December 2009. [ENAP's](#) financial debt plus interest-bearing supplier credits rose from US\$ 4,015 million at December 2009 to US\$ 4,591 million at March 31, 2010, resulting from the increase in short-term liabilities for preserving liquidity during the first half of March. Despite this, as already mentioned, [ENAP](#) obtained a significant reduction in financial expenses.