



BOOSTING OUR TRANSFORMATION

Eni strategic plan 2021-2024: towards zero emissions

“Eni is strongly committed to continue to play a key role in sustainability and innovation, supporting social and economic development in all our activities.

*Today we are taking another step forward in boosting our transformation. We commit to the **full decarbonization of all our products and processes by 2050**. Our plan is concrete, detailed, economically sustainable and technologically proven.*

*Today we are also announcing the **merge of our renewable and retail businesses**. With this new entity, our large customer base will continue to grow in synergy with our renewable business.*

Additionally, the combination of our bio-refining and marketing businesses will play an important role in delivering sustainable mobility. These initiatives will greatly contribute to the decarbonization of our products, impacting positively on our customers.

*Finally, thanks to a strong financial discipline and a resilient cash generation, we can **upgrade our distribution policy** reflecting the strategic progress of our plan.”*

Claudio Descalzi, Eni CEO

San Donato Milanese (Milan), 19 February 2021 – Claudio Descalzi, Chief Executive Officer of Eni, has presented today to the financial community the company’s Strategic Plan for 2021-2024.

STRATEGY HIGHLIGHTS

- **Leading Energy Transition. Decarbonization** of operations and products to deliver a mix of entirely decarbonized products.
 - **Net Zero emissions at 2050**, introducing new target for absolute emissions of -25% at 2030 vs 2018 and -65% at 2040;

- **Net Zero Carbon Intensity by 2050:** introducing new intermediate targets of -15% at 2030 instead of 2035. Reduction will reach -40% in 2040.
- **Leveraging Integration. Diversification and expansion** of retail and renewables businesses, bio-products and circular economy.
 - **Merge of retail and renewable businesses:**
 - accelerated growth of customer base to **15 million customers**;
 - growth of renewable installed capacity to **15GW by 2030**;
 - EBITDA will double in the plan to almost €1bln in 2024.
- **Financial Robustness** to absorb price volatility. Selective growth, increased efficiency and right-sizing to ensure value and high returns in all activities.
 - Reduction of group **cash neutrality covering capex and dividend floor (0.36€/share) below \$40/bbl** over the four-year plan.
- **Stakeholder Value Creation.** Enhanced remuneration policy:
 - dividend floor set at €0.36 at \$43/bbl vs the previous level of \$45/bbl;
 - €300mln/year buyback to re-start at \$56/bbl. Confirmed buyback at €400mln/year from \$61/bbl and €800mln/year from \$66/bbl.

DECARBONIZATION

In 2020 Eni announced its target covering scope 1, 2 and 3 emissions, based on its fully comprehensive methodology of GHG assessment, considering all the activities and every traded product, to reach a reduction of its absolute emissions by 80% in 2050.

This year Eni improves this target, committing to reach the **complete carbon neutrality by 2050**.

Full decarbonization of Eni's products and operations will be achieved through existing technologies:

- **Bio-refineries:** doubling capacity to around 2mln tons by 2024, increasing capacity five times by 2050;
- **Circular economy:** larger use of biogas, waste and recycling final products;

- **Efficiency and digital solutions** in operations and customer services;
- **Renewables** capacity increasing up to 4GW in 2024, 15GW in 2030 and 60GW in 2050, fully integrated with Eni's clients;
- **Blue and green hydrogen** for Eni's bio-refining system and other hard to abate activities;
- Natural or artificial **carbon capture** to remove residual emissions;
- **REDD+** initiatives: offsetting more than 6MTPA of CO₂ by 2024 and more than 40MTPA by 2050;
- **CCS** projects: total storage capacity of approximately 7MTPA at 2030, 50MTPA at 2050.

In the long term, **gas** will represent more than 90% of Eni's production and will support the energy transition as a back-up of intermittent sources.

NATURAL RESOURCES

- **Production:** CAGR 4%;
- **Exploration:** 2bln boe of new resources in the four-year plan (UEC <\$2/boe);
- **Capex** at €4bln in 2021, approx. €18bln over the plan (Upstream capex coverage \$28/bbl by 2024);
- **Free cash flow** generation expected at €2bln in 2021, reaching a cumulative €19bln in the plan period;
- Synergies between **Upstream and Global Gas & LNG:** LNG contracts to reach 14MTPA by 2024 (50% growth vs. 2020);
- Enhanced **decarbonization of Upstream and gas marketing operations:**
 - **CO₂ storage** capacity of 7MTPA by 2030;
 - **REDD+** projects to absorb 6MTPA of CO₂ by 2024 and over 20MTPA by 2030

Production will grow at an average of around 4% per year during the plan, mainly organically. For 2021, a transition year before fully recovering from Covid-19, production guidance is confirmed at around 1.7Mboed. During the four-year plan 14

major projects will be brought on stream, operating over 70% of the new production. These are mainly in Angola, Indonesia, Mexico, Mozambique, Norway and United Arab Emirates. In terms of future production mix, around 55% of P1 reserves will be **gas** in 2024, vs. 50% today. Upstream free cash flow will be in excess of €18bln at Eni scenario in the four-year plan and will amount at approximately €14bln assuming a flat scenario of \$50/bbl, covering two times the company's distribution needs.

Over the four-year plan, **Exploration** activities will be a distinctive factor as the main source of Eni's diversification toward gas, fast time-to-market and **low breakeven portfolio** with an average unit exploration cost below \$2/bbl. It will focus on (almost 90%) infrastructure lead and near field opportunities in proven basins, the large part with a high gas potential, targeting **2bln boe** of resources.

Upstream **capex** will amount to around €4.5bln per year on average, of which approximately 50% to fight depletion and 50% devoted to growth. More than 55% of Capex in the last two years of the plan is uncommitted, and this flexibility will allow to absorb price volatility if needed. Upstream capex coverage will drop by almost 10\$ to \$28/bbl by the end of the plan.

Contractual **LNG** volumes are expected to exceed 14MTPA by 2024, a 45% growth vs. 2020 levels. This growth will be driven by new projects in Indonesia, Nigeria, Angola, Mozambique and Egypt, where the start-up of Damietta LNG plant has been completed and the first cargo is being loaded.

Reduction of carbon footprint towards net zero emissions is achieved with the contribution of Forestry and CCS initiatives:

- **REDD+** projects to preserve primary and secondary forests are being developed mainly in Africa, South Asia and Latin America, targeting to offset more than 6MTPA of CO₂ by 2024 and more than 40MTPA by 2050;
- the **CCS** business is synergic with Upstream; it aims to create worldwide storage hubs to decarbonize the company's own industrial activities, such as power

plants and refineries, as well as third parties' plants. By enhancing the portfolio of CCS projects, Eni targets to reach a total storage of 7MTPA by 2030.

ENERGY EVOLUTION

- **Refining & Marketing:**
 - **EBIT proforma adj more than doubling** in the plan period to €1.4bn;
 - **Bio-refineries** to be palm-oil free by 2023 with capacity almost doubled to 2MTPA by 2024.
- **G&P retail and renewables** merging the two businesses:
 - overall **capex** for the combined business at €1bn per year;
 - EBITDA proforma adj increased to €1bn in 2024 from €0.6 bln in 2021;
 - Renewables: 4GW by 2024, 15GW by 2030.
- **G&P retail:** customers increase to 11 million by 2024.

Energy Evolution is expected to **self-sustain its transformation and growth** during the plan.

In **Refining & Marketing**, at a constant scenario, **EBIT proforma adj will double** in the plan period. Growth will come from:

- increased bio-refining capacity that will double by 2024;
- gradual demand recovery after Covid-19 crisis;
- focus on high margin segments in Marketing, enlarging network in Europe;
- contribution of ADNOC Refining at full capacity.

Bio-refineries will become palm oil free in 2023, with a growing input of feedstock coming from waste and residues that will account for approx. 80% of the total in 2024 vs. 20% today.

The **renewables business will merge with the Gas & Power retail business** to further increase integration and synergies and to maximize value generation along the whole green power chain. This merge will leverage Eni's large customer base, which will grow from 11 to 15 million clients, and will increase supply of renewable power from 4GW to 15GW respectively by 2024 and 2030.

Overall investment for the combined businesses will be €4bln in the four-year plan, mainly related to renewables.

The **G&P retail and renewable** business will increase the **EBITDA proforma** to almost €1bln in 2024 from €0.6bln in 2021. Retail will increase EBITDA to €0.7bln by the end of plan, also thanks to an increased share of services, such as distributed solar PV sales and energy efficiency solutions, that will represent above 20% of EBITDA. Renewables will deliver a robust EBITDA proforma of €0.2bln in 2024.

FINANCIAL STRATEGY

- Average yearly **capex** at €7bln, of which over 20% allocated to green projects and G&P retail as:
 - increasing renewable capacity and enlarging the customer base;
 - implementing circular economy projects;
 - building incremental bio-refinery capacity.
- **Unlevered IRR for renewable projects** in the range of 6-9%;
- **IRR of Upstream** projects in execution at 18%;
- **Portfolio disposal plan** for an overall gross value in excess of €2bln;
- **Additional business initiatives**, similar to Vår in Norway, currently under screening in different countries;
- **CFFO** at around €44bln along the plan period at Eni scenario (or €39bln in a flat \$50/bbl scenario);
- **Cash neutrality** to cover capex needs and floor dividend below \$40/bbl at the end of the plan

During the four-year plan Eni will pursue the transformation of its industrial model with **increased investments on new businesses**. Net capital employed in these activities will reach 10% of the total, doubling the current level.

The focus on short cycle initiatives will allow the company to maintain a high degree of **flexibility**, limiting unproductive capital – mainly linked to more complex and long-term projects – within 20% of total investments.

The **internal rate of return** of Upstream projects in execution amounts to 18% and even assuming 20% lower prices it remains a robust 16%. Unlevered IRR for renewable projects is in the range of 6-9% and will be double-digit after financing.

Portfolio management will allow to extract extra value from assets and dispose of non-core businesses. The disposal plan will reach an overall gross value exceeding €2bln, and most of these proceeds will be reinvested in acquisitions for portfolio reshaping.

Cash flow from operation before working capital is expected at around €8bln in 2021 and is expected to increase by €5bln by 2024. This, combined with the capex flexibility of Eni portfolio, will ensure the strength of the plan and a free cash flow cumulated generation of €12bln at \$50 Brent, growing to €17bln at Eni scenario.

Remuneration Policy

The **remuneration policy** approved last July by the Board of Directors was structured as follows:

- a **dividend** composed of a €0.36 per share floor when the annual Brent scenario is at least \$45/bbl, and a variable component increasing when the Brent price rises above \$45 up to \$60;
- a €400mln share **buyback plan** restarting when the Brent price rises above \$61/bbl, and a €800mln share buyback for a Brent price above \$65/bbl.

The **enhanced policy** now approved by Eni's Board-is structured as follows:

- The **dividend floor** will start from a Brent annual price scenario of **\$43/bbl, two dollars lower than the previous level**, and then it will increase as a growing percentage between 30-45% of the incremental Free Cash Flow generated by a scenario between \$43 and \$65. Overall, this is equivalent to a dividend growth of approximately **8%** compared to the prior policy. The dividend will be paid in two equal installments in September and May;
- Moreover, a €300mln share **buyback** per year will restart in the case of a Brent price of \$56/bbl, lower than the prior triggering level. Buyback will rise to €400 million from \$61/bbl and to €800mln per year from \$66/bbl as per prior policy.

The above annual price scenario will be defined in July at the half year financial result presentation.

For further information on the presentation and to follow the live streaming please visit:

www.eni.com

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