2008 Results and Strategy
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Speakers:

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Paolo Scaroni

Ladies and gentlemen, welcome to our 2008 Results and Strategy presentation.

2008 was a very good year for Eni.
All of our divisions produced robust operating results despite deteriorating market conditions over the last 4 months of the year.

In E&P, we increased production by an industry-leading 5.6% net of the PSA impact (equivalent to reported production growth of 3.5%).

In G&P we consolidated our leading position in Europe and reported 1.9 billion euro of free cash flow, confirming the stability of the division's cash generation.

In R&M, we continued to gain share in a declining Italian market.

These achievements, in the context of an exceptionally favorable environment for the first half of the year, resulted in 10.2 billion euro profit, a 7.7% increase over 2007.

This has enabled us to propose a final dividend of 0.65 euro per share, making a total dividend of 1.3 euro per share.

Before I hand you over to Alessandro for an in-depth analysis of our 2008 results, I will take you through the strategic rationale of our regulated business restructuring, which we announced late yesterday evening.

This deal will enable us to:

- Build a strong integrated player in the European regulated gas market,
- Extract significant synergies

and

- Provide investors with greater visibility of our regulated and non-regulated gas businesses.

All in all, restructuring our regulated businesses will enable us to fully unlock the value of these assets for Eni shareholders.

I will now hand you over to Alessandro.

Alessandro Bernini

Thank you Paolo and good afternoon ladies and gentlemen

As just mentioned by Paolo, the sale of Italgas and of Stogit to Snam Rete Gas creates a unique player in the regulated gas business.

The two companies were valued at RAB (the regulated asset base), or around 10 times EV on Ebitda which is in line with utilities market multiples and well above Eni's current market valuation.

Snam Rete Gas will finance the acquisition through a capital increase up to 3.5 billion euro, half of which subscribed by Eni, and up to 1.3 billion euro of long term maturity debt.

Eni's consolidated operating results will benefit from the expected synergies that can be achieved from this integration and that SRG estimates to be around 2% of the new group 2008 Ebitda at regime in 2012.

The deal will impact Eni's consolidated net debt as a consequence of the capital increase attributable to third parties by approximately 1.5 billion euro.
Snam Rete Gas advisor already signed a pre-underwriting agreement for the quota offered to the market.

Moving on now to the results and to the challenging market environment we faced during the last quarter.
Commodity and currency prices were particularly volatile, with brent 38% down compared to the fourth quarter of 2007, European refining margins at 7.7 $/bbl on average and the euro depreciating more than 9% versus the US dollar

Our fourth quarter adjusted net profit was 1.9 billion euro, down 27% mainly as a result of the weaker operating performance and of the higher net financial charges that reflected negative mark to market evaluation on financial derivatives.

The reported net profit for the fourth quarter was negative at 874 million euro, significantly impacted by inventories write down [1] and impairments of fixed assets [2].

On a full year basis adjusted net profit amounted to 10.2 billion euro up 7.7% versus 2007.

The adjusted operating profit for the fourth quarter was about 4.1 billion euro, down 23%. This was due to the weaker operating performance of our Upstream and Gas & Power business segments due to falling oil prices and lower natural gas demand. These negative effects were partially offset by stronger performance of the R&M division.
Adjusted operating profit for the full year 2008 was 21.8 billion euro, up 15% compared to 2007.

[1] It accounted for -1.693 mln euro
[2] It accounted for -1.124 mln euro

In E&P, the adjusted operating profit for the fourth quarter totalled 2.8 billion euro, declining by 33% on a like for like basis.

This decrease is due mainly to:

- lower hydrocarbons realization prices in dollars (oil -42.9%; gas +36.9%) [1]
- higher DD&A [2];

and

- increased exploration expenses [3];

These negative factors were partially offset by the depreciation of the euro versus the US dollar [4]

The revision of the oil and gas prices scenario associated with some changes to fiscal and environmental regulation rules led to asset impairments for around 650 million euro in the fourth quarter and 990 million euro all over the year.

Adjusted operating profit for the full year was 17.4 billion euro, up 24% from a year earlier. The improvement reflected the higher realization prices and the increased production sales volumes, partially offset by the appreciation of the euro versus the dollar, higher operating costs and amortization charges, mainly due to increased exploration activity.

[1] It accounted for -1,450 mln euro (of which mix effect €560 mln)
[2] It accounted for -300 mln euro
[3] It accounted for -100 mln euro (of which € 100 mln relative to exploration bonuses amortization – Libya, Nigeria)
[4] It accounted for +790 mln euro.

Turning to the Gas & Power division, the adjusted operating profit for the fourth quarter amounted to 812 million euro, 38% down over the same period of 2007.

This weak performance was due to:

- the 3 bcm lower volumes sold in Italy mainly as a result of the economic downturn and climate effect [1];
- the weakening of the euro vs the us dollar that negatively affected our gas purchase cost [2].
- the competitive pressure [4]
- and the lower electricity sales (-16.2%) [3]

These negative elements were partially offset by the Distrigas consolidation as of October 2008 [5] and higher contribution from regulated activities and international transport [6]

For the full year, the Gas and Power division posted adjusted operating profit of 3.5 billion euro, a decrease of around 550 million euro from 2007, reflecting the lower results recorded by its marketing activities in the fourth quarter.

[1] It accounted for around -200 million euro
(-2 bcm related to economic downturn)
[2] It accounted for around -200 million euro
[3] It accounted for an overall -20 million euro (Volume effect – unplanned maintenance)

[4] It accounted for an overall -100 million euro (Price effect – Politica Commerciale)
[5] It accounted for an overall +90 million euro
[6] It accounted for an overall +50 million euro

R&M adjusted operating result for the fourth quarter accounted for 200 million euro compared to 95 million euro adjusted operating loss for the same period of 2007.

This result reflects higher refining margins [1], the depreciation of the euro vs dollar [2], as well as the stronger marketing margins and higher market share in Italy [3].

These positive elements were partially offset by lower throughput [4] and CO2 emission costs[5]

In 2008 adjusted operating profit amounted to 566 million euro, up 72% from a year ago. The improvement reflected stronger refining and marketing margins.

[1] It accounted for 221 million euro.
[2] It accounted for 34 million euro.
[3] It accounted for 68 million euro.
[4] It accounted for -14 million euro.
[5] It accounted for -17 million euro.

In the fourth quarter of 2008 the Petrochemical business (Polimeri Europa) posted an adjusted operating loss of 91 million euro, compared to a 129 million euro loss in 2007.
The negative result, slightly improved compared to the same period of 2007, combines higher realised margins and lower plant utilisation as result of the reduced global demand.

In the Engineering & Construction sector, fourth quarter adjusted operating profit amounted to around 300 million euro, versus 250 million euro in 2007; the increase is mainly attributable to higher results in both offshore and onshore construction activities as well as drilling onshore.
The Other Activities segment reported an operating loss of 91 million euro, mainly as a result of receivable write off.
Finally, Corporate Activities posted an adjusted operating loss of 114 million euro versus a loss of 64 million euro in 2008 as a consequence of higher R&D cost.

This slide compares our sources and uses of cash for 2007 and 2008.
Operating cash flow in 2008 was a record 21.8 billion euro that coupled with cash from disposal of 1.2 billion euro for a total sources of cash at 23 billion euro. We used this cash to fund around 14.6 billion euro of capex, to acquire assets for a net cash out of 4.3 billion euro and to return, on a consolidated basis, 6 billion euro to shareholders.

Net financial debt, as of the end of December, increased by 2.1 billion euro up to 18.4 billion euro and our net debt to equity was 0.38, unchanged in comparison with the end of 2007.
Eni continues to have good access to debt capital markets. In the last months, through our EMTN Programme, we issued around € 3 billion euro of medium-long term bonds to consolidate our financial debt structure. In addition, Eni continue to utilize commercial paper market for flexible short-term funding.

From a strict liquidity perspective we can rely on more than 7.7 billion euro of cash and committed undrawn facilities.

The strong cash generation, the high credit rating and the availability of diversified committed bank lines without MAC (Material Adverse Change) and financial covenants give us the flexibility to address further environmental weakness.

In 2008 cash returned to Eni shareholders was 5.7 billion euro:

- 0.70 euro per share representing the 2007 final dividend;
- 0.65 euro per share representing the 2008 interim dividend;

and

- share buyback for around 0.8 billion euro.

The overall cash distribution allows us to generate competitive returns to shareholders

Thank you for your attention I now hand you over to Paolo

Paolo Scaroni

Thank you, Alessandro.

I will now take you through our strategy and targets for the next four years.

Our strategic direction has not changed.

We continue to pursue the three pillars of our strategy:

- Production growth and reserve replacement in upstream,
- European market leadership in G&P

and

- Greater efficiency in R&M.

Throughout the recent high oil price environment, Eni maintained a conservative oil price deck in the region of $50-$60/bbl. This is why our strategy remains solid even in today's challenging environment.

In line with our previous assumption, we now forecast a long-term price deck of 57 $/bbl beyond 2012. In the near term, however, we see significantly lower prices and high volatility.

Before taking you through our 2009-2012 plan and targets, I will spend a couple of minutes on the short-term challenges facing the industry.

We see the current difficult environment continuing for at least 12 months.
Our Brent price assumption for the full year 2009 is 43 $/bbl, in line with the average price in January.

Turning to the gas market, European volumes will remain flat in 2009, for the first time in several years. In Italy, we see demand contracting at the same time as new gas enters the market, putting pressure on margins.

In refining, new capacity will come on stream, resulting in a global surplus of refined products. As a consequence, we foresee in 2009 TRC refining margins to drop to an average of 3 $/bbl in the Mediterranean basin.

Our short term market outlook is negative, but Eni's resilient business portfolio is ideally positioned to cope with these industry challenges.

Our E&P division is well positioned to withstand a low-price environment with industry-leading lifting costs of 7.5 $/bbl.

This very low lifting cost is the result of our high exposure to:

- low-cost areas
- giant projects

and

- conventional oils.

The acquisitions we have made over the past two years have strengthened our presence in low cost legacy areas, steering clear of higher cost projects such as Canadian tar sands.

We also face the lower oil-price environment with a utility-like G&P business, whose profitability is largely independent from the oil price. This provides us with a key point of differentiation from our peer group. Of course, G&P sales are affected by the economic slowdown but this impact is mitigated by the steady cash flows of the regulated business and continuing international growth.

In R&M, where the outlook is negative, we see being small as an advantage.

Overall, our business portfolio is resilient in the context of the current turbulence. This resilience enables us to keep investing to deliver superior growth over the plan period and beyond while at the same time rewarding shareholders with an industry leading dividend.

Turning now to our four-year plan and targets, in E&P we will achieve industry-leading growth of 3.5% per annum, and 3% between 2012 and 2015. We will also replace 130% of our production in the plan period.

Our growth will be driven by our exposure to fast-growing oil producing regions, with our operations in Africa growing by over 4% a year.

During the plan period we will add 525 kboe/day of new production with an average break even of 35 $/bbl.

In G&P, we will benefit from our strengthened market leadership in Europe following the Distrigas acquisition. We will leverage on our additional scale to:

- continue to grow market share in Europe,
- develop our trading capabilities,

and

- improve flexibility and efficiency.

We will also continue to benefit from the integration between G&P and E&P to deliver synergies for both businesses.

All this will enable us to generate cumulative Ebitda of 20 billion euro over the next four years from G&P.

In R&M, our targets are to improve ebit by 400 million euro by 2012 and to make the division cash neutral even in a very negative scenario.

To achieve these targets we will:

- upgrade the best positioned refineries investing in our proprietary EST technology;
- gain market share in Italy through loyalty programs and superior service quality;
- deliver operational cost savings of 150 million euro by 2012.

Moving now to our overall Group-level targets, efficiency continues to be our priority.

During the past three years we cut costs by almost 1 billion euro. We have now raised the bar and are targeting an additional 1 billion euro of cost cuts for the next 4 years, taking our overall reduction to almost 2 billion euro.

At the corporate level we will reduce our cost base by over 7% in real terms over the next four years.

All of our businesses will also contribute to lowering our cost base.

E&P will reduce operating expenses per barrel in real terms preserving its cost leadership position;
G&P will continue to reduce the cost-to-serve for its 6 million customers by 7% a year.
R&M will deliver a further 0.7 $/bbl of cost savings in 2012 by streamlining its workforce and reducing energy consumption.

Over the next four years, Eni will invest 48.8 billion euro across its businesses.

Our investment programme remains broadly unchanged for three reasons:

Firstly, our oil price assumptions in previous plans were sufficiently prudent

Secondly, our investment opportunities remain attractive even in a lower price environment due to the:

- focus on low-cost areas in E&P,

and our

- high exposure to regulated businesses with guaranteed returns.

Thirdly, while the new capex plan has a broader scope in E&P and G&P, the costs of implementing the programme are lower due to cost savings. We have also adopted a more selective investment approach in R&M.
Around half of the planned capex for the next 4 years is not yet committed, providing us with the flexibility to respond to changing market conditions.

Even in highly uncertain markets, Eni will generate considerable amounts of cash in the plan period.

Our cash allocation philosophy is based on the following three priorities:

- First, maintaining a strong capital position and credit rating.
- Second, continuing to invest to fuel profitable growth throughout the Brent cycle.
- Third, rewarding our investors with superior yields.

I will now hand over to the heads of our divisions who will give you more detail on the key drivers of the 2009-2012 strategic plan.

Claudio Descalzi

Thank you Paolo and good afternoon ladies and gentlemen.

In line with our history of industry-leading growth, in 2008, Eni's production performance was the highest among its peers **…**setting a new record.

This result was achieved whilst the oil price hit the maximum level, averaging around 100 USD/bbl.

Net of the PSA effect, our production was above 1.84 Million barrel, an increase of 5.6% versus 2007, well above our original target of 1.8 Million.

This excellent result has been achieved through:

- timely completion of all the 11 planned main start-ups
- strong focus on operations
- effective integration and development of the acquired assets

In an industry plagued by declining production, Eni continues to deliver a steady, sustainable and profitable growth.

We have continued to pursue our M&A strategy focusing on highly synergic assets with significant upside potential.

Consistently, we acquired conventional assets characterized by:

- fast "scale up" of production (250 kboe/d in 2012)
- a breakeven price below 50$ per barrel

On top of that, we have already identified material upsides, resulting in higher 3P reserves and significant value creation.

Last year, we replaced 135% of our production at current prices.

Looking at the next 4 years, new project start-ups, exploration activity and continued application of enhanced technology will enable us to replace 130% of our production at our price deck of 57$/bbl. Our resources are based on solid 3P reserves and on high potential prospects, located in areas where we have synergic operations.

More than 95% of our 2P reserves would generate positive cash flow even at 30$/bbl

Exploration will be the pillar of our sustainable growth.

In 2008 we discovered more than 1 Bln boe.
More than 85% of portfolio has been renewed over the last few years, strengthening Eni's positions in areas with short time to market and competitive breakeven price.

Finally, we have enlarged our resources base through the addition of new unconventional plays in Congo and Venezuela.

We have a long history of growth and of achieving our targets throughout the cycles of the industry.

Over the last decade, Eni has recorded an average growth rate of 5.6% per year.

Our future growth will be a continuation of our strong performance to date.

We target to further increase production by 3.5% until 2012 ...and by 3% thereafter.

We will hit these targets and achieve superior, valuable and sustainable growth, thanks to:

- a top quality portfolio, geographically focused and resilient, with one of the lowest breakeven prices among our peers;
- high exposure to the most competitive Giant Projects
- a unique approach to business, leveraging on a pioneer formula of co-operation with producing countries

and

- …as Paolo mentioned, our unique integration with Gas & Power Division.

Our growth strategy is straightforward and simple and benefits from a strong geographical focus on 3 areas where we are a leading producer.

These main areas, characterized by low lifting costs, and a competitive time to market, will absorb more than 90% of our capex and produce more than 90% of our output.

Africa, where we are the "Number 1" producer, is our legacy area, and will remain central to our strategy, with 1.1 million barrels/day of expected production by 2012.

Central Asia and Russia will also contribute significantly to growth with a production of 180 kbopd by 2012.

OECD countries will continue to deliver a stable plateau at around 600 kbopd.

Our growth will be driven by a robust pipeline of start ups through 2012.

In addition to the 11 start-ups delivered last year, in 2009 we will again complete 11 new projects.

Our total capex this year will be around 9 billion €, of which 7,5 billion € devoted to development.

Consistent start-ups over the next 4 years will add 525 kboe/d by 2012.

These initiatives are generally characterised by high equity entitlement, operatorship and are located in our core areas.

Our portfolio of new projects, sustainable at an average breakeven of 35$/bbl, will deliver more than 500 kboed of additional production by 2012.

Around 50% of our new production will come from projects that have already been sanctioned.

That said, most of our construction activity has yet to be awarded.
This will enable us to benefit from the ongoing reduction in upstream costs and further improve our breakeven price.

Giant Projects, such as:

- Kashagan,
- Mboundi,
- the Gas fields in Algeria

and

- the Western Libyan Gas Project,

will account for an increasing share of our production during the plan period and beyond.

In addition, unconventional oil Giant Projects and LNG will further sustain our long-term growth.

Most of our Giant Projects are resilient at a price of 40$/bbl and will constitute Eni's backyard for the future.

Eni <u>competitive portfolio</u> ensures that our investment plan remains attractive even in current market conditions and allow us to confirm a capex programme of 33 billion €, in line with the last plan.

Our investment flexibility progressively increases, enabling us to re-schedule some projects, in order <u>to benefit the most</u> from recent cost downturn, with little impact on production.

In addition, we have established a dedicated *Task-force* to capture the cost reduction.

This initiative, which has already identified clear actions for material saving, is regularly assessed by the top management.

The results obtained so far are on track to reach 5 Billion € of saving in the 4 year plan with a breakeven price reduction of 4 dollars/bbl.

In conclusion,

our simple and straightforward strategy, based on efficient operations in low cost areas will continue to deliver a superior and profitable growth, even in the current market conditions.

Thank you for your attention.

I will now leave the floor to Domenico to take you through the G&P Division.

Domenico Dispenza

Thank you Claudio,

Good afternoon ladies and gentlemen

Gas and Power ebitda stood at 4.5 billion euro in 2008, a decline of 12% versus 2007.

The result was impacted by the severe economic slowdown in the fourth quarter.

While the performance in the first 9 months of 2008 was in line with the previous year, Ebitda from marketing activities in the fourth quarter registered a sharp decline of around 570 million euro.

This decrease is partially attributable to warmer weather conditions and the weakening of the euro vs the dollar, but the real bad news has been the economic downturn, which caused a 13% decrease in gas sales to the industrial and power sectors in the fourth quarter.

Overall, Eni's gas sales in the year were stable, bolstered by our international growth. Including the recently acquired Distrigas, volumes sold increased by 5%.

By contrast, the regulated activities and the international transportation posted an impressive result outpacing last year's record and confirming the stable returns of this utility-like business.

Following the sharp economic slowdown in the last few months of 2008, we are now expecting European gas demand to be flat in 2009. In Italy, we expect the gas market to decline by 1%.

Over the plan period, we have revised down our expectation of average European annual growth from 3% to 2%.

In Italy, the availability of larger gas volumes coming from new import infrastructures is likely to further increase the competitive pressure.

We will face this challenge by leveraging on our strong domestic position and our European leadership. Our large and diversified supply portfolio is another key asset, giving us valuable flexibility from both an operational and trading perspective.

In our domestic market, we will maintain a market share of over 50% and defend profitability.
In each of the sectors we operate in we will target the most profitable and loyal customers.
In gas sales to power generation clients, we plan to hold our market share steady, leveraging on our flexibility and risk taking capacity.

In the industrial market, we will increasingly select the most valuable clients, tailoring pricing and services to their specific needs.
We will continue to enlarge our customer base in the residential market, also expanding our dual offer for which we target a penetration rate of over 20% of our customer base by 2012.

A key focus in Italy is operational efficiency. We will further reduce our cost to serve for residential clients by 20% between 2008 and 2012, and optimize our operating and maintenance costs in power generation.

On the international stage, the Distrigas acquisition will help drive sales growth and market share gains in our target markets.

We expect our sales outside Italy to grow by 7% a year over the next four years.

In France and Germany we will benefit from Distrigas' existing client base and sales force. In Belgium, we expect to preserve Distrigas' leadership. We will also leverage on Distrigas' best in class gas trading team and platform to become a leading player in the growing North West European hubs.

In the Iberian Peninsula we plan to further strengthen our leading position. We will reach a market share of 16% by 2012 taking advantage of equity gas from Algeria, Nigeria and Egypt.

In Turkey, we aim to reach 6.4 bcm of volumes sold by 2010 through the Blue Stream.

Outside Europe, we will increase our presence in the US, where we can leverage on equity gas from Eni's Gulf of Mexico assets as well as on LNG supplies to the Pascagoula terminal.

Maintaining our leading Italian position and growing our European market share will enable us to increase overall gas sales by an average of 2% a year to 124bcm by 2012.

We will deliver 20 billion euro of EBITDA over the next four years, leveraging on the resilience of our regulated businesses and our profitable international growth of our sales.

In the next four years we will invest €7.0 billion in G&P, an increase of €500 million from the previous plan.
75% of this capex will be invested in the regulated business, with guaranteed returns.

Of the remaining €1.8 billion, 0.7 will fuel the development of the Hewett project, starting in 2011. This will leverage on our unique combination of E&P, G&P and storage competences. The additional storage capacity will be ideally located to complement Eni's production, sales and trading activities in Europe and will further enhance the flexibility of our portfolio in serving the most valuable customer segments.
With 0.7 billion euro we will complete the investment programme in power generation. This will increase our installed capacity from today's 4.9 GW to 5.5 GW in the plan period and consolidate Eni's position as the third largest producer of electricity in Italy.

I will now hand you over to Angelo.

Angelo Caridi

Thank you Domenico,

Good morning ladies and gentlemen
R&M results improved sharply in 2008.

Excluding the more favorable environment for refining margins, our operating profits were up by 12%.

The strong commercial margins and improved market share have been partially offset by higher refinery shutdowns and CO2 emission costs.

The division's operating performance was further strengthened by cost saving initiatives with a 6% workforce reduction in Italy and energy consumption enhancements.

Looking ahead at the next four years, we see a significant deterioration in the refining environment.

Global demand will decrease due to the negative economic cycle, gradual improvements in energy efficiency and the increased use of bio-fuels;

Meanwhile, global refining capacity will increase with new grass roots projects coming on stream in Middle and Far East and many existing sites being upgraded in the US and Europe.

To tackle this challenging scenario we will:

- Optimize our refining capacity in Italy, through the sale of weaker assets;
- lower our break-even level through a focused capex on secondary conversion and further cost savings;
- increase marketing profits with focused growth in Central and Eastern Europe.

We have three main priorities for the next four years.

- The first is to deliver additional cost savings of 150 million euro, mainly through improving energy efficiency and cutting maintenance and labour costs.
- In refining, we will increase our conversion index to 65% and achieve a middle distillate yield of 45%, more than double the yield in gasoline. Three new hydrocrackers will come on stream in 2009 in Sannazzaro, Taranto and Bayern Oil.
- In marketing, we will further grow our Italian market share to 32% through loyalty programmes and an extended range of non-oil services. Abroad, we will focus on three countries: Germany, Switzerland and Austria, where we enjoy significant advantages in terms of supply, logistics and brand awareness. We want to increase our market share in these three countries to over 10% through opportunistic acquisitions.

The significant turnaround potential in all our activities will enable us to increase R&M ebit by 400 million euro in 2012, excluding scenario effects.

Our increased profitability will be driven by a focussed capex plan, which has been reduced by €1 billion or 28%, compared to last year's Plan.

The 3 new hydrocrackers coming on stream in 2009 - as well as the start-up of our new EST plant in 2012 - we will largely complete the strengthening of our key refineries.

As a result, beyond 2010 we expect to further lower our capex requirements, significantly improving the R&M Division's cash generation.

We are also confident that EST technology, enabling us to fully convert heavy oils and residues mainly into middle distillates, will also help us in getting access to new upstream assets.

Thank you very much for your attention. I will now hand you over to Paolo for his closing remarks.

Paolo Scaroni

Our industry is undoubtedly facing uncertain times this year. Eni is well-placed to continue to deliver value to its shareholders:

- In the short-term: due to our low-cost profile in E&P and to our cash generation in G&P,
- And in the longer-term: due to our fast growing production in E&P and leadership in European gas sales.

Our strategy remains clear, we are committed to maintaining our strong credit rating, executing a disciplined and flexible capex programme, and providing superior shareholder returns

Thank you for your attention. We will now be pleased to answer your questions.