



Eni's Shareholders' Meeting

13 May 2020

Message from the Chief Executive Officer Claudio Descalzi

Please find below the message that the Chief Executive Officer addressed to all Eni employees on 4th May 2020. The message summarizes the actions put in place by Eni to face the current crisis related to the Covid-19 emergency, the transformational path followed by the company during the last 6 years, and how the company is projecting itself towards the future to continue creating long-term value.

In the historic moment we are living through as workers, as citizens and as individuals, I feel even stronger the need to strengthen communication within our company. In this moment, one which is characterized by the need to guarantee social distancing, I want to further reduce the distances between us, using the tools which are available.

The messages that we exchanged on my blog and the two recent live streamings went in this direction. In this same direction also goes this message, which looks to recall the main aspects we have discussed in recent days, aspects that are characterizing our present and that must project us, with the passion that distinguishes us, towards the future.

Today, over two months on from the start of the health emergency in Italy linked to the spread of **Covid-19, contagion has reached a great number of cases and it has spread to many other countries**, with varying degrees of severity. To date, more **than 4 billion people are in lockdown** due to the pandemic: Covid-19 has become a **global problem**.

As we know, the effect of the pandemic in Italy is and has been violent, especially in the northern regions, with a **major impact on the economy** and therefore **on people and employment**. **However, above, there has been a dramatic impact in terms of human lives, suffering and family hardships**, undermining the economic and social structure.

Since the earliest signals of the pandemic, Eni's priority has been to safeguard and protect our people and ensure the operational safety of our assets.

All of our structures in Italy and internationally have reacted **quickly and flexibly**. For this I thank all colleagues, **all of you**. **You are getting involved and promptly adapting to the new scenarios by protecting yourselves and our Company.**

Covid-19 impacts on Eni people and measures put in place by Eni

In order to address the Covid-19 health emergency in Eni, **we immediately implemented the most appropriate measures to ensure the protection of health and the maximization of safety.** In particular, we applied the readiness and response to epidemics and pandemics plan ("Medical Emergency Plan"), something which had already been used in past years for other epidemic events.

Moreover, also on the basis of **the experience** we are maturing over these months, **we will continue to assist everyone, all over the world, according to whatever phase each country is experiencing.**

From an operative viewpoint, as of today, we are currently moving **forward in continuity all our operations, even if reduced in certain cases,** by adopting whatever **precautionary measures** are necessary as the limited number of operating people, the reorganization of shifts, of working space, of access to facilities and the introduction, where needed, of supplementary personal protection equipment.

Today, even if there seems to be an improving trend in Italy and other Countries, it is necessary to continue to manage the situation optimally. **It is fundamental that each one of us must act responsibly: as workers and as citizens,** even when we return home, we must apply all the necessary measures to avoid spreading the virus.

Continuation of Covid-19 pandemic management in Eni

In line with the new government provisions, in the **first weeks of May** we will continue with **smart-working,** the method which is **today involving some 21,500 of us all,** in Italy and globally, and corresponding to approximately **70% of the company population.**

We will begin **to gradually expand the presence of colleagues in the office, an action which will, in any event, be contained.**

Together with our **task force dedicated** to the emergency management of Covid-19, we **will constantly monitor developments in order to define the strengthening of the office presence** according to the context and regulatory provisions, **and** which will in any case be distributed over **several weeks,** and in consideration of the **geographical location.**

Regardless of this, it will be **essential to respect the interpersonal distance of at least 1 metre.**

Whoever can go back to the office will be contacted personally. Each situation will be evaluated directly with your manager, while everyone else will continue in smart-working mode.

In the operating sites, we will continue to implement the guidelines thus far adopted.

Update on Eni actions in supporting Italy

The commitment that we, as a company, are putting in place to face this emergency is not limited to the management of our activities. From the start of the pandemic, we lent a major **support to Italy**, assisting various hospitals in different regions, with a total commitment of around **€ 35 million**. Over the last month, **electro-medical equipment and personal protection equipment** has been **purchased and imported** to be donated to the various structures. In particular, we will make up to **600 pulmonary ventilators** available, in addition to **portable blood saturation meters, intensive care beds and masks**.

Moreover, thanks to your contribution as employees, by donating your working hours, **we reached over €600,000 in 3 weeks**, which was made available **to the Italian Red Cross**.

Impacts of Covid-19 and the “oil price war” on macroeconomic and energy scenarios

We are experiencing **the most complex period in the past 70 years**, an **economic crisis** close to the levels of the great recession of the 1930s. **For the Oil & Gas industry**, the complexity is even greater given the compound effects of the **pandemic and the collapse in commodity prices**.

The current price of Brent on the physical market is around \$ 20/bl.

After the break-up of the OPEC+ agreement in early March, **there followed a price war between Russia and Saudi Arabia**. Later, on 9th April, the OPEC+ Countries agreed **record cuts in amount and duration** and other major producing Countries outside OPEC+, including USA, Canada and Brazil, also stated they were prepared to cooperate. **The efficacy of the Opec+ cuts** on prices will depend on how effective the cuts will be from the start of May and on the progressive **recovery in consumption, which today has been reduced by more than double that which has been cut**.

Regarding gas, spot prices lie **between 1.5 and 2 \$/Mbtu in the USA and between 2 and 3 \$/Mbtu in Europe and Asia**.

Critical impacts are expected also on employment levels. The global unemployment rate is expected at 7% in 2020, an increase of about 2 percentage points compared to the 5.1% estimates of the beginning of the year.

In particular, in the extractive sector a reduction of **80,000 employees** is expected in Europe, the USA, Australia and Canada with respect to 2019 and more negative estimates are expected for **oil services in general, with an impact that could potentially lead to a reduction of up to 1 million workers worldwide**.

In Italy, Oxford Economics estimates an **overall increase in unemployment of 2.2%**, from 10% at the end of 2019 to 12.2%. This translates into a prospective increase in unemployment of around **550,000 at the end of 2020**, from around 2.6 million to around 3.1 million.

Eni's transformation over the last 6 years

This situation requires a **great effort from us** in order to continue to **generate value**. It is certainly a scenario of emergency and uncertainty, but in the recent years **we have built a stronger and more resilient company**, one which is capable of quickly adapting to a constantly evolving market.

In the transformational path that we have undertaken, we have **strengthened the upstream** business and we **restructured the mid-downstream** sector, maintaining a **solid financial discipline**.

In particular, in 2019, in upstream **we reached a new production record**, equal to 1,871 kboed, an increase of 17% compared to 2014.

In the **Gas & Power sector**, we **structurally transformed the business**, increasing LNG contracted volumes **by 76%**, also thanks to synergies with the upstream activities.

In **downstream**, we were the first in the world to transform a **traditional refinery into a bio-refinery** in Venice, and then in Gela.

In the chemical sector, we have embarked on new development paths, particularly in the field of **special polymers**, of **products from renewables** and **innovative technologies for the mechanical and chemical recycling of plastics**.

Together with the efficiency of traditional activities, we have also developed **new businesses**, as **electricity production from renewable sources and circular economy**, as part of a **decarbonization strategy aimed at Eni carbon neutrality in the long term**.

Finally, we have achieved **excellent financial results**, with a growth of **free cash flow in 2019 of 40%** and a **debt reduction at the end of 2019 of 16%** compared to 2014, guaranteeing at the same time the **growth of our shareholder remuneration**.

These actions, together with a cost efficiency program, in the last 6 years have **more than halved the group cash neutrality**, guaranteeing the coverage of all costs, investments and dividends with an operating cash flow in a scenario of a **\$55/bbl** Brent price, compared to **\$114/bbl in 2014**.

Covid-19 impacts on Eni's activities along the energy chain

Consequently, starting from a robust position, both from an industrial and financial point of view, we reacted promptly to respond to the critical issues of the scenario. As was done for people and assets, we **immediately took action from the beginning of March to review the business plan in terms of investment and operating costs**, in particular **for 2020 and partially for 2021**. **A revision that now must be implemented with rigour and discipline**.

A **review of the costs of our structures** has also started, which will have to bring **further optimizations to our balance sheet**. By doing this, **you will all play a fundamental role: be open and proactive**.

The **impacts on our activities along the value chain** have been variegated, from a reduction in **production to a drop in the consumption of our products**.

This has led us to revise down the forecast of the **2020 operating cash flow generation, from € 11.5 billion** estimated in the budget **to the current € 7.3 billion**, where **cost saving actions and improved performance** partially mitigate the negative effects coming from the scenario and the remodelling of the production.

Just in the first quarter 2020, we had a **reduction in our operating cash flow** that amounted to **€ 2 billion**, compared to € 3.4 billion achieved in the first quarter 2019.

To defend our financial resilience, we have put several measures in place, for a **total cash saving of € 3.3 billion in 2020**. In particular, we have planned a **capex cut of € 2.3 billion**, with a **reduction of around 30%** of the capex originally envisaged, **80% of which comes from the upstream** thanks to the re-phasing of projects and production optimization activities and to the reduction of exploration investments.

Furthermore, we will be **cutting operating costs by € 600 million** and **implementing further mitigating actions**, such as the **suspension of the buyback program**.

We have therefore reviewed our business guidance in the upstream, revising down **2020's production in the 1.75-1.8 Mboed range**, without considering the effects of the recently announced OPEC + cuts, but not yet centred on the specific fields. **In the mid-downstream** instead, despite the impacts of the Covid-19, we have projected an **EBIT of more than €600 million**.

These results are based on **our scenario assumptions** that envisage an average price of **Brent at 45 \$/bl in 2020, the end of lockdown in late May** and a **subsequent recovery in June, with a return to normal from 2021**.

In addition to the actions put in place, we can count on a **solid balance sheet** and **sizeable reserves of liquidity** which are currently **around € 16 billion**.

Importance of an unchanged commitment to the energy transition

Notwithstanding the huge challenges we are facing today, **our commitment to generating long term value remains unchanged**.

We will continue to firmly pursue the **long-term strategy** that we have designed by **combining economic with environmental sustainability**, to build a **new Eni**, able to **grow in the energy transition** by providing energy in a profitable way and, at the same time, **obtaining an important reduction in the carbon footprint**.

Our **2050 decarbonisation objectives** remain unaltered: the **reduction of the 80% of net emissions scope 1, 2 and 3** related to the entire life cycle of all energy products sold (including direct and indirect emissions connected to the company's production processes and indirect emissions associated with the value chain of our products) and the **reduction of 55% of the emission intensity with respect to 2018**.

We are dealing with **concrete goals**, based on projects and actions that we have already proved we know how to implement: most of the initiatives that will contribute to their achievement have already been started. Among these, the **development of renewable sources** will be relevant, aiming to reach an **installed capacity of more than 55 GW by 2050**, also in synergy with the growth of the retail market, where we target to increase our **supply contracts to over 20 million by 2050** and to offer only "bio" and renewable products by 2050 as well as innovative mobility services. Further actions will include, for example, the **transformation of refineries by implementing new plants** for the **production of hydrogen, methanol** and for **waste material recycling**.

This will allow Eni to be a **leader in the market** supplying **strongly decarbonised energy products** and **actively contributing to the energy transition process**.

The impact of the crisis on the domestic supply chain in Italy

In addition to facing important challenges, the crisis also leads us to look at the **development of new domestic supply chains**, starting from the enhancement of our existing assets in Italy. This is also in view of the fact that **globalisation**, in its most extreme trends, has been **called into question** by what has happened and the need to **produce some products at national level** has emerged.

Furthermore, the **revitalization of certain domestic supply chains** would have a **clearly positive impact on employment levels**.

For the future restart of the Italian economy, **in the upstream, we can enhance our assets for gas production** with a **positive impact on energy competitiveness and industrial development** of our country, also if we consider the carbon storage availability in our depleted fields in the Adriatic Sea. As it stands, solely in the Ravenna area, there is the potential to store between 300 and 500 million tons.

We must **accelerate the development of chemistry from renewables, putting ourselves on the complete value chain**.

A potentially major contribution to the industrial restart phase of our country may come from a reinforced support, through our products, to the strategic supply chains in the medical, pharmaceutical and food sectors and from the entry **to active support of the development of new national supply chains, in the sanitation sector**.

In the field of sustainable mobility, we must **bolster the use of our bio-fuels**, responding to a possible increase in the private mobility and/or in the frequency of public mobility.

The efforts that will have to be put in place to cope with Coronavirus risk

Living with the Covid-19 risk will require a **major effort**, so that we can also learn lessons and change our habits. **Individual responsibility** is necessary in every context, from **professional commitment** to **respecting the rules** of how to behave inside and outside the workplace.

We have always said that Eni does not leave anyone behind. Now, each of us is called to give more to support our company in overcoming this moment.

As we have seen from the first quarter results and full year projections, **the situation is complex**. Despite the major efforts in terms of reduction in investment, operating costs and G&A, **if the oil price were to stay at the same level as today**, we would be required to take **further action to continue defending our Company**.

We must **find the motivation within ourselves to react and reduce costs and waste in everything we do**. We must also **help colleagues to do better**, we must make our operating mechanism much more fluid.

Proactivity, sharing and constructive communication are essential as never before.

We must do our best to improve the situation in all areas.

Managers must lead by example, always.

We want to be safeguarded, we want a future for ourselves and for our Company, **this is the time to get involved even more**. We must be focused, reactive, magnanimous and positive, giving **all the energy we have inside us at every moment**.

We should always be asking ourselves if we are doing the right thing, sharing and comparing with colleagues and managers.

We expect a lot from our Eni, just as Eni expects a lot from us.