Letter to shareholders

Lucia Calvosa
Chairman

Claudio Descalzi
Chief Executive Officer and General Manager

Dear shareholders,
2020 was a year like no other, which will forever be remembered for the dramatic events we have experienced and for the unprecedented challenges that our Company has faced. The COVID-19 pandemic affected everybody's lives, every activity and the energy industry with a magnitude that exceeded all previous crises. The trading environment in 2020 saw the largest oil demand drop in history, down by an estimated 9%.
In tackling COVID-19, we reacted fast, finding inside our Company the energy, resources and flexibility to overcome this crisis. First, we implemented effective measures to preserve the health of the 60,000 people who work within Eni and with Eni at all our offices and production hubs, as well as to ensure the continuity of our operations also through the involvement of our suppliers. Furthermore, in collaboration with local authorities, Eni has taken immediate action to reorient local development projects to better respond to the urgent needs of the most vulnerable populations.
During the most acute phase of the downturn, we have taken decisive measures to strengthen the financial and capital resilience of the company, defining clear priorities in the cash allocation. Through the review of our short-medium term plans we have reduced the disbursements for costs and capital expenditure by €8 billion in the period 2020-2021, thus reshaping the production growth profile. We have defined an innovative dividend policy, based on a fixed component, which will be reassessed going forward based on the achievement of Eni's industrial objectives, and a variable component linked to the scenario, in order to adapt the dividend to market volatility, while the buy-back has been suspended.
Thanks to these actions, we were able to generate an adjusted cash flow of €6.7 billion, able to fund 100% of our organic capital expenditure, which were revised to €5 billion, leaving a surplus of €1.7 billion despite the large impact of the crisis on our cash receipts which contracted by around €6 billion compared to the forecasts at the beginning of the year.
The Company, also leveraging the issuance of two hybrid bonds for a total amount of €3 billion, has successfully overcome the worst phase of the downturn, retaining the leverage within the management comfort zone at 0.3 as of December 31, 2020 and achieving to keeping our net debt flat versus last year. These actions, sustained from our credit standing, were clearly appreciated by the financial markets.
Despite the crisis, we have improved and accelerated our decarbonization strategy and today we announce the even more ambitious goal of zeroing all our emissions (Scope 1, 2 and 3) linked to the entire life cycle of all the products traded by our organization by 2050.
In this context, in June 2020 we reshaped Eni's organization by setting up two new Business Groups: Natural Resources, which will maximize the value of Eni's Oil & Gas upstream portfolio from a sustainable perspective, with the objective of reducing its carbon footprint by scaling up energy efficiency and the development of projects for the capture and storage of carbon dioxide, and the Energy Evolution, which will focus on growing the businesses of power generation, transformation and marketing of products from fossil to bio, blue and green. The two Business Groups will work in synergy with the help of R&D and digitalization to implement Eni's plans and to achieve Eni's decarbonization goals by 2050.
The businesses of Natural Resources, together with traditional refining, were those most affected by the industry crisis caused by the COVID-19 pandemic. Despite a 35% drop in the Brent price, E&P generated a robust cash contribution thanks to the resilience of the asset portfolio characterized by low break-even and the flexibility of our development projects that allowed us to re-phase some activities and contain capex. Exploration, one of our main growth and value generation drivers, achieved excellent results in 2020. Despite the reduction in capital expenditure of about 50%, we discovered 400 mmboe of new resources, at a competitive

cost of 1.6 $/barrel. The activities focused on near-field exploration in order to ensure fast contribution to cash flows. In this context, we made several near-field discoveries in Egypt, Tunisia, Norway, Algeria and Angola, in this latter the Agogo appraisal well has estimated 1 bboe in place, that will allow us to extend the useful life of the FPSO of operated Block 15/06.

Important results were also obtained in frontier exploration basins with the Mahani gas and condensates discovery in the onshore of the Emirate of Sharjah (UAE), where we made the FID at the beginning of 2021, just one year after the signing of the contract; the appraisal of the Ken Bau field offshore Vietnam, which allowed us to outline a giant field, and the discovery of Saasken offshore Mexico, which consolidates our position in the Country. The importance of these successes opens up opportunities to early monetization of the discovered resources through the deployment of our dual exploration model.

One of our competitive advantages is the ability to reduce the time-to-market of reserves, which together with efficient exploration helps to ensure a resilient asset portfolio to the scenario. Our success leverages on an original development model based on the parallelization of phases (appraisal, pre-development, engineering), a modular approach that provides for accelerated start-up in early production and subsequent ramp-up, minimization of financial exposure and insourcing of critical project phases (detailed engineering, production supervision, commissioning/hook-up) in order to apply our skills and know-how. Examples of this approach were the rapid production ramp-up of the Area 1 hub in Mexico in 2020 (from 4 kboe/day in 2019 to 14 kboe/day, up by 200%), the start-up of Agogo in Angola, just nine months from the discovery and the Berkine project in Algeria, carried out with a fast-track approach, allowing the monetization of proximity reserves.

Other activities during the year concerned the optimization of the production plateau of assets in operation in order to counteract natural declines.

Overall, discounting the reduction in capital expenditure of around €2 billion, E&P development helped to ensure a solid production level of 1.73 mmboe/day with the crisis cutting about 200 kboe, net of which we would have exceeded our initial expectations.

The emission intensity of the operated productions (100%) decreased in 2020 by about 25% compared to 2014, in line with the reduction target of 43% by 2025. The global emissions calculated on equity production were equal to approximately 14.4 million tonnes of CO_2, which was reduced to 12.9 million thanks to the carbon sink obtained from our participation to the REDD+ Luangwa Community Forest Project in the Republic of Zambia, where Eni achieved its first generation of carbon credits that have been used to offset emissions equivalent to 1.5 million tonnes of CO_2.

The ramp-up of the projects designed to valorize or manage routine gas otherwise sent to flaring allowed us to reduce the flaring volumes of the 2014 baseline by 37% at the end of 2020 and we confirm their zeroing by 2025, contributing to Eni's decarbonization objectives. Other drivers of our decarbonization process are the projects in the start-up phase for the CO_2 geological capture and sequestration using depleted fields. The first milestone of this kind of projects was achieved with the award by the British Oil & Gas authority of the license for the CO_2 storage project in the Liverpool Bay, which will contribute to the decarbonization of industrial areas of the north-west England and North Wales, as well as progress in the start-up of a pilot project, for which we expect to make shortly a final investment decision, to build a hub for the capture and sequestration of CO_2 at our depleted gas fields offshore Ravenna (Italy).

Finally, we are developing an innovative approach in the capex evaluation process, systematizing information on the United Nations 17 Sustainable Development Goals (UN SDGs), in order to integrate these aspects into planning and strategies. After a first testing phase on a sample of investments in the upstream sector, the scope of analysis will be extended to other types of projects.

The Global Gas & LNG Portfolio (GGP) sector reported an adjusted EBIT of €0.33 billion, above our expectations despite the significant decline in European gas demand and the collapse in Asian LNG consumption during the peak of the crisis. The sustainability of the GGP result is due to the overall restructuring of long-term gas supply and transportation contracts, as well as to portfolio optimization activities by exploiting the flexibility and optionality of our gas assets.

The businesses managed by the Energy Evolution Department have shown great resilience and adaptability, managing to absorb the impact of the recession on the consumption of fuels and plastics.
R&M closed the year with an adjusted EBIT of €0.24 billion, despite the worst scenario ever for the margins of traditional oil-based processing. The result was supported by the increase in volumes processed (up by 130%) and margins of biodiesel thanks to the ramp-up of the Gela green refinery and the performance of the Venice one, as well as by the steady contribution from the retail marketing thanks to the efficiency of the network and customer care. The evolution process of the service station continues towards the expansion of mobility services in support of the results that will leverage the consolidation of agreements with Amazon, Poste and Telepass, the launch of the new Eni Cafè Emporium format and the launch of the "Eni Parking" project.
The Chemical business leaded by Versalis has overall withstood the impact of the significant contraction in consumption of plastics due to the economic crisis thanks to the restructuring carried out in recent years in the traditional business lines, while we progressed the expansion in the green and circular economy businesses, which going forward will lessen the exposure of Versalis to the oil cycle. An upgrade is ongoing at the Crescentino site, a strategic hub for the production of electricity and chemical feedstock entirely coming from residual biomass that does not compete with the food supply chain on the basis of one of the most advanced proprietary technologies in the industry, of which one of the first practical application was the production of a bioethanol-based disinfectant based on the WHO formulation for health emergency.
Investments continued to bring plastic waste recycling technologies to an industrial scale. Versalis is already active in the mechanical recycling of used plastic with the "Revive" line of polyethylene/styrenics which in 2020 was expanded thanks to the alliance with Forever Plast to promote the development and marketing of a new range of compact polystyrene products made out of recycled packaging. For the non-recoverable part of plastic waste (Plasmix), processes of chemical recycling based on pyrolysis are in a developing stage, which will be applied in a pilot plant in Mantua for the production of chemical raw materials or, in synergy with refining, in synthesis gas transformation technologies for the production of hydrogen or other industrial feedstocks. Furthermore, thanks to the alliance with the British research company AlphaBio Control, we are developing products for agriculture from renewable sources, such as herbicides and biocides, in synergy with the production of active ingredients by our renewable chemistry platform in Porto Torres, Sardinia.
Eni gas e luce (EGL), Power & Renewables segment performed strongly. EGL reported a 17% growth in EBIT thanks to the retention of the customer base, which grew to 9.6 million delivery points (up by 150 thousand), the incremental contribution of non-commodity services/products, the efficiency of marketing and power optimization. The retail gas business is increasingly opening up to decarbonization and innovation with the acquisitions of Evolvere Group, in order to expand the offer of green products and partnerships with Tate in Italy and OVO in France for the enhancement of digital services.
The Renewables business reached a first milestone with 1 GW of generation capacity installed or under development. The growth took place both internally and by leveraging selective M&A transactions such as those in the USA market in partnership with Falck Renewables for the acquisition of 112.5 MW of renewable capacity (wind/solar) and 57 MW of photovoltaic capacity taken over by Falck itself. The internal growth leverages on the original Eni development model which exploits the technical-operational synergies with existing assets, both active such as the E&P oil centers and dismissed sites reclaimed and cleaned by Eni Rewind which are revamped through the installation of green generation capacity. In this context, the photovoltaic units of Porto Torres and Volpiano were started up in 2020.
The growth of renewables will be supported in the medium-term by the realization of the opportunities associated with our strategic partnerships in the USA and with HitecVision (Vår Energi's Norwegian partner) and the newly established Vargron joint venture, which will target the offshore wind sector of Norway and the Nordic markets by leveraging Vår Energi's experience in the upstream sector and supporting its decarbonization process. Eni acquired a 20% of the Dogger Bank project (A and B) offshore UK, which will build and operate a 2.4 GW wind facility, which will be the largest of its kind, with first phase start-up expected in 2023; in Italy three projects have been authorized from Asja Environment for the construction of onshore wind farms with a total capacity of 35 MW.
Another medium-term development driver is the exploitation of renewable energy deriving from the wave motion of the sea which, starting from the industrial collaboration with Italian companies such CDP, Fincantieri and Terna, is further strengthened with the entry as lead partner in Ocean Energy Europe, the largest European organization for energy development from the ocean.

Our R&D, the exploration engine in the renewable sector and a driving force for growth across Eni's businesses, is committed to areas that we consider strategic in shaping the medium/long-term energy scenario, such as: the production of biofuels from second/third generation of raw materials; the process of obtaining hydrogen and methanol from waste; the energy of the oceans; solar concentration and CO_2 capture complementary methods to the geological one based on the innovative idea of reusing CO_2 through biofixation on microalgae by exploiting the principle of chlorophyll photosynthesis with the additional advantage of obtaining valuable feedstock (food bases or bio oil) or chemically fixing it in residues of the mining industry, obtaining building materials. Another field of great interest is research on green hydrogen: we are studying, in partnership with Enel, the construction of electrolyzers powered by renewable energy in synergy with our refineries. Pilot projects with electrolyzers of around 10 MW are expected to start generating green hydrogen in 2022-2023.
In conclusion, our company was able to withstand this global economic crisis of 2020, retaining a healthy balance between cash inflows and outflows and at the same time making strong progress on the path towards achieving carbon neutrality in the long term.
Our performance in transitioning to a low carbon business model has been appreciated by well-established ESG ratings agencies on the marketplace which recognized us leading four international ratings: MSCI, Sustainalytics, Bloomberg ES and V.E Vigeo Eiris. We received high-scorings from CDP Climate Change, CDP Water Security and in the Transition Pathways Initiative rating. We have also been confirmed within the FTSE4Good Developed index and, starting from 2020, also in the ESG iTraxx index. Added to these is the recognition by specialized research institutes such as Carbon Tracker, which ranked Eni first among its peers for the competitiveness of the unsanctioned portfolio of projects, target of emissions reduction and the adoption of a medium-long term price scenario that is one of the most conservative among the peers. Finally, Eni confirms its leadership in the approach to human rights, ranking first among the 199 companies evaluated by the Corporate Human Rights Benchmark (CHRB) in 2020, ex aequo with only one other company.

Strategy and action plan 2021-2024

Our strategy outlines a non-reversible path of business transformation, which will lead us to the "zero net emissions" goal in our production processes and in the use of our products by end consumers (Scope 1, 2 and 3) by 2050, placing the most challenging ambitions of the Paris Agreement at the center of our action, in order to contribute to the achievement of the UN's 17 Sustainable Development Goals and to create sustainable value for all our stakeholders. The evolution of our industrial structure will leverage on the decarbonization of our products and industrial processes, on diversifying and expanding our presence in the retail and renewables businesses, which will be combined into a single entity to maximize synergies, in bioproducts and in circular economy. These actions coupled with financial and capital discipline will underpin the Company's resilience to the volatility of the scenario.
Considering the uncertainties and risks of the post-pandemic recovery, we defined a set of actions for the next four years aimed at further reducing our cash neutrality and growing in green, blue and bioproducts.
The operational program of Natural Resources is aimed at maximizing cash generation and reducing the carbon footprint of the business.
The exploration phase, with an annual expenditure ceiling of approximately €400 million over the next four years, will develop along the guidelines for the reduction of the discovery cycle with near-field/incremental initiatives with rapid return in mature super-basins and proven areas, selective renewal of the portfolio and alignment of resources replacement to the targeted long-term production mix. Frontier exploration will be carried out in selected areas according to the principles of operatorship and high working interest, in order to apply the dual exploration model in the event of substantial successes. The goal is to discover around 2 billion boe of reserves at competitive costs over the four-year period with activities concentrated in North Africa, West Africa, Norwegian offshore and border areas in the Middle East, East Africa, Southeast Asia and the Gulf of Mexico.
The development of hydrocarbon reserves with an average annual expenditure of about €4 billion, equally divided between support for plateaus and growth initiatives, will favor assets with high cash generation and low breakeven, achieving an average annual growth rate in the four-year period of around 4% to a plateau of 2 mmboe/day by 2024, of which around one third from new developments (ramp-ups, start-ups and near-field discoveries). The main drivers of growth will be the increase in gas volumes of the Zohr project in Egypt for which the relative capacity is already online, the start-up of Merakes in Indonesia and Coral LNG in Mozambique gas fields, the developments in the Norwegian offshore by our JV Vår Energi, the full-field development of Area 1 in Mexico and the Dalma Hub

and Sharjah gas initiatives in the United Arab Emirates. The planned development actions, together with a constant focus on efficiency, will allow us to reach a Brent capex coverage of 28 $/bbl at the end of the plan, 10 $/bbl less than the current level, while maintaining an adequate level of flexibility in the event of further shocks considering that more than 55% of our investments in the last two years of the plan are uncommitted.

The GGP business is expected to ensure stable cash flow over the four-year period by leveraging the integration with upstream and the monetization of our long-term gas supplies marketed in Europe. The main driver will be the development of LNG sales in the Middle/Far-East Asian premium markets with the aim of leverage a portfolio of contracted volumes of 14 MTPA in 2024. A growing part of LNG supplies that will cover 70% of the portfolio by 2024 will be equity gas from our production hubs in Indonesia, Mozambique, Nigeria, as well as Egypt where, thanks to the restructuring agreement of Union Fenosa Gas, we acquired an interest in the strategic LNG terminal of Damietta.

The operational program of Energy Evolution is based on the strategic guidelines of the development of renewable energy and the customer portfolio as well as the optimization of the industrial footprint, with cumulative investments of €7.9 billion over the four-year period.

R&M will gradually reduce exposure to the traditional oil scenario in Europe characterized by structural weaknesses due to excess capacity and decline in consumption and volatile margins. The main actions will be increasing the efficiency and flexibility of oil-based assets, maximizing the potential of the investment in ADNOC Refining thanks also to the new trading platform and the development of the green business.

The biorefining capacity is expected to double to 2 mmtonnes/year by 2024. The production of biofuels will be increasingly sustainable due to the progressive elimination of the palm oil feedstock to the benefit of second generation oils not in competition with the food chain and others innovative feedstock (waste/residues) that will cover approximately 80% of the input by 2024. Service stations will be upgraded to enhance mobility services and expand the low carbon offer (methane, hydrogen and charging stations for electric vehicles).

Versalis will focus on a more sustainable chemistry, circular economy projects such as recycled plastics and niche products to reduce the portfolio's exposure to the volatility of the cost of oil-based feedstock and to commodities characterized by competitive pressure and unstable margins.

The combined-cycle gas-fired power generation plants will be managed to maximize their value by leveraging greater efficiency and flexibility and the decarbonization of production with targeted investments and in synergy with the Group's initiatives.

EGL will promote the growth and enhancement of the customer portfolio, leveraging integration with renewables, with the aim of exceeding 11 million supply points in 2024 and 15 million in 2030 thanks to an increasingly green offer and improving the consumer experience through innovation and digitalization. The other result drivers will be the expansion of extra commodity services, distributed photovoltaic generation and a constant focus on maintaining the efficiency of the operations.

The development of power generation capacity from renewable sources will take place both internally in synergy with our assets, and by harvesting the investment opportunities associated with our strategic partnerships: the JV with Falck Renewables for expansion into the US market, the alliance with "CDP per l'Italia", entry into Norwegian offshore wind and participation in the Dogger Bank wind project in the British North Sea. The goal is to reach 4 GW of installed capacity by 2024 and 15 GW by 2030.

In addition to the development of power generation capacity from renewable sources, our decarbonization strategy will leverage the drivers of energy efficiency, forestry projects and the deployment of our negative emission technologies. Investments in the enhancement of gas and the digitalization of operations allow us to confirm our medium-term objectives of decarbonization of the upstream with the elimination of routine gas sent to process flaring and a reduction of 43% of the emission intensity relative to fully-operated productions from 2025 onwards. We are convinced that forest conservation can make an important contribution to the climate objectives of the Paris Agreement as well as the UN SDGs.

In this context, a series of projects are currently being sanctioned in Africa, Central-South America and South-East Asia which, when fully operational over the next ten years, will guarantee a portfolio of emission credits that will offset more than 6 mmtonnes of CO_2 by 2024 and more than 20 mmtonnes by 2030, the latter target based on the need of zeroing the Scope 1 and 2 emissions of our upstream sector by 2030 (calculated referring to production based on Eni's working interest) and to contribute to offsetting the emissions from other sectors.

The projects at a pre-development stage related to geological carbon capture storage/reuse (CCS/CCU) are the fruit of our core expertise in geology and our research laboratory for innovative solutions for the benefit of the climate. We estimate a potential for avoided emissions through geological capture or re-utilization corresponding to approximately 15 MTPA by 2030 (7 MTPA net to Eni) when our ongoing initiatives will be brought at scale, including the large operated projects such as CCS Adriatic Blue at Ravenna and Liverpool Bay in the UK where we will leverage our existing infrastructures and depleted fields, as well as the CO_2 biofixation and mineralization CCU projects, to obtain valuable products expected to be launched on a pilot scale respectively in 2022-2023 at our hubs in Gela and Ravenna.

Another driver of growth and improvement of our carbon footprint will be the circular economy projects in which we will invest a significant amount of resources. The main initiatives will concern the ramp-up of chemical production from mechanical recycling of used plastics, the construction of a pilot plant for the chemical recycling of Plasmix and the construction with start-up in 2024 in the Porto Marghera hub of an industrial plant for the treatment of solid urban waste with the obtainment of bio-oil for manufacturing green diesel, based on our proprietary Waste-to-Fuel technology. In addition, in Ravenna, in a depleted and cleaned-up site owned by the Company, we will build a supply chain in collaboration with Herambiente for the circular treatment of waste from environmental and industrial activities with ramp-up up to 60 ktonnes/year, with a clear improvement in sustainability and emissions.

Overall, in the next four years we expect a capex program of approximately €27 billion, of which approximately 20% relating to the business of the future (renewables and decarbonization/circular economy projects). Given the conservative scenario of a subdued recovery in the price of Brent oil up to 60 $/barrel in 2023-2024, we expect to generate approximately €44 billion of operating cash flow before working capital to cover planned capex, working capital needs and the floor dividend, leaving a progressively wider margin of discretionary cash flow to support the variable component of the dividend and to retain a strong balance sheet.

Based on the Company's outlook and profitability prospects, we are able to improve the remuneration policy which provides for a floor dividend of €0.36 per share conditioned upon a Brent average of at least 43 $/barrel in the reference year, compared to the previously set threshold of 45 $/barrel, while a variable dividend is expected to be paid as an increasing percentage from 30 to 45% of the free cash flow generated in a scenario between 43 and 65 $/barrel. In addition, a €300 million/year buy-back program will be reactivated with a Brent price between 56 and 60 $/barrel, a lower level than the previous activation threshold. The buy-back will rise to €400 million/year from 61 $/barrel and to €800 million/year from 66 $/barrel, as already planned.

In conclusion, after having successfully managed the global crisis of the sector in 2020 thanks to the quality of our assets and the ability of the organization to adapt and react, Eni is now ready to face the challenges of the next decade, of the post-pandemic recovery and the energy transition, being able to count on a clear vision of the future evolution of the Company, robust emission targets consistent with the Paris agreements and a well-defined path of growth in decarbonized products, as well as a progressive reduction of the weight of fossil fuels in the production portfolio. Proprietary technologies, business integration, digitalization and our competences will be the driving force behind this evolution.

Finally, we would like to express particular thanks to the women and men of Eni who, despite the challenges of a dramatic year, have demonstrated, working remotely or at our production hubs, great teamwork, sense of duty and ability to adapt, guaranteeing the stability of the operations and reliability in supplies to communities, our customers and civil society ensuring continuity in a time of great upheaval.

March 18, 2021

Lucia Calvosa
Chairman

Claudio Descalzi
Chief Executive Officer and General Manager