



Eni has transformed into a stronger and more resilient company, and plans to increase value in all of its businesses under new 2018-2021 strategy

Eni CEO Claudio Descalzi shares the company's 2018-2021 plan with the US financial community in New York. The company confirms its production growth target for 2018 on the basis of the trend in first quarter.

New York, 10 April 2018 – Eni CEO Claudio Descalzi today presents the company's 2018-2021 Strategic Plan to the US financial community. The strategy builds on the transformation begun in 2014, which has made Eni stronger and more resilient and allowed the company to create value even in low price scenarios.

Claudio Descalzi said: “Over the past four years we have strengthened the company, operationally and financially, implementing a fast and effective strategy and anticipating the fall of the oil price. In a period of very low prices, we have increased our hydrocarbon production and restructured our mid-downstream businesses to achieve positive structural results after years of losses, all while generating substantial cash and reducing costs and investments. We have reduced our cash neutrality from \$114/barrel in 2014 to \$57/barrel in 2017. We are now entering a new phase of expansion, which will allow us to further strengthen the company and increase value for our shareholders. Our strategy is based on a deep integration of all our businesses and a continued focus on efficiency and strict financial discipline. Over the next four years, we expect production to increase by an average of 3.5% per year and to discover two billion barrels of new resources. Based on the trend in first quarter, with a 4% growth year on year we are perfectly in line with our previously announced growth target for 2018.

In the Gas & Power business we will increase EBIT to 800 million euros in 2021, generating 2.4 billion euros of free cash flow over the Plan period. In our Refining & Marketing business we also expect a significant EBIT increase from 600 billion euros in 2018 to 900 billion euros in 2021, generating more than two billion euros of cumulated free cash flow. We expect a

further 300 billion euros of cumulative free cash flow from our chemicals business, which in 2017 realized a record performance and is set to continue achieving positive results over the next four years. Over the next four years, we expect total cash flow from operations to continue to grow while we hold capital expenditures flat compared to the previous Plan.

Eni's Plan also includes a path to decarbonization with a clear and defined climate strategy integrated with our business model. That strategy is based on the following drivers: lowering CO2 emissions across all our operations; our "low carbon" oil and gas portfolio, which is characterized by conventional projects with low CO2 emissions; developing green businesses through our growing commitment to renewables; and our commitment to scientific and technological research. This approach will allow us to reduce overall upstream unitary GHG emissions by 43% by 2025 compared to 2014.

Lastly, we are implementing a deep digitalization process throughout all our activities, which includes more than 150 projects all along the value chain. This will allow by the end of the Plan period a 7% reduction of production costs, a 30% decrease in unproductive time during operations, and a 15% reduction in execution of exploration activities.

By the end of the Plan period we expect to be able to cover our capital expenditures and dividends at a Brent price of \$50 per barrel, further strengthening our portfolio and accelerating value creation for our shareholders."

Claudio Descalzi then discussed the details of Eni's Strategic Plan.

Enhancing Upstream: the success of the dual exploration model and the new development model

In recent years Eni has strengthened its upstream business based on two strategic pillars: the dual exploration model and the new accelerated development model.

Since 2013, the dual exploration model has allowed Eni to generate €10.3 billion of organic cash flow. In the same time frame, the new integrated development model has allowed Eni to enhance, through the new development projects, approximately 40% of the 4.4 billion barrels of oil equivalent (boe) discovered over the last 4 years, generating a net present value of approximately 9 billion dollars. This new model also accelerates the time to market of projects and enables Eni to increase control on the execution phase, through the insourcing of competences and the full integration of the exploration, development and production phases, as well as adjustments to the contractual strategy and optimizing the supply chain.

Over the past three years Eni has begun production on most projects ahead of schedule. Eni's integrated model of exploration and development has been a major part of this success, allowing the company to reach record average production of 1.816 million boe in 2017, while reducing Capex by 40% compared to 2014.

During the four year Plan, Eni will spend €900 million per year on exploration activities, targeting approximately 2 billion boe of new equity resources at approximately \$2 per barrel and continuing to implement its dual exploration model. The company will leverage its renewed exploration portfolio – which is equal to 100 million acres, almost three times 2013 levels – with a net risked resources potential of 10 billion boe.

Eni expects to deliver production growth of 3.5% per year during the Plan period, fueled by starting and ramping up new projects, which Eni expects to account for approximately 700,000 boe per day by 2021, and optimization activities, which Eni expects to account for 200,000 boe per day by 2021.

Production in 2018 is expected to increase 4% from 2017. This figure, which is above original guidance, takes into account the recent entry into the United Arab Emirates and the sale of 10% of Zohr. Eni's strong asset base allows the company to target an annual average production growth rate above 3% for the long term, reaching more than 2.3 million boe per day by 2025.

Eni expects upstream growth to continue to generate barrels with ever higher margins and the sector's Capex cash neutrality to drop to approximately \$40 from 2018. Eni expects the upstream sector will generate approximately €22 billion of free cash flow during the Plan period.

The mid-downstream business are creating value after years of losses

The transformation and restructuring of the mid-downstream businesses has had positive results, increasing operating cash flow by €12 billion in the period 2015-2017, compared with the previous three years.

The Gas & Power sector achieved in 2017 a structural positive result. In this sector, Eni has successfully pursued the renegotiation of long-term gas supply contracts and almost fully recovered the take or pay contracts.

The Gas & Power sector will continue to grow due to three fundamental actions:

- The accelerated development of the LNG portfolio, which is set to reach 12 million tons per year in contracted volumes by 2021 and 14 million tons by 2025, and through equity enhancement, which is due to rise from 30% in 2017 to 70% in 2021;

- Improved profitability of the gas portfolio in Europe; and
- retail sector growth in Europe, with a forecast of 11 million customers by 2021, an increase of 25% compared with 2017.

These developments will allow Eni to increase the EBIT of the sector from the €300 million forecast for 2018 to €800 million at the end of the Plan period, 60% from retail. Total free cash flow for Gas & Power is expected to total €2.4 billion over the next four years.

In Refining & Marketing, Eni has halved the refining breakeven margin from \$7.8 per barrel in 2013 to less than \$4 today. The company expects strong growth in the sector's EBIT, up to €900 million at the end of the Plan period, as well as free cash flow of more than €2 billion during the Plan period. These results will be achieved through:

- The optimisation of supply and assets in refining activities;
- The re-launch of the EST plant in Sannazzaro by the end of 2018;
- Growth in “green” refining capacity: the Gela bio-refinery will be fully operational by the end of 2018 and the second development phase of the Venice refiner will be completed by 2021; and
- In marketing, consolidation of the countries in which Eni operates.

The chemical sector has also produced excellent results, achieving in the past 3 years its best ever performance.

Assuming more difficult market conditions in the next few years, Eni's objective is to achieve an EBIT level in the sector of €400 million by 2021, an improvement on the results of last year on a comparable basis. To achieve this, the company will pursue three strategic lines:

- Enhancement of European activities, through greater integration and efficiencies, as well as updating the portfolio with differentiated products;
- International development, reinforcing the company's presence in Asia and extending its international commercial network in the Americas and the Far East; and
- “Bio” chemicals, where Versalis is developing new industrial platforms from renewable sources.

Renewable energy becomes a new business area

In the field of renewable energy, Eni's distinctive model is based on integration with existing assets that can generate additional value due to industrial, logistical, contractual and commercial synergies. This approach will enable Eni to increase the internal profitability rate of its solar and wind energy projects to approximately 10%.

Including projects already identified or under way, Eni expects to develop approximately 400 MW of new electricity capacity in the next two years, increasing to 1 GW by 2021 with the investment of €1.2 billion, and up to 5 GW by 2025, especially in countries where it is already present.

Rigorous financial discipline underlies the expansion

The four-year investment plan, which is focused on high-value projects with rapid returns, envisages capital expenditure of less than €32 billion – essentially unchanged from the previous Plan – of which more than 80% will be invested in the upstream sector. For 2018, the company lowered its guidance to €7.7 billion to reflect recent entry into the United Arab Emirates, the sale of an additional stake in Zohr and other optimization measures.

The solid productive growth projected for the next four years is supported by the ramp-up of the fields that entered production in 2017 and by production from five projects for which the final investment decision (FID) is expected by the end of 2018.

In the Refining & Marketing and chemical businesses, the plan foresees total investment expenditure of €3.5 billion and an expected rate of return (IRR) of approximately 10%. The same level of profitability is expected from projects related to renewable sources, with total investment amounting to €1.2 billion over the Plan period, twice that of the previous Plan.

The investment strategy envisaged by the Plan is highly flexible, with an average of approximately 50% of expenditure not yet committed in 2020 and 2021.

In 2018, with the price of Brent at \$60/bl, Eni expects to generate an operating cash flow of more than €11 billion, before changes in working capital. That is set to increase by more €2 billion in 2021 in the same scenario; with Brent at \$70/bl, cash generation in 2021 would increase by a further €2 billion.

In 2017 Eni achieved organic cash neutrality of \$57 per barrel. The company expects to achieve organic cash neutrality of \$55 per barrel in 2018 and \$50 per barrel by the end of the Plan period, due to growth in the value of all business areas and financial discipline.

Due to the results achieved to date and the strength of the current Plan, Eni recently announced a 3.75% increase in the 2018 dividend to €0.83 per share, paid entirely in cash.

Going forward, the dividend distribution policy will be progressive and linked to growth in the underlying results and the company's free cash flow.

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