eni’s strategy and sustainable growth

30 January 2012

eni.com
our distinctive approach to sustainability comes from history

### eni model of relations with producing countries
- Business and technology development
  - Oil & gas integration
- Access to energy and infrastructure
  - To be local

#### 1950s – 1960s

**“Mattei Formula”**

Distinctive approach to partnership with host communities.
Offered producing countries:
- Long-term approach
- Better economic terms
- Active participation in projects
- Knowledge sharing and training

#### present day

“eni model”
continued innovation on sustainability initiatives

1970s
First long-term gas pipeline deals with major suppliers

1999
First HSE Report

2003
First biodiversity pilot project (Val d’Agri, Italy)

2007
en Foundation

2010
EST pilot project completed at Taranto refinery

2011
en model leads to giant gas discovery, Mozambique

1994
First code of conduct (revised in 2008 > Code of Ethics)

2001
Endorsement of the Global Compact

2007
First Sustainability Report

2011
en for development, first integrated report

2011
en is selected to the Global Compact LEAD Initiative
eni’s sustainability approach: the benefits

Creating long-term growth opportunities

- Access to resources
- Strategic partnerships
- Exposure to growing gas market
- Maximising efficiency
- Synergic unconventional
- Talent attraction/retention

Managing and mitigating risks

- Political
- Financial
- Operational
- Environmental
- Geological
- Reputational
eni in Africa: our model has driven growth...

### Countries and Year of Entry

- **Tunisia**: 1961
- **Algeria**: 1981
- **Libya**: 1959
- **Egypt**: 1954
- **Mali**: 2006
- **Nigeria**: 1962
- **Congo**: 1968
- **Gabon**: 1981/2008
- **Chad**: 2007
- **Togo**: 2010
- **Ghana**: 2009
- **Angola**: 1980
- **Mozambique**: 2006
- **South Africa**: 2011 (MOU)

### African Production (1970-2010)

#### kboed

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (kboe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>6,179</td>
</tr>
<tr>
<td>1990</td>
<td>7,924</td>
</tr>
<tr>
<td>2010</td>
<td>13,854</td>
</tr>
</tbody>
</table>

#### CAGR

- **1970-1990**: 2.0%
- **1990-2010**: 6.5%
- **Total CAGR**: 5%

#### eni Presence

- **1970**: 1.3%
- **1990**: 4.9%
- **2010**: 7.2%
... while contributing to political risk management

enpi production in Africa (1965-2010)

Kboe/d

- Tunisia: coup d’état
- Nigeria: repeated coups and social unrest
- Angola: civil war
- Egypt: Yom Kippur war
- Libya: frictions Italy-USA
- Angola: civil war
- Libya: embargo
- Congo: civil war
- Egypt: 6 days war
- Angola: civil war
- Algeria: civil war
- Tunisia: civil war
en\textit{i}'s strategy: well-positioned to deliver further growth

**Another decade of sustainable growth**
- Leveraging on increased scale (2000-10 production CAGR 4.3%)
- Continuing expansion in legacy areas and in new growth hubs
- Strengthened resource base through exploration (10 Bboe discovered in 2000-10)

**From a domestic incumbent to a European leader**
- Expanded presence in France, Germany, Iberia and Benelux
- Medium-term recovery opportunity leveraging on secular gas demand growth

**Efficiency in a difficult market**
- 2006-11 effort: €800m of efficiency gains
- Profit enhancement through innovation and further efficiency
sustainability will continue to support growth

- Leveraging on key competences
- Taylor-made for country requirements
- Prepared to invest with a long-term view

- Access to energy
- Agriculture and development
- Innovation to enhance profitability

Creating new business opportunities
access to energy

- First IOC to invest in power generation in Africa using associated gas
- Major electricity generation: 4 plants in Congo and Nigeria
  - 60% of Congolese electrical production
  - 20% of Nigerian electrical production
- Large involvement in electrification projects
- MOUs for 4 new power projects in Angola, Ghana, Togo and Mozambique

Facilitates resource access, improves community relations and reduces political risk
agriculture: local approach to support development

**Ongoing projects**

**Green River Project, Nigeria**
- Integrated social project impacting agriculture, fishing and livestock
- 1988-2010 investments: $49m
- Benefits more than 500,000 people

**Rice and Manioca cultivation, Congo**
- Focused local community projects
- Improves seed quality and agricultural techniques, building on Green River experience

**New developments**

**Palm oil projects, Congo and Angola**
- Supporting the creation of modern, large scale agriculture
- Reducing dependence on food imports
- Promoting non oil-linked economic activities

**Improving community relations at local level**
petchem: innovation for business turnaround

- New bio-based chemical JV to be developed on site hosting former, structurally loss-making, petchem plant
- Will produce bio-intermediates for plastics, lubricants and additives for elastomers
- Bio-refinery fully integrated with local cultivation and production of vegetable oil for feedstock
- Project will boost employment in the area
- Investments of >€500m, return on capital in line with eni average

Capitalises on new business trend, contains downstream losses safeguarding community development
eni’s strategy and sustainable growth

Claudio Descalzi, E&P COO
eni’s sustainability approach

- Political
- Operational
- Financial
- Geological
- Technological
- Reputational

Management of uncertainties

eni’s business model

Long term growth opportunities

- Access to resources
- Strategic partnerships
- Growing global gas market
- Minimizing footprint
- Synergic unconventional
- Talent attraction/retention

E&P: sustained production growth over past 10 years
managing political risk: geographical diversification

- Diversified resource base: key growth areas in Africa, OECD, FSU and Far East

- Containment of financial exposure per country

- Risk of new projects embedded in hurdle rate
  - Use of certified international providers for country risk
  - Country risk assessed each quarter

- Reduced weighted average risk premium over the last 5 years
managing political risk: focus on core hubs

- Core areas producing ca 1 mboe/d in 2010
- Drivers of synergic long-term growth
- Consolidated relationship with producing countries
- Double-flag approach
local approach: meeting the country’s development needs

M’Boundi: the energy hub of Congo
local approach: the Green River Project in Nigeria

- First integrated social project in the industry
- Project impacting 500,000 people in 2010
- Introduction of modern farming techniques respecting the cultural heritage of host communities
- Involving four states: Rivers, Bayelsa, Delta, Imo
- Total investment 1988-2010: USD 49 million

Creation of a sustainable and modern agriculture industry
Local content

- Africa main area of increase
- Contribution to country-wide education/university programmes
- Training programmes
  - Training on the job at the headquarter
  - Dedicated local training
  - Master abroad
- Career development programmes
- International career opportunities

* Consolidated subsidiaries only
limiting exposure to operational risk

2010 resources by type

- Balanced portfolio with little exposure to high risk projects:
  - 74% onshore or shallow water
  - Only 6% deepwater exposure
  - HP/HT wells only 3% of total wells

Increased operatorship:

- Competences & know how
- Enforcement of technical & HSE standards
- Cost efficiency
- Organizational unit dedicated to non-operated assets
preventive approach: eni’s policy

Operated assets

- Processes
  - Mandatory while-drilling technology for real time well monitoring
  - Increase of eni’s supervisors on contracted rigs
  - Specific contractual strategies for suppliers, bonuses in absence of violations and accidents

- Technology
  - Adoption of double barriers in every phase
  - Proprietary lean profile technology

- People
  - Maintaining core competences in house
  - Knowledge management and training
  - Low turnover

Non-operated assets

- Preventive approval of well design and execution by headquarter

- eni’s representative in the JV will oppose drilling programme and subsequent changes if not compliant with eni’s technical or HSE standards

eni’s policy aligned to international best practices and applied worldwide
focus on proprietary technologies

**Big hole profile – industry standard**
- Large flow area in annulus between casings
- Production level in direct communication with the wellhead due to single production casing

**Extreme lean profile – eni standard**
- Reduced flow area in annulus between casings
- Liner + Tie Back higher safety standards
  - LINER 7"
  - LINER 9 5/8” and TIE BACK
- Production levels isolated from the wellhead due to production liner

**Effective reservoir isolation**
**operational results: blowouts**

**eni in 2000-2011**

- 3214 wells drilled
- 1 blow-out
- 0.3/1,000 wells

**Global average and accepted insurance coverage**

- 4/1,000 wells

**Drilled wells**

- Avg drilled wells per year
- Blow-out frequency (per thousand)
operational results: improving safety

- Prevention and preparedness: 170,000 training hours per year
- “Leadership in safety” programme
- Tracking of near-misses
- Quarterly reporting of safety performance to top management

Lost time injury frequency rate*

<table>
<thead>
<tr>
<th>Year</th>
<th>Company</th>
<th>Contractor</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>avg 2007-2010</td>
<td>0.66</td>
<td>0.77</td>
<td>0.73</td>
</tr>
<tr>
<td>2011</td>
<td>0.41</td>
<td>0.42</td>
<td>0.41</td>
</tr>
</tbody>
</table>

* n. of LTI/Mln of worked hours
operational results: low opex and efficient field management

**OPEX***

Low depletion rate

**Benchmark group**

* RDS n.a.

** XOM, CVX, COP, BP, RDS, TOT, eni. Company data and Wood Mackenzie
minimizing environmental impacts: zero gas flaring commitment

Nigeria: gas utilization as % of equity production

Associated gas valorization
Commitment to zero gas flaring
minimizing environmental impacts: water usage optimization

Re-injected water vs. total water produced

Water reinjection target: 62% of the total water produced by 2014
case study: Nigeria oil spills

- Increasing bunkering activity
- Local refining with heavy impact on environment
- Response:
  - Collaboration with local authorities and communities
  - Increased investment in asset integrity
  - Two new anti-intrusion monitoring systems successfully tested
  - New techniques for tackling with bunkering (tests on site 1H 2012)
  - Continuing remediation activities
case study: Goliat blow-out response plan

- **Goliat environment:**
  - Close to the coast: short time to shore
  - Vulnerable resources: large seabird colonies, rich fisheries
  - Limited visibility in winter

- **Activities:**
  - Radar coverage
  - Accurate simulation of the dynamics of a potential oil spill
  - Infra-red devices for oil spill detection and monitoring in the darkness and low visibility
  - 4 mechanical recovery and dispersion barriers and stand-by vessel
  - Pre-agreed involvement of a pool of fishing vessels and 2 deposits stocked with oil spills equipment on the shore
case study: Congo tar sands risk assessment

- Two exploration permits:
  - Tchikatanga and Tchikatanga-Makola 1790 sqkm
  - 45 km NE of Pointe Noire

- Pilot project in Q2 2012:
  - Study of the best areas for production
  - Study of the best cultivation method in order to minimize impacts
  - Study of the appropriate conservation and restoration techniques
  - Exploitation of synergies with the M’Boundi oilfield

- First exploration phase concluded in April 2011


**eni's strategy for the future: continuous improvement**

- Consistent focus on conventional assets and geographical diversification
- Consolidation of community relations
- Increased operatorship as a tool to contain risks
- Continuous development of competences and technologies
- Proactive attitude in implementing HSE throughout our operations
closing remarks

Paolo Scaroni, CEO

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Back up
Safety is our first priority

**Lost time injury frequency**

<table>
<thead>
<tr>
<th>Year</th>
<th>LTIF rate eni workforce (employees and contractors)</th>
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<tr>
<td>2007</td>
<td>1.62</td>
</tr>
<tr>
<td>2008</td>
<td>1.42</td>
</tr>
<tr>
<td>2009</td>
<td>1.11</td>
</tr>
<tr>
<td>2010</td>
<td>0.89</td>
</tr>
<tr>
<td>2011</td>
<td>0.73</td>
</tr>
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- Steady improvement in all business areas
- Safety indices included in management incentive schemes
- Emphasis on training and cultural change
- Periodic update of eni board of directors on safety issues and results

**eni in Safety** programme launched for further improvement:

- Cascade process ensuring management commitment
- Addressed to line managers as well as HSE specialists
- 20 000 people to be trained between 2012-2014
- €3.5m investment
### eni model: focus on compliance and control

#### Board of statutory auditors/SOA audit committee
- Supervises board compliance
- 4 members (all chartered accountants)

#### Internal Control committee & Internal audit
- Supervision of internal audit activities
- Internal audit structure of >100 FTE
- Chairman drawn from minority slate
- 2010: 20 meetings, 98% attendance

#### Compensation Committee
- Variable compensation linked to annual and long-term performance
- Management objectives include sustainability indicators

#### Board of Directors
- Significant role in company strategies, risk management and control
- 9 members (8 non execs, 7 independent and 3 elected by minorities)

#### Compliance & business ethics
- Code of Ethics universally applied (incl. BoD, employees, JV partners & suppliers)
- New management system extended to all of Eni
- Best in class anti-bribery policies and processes
- Extensive compulsory training