Eni 2015-2018 Strategic Plan

Transforming Eni to Create Value

<u>Main targets</u>

- **E&P: continued production growth supported by significant discoveries**
  - **Production CAGR 3.5%**
  - **2 bln boe of new resources expected at unitary cost of 2.6$/b**
  - **Average 2017-2018 self financing ratio at ~140%**
- **G&P: faster improvement than expected**
  - **Full alignment to market and substantial recovery of ToP volumes by 2016**
  - **Cumulative operating cash flow of 3 billion euros**
- **R&M: continued improvements in efficiency**
  - **Operating cash flow and adjusted EBIT breakeven anticipated in 2015**
  - **Cumulative operating cash flow in excess of 1.5 bln euros**
- **Chemicals: capacity reduction and refocusing of the product portfolio**
  - **Operating cash flow and adjusted EBIT breakeven by 2016**
- **Cost reduction versus 2014-17 Strategic Plan**
  - **CAPEX: -17% at constant €/$ rate**
  - **OPEX per barrel: -7%**
  - **G&A: -500 mln €/year, 2 bln euros cumulative by 2018**
- **Strong and sustainable cash flow**
  - **2015-16: with average Brent at 63$/b, 100% of investments financed by operating cash flow**
  - **2017-18: with average Brent at 85$/b, operating cash flow +40% compared to 2015-16**
  - **Disposals of 8 bln euros, 70% in 2015-16**
  - **Cumulative free cash flow: >16 bln euros**

- **Shareholder remuneration**
  - **2015 dividend proposal of 0.8 euros per share**
  - **Progressive shareholder remuneration with underlying earnings growth**

Claudio Descalzi, Chief Executive Officer, said: *“Since last summer Eni's transformation into a more closely integrated oil and gas business has made significant progress. While maintaining our focus on our exploration success we have achieved the turnaround of G&P one year earlier than expected and the restructuring of our R&M activities will lead to break even in 2015 .*

Despite this success, the oil price fall means our 2015-2018 plan is predicated on much lower oil prices. We have taken a series of additional measures, including capex optimizations and opex and G&A reductions, all of which will strengthen the business. The decision to re-base the dividend in 2015 is appropriate and in line with our strategic objectives considering the new oil price scenario. It sets a level from which sustainable returns can be delivered while maintaining a progressive dividend policy with underlying earnings growth.

We are building a much more robust Eni capable of facing a period of lower oil prices and generating sustainable returns and creating value for shareholders.”

London, March 13, 2015 - Claudio Descalzi, Eni’s CEO, presents today the Company’s 2015-2018 Strategic Plan to the financial community.

The completion of Eni’s transformation process, which started in 2014 before the fall in oil prices, and which became even more crucial in current market conditions, will allow the company to achieve its targets, namely: ***i)*** strong cash generation and value creation; ***ii)*** sustainable shareholder returns; ***iii)*** financial stability, even in a lower oil price environment. This transformation process is set within a radically different global landscape from that of the previous plan, with a Brent price estimated at 55$/b in 2015, more than half compared to the last four year average, and expected to gradually increase to 90$/b in 2018.

Given the current oil price, Eni believes it is appropriate to:

• ensure continued improvement and growth in the upstream area, leveraged by the ability to discover large new hydrocarbon reserves and rapidly complete 70 major development projects in geographically diversified areas, most of which have already started;

• complete the ongoing restructuring process in the mid-downstream, severely affected by the recent crisis in the European gas and refining market, bringing the businesses back to breakeven and later to profit;

• continue to pursue investment optimisation in all activities (-17% compared to the previous plan) while containing Opex and G&A.

In the framework of the Group's transformation process and given the targets set out in the plan, after having planned the major additional efforts mentioned above, the company intends to propose a 2015 dividend of €0.8/share. The distribution policy will be progressive with underlying earnings growth.

The buy-back programme is suspended. Its reintroduction will be evaluated when the strategic progress and market scenario allow it.

Exploration & Production

Exploration remains an important growth driver for the company. Throughout the plan, Eni expects new discoveries of 2 billions boe at a competitive cost of 2.6$/b. In the first two years of the plan, activity will be focused on proven plays and near-field exploration in order to quickly complete the full appraisal of resource potential while benefiting from all the logistical advantages in the development and production start-up activities.

The hydrocarbon production growth target is equal to 3.5% per year in the 2015-2018 period, and will be achieved mainly through the start-up of 16 major projects and the ramp-up of those already started in 2014, with a total contribution in excess of 650kboed in 2018. These projects will have an average breakeven level of 45$/b, and will generate an additional cumulative operating cash flow of 19 billion euros in 2015-18.

Gas & Power

Gas & Power's restructuring plan, which has accelerated remarkably in 2014, will be completed in the four year plan. The plan will see:

• full alignment of gas supply costs to market prices and substantial recovery of pre-paid take or pay volumes by 2016;

• simplification of the operational structure and optimisation of logistical costs with savings of 300 million euros by 2018;

• development and growth in high value segments, in particular in retail, trading, and LNG.

The cumulative operating cash flow expected in the period 2015-18 will amount to 3 billion euros.

Refining & Marketing

In order to address the structural weaknesses expected in Refining over the next four years, Eni will complete the transformation process of the R&M segment, bringing operating cash flow and adjusted EBIT to breakeven as early as 2015, through:

• the completion of the rationalisation and reconversion process of facilities in Italy and abroad with a further 20% reduction in refining capacity, in addition to the 30% reduction already achieved;

• continuous efficiency improvements

• the development of marketing activities and the rationalisation of the portfolio in Italy and abroad.

Overall, the planned actions will allow the company to reduce the breakeven adjusted margin in refining to approximately 3$/b at the end of the plan. In the 2015-18 period, it plans to achieve a total operating cash flow from R&M activities of over 1.5 bln euros.

Chemicals

Eni confirms its target to reach EBIT adjusted breakeven in 2016 by leveraging on:

• reconversion of critical sites;

• refocusing on higher added value products and on the development of “green” chemicals

• creating a more international business, supported also by strategic alliances.

Financial strategy

The four year plan investment, focused on high value projects with accelerated returns, envisages a CAPEX of approximately €48 billion, representing a 17% reduction at constant foreign exchange rate versus the previous plan. Half of the investments are not finalised, allowing a high level of financial flexibility should the weak current market conditions persist. In terms of unitary operating costs (OPEX), in 2014 Eni mantained the oil industry’s lowest level at 8.3$/b. In the 2015-18 plan, a further decrease of about 7% versus the previous plan is expected. Cumulative G&A costs will be reduced by approximately 2 billion euros in the plan period.

Operating cash flow will fully cover investments in the 2015-16 period, considering an average oil price scenario at about 63$/b. In the period 2017-18, operating cash flow will increase by 40% due to the combined effect of industrial development actions in E&P, the restructuring of the mid-downstream business, the expected improvement in Brent prices foreseen at 85$/b.

A substantial contribution to cash flow will come from planned disposals, which will amount to 8 billion euros, 70% of which will take place within the first two years of the plan. About 50% will come from the dilution of stakes held in recent exploration discoveries, while maintaining the operatorship in line with Eni's dual exploration model. The sale of the remaining shares in Snam and Galp will represent about 25%. The remaining 25% will come from the disposal of mature upstream and non-core mid-downstream assets.

The cumulative free cash flow expected in 2015-18 will be in excess of 16 bln euros.

In conclusion, the strategic transformation outlined in the plan will lead to a much more robust Eni, which will be able to face a period of lower oil prices while continuing to create value in a sustainable way.

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