

# Financial review

## Eni's new organizational structure and segment reporting

Effective July 1, 2020, Eni's management has redesigned the macro-organizational structure of the Group, in line with its new long-term strategy, disclosed on February 2020 to the market and aimed at transforming the Company into a leader in the production and marketing of decarbonized energy products.

The new organization is based on two new Business Groups:

- **Natural Resources**, to build up the value of Eni's Oil & Gas upstream portfolio, with the objective of reducing its carbon footprint by scaling up energy efficiency and expanding production in the natural gas business, and its position in the wholesale market. Furthermore, it will focus its actions on the development of carbon capture and compensation projects. The Business Group will incorporate the Company's Oil & Gas exploration, development and production activities, natural gas wholesale via pipeline and LNG. In addition, it will include forests conservation (REDD+) and carbon storage projects. The company Eni Rewind (environmental activities), will also be consolidated in this Business Group.
- **Energy Evolution**, will focus on the evolution of the businesses of power generation, transformation and marketing of products from fossil to bio, blue and green. In particular, it will focus on growing power generation from renewable energy and biomethane, it will coordinate the bio and circular evolution of the Company's refining system and chemical business, and it will further develop Eni's retail portfolio, providing increasingly more decarbonized products for mobility, household consumption and small enterprises. The Business Group will incorporate the activities of power generation from natural gas and renewables, the Refining and Chemicals businesses, Retail Gas & Power and mobility Marketing. The companies Versalis (chemical products) and Eni gas e luce will also be consolidated in this Business Group.

The new organization represents a fundamental step to implement Eni's strategy to become leader in the supply of decarbonized products by 2050 combining value creation, sustainability and financial resilience.

In re-designing the Group's segment information for financial reporting purposes, the management evaluated that the com-

ponents of the Company whose operating results are regularly reviewed by the Chief Operating Decision Maker (CEO) to make decisions about the allocation of resources and to assess performances would continue being the single business units which are comprised in the two newly-established Business Groups, rather than the two groups themselves. Therefore, in order to comply with the provisions of the international reporting standard that regulates the segment reporting (IFRS 8), the new reportable segments of Eni, substantially confirming the pre-existing setup, are identified as follows:

- **Exploration & Production**: research, development and production of oil, condensates and natural gas, forestry conservation (REDD+) and CO<sub>2</sub> capture and storage projects.
- **Global Gas & LNG Portfolio**: supply and sale of wholesale natural gas by pipeline, international transport and purchase and marketing of LNG. It includes gas trading activities finalized to hedging and stabilizing the trade margins, as well as optimising the gas asset portfolio.
- **Refining & Marketing and Chemicals**: supply, processing, distribution and marketing of fuels and chemicals. The results of the Chemicals segment were aggregated with the Refining & Marketing performance in a single reportable segment, because these two operating segments have similar economic returns. It comprises the activities of trading oil and products with the aim to execute the transactions on the market in order to balance the supply and stabilize and cover the commercial margins.
- **Eni gas e luce, Power & Renewables**: retail sales of gas, electricity and related services, production and wholesale sales of electricity from thermoelectric and renewable plants. It includes trading activities of CO<sub>2</sub> emission certificates and forward sale of electricity with a view to hedging/optimising the margins of the electricity.
- **Corporate and Other activities**: includes the main business support functions, in particular holding, central treasury, IT, human resources, real estate services, captive insurance activities, research and development, new technologies, business digitalization and the environmental activity developed by the subsidiary Eni Rewind.

According to the requirements of IFRS 8, 2019 and 2018 comparative periods have been restated to adjust them to the change of the segment information, as follows:

(€ million)	2019		2018	
	As published	As restated	As published	As restated
<b>Adjusted net profit (loss)</b>	<b>8,597</b>	<b>8,597</b>	<b>11,240</b>	<b>11,240</b>
Exploration & Production	8,640	8,640	10,850	10,850
Gas & Power	585		543	
Global Gas & LNG Portfolio		193		278
Refining & Marketing and Chemicals	21	21	380	360
EGL, Power & Renewables		370		262
Corporate and other activities	(624)	(602)	(606)	(583)
Impact of unrealized intragroup profit elimination and other consolidation adjustments	(25)	(25)	73	73

## PROFIT AND LOSS ACCOUNT

	(€ million)	2020	2019	2018	Change	% Ch.
Sales from operations		43,987	69,881	75,822	(25,894)	(37.1)
Other income and revenues		960	1,160	1,116	(200)	(17.2)
Operating expenses		(36,640)	(54,302)	(59,130)	17,662	32.5
Other operating income (expense)		(766)	287	129	(1,053)	..
Depreciation, depletion, amortization		(7,304)	(8,106)	(6,988)	802	9.9
Net impairment reversals (losses) of tangible and intangible and right-of-use assets		(3,183)	(2,188)	(866)	(995)	(45.5)
Write-off of tangible and intangible assets		(329)	(300)	(100)	(29)	(9.7)
<b>Operating profit (loss)</b>		<b>(3,275)</b>	<b>6,432</b>	<b>9,983</b>	<b>(9,707)</b>	<b>..</b>
Finance income (expense)		(1,045)	(879)	(971)	(166)	(18.9)
Income (expense) from investments		(1,658)	193	1,095	(1,851)	..
<b>Profit (loss) before income taxes</b>		<b>(5,978)</b>	<b>5,746</b>	<b>10,107</b>	<b>(11,724)</b>	<b>..</b>
Income taxes		(2,650)	(5,591)	(5,970)	2,941	52.6
Tax rate (%)		..	97.3	59.1		
<b>Net profit (loss)</b>		<b>(8,628)</b>	<b>155</b>	<b>4,137</b>	<b>(8,783)</b>	<b>..</b>
attributable to:						
- Eni's shareholders		<b>(8,635)</b>	<b>148</b>	<b>4,126</b>	<b>(8,783)</b>	<b>..</b>
- Non-controlling interest		7	7	11		

## Impact of COVID-19 pandemic

The trading environment in 2020 saw the largest oil demand drop in history (down by an estimated 9% y-o-y) driven by the lockdown measures implemented at global scale to contain the spread of the COVID-19 pandemic causing a material hit to economic activity, international commerce and travel, mainly during the peak of the crisis in the first and second quarter of 2020.

The shock in hydrocarbon demand occurred against the backdrop of a structurally oversupplied oil market, as highlighted by the disagreements among OPEC+ members in the response to be adopted to manage the crisis in early March 2020. The producing Countries of the cartel decided against maintaining the existing quotas and as a result the market was inundated with production while demand was crumbling. Those developments led to a collapse in commodity prices.

At the peak of the downturn, between March and April, the Brent marker price fell to about 15 \$/barrel, the lowest level in over twenty years. The oversupply drove oil markets into contango, a situation when prices for prompt delivery quote below prices for future deliveries, while both land and floating storages reached the highest technical filling levels.

Since May, oil prices have been staging a turnaround thanks to a comprehensive agreement reached within OPEC+ on implementing record production cuts as well as an ongoing recovery in the world economy and oil consumption following an ease in restrictive measures and driven in large part by a strong rebound of activity in China. Brent prices recovered to almost 45 \$/barrel in summer months.

However, during the autumn months the macroeconomic rebound hit a standstill in the USA and in Europe due to a resurgence in virus cases, which forced the governments and local authorities in those Countries to reinstate partial or full lock-

downs and other restrictive measures that weighted heavily on oil and products demands as millions of people continued living in partial isolation.

In this period, crude oil prices were supported by strict production discipline on part of OPEC+ members and the market was able to accommodate the return of Libya's production by the end of September, which quickly ramped to the plateau of 1.2 million boe/d as a result of an internal peace agreements which resolved the force majeure which had blocked export terminals. A barometer of the weakness of the fundamentals in the energy sector in the third and fourth quarter was the trend in the refining margins which dropped to historic lows due to weak demand for fuels and the crisis in the airline sector, which prevented refiners from passing the cost of the crude oil feedstock to the final prices of products. To make things worse, OPEC+ production cuts impacted the availability of medium-heavy crudes, narrowing the price differentials with light-medium qualities like the Brent crude and squeezing the refiners' conversion advantage.

However, since mid-November a few market and macroeconomic developments triggered a rally in oil prices, which reached 50 \$/bbl at the end of the year rebounding from the still depressed level of October and then rose to an average of 60 \$/barrel in the first quarter of 2021. First, several effective vaccines against the virus were approved. Second, the OPEC+ members resolved at a meeting in early December to slowdown the pace of easing the production curtailments scheduled to begin at the onset of 2021. Then in a subsequent meeting in early January 2021, Saudi Arabia surprised markets by announcing a unilateral cut to its production quota of 1 million barrels/d in February and March in relation to the uncertainties to the recovery in demand caused by the ongoing rise in new virus case.

Meanwhile, the pace of the economic recovery accelerated in Asia, where China and India drove a surge oil consumption. The inventory overhang began to ease due to market being better balanced. Finally, exceptional cold weather conditions hit the Far East which caused a mini energy crisis due to the sudden spike in the demand for heating products which led to a substantial increase in the JKM benchmark spot prices of LNG spot which climbed to all-time highs, up to 30-40 \$/mmBTU (an increase more than 1000% compared to the values recorded in April 2020 during the peak of the crisis).

The Brent price closes the year at 50 \$/barrel and the recovery accelerates at the beginning of 2021 with the psychological threshold of 60 \$/barrel and an average of almost 58 \$/barrel in the first two months of the year.

Despite these positive developments, we believe the outlook for 2021 to remain subdued due to an ongoing slowdown in economic activity and in oil consumption in Europe and in the USA, with possible downside risks related to the evolution of the pandemic crisis and the discovery of new virus strains. Therefore, the trading environment for 2021 remains uncertainty and volatile.

In 2020 due to macroeconomic and market developments described above, the average price of the Brent benchmark crude oil decreased by 35% compared to the previous year, with an annual average of 42 \$/barrel, the price of natural gas at the Italian spot market "PSV" declined on average by 35%, and the Standard Eni Refining Margin - SERM recorded the worst performance (down by 60%). Considering the market trends, management revised the Company's outlook for hydrocarbons prices assuming a more conservative oil scenario with a LT Brent price at 60 \$/barrel in 2023 real terms (compared to the previous projection of 70 \$/barrel) to reflect the possible structural effects of the pandemic on oil demand and the risk that the energy transition will accelerate due to the fiscal policies adopted by governments to rebuild the economy on more sustainable basis. These developments had negative, material effects on Eni's results of operations and cash flow.

In 2020, Eni's Group reported a net loss of €8.6 billion due to the reduction in revenues driven by lower realized prices and margins for hydrocarbons with an estimated impact of €6.8 billion and lower production volumes and other business impacts caused by the COVID-19 pandemic for €1 billion, as well as the recognition of impairment losses of €3.2 billion taken at Oil & Gas assets and refineries due to a management's revised outlook on long-term oil and gas prices and lowered assumptions for the refining margins. A loss of approximately €1.3 billion was incurred in relation to the evaluation of inventories of oil and products, which were aligned to their net realizable values at period end.

All these trends caused the Group to incur an operating loss of €3.3 billion. Cost efficiencies and other management initiatives to counter the effects of the pandemic drove an improvement of €1.1 billion.

Furthermore, the Group net loss for the year was also due to a €1.7

billion loss taken at equity-accounted investments, €1.3 billion for the write-down of deferred tax assets due to the projections of lowered future taxable profits and the negative effects on the underlying tax rate of the recognition of non-deductible losses and charges, such as the lower intercompany marketing margins of non-equity gas entitlements, the inability to recognize deferred tax assets on losses for the year in jurisdictions with the projection of lower future taxable income and other non-deductible items.

Adjusted cash flow declined to €6.7 billion with a reduction of 43% compared to 2019, due to lower prices of hydrocarbons and other scenario effects for €6 billion and the negative impact on operations associated with the COVID-19 for €1.3 billion due to lower production as a result of the curtailments of expenditures, lower demand for fuel and chemicals, longer maintenance standstills in response to the COVID-19 emergency, lower LNG offtakes and lower gas demand and higher provisions for impairment losses at trade receivables.

These negatives were partially offset by cost savings and other initiatives in response to the pandemic crisis for an amount of €2.3 billion.

In order to respond to a shortfall of such magnitude, management has taken several decisive actions to preserve the Company's liquidity, the ability to cover maturing financial obligations and to mitigate the impact of the crisis on the Group's net financial position, as follows:

- Rescheduled and optimized the capital expenditures for 2020-2021 years; in 2020 Eni reduced capex by approximately €2.6 billion, around 35% lower than the initial capital budget at constant exchange rates; incurring expenditures of €5 billion. Those capex reductions mainly related to upstream activities, targeting production optimization activities and the rephasing of certain development projects. The delayed or re-phased activities can be recovered once the scenario normalizes, determining a recovery of related production.
- Implemented widespread cost reduction initiatives across all businesses with achieved savings of about €1.9 billion in 2020, of which about 30% are of structural nature; reductions of similar amount are expected in 2021.
- In May 2020, a €2 billion bond was issued. Then, in October 2020 two hybrid bonds were issued for a total amount of €3 billion; those latter bonds are classified among equity for balance sheet purposes.
- A share repurchase program approved before the start of the crisis was put on hold.
- Established a new dividend policy with the introduction of a variable component of the dividend in line with the volatility of the scenario. The new policy establishes a floor dividend currently set at 0.36 €/share under the assumption of a Brent scenario of at least 43 \$/barrel and a growing variable component based on a recovery in the crude oil scenario up to 65 \$/barrel. The floor amount will be revalued over time depending on the Company delivering on its industrial targets. For 2020, the dividend proposal is equal to the floor dividend.

The Company, leveraging on these measures, successfully overcame the worst phase of the downturn, limiting the increase in the net borrowings before IFRS 16 which closed the year at €11.6 billion (unchanged over 2019), while retaining the leverage within the management comfort zone at 0.31. The Company can count to fulfill the financial obligations coming due in the short-term on a liquidity reserve of €20.4 billion as of December 31, 2020, consisting of:

- cash and cash equivalents of €9.4 billion;
- €5.3 billion of undrawn committed borrowing facilities;
- €5.5 billion of readily disposable securities (mainly government bonds and corporate investment grade bonds) and €0.2 billion of short-term financing receivables.

This reserve is considered adequate to cover the main financial obligations maturing in the next twelve months relating to:

- short-term debt of €2.9 billion;
- maturing bonds of €1.1 billion and other maturing long-term debt of €1.1 billion;
- committed investments of €4.3 billion;
- instalments of leasing contracts coming due of €1.1 billion;
- the payment of a floor dividend for approximately €1.5 billion (including the final 2020 dividend and the interim floor dividend for 2021 due to paid in September).

The evolution of Group's financial situation in 2021 will depend, in addition to management initiatives, on trends in oil prices, which will be closely correlated to the evolution of the pandemic crisis. Considering the current Oil & Gas assets portfolio, management has estimated a change of cash flow of approximately €150 million for each one-dollar change in the price of

the Brent crude oil benchmark and proportional changes in gas prices, applicable for variation of 5-10 \$/barrel, compared to the considered scenario for 2021 at 50 \$/barrel, before further corrective actions by management and has excluded the effects on the dividends from investments. The short-term recovery of the crude oil and gas prices will greatly depend on how the current COVID-19 crisis unfolds and on how long it lasts.

Under adverse assumptions, the spread of the disease could dampen or further delay an economic recovery, which could materially hit demand for energy products and prices of energy commodities. This scenario could be further complicated in case of a faltering OPEC+ policy at supporting prices by continuing to roll over the ongoing production quotas. These trends could have a material and adverse effect on our results of operations, cash flow, liquidity, and business prospects, including trends in Eni shares and shareholders' returns.

In addition to the current liquidity reserve, the Company can leverage on a solid business model and actions finalized or started in this year that have increased the resilience to the scenario.

The main point of these actions was the gradual reduction of the average breakeven of the projects in execution at 23 \$/barrel thanks to the successful exploration at competitive discovery costs, the deployment of an efficient model to develop hydrocarbon reserves based on a phased approach, reduction of time-to-market and design-to-cost.

The following tables report the breakdown of the operating profit (loss) by business and the key scenario indicators for 2020:

	(€ million)	2020	2019	2018	Change
Exploration & Production		(610)	7,417	10,214	(8,027)
Global Gas & LNG Portfolio		(332)	431	387	(763)
Refining & Marketing and Chemicals		(2,463)	(682)	(501)	(1,781)
EGL, Power & Renewables		660	74	340	586
Corporate and other activities		(563)	(688)	(668)	125
Impact of unrealized intragroup profit elimination		33	(120)	211	153
<b>Operating profit (loss)</b>		<b>(3,275)</b>	<b>6,432</b>	<b>9,983</b>	<b>(9,707)</b>

	2020	2019	2018	% Ch.
Average price of Brent dated crude oil in U.S. dollars <sup>(a)</sup>	41.67	64.30	71.04	(35.2)
Average EUR/USD exchange rate <sup>(b)</sup>	1.142	1.119	1.181	2.0
Average price of Brent dated crude oil in euro	36.49	57.44	60.15	(36.5)
Standard Eni Refining Margin (SERM) <sup>(c)</sup>	1.7	4.3	3.7	(60.5)
PSV <sup>(d)</sup>	112	171	260	(34.5)
TTF <sup>(d)</sup>	100	142	243	(29.6)

(a) Price per barrel. Source: Platt's Oilgram.

(b) Source: ECB.

(c) In \$/BBL FOB Mediterranean Brent dated crude oil. Source: Eni calculations. Approximates the margin of Eni's refining system in consideration of material balances and refineries' product yields.

(d) €/kcm.

## ADJUSTED RESULTS AND BREAKDOWN OF SPECIAL ITEMS

	(€ million)	2020	2019	2018	Change	% Ch.
<b>Operating profit (loss)</b>		<b>(3,275)</b>	<b>6,432</b>	<b>9,983</b>	<b>(9,707)</b>	<b>..</b>
Exclusion of inventory holding (gains) losses		1,318	(223)	96		
Exclusion of special items		3,855	2,388	1,161		
<b>Adjusted operating profit (loss)</b>		<b>1,898</b>	<b>8,597</b>	<b>11,240</b>	<b>(6,699)</b>	<b>(77.9)</b>
Breakdown by segment:						
<i>Exploration &amp; Production</i>		1,547	8,640	10,850	(7,093)	(82.1)
<i>Global Gas &amp; LNG Portfolio</i>		326	193	278	133	68.9
<i>Refining &amp; Marketing and Chemicals</i>		6	21	360	(15)	(71.4)
<i>EGL, Power &amp; Renewables</i>		465	370	262	95	25.7
<i>Corporate and other activities</i>		(507)	(602)	(583)	95	15.8
<i>Impact of unrealized intragroup profit elimination and other consolidation adjustments</i>		61	(25)	73	86	
<b>Net profit (loss) attributable to Eni's shareholders</b>		<b>(8,635)</b>	<b>148</b>	<b>4,126</b>	<b>(8,783)</b>	<b>..</b>
Exclusion of inventory holding (gains) losses		937	(157)	69		
Exclusion of special items		6,940	2,885	388		
<b>Adjusted net profit (loss) attributable to Eni's shareholders</b>		<b>(758)</b>	<b>2,876</b>	<b>4,583</b>	<b>(3,634)</b>	<b>..</b>

Management determines adjusted results excluding the special charges previously disclosed and mainly related to non-current write-downs, tax credits and loss on stocks, in order to improve understanding of the key businesses.

In 2020, the **adjusted operating profit** of €1,898 million was around €6.7 billion lower than the previous year (down by 78%). Scenario effects were a loss of -€6.8 billion and the operational and volumes losses relating to the impacts associated with COVID-19 pandemic amounted to €1 billion, while the underlying performance was positive for €1.1 billion, thanks to the positive result reported in the GGP segment, leveraging on the optimizations of gas and LNG asset portfolio, which allow to exploit value from a volatile scenario, biorefineries and fuels marketing contribution and the solid and growing performance of the retail business, notwithstanding COVID-19 pandemic impacts on demand and counterparty risk.

For further information on the adjusted operating profit by business, see the paragraph "Results by business segments".

In 2020, the Group reported an **adjusted net loss** of €758 million due to the weaker operating performance, lower results reported by JV and other investments due to the deteriorated macroeconomic environment and tax rate.

### Breakdown of special items

Adjusted net loss includes special items consist of net charges of €6,940 million, relating to the following:

- (i) net impairment losses recorded at Oil & Gas properties in production or under development (€1,888 million, almost related to the first half), driven by a downward revision to management's expectations for crude oil prices in the long-term, which were reduced to 60 \$/barrel and the associated curtailments of expenditures in the years 2020-2021 with the re-phasing of a number of projects, in order to preserve cash generation, as well as negative revisions of reserves. The main impairment losses were recorded at CGUs in Italy, Algeria, Congo, the USA and Turkmenistan;
- (ii) impairment losses at refineries driven by a lowered outlook for refining margins and expectations for a continuing narrowing in spreads between medium-sour crudes vs. light-sweet crude qualities, as well as the write-down of capital

expenditure relating to certain Cash Generating Units in the R&M business. These units were impaired in previous reporting periods and continued to lack any profitability prospects (for an overall impact of €1,225 million, almost related to the first half);

- (iii) the impairment of Chemical assets due to a deteriorated margin scenario (€46 million);
- (iv) the accounting effect of certain fair-valued commodity derivatives lacking the formal criteria to be classified as hedges, as well as the fair value of forward contracts to sell volumes of gas which were not accounted based on the own use exemption (charges of €440 million);
- (v) risk provisions mainly in the E&P business (€137 million);
- (vi) provisions for redundancy incentives (€123 million);
- (vii) the reclassification to adjusted operating profit of the negative balance of €160 million related to derivative financial instruments used to manage margin exposure to foreign currency exchange rate movements and exchange translation differences of commercial payables and receivables;
- (viii) an allowance for doubtful accounts relating to receivables (€77 million) in the E&P business;
- (ix) charges relating to the JV Vår Energi, mainly driven by impairment losses recorded at Oil & Gas assets due to a revised oil price outlook and downward reserve revisions, netted by the accrued currency translation differences at finance debt denominated in a currency other than the reporting currency for which the reimbursement cash outflows are expected to be matched by highly probable cash inflows from the sale of production volumes, in the same currency as the finance debt as part of a natural hedge relationship (for overall charges of €1,111 million);
- (x) a loss of €124 million relating to the alignment of raw material and products inventories to their net realizable values at period end at ADNOC Refining;
- (xi) Eni's share of non current charges/impairments relating to Saipem (charges of €271 million) relating to Saipem;
- (xii) tax effects relating to the aforementioned special items, as well as the write-down of deferred taxes due to a deteriorated profitability outlook (an overall effect of €1,278 million).

## BREAKDOWN OF SPECIAL ITEMS

	(€ million)	2020	2019	2018
<b>Special items of operating profit (loss)</b>		<b>3,855</b>	<b>2,388</b>	<b>1,161</b>
- environmental charges		(25)	338	325
- impairment losses (impairments reversal), net		3,183	2,188	866
- net gains on disposal of assets		(9)	(151)	(452)
- risk provisions		149	3	380
- provision for redundancy incentives		123	45	155
- commodity derivatives		440	(439)	(133)
- exchange rate differences and derivatives		(160)	108	107
- reinstatement of Eni Norge amortization charges				(375)
- other		154	296	288
<b>Net finance (income) expense</b>		<b>152</b>	<b>(42)</b>	<b>(85)</b>
of which:				
- exchange rate differences and derivatives reclassified to operating profit (loss)		160	(108)	(107)
<b>Net (income) expense from investments</b>		<b>1,655</b>	<b>188</b>	<b>(798)</b>
of which:				
- gains on disposal of assets			(46)	(909)
- impairments / revaluation of equity investments		1,207	148	67
<b>Income taxes</b>		<b>1,278</b>	<b>351</b>	<b>110</b>
<b>Total special items of net profit (loss)</b>		<b>6,940</b>	<b>2,885</b>	<b>388</b>

The breakdown by segment of the adjusted net profit (loss) is provided in the table below:

	(€ million)	2020	2019	2018	Change	% Ch.
Exploration & Production		124	3,436	4,955	(3,312)	(96.4)
Global Gas & LNG Portfolio		211	100	118	111	..
Refining & Marketing and Chemicals		(246)	(42)	224	(204)	..
Eni gas e luce, Power & Renewables		329	275	189	54	19.6
Corporate and other activities		(1,205)	(866)	(948)	(339)	(39.1)
Impact of unrealized intragroup profit elimination and other consolidation adjustments <sup>(a)</sup>		36	(20)	56	56	..
<b>Adjusted net profit (loss)</b>		<b>(751)</b>	<b>2,883</b>	<b>4,594</b>	<b>(3,634)</b>	<b>..</b>
attributable to:						
- Eni's shareholders		<b>(758)</b>	<b>2,876</b>	<b>4,583</b>	<b>(3,634)</b>	<b>..</b>
- Non-controlling interest		7	7	11		

(a) This item concerned mainly intragroup sales of commodities, services and capital goods recorded in the assets of the purchasing business segment as of end of the period.

## PROFIT AND LOSS ANALYSIS

## SALES FROM OPERATIONS

	2020	2019	2018	Change	% Ch.
Exploration & Production	13,590	23,572	25,744	(9,982)	(42.3)
Global Gas & LNG Portfolio	7,051	11,779	14,807	(4,728)	(40.1)
Refining & Marketing and Chemicals	25,340	42,360	46,483	(17,020)	(40.2)
- Refining & Marketing	22,965	39,836	43,476	(16,871)	(42.4)
- Chemicals	3,387	4,123	5,123	(736)	(17.9)
- Consolidation adjustments	(1,012)	(1,599)	(2,116)		
EGL, Power & Renewables	7,536	8,448	8,218	(912)	(10.8)
- EGL	6,006	6,420	5,910	(414)	(6.4)
- Power	1,894	2,476	2,648	(582)	(23.5)
- Renewables	14	4	1	10	..
- Consolidation adjustments	(378)	(452)	(341)		
Corporate and other activities	1,559	1,676	1,588	(117)	(7.0)
Consolidation adjustments	(11,089)	(17,954)	(21,018)	6,865	
<b>Sales from operations</b>	<b>43,987</b>	<b>69,881</b>	<b>75,822</b>	<b>(25,894)</b>	<b>(37.1)</b>
<b>Other income and revenues</b>	<b>960</b>	<b>1,160</b>	<b>1,116</b>	<b>(200)</b>	<b>(17.2)</b>
<b>Total revenues</b>	<b>44,947</b>	<b>71,041</b>	<b>76,938</b>	<b>(26,094)</b>	<b>(36.7)</b>

Total revenues amounted to €44,947 million, reporting a decrease of 36.7% from 2019 reflecting the COVID-19 effect, in particular: the decline in price of oil (the Brent crude oil benchmark down by 35%) and of gas in all geographies (in particular, the Italian spot market "PSV" down by 35%), lower sales of energy, fuels and chemical products, as well as lower production availability due to full enactment of lockdown measure in response to the pandemic emergency.

**Sales from operations** in the full year of 2020 (€43,987 million) decreased by €25,894 million or down by 37.1% from 2019, with the following breakdown:

→ revenues generated by the Exploration & Production segment (€13,590 million) decreased by 42.3% due to the deteriorated price scenario, reflected on realization hydrocarbon prices (down by 34%);

→ revenues generated by the Global Gas & LNG Portfolio segment (€7,051 million) decreased by €4,728 million or down by 40.1% due to lower natural gas prices and reduced volumes. The decrease reflected the economic downturn due to COVID-19 pandemic which affected the European gas demand, in particular in the second quarter, during the pandemic peak;

→ revenues generated by the Refining & Marketing and Chemicals segment (€25,340 million) decreased by €17,020 million (down by 40.2%) due to the sharply depressed scenario following the crisis of fuel demand and the automotive sector;

→ revenues generated by the EGL, Power & Renewables (€7,536 million) decreased by €912 million or down by 10.8%, due to the collapse of commodities prices impacted by lower consumptions for the economic slowdown.

## OPERATING EXPENSES

	(€ million)	2020	2019	2018	Change	% Ch.
Purchases, services and other		33,551	50,874	55,622	(17,323)	(34.1)
Impairment losses (impairment reversals) of trade and other receivables, net		226	432	415	(206)	(47.7)
Payroll and related costs		2,863	2,996	3,093	(133)	(4.4)
of which: provision for redundancy incentives and other		123	45	155		
		<b>36,640</b>	<b>54,302</b>	<b>59,130</b>	<b>(17,662)</b>	<b>(32.5)</b>

Operating expenses for 2020 (€36,640 million) decreased by €17,662 million from 2019, down by 32.5%. Purchases, services and other (€33,551 million) were down by 34.1% vs. 2019, reflecting lower costs for hydrocarbon supplies (gas under long-term supply contracts and refinery and chemical feedstocks). This reduction is a consequence of the decisive actions implemented by management to preserve profitability

and strengthen resilience to the pandemic scenario, achieving an opex decrease of €1.9 billion vs. pre-COVID-19 level, of which 30% structural. Payroll and related costs (€2,863 million) decreased by €133 million from 2019 (down by 4.4%), mainly due to the decreased average employment rate outside Italy and the appreciation of the euro against the USD, partly offset by higher provision for redundancy incentives.

## DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS

	(€ million)	2020	2019	2018	Change
Exploration & Production		6,273	7,060	6,152	(787)
Global Gas & LNG Portfolio		125	124	226	1
Refining & Marketing and Chemicals		575	620	399	(45)
- Refining & Marketing		488	530	311	(42)
- Chemicals		87	90	88	(3)
EGL, Power & Renewables		217	190	182	27
- EGL		166	133	126	33
- Power		45	55	56	(10)
- Renewables		6	2		4
Corporate and other activities		146	144	59	2
Impact of unrealized intragroup profit elimination		(32)	(32)	(30)	
<b>Total depreciation, depletion and amortization</b>		<b>7,304</b>	<b>8,106</b>	<b>6,988</b>	<b>(802)</b>
Impairment losses (impairment reversals) of tangible and intangible and right of use assets, net		3,183	2,188	866	995
<b>Depreciation, depletion, amortization, impairments and reversals, net</b>		<b>10,487</b>	<b>10,294</b>	<b>7,854</b>	<b>193</b>
Write-off of tangible and intangible assets		329	300	100	29
		<b>10,816</b>	<b>10,594</b>	<b>7,954</b>	<b>222</b>

**Depreciation, depletion and amortization** (€7,304 million) decreased by 9.9% from 2019, in particular in the Exploration & Production segment mainly due to the reduction of capex and productions, as well as the lower book value of Oil & Gas assets as consequence of impairments recorded in 2020 (€1,888 million).

**Net impairment losses (impairment reversals) of tangible and intangible and right of use assets** amounted to €3,183 million and the disclosure is provided under the paragraph "special items". The breakdown by segment is provided below:

	(€ million)	2020	2019	2018	Change
Exploration & Production		1,888	1,217	726	671
Global Gas & LNG Portfolio		2	(5)	(73)	7
Refining & Marketing and Chemicals		1,271	922	193	349
EGL, Power & Renewables		1	42	2	(41)
Corporate and other activities		21	12	18	9
<b>Impairment losses (impairment reversals) of tangible and intangible and right of use assets, net</b>		<b>3,183</b>	<b>2,188</b>	<b>866</b>	<b>995</b>

**Write-off charges** amounted to €329 million and mainly related to previously capitalized costs of exploratory wells which were expensed through profit because it was determined that

they did not encounter commercial quantities of hydrocarbons mainly in Libya, the United States, Angola, Egypt, Oman, Mexico and Libano.

## FINANCE INCOME (EXPENSE)

	(€ million)	2020	2019	2018	Change
<b>Finance income (expense) related to net borrowings</b>		<b>(913)</b>	<b>(962)</b>	<b>(627)</b>	<b>49</b>
- Interest expense on corporate bonds		(517)	(618)	(565)	101
- Net income from financial activities held for trading		31	127	32	(96)
- Interest expense for banks and other financing institutions		(102)	(122)	(120)	20
- Interest expense for lease liabilities		(347)	(378)		31
- Interest from banks		10	21	18	(11)
- Interest and other income from receivables and securities for non-financing operating activities		12	8	8	4
<b>Income (expense) on derivative financial instruments</b>		<b>351</b>	<b>(14)</b>	<b>(307)</b>	<b>365</b>
- Derivatives on exchange rate		391	9	(329)	382
- Derivatives on interest rate		(40)	(23)	22	(17)
<b>Exchange differences, net</b>		<b>(460)</b>	<b>250</b>	<b>341</b>	<b>(710)</b>
<b>Other finance income (expense)</b>		<b>(96)</b>	<b>(246)</b>	<b>(430)</b>	<b>150</b>
- Interest and other income from receivables and securities for financing operating activities		97	112	132	(15)
- Finance expense due to the passage of time (accretion discount)		(190)	(255)	(249)	65
- Other finance income (expense)		(3)	(103)	(313)	100
		<b>(1,118)</b>	<b>(972)</b>	<b>(1,023)</b>	<b>(146)</b>
<b>Finance expense capitalized</b>		<b>73</b>	<b>93</b>	<b>52</b>	<b>(20)</b>
		<b>(1,045)</b>	<b>(879)</b>	<b>(971)</b>	<b>(166)</b>

**Net finance expenses** were €1,045 million, an increase of €166 million from 2019. The main drivers of were: (i) recognition of expenses on exchange rate (€460 million) offset by the positive change of fair-valued currency derivatives (up by €382 million) lacking the formal criteria to be designated as hedges under IFRS 9; (ii) decrease of other finance expense

reflecting the lower cost of debt, as well as the circumstance that in 2019 was reported the interest expense accrued on risk provisions, in particular in the E&P segment and (iii) the reduction of finance expense (up by €65 million) relating to the accretion discount of liabilities recognized at present value following lower discount rates.

## NET INCOME FROM INVESTMENTS

2020	(€ million)	Exploration & Production	Global Gas & LNG Portfolio	Refining & Marketing and Chemicals	EGL, Power & Renewables	Corporate and other activities	Group
Share of gains (losses) from equity-accounted investments		(980)	(15)	(363)	6	(381)	(1,733)
Dividends		118		32			150
Other income (expense), net			(48)	(18)	(9)		(75)
		(862)	(63)	(349)	(3)	(381)	(1,658)

**Net income from investments** amounted to €1,658 million related to:

→ a loss of €1,733 million due to the share of losses at equity-accounted entities, mainly the upstream joint venture Vår Energi, ADNOC Refining and Saipem, which were negatively affected by the deteriorated scenario as well as impairment losses of tangible assets and inventories valuation allowance, offset by accrued currency translation differences at finance debt denominated in a currency other than the reporting currency for which the reimbursement cash outflows are expected to be

matched by highly probable cash inflows from the sale of production volumes, in the same currency as the finance debt as part of a natural hedge relationship;

→ dividends of €150 million paid by minor investments in certain entities which were designated at fair value through OCI under IFRS 9 except for dividends which are recorded through profit. These entities mainly comprised Nigeria LNG (€113 million) and Saudi European Petrochemical Co. (€28 million).

The table below sets forth a breakdown of net income/loss from investments:

	(€ million)	2020	2019	2018	Change
Share of gains (losses) from equity-accounted investments		(1,733)	(88)	(68)	(1,645)
Dividends		150	247	231	(97)
Net gains (losses) on disposals			19	22	(19)
Other income (expense), net		(75)	15	910	(90)
<b>Income (expense) from investments</b>		<b>(1,658)</b>	<b>193</b>	<b>1,095</b>	<b>(1,851)</b>

## INCOME TAXES

In 2020, income taxes amounted to €2,650 million (€5,591 million in 2019) with a loss before income taxes of €5,978 million.

In 2020, the Group's tax rate recorded a disproportionate value, with accrued income taxes being more than 100% of pre-tax profit due to a depressed pricing scenario which, on the one hand, determined higher relative weight of certain transactions and therefore higher distortive effects of certain tax items than in the past, and on the other hand limited the Company's ability to recognize deferred tax assets for current losses. The Group tax rate was significantly and negatively affected by the following trends:

→ the incurrence of non-deductible expenses and losses, because their tax recognition depends on the achievement of certain project milestones (such as a project FID) as in the case of explorations expenses or due to being related to in-

tercompany losses as in the case of the one incurred in connection with the resale of the non-equity Libyan gas entitlements; those impacts under normal scenarios are strongly mitigated;

→ the inability to recognize tax-losses carryforwards in certain jurisdictions due to lack of sufficient future taxable profits against which deferred tax assets are offset as required by IAS 12;

→ the recognition of current income taxes on intercompany dividend distribution which created a mismatch due to absence of pre-tax profit at Group level (intercompany dividends are eliminated in the consolidation process).

Net of these transactions, the Group's normalized tax rate would come at 70% reflecting the high impact in the Eni's portfolio of PSA oil contracts that have tax rates less sensitive to oil prices.

	(€ million)	reported (ex-special items)	non-deductible costs, losses and exploration items	unrecognized deferred tax assets on losses for the period	tax accrued on intercompany dividends	normalized tax rate
<b>Pre-tax profit</b>		<b>1,002</b>	741			<b>1,743</b>
<b>Accrued income taxes</b>		<b>1,753</b>		(330)	(195)	<b>1,228</b>
<b>Tax rate</b>		<b>n.s.</b>				<b>70%</b>

## Results by business segments<sup>1</sup>

### EXPLORATION & PRODUCTION

	(€ million)	2020	2019	2018	Change	% Ch.
<b>Operating profit (loss)</b>		<b>(610)</b>	<b>7,417</b>	<b>10,214</b>	<b>(8,027)</b>	<b>..</b>
Exclusion of special items:		2,157	1,223	636		
- environmental charges		19	32	110		
- impairment losses (impairment reversals), net		1,888	1,217	726		
- net gains on disposal of assets		1	(145)	(442)		
- provision for redundancy incentives		34	23	26		
- risk provisions		114	(18)	360		
- exchange rate differences and derivatives		13	14	(6)		
- other		88	100	(138)		
<b>Adjusted operating profit (loss)</b>		<b>1,547</b>	<b>8,640</b>	<b>10,850</b>	<b>(7,093)</b>	<b>(82.1)</b>
Net finance (expense) income <sup>(a)</sup>		(316)	(362)	(366)	46	
Net income (expense) from investments <sup>(a)</sup>		262	312	285	(50)	
of which: Vår Energi		193	122			
Income taxes <sup>(a)</sup>		(1,369)	(5,154)	(5,814)	3,785	
<b>Adjusted net profit (loss)</b>		<b>124</b>	<b>3,436</b>	<b>4,955</b>	<b>(3,312)</b>	<b>(96.4)</b>
Results also include:						
Exploration expenses:		510	489	380	21	4.3
- prospecting, geological and geophysical expenses		196	275	287	(79)	(28.7)
- write-off of unsuccessful wells <sup>(b)</sup>		314	214	93	100	46.7
<b>Average realizations</b>						
Liquids <sup>(c)</sup>	(\$/bbl)	37.06	59.26	65.47	(22.20)	(37.5)
Natural gas	(\$/kcf)	3.76	4.94	5.20	(1.18)	(23.9)
Hydrocarbons	(\$/boe)	28.92	43.54	47.48	(14.62)	(33.6)

(a) Excluding special items.

(b) Also includes write-off of unproved exploration rights, if any, related to projects with negative outcome.

(c) Includes condensates.

In 2020, **Exploration & Production** reported an **adjusted operating profit** of €1,547 million, down by €7.1 billion y-o-y, or 82%. The decrease was driven by a sharply deteriorated oil and natural gas pricing scenario in all the geographies, particularly in the second quarter which was the hardest hit by the downturn, as well as COVID-19 pandemic impacts (lower production volumes due to lower capital expenditures and operational impacts), OPEC+ production cuts and lower gas demand. Furthermore, the result of the period was affected by a loss incurred in reselling Libyan non-equity gas volumes, which were marketed in Europe. This resale price is excluded from the calculation of Eni's average realized gas prices be-

cause Eni's realized prices are calculated only with reference to equity production. Higher write-off expenses relating to unsuccessful exploration wells also negatively affected the full year performance and were partly offset by the optimization of operating expenses.

Adjusted operating profit excluded **special charges** of €2,157 million.

**Adjusted net profit** of €124 million decreased by 96.4% from 2019 due to lower operating profit and lower results accrued by most of the equity-accounted entities driven by a significantly deteriorated trading environment, except for Vår Energi which reported improving results in the fourth quarter.

(1) Other alternative performance indicators disclosed are accompanied by explanatory notes and tables in line with guidance provided by ESMA guidelines on alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For further information, see the section "Alternative performance measures" of this Annual Report at subsequent pages.

## GLOBAL GAS &amp; LNG PORTFOLIO

	(€ million)	2020	2019	2018	Change	% Ch.
<b>Operating profit (loss)</b>		<b>(332)</b>	<b>431</b>	<b>387</b>	<b>(763)</b>	<b>..</b>
Exclusion of special items:		658	(238)	(109)		
- impairment losses (impairment reversals), net		2	(5)	(73)		
- provision for redundancy incentives		2	1	4		
- commodity derivatives		858	(576)	(63)		
- exchange rate differences and derivatives		(183)	109	111		
- other		(21)	233	(88)		
<b>Adjusted operating profit (loss)</b>		<b>326</b>	<b>193</b>	<b>278</b>	<b>133</b>	<b>68.9</b>
Net finance (expense) income <sup>(a)</sup>			3	(3)	(3)	
Net income (expense) from investments <sup>(a)</sup>		(15)	(21)	(1)	6	
Income taxes <sup>(a)</sup>		(100)	(75)	(156)	(25)	
<b>Adjusted net profit (loss)</b>		<b>211</b>	<b>100</b>	<b>118</b>	<b>111</b>	<b>..</b>

(a) Excluding special items.

In 2020, the **Global Gas & LNG Portfolio** segment reported an **adjusted operating profit** of €326 million, up by 68.9% compared to 2019. This improvement was due to the optimization of the gas and LNG assets portfolio, leveraging high price volatility and contracts' flexibility, as well as to a favourable outcome of an LNG contract renegotiation closed in the third quarter. These positive trends more than offset the lower performance at the gas busi-

ness negatively affected by a contraction in gas demand at the main European markets due to the COVID-19 pandemic, mainly in the second quarter of 2020, being the height of the crisis.

Adjusted operating profit excluded **special charges** of €658 million.

**Adjusted net profit** was €211 million, more than doubled from 2019 mainly due to increased operating profit.

## REFINING &amp; MARKETING AND CHEMICALS

	(€ million)	2020	2019	2018	Change	% Ch.
<b>Operating profit (loss)</b>		<b>(2,463)</b>	<b>(682)</b>	<b>(501)</b>	<b>(1,781)</b>	<b>..</b>
Exclusion of inventory holding (gains) losses		1,290	(318)	234		
Exclusion of special items:		1,179	1,021	627		
- environmental charges		85	244	193		
- impairment losses (impairment reversals), net		1,271	922	193		
- net gains on disposal of assets		(8)	(5)	(9)		
- risk provisions		5	(2)	21		
- provision for redundancy incentives		27	8	8		
- commodity derivatives		(185)	(118)	120		
- exchange rate differences and derivatives		10	(5)	5		
- other		(26)	(23)	96		
<b>Adjusted operating profit (loss)</b>		<b>6</b>	<b>21</b>	<b>360</b>	<b>(15)</b>	<b>(71.4)</b>
- Refining & Marketing		235	289	370	(54)	(18.7)
- Chemicals		(229)	(268)	(10)	39	14.6
Net finance (expense) income <sup>(a)</sup>		(7)	(36)	11	29	
Net income (expense) from investments <sup>(a)</sup>		(161)	37	(2)	(198)	
of which: ADNOC Refining		(167)	23			
Income taxes <sup>(a)</sup>		(84)	(64)	(145)	(20)	
<b>Adjusted net profit (loss)</b>		<b>(246)</b>	<b>(42)</b>	<b>224</b>	<b>(204)</b>	<b>..</b>

(a) Excluding special items.

The **Refining & Marketing** business reported an **adjusted operating loss** of €235 million, down by 18.7% compared to 2019. The oil-based refining business reported a lower performance due to a sharply depressed scenario, negatively affected by the pandemic-induced crisis in fuels demand and by a worsening conversion premium resulting in reduced refinery runs, against the backdrop of overcapacity, competitive

pressure and high levels of inventories. These impacts were partially offset by optimization actions of the industrial setup and by a positive performance of the biorefineries thanks to higher processed volumes and margins. The marketing business reported steady results, despite a strong reduction of sales due to the pandemic effects, thanks to the optimization and efficiency initiatives.

The chemicals segment reported better results from the previous year, notwithstanding the economic recession caused by the COVID-19 pandemic reduced the consumption of plastics in core industries like the automotive sector. Strengthening economic recovery in Asia in the final part of the year, softening competitive pressures and a margin recovery especially at the polyethylene business supported the segment's recovery in the fourth quarter, which also benefitted of higher product availability. In 2020, the **Chemical** business reported an **adjusted operating loss** of €229 million, an improvement of €39 million compared with a loss of €268 million in 2019, notwithstanding the strong reduction of sale volumes recorded in the second and the third quarter, due to an economic downturn in Europe triggered by the restrictive measures implemented during the COVID-19 pandemic's peak, as well as ongoing uncertainties

about the strength of the recovery which led operators to postpone purchase decisions. Furthermore, lower sales volumes were negatively affected by reduced product availability due to longer maintenance standstills at the production hubs in response to the COVID-19 emergency (particularly at the steam-cracking of Priolo and the Brindisi hub). Finally, these trends were more than offset in the fourth quarter by a margin recovery especially in the polyethylene business, supported the business recovery in the last part of the year.

**Adjusted operating profit** of the **R&M and Chemicals** segment of €6 million, excluded **special charges** of €1,179 million and inventory holding losses of €1,290 million. On a net basis, the **negative result** of €246 million reflects a net expense from investment in ADNOC Refining of €167 million.

## EGL, POWER & RENEWABLES

	(€ million)	2020	2019	2018	Change	% Ch.
<b>Operating profit (loss)</b>		<b>660</b>	<b>74</b>	<b>340</b>	<b>586</b>	<b>..</b>
Exclusion of special items:		(195)	296	(78)		
- environmental charges		1		(1)		
- impairment losses (impairment reversals), net		1	42	2		
- risk provisions		10				
- provision for redundancy incentives		20	3	118		
- commodity derivatives		(233)	255	(190)		
- exchange rate differences and derivatives			(10)	(3)		
- other		6	6	(4)		
<b>Adjusted operating profit (loss)</b>		<b>465</b>	<b>370</b>	<b>262</b>	<b>95</b>	<b>25.7</b>
- Eni gas e luce		325	278	201	47	16.9
- Power & Renewables		140	92	61	48	52.2
Net finance (expense) income <sup>(a)</sup>		(1)	(1)	(1)		
Net income (expense) from investments <sup>(a)</sup>		6	10	10	(4)	
Income taxes <sup>(a)</sup>		(141)	(104)	(82)	(37)	
<b>Adjusted net profit (loss)</b>		<b>329</b>	<b>275</b>	<b>189</b>	<b>54</b>	<b>19.6</b>

(a) Excluding special items.

In 2020 the retail gas and power business, managed by **Eni gas e luce**, reported a solid and growing performance with an **adjusted operating profit** of €325 million, up by €47 million or 16.9% from 2019, notwithstanding reduced sales due to lower consumption following the economic downturn and higher provisions for impairment losses at trade receivables in line with an expected deterioration in the counterparty risk. Performance was supported by commercial and efficiency initiatives, the contribution of extra-commodity business in Italy and by the development of the

business in France and Greece. The **Power & Renewables** business reported an **adjusted operating profit** of €140 million (up by €48 million vs. 2019), benefitting from higher margins.

**Adjusted operating profit** of €465 million excluded **special charges** of €195 million.

The segment reported an **adjusted net profit** of €329 million an increase of 19.6% due to an improved operating performance.

## CORPORATE AND OTHER ACTIVITIES

	(€ million)	2020	2019	2018	Change	% Ch.
<b>Operating profit (loss)</b>		<b>(563)</b>	<b>(688)</b>	<b>(668)</b>	<b>125</b>	<b>18.2</b>
Exclusion of special items:		56	86	85		
- <i>environmental charges</i>		(130)	62	23		
- <i>impairment losses (impairment reversals), net</i>		21	12	18		
- <i>net gains on disposal of assets</i>		(2)	(1)	(1)		
- <i>risk provisions</i>		20	23	(1)		
- <i>provision for redundancy incentives</i>		40	10	(1)		
- <i>other</i>		107	(20)	47		
<b>Adjusted operating profit (loss)</b>		<b>(507)</b>	<b>(602)</b>	<b>(583)</b>	<b>95</b>	<b>15.8</b>
Net finance (expense) income <sup>(a)</sup>		(569)	(525)	(697)	(44)	
Net income (expense) from investments <sup>(a)</sup>		(95)	43	5	(138)	
Income taxes <sup>(a)</sup>		(34)	218	327	(252)	
<b>Adjusted net profit (loss)</b>		<b>(1,205)</b>	<b>(866)</b>	<b>(948)</b>	<b>(339)</b>	<b>(39.1)</b>

(a) Excluding special items.

The results of Corporate and other activities mainly include costs of Eni's headquarters net of services charged to operational companies for the provision of general purposes services, administration, finance, information technology, human resources management, legal affairs, international affairs, as

well as operational costs of decommissioning activities pertaining to certain businesses which Eni exited, divested or shut down in past years, net of the margins of captive subsidiaries providing specialized services to the business (insurance, financial, recruitment).

## SUMMARIZED GROUP BALANCE SHEET

The summarized Group balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria which considers the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing. Management believes that this summarized group balance sheet is

useful information in assisting investors to assess Eni's capital structure and to analyse its sources of funds and investments in fixed assets and working capital. Management uses the summarized group balance sheet to calculate key ratios such as the return on invested capital (adjusted ROACE) and the financial soundness/equilibrium (gearing and leverage).

### SUMMARIZED GROUP BALANCE SHEET<sup>(a)</sup>

(€ million)	December 31, 2020	December 31, 2019	Change
<b>Fixed assets</b>			
Property, plant and equipment	53,943	62,192	(8,249)
Right of use	4,643	5,349	(706)
Intangible assets	2,936	3,059	(123)
Inventories - Compulsory stock	995	1,371	(376)
Equity-accounted investments and other investments	7,706	9,964	(2,258)
Receivables and securities held for operating purposes	1,037	1,234	(197)
Net payables related to capital expenditure	(1,361)	(2,235)	874
	<b>69,899</b>	<b>80,934</b>	<b>(11,035)</b>
<b>Net working capital</b>			
Inventories	3,893	4,734	(841)
Trade receivables	7,087	8,519	(1,432)
Trade payables	(8,679)	(10,480)	1,801
Net tax assets (liabilities)	(2,198)	(1,594)	(604)
Provisions	(13,438)	(14,106)	668
Other current assets and liabilities	(1,328)	(1,864)	536
	<b>(14,663)</b>	<b>(14,791)</b>	<b>128</b>
<b>Provisions for employee benefits</b>	<b>(1,201)</b>	<b>(1,136)</b>	<b>(65)</b>
<b>Assets held for sale including related liabilities</b>	<b>44</b>	<b>18</b>	<b>26</b>
<b>CAPITAL EMPLOYED, NET</b>	<b>54,079</b>	<b>65,025</b>	<b>(10,946)</b>
Eni shareholders' equity	37,415	47,839	(10,424)
Non-controlling interest	78	61	17
<b>Shareholders' equity</b>	<b>37,493</b>	<b>47,900</b>	<b>(10,407)</b>
<b>Net borrowings before lease liabilities ex IFRS 16</b>	<b>11,568</b>	<b>11,477</b>	<b>91</b>
Lease liabilities	5,018	5,648	(630)
- of which Eni working interest	3,366	3,672	(306)
- of which Joint operators' working interest	1,652	1,976	(324)
<b>Net borrowings post lease liabilities ex IFRS 16</b>	<b>16,586</b>	<b>17,125</b>	<b>(539)</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>54,079</b>	<b>65,025</b>	<b>(10,946)</b>
<b>Leverage</b>	<b>0.44</b>	<b>0.36</b>	
<b>Gearing</b>	<b>0.31</b>	<b>0.26</b>	

(a) For a reconciliation to the statutory statement of cash flow see the paragraph "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes".

As of December 31, 2020, fixed assets decreased by €11,035 million mainly due to: (i) impairment losses and amortization and depletion charges taken at PP&E (€10,816 million), as well as negative currency translation differences partly offset by capex incurred in the period (€4,644 million); (ii) a reduction in the book value of equity accounted investments and other investments (-€2,258 million) driven by losses incurred at the main equity-accounted entities (Vår Energi and ADNOC Refining); (iii) the write-down of compulsory stock following a decline in crude oil and product prices.

Net working capital (-€14,663 million) was broadly unchanged y-o-y. A lower balance between trade payables and trade receivables (+€369 million) and reduced provisions mainly due to utilizations with respect to the incurrence of expenses (+€668 million) were offset by a lower value of oil and products inventories due to the alignment of the book value to market prices at the period-end (-€841 million) and the write-off of deferred tax assets due to a deteriorated profitability outlook.

## COMPREHENSIVE INCOME

	(€ million)	2020	2019
<b>Net profit (loss)</b>		<b>(8,628)</b>	<b>155</b>
<b>Items that are not reclassified to profit or loss in later periods</b>		<b>33</b>	<b>(47)</b>
Remeasurements of defined benefit plans		(16)	(42)
Change in the fair value of minor investments with effects to other comprehensive income		24	(3)
Share of other comprehensive income on equity accounted investments			(7)
Taxation		25	5
<b>Items that may be reclassified to profit or loss in later periods</b>		<b>(2,813)</b>	<b>116</b>
Currency translation differences		(3,314)	604
Change in the fair value of cash flow hedging derivatives		661	(679)
Share of other comprehensive income on equity accounted investments		32	(6)
Taxation		(192)	197
<b>Total other items of comprehensive income (loss)</b>		<b>(2,780)</b>	<b>69</b>
<b>Total comprehensive income (loss)</b>		<b>(11,408)</b>	<b>224</b>
attributable to:			
- Eni's shareholders		<b>(11,415)</b>	<b>217</b>
- Non-controlling interest		7	7

## CHANGES IN SHAREHOLDERS' EQUITY

	(€ million)	
<b>Shareholders' equity at January 1, 2019</b>		<b>51,069</b>
Total comprehensive income (loss)	224	
Dividends distributed to Eni's shareholders	(3,018)	
Dividends distributed by consolidated subsidiaries	(4)	
Buy-back program	(400)	
Reimbursement to third party shareholders	(1)	
Other changes	30	
<b>Total changes</b>		<b>(3,169)</b>
<b>Shareholders' equity at December 31, 2019</b>		<b>47,900</b>
attributable to:		
- Eni's shareholders		<b>47,839</b>
- Non-controlling interest		61
<b>Shareholders' equity at January 1, 2020</b>		<b>47,900</b>
Total comprehensive income (loss)	(11,408)	
Dividends distributed to Eni's shareholders	(1,965)	
Dividends distributed by consolidated subsidiaries	(3)	
Net payments on perpetual subordinated bonds	2,975	
Other changes	(6)	
<b>Total changes</b>		<b>(10,407)</b>
<b>Shareholders' equity at December 31, 2020</b>		<b>37,493</b>
attributable to:		
- Eni's shareholders		<b>37,415</b>
- Non-controlling interest		78

**Shareholders' equity** (€37,493 million) decreased by €10,407 million compared to December 31, 2019 due to the net loss for the period (-€8,628 million), the payment of dividends to Eni's shareholders (€1,965 million related to the 2019 final dividend of €0.43 per share and the 2020 interim dividend of €0.36 per share or one-third of floor dividend) as well as negative foreign

currency translation differences (-€3,314 million) reflecting the depreciation of the dollar vs. the euro as of December 31, 2020 vs. December 31, 2019, partly offset by an increase due to the issuance of two hybrid bonds for approximately €3 billion in October and a positive change in the cash flow hedge reserve (+€661 million).

## LEVERAGE AND NET BORROWINGS

Leverage is a measure used by management to assess the Company's level of indebtedness. It is calculated as a ratio of net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt to shareholders' equity, including non-controlling interest. Gearing measures how much of capital employed net is

financed recurring to third-party funding and is calculated as the ratio between net borrowings and capital employed net. Management periodically reviews leverage in order to assess the soundness and efficiency of the Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards.

	(€ million)	December 31, 2020	December 31, 2019	Change
Total finance debt		26,686	24,518	2,168
- Short-term debt		4,791	5,608	(817)
- Long-term debt		21,895	18,910	2,985
Cash and cash equivalents		(9,413)	(5,994)	(3,419)
Securities held for trading		(5,502)	(6,760)	1,258
Financing receivables held for non-operating purposes		(203)	(287)	84
<b>Net borrowings before lease liabilities ex IFRS 16</b>		<b>11,568</b>	<b>11,477</b>	<b>91</b>
Lease Liabilities		5,018	5,648	(630)
- of which Eni working interest		3,366	3,672	(306)
- of which Joint operators' working interest		1,652	1,976	(324)
<b>Net borrowings post lease liabilities ex IFRS 16</b>		<b>16,586</b>	<b>17,125</b>	<b>(539)</b>
<b>Shareholders' equity including non-controlling interest</b>		<b>37,493</b>	<b>47,900</b>	<b>(10,407)</b>
<b>Leverage before lease liability ex IFRS 16</b>		<b>0.31</b>	<b>0.24</b>	<b>(0.07)</b>
<b>Leverage after lease liability ex IFRS 16</b>		<b>0.44</b>	<b>0.36</b>	

Net borrowings as of December 31, 2020 were €16,586 million decreasing by €539 million from 2019. **Total finance debt** of €26,686 million consisted of €4,791 million of short-term debt (including the portion of long-term debt due within twelve months of €1,909 million) and €21,895 million of long-term debt. When excluding the lease liabilities, net borrowings were re-determined at €11,568 million in line with the 2019 year-end.

**Leverage<sup>2</sup>** – the ratio of the borrowings to total equity – was 0.44 at December 31, 2020. The impact of the lease liability pertaining to joint operators in Eni-led upstream unincorporated joint ventures weighted on leverage for 4 points. Excluding the impact of IFRS 16 altogether, leverage would be 0.31.

## SUMMARIZED GROUP CASH FLOW STATEMENT

Eni's Summarized Group Cash Flow Statement derives from the statutory statement of cash flows. It enables investors to understand the connection existing between changes in cash and cash equivalents (deriving from the statutory cash flows statement) and in net borrowings (deriving from the summarized cash flow statement) that occurred in the reporting period. The measure which links the two statements is represented by the "free cash flow" which is calculated as difference between the cash flow generated from operations and the net cash used in investing activities. Starting from free cash flow

it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; and (ii) change in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

(2) Other alternative performance indicators disclosed are accompanied by explanatory notes and tables in line with guidance provided by ESMA guidelines on alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For further information, see the section "Alternative performance measures" of this Annual Report at subsequent pages.

SUMMARIZED GROUP CASH FLOW STATEMENT<sup>(a)</sup>

	(€ million)	2020	2019	2018	Change
<b>Net profit (loss)</b>		<b>(8,628)</b>	<b>155</b>	<b>4,137</b>	<b>(8,783)</b>
<i>Adjustments to reconcile net profit (loss) to net cash provided by operating activities:</i>					
- depreciation, depletion and amortization and other non monetary items		12,641	10,480	7,657	2,161
- net gains on disposal of assets		(9)	(170)	(474)	161
- dividends, interests, taxes and other changes		3,251	6,224	6,168	(2,973)
Changes in working capital related to operations		(18)	366	1,632	(384)
Dividends received by investments		509	1,346	275	(837)
Taxes paid		(2,049)	(5,068)	(5,226)	3,019
Interests (paid) received		(875)	(941)	(522)	66
<b>Net cash provided by operating activities</b>		<b>4,822</b>	<b>12,392</b>	<b>13,647</b>	<b>(7,570)</b>
Capital expenditure		(4,644)	(8,376)	(9,119)	3,732
Investments and purchase of consolidated subsidiaries and businesses		(392)	(3,008)	(244)	2,616
Disposals of consolidated subsidiaries, businesses, tangible and intangible assets and investments		28	504	1,242	(476)
Other cash flow related to investing activities and disinvestments		(735)	(254)	942	(481)
<b>Free cash flow</b>		<b>(921)</b>	<b>1,258</b>	<b>6,468</b>	<b>(2,179)</b>
Net cash inflow (outflow) related to financial activities		1,156	(279)	(357)	1,435
Changes in short and long-term financial debt		3,115	(1,540)	320	4,655
Repayment of lease liabilities		(869)	(877)		8
Dividends paid and changes in non-controlling interests and reserves		(1,968)	(3,424)	(2,957)	1,456
Net issue (repayment) of perpetual hybrid bond		2,975			2,975
Effect of changes in consolidation and exchange differences of cash and cash equivalent		(69)	1	18	(70)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>		<b>3,419</b>	<b>(4,861)</b>	<b>3,492</b>	<b>8,280</b>
<b>Adjusted net cash before changes in working capital at replacement cost</b>		<b>6,726</b>	<b>11,700</b>	<b>12,529</b>	<b>(4,974)</b>

## Change in net borrowings

	(€ million)	2020	2019	2018	Change
<b>Free cash flow</b>		<b>(921)</b>	<b>1,258</b>	<b>6,468</b>	<b>(2,179)</b>
Repayment of lease liabilities		(869)	(877)		8
Net borrowings of acquired companies		(67)		(18)	(67)
Net borrowings of divested companies			13	(499)	(13)
Exchange differences on net borrowings and other changes		759	(158)	(367)	917
Dividends paid and changes in non-controlling interest and reserves		(1,968)	(3,424)	(2,957)	1,456
Net issue (repayment) of perpetual hybrid bond		2,975			2,975
<b>CHANGE IN NET BORROWINGS BEFORE LEASE LIABILITIES</b>		<b>(91)</b>	<b>(3,188)</b>	<b>2,627</b>	<b>3,097</b>
IFRS 16 first application effect			(5,759)		5,759
Repayment of lease liabilities		869	877		(8)
Inception of new leases and other changes		(239)	(766)		527
<b>Change in lease liabilities</b>		<b>630</b>	<b>(5,648)</b>		<b>6,278</b>
<b>CHANGE IN NET BORROWINGS AFTER LEASE LIABILITIES</b>		<b>539</b>	<b>(8,836)</b>	<b>2,627</b>	<b>9,375</b>

(a) For a reconciliation to the statutory statement of cash flow see the paragraph "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes".

**Net cash provided by operating activities** for the full year 2020 was €4,822 million, 61% lower than 2019 due to a deteriorated scenario and the circumstance that the 2019 amount included higher dividends paid by the JV Vår Energi (€1,057 million in 2019 vs. €274 million in the current period).

Changes in working capital in the full year of 2020 were mainly driven by a reduction in the book value of inventories due to the alignment to their net realizable values at period-end and despite a lower amount of trade receivables due in subsequent reporting periods divested to financing institutions compared to the fourth quarter 2019 (–€1 billion), as well as the settlement of a contractual dispute with a first party in the E&P business (approximately –€0.4 billion).

**Adjusted cash flow** was €6,726 million with a reduction of 43% compared to the previous year. This non-GAAP measure includes net cash provided by operating activities before changes in working capital excluding inventory holding gains or losses and provisions for extraordinary credit losses and other charges, as well as the fair value of commodity derivatives lacking the formal criteria to be designated as hedges and the fair value of forward gas sale contracts with physical delivery which were not accounted in accordance with the own use exemption. The reduction from the full year of 2019 is due to scenario effects of approximately –€6.0 billion, including the impact of dividends from equity accounted entities, operational impacts associated with the

COVID-19 for -€1.3 billion, while the underlying performance was a positive €2.3 billion. The Group cash tax rate was 32% (31% in the full year of 2019).

A reconciliation of **adjusted net cash before changes in working capital at replacement cost** to net cash provided by operating activities for full year of 2019 and 2020 is provided below:

	(€ million)	2020	2019	2018	Change
Net cash provided by operating activities		4,822	12,392	13,647	(7.570)
Changes in working capital related to operations		18	(366)	(1,632)	384
Exclusion of commodity derivatives		440	(439)	(133)	879
Exclusion of inventory holding (gains) losses		1,318	(223)	96	1.541
Provisions for extraordinary credit losses and other charges		128	336	551	(208)
<b>Adjusted net cash before changes in working capital at replacement cost</b>		<b>6,726</b>	<b>11,700</b>	<b>12,529</b>	<b>(4.974)</b>

## CAPITAL EXPENDITURE

	(€ million)	2020	2019	2018	Change	% Ch.
Exploration & Production		3,472	6,996	7,901	(3,524)	(50.4)
- acquisition of proved and unproved properties		57	400	869	(343)	(85.8)
- exploration		283	586	463	(303)	(51.7)
- development		3,077	5,931	6,506	(2,854)	(48.1)
- other expenditure		55	79	63	(24)	(30.4)
Global Gas & LNG Portfolio		11	15	26	(4)	(26.7)
Refining & Marketing and Chemicals		771	933	877	(162)	(17.4)
- Refining & Marketing		588	815	726	(227)	(27.9)
- Chemicals		183	118	151	65	55.1
EGL, Power & Renewables		293	357	238	(64)	(17.9)
- EGL		175	173	143	2	1.2
- Power		52	42	46	10	23.8
- Renewables		66	142	49	(76)	(53.5)
Corporate and other activities		107	89	94	18	20.2
Impact of unrealized intragroup profit elimination		(10)	(14)	(17)		
<b>Capital expenditure</b>		<b>4,644</b>	<b>8,376</b>	<b>9,119</b>	<b>(3,732)</b>	<b>(44.6)</b>
<b>Investments and purchase of consolidated subsidiaries and businesses</b>		<b>392</b>	<b>3,008</b>	<b>244</b>	<b>(2,616)</b>	<b>(87.0)</b>
<b>Total capex and investments and purchase of consolidated subsidiaries and businesses</b>		<b>5,036</b>	<b>11,384</b>	<b>9,363</b>	<b>(6,348)</b>	<b>(55.8)</b>

**Cash outflows for capital expenditure and investments** were €5,036 million, including the acquisition of the control of the Evolvere company and of minority interests in Fin-project and in Novis Renewables Holdings, as well as capital contributions made to certain equity-accounted entities engaged in the execution of projects of Eni's interest. Net of the above-mentioned non-organic items and of utilization of trade advances cashed by Egyptian partners in previous reporting periods in relation to the financing of the Zohr project (€0.25 billion), net capital expenditures amounted to €4.97 billion, 36% lower than the same period of 2019 leveraging the curtailments implemented by the management following a review of the industrial plan 2020-2021 in response to the pandemic COVID-19 crisis. In the full year of 2020 net capex were fully funded by the adjusted cash flow.

Capital expenditure amounted to €4,644 million (€8,376 million in 2019), decreasing by 45% from 2019 and mainly related to:

- development activities (€3,077 million) mainly in Egypt, Indonesia, the United Arab Emirates, Italy, the United States, Angola, Mexico, Iraq and Kazakhstan;
- refining activity in Italy and outside Italy (€462 million) mainly relating to the activities to maintain plants' integrity and stay-in-business, as well as HSE initiatives; marketing activity (€126 million) for regulation compliance and stay-in-business initiatives in the retail network in Italy and in the rest of Europe;
- initiatives relating to gas and power marketing in the retail business (€175 million).

## Alternative performance measures (Non-GAAP measures)

Management evaluates underlying business performance on the basis of Non-GAAP financial measures under IFRS ("Alternative performance measures"), such as adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses, special items and, in determining the business segments' adjusted results, finance charges on finance debt and interest income. From 2017, the recognition of the inventory holding (gains) losses has been revised in the Gas & Power segment considering a recently-enacted, less restrictive regulatory framework relating the legal obligation on part of gas wholesalers to retain gas volumes in storage to ensure an adequate level of modulation to the retail segment. On this basis, management has progressively reduced gas quantities held in storage and has commenced to leverage those quantities to improve margins by seeking to capture the seasonality in gas prices existing between the phase of gas injection (which typically occurs in summer months) vs. the phase of gas off-take (which typically occurs during the winter months). Therefore, from the closure of the statutory period of gas injection, i.e. from the fourth quarter of 2017, the determination of the stock profit or loss in the Gas & Power segment has changed and currently gas off-takes from storage are valued at the average cost incurred during the injection period net of the effects of hedging derivatives, ensuring when the purchased volumes are matched by the corresponding sales (net of the effects of hedging derivatives) the proper measurement and accountability of the economic performances. The adjusted operating profit of each business segment reports gains and losses on derivative financial instruments entered into to manage exposure to movements in foreign currency exchange rates, which affect industrial margins and translation of commercial payables and receivables. Accordingly, also currency translation effects recorded through profit and loss are reported within business segments' adjusted operating profit. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them. Management includes them in order to facilitate a comparison of base business performance across periods, and to allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. Non-GAAP financial measures should be read together with information determined by applying IFRS and do not stand in for them. Other companies may adopt different methodologies to determine Non-GAAP measures. Follows the description of the main alternative performance measures adopted by Eni. The measures reported below refer to the performance of the reporting periods disclosed in this press release.

**Adjusted operating and net profit** Adjusted operating and net profit are determined by excluding inventory holding gains or

losses, special items and, in determining the business segments' adjusted results, finance charges on finance debt and interest income. The adjusted operating profit of each business segment reports gains and losses on derivative financial instruments entered into to manage exposure to movements in foreign currency exchange rates which impact industrial margins and translation of commercial payables and receivables. Accordingly, also currency translation effects recorded through profit and loss are reported within business segments' adjusted operating profit. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them. Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment operated assets, i.e., interest income on certain receivable financing and securities related to operations and finance charge pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration & Production segment).

**Inventory holding gain or loss** This is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold calculated using the weighted average cost method of inventory accounting as required by IFRS.

**Special items** These include certain significant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones. Exchange rate differences and derivatives relating to industrial activities and commercial payables and receivables, particularly exchange rate derivatives to manage commodity pricing formulas which are quoted in a currency other than the functional currency are reclassified in operating profit with a corresponding adjustment to net finance charges, notwithstanding the handling of foreign currency exchange risks is made centrally by netting off naturally-occurring opposite positions and then dealing with any residual risk exposure in the derivative market. Finally, special items include the accounting effects of fair-valued commodity derivatives relating to commercial exposures, in addition to

those which lack the criteria to be designed as hedges, also those which are not eligible for the own use exemption, including the ineffective portion of cash flow hedges, as well as the accounting effects of commodity and exchange rates derivatives whenever it is deemed that the underlying transaction is expected to occur in future reporting periods. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non-recurring material income or charges are to be clearly reported in the management's discussion and financial tables.

**Leverage** Leverage is a Non-GAAP measure of the Company's financial condition, calculated as the ratio between net borrowings and shareholders' equity, including non-controlling interest. Leverage is the reference ratio to assess the solidity and efficiency of the Group balance sheet in terms of incidence of funding sources including third-party funding and equity as well as to carry out benchmark analysis with industry standards.

**Gearing** Gearing is calculated as the ratio between net borrowings and capital employed net and measures how much of capital employed net is financed recurring to third-party funding.

**Net cash provided by operating activities before changes in working capital at replacement cost** Net cash provided from operating activities before changes in working capital and excluding inventory holding gain or loss.

**Free cash flow** Free cash flow represents the link existing between changes in cash and cash equivalents (deriving from the statutory cash flows statement) and in net borrowings (deriving from the summarized cash flow statement) that occurred from the beginning of the period to the end of period. Free cash flow is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

**Net borrowings** Net borrowings is calculated as total finance debt less cash, cash equivalents and certain very liquid investments not related to operations, including among others non-operating financing receivables and securities not related to operations. Financial activities are qualified as "not related to

operations" when these are not strictly related to the business operations.

**ROACE (Return On Average Capital Employed) adjusted** Is the return on average capital invested, calculated as the ratio between net income before minority interests, plus net financial charges on net financial debt, less the related tax effect and net average capital employed.

**Coverage** Financial discipline ratio, calculated as the ratio between operating profit and net finance charges.

**Current ratio** Measures the capability of the company to repay short-term debt, calculated as the ratio between current assets and current liabilities.

**Debt coverage** Rating companies use the debt coverage ratio to evaluate debt sustainability. It is calculated as the ratio between net cash provided by operating activities and net borrowings, less cash and cash-equivalents, securities held for non-operating purposes and financing receivables for non-operating purposes.

**Net Debt/EBITDA adjusted** Net Debt/adjusted EBITDA is the ratio between the profit available to cover the debt before interest, taxes, amortizations and impairment. This index is a measure of the company's ability pay off its debt and gives an indication as to how long a company would need to operate at its current level to pay off all its debt.

**Profit per boe** Measures the return per oil and natural gas barrel produced. It is calculated as the ratio between Results of operations from E&P activities (as defined by FASB Extractive Activities - Oil & Gas Topic 932) and production sold.

**Opex per boe** Measures efficiency in the Oil & Gas development activities, calculated as the ratio between operating costs (as defined by FASB Extractive Activities - Oil and Gas Topic 932) and production sold.

**Finding & Development cost per boe** Represents Finding & Development cost per boe of new proved or possible reserves. It is calculated as the overall amount of exploration and development expenditure, the consideration for the acquisition of possible and probable reserves as well as additions of proved reserves deriving from improved recovery, extensions, discoveries and revisions of previous estimates (as defined by FASB Extractive Activities - Oil and Gas Topic 932).

The following tables report the group operating profit and Group adjusted net profit and their breakdown by segment, as well as is represented the reconciliation with net profit attributable to Eni's shareholders of continuing operations.

**RECONCILIATION TABLES OF NON-GAAP RESULTS TO THE MOST COMPARABLE MEASURES OF FINANCIAL PERFORMANCE DETERMINED IN ACCORDANCE TO GAAPs**

	Exploration & Production	Global Gas & LNG Portfolio	Refining & Marketing and Chemicals	EGL, Power & Renewables	Corporate and other activities	Impact of unrealized intragroup profit elimination	Group
<b>2020</b>	(€ million)						
<b>Reported operating profit (loss)</b>	<b>(610)</b>	<b>(332)</b>	<b>(2,463)</b>	<b>660</b>	<b>(563)</b>	<b>33</b>	<b>(3,275)</b>
Exclusion of inventory holding (gains) losses			1,290			28	1,318
<b>Exclusion of special items:</b>							
- environmental charges	19		85	1	(130)		(25)
- impairment losses (impairments reversal), net	1,888	2	1,271	1	21		3,183
- net gains on disposal of assets	1		(8)		(2)		(9)
- risk provisions	114		5	10	20		149
- provision for redundancy incentives	34	2	27	20	40		123
- commodity derivatives		858	(185)	(233)			440
- exchange rate differences and derivatives	13	(183)	10				(160)
- other	88	(21)	(26)	6	107		154
<b>Special items of operating profit (loss)</b>	<b>2,157</b>	<b>658</b>	<b>1,179</b>	<b>(195)</b>	<b>56</b>		<b>3,855</b>
<b>Adjusted operating profit (loss)</b>	<b>1,547</b>	<b>326</b>	<b>6</b>	<b>465</b>	<b>(507)</b>	<b>61</b>	<b>1,898</b>
Net finance (expense) income <sup>(a)</sup>	(316)		(7)	(1)	(569)		(893)
Net income (expense) from investments <sup>(a)</sup>	262	(15)	(161)	6	(95)		(3)
Income taxes <sup>(a)</sup>	(1,369)	(100)	(84)	(141)	(34)	(25)	(1,753)
<i>Tax rate (%)</i>							175.0
<b>Adjusted net profit (loss)</b>	<b>124</b>	<b>211</b>	<b>(246)</b>	<b>329</b>	<b>(1,205)</b>	<b>36</b>	<b>(751)</b>
<i>of which attributable to:</i>							
- non-controlling interest							7
- <b>Eni's shareholders</b>							<b>(758)</b>
<b>Reported net profit (loss) attributable to Eni's shareholders</b>							<b>(8,635)</b>
Exclusion of inventory holding (gains) losses							937
Exclusion of special items							6,940
<b>Adjusted net profit (loss) attributable to Eni's shareholders</b>							<b>(758)</b>

(a) Excluding special items.

	Exploration & Production	Global Gas & LNG Portfolio	Refining & Marketing and Chemicals	EGL, Power & Renewables	Corporate and other activities	Impact of unrealized intragroup profit elimination	Group
<b>2019</b>	(€ million)						
<b>Reported operating profit (loss)</b>	<b>7,417</b>	<b>431</b>	<b>(682)</b>	<b>74</b>	<b>(688)</b>	<b>(120)</b>	<b>6,432</b>
Exclusion of inventory holding (gains) losses			(318)			95	(223)
<b>Exclusion of special items:</b>							
- environmental charges	32		244		62		338
- impairment losses (impairments reversal), net	1,217	(5)	922	42	12		2,188
- net gains on disposal of assets	(145)		(5)		(1)		(151)
- risk provisions	(18)		(2)		23		3
- provision for redundancy incentives	23	1	8	3	10		45
- commodity derivatives		(576)	(118)	255			(439)
- exchange rate differences and derivatives	14	109	(5)	(10)			108
- other	100	233	(23)	6	(20)		296
<b>Special items of operating profit (loss)</b>	<b>1,223</b>	<b>(238)</b>	<b>1,021</b>	<b>296</b>	<b>86</b>		<b>2,388</b>
<b>Adjusted operating profit (loss)</b>	<b>8,640</b>	<b>193</b>	<b>21</b>	<b>370</b>	<b>(602)</b>	<b>(25)</b>	<b>8,597</b>
Net finance (expense) income <sup>(a)</sup>	(362)	3	(36)	(1)	(525)		(921)
Net income (expense) from investments <sup>(a)</sup>	312	(21)	37	10	43		381
Income taxes <sup>(a)</sup>	(5,154)	(75)	(64)	(104)	218	5	(5,174)
<i>Tax rate (%)</i>							64.2
<b>Adjusted net profit (loss)</b>	<b>3,436</b>	<b>100</b>	<b>(42)</b>	<b>275</b>	<b>(866)</b>	<b>(20)</b>	<b>2,883</b>
<i>of which attributable to:</i>							
- non-controlling interest							7
- <b>Eni's shareholders</b>							<b>2,876</b>
<b>Reported net profit (loss) attributable to Eni's shareholders</b>							<b>148</b>
Exclusion of inventory holding (gains) losses							(157)
Exclusion of special items							2,885
<b>Adjusted net profit (loss) attributable to Eni's shareholders</b>							<b>2,876</b>

(a) Excluding special items.

		Exploration & Production	Global Gas & LNG Portfolio	Refining & Marketing and Chemicals	EGL, Power & Renewables	Corporate and other activities	Impact of unrealized intragroup profit elimination	Group
<b>2018</b>	(€ million)							
<b>Reported operating profit (loss)</b>		<b>10,214</b>	<b>387</b>	<b>(501)</b>	<b>340</b>	<b>(668)</b>	<b>211</b>	<b>9,983</b>
Exclusion of inventory holding (gains) losses				234			(138)	96
<b>Exclusion of special items:</b>								
- environmental charges		110		193	(1)	23		325
- impairment losses (impairments reversal), net		726	(73)	193	2	18		866
- net gains on disposal of assets		(442)		(9)		(1)		(452)
- risk provisions		360		21		(1)		380
- provision for redundancy incentives		26	4	8	118	(1)		155
- commodity derivatives			(63)	120	(190)			(133)
- exchange rate differences and derivatives		(6)	111	5	(3)			107
- other		(138)	(88)	96	(4)	47		(87)
<b>Special items of operating profit (loss)</b>		<b>636</b>	<b>(109)</b>	<b>627</b>	<b>(78)</b>	<b>85</b>		<b>1,161</b>
<b>Adjusted operating profit (loss)</b>		<b>10,850</b>	<b>278</b>	<b>360</b>	<b>262</b>	<b>(583)</b>	<b>73</b>	<b>11,240</b>
Net finance (expense) income <sup>(a)</sup>		(366)	(3)	11	(1)	(697)		(1,056)
Net income (expense) from investments <sup>(a)</sup>		285	(1)	(2)	10	5		297
Income taxes <sup>(a)</sup>		(5,814)	(156)	(145)	(82)	327	(17)	(5,887)
<i>Tax rate (%)</i>								56.2
<b>Adjusted net profit (loss)</b>		<b>4,955</b>	<b>118</b>	<b>224</b>	<b>189</b>	<b>(948)</b>	<b>56</b>	<b>4,594</b>
<i>of which attributable to:</i>								
- non-controlling interest								11
- <b>Eni's shareholders</b>								<b>4,583</b>
<b>Reported net profit (loss) attributable to Eni's shareholders</b>								<b>4,126</b>
Exclusion of inventory holding (gains) losses								69
Exclusion of special items								388
<b>Adjusted net profit (loss) attributable to Eni's shareholders</b>								<b>4,583</b>

(a) Excluding special items.

## RECONCILIATION OF SUMMARIZED GROUP BALANCE SHEET AND STATEMENT OF CASH FLOW TO STATUTORY SCHEMES

SUMMARIZED GROUP BALANCE SHEET Items of Summarized Group Balance Sheet (where not expressly indicated, the item derives directly from the statutory scheme) (€ million)	Notes to the Consolidated Financial Statement	December 31, 2020		December 31, 2019	
		Amounts from statutory scheme	Amounts of the summarized Group scheme	Amounts from statutory scheme	Amounts of the summarized Group scheme
<b>Fixed assets</b>					
Property, plant and equipment			53,943		62,192
Right of use			4,643		5,349
Intangible assets			2,936		3,059
Inventories - Compulsory stock			995		1,371
Equity-accounted investments and other investments			7,706		9,964
Receivables and securities held for operating activities	(see note 16)		1,037		1,234
Net payables related to capital expenditure, made up of:			(1,361)		(2,235)
- receivables related to disposals	(see note 7)	21		30	
- receivables related to disposals non-current	(see note 10)	11		11	
- payables for purchase of non-current assets	(see note 17)	(1,393)		(2,276)	
<b>Total fixed assets</b>			<b>69,899</b>		<b>80,934</b>
<b>Net working capital</b>					
Inventories			3,893		4,734
Trade receivables	(see note 7)		7,087		8,519
Trade payables	(see note 17)		(8,679)		(10,480)
Net tax assets (liabilities), made up of:			(2,198)		(1,594)
- current income tax payables		(243)		(456)	
- non-current income tax payables		(360)		(454)	
- other current tax liabilities	(see note 10)	(1,124)		(1,411)	
- deferred tax liabilities		(5,524)		(4,920)	
- other non-current tax liabilities	(see note 10)	(26)		(63)	
- current income tax receivables		184		192	
- non-current income tax receivables		153		173	
- other current tax assets	(see note 10)	450		766	
- deferred tax assets		4,109		4,360	
- other non-current tax assets	(see note 10)	181		223	
- receivables for Italian consolidated accounts	(see note 7)	3			
- payables for Italian consolidated accounts	(see note 17)	(1)		(4)	
Provisions			(13,438)		(14,106)
Other current assets and liabilities, made up of:			(1,328)		(1,864)
- short-term financial receivables for operating purposes	(see note 16)	22		37	
- receivables vs. partners for exploration and production activities and other	(see note 7)	3,815		4,324	
- other current assets	(see note 10)	2,236		3,206	
- other receivables and other assets non-current	(see note 10)	1,061		637	
- advances, other payables, payables vs. partners for exploration and production activities and other	(see note 17)	(2,863)		(2,785)	
- other current liabilities	(see note 10)	(3,748)		(5,735)	
- other payables and other liabilities non-current	(see note 10)	(1,851)		(1,548)	
<b>Total net working capital</b>			<b>(14,663)</b>		<b>(14,791)</b>
<b>Provisions for employee benefits</b>			<b>(1,201)</b>		<b>(1,136)</b>
<b>Assets held for sale including related liabilities</b>			<b>44</b>		<b>18</b>
made up of:					
- assets held for sale		44		18	
- liabilities directly associated with held for sale					
<b>CAPITAL EMPLOYED, NET</b>			<b>54,079</b>		<b>65,025</b>
<b>Shareholders' equity including non-controlling interest</b>			<b>37,493</b>		<b>47,900</b>
<b>Net borrowings</b>					
Total debt, made up of:			26,686		24,518
- long-term debt		21,895		18,910	
- current portion of long-term debt		1,909		3,156	
- short-term debt		2,882		2,452	
less:					
Cash and cash equivalents			(9,413)		(5,994)
Securities held for trading			(5,502)		(6,760)
Financing receivables held for non-operating purposes	(see note 16)		(203)		(287)
<b>Net borrowings before lease liabilities ex IFRS 16</b>			<b>11,568</b>		<b>11,477</b>
Lease liabilities, made up of:			5,018		5,648
- long-term lease liabilities		4,169		4,759	
- current portion of long-term lease liabilities		849		889	
<b>TOTAL NET BORROWINGS POST LEASE LIABILITIES EX IFRS 16<sup>(a)</sup></b>			<b>16,586</b>		<b>17,125</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>			<b>54,079</b>		<b>65,025</b>

(a) For details on net borrowings see also note 19 to the consolidated financial statements.

## SUMMARIZED GROUP CASH FLOW STATEMENT

Items of Summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme (€ million)	2020		2019	
	Amounts from statutory scheme	Amounts of the summarized Group scheme	Amounts from statutory scheme	Amounts of the summarized Group scheme
<b>Net profit (loss)</b>		<b>(8,628)</b>		<b>155</b>
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation, depletion and amortization and other non monetary items		12,641		10,480
- depreciation, depletion and amortization	7,304		8,106	
- impairment losses (impairment reversals) of tangible, intangible and right of use, net	3,183		2,188	
- write-off of tangible and intangible assets	329		300	
- share of profit (loss) of equity-accounted investments	1,733		88	
- other changes	92		(179)	
- net change in the provisions for employee benefits			(23)	
Gains on disposal of assets, net		(9)		(170)
Dividends, interests, income taxes and other changes		3,251		6,224
- dividend income	(150)		(247)	
- interest income	(126)		(147)	
- interest expense	877		1,027	
- income taxes	2,650		5,591	
Cash flow from changes in working capital		(18)		366
- inventories	1,054		(200)	
- trade receivables	1,316		1,023	
- trade payables	(1,614)		(940)	
- provisions for contingencies	(1,056)		272	
- other assets and liabilities	282		211	
Dividends received		509		1,346
Income taxes paid, net of tax receivables received		(2,049)		(5,068)
Interests (paid) received		(875)		(941)
- interest received	53		88	
- interest paid	(928)		(1,029)	
<b>Net cash provided by operating activities</b>		<b>4,822</b>		<b>12,392</b>
Investing activities		(4,644)		(8,376)
- tangible assets	(4,407)		(8,049)	
- prepaid right of use			(16)	
- intangible assets	(237)		(311)	
Investments and purchase of consolidated subsidiaries and businesses		(392)		(3,008)
- investments	(283)		(3,003)	
- Consolidated subsidiaries and businesses net of cash and cash equivalent acquired	(109)		(5)	
Disposals		28		504
- tangible assets	12		264	
- intangible assets			17	
- Consolidated subsidiaries and businesses net of cash and cash equivalent disposed of			187	
- tax disposals			(3)	
- investments	16		39	
Other cash flow related to capital expenditure, investments and disposals		(735)		(254)
- investment of securities and financing receivables held for operating purposes	(166)		(237)	
- change in payables in relation to investing activities	(757)		(307)	
- disposal of securities and financing receivables held for operating purposes	136		195	
- change in receivables in relation to disposals	52		95	
<b>Free cash flow</b>		<b>(921)</b>		<b>1,258</b>

**continued SUMMARIZED GROUP CASH FLOW STATEMENT**

Items of Summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme (€ million)	2020		2019	
	Amounts from statutory scheme	Amounts of the summarized Group scheme	Amounts from statutory scheme	Amounts of the summarized Group scheme
<b>Free cash flow</b>		<b>(921)</b>		<b>1,258</b>
Borrowings (repayment) of debt related to financing activities		1,156		(279)
- net change of securities and financing receivables held for non-operating purposes	1,156		(279)	
Changes in short and long-term finance debt		3,115		(1,540)
- increase in long-term debt	5,278		1,811	
- repayments of long-term debt	(3,100)		(3,512)	
- increase (decrease) in short-term debt	937		161	
Repayment of lease liabilities		(869)		(877)
Dividends paid and changes in non-controlling interest and reserves		(1,968)		(3,424)
- reimbursement to non-controlling interest			(1)	
- net purchase of treasury shares			(400)	
- acquisition of additional interests in consolidated subsidiaries			(1)	
- dividends paid to Eni's shareholders	(1,965)		(3,018)	
- dividends paid to non-controlling interest	(3)		(4)	
Issue of perpetual subordinated bonds		2,975		
Effect of changes in consolidation, exchange differences and cash and cash equivalent		(69)		1
- effect of exchange rate changes on cash and cash equivalents and other changes	(69)		1	
<b>Net increase (decrease) in cash and cash equivalent</b>		<b>3,419</b>		<b>(4,861)</b>