



# Eni Strategy and Results

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CFO

**Paris, 15<sup>th</sup> June 2006**



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# Strategy

Operational efficiency

## **E&P:**

grow oil and gas production and replace reserves

## **G&P:**

grow internationally and preserve Italian gas business

## **R&M:**

upgrade refining capacity and strengthen competitive position in marketing

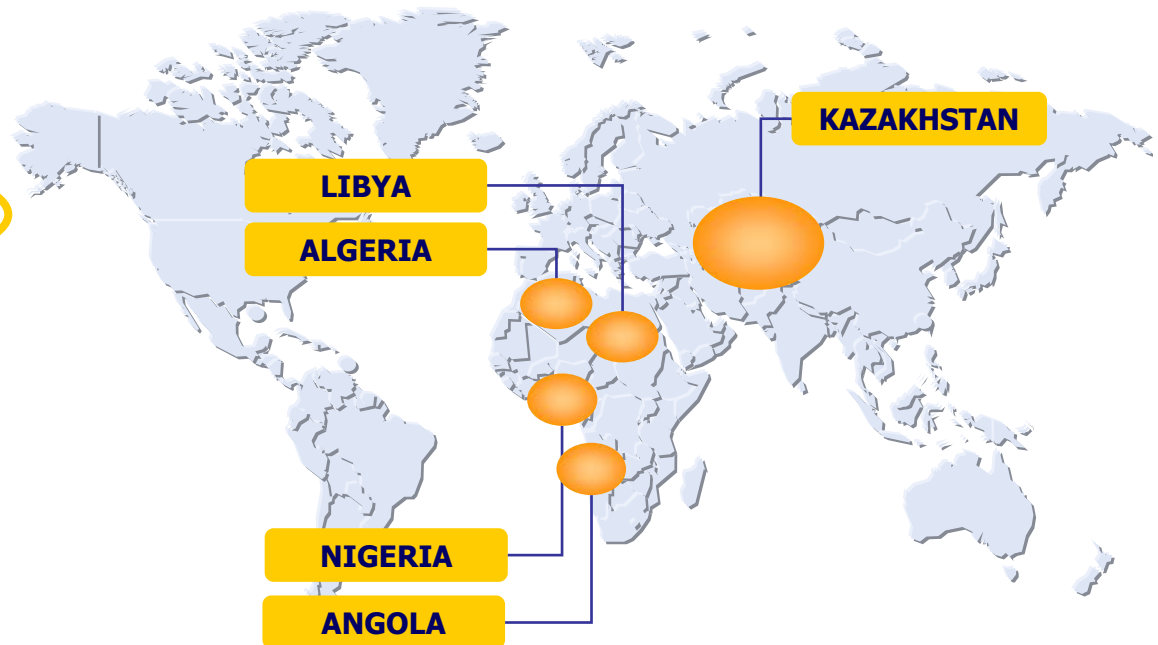
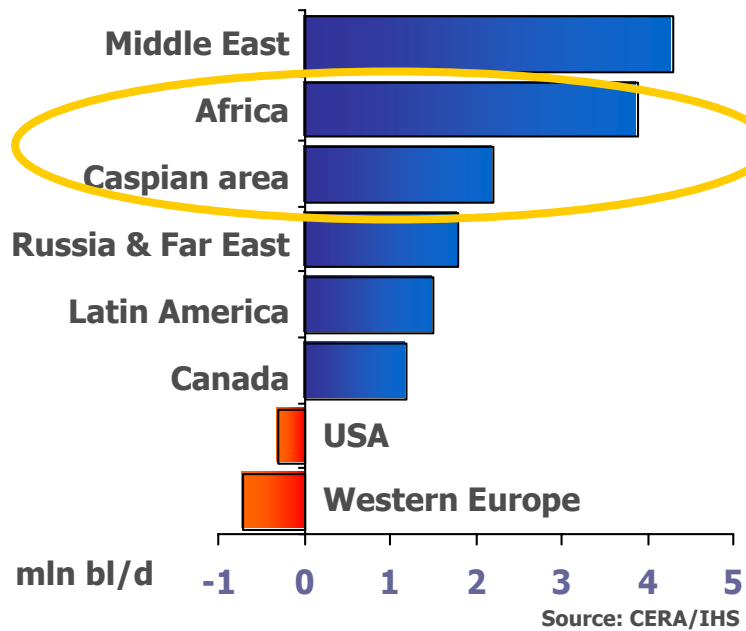
Technology



# E&P Positioning

- Large and established player in the fastest growing areas
- Exposure to world leading projects
- Widespread portfolio of producing assets

**WORLD OIL CAPACITY INCREASE  
2005-2010**



**Optimal portfolio for further growth**



# E&P Targets

## Organic Production Growth

(Kboe/d)

~ 4%  
CAGR

1,737

>2,000

2005

2009  
Target

## LNG sales

(bcm)

~ 16%  
CAGR

7.0

~13

2005

2009  
Target

## Reserve Replacement

> 100%

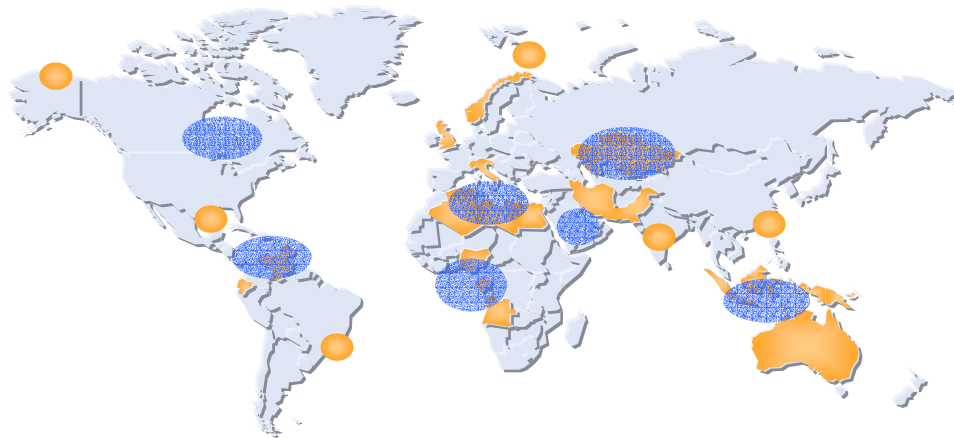
2006 - 2009



# Long Term Growth

Production growth 2009-12  
CAGR **~3%**

LNG sales in 2012  
**>20 bcm**



- Existing Portfolio
- Future developments & opportunities

## MAIN CONTRIBUTIONS

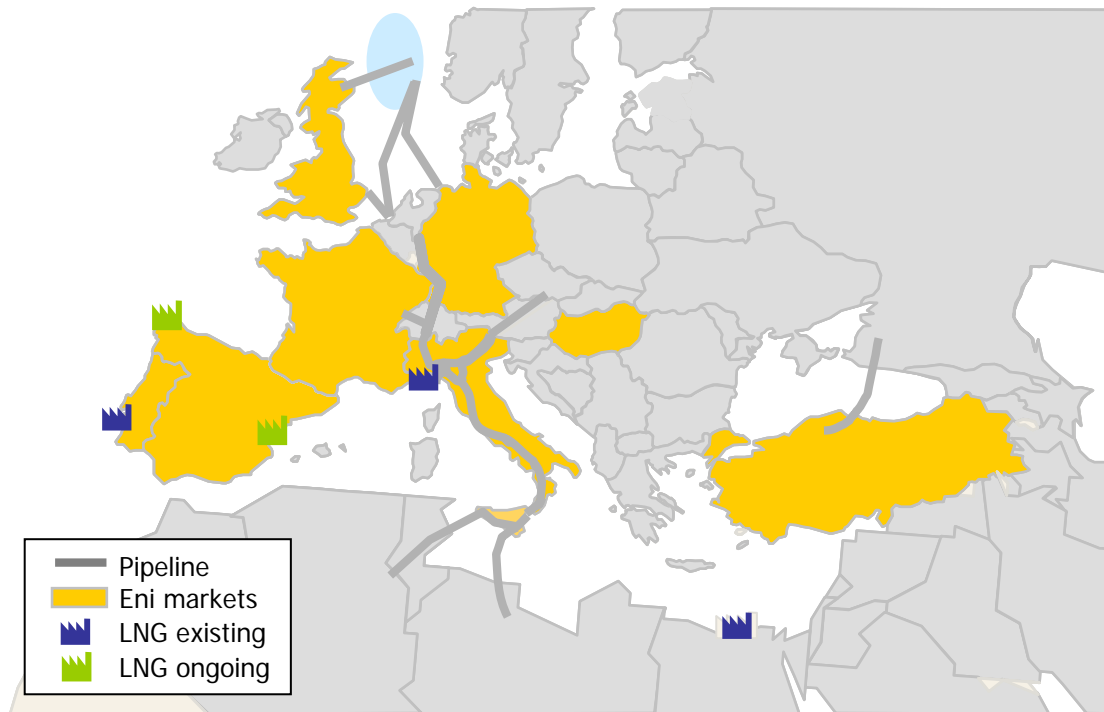
- Long life assets
  - *Kashagan, Karachaganak, Gas Libya, West Africa*
- Integrated LNG projects
  - *North Africa, West Africa*
- Successful exploration
  - *Barents Sea, North Africa, deepwater Brazil*
- New opportunities
  - *Gas projects, access to large oil reserves, non conventional*



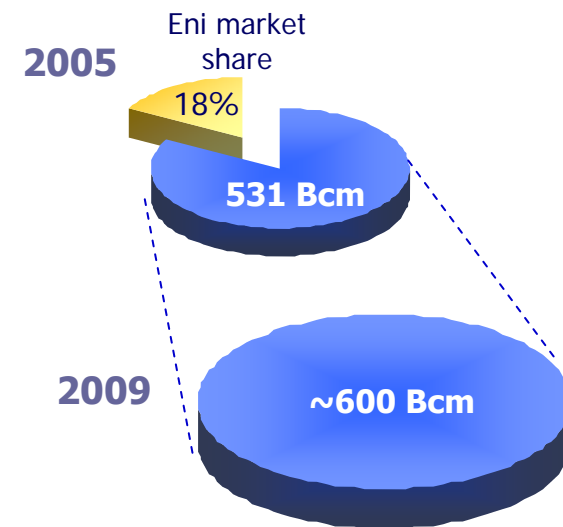
# G&P Positioning

- Long term gas availability (equity and contracted)
- Widespread and integrated infrastructure
- Direct access to customers

**N° 1  
international player  
in the European market**



## European Gas Demand



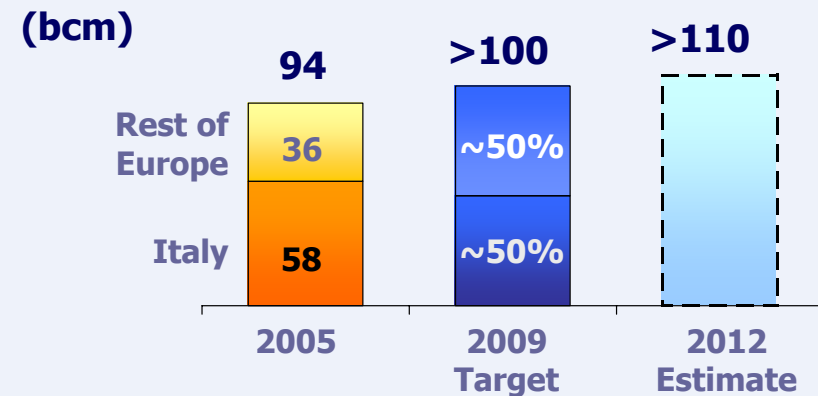
**Continued growth and strong cash generation**



# G&P Targets and Future Trend

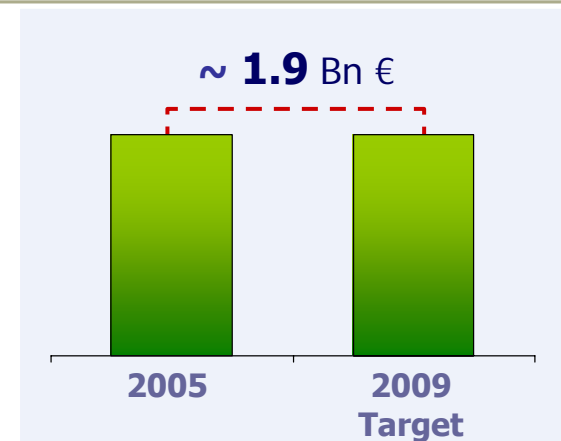
## ■ Sales in Europe

**Growth in rest of Europe 05/09:  
CAGR 8%**



## ■ Robust free cash flow generation leveraging on:

- Growth in gas sales in Europe
- Increased contribution from transportation abroad
- Cash flow maximization from regulated gas business
- Cash contribution from powergeneration







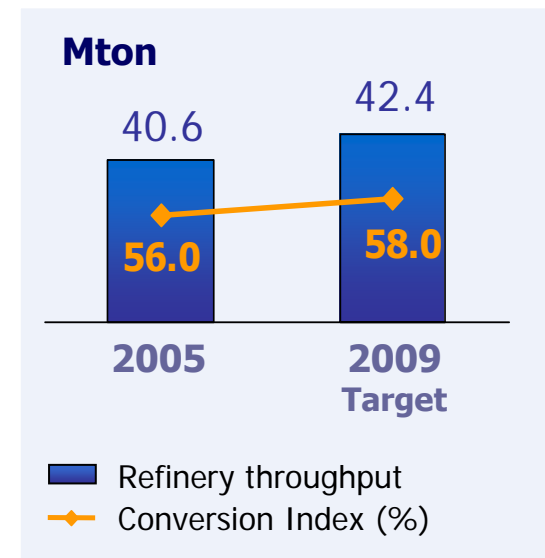
# R&M Positioning and Targets

## Positioning

- Complex and efficient refining system
- Integrated infrastructure
- Strong domestic retail market share

## Targets

- Grow refinery throughput to 42Mton
- Increase conversion capacity and flexibility
- Improve integration with upstream



**Maximize profitability**



# Delivering growth through technology

## TECHNOLOGY STRATEGY

- Distinctive proprietary technology development
- Integrated approach, business driven
- Technology partnership with oil producing countries

## KEY TECHNOLOGICAL PROJECTS

- UPSTREAM
  - Advanced seismic and drilling technologies
  - Sulphur/H<sub>2</sub>S processing, disposal and storage
- MIDSTREAM
  - EST: heavy oil and tar sands upgrading
  - TAP: Gas High Pressure Transmission
  - GTL: Gas to liquids
- DOWNSTREAM
  - Clean fuels and high quality products



# Cash Allocation



# Cash Allocation

## 1. Capex

- Sustain long term growth in core business
- Tight financial discipline

## 2. Dividend

- Dividend sustainability
- Attractive dividend yield

## 3. Excess Cash

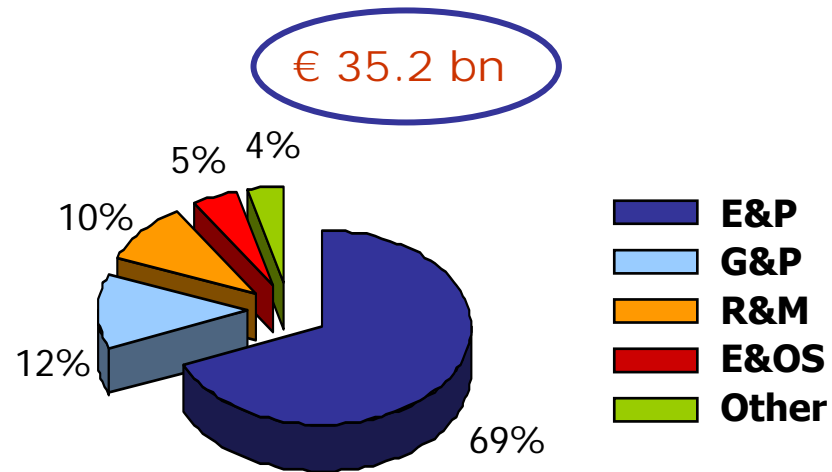
- Ongoing share buyback programme
- Maintain strong balance sheet

**Sustain long term core business growth and shareholder returns**



# Capex

## 2006-2009 Capital Expenditure



## Investment Criteria

- Investment hurdle rates:
  - Divisional WACC
  - Country risk premia
  - Business premia
- Strict investment process
- M&A: an option not a necessity

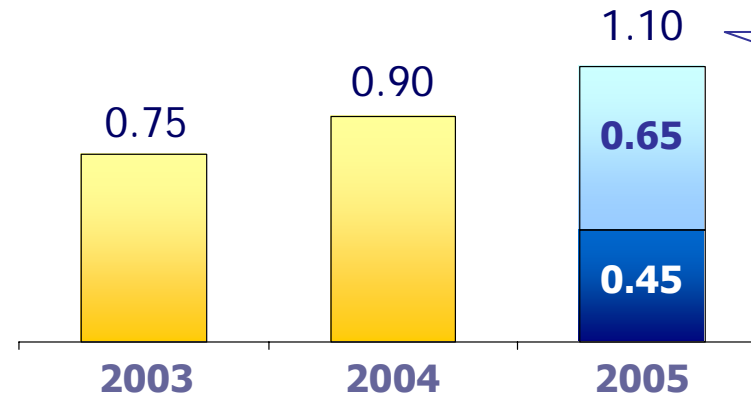
- Strong and selective investment program in core business
- 2/3 of € 8.3 bn Capex increase driven by new projects
- No growth for growth's sake



# Dividend & Buy Back

## Dividend

€/share



▪ Dividend up +22%

**2005 dividend sustainable in the 2006-09 period**

## Dividend payment

- October 2005: 0.45 € per share
- June 2006: 0.65 € per share

## Share buy back

- Authorized cash: 7.4 billion €
  - Spent in 2000-YTD: 5.0 billion € (7.8% of capital)

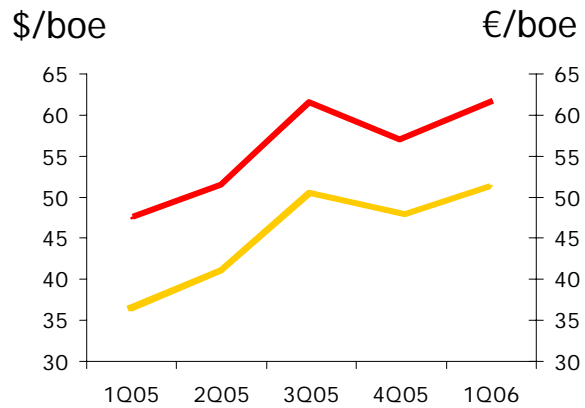


# 2006 First Quarter Results



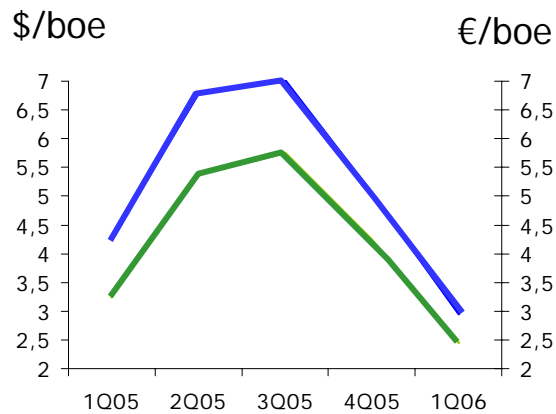
# Scenario

## Brent



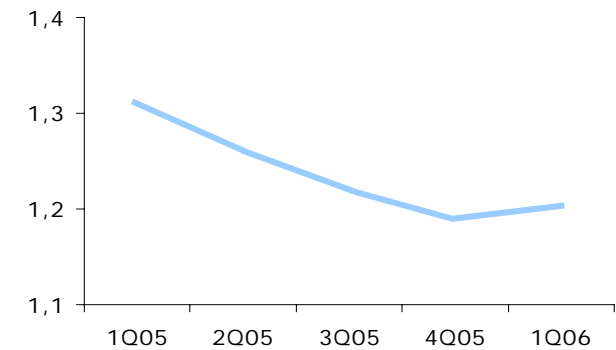
Δ% 1Q06/1Q05	
■ \$/boe	+30.0
■ €/boe	+41.8

## Average European Refining Margin\*



Δ% 1Q06/1Q05	
■ \$/boe	-30.8
■ €/boe	-24.6

## €/ \$ Exchange rate



Δ% 1Q06/1Q05	
€/ \$	-8.3

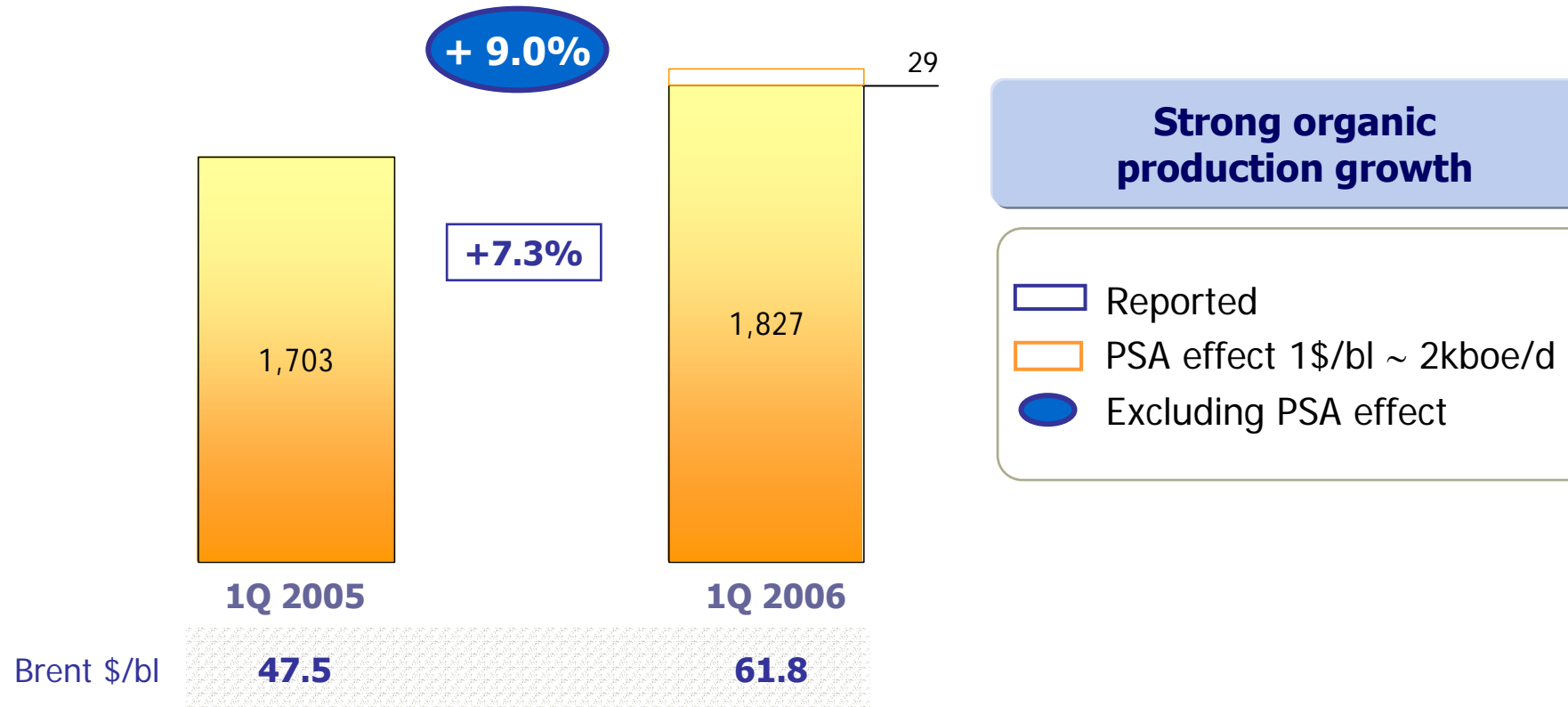
\* FOB Mediterranean market, lead free gasoline. Eni calculations on Platt's Oilgram data





# E&P: 1Q 2006 production trend

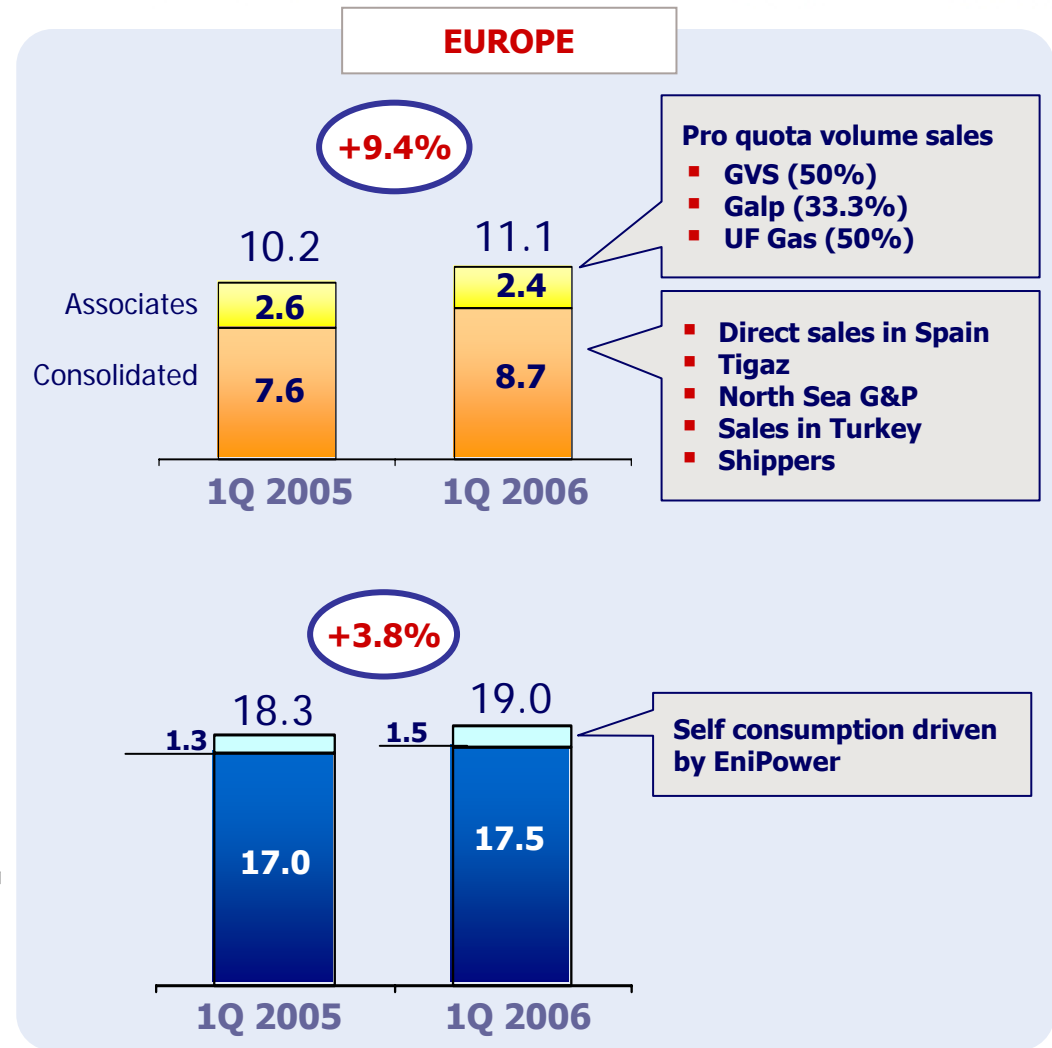
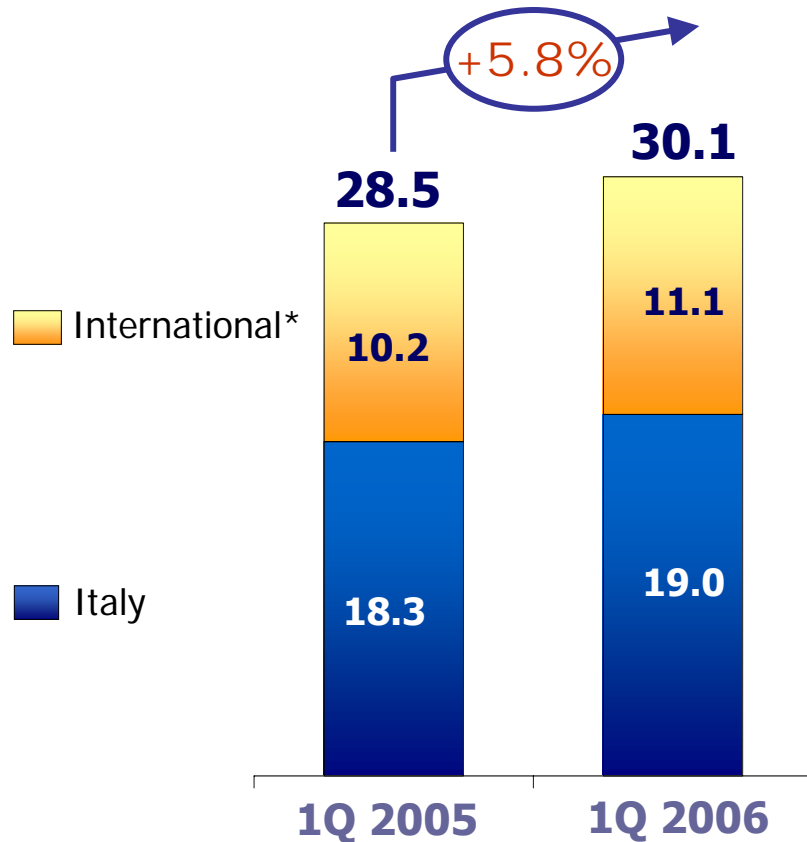
kboe/d





# G&P: 1Q 2006 sales sustained by international growth

Bcm



(\* ) Including gas sales in South America (0.2 bcm)



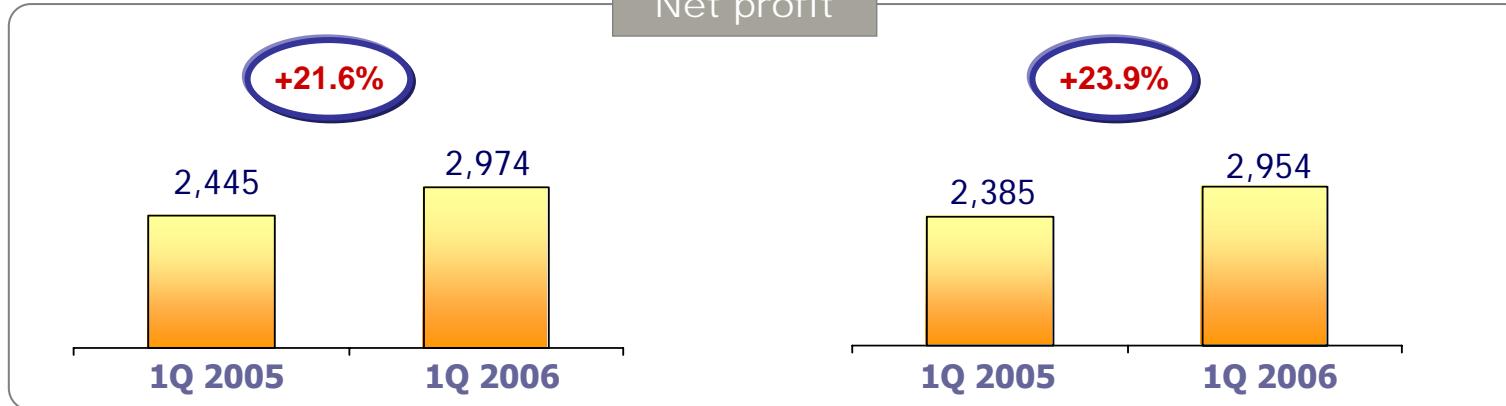
# Consolidated Results

Million €

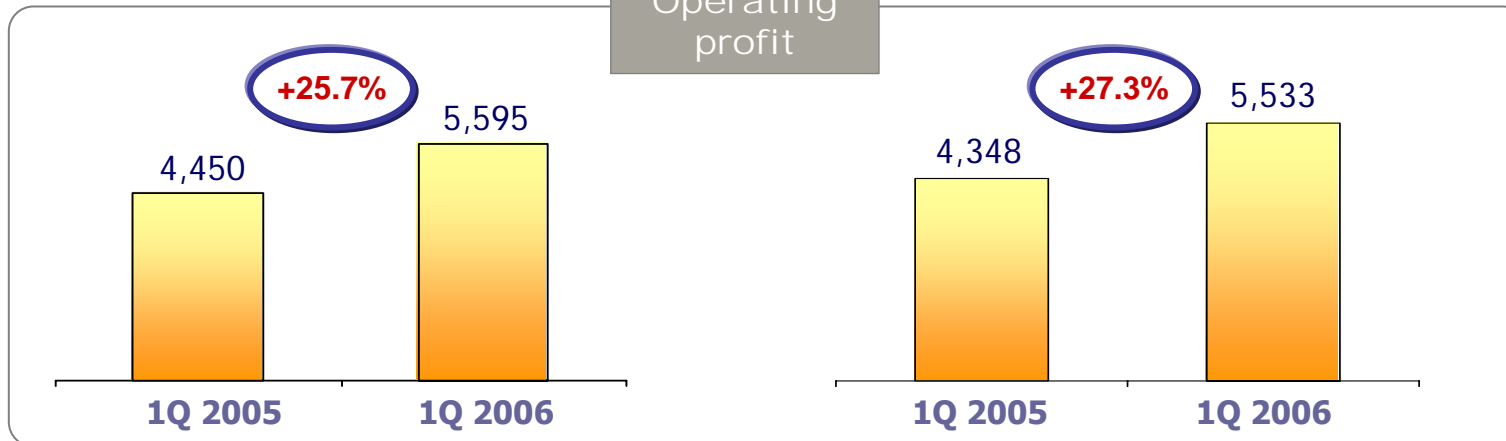
Reported

Adjusted\*

Net profit



Operating profit



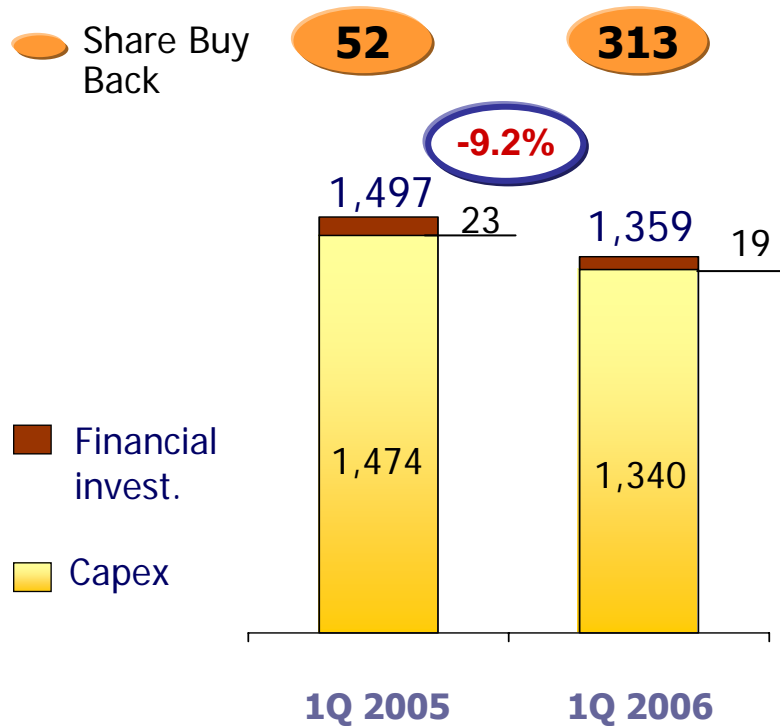
\* Excluding special items and gains (losses) on inventory



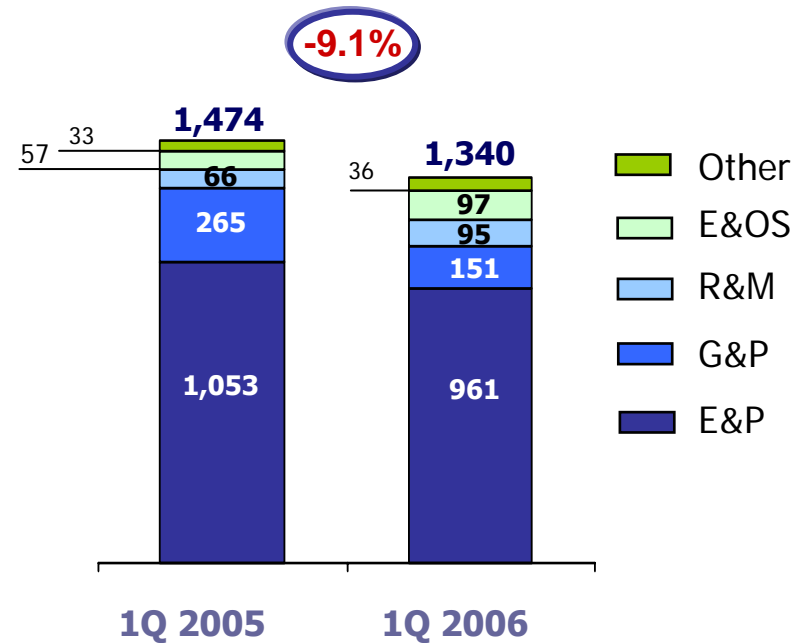
# Capex to sustain core business organic growth

Million €

## Cash Allocation



## Use of cash: Capex





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