versalis seminar

18 April 2013

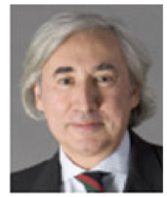
eni.com

agenda

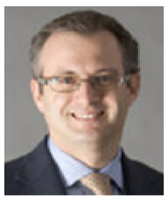
1	**versalis today**
	▪ **Inefficient sites, over-reliance on commodity chemicals** ▪ **Lack of exposure to fast-growing Asian markets** ▪ **Strong position in some performance segments**
2	**our turnaround plan**
	▪ Tackle critical sites and reduce capacity in basic chemicals ▪ Refocus on performance products ▪ Increase presence in fast growing markets
3	**expected results**
	▪ Breakeven by 2016 (+€500m of ebit vs 2012) ▪ €300m of pro-forma ebit by 2017-18 ▪ Re-balanced portfolio with strategic profitability

versalis today: the management team

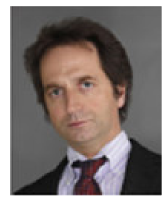
Daniele Ferrari
CEO
30 years in the industry



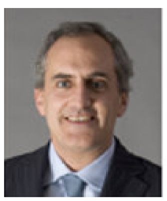
Emanuele Tagliabue
BU Intermediates
32 years in the industry



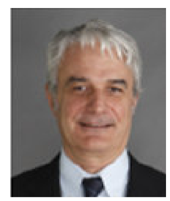
Franco Meropiali
Planning & Control
18 years in the industry



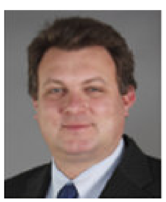
Giovanni Cassuti
BU Polyethylene
19 years in the industry



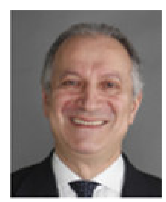
Sergio Lombardini
CTO
25 years in the industry



Marco Chiappani
BU Styrenics
25 years in the industry

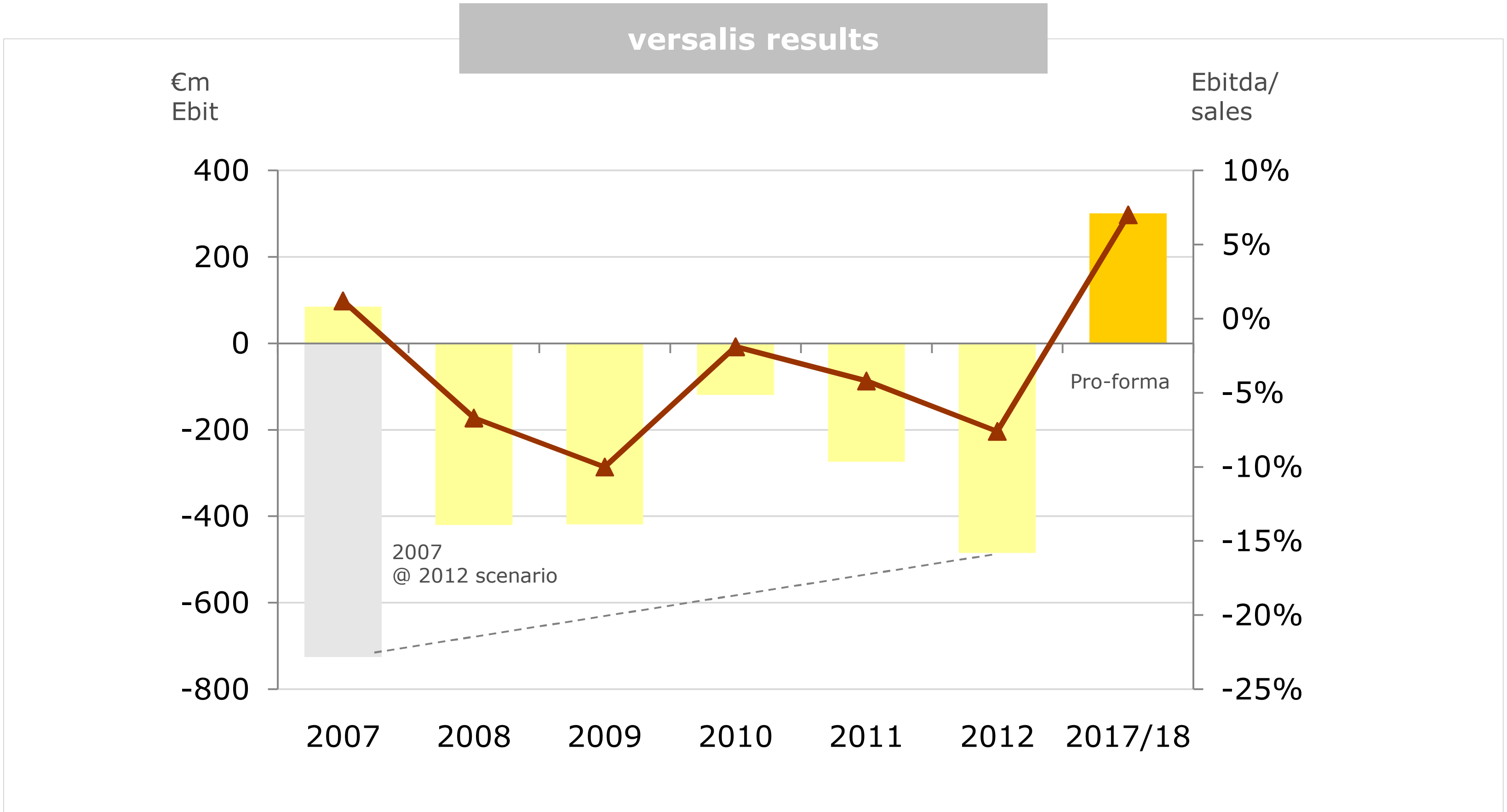


Stefano Soccol
Business Development and Licensing
21 years in the industry



Carmine Masullo
BU Elastomers
29 years in the industry

poor results have been a drag on group earnings



strong turnaround upside

2017-2018 EBIT Pro-forma including JVs

key reasons for underperformance and lack of optionality

1 **Sub-optimal industrial footprint**	▪ Created by political events rather than strategic design
2 **Production portfolio exposed to commodity**	▪ 70% sales on commodity products
3 **European market oriented**	▪ > 90 % sales into mature markets (Italy and EU)

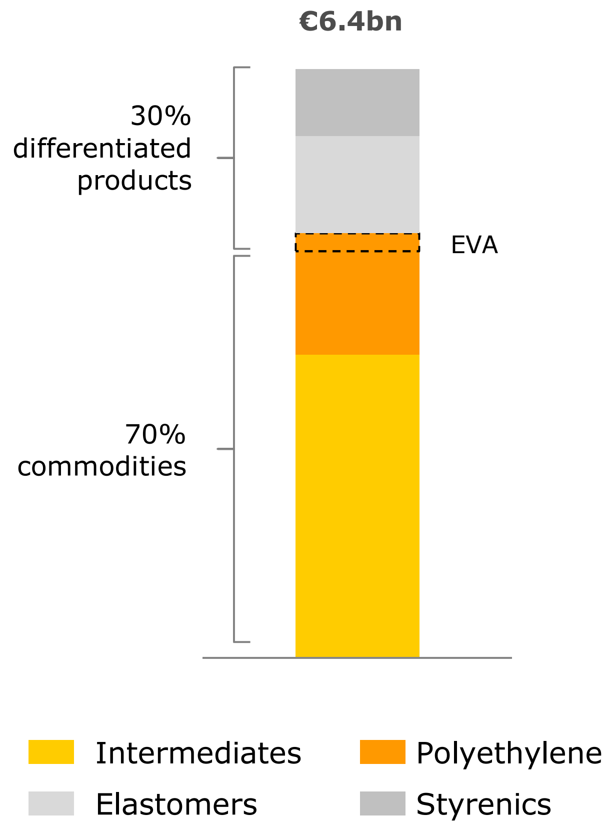
1. sub-optimal industrial footprint

1958-1992	1993-2001	2002-2011
Imposed acquisitions	**Opportunistic divestments**	**Efficiency programme**
Attributed ~20 sites in Italy	**From 42 to 16 sites**	**€500m 2006-2012**
[e.g. Porto Torres with €800m of cash absorption 2002-2012]		[e.g. Energy efficiency, cracker closures, logistics]

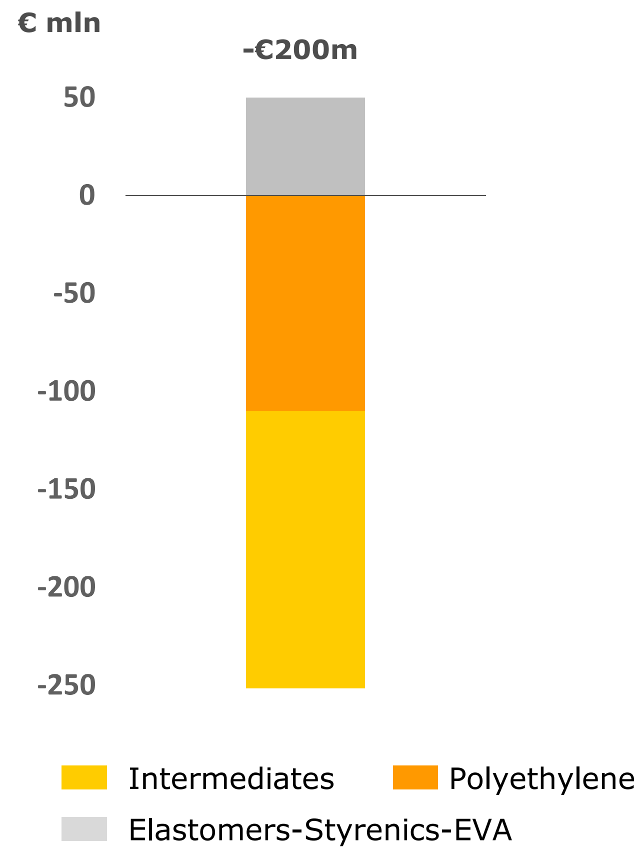
poor industrial footprint as result of our history

2. over-reliance on commodity chemicals …

Sales



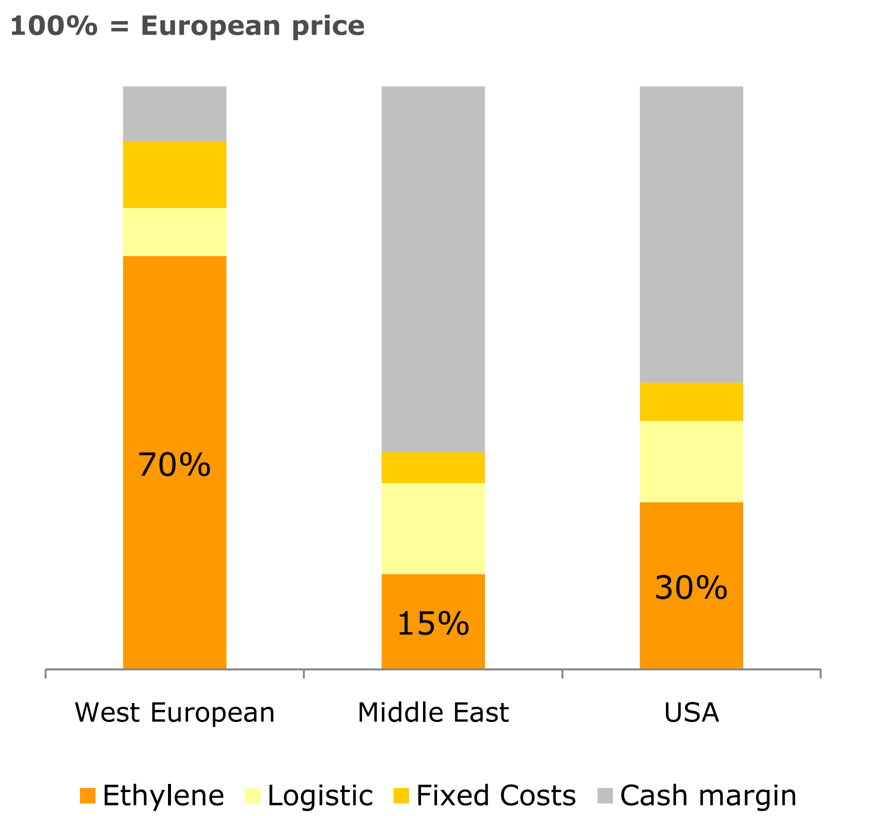
EBITDA



Figures relate to 2010-2012 average per annum

… suffering from cost competition

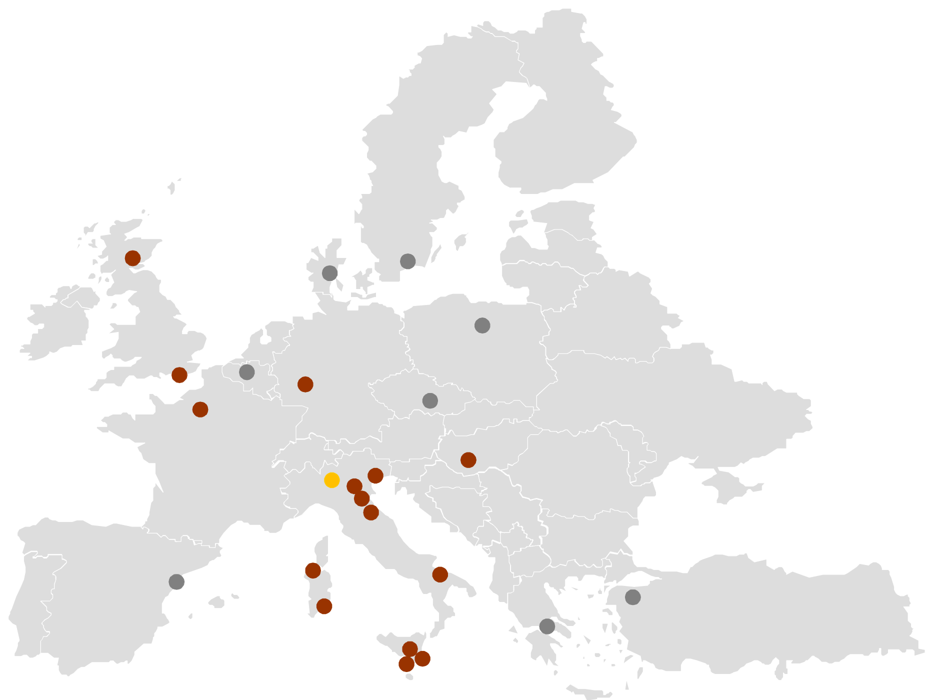
Polyethylene margin breakdown



- West European ethylene feedstock uncompetitive
- Polyethylene prices under pressure from ME imports
- New challenges from US shale gas expansion

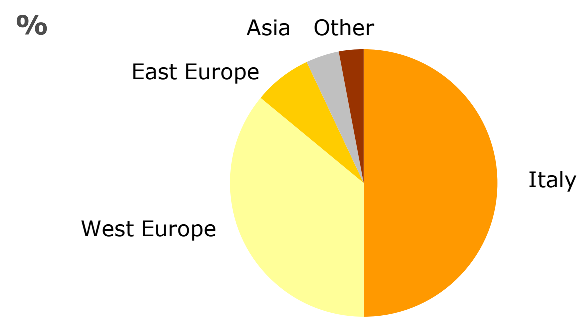
difficult competitive environment for base chemicals in Europe

3. focus on mature markets of Italy and Europe

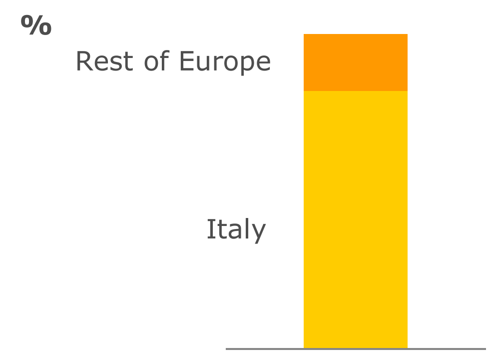


headquarters plants sales network

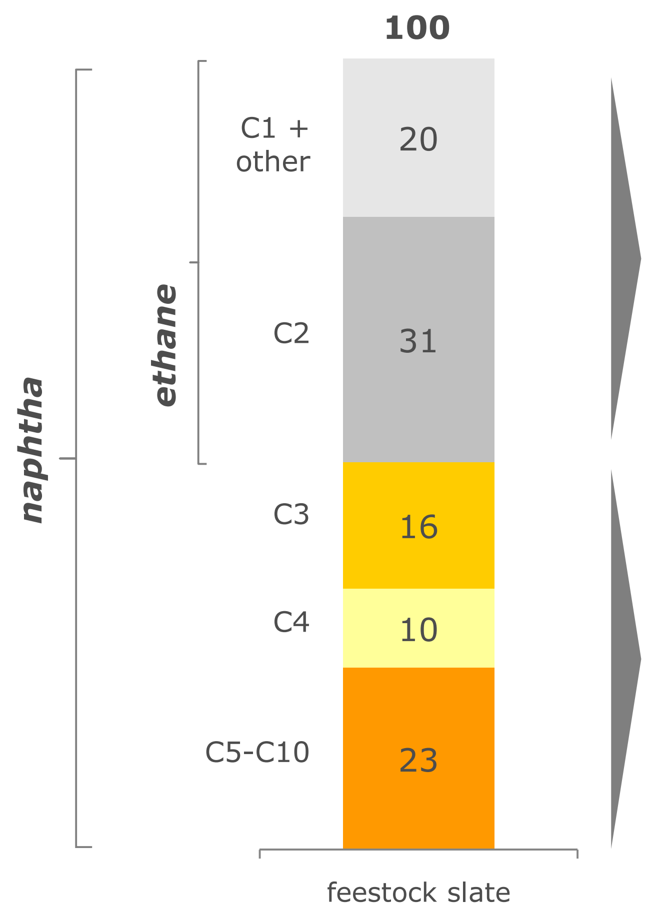
2012 sales by area



2012 production by area



market dynamics: some segments see little additional supply...



Under pressure

- currently suffering from ME and US imports
- further pressure from up to 40% increase in US ethylene capacity by 2016

Relatively protected

- little incremental naphtha-based capacity to come onstream
- increasing demand C4-10 as feedstock

... and lots more demand

Global megatrends relevant to versalis

Mobility

Increasing demand of high performance tyres

High demand for elastomers

Urbanization

Increasing consumer goods

Opportunities in hydrocarbon resins

Housing & Construction

Energy efficiency in new building

Strong demand for Styrenics (EPS)

Sustainability

More biodegradable materials

Opportunities in green chemicals

Demographic change

Population growth in emerging countries

Favourable markets in Asia and Latin America

we are well positioned in these strong and growing segments

1

Strong position in growing segments

- 1° elastomer producer in Europe
- 3° styrenics producer in Europe
- 2° EVA producer in Europe

2

Consolidated client relationships

- Strong customer reputation and brand recognition
- Relationship with key global customers
- Extensive technical assistance

3

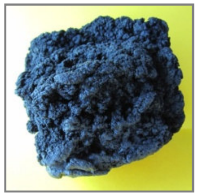
Leading R&D

- Pre-eminent technological position (390 patents)
- Development of green partnerships
- Opportunities to develop business in oil service solution

performance products

Elastomers

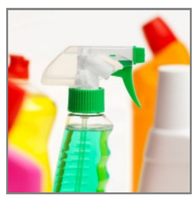
1st producer


Eva

2nd producer






Styrenics

3rd producer



versalis key strengths ...

1

Strong position in growing segments

- 1° elastomer producer in Europe
- 3° styrenics producer in Europe
- 2° EVA producer in Europe

2

Consolidated client relationships

- Strong customer reputation and brand recognition
- Relationship with key global customers
- Extensive technical assistance

3

Leading R&D

- Pre-eminent technological position (390 patents)
- Development of green partnerships
- Opportunities to develop business in oil service solution

agenda

1

versalis today

- Inefficient sites and commodity chemicals
- Lack of exposure to fast-growing Asian markets
- Strong position in some performance segments

2

our turnaround plan

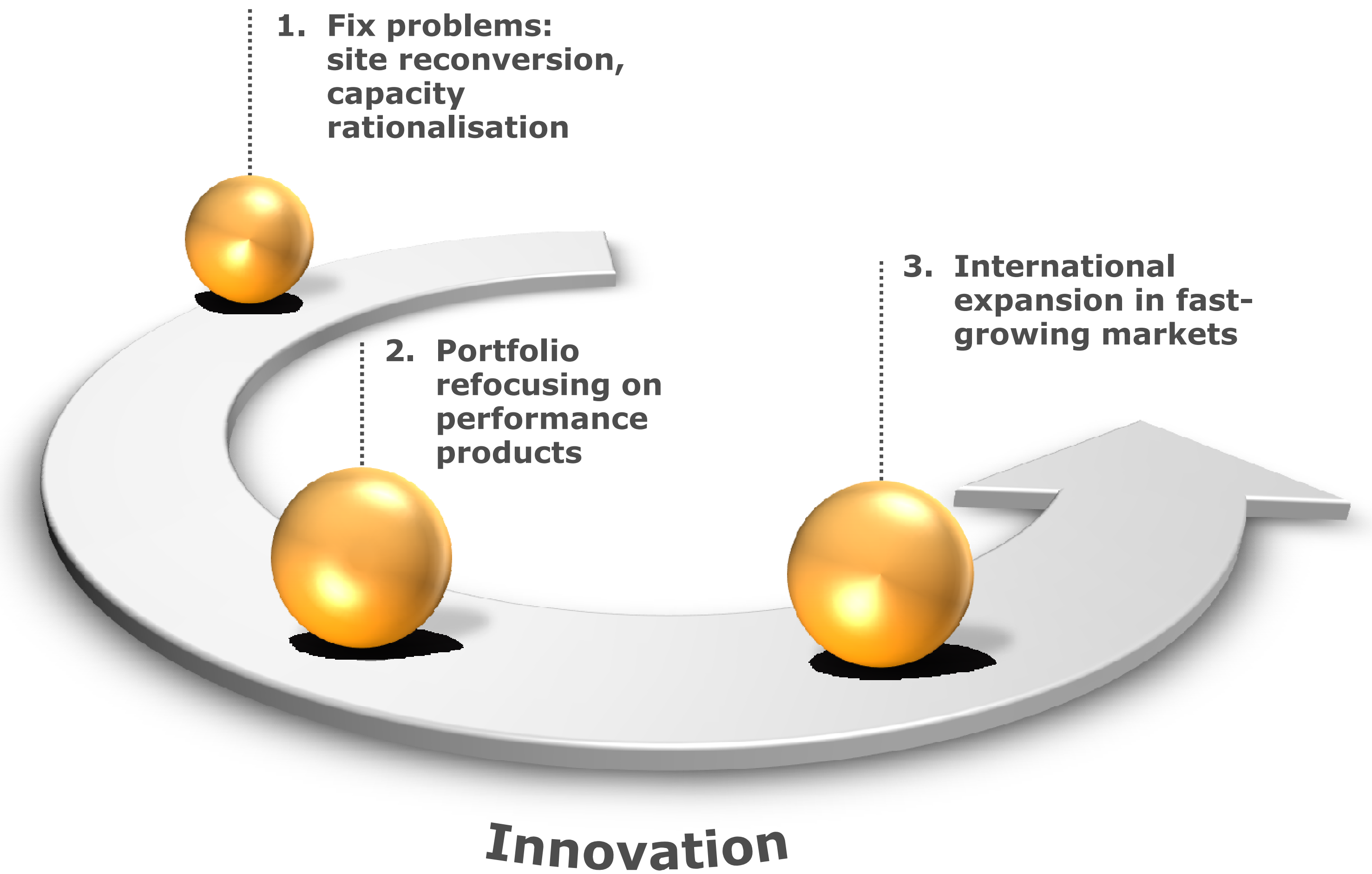
- **Tackle critical sites and reduce capacity in basic chemicals**
- **Refocus on performance products**
- **Increase presence in fast growing markets**

3

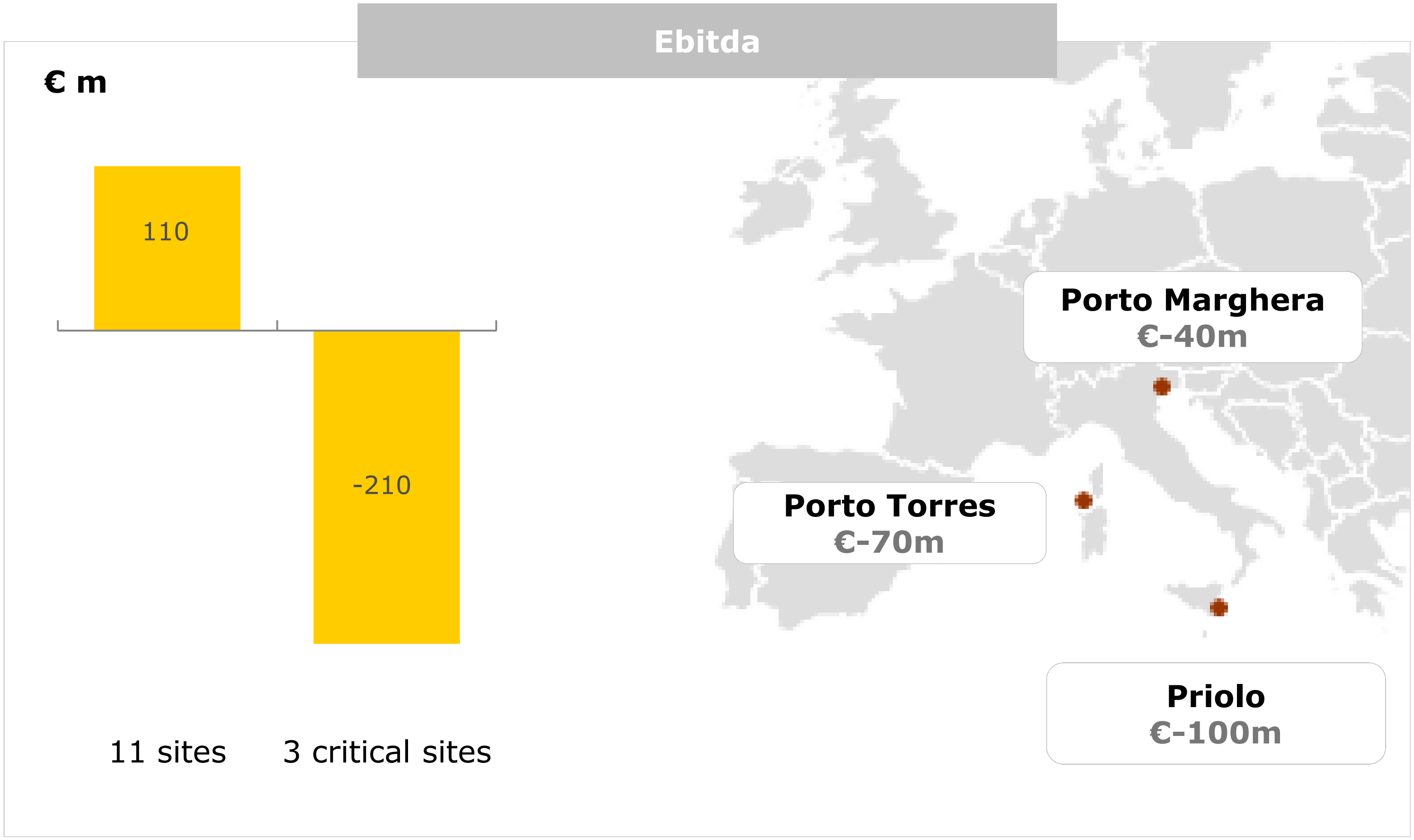
expected results

- Breakeven by 2016 (+€500m of ebit vs 2012)
- €300m of pro-forma ebit by 2017-18
- Re-balanced portfolio with strategic optionality

the 3 key actions of our turnaround plan



reconversion opportunity: critical sites



versalis losses substantially due to three critical sites

Note: Sites EBITDA is average per annum 2008-2012 excluding R&D and headquarter costs

Porto Torres: from loss-making basic chemicals to green

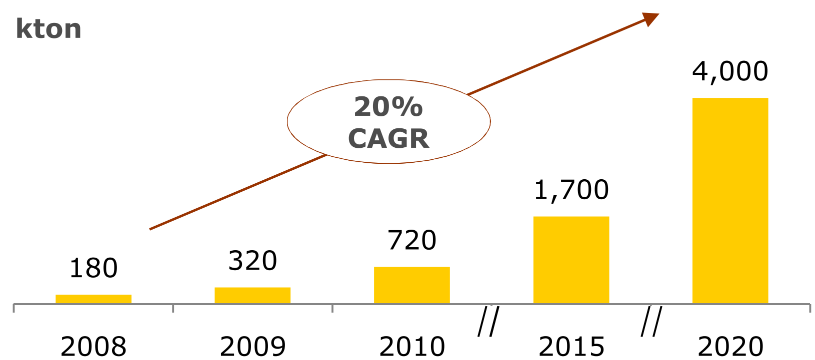
Porto Torres - challenges

- Old and inefficient chemical complex (270 kta tonnes ethylene capacity)
- ~600 employees
- Average annual loss of €70 mln
- €800m of cash absorption 2002-2012

Green project opportunities

- JV with Novamont, owner of proprietary bio-technologies
- Access to land for crop cultivation
- Growing bio-plastics market in Europe

European bio-plastics market
kton



Source: European Bioplastics 2012

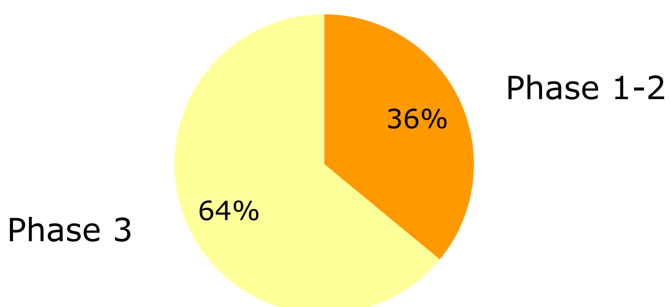
Porto Torres: the project

Reconversion

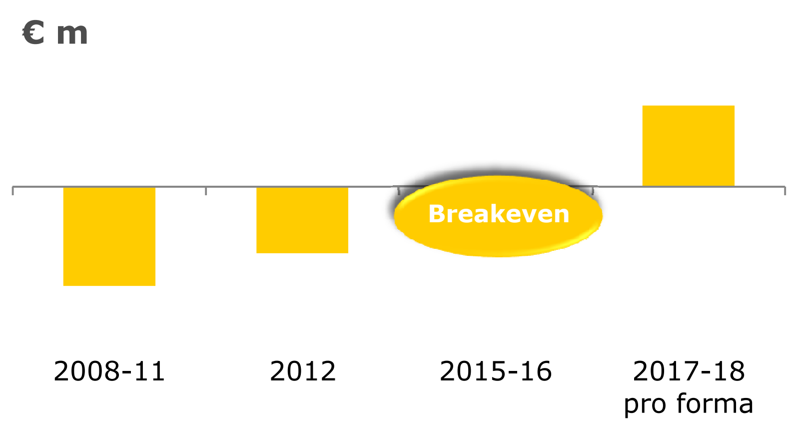
- 7 plants over three phases (2 under construction)
- 350 kta of total bio-based production
- Up and running Research Centre
- More than 300 employees

Investments

Overall JV investments: €500m
Equity capex >€100m



Porto Torres - EBITDA



Figures relate to average per annum


Cynara Cardunculus var. Altilis
CAMPO
SPERIMENTALE
La coltura del cardo è altamente
eco-compatibile per le sue

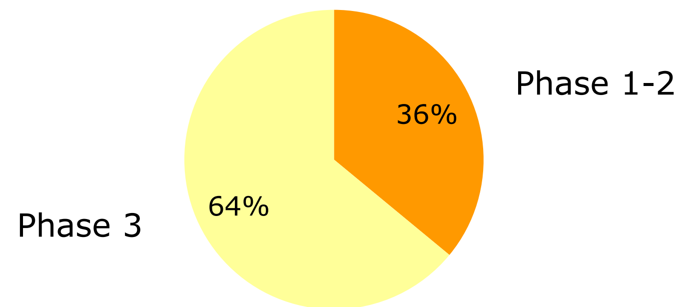
Porto Torres: the project

Reconversion

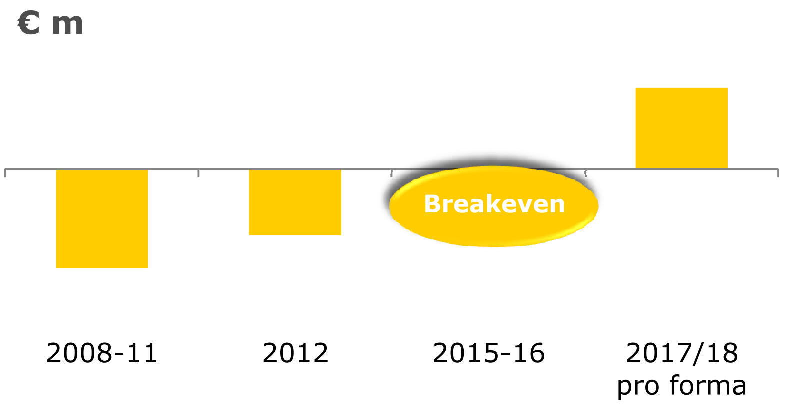
- 7 plants over three phases (2 under construction)
- 350 kta of total bio-based production
- Up and running Research Centre
- More than 300 employees

Investments

Overall JV investments: €500m
Equity capex >€100m



Porto Torres - EBITDA



Figures relate to average per annum

Priolo: from loss-making basic chemicals to resins

Priolo - challenges

- Inefficient and oversized cracker
- Loss making polyethylene plant
- Average annual loss of €100m

Resins – an opportunity

- High margin products
- $3bn market, growing at GDP+
- Growth in supply limited by feedstocks

Versalis competitive edge

- Existing C5-C9 capacity, not previously utilised
- Synergic approach with Elastomers and EVA

Priolo: the project

Efficiency

- Stop of Polyethylene (LLDPE) production
- Ethylene cracker rationalization (capacity from 790 to 490 kta) increasing operating rates from today 55% to 90% in 2014

Completed by YE 13

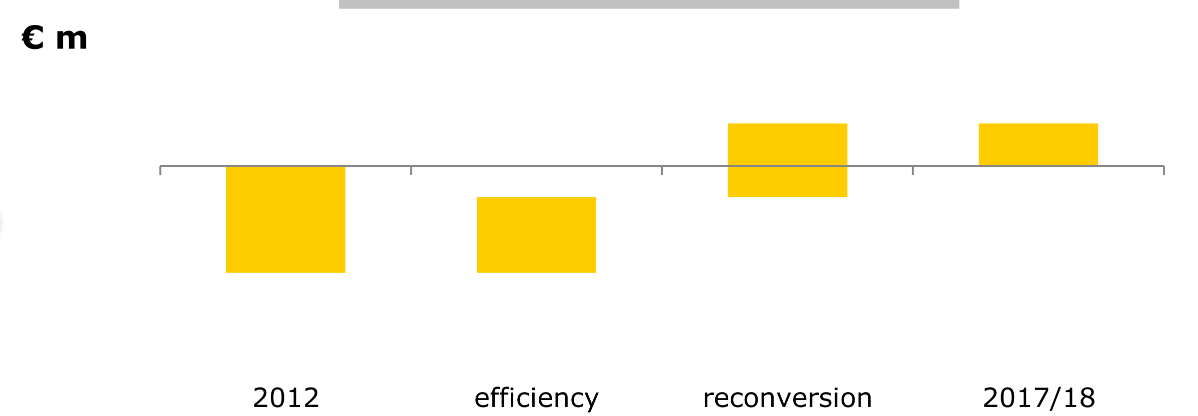
Reconversion

- New investment to recover internal flows (C5/C9)
- Development of new products (resins) to integrate/expand our portfolio
- Sales target $250m

Contribution from 2016

€400m investments

Priolo – EBITDA



Porto Marghera: restructuring options under study

Marghera - challenges

- Inefficient and under-utilised cracker
- Loss of site integration during last decade
- Average annual loss of €40m

Green chemistry – an opportunity

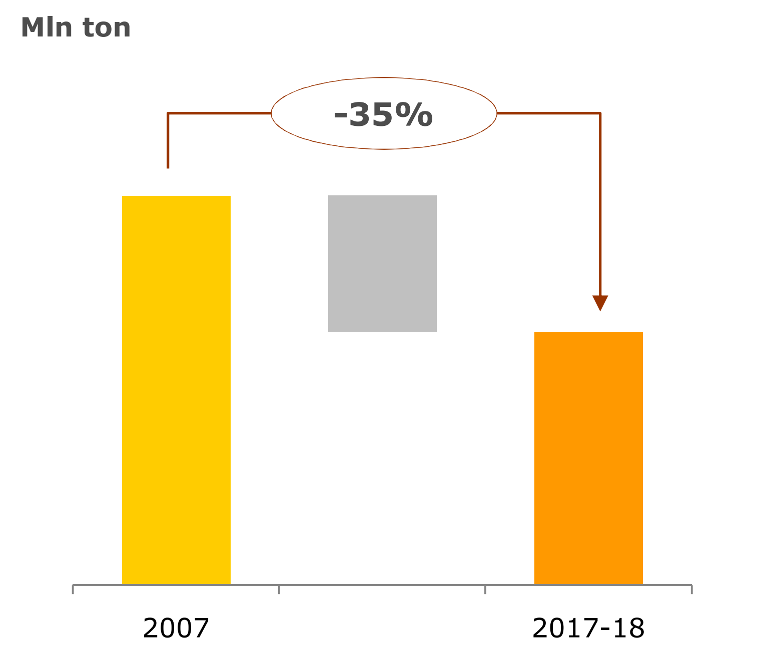
- green chemistry – an opportunity for a future transformation
- future candidate site for bio-butadiene investments
- optimisation of existing business under consideration

Versalis competitive edge

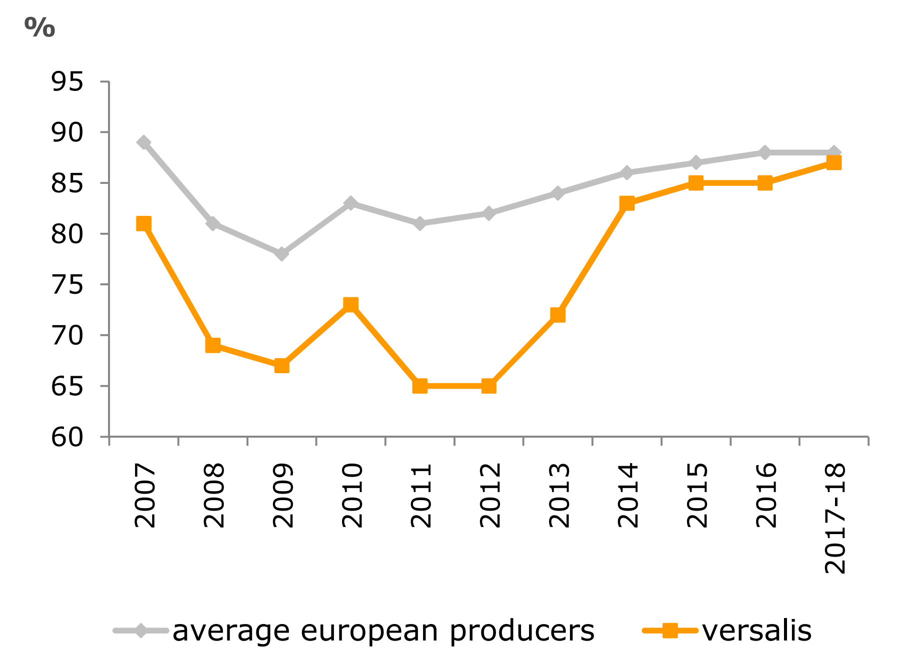
- apply versalis' integrated approach to green chemistry to Marghera
- key site for logistics in Northern Italy and for further Butadiene expansion

achieving increasing efficiency on commodity products...

Capacity



Operating rates

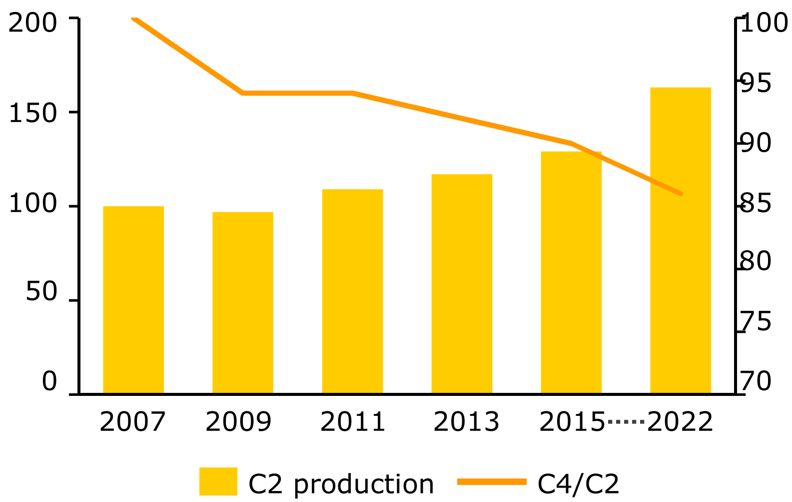


Leading mover on rationalisation

Increasing operating rates to industry average

... and increasing butadiene capacity

Butadiene scenario



Constrained supply

versalis response

On purpose Butadiene

- Developing proprietary dehydro process to produce Butadiene
- Pilot plant on stream within 2013

On purpose bio-Butadiene:

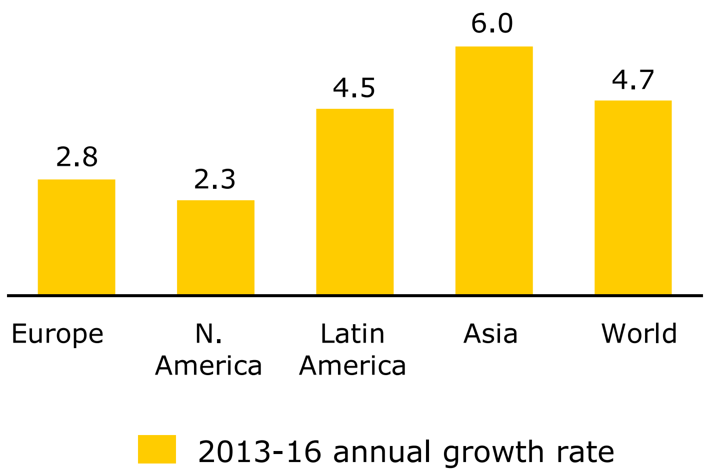
- Partnership with genomatica sustainable chemicals
- Develop, license bio-butadiene production technology
- Build the first plant based on the bio-butadiene technology

Producing more butadiene without additional ethylene

refocusing on performance products: elastomers

Elastomer scenario

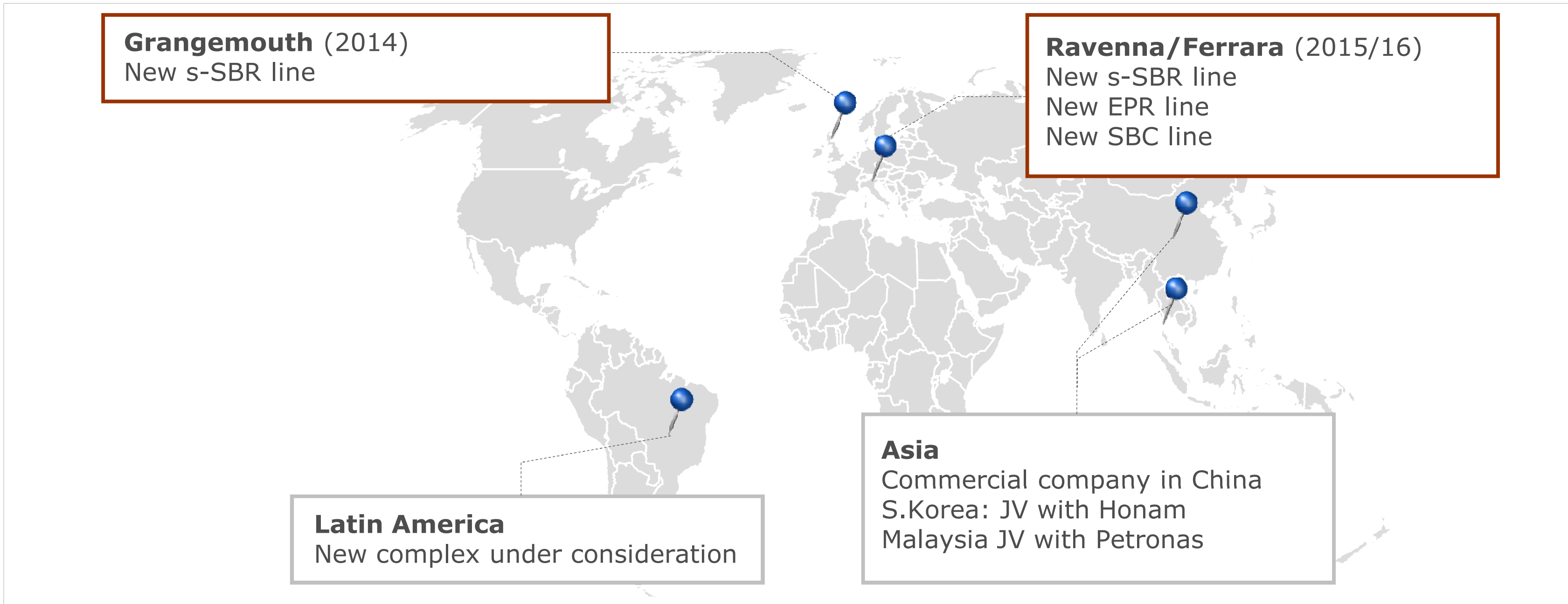
- Emerging markets leading the way
- Europe and N. America will grow in the more advanced segments
- S-SBR, PBR and EPR growth rate > than commodities rubber



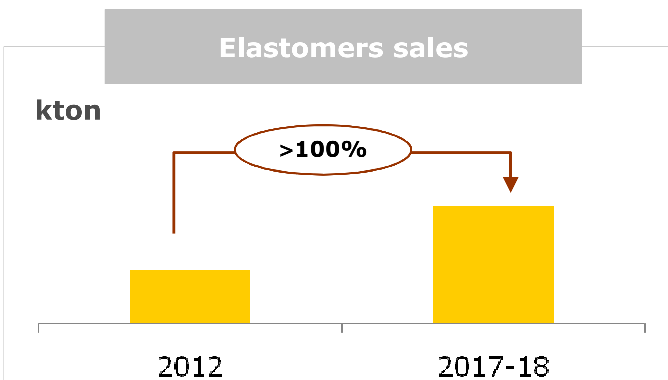
versalis advantages

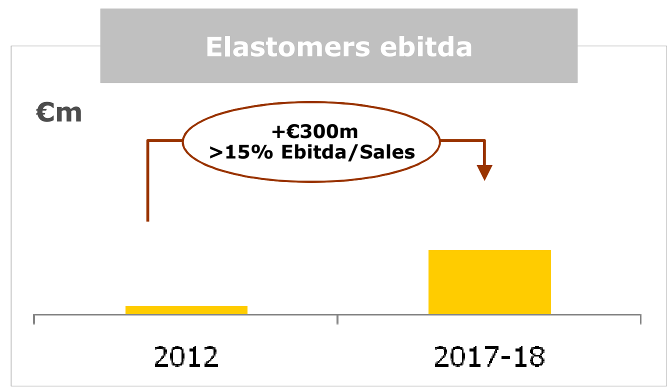
- Technological leadership
- Relationship with key global customers
  - Pirelli
  - Bridgestone
  - Continental
  - Michelin
  - Total
  - Styrolution
  - Henkel
- Feedstock availability from Naphtha crackers
- Market competence

new elastomer projects and results

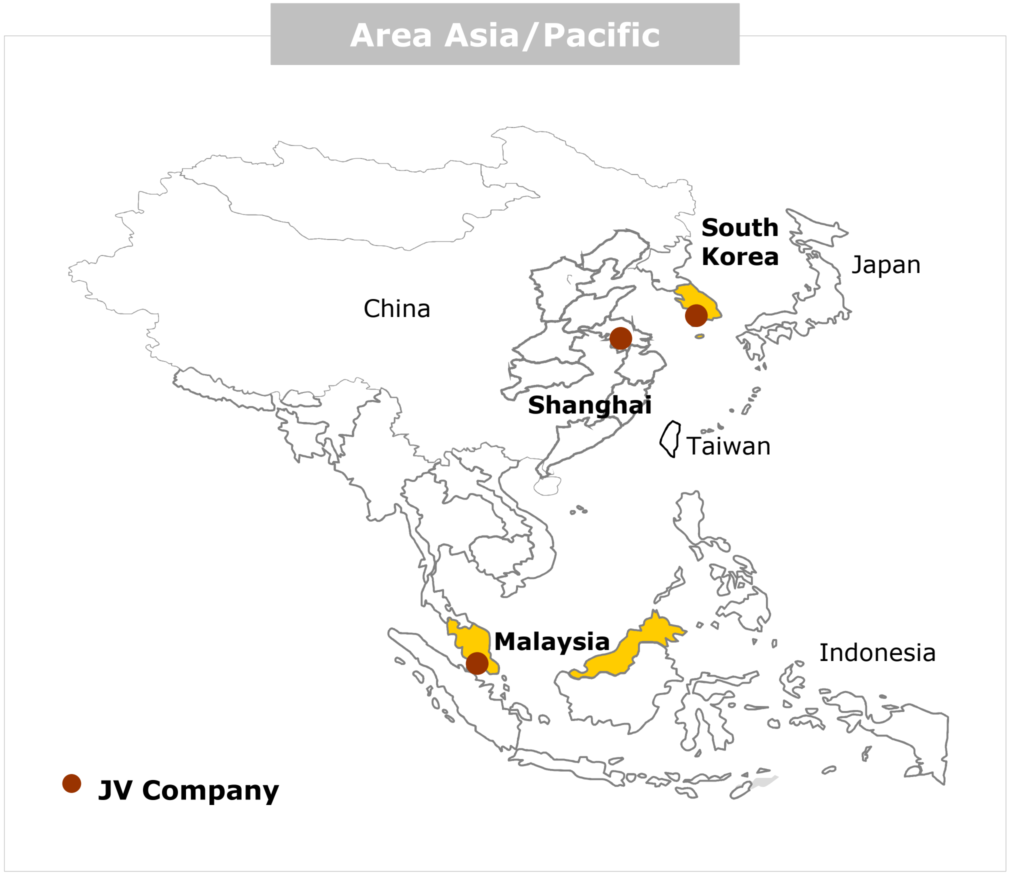


€600m of investments 2013-2016





focus on international projects



Direct presence in Asia

Opening of commercial offices in Shanghai

South Korea

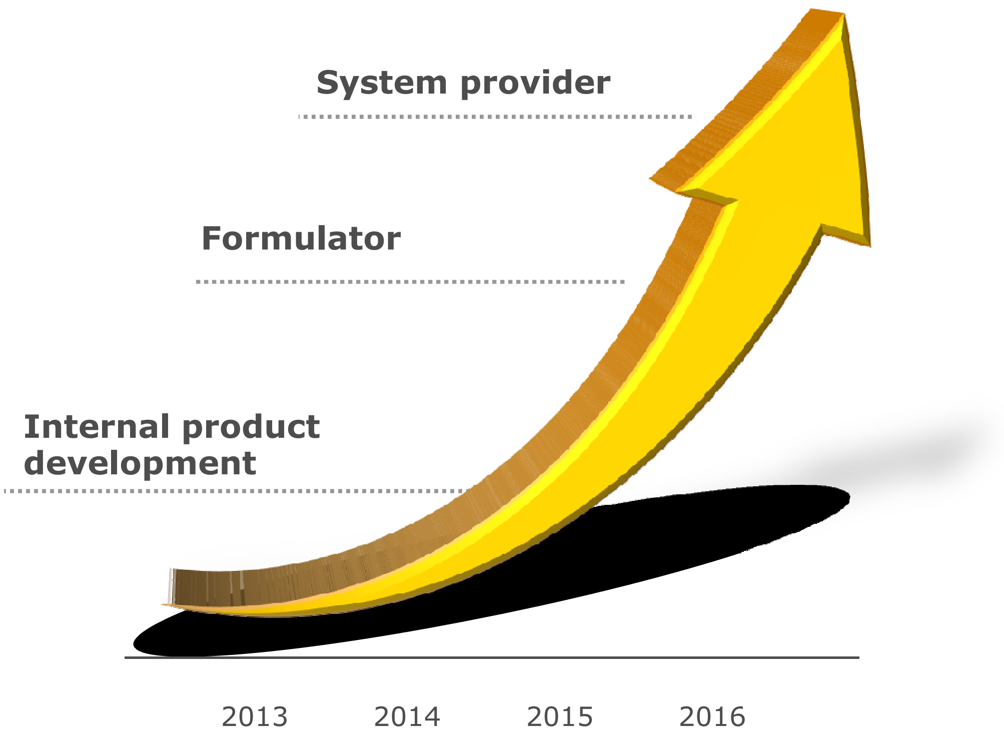
Partner: LOTTE Chemical
Plant start-up: end 2015
Projected revenues: > $500m

Malaysia

Partner: PETRONAS
Plant start-up: end 2017
Projected revenues: > $700m

20% of versalis sales from emerging markets by 2017

new products: oil services solutions…



- Strong market $35bn, with 3.5% annual growth
- Leverage partnership with E&P to develop ad hoc oilfield chemicals
  - chemicals for EOR
  - solvents and drag reducers
  - smart chemicals (anti blow - out solutions)
- Utilize existing plants to produce solvents with limited reconversion investments
- First sales within end-2013

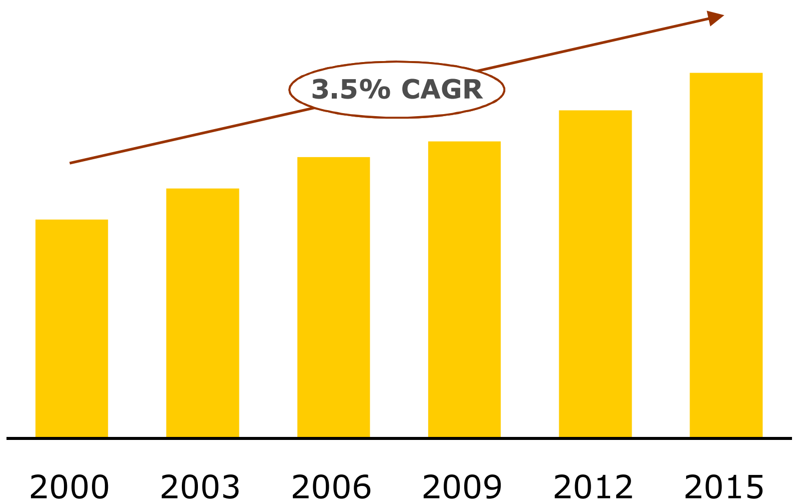
Leveraging the partnership with eni E&P

… and natural rubber

Natural rubber – an opportunity

- Natural rubber demand set to grow
- Opportunity to gain market edge with better production process

Global natural rubber consumption



The versalis project

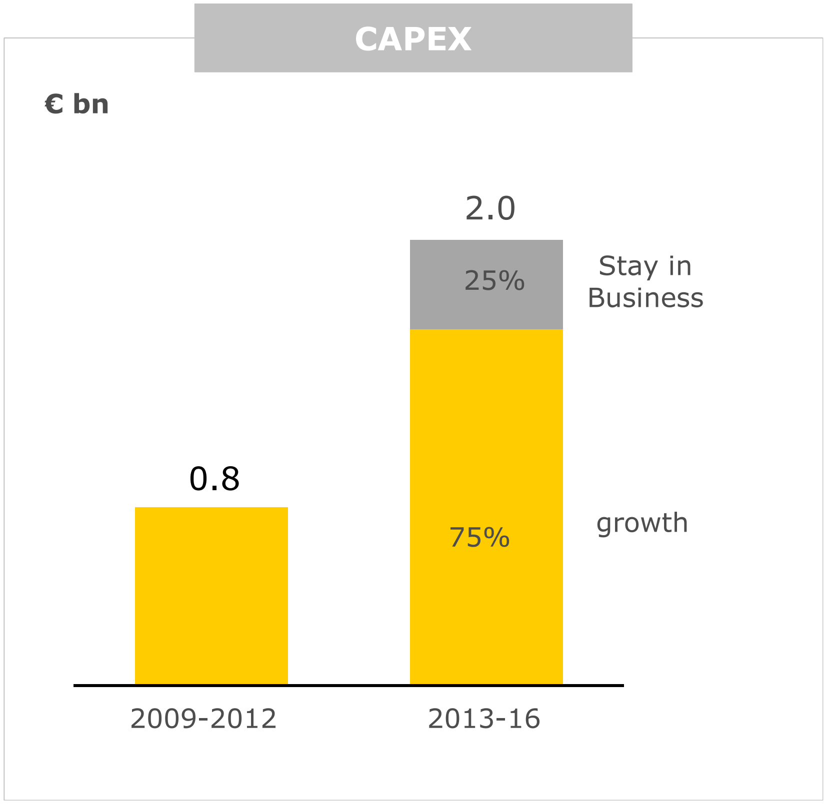
- Strategic partnership with YULEX to make natural rubber out of Guayule
- Guayule production: high quality, highly sustainable

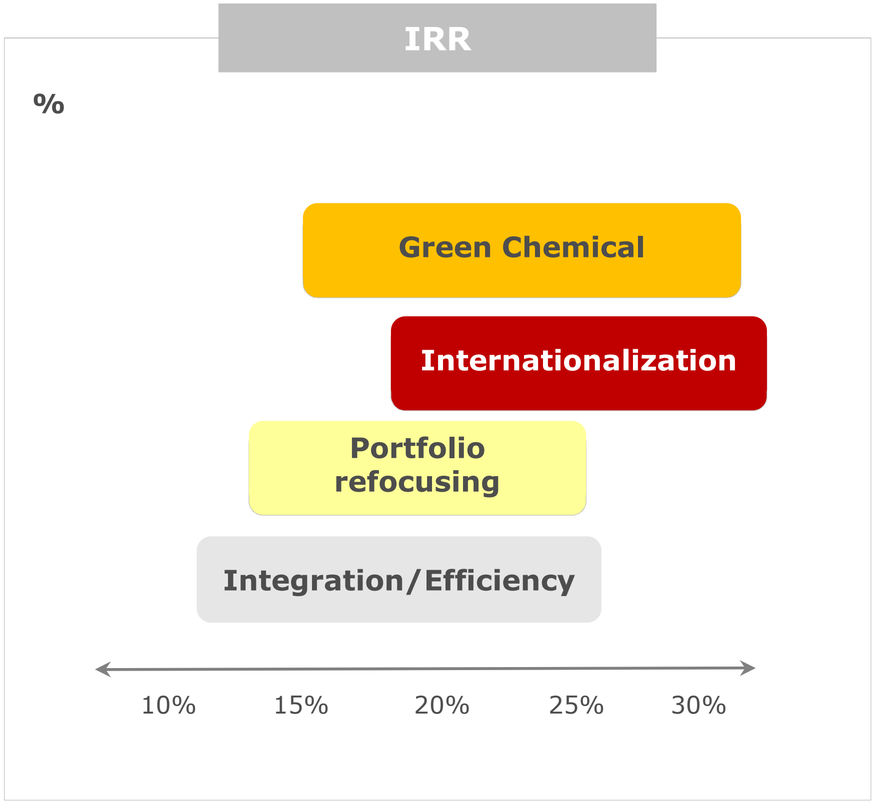
- Initial focus on consumer and medical specialty markets
- Agreement with PIRELLI to optimize the process also for the tyre industry

agenda

1	**versalis today**
	- Inefficient sites, over-reliance on commodity chemicals - Lack of exposure to fast-growing Asian markets - Strong position in some performance segments
2	**our turnaround plan**
	- Tackle critical sites and reduce capacity in basic chemicals - Refocus on performance products - Increase presence in fast growing markets
3	**expected results**
	- **Breakeven by 2016 (+€500m of ebit vs 2012)** - **€300m of pro-forma ebit by 2017-18** - **Re-balanced portfolio with sustainable profitability**

a strong investment programme...

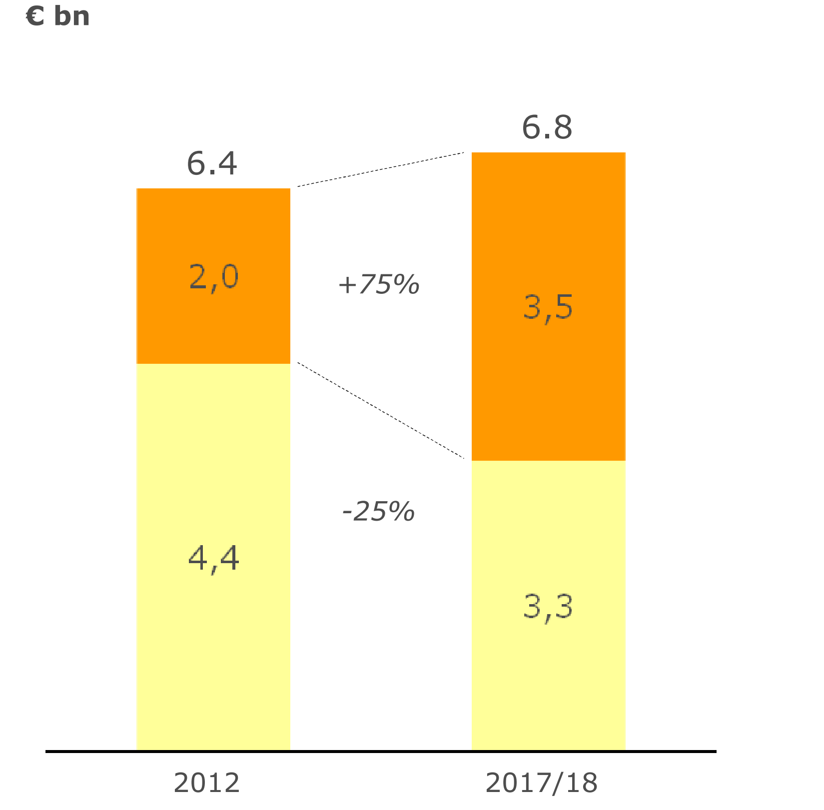




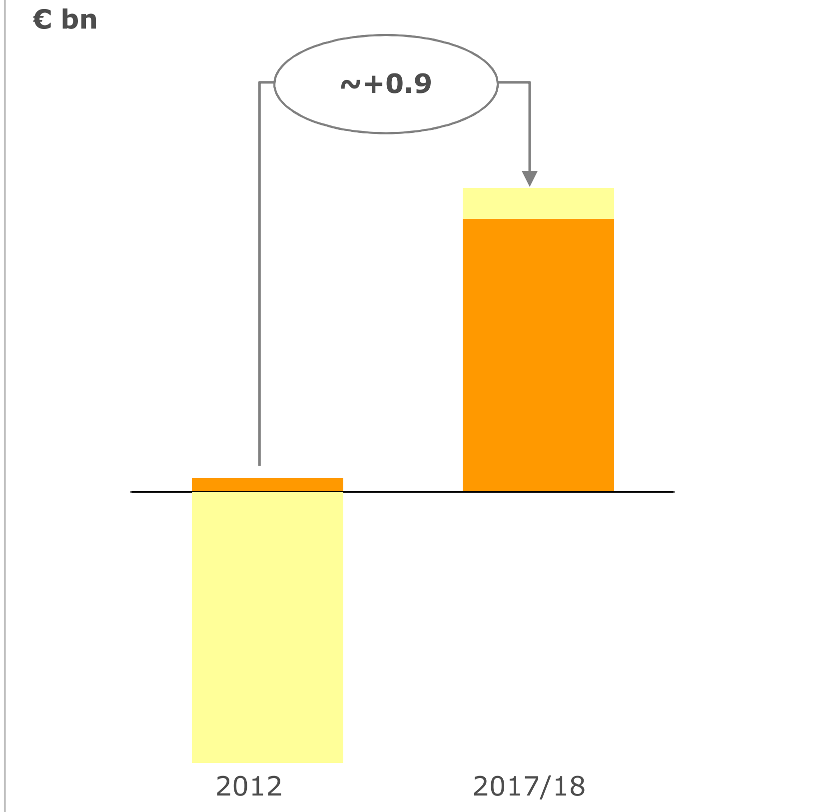
Investment programme to deliver strong returns

... to rebalance the business

Production mix

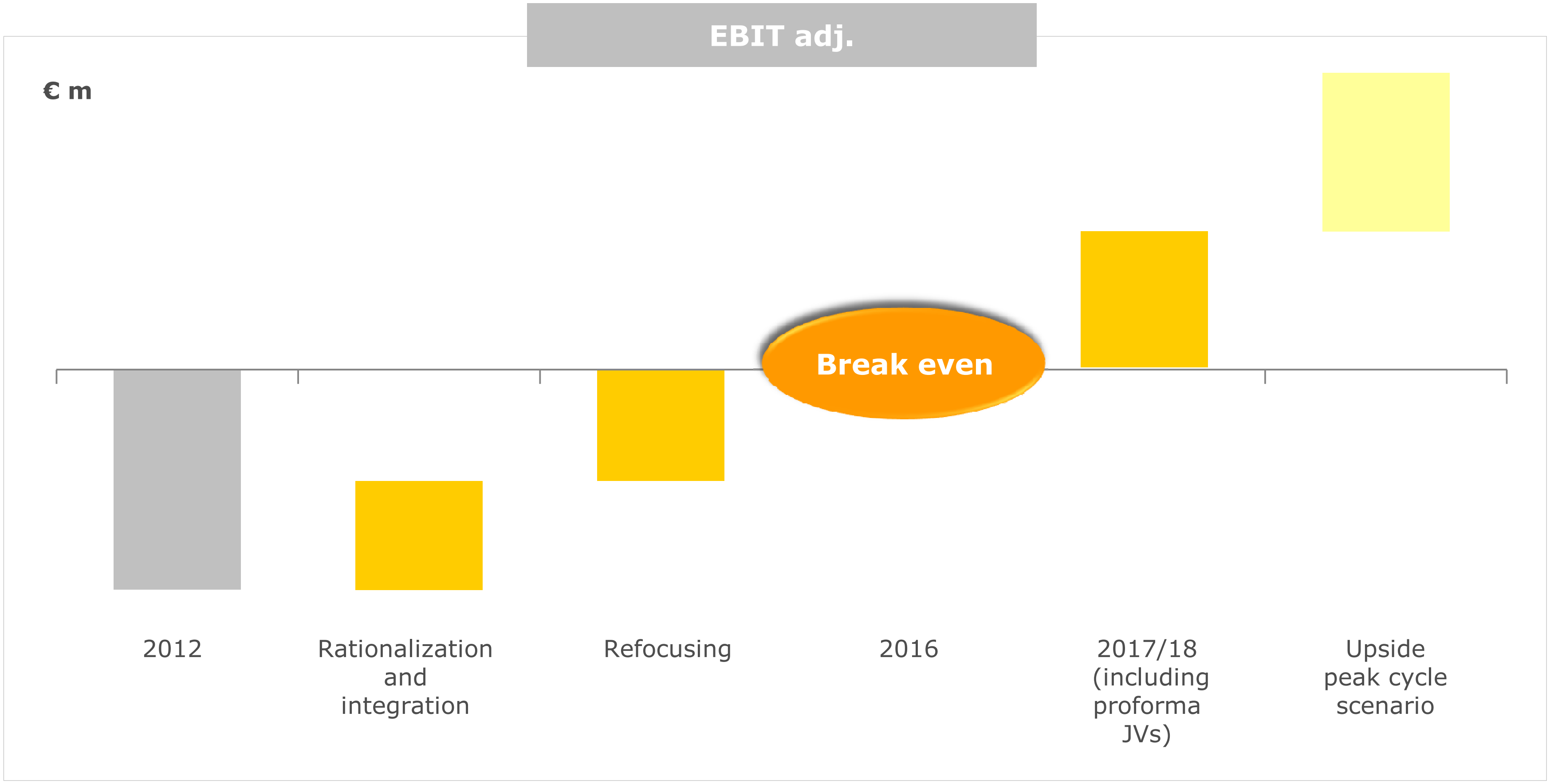


Ebitda



differentiated products commodities

… and reach break-even and profitability



2013-2016: €500m of incremental EBIT at 2012 scenario

Figures are at 2012 scenario

closing remarks – versalis by the end of our turnaround

Industrially streamlined

- No sites in structural loss
- Restructuring achieved with no social repercussions

Less volatile results

- Reduced production of commodities (-25%)
- Exposure to products with more stable margins

Exposed to profitable areas

- Increased differentiated products production (+75%)
- Exposure to growing Asia and Latin America markets

Delivering a sustainable chemicals business