



## **Eni: "Fit for complexity", a distinctive model for value generation**

*Claudio Descalzi, CEO, provided an update to the international financial community on the evolution, results and perspectives of the Group's transformation strategy, launched in 2014.*

- **Growing production: 1.84 million boe per day in 2017, an all-time high for Eni**
- **New upstream projects begun in 2016-2017, together with Kashagan and Goliat, will produce at plateau more than 500,000 barrels per day and generate an overall operating cash flow of more than €4 billion in 2018, in a \$60 Brent environment;**
- **Significant reduction of Capex and Opex, with an overall cost saving since 2014 of €10 billion**
- **30% reduction in inactive capital through beginning production of major fields and the application of a fast track approach to project execution;**
- **Cash neutrality achieved at \$50/bbl, before distribution of dividends (vs \$127/bbl in 2013)**
- **Operating cash flow contribution of €34 billion in 2014-2016, in line with 2011-2013 period notwithstanding a drop in the oil price of nearly 50%**
- **€15.4 billion of value generated from the transformation of Eni's business model and the dual exploration model**

*New York, 13 December 2016 – Eni's CEO, Claudio Descalzi provided an update to the international financial community on the evolution of the Group's transformation strategy, launched in 2014.*

*Claudio Descalzi commented: "In less than three years we achieved the highest organic growth in the industry with a 15% increase in production, over 250,000 barrels per day, and are close to reaching Eni's record production levels, despite a 33% reduction in Capex and 23% in Opex. We have halved our projects' breakeven, freeing inactive capital by beginning production on major fields and shortening our time to market. Our G&P long term contracts are now mainly aligned to market*

*conditions and both Refining and Chemicals showed positive results after years of losses. We remain focused on executing our value creation strategy, which is based on our strength in exploration and the start-up of our major upcoming projects. This is further enhanced by our development models and dual exploration strategy which provides us with the opportunity to optimize and anticipate our value creation”*

### Upstream, the future growth driver

Eni's upstream model is based on exploration, which provides a huge resources base at a very low unit discovery cost, ensuring flexibility in the short term and fueling long term growth, and on a design to cost approach involving not only the engineering phase but also the exploration strategy, which is driven by time to market and cost optimization to convert resources into production. This approach also guarantees faster development, which can overlap with the exploration phase, accelerating the whole process.

Eni leads the industry in exploration; since 2008, the company has discovered 13 billion barrels of new resources, 2.5 times Eni's equity production levels over the same period. All the company's discoveries are conventional and spread across 10 different basins. Eni has discovered a giant or supergiant field roughly every three years. Moreover, Eni adds new resources at a unit cost of \$1.20 per barrel, or just 20% of the industry average.

Eni's priority is to convert exploration successes rapidly into economic value by starting production quickly whilst looking to sell down stakes (dual exploration model).

**The projects started by Eni in 2016-2017, together with Kashagan and Goliat, will produce at plateau more than 500,000 barrels per day and generate an overall operating cash flow of more than €4 billion in 2018 in a \$60/bbl price environment.** Eni has reduced the technical costs of its projects and this, together with fast track developments, has resulted in a decrease of its project portfolio breakeven of 40% in the last 3 years, falling from \$45 to \$27. **Despite the reduction in upstream Capex, which we plan to further reduce next year, Eni will continue to grow, reaching an all-time high output of about 1.84 million barrels of oil equivalent per day in 2017.** Eni, applying its dual exploration model, a structural element of its strategy which allows the company to accelerate cash inflows and value from exploration, has already disposed stakes worth €5.4 billion since 2013, while reducing investments and financial exposure.

### Financial neutrality and cash generation

Thanks to the transformation and restructuring initiatives started in 2014 and the implementation of the strategy, in less than 3 years Eni has more than halved its cash neutrality, from \$127 per barrel in 2013 to \$50 per barrel today. This achievement together with the record increase in production, by

15% in the last 3 years, and the effects of the restructuring process in the Mid-Downstream business, allowed Eni, notwithstanding a drop in the oil price of around 50%, and without the contribution of Snam (which accounted for €2 billion) to reach a cumulative cash flow contribution of €34 billion in 2014-2016, versus €37 billion in 2011-2013.

#### Transformation and restructuring strategy and business results

The structural transformation and restructuring process Eni accomplished over the last 3 years was designed to align costs to prices, preserving the Company's growth within a scenario which in May 2014 included the collapse of European gas consumption (by more than 100 billion cubic metres in 2014 versus 2008), the gradual decline in the European oil demand (by 10% from 2008 to 2014) and in Refining margins (from \$7 per barrel in 2008 to around \$3 in 2014), and the drop in the oil price.

The Company's new structure, the first step of the process, changed the company from a divisional model to become a fully integrated company and resulted in more streamlined decision making processes and significant cost savings of €700 million on an annual and structural basis. Furthermore, Eni abandoned its conglomerate structure finalizing the disposal of Snam and Galp in 2015 and reducing its presence in Saipem this year, obtaining an overall cash contribution of around €8 billion. Also taking into account the sale of non-core participations in other businesses, the cash generated amounts to €10 billion.

In Upstream, over the last three years Eni registered record growth: in the last quarter of 2016 the company recorded production growth of +250,000 boe per day, +15% compared to 2013, all organic growth despite the Capex reduction of 30% (2016 versus 2014); the company delivered more than 30 new start-ups on time, and sometimes ahead of schedule; based on the same oil price (\$109 per barrel), from 2013 to 2016 Eni increased its operating cashflow by more than 30%.

The restructuring of the Mid-Downstream businesses led to significant results in each segment: in G&P Eni has almost completed the recovery of the take or pay pre-payments accumulated over previous years, recovering around €1.6 billion. In 2017, G&P targets structural breakeven continuing with the renegotiation of long-term contracts and the reduction of logistics costs. In Refining & Marketing, Eni reduced refining capacity by more than 30%, converting two plants to bio-refineries and has brought its refining breakeven down from \$7.5/bbl in 2013 to \$4/bbl, faster than expected.

The Chemical sector recorded the best performances of the last 20 years in 2015 and 2016, due to the greater efficiency of its production platform and the focus on specialties, green chemistry and the development of the international business. This year Versalis recorded more than €300 million of adjusted ebit and is free cashflow positive.

The restructuring of the Mid-Downstream businesses has generated significant cash results and helped to offset declining oil prices: cash flow improved from -€400 million euro in 2013 to +€2.2 billion

in 2016. The overall cash flow contribution from the Mid-Downstream businesses in the last three years has amounted to €5 billion, and today all of Eni's Mid-Downstream sectors are free cashflow positive.

### Cost optimization

Eni reduced Capex by 33% in 2016 versus 2014, leveraging the flexibility of its portfolio which was further enhanced by recent discoveries, pursuing a strict and constant revision of the supply chain through contract renegotiations, leveraging cost deflation, carrying on the optimization of the engineering through phased developments, and leveraging synergies with existing facilities.

In terms of Opex, Eni achieved a reduction of 23% in 2016 versus 2014, even though the company was already at the lowest levels in the industry. All of these actions, together with the reduction of G&A costs (€700 million per year) have led to an overall cost saving of €10 billion since 2014.

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