

Interim update and Q2 results

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Speaker:

Paolo Scaroni - CEO

Alessandro Bernini - CFO

Paolo Scaroni

Ladies and gentlemen, welcome to our 2009 interim review.

The first six months of the year have been challenging. In E&P, with oil prices down 53% year on year, production was affected by OPEC cuts and force majeure, while in G&P the economic downturn hit gas sales.

Despite these challenges, we achieved sound financial results, with 6.3 billion euro of adjusted operating profit, 2.7 billion euros of adjusted net profit and 7.6 billion euro of cash flow from operations.

In the context of an uncertain macro environment, I intend to propose to the Board an interim dividend of €0.5 euro per share, which reflects eni's prudent approach to the short-term challenges.

During the first six months of the year we made good operational progress across our businesses, consolidating our long term growth prospects.

In E&P, we developed our portfolio further and have added 300 million boe of new resources through successful exploration activity.

A significant contribution comes from discoveries in Angola, Gulf of Mexico, Indonesia, Pakistan and Brazil through Galp. This was achieved amidst a 30% reduction in exploration expenses year on year.

In the same period we have added 21,000 square km of new acreage to our portfolio, which will sustain our resource replacement.

Amongst this new acreage is the Barnett Shale formation which we acquired from Quicksilver. This alliance will promote technical exchange, particularly in drilling and completion technologies in unconventional gas shales.

In G&P, we completed the restructuring of the regulated business and the integration with Distrigas.

I will now hand you over to Sandro for the 2Q results

Alessandro Bernini

Thank you Paolo and good morning Ladies and Gentlemen

In the second quarter of 2009, the Brent price showed an increasing trend averaging 59 dollars per barrel, down 52% compared to the second quarter of 2008

The European refining margin averaged 3.6 \$/bbl, declining by 55% versus the corresponding period of 2008.

Finally, the euro showed a depreciation of 13% versus the US dollar.

As usual, I would like to remind you that eni's results are affected by several issues, including the seasonal factor affecting the demand for natural gas and petroleum products used for residential heating, the demand for which is highest in the first quarter of the year and lowest in the third quarter. Therefore, Eni's operating profit and change in net debt in the first six months cannot be extrapolated for the full year.

Moving to the results, adjusted operating profit in the second quarter totalled 2.5 billion euro down 54% year on year. This result mainly reflects the lower contribution of the Exploration & Production and the Refining & Marketing divisions.

Adjusted net profit in the second quarter declined by 60% to 902 million euro as a result of weaker operating performance and of the lower contribution from equity accounted entities. These negative factors were partly offset by the lower adjusted tax rate.

Hydrocarbon production in the second quarter decreased by 2.2% compared to the same period of 2008, averaging one million seven hundred and thirty three thousand boe per day (1,733 kboe/d). The decrease is due to OPEC cuts (29 kboe/d), the force majeure events which occurred mainly in Nigeria (overall 34 kboe/d), weaker European gas demand and the mature field declines. These negatives were partially offset by the production ramp-up in Angola, Congo, Gulf of Mexico, Egypt and Venezuela as well as the impact of PSA (around 60 kboe/d).

Second quarter adjusted operating profit amounted to 2.1 billion euro, down 58% compared to the second quarter of 2008, mainly as a consequence of the lower hydrocarbon realization prices denominated in US dollars [Oil (-48%) & Gas (-35%)] [1] and lower production sold [2]. These negative elements were partially compensated for by the depreciation of the euro vs the US dollar [3].

[1] It accounted for -3,090 mln euro

[2] It accounted for -175 mln euro

[3] It accounted for +340 mln euro

As for the Gas & Power division, overall gas volumes sold in the second quarter of 2009, including both consolidated and associated companies, decreased by approximately 8% year on year, totalling 19 bcm. This decrease is due to the lower volumes sold in Italy as a consequence of the economic slowdown, partially offset by higher International gas sales reflecting the Distrigas acquisition (+2.7 bcm) and the robust sales in several European target markets despite the weak gas demand.

As for the Gas & Power division, adjusted operating profit amounted to 690 million euro, up 10% over the same period of 2008.

The increase reflects the higher contribution from the marketing and regulated activities partially offset by the lower result in international transportation.

G&P adjusted proforma Ebitda for the second quarter of 2009 amounted to 821 million euro. This compares to 806 million euro in the second quarter of 2008.

Marketing segment result increased by around 8% as a result of:

- favorable scenario, related to euro appreciation vs the US dollar and the positive trend in energy parameters [1];
- certain operating expenses incurred in the second quarter of 2008 related to a claim filed by the Authority for Electricity and Gas which reverted a favorable tariffs regime on electricity productions [2];
- as well as the Distrigas consolidation [3].

These positives were partially offset by the lower gas volume sold [4].

The Regulated business generated 301 million euro up 12% versus the second quarter of 2008. The increase mainly reflects the higher contribution from distribution activity as a result of the revision of the tariff mechanism that smoothed the seasonality of the business [5].

Finally, international transportation declined versus the second quarter of 2008 as a result of costs incurred to repair the TMPC pipeline damaged in an accident which occurred last December.

[1] amount to +80 million euro

[2] amount to +25 million euro

[3] amount to +30 million euro

[4] amount to -120 million euro

[5] amount to +40 million euro

Turning now to R&M, utilization rate declined by 12% year on year as a result of the weak demand and higher maintenance activity.

The second quarter accounted for an adjusted operating loss of 106 million euro compared to an operating profit of 97 million euro in the same period of 2008. This result reflects significantly weaker refining margins, mainly as a result of the narrowing of the differential between light and heavy crude [1]. This reduction was partially offset by the depreciation of the €/\$ exchange rate [2].

Marketing performance improved [3] reflecting higher retail volumes sold in Italy as a result of increased market share. These positives were partially offset by the lower volumes sold to wholesalers.

[1] Accounting for -400 million euro.

[2] Accounting for +60 million euro.

[3] Accounting for +60 million euro.

In the second quarter of 2009 the Petrochemical business posted an adjusted operating loss of 146 million euro due to the very weak volume and margins.

In the Engineering & Construction sector, the second quarter adjusted operating profit amounted to 297 million euro, versus 253 million euro in 2008; the increase is attributable mainly to higher results in the offshore drilling and construction business lines.

The Other Activities segment reported an operating loss of 73 million euro.

And finally,

Corporate Activities posted an adjusted operating loss of 117 million euro due to higher insurance costs, expenses related the bond retail offering as well as increased ICT and R&D costs.

In the first half of 2009 operating activities generated a cash flow of 7.6 billion euro. On top of this, disposals and the Snam Rete Gas minority shareholder capital increase contributed around 4.8 billion euro, bringing the overall cash generated to 12.4 billion euro.

The cash flow generated financed capex of 6.8 billion euro, acquisition costs mainly related to Distrigas' minorities for overall 2.2 billion euro and dividends of 2.6 billion euro. Other uses absorbed 0.8 billion euro and brought the overall cash outflow to 12.4 billion euro.

Net financial debt, as at the end of June, amounted to 18.4 billion euro and the debt to equity ratio slightly decreased to 0.37 when compared to 0.38 of year end.

Thank you for your attention and now I hand you over to Paolo for his closing remarks

Paolo Scaroni

Thank you Sandro.

In conclusion, the industry as a whole faces challenges from the economic downturn which may result in renewed oil price weakness, and which will continue to depress gas demand and put pressure on refining margins. The outlook for the near term remains highly uncertain.

In this context, eni will continue to leverage on its strategic strengths:

- In the E&P division, a healthy pipeline of projects is coming on stream over the remaining part of this year.
- In Gas&Power, despite weak volumes caused by the economic downturn, we will deliver a stable result year on year.
- Our small downstream exposure means that the negative impact from this sector will be relatively limited.

Our strategy remains unchanged. We will continue to invest for growth in the long-term interests of our company and shareholders, while maintaining firm financial discipline and ensuring that our balance sheet remains strong.

This approach leaves Eni well positioned to achieve continued growth and equips us to overcome industry challenges.

We will now be pleased to answer your questions.