

## Privatisation of ENI SpA

**E**NI is an Italian integrated energy company, operating in the oil, natural gas and petrochemical industries as well as oilfield services and engineering. It has a strong competitive edge and leading market positions in these business. ENI's objective is to create value for its shareholders through constant improvements of cost and quality of the products and services offered to its consumers.

The ENI privatisation started in 1992 when the Italian government decided to open the path to a radical change for this industrial group that had been a fundamental tool in the energy policy of the country after the 2<sup>nd</sup> World War. The changes in the international energy market, the overcoming of the difficulties in supplying energy sources to Italy, the liberalisation and globalisation of the economic systems led to the opportunity to create a different structure of ENI's share stock, opening it to private shareholders.

From 1995, the Italian Ministry of Treasury following the restructuring and re-focussing of ENI's core business on hydrocarbons, has put on the stock exchange, in four *tranches*, 65% of ENI's share capital (with a limit of 3% for any shareholder) for national and international institutional operators, individual subjects and the group's employees.

ENI's quotation on the main world financial markets was rightly considered as one of the most important operations of privatisation at the international level that increased the Company's credibility among the leaders of the oil business. It also contributed to strengthening Italy's position while the country was making a great effort – successfully carried out – to reach the Maastricht standards. The positive effects of this choice which rendered the whole Group stronger and more efficient are shown by the great results achieved during these last few years, reaching in 1999 a record net profit of 5,500 billion It. Lire.

ENI has now become the company with the highest capitalisation rate in Italy and the largest number of shareholders. At present ENI:

- Operates in more than 70 countries where it employs more than 80,000 people,
- Holds estimated proved reserves (at 31 December 1999) of 5,534 million boe,
- Produces more than one million barrels of oils equivalent a day, with a reserve replacement ratio of 206%,
- Boasts a return of capital employment (ROACE) of 12.2%,
- Is listed on the New York and Milan stock exchanges,
- Has capitalisation amounting to 100,000 billion lire (as of June 1998).

Among publicly traded oil companies, ENI ranks:

- 7<sup>th</sup> in the world in reserves,
- 8<sup>th</sup> in the world in production,
- 2<sup>nd</sup> in Europe in domestic gas sales,
- 4<sup>th</sup> in Europe in total refining capacity,
- A leader in the European petrochemicals industry.

ENI is now trying to launch all its activities. The strong competition in the field of energy is going to intensify in the future. The progressive opening of the gas markets in Europe and the tendency toward liberalisation of the Italian energy market have required a particular effort toward progress and renewal in order to maintain and increase the results obtained

by ENI up to now.

The challenge is to achieve strong positions abroad enabling ENI to sustain the growth and create new values by grasping the best opportunities offered by the international market.

A progressive transfer of the investments abroad has paved the way to multinationalisation.

This has become the main strategic purpose of ENI's activities.

Such perspective requires a new style of management in the field of oil and natural gas based on the necessity of putting together, in a creative manner, ENI's strength, solidity and integration capacity with its operating efficiency and openness to external stimulating factors.

The following is a synthetic presentation of the most recent events of ENI's strategic actions in 1999:

- Mineral assets were acquired for US\$ 1,038 million in the Exploration and Production segment, including recoverable reserves totalling 317 million boe;
- In Libya ENI and the Libyan National Oil Corporation agreed to jointly develop the Wafa oil and gas field, located in the Libyan desert, as well as C in the NC-41 permit, in the Mediterranean offshore, with total recoverable reserves amounting to 1.8 billion boe. This project includes: the construction of onshore and offshore infrastructure, the laying of pipelines that will carry natural gas and condensates to the Mellitah processing plant on the Libyan coast and the laying of a 32", 540-kilometer underwater gasline linking Mellitah to Sicily. The processing plant will have a full capacity of 10 billion cubic meters of natural gas per year, 2 billion of which will be sold to the domestic market and the rest exported to Italy.
- ENI acquired 33.34% stake in GALP, Petróleos e Gás de Portugal, the Portuguese national oil company, for 964 million euro in January 2000. This acquisition will allow ENI to develop its presence in the expanding markets of the Iberian Peninsula and Latin America, pursue geographic diversification in natural gas and reinforce its presence in potentially developing areas in downstream oil.
- ENI acquired the concession for natural gas distribution in the North Western area of the Brazilian state of Sao Paulo for 137 million euro.
- Through Blue Stream Pipeline Company BV, the Joint venture established on an equal basis between ENI and Gazprom, Saipem, Bouygues Offshore and a consortium of Japanese companies signed an agreement for the construction of the offshore section of the Blue Stream gas pipeline. The gasline will have a yearly transport capacity of 16 billion cubic meters of natural gas coming from Russia and marketed jointly by ENI and Gazprom in Turkey. This project is part of ENI's strategy of geographic diversification in natural activities by entering fast growth markets such as Turkey.

*Edgardo Curcio  
President, AIEE*

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