strategy

Industrial Plan

In order to cope with a radically changed price environment, the Company outlined for the next four-year period an action plan which comprises a number of rigorous initiatives and objectives in order to mitigate the impact of lower oil prices and to preserve a robust financial structure, particularly in the short-to-medium term. Against the backdrop of a low price environment, our primary target remains cash generation which will be underpinned by well-designed industrial actions, capital discipline, focus on upstream activities and a large disposal plan. In approving the capital expenditure plan the Company selected high-return projects with short pay-back periods; this optimization will result in a €47.8 billion capital expenditure in the next four years, down by approximately 17% compared to previous plan, at the same exchange rate. The disposal plan, amounting to more than €8 billion in the 2015-18 period, is based on the anticipated monetization of exploratory discoveries, optimization of the upstream portfolio – which will be refocused based on strategic consideration and on the evaluation of the geopolitical risk – rationalization of midstream and downstream portfolio, and the divestment of residual interests in Snam and Galp.

In the years 2015-2016 cash flow from operations will be able to fund projected capital expenditure on our Brent price scenario of 63 $/bbl on average.

In the subsequent years, under our planning assumption of a recovery in crude oil prices at $85/bbl on average in the years 2017-2018 up to the long-term Brent price of 90 $/bbl, and considering our industrial actions, we will able to increase our cash flow from operations by 40% thus generating a significant surplus over the projected level of capital expenditure.

In brief, the Company forecasts that the planned industrial actions, the selective approach to capital expenditure and the disposal plan will enable Eni to preserve a robust financial structure, targeting a leverage below the ceiling of 0.3 throughout the oil cycle.

Dividend policy

In the framework of the Group's transformation process and given the targets set out in the plan, the Company intends to propose a 2015 dividend of €0.8/share.

The distribution policy will be progressive with underlying earnings growth.

Exploration & Production

Maintaining organic growth, valorisation of exploration resources and growth of cash generation

- focus on near-field exploration reducing expenditures;
- renewal of the exploration portfolio targeting high-materiality plays in East and West Africa, North Atlantic, Norway as well as in the Mediterranean;
- fast track development of discovered resources, through the optimization of the time-to-market and strict control of project execution;
- monetization of interests in discoveries made;
- production growth at an annual rate of 3.5%, maintaining a solid base of long plateau-/long-term cash flow projects;
- modular approach and phased project development in order to reduce the financial exposure and fasten production start-ups;
- efficiency increase through a wide range of actions aimed to reduce operating costs, pursued also through the renegotiation of supply contracts.

Refining & Marketing

Economic and cash flow breakeven in 2015

- selective reduction of refining capacity up to 50% (vs. 2012) through process reconversion in Italy and outside Italy;
- efficiency improvement and implementation of energy saving projects;
- reorganization/optimization of the retail business through efficiency and marketing actions.

Gas & Power

Profitability and sustainable cash generation

- complete alignment of supply portfolio to market conditions and recovery of take-or-pay volumes;
- streamlining of operations and optimization of logistic costs;
- development and growth in value added segments.

Versalis

Economic and cash flow breakeven in 2016

- pursuing a more adequate and efficient cost position, through the rationalization of loss-making sites, higher integration, optimization and flexibility of productions;
- portfolio refocusing on value-added productions and green chemistry;
- internationalization of the business to target global clients and high-growth markets, also through strategic alliances signed with industrial players.

Engineering & Construction

Performance improvement and reinforcement of financial structure

- optimization of working capital and capital expenditure;
- capital discipline;
- completion of legacy projects with low profitability;
- focus on projects in which the Company can leverage on its competitive edge;
- strengthening of the EPC model.