24 September 2013 │ 16 pages

Integrated Oils (Citi)
**Western Europe**

# Oil Insights

## Big Oil into 4Q – Most/Least Preferred BG/BP and STL/ENI

- **Big Oil Positioning into 4Q** — We set out our relative preferences across Big Oil on a 3-month view, across what we expect will be a weak 3Q reporting season and against a backdrop of flattish oil prices (revised from a view of price deflation into 2014). We name BP a Least Preferred stock, replacing RDS; we leave BG as a Most Preferred stock. In addition, we add STL/ENI as Most /Least Preferred stocks.
- **Oil Markets Remain Buoyant** — 2013 has seen global oil market utilization remain above 97%, a function of stronger demand and weaker supply than perhaps anticipated at the start of the year. The tighter dynamics around supply are of particular note, with Libya and Nigeria outages outweighing much of the new supply additions from US shale. That tighter supply picture sees us re-adjust our 2014/15E oil price view from one of modest deflation to flat nominal; increasing 2014/15E EPS for Big Oil by an average of 7%. We also increase our TOT target price; all other target prices and ratings are unchanged.
- **Citi 13% Below Consensus for 3Q** — Those supply disruptions have come at some cost to Big Oil, with ENI, OMV, REP, TOT and RDS all expected to have suffered volume losses in 3Q. The quarter is also expected to see very weak refining profitability in Europe and US. We have modestly lowered our FY13 EPS estimates and note that our 3Q estimates are c. 13% below consensus. Low ROCE of c.8%, some 100 bps below previous lows (2Q02/4Q09) serves as a reminder that the group struggles to deliver on real growth.
- **BG/BP** — BG as Most Preferred continues to reflect our preference for low-end of the cost-curve growth, backed by a management team that look intent on protecting shareholder interests. BP as Least Preferred reflects a belief that real growth looks constrained, as well as the potential overhang of legal rulings on Macondo in 4Q.
- **STL/ENI** — Statoil as Most Preferred reflects a belief in better growth/profitability credentials than similarly-valued peers, plus the high resource potential of the upcoming Dilolo well in pre-salt Angola. For Eni we expect another weak quarter in 3Q to drag down consensus EPS 2014/15 which we think is c.15% too high.

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**3Q13 Net Income Forecasts (millions)**

| | Currency | Citi | Consensus* | % Delta | 2Q13 | 3Q12 |
|---|---|---|---|---|---|---|
| BP | USD | 3,841 | 4,105 | -6% | 2,640 | 5,170 |
| RDS | USD | 5,102 | 5,686 | -10% | 4,600 | 6,584 |
| TOT | EUR | 2,696 | 3,227 | -16% | 2,699 | 3,348 |
| ENI | EUR | 1,003 | 1,419 | -29% | 576 | 1,777 |
| REP | EUR | 416 | 441 | -6% | 509 | 496 |
| STL | NOK | 12,507 | 11,884 | 5% | 11,250 | 11,641 |
| BG | USD | 950 | 1,124 | -15% | 986 | 1,113 |
| OMV | EUR | 318 | 370 | -14% | 321 | 317 |
| GALP | EUR | 83 | 112 | -26% | 86 | 99 |

Source: Citi Research and Bloomberg. * Median estimate.

**See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.**

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# Big Oil into 4Q

**In this edition of Oil Insights we cover a number of aspects of Big Oil in Europe, with the central aim of laying out sector-relative positioning into 4Q. We name BP a Least Preferred stock, replacing RDS; we leave BG as a Most Preferred stock. In addition, we add STL/ENI as Most /Least Preferred stocks. The investment thesis for these stocks can be found on Page 6.**

**We also provide new earnings forecasts for the group reflecting (1) an upward revision to 2014/2015 oil prices forecasts from the Citi Commodities team, and (2) our first-pass at 3Q estimates for the group where we expect a much more challenging quarter than we had previously modeled (and we believe that consensus is forecasting). Overall we have revised down 2013 estimates by 2%, and upgraded 2014/15 EPS by an average of 7%. We also increase our TOT target price to €43 from €40 in a separate note on the back of the company's annual strategy review. All other target prices and ratings are unchanged.**

**Figure 1. Big Oil 2013-16E EPS Changes**

| | Currency | 2013 | 2014 | 2015 | 2016 |
|---|---|---|---|---|---|
| **New EPS:** | | | | | |
| BG | US$ | 1.28 | 1.55 | 1.91 | 2.16 |
| BP | US$ | 0.77 | 0.91 | 0.94 | 0.96 |
| ENI | EUR | 1.20 | 1.64 | 1.66 | 1.65 |
| GALP | EUR | 0.41 | 0.55 | 0.65 | 0.83 |
| OMV | EUR | 4.06 | 4.05 | 3.83 | 4.46 |
| RDSa | US$ | 3.69 | 3.99 | 3.88 | 3.75 |
| REP | EUR | 1.65 | 1.48 | 1.44 | 1.56 |
| STL | NOK | 15.6 | 17.1 | 16.1 | 16.2 |
| TOT | EUR | 4.94 | 5.16 | 5.06 | 5.06 |
| | | | | | |
| **Old EPS:** | | | | | |
| BG | US$ | 1.27 | 1.49 | 1.81 | 2.20 |
| BP | US$ | 0.76 | 0.85 | 0.92 | 1.01 |
| ENI | EUR | 1.27 | 1.53 | 1.54 | 1.79 |
| GALP | EUR | 0.42 | 0.54 | 0.62 | 0.82 |
| OMV | EUR | 4.59 | 4.12 | 3.90 | 4.47 |
| RDSa | US$ | 3.78 | 3.71 | 3.57 | 3.86 |
| REP | EUR | 1.68 | 1.37 | 1.32 | 1.56 |
| STL | NOK | 15.02 | 16.19 | 14.93 | 16.25 |
| TOT | EUR | 5.03 | 4.83 | 4.61 | 4.96 |
| | | | | | |
| **% Change:** | | | | | |
| BG | | 0.3% | 3.8% | 5.4% | -1.5% |
| BP | | 1.6% | 7.7% | 2.4% | -4.5% |
| ENI | | -4.9% | 7.0% | 7.7% | -7.7% |
| GALP | | -3.2% | 2.9% | 4.7% | 0.3% |
| OMV | | -11.5% | -1.6% | -1.7% | -0.2% |
| RDSa | | -2.5% | 7.5% | 8.8% | -2.9% |
| REP | | -1.8% | 8.0% | 9.4% | -0.4% |
| STL | | 3.7% | 5.9% | 7.6% | -0.5% |
| TOT | | -1.8% | 6.9% | 9.8% | 2.0% |
| **AVERAGE** | | **-2%** | **+7%** | **+7%** | **0%** |
| | | | | | |
| **Citi versus consensus** | | | | | |
| BG | | 4% | 10% | 6% | -6% |
| BP | | -2% | 1% | 2% | 2% |
| ENI | | -17% | -7% | -13% | -15% |
| GALP | | -7% | 10% | 7% | 5% |
| OMV | | -8% | -9% | -14% | 1% |
| RDSa | | -6% | -2% | -3% | -6% |
| REP* | | -1% | -10% | -17% | -11% |
| STL | | 5% | 10% | 2% | 9% |
| TOT | | -2% | -1% | -5% | -9% |
| **AVERAGE** | | **-2%** | **-1%** | **-3%** | **-6%** |

Source: Citi Research. Consensus is Bloomberg median estimates. *Citi adjusts REP estimates for LNG sale; we suspect that consensus may not do so universally, hence the apparent large delta between Citi and consensus.

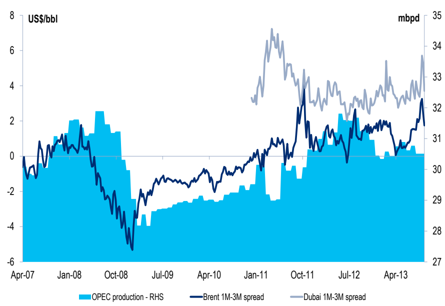
# Oil Markets Remain Buoyant

Citi Commodities team has adjusted their outlook for oil prices over the 2014/15 period from one of modest deflation, to one that is now close to flat nominal (see Commodities Super Cycle Sunset: FX Effects). Our revised forecasts see Brent Oil at US$108/bbl in 2014 and US$103/bbl in 2015, up roughly 10% from our previous estimates. There is no revision to our long-term estimate of US$90/bbl Brent (2013 real), a level that we see necessary to bring on new supply based around our proprietary cost-curve work.

The basis for the revision is the impact that supply disruptions (particularly Libya and Nigeria) have had on tightening oil markets, more than offsetting the growth in tight oil from the US. Effective utilization rates have climbed to 97% of global capacity, with Saudi Arabia seeking to balance markets by pushing its own output hitting a record high. In the quarter, we have seen Brent prices briefly touch $117/bbl on potential escalation in Syria; and while the risk levels have dialed down since, the markets are likely to remain tight in the near term.

Looking into 2014, there are signs of capacity returning back online in Libya, along with new barrels from Iraq, US and Kazakhstan, which are expected to offset missing supply elsewhere in the Middle East and West Africa. In the US, Citi sees Brent-WTI narrowing towards the $2 level through most of 2014 (reflecting improved evacuation capacity from Cushing), but widening slowly to $3 by end-2014, and to $4 by end-2015, as the Gulf Coast gets progressively well supplied by both light and heavy crudes.

**Figure 2. Crude structure vs OPEC output**




Source: Bloomber and IEA data.

**Figure 3. Citi oil price forecasts**

| | 2013E | 2014E | 2015E |
|---|---|---|---|
| **Brent** | | | |
| Old Forecast | 105.2 | 97.5 | 92.5 |
| New Forecast | 109.0 | 107.5 | 102.5 |
| % change | 4% | 10% | 11% |
| **WTI** | | | |
| Old Forecast | 95.8 | 91.8 | 84.5 |
| New Forecast | 100.4 | 105.3 | 99.3 |
| % change | 5% | 15% | 17% |
| **Brent/WTI Spread** | | | |
| Old Forecast | 9.4 | 5.8 | 8.0 |
| New Forecast | 8.7 | 2.3 | 3.3 |

Source: Citi Research

# A Challenging 3Q to Report

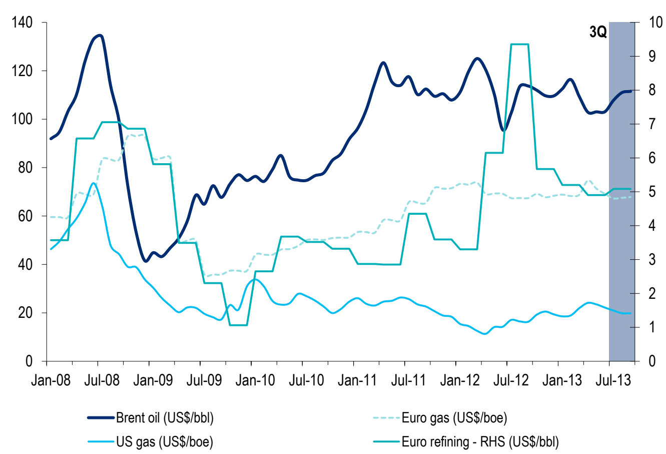
We expect QoQ earnings growth for the sector that reflects the strength in oil prices, although much of the benefit has also been eroded by weak refining margins and lost production from operational outages (Libya, Nigeria. Our forecasts for 3Q sit an average 13% below consensus. We are 25% below consensus on both Eni (continued losses in Gas & Power and refining, weak E&P volumes) and GALP (weak Downstream). Key highlights:

- **Refining under pressure** — experience tells us that we (and the market) always underestimate the peaks and troughs of refining. 3Q has been a trough, both in Europe and US, as new margins move to a point to attempt to rationalize marginal capacity to cater for new low-cost supply additions (Middle East, Russia). Particular weakness is likely to be seen in Med (Eni, and to some extent REP/GALP) and Gulf Coast (RD Shell).

- **Cash flow constraints continue** — On a rolling 12-month basis we peg organic capex at 90% of cash flow, and dividends another 20% on top of that. In the face of a somewhat stagnant macro environment and poor profitability we sense that there is pressure to offer some change of direction into 2014 through 3Q reporting. Total has now offered a roadmap to lower spending; we suggest that pressure is on peers to follow suit.

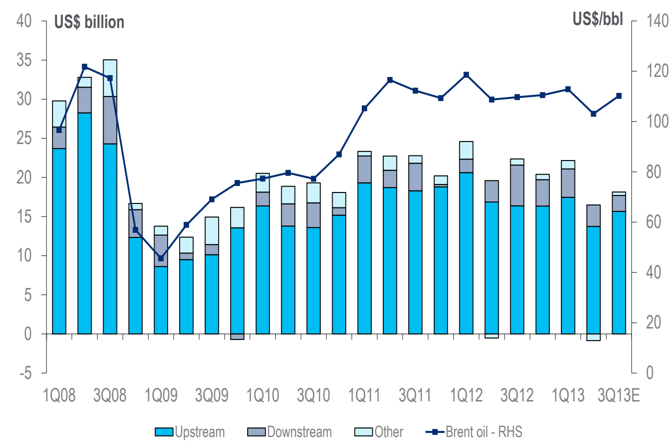
  **ROCE hits new lows** — ROCE is forecast below 8%, now 100 bps below previous lows (4Q09/3Q02). We see profitability as a function of the way in which the industry has invested/chased the cost-curve – see Investing for Commodity Uncertainty (31 May 2013) and Big Oil's Path to Recovery Needs Self-Help & Aligned Incentives (2 Sep 2013) – and defending profitability will require some repositioning of capital, in our view. In that regard we continue to emphasise the importance (economic defensibility) of low-end of the cost-curve growth.

**Figure 2. 3Q13 macro features a QoQ strengthening of the oil prices, against flat gas prices and weaker refining**



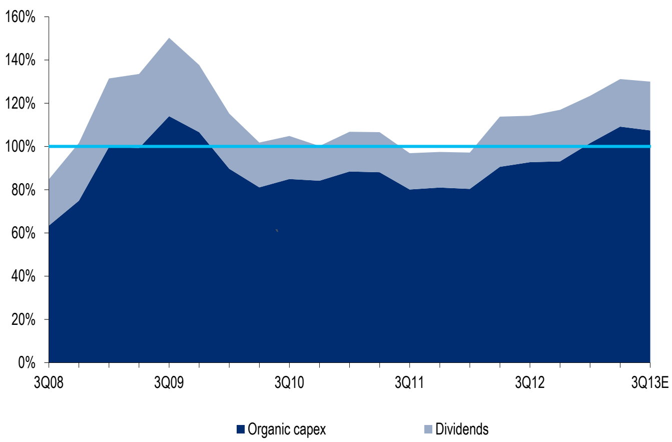

Source: Bloomberg, Citi Research

**Figure 3. Earnings forecast up 31% on 2Q13 reflecting macro and seasonality effects**



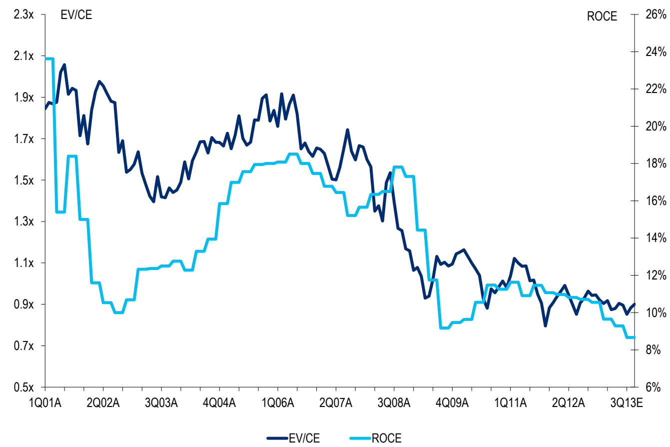

Source: Citi Research

**Figure 4. Industry spending levels remain at relative highs (capex and dividend as a % of operating cash flow, rolling 12-months)**




Source: Citi Research

**Figure 5. Aggregate sector ROCE hit new lows in 3Q**




Source: Citi Research

**Figure 6. European Integrated Oils 3Q13 Earnings Forecasts**

| | Citi 3Q13 Estimates | Consensus* | Comment |
|---|---|---|---|
| **GALP**<br>(27th October) | EBIT: €163 m<br>Adj. net income: €83 m | €112 m<br>(Citi @ -26%) | An expected improvement in E&P profitability (higher production and oil prices) offset by weaker downstream result (weaker margins). E&P production expected at 27k boe/d (up 10% QoQ) following Brazil maintenance in 2Q13. |
| **BP**<br>(29th October) | Adj. net income: US$3.84 b<br>3Q dividend: US$0.095/share | US$4.11 b<br>(-6%) | Expect a much bigger Rosneft contribution that 2Q, a function of oil price leverage and debt mark-to-market on appreciating Ruble. E&P volumes expected down 5% YoY reflecting assets sales and high 3Q maintenance activities. |
| **Statoil**<br>(30th October) | EBIT: NOK 42.1 b<br>Adj. net income: NOK 12.5 b | NOK 11.9 b<br>(5%) | Higher oil prices partly offset by weaker production (-5% QoQ) due to seasonality and heavy maintenance in Norway. We expect the MPR result to improve QoQ following a very weak 2Q13. |
| **Eni**<br>(30th October) | Adj. net income: €1.00 b<br>EBIT: €3.03 b | €1.42 b<br>(-29%) | Significant production problems across Africa (Libya, Egypt, Algeria, Nigeria) more than offset the small contribution that Kashagan will make this quarter. Italian gas margins remain compressed, while Med refining margins looks heavy-hit this quarter. |
| **BG**<br>(31st October) | Adj. net income: US$0.95 b<br>EBIT: US$1.75 b | US $1.12 b<br>(-15%) | E&P volumes -7% versus 2Q due to planned maintenance and seasonality. Forecast LNG operating profit at US$0.6b versus US$0.5b in 2Q13 due to higher LNG supply (two cargoes received from Qatar to offset lower export volumes from Egypt). |
| **Total**<br>(31st October) | Adj. net income: €2.70 b<br>3Q dividend: €0.59/share | €3.23 b<br>(-16%) | Weaker Downstream a key feature for Europe's biggest refiner, with efforts to protect profitability likely reflected in economic run-cuts. Upstream sees some impact from Libya, Nigeria LNG and slow ramp-up of Angola LNG. |
| **RD Shell**<br>(31st October) | Adj. net income: US$5.10 b<br>3Q dividend: US$0.45/share | US$5.69 b<br>(-10%) | Expect lower Upstream costs than in 2Q, but impacted by NLNG force majeure in early 3Q, higher maintenance activity and high exploration expenses. Exposure to Gulf Coast refining likely to be particular pressure point in a generally weak refining environment. |
| **Repsol**<br>(7th November) | Adj. net income: €416 m<br>EBIT: €879 m | €441 m<br>(-6%) | Growth aspirations impacted by Libya outages and Peru dispute, although volumes still forecast up 4% YoY. Downstream sees resilient marketing and LPG but weak refining, although upgrading contribution of Cartagena should be better than previous quarters. |
| **OMV**<br>(7h November) | Adj. net income: €318 m<br>EBIT: €667 m | €378 m<br>(-14%) | Expect significant impact from Libya production downtime. Downstream compressed by weaker 3Q refining and petrochemical margins. Gas trading environment also remained challenging across Europe. |

Source: Citi Research. * Consensus reflects Bloomberg median EPS.

# Key Investment Ideas

Our key relative preferences across Big Oil on a 3-month view reflect our view on 3Q reporting season as well as how we think the market will incorporate medium-term drivers. On the latter we are particularly focused, in an environment of flattish/deflationary oil prices, on the ability of companies to deliver low-end of the cost-curve growth. We note that the three European companies that we see have the strongest combination of growth/cost-curve position – BG, REP, GALP – have been three of the best performers in European Big Oil in 2013. We think they will continue to outperform; they are the only three stocks that we rate as a Buy in the group on a 12-month view.

We name BP a Least Preferred stock, replacing RDS; we leave BG as a Most Preferred stock. In addition, we add STL/ENI as Most /Least Preferred stocks.

### BG – Most Preferred (Buy, price target 1420p)

BG has been a constituent of Citi's European Focus list since Dec '12 and we continue to see it as one of the strongest ideas in energy. The core of the investment case is a belief that low-end of cost-curve growth will be rewarded in an environment of flattish to deflationary oil price. 2013 has seen steady progress of the two developments that drive the medium-term earnings profile, Queensland LNG and Brazil pre-salt. On the latter, which drives much of the 2015-2020 growth, we note the way in which there are clear signs that Brazil is seeing signs of efficiency gains, a function of improved drilling times, good geology and a supply-chain that continues to invest and expand. New management look to be on-message with the promise of improving returns to shareholders, vowing that capital investment will be capped and that no project in the portfolio is sacrosanct.

**Figure 7. BG Key metrics and valuation (US cents)**

| | 2013E | 2014E | 2015E | 2016E | 2017E | CAGR '13-'17 |
|---|---|---|---|---|---|---|
| E&P volumes (kboe/d) | 650 | 675 | 784 | 898 | 988 | 9% |
| EPS | 1.28 | 1.55 | 1.91 | 2.16 | 2.68 | 16% |
| CFPS | 235 | 261 | 316 | 359 | 421 | 12% |
| DPS | 0.28 | 0.30 | 0.33 | 0.38 | 0.44 | 9% |
| ROCE | 8% | 10% | 11% | 11% | 13% | |
| Net debt/equity | 29% | 35% | 29% | 22% | 13% | |
| | | | | | | |
| PE | 15.2 | 12.3 | 10.0 | 8.8 | 7.1 | |
| EV/DACF | 9.7 | 8.5 | 7.2 | 6.3 | 5.2 | |
| Dividend yield | 1.5% | 1.6% | 1.7% | 2.0% | 2.3% | |
| FCF yield | -4.8% | -4.1% | 2.7% | 4.7% | 7.7% | |

Source: Citi Research Priced as of 23/9/13.

### BP – Least Preferred (Neutral, price target 450p)

Simplistically, BP's valuation – dividend yield of 5.2% versus peers RDS, TOT and STL at c.5.5% - looks to imply the market believes in the potential of stronger relative growth credentials. We are not so sure. The run-rate towards target delivery continues to look slow. We would suggest the primary target to generate US$30-31bn of cash flow in 2014 now looks very back-end loaded, while it is also important to note that, even if that target is met, there is limited financial capacity for dividend growth against current capex of US$25bn and cash dividend of US$7bn. In addition, the overhang of Macondo being to loom large again; we think the ruling on Phase I of the MDL trial is likely before year-end and we think the risk of a gross negligence verdict is perhaps bigger than the market perceives.

**Figure 8. BP Key metrics and valuation (US cents)**

| | 2013E | 2014E | 2015E | 2016E | 2017E | CAGR '13-'17 |
|---|---|---|---|---|---|---|
| E&P volumes (kboe/d) | 2,224 | 2,279 | 2,355 | 2,381 | 2,460 | 2% |
| EPS | 77.1 | 91.2 | 93.7 | 96.1 | 100.7 | 5% |
| CFPS | 121 | 161 | 171 | 175 | 181 | 8% |
| DPS | 0.38 | 0.39 | 0.39 | 0.40 | 0.41 | 1% |
| ROCE | 8% | 8% | 8% | 8% | 8% | |
| Net debt/equity | 20% | 22% | 21% | 20% | 18% | |
| | | | | | | |
| PE | 9.2 | 7.8 | 7.5 | 7.4 | 7.0 | |
| EV/DACF | 5.7 | 5.3 | 5.1 | 5.0 | 4.8 | |
| Dividend yield | 5.2% | 5.4% | 5.5% | 5.6% | 5.6% | |
| FCF yield | -0.7% | 4.1% | 4.8% | 5.4% | 5.8% | |

Source: Citi Research Priced as of 23/9/13.

## Statoil – Most Preferred (Neutral, price target NOK 150)

We see Statoil at a similar valuation point to sector peers (e.g. 5.5% dividend yield compares to similar at RDS and TOT), for a similar cost of equity but perhaps now, finally, stronger growth and profitability credentials than the company could once offer. We think the growth targets now carry more asset visibility behind them than they once had, likely to be confirmed in 4Q/early 1Q by the expected sanction of Johan Sverdrup, an asset that we think sits extremely competitively on the cost-curve. The benefit of that growth plus the recent sale of assets to OMV/Centrica that includes high-cost development projects in West of Shetlands, suggests that the company may now be able to deliver a stronger message around capital constraints and profitability improvement. Finally, while exploration very rarely moves the needle on Big Oil, the upcoming Dilolo well in Block 39 in Angola is bigger than most, targeting the one very big pre-salt Angolan prospect that is of potential similar magnitude to those of Brazil. Statoil operate with 55% stake (Total also have a 30% stake).

**Figure 9. Statoil Key metrics and valuation (NOK/share)**

| | 2013E | 2014E | 2015E | 2016E | 2017E | CAGR '13-'17 |
|---|---|---|---|---|---|---|
| E&P volumes (kboe/d) | 1,762 | 1,898 | 1,983 | 2,006 | 2,041 | 3% |
| EPS | 15.6 | 17.1 | 16.1 | 16.2 | 16.9 | 2% |
| CFPS | 38 | 48 | 50 | 50 | 51 | 6% |
| DPS | 7.00 | 7.26 | 7.53 | 7.81 | 8.09 | 3% |
| ROCE | 9% | 9% | 8% | 7% | 7% | |
| Net debt/equity | 18% | 15% | 12% | 11% | 9% | |
| | | | | | | |
| PE | 8.7 | 7.9 | 8.4 | 8.3 | 8.0 | |
| EV/DACF | 4.9 | 3.8 | 3.6 | 3.6 | 3.5 | |
| Dividend yield | 5.2% | 5.4% | 5.6% | 5.8% | 6.0% | |
| FCF yield | -0.9% | 6.9% | 6.6% | 6.5% | 7.3% | |

Source: Citi Research Priced as of 23/9/13.

## Eni – Least Preferred (Neutral, price target EUR 17.8)

YTD performance has been poor, down 6% in a move that mirrors sharp cuts to consensus earnings on weaker gas, downstream and Saipem numbers. Although arguably now offering better value than peers around a 6.3% dividend yield, we note that consensus numbers into 2014/15 remain stubbornly high in our view. We think areas of risk in numbers relate to (1) E&P – both volume delivery and also pressure on costs as new production gets incorporated; (2) Wholesale gas profitability – the market, in our view, expects too much of a quick fix on weak gas profitability from supply-contract renegotiations, when in reality market dynamics (c. 55% utilisation) is seeing intense gas-on-gas competition that will require multi-year

renegotiations to restore profitability; (3) Downstream – continued pressure from profitability of a 4th-quartile refining portfolio, which we expect will get exposed again in 3Q results, and from structural pressure in marketing in the face of weak demand.

**Figure 10. Eni Key metrics and valuation (EUR/share)**

| | 2013E | 2014E | 2015E | 2016E | 2017E | CAGR |
|---|---|---|---|---|---|---|
| E&P volumes (kboepd) | 1,659 | 1,720 | 1,772 | 1,816 | 1,826 | 2% |
| EPS | 1.2 | 1.6 | 1.7 | 1.7 | 1.8 | 8% |
| CPS | 3.6 | 4.9 | 5.1 | 5.2 | 5.4 | 8% |
| DPS | 1.10 | 1.12 | 1.14 | 1.17 | 1.19 | 2% |
| ROCE | 4% | 7% | 7% | 7% | 7% | |
| Net debt/equity | 19% | 18% | 17% | 14% | 13% | |
| | | | | | | |
| PE | 14.4 | 10.6 | 10.5 | 10.5 | 9.7 | |
| EV/DACF | 6.5 | 4.9 | 4.6 | 4.5 | 4.2 | |
| Dividend yield | 6.3% | 6.5% | 6.6% | 6.7% | 6.9% | |
| FCF yield | 1.8% | 7.5% | 8.1% | 8.0% | 8.8% | |

Source: Citi Research Priced as of 23/9/13.

## P&L Summaries

### BG Group (USD)

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales ($M) | 21,148.0 | 18,963.0 | 19,765.8 | 26,517.7 | 32,670.5 |
| Profit Before Tax ($M) | 7,990.0 | 7,919.0 | 7,650.4 | 9,144.0 | 11,463.3 |
| Diluted EPS (¢) | 127.6 | 128.6 | 125.3 | 155.1 | 191.1 |
| Diluted EPS (Old) (¢) | 127.6 | 128.6 | 127.5 | 149.4 | 181.4 |
| PE (x) | 15.1 | 15.0 | 15.4 | 12.4 | 10.1 |
| EV/EBITDA (x) | 7.0 | 7.4 | 7.2 | 6.2 | 5.1 |
| DPS (¢) | 23.8 | 26.1 | 28.2 | 30.5 | 32.9 |
| Net Div Yield (%) | 1.2 | 1.4 | 1.5 | 1.6 | 1.7 |

### BP (USD)

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales ($M) | 375,662.0 | 375,765.0 | 263,264.5 | 261,431.5 | 259,736.9 |
| Profit Before Tax ($M) | 32,660.0 | 25,515.0 | 24,046.4 | 26,992.4 | 26,756.8 |
| Diluted EPS (¢) | 113.1 | 91.8 | 76.9 | 91.2 | 93.7 |
| Diluted EPS (Old) (¢) | 113.1 | 91.8 | 75.8 | 84.7 | 91.6 |
| PE (x) | 6.3 | 7.8 | 9.3 | 7.8 | 7.6 |
| EV/EBITDA (x) | 3.7 | 4.2 | 4.2 | 3.8 | 3.8 |
| DPS (¢) | 29.0 | 34.0 | 37.0 | 38.4 | 38.9 |
| Net Div Yield (%) | 4.1 | 4.8 | 5.2 | 5.4 | 5.5 |

### Eni (EUR)

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (€M) | 91,484.0 | 71,280.0 | 43,599.6 | 59,426.4 | 59,996.1 |
| Net Income (€M) | 6,847.0 | 7,128.0 | 4,360.0 | 5,942.6 | 5,999.6 |
| Diluted EPS (€) | 1.71 | 1.82 | 1.20 | 1.64 | 1.66 |
| Diluted EPS (Old) (€) | 1.71 | 1.82 | 1.27 | 1.53 | 1.54 |
| PE (x) | 10.1 | 9.5 | 14.4 | 10.6 | 10.5 |
| EV/EBITDA (x) | 3.7 | 2.9 | 3.6 | 3.2 | 3.2 |
| DPS (€) | 1.04 | 1.08 | 1.10 | 1.12 | 1.14 |
| Net Div Yield (%) | 6.0 | 6.2 | 6.3 | 6.5 | 6.6 |

### Galp Energia (EUR)

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (€M) | 16,987.0 | 18,507.0 | 18,104.3 | 18,187.6 | 17,963.5 |
| Net Income (€M) | 252.0 | 360.4 | 336.1 | 460.2 | 539.9 |
| Diluted EPS (€) | 0.30 | 0.43 | 0.41 | 0.55 | 0.65 |
| Diluted EPS (Old) (€) | 0.30 | 0.43 | 0.42 | 0.54 | 0.62 |
| PE (x) | 41.1 | 28.7 | 30.8 | 22.5 | 19.2 |
| EV/EBITDA (x) | 16.1 | 12.7 | 10.7 | 8.4 | 7.5 |
| DPS (€) | 0.20 | 0.24 | 0.28 | 0.32 | 0.37 |
| Net Div Yield (%) | 1.6 | 1.9 | 2.2 | 2.5 | 2.9 |

**OMV AG (EUR)**

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (€M) | 30,519.7 | 25,545.3 | 43,289.4 | 44,180.8 | 41,785.6 |
| Net Income (€M) | 1,068.0 | 1,544.0 | 1,328.3 | 1,325.4 | 1,253.6 |
| Diluted EPS (€) | 3.33 | 4.72 | 4.06 | 4.05 | 3.83 |
| Diluted EPS (Old) (€) | 3.33 | 4.72 | 4.59 | 4.12 | 3.90 |
| PE (x) | 10.7 | 7.6 | 8.8 | 8.8 | 9.3 |
| EV/EBITDA (x) | 4.7 | 3.5 | 4.0 | 3.8 | 3.8 |
| DPS (€) | 1.10 | 1.20 | 1.25 | 1.30 | 1.35 |
| Net Div Yield (%) | 3.1 | 3.4 | 3.5 | 3.6 | 3.8 |

**Repsol (EUR)**

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (€M) | 38,858.0 | 39,072.0 | 63,073.3 | 37,140.7 | 36,206.5 |
| Net Income (€M) | 1,922.9 | 1,953.6 | 2,076.7 | 1,857.0 | 1,810.3 |
| Diluted EPS (€) | 1.58 | 1.58 | 1.65 | 1.48 | 1.44 |
| Diluted EPS (Old) (€) | 1.58 | 1.58 | 1.68 | 1.37 | 1.32 |
| PE (x) | 11.5 | 11.5 | 11.0 | 12.3 | 12.6 |
| EV/EBITDA (x) | 5.6 | 6.2 | 4.5 | 4.8 | 4.8 |
| DPS (€) | 1.16 | 0.97 | 1.00 | 1.05 | 1.08 |
| Net Div Yield (%) | 6.4 | 5.4 | 5.5 | 5.8 | 5.9 |

**Royal Dutch Shell (USD)**

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales ($M) | 470,171.0 | 467,153.0 | 401,507.3 | 384,988.0 | 374,517.6 |
| Net Income ($M) | 24,687.0 | 25,259.0 | 23,181.2 | 24,828.4 | 24,153.2 |
| Diluted EPS ($) | 3.97 | 4.03 | 3.69 | 3.99 | 3.88 |
| Diluted EPS (Old) ($) | 3.97 | 4.03 | 3.78 | 3.71 | 3.57 |
| PE (x) | 8.4 | 8.2 | 9.0 | 8.3 | 8.5 |
| EV/EBITDA (x) | 4.6 | 4.2 | 4.3 | 4.3 | 4.2 |
| DPS ($) | 1.68 | 1.72 | 1.80 | 1.84 | 1.88 |
| Net Div Yield (%) | 5.1 | 5.2 | 5.4 | 5.6 | 5.7 |

**Royal Dutch Shell(CL B) (USD)**

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales ($M) | 470,171.0 | 467,153.0 | 401,507.3 | 384,988.0 | 374,517.6 |
| Net Income ($M) | 24,687.0 | 25,259.0 | 23,181.2 | 24,828.4 | 24,153.2 |
| Diluted EPS ($) | 3.97 | 4.03 | 3.69 | 3.99 | 3.88 |
| Diluted EPS (Old) ($) | 3.97 | 4.03 | 3.78 | 3.71 | 3.57 |
| PE (x) | 8.8 | 8.7 | 9.5 | 8.8 | 9.0 |
| EV/EBITDA (x) | 4.6 | 4.2 | 4.3 | 4.3 | 4.2 |
| DPS ($) | 1.68 | 1.72 | 1.80 | 1.84 | 1.88 |
| Net Div Yield (%) | 4.8 | 4.9 | 5.1 | 5.3 | 5.4 |

### Statoil (NOK)

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (NKrM) | 654,736.0 | 722,816.0 | 683,025.9 | 779,043.0 | 730,524.6 |
| Net Income (NKrM) | 47,250.0 | 52,912.0 | 49,311.8 | 54,533.0 | 51,136.7 |
| Diluted EPS (NKr) | 14.85 | 16.63 | 15.58 | 17.14 | 16.08 |
| Diluted EPS (Old) (NKr) | 14.85 | 16.63 | 15.02 | 16.19 | 14.93 |
| PE (x) | 9.1 | 8.1 | 8.7 | 7.9 | 8.4 |
| EV/EBITDA (x) | 2.2 | 1.9 | 2.3 | 2.3 | 2.3 |
| DPS (NKr) | 6.50 | 6.75 | 7.00 | 7.26 | 7.53 |
| Net Div Yield (%) | 4.8 | 5.0 | 5.2 | 5.4 | 5.6 |

### Total (EUR)

| Year to 31 Dec | 2011A | 2012A | 2013E | 2014E | 2015E |
|---|---|---|---|---|---|
| Sales (€M) | 55,239.0 | 59,229.3 | 56,879.1 | 59,705.7 | 61,285.8 |
| Net Income (€M) | 11,424.0 | 12,361.0 | 11,516.5 | 11,738.2 | 11,507.7 |
| Diluted EPS (€) | 5.06 | 5.46 | 4.94 | 5.16 | 5.06 |
| Diluted EPS (Old) (€) | 5.06 | 5.46 | 5.03 | 4.83 | 4.61 |
| PE (x) | 8.4 | 7.8 | 8.4 | 8.3 | 8.4 |
| EV/EBITDA (x) | 3.6 | 3.3 | 3.8 | 3.6 | 3.6 |
| DPS (€) | 2.28 | 2.34 | 2.36 | 2.40 | 2.44 |
| Net Div Yield (%) | 5.3 | 5.5 | 5.5 | 5.6 | 5.7 |

## Companies Mentioned

### Figure 8. Companies mentioned

| Code | Company | Rec | TP | Price 23-Sep-13 | ETR |
|---|---|---|---|---|---|
| BG.GB | BG | 1 | 1420 | 1191 | 21% |
| BP.GB | BP | 2 | 450 | 443 | 6% |
| ENI.IT | ENI | 2 | 17.8 | 17.3 | 8% |
| GALP.PT | Galp | 1 | 14.8 | 12.5 | 21% |
| OMVV.AT | OMV | 2 | 35.0 | 35.4 | 2% |
| RDSa.NL | RD Shell A | 2 | 2200 | 2053 | 13% |
| RDSb.NL | RD Shell B | 2 | 2200 | 2153 | 7% |
| REP.ES | Repsol | 1 | 20.0 | 18.2 | 16% |
| STL.NO | Statoil | 2 | 150.0 | 134.8 | 16% |
| TOTF.FR | Total | 2 | 43.0 | 42.7 | 6% |

Source: Citi Research

# Appendix A-1

## Analyst Certification

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