

# Letter to shareholders



**Lucia Calvosa**  
Presidente



**Claudio Descalzi**  
Chief Executive Officer  
and General Manager

Dear Shareholders,

Eni is following with great attention and deep condolences the dramatic events of the conflict in Ukraine and participates in the pain of people involved. Since 2014, when the international sanctions regime against Russia was applied, we have implemented a policy of progressive disengagement from upstream activities in the Country. Our current activities in Russia are immaterial, limited to the interest in the Blue Stream pipeline for the export of Russian gas to Turkey, of which we announced the divestment. In a context characterized by such magnitude geopolitical crisis and potential huge “disruptions” in the raw material markets, we are making great efforts with institutions and our partners to ensure the security of energy supplies to Italy and our customers around the world in order to guarantee the normal course of civil life and the economy.

In recent months, international gas supplies were regularly, thanks also to our diversified portfolio; in any case, our company is preparing to manage possible extreme scenarios, leveraging on the flexibility of gas supplies in our portfolio, on the availability of infrastructures and important volumes of LNG, on the long-term relations with producing Countries overlooking the Mediterranean area.

Looking at our results and what happened in 2021, our Company reacted quickly and decisively to the deep social and economic crisis caused by COVID-19 pandemic, accelerating the transformation of its business model for the leadership in the energy transition and pursue the carbon neutrality strategy by 2050.

Strong attention has been paid to safeguarding capital and financial solidity through discipline and redefinition of priorities in capital allocation.

With the mitigation of the health emergency followed by COVID-19 pandemic, the strong macroeconomic restart of 2021, progressively extended from Asia to Western countries, has driven the recovery of global oil & gas demand, rebounded synchronously in all the geographies.

This generated tensions on unresponsive supply due to lower investments in the upstream sector in the latest years, repropounding in all the critical issue of energy security.

In this framework, hydrocarbon prices reported a wide shoot with natural gas prices at an all-time high and at four-fold increases compared to 2020, while Brent prices increased by 70%. Leveraging on selective capex spending, cost reduction and portfolio optimizations, Eni has been able to seize the strengthening of the scenario, reporting excellent operational and financial results.

Eni reported an adjusted operating profit of €9.7 billion and an adjusted net profit of €4.3 billion. The robust adjusted cash generation of €12.7 billion easily funded organic capex (€5.8 billion) to maintain the production plateau and to boost renewable business growth, generating an organic free cash flow of €7.6 billion. Generated cash flows funded capex focused on business’ transition (€2.1 billion), dividends payment and buyback program (overall €2.8 billion) which returned to pre-pandemic levels and reduced net borrowings to €9 billion and leverage to 0.20 compared to 0.31 as of December 31, 2020.

Eni will continue to focus on financial discipline to limit cash neutrality currently at a Brent of 40 \$/bbl to cover organic capex and dividends, leveraging on technology to accelerate decarbonisation and exploit value from the portfolio restructuring, considering the imminent IPO of Plenitude’s retail & renewable business.

The upstream portfolio is confirmed to be an important lever of value creation for the energy

transition, as demonstrated, on the one hand, by the success of Vår Energi listing on the Norwegian stock exchange, the largest IPO of an O&G company in over a decade, and, on the other hand, the set up together with BP of a strategic vehicle in Angola, combining the operations of the two partners.

The public offering of Plenitude shares, of which we will retain control, is one of the strategic steps towards zero Scope 3 emissions associated to our retail customers. Plenitude will be structured as a financially autonomous entity to ensure a more efficient capital structure and will leverage a unique business model, resulting from the synergic combination of the retail customer portfolio, renewables and charging points for electric vehicles to accelerate the growth of green capacity by reducing its risk profile and increasing the market share. The new entity laid the foundation on a solid base of 10 million customers and over 2 GW of renewable capacity, installed and under construction.

In 2021, we significantly progressed in our path to decarbonization thanks to our pragmatic approach in addressing emissions reduction by enhancing existing technologies, assets and skills to offer immediately applicable industrial and economic solutions, while investing in "break-through" technologies able to change the energy paradigm in the long-term.

Together with the Commonwealth Fusion System, a spin-out company of MIT of which we are the main partner, we achieved a breakthrough result in testing superconductors for the confinement of the plasma from fusion, a technology that could represent a game changer in the decarbonization path, being potentially able to produce huge amounts of energy, safely, virtually inexhaustible and zero emissions. This achievement paves the way for the collection of net energy in a demonstration plant that we aim to build by 2025.

In the United Kingdom, the Eni-led HyNet integrated project for the transport, capture and storage of CO<sub>2</sub>, operated by a consortium of companies, has been granted access to priority public funding by the British authorities, as part of the Country's decarbonization plans. The start of activities is expected by 2025, allowing the access to a tariff-regulated business model.

The development of biofuels is one of the drivers of Eni's energy transition path based on the circular economy. This target leverages on our two distinctive biorefineries in Gela and Venice, characterized by cutting-edge proprietary technologies and steady product and process improvements.

In 2021, started the production of sustainable aviation fuels "SAF" (sustainable aviation fuels) from "UCO" raw materials (waste oils and other waste) not in competition with the food chain, by applying the proprietary technologies of traditional refining.

The production of SAF is expected to ramp-up with about 10 thousand tons/year through co-feeding of the oil-loaded plants with UCO, until the start-up in 2024 of the Eni Biojet project at the Gela biorefinery. This latter will allow to sale additional 150 thousand tons/year of SAF, being entirely produced from organic raw materials, able to meet the potential obligation of the Italian market for 2025.

We confirm our commitment for palm-free biofuels by 2023, thanks to our continuous process innovations and the entry into operation of the BTU unit at Gela which will be able to significantly expand the flexibility of feedstock processing chain. In 2021 we reduced by a third the incidence of palm oil.

In partnership with several African countries we operate in Angola, Benin, Congo, Ivory Coast, Mozambique, Kenya and Ruanda, we are progressing projects based on biofuels to decarbonize the local energy mix, through the set-up of integrated agro-biofeedstock supply chains to supply renewable feedstock to Eni biorefineries, without impacting the local food chain and promoting circular economy through the recovery and valorization of non strategic area. Furthermore these agreements will allow to create new jobs and to

foster local development. In addition, these projects will be supported by Eni research, also by leveraging on the agreement with the Bonifiche Ferraresi Group, aimed at establishing an equal joint venture for the development of agricultural research and experimentation projects of oil plant seeds to be used as feedstock in Eni's biorefineries.

The sustainability of industrial operations is combined with financial sustainability.

In 2021 we adopted a set of guidelines on sustainable funding on the capital market (Sustainability-Linked Financing Framework), the first in the world in the energy sector, providing for future financing contracts and derivative instruments a reward mechanism, where possible, according to the achievement of one or more decarbonization targets.

In application of this framework, in May 2021 we issued the first sustainability-linked bond in our sector, worth €1 billion at a very competitive cost, linked to the achievement of Net Carbon Footprint Upstream objectives (Scope 1 and 2) and the renewable installed capacity. The success of this operation reflects the credibility of our emission targets and our ability to create value through the energy transition.

The progress of our decarbonisation strategy and the excellence of Eni's sustainable performance are recognised and appreciated by financial markets and ESG investors.

Eni has been included among the top ten companies in Euronext's new MIB ESG index and has been confirmed as a leader in the main ESG ratings and specialist indices (MSCI, Sustainalytics, V.E, FTSE4Good Developed Index, World Benchmark Alliance), obtaining the Prime Status from the ISS ESG rating. Excellent results were also achieved in climate-focused indices (Climate Action 100+ Net Zero Benchmark, Carbon Tracker, Transition Pathway Initiative). Eni has been included for the first time in the Bloomberg's Gender-Equality Index (GEI), a market capitalization-weighted index monitoring the performance of listed companies committed to transparency in the reporting of gender data. The index, which includes 418 companies in 45 countries and regions, measures gender equality based on five pillars: female leadership and talent development, equal pay and gender pay, inclusive culture, anti-sexual harassment policies, and pro-women brands.

Eni's excellent 2021 results were driven by the robust performance of E&P segment, which reported an EBIT of €9.3 billion, six times that of 2020, with a production of 1.68 million boe/d, in line with our plans.

Exploration activity is a driver of growth and value creation for Eni. In 2021, we discovered 700 million boe of new resources at a competitive cost of 1.3 \$/boe. The main success of the year was the discovery of the giant Baleine in the deep offshore of the Ivory Coast, with a mineral potential of over 2 billion barrels of oil in place and about 2.4 trillion cubic feet (TCF) of associated gas.

It is set to be developed with a phased fast-track approach and will be the first development in Africa at net zero emissions (Scope 1 and 2). The importance of this discovery underpins any opportunities for early monetization through the application of the dual-exploration model. Exploration in areas close to producing assets (ILX – Infrastructure Led Exploration) continued to generate excellent returns in particular in Angola in Block 15/06 with a sequence of satellite discoveries, in 2021 those of Cabaca N and Cuica, able to maintain the plateau of the FPSO N'Goma operating the area, extending the useful life and cash flows. Other important proximity discoveries were those of Sayulita in Mexico's offshore Block 10, which boosts the area's commercial prospects, Eban, located offshore Ghana, CTP 4 block near the Sankofa production hub, and Maha's appraisal offshore Indonesia.

Our development phase creates value thanks to the integration with the exploration phase to maximize synergies with existing assets, the parallelization of activities and the fast-track approach including the start-up in early production and the subsequent ramp-up to reduce financial exposure. Leveraging this model, we will develop through the "fast track" approach, the Baleine field expected to start-up in 2023, while in 2021 the Cabaca N/Cuica discoveries in Angola, Merakes in Indonesia, Berkine in Algeria and Mahani in UAE were started up.

Eni's significant progress in reducing the time-to-market of reserves is underpinned by our Coral South flagship project, approved in 2017 just thirty-six months after the finalization of the exploratory campaign

and now close to completion with the launch of the FLNG (Floating Liquefied Natural Gas) unit, the first floating LNG plant, whose construction started in 2018 is aligned to the time schedules and budgets, despite the pandemic. The FLNG has reached the Rovuma Basin, off the coast of Mozambique, where it will be connected to underwater production wells by the second half of 2022 for first gas. The project will generate significant revenues for the country, and will create more than 800 new jobs during the operational period.

We intend to exploit value from our upstream portfolio through the set up with selected partners of autonomous corporate vehicles, with strategic value able to grow and generate returns for shareholders. Vår Energi, the JV established in 2018 by Eni and HitecVision, the largest independent company in the E&P sector in Norway records the validity and robustness of our model.

The JV has grown by about 30% since 2018, currently producing 245,000 boe and distributing a stable flow of dividends to shareholders.

The IPO on the Oslo Stock Exchange in February 2022 allowed us to monetize part of that unexpressed value. On the basis of the Vår Energi model we are progressing terms for establishing a JV with BP in Angola, which will combine the two partners' assets and will become the top player in the Country.

The Global Gas/LNG portfolio "GGP" segment also recorded a record year with an EBIT of almost €600 million, against the backdrop of a very complex scenario characterized by a tight supply of gas at a global level triggering unprecedented increases in spot prices at continental hubs, but with adverse trends as highlighted by the reversal of the spreads between the price of Italian gas compared to European prices. In this extreme volatile environment, the sector leveraged portfolio flexibilities and contractual renegotiations that underpinned the excellent 2021 performance.

The set-up of a JV with a strategic partner such as Snam for the management of supply backbones from Algeria is part of our strategy to exploit value from our asset portfolio by freeing up resources for the energy transition.

The R&M business faced one of the most challenging refining scenarios in history with negative margins throughout the year due to the delay in post-COVID recovery at key segments such as jet fuel and the significant increase in CO<sub>2</sub> costs. The good performance of the marketing activity and plants optimization allowed us to achieve a substantial breakeven. Thanks to the acquisition of the Italian operator FRI-EL, Eni entered the bioenergy sector and leveraging on the upgrading of the acquired assets, we expect to produce biomethane.

The Chemical business, through Versalis, reported a solid performance with an EBIT of about €200 million compared to a loss of the same amount in 2020, due to the increase in plant utilization rate granting greater availability of product in a phase of strong recovery of the petrochemical cycle with periods of tension on the supply side and very strong commodity margins.

We continued our strategy of repositioning the production mix reducing oil-linked petrochemicals by increasing exposure to the specialty and green chemical segments. In this context, we acquired the control of Finproject, consolidating our position in the field of applications of high-performance formulated polymers and compounding, less subject to commodity fluctuations, and acquired technologies and plants of Ecoplastic, a specialized company in the recovery chain of used plastics, with the aim of accelerating the growth of advanced mechanical recycling and expanding the range of polymers for recycling Versalis Revive®.

In 2022 we will launch the restructuring of the Porto Marghera site with the conversion into a hub for the production of plastics entirely obtained from recycled raw material. Proprietary technologies will play a key role in accelerating the "green" conversion of Versalis by reducing dependence on oil feedstock; among these, we focus on the chemical recycling of non-reusable plastics (HOOP technology), on the enhancement of forest biomass for the production of bioethanol and biogas (PROESA technology) in collaboration with qualified partners such as Saipem and BTS Biogas.

The Retail & Renewable segment managed by Plenitude achieved robust results with an Ebitda of €0.6

billion (+25% vs. 2020), a customer base of more than 10 million POD (+4% vs. December 31, 2020) and a renewable capacity installed/under construction of over 2 GW, well above the initial guidance for 2021, thanks to a number of targeted acquisitions of wind/PV plants in operation/under construction in Spain, France and Italy, also exploiting synergies deriving from our retail business in these Countries, the expansion in the USA and from organic growth. The acquired projects portfolio and the participation in all three A/B/C phases of the Dogger Bank offshore wind project in the North Sea allow us to revise upwards our installed capacity targets by 2025. Plenitude's products and services offer has been enriched with the entry into the segment of charging points for electric vehicles through the acquisition of BeCharge aiming at developing a network of around 30 thousand charging points by 2025. The partnership between Eni, BeCharge and Enel X for the interoperability of their respective charging networks will make our sustainable mobility strategy even more solid, giving all customers the opportunity to access the service in a simple and economical way, also including customers of the "eni Live Stations". In our service stations we intend to install by 2050 about 1,000 fast/ultra-fast charging points to make them more and more "mobility" point".

### Strategy and 2022-2025 industrial plan

Over the next four years, we expect Brent prices to be supported by current market dynamics, with demand recovering to pre-pandemic levels by 2022 and supply limited by production issues and financial discipline of international oil and gas companies. Eni forecasts 80 \$/bbl in 2022, 75 \$/bbl in 2023 and over on a stable price at 70 \$/bbl.

In the long-term, crude oil price is expected to grow in line with inflation until 2035, and then decline due to the progression of the energy transition. This scenario is subject to continuous monitoring in light of the unpredictable evolution of the crisis between Russia and Ukraine.

For the next four years we expect a capex plan of €28 billion (on average about €7 billion/year) that will be implemented according to our parameters of financial and operational discipline, in compliance with minimum profitability thresholds, ensuring the consistency of emission profiles with long-term decarbonization objectives and full funding through the operating cash flow. Organic free cash flow and proceeds from the divestment plan, mainly the IPO of Plenitude and Vår Energi, will allow us to maintain a robust capital structure and ensure competitive returns for our shareholders.

Our capital allocation processes take a further step towards the Paris objectives with a 25% share of the capex plan, compared to 20% of the previous plan, to strengthen renewable generation capacity, grow the circular economy of biofuels and green chemistry, "scale-up" of new energy solutions and services, as well as energy efficiency and decarbonize legacy assets.

We confirm the role of our two business groups in implementing distinct but synergic paths of execution of Eni's net zero emission strategy by 2050: Natural Resources business groups is committed to maximize value and decarbonize O&G assets; Energy Evolution business groups is engaged in the development of renewables and circular economy businesses and in the industrial transformation of legacy assets.

We expect to further improve our emission reduction targets. We are committing to go even further by reaching -35% by 2030 and -80% by 2040 in our net Absolute GHG Emissions (Scope 1+2+3) target, compared to -25% and -65% reduction set respectively in 2030 and 2040 in our previous strategic plan. Eni's Net Zero emission (Scope 1+2) has been set at 2035, anticipated of 5 years (compared to the previous 2040) expecting a new intermediate target of -40% vs. 2018 by 2025.

In line with these guidelines, the E&P segment will be managed to maximize operating cash flow while respecting financial discipline, to generate resources needed to fund the growth of the transition businesses and to remunerate shareholders, while developing solutions for capture and storage of CO<sub>2</sub> and Natural Climate Solutions initiatives to accelerate the achievement of the net zero target (Scope 1+2) of the business.

Exploration is a strategic pillar of Eni's decarbonization path. It plays a dual role: replacing produced

reserves and granting energy supplies that Eni will need in the transition phase and aligning our portfolio of resources to the production mix target and to medium/long-term emission profiles consistent with our net zero target by 2050.

The initiatives will be very selective to comply with the constraints of capital discipline with an average annual spending of about €0.4 billion of which 90% related to near-field initiatives with fast economic reward, while the remaining 10% allocated to selected high risk/high reward themes with a high share of operatorship to be monetized in case of significant successes through our dual exploration model.

Approximately €4 billion/year will be allocated to development activities. Hydrocarbon production is expected to increase by 3% per year over the plan period, up to 1.89 million boe/d by 2025 thanks to the contribution of the start-ups and ramp-ups planned in the four-year period. These increases added to the contribution of exploration of proximity will ensure about 800 kboe/d of new production, leveraging also on the optimizations to extend the useful life of fields and offset natural declines. In 2022, we plan the relevant start-up of Coral South LNG in Mozambique, while in 2023 we expect the start-up of Baleine in Ivory Coast and of the LNG project in Congo.

Our upstream decarbonization plan is going on: by 2025 it will reach 65% of net zero emissions (Scope 1 and 2) calculated on equity productions, set for 2030; confirmed the target of reducing emission intensity from operated production by 43% from 2014 thanks to planned energy efficiency actions, the zeroing of routine gas flaring by 2025 and operations optimizations. Furthermore, emissions offset will be reached through initiatives in the field of Natural Climate Solutions, whose carbon credits are certified from leading audit firms. On the basis of the contractual provisions of initiatives in progress, we estimate a progressive growth in emission credits to about 11 million tons by 2025.

Referring to CO<sub>2</sub> capture projects, in 2025 is expected the start-up of the HyNet cluster located in Liverpool Bay in the UK, the completion of the testing phase at Ravenna hub in 2023 and the evaluation/feasibility study of other storage hubs.

Leveraging on the synergies with our biorefining, we will develop on an industrial scale the agribusiness in certain partners countries in Africa, to produce crops to be applied as feedstock for HVO in compliance with the highest sustainability standards. Kenya and Congo are the countries in the start-up phase, where pilot projects have been started up at the beginning of 2022 and where are expected subsequent extensions of crops up to the production of over 170 thousand tons in 2025.

GGP, whose asset base will be simplified thanks to the partial divestment of entities managing the supply backbones from Algeria. Thus, leveraging a de-risky portfolio by mitigating exposure to the TTF vs. PSV spread (Northern European markets vs. Italy) due to the 2021 renegotiations and trading skills, generating stable and sustained EBIT and a robust cash flow. The other driver of value creation will be the growth in the LNG market following the increased equity availability (in Indonesia with the Merakes project and in Nigeria with the launch of new capacity at Bonny plant) and the maximization of the utilization rate of the Damietta equity plant, and targeting contracted volumes of over 15 MTPA of LNG.

Plenitude, leveraging on its financial and operational autonomy, will be one of the drivers of the Group's decarbonization path, reaching the net zero target emissions for its customers by 2040 thanks to the supply of gas and power from 100% renewable sources, bio or carbon neutral (hydrogen) and offsetting residual emissions with green certificates. The four-year plan foresees by 2025 over 11 million delivery points compared to the current 10 million, a three-fold increase in installed capacity to over 6 GW compared to 2022 and the expansion of the EV re-charging network up to around 30 thousand units by 2025. The driver of this development will be the integration between the production of renewable power and retail customers, in particular in the countries of co-presence, which will allow to maximize synergies with an always competitive and progressively greener offer.

The R&M business has defined a plan for the development of biorefining and the efficiency/optimization

of traditional assets and the evolution of the network toward a sustainable mobility. Biorefining capacity is expected to reach 2 million tonnes by 2025 thanks to the conversion of an extra-European traditional refinery in joint with other partners and the upgrading of the Venice plant. Another driver of value will be the conversion plan of acquired plants for the production of electricity from bioenergy into biomethane with the aim of injecting 200 mcm into the grid by 2025.

The sustainable mobility project will redesign our service stations transforming them into mobility hubs, combining traditional fuels with the offer for zero-emission vehicles: charging stations, innovative hydrogen fuels, bio lng, 100% HVO and battery replacement services for electric city cars. The service station will become a multi-service hub to respond to customer needs by leveraging partnerships with qualified operators (e-commerce, food & beverage, parking, rent-a-car, merchandise, cards).

Versalis will continue its transformation strategy to become a leading, diversified and sustainable chemical company, applying proprietary technologies for reconversion and growth. The traditional plant set up will be optimized and more efficient; the Porto Marghera hub will be converted into a production hub for mechanical recycling plastics thanks to the integration of Ecoplastic, as well as in an incubator of new businesses with the construction of the hydrogen IPA plant.

The specialization of Versalis portfolio will allow us to benefit from the strong growth expected in important segments for the energy transition (premium elastomers for EV, polyethylene grades for photovoltaics) and will be enhanced by the solid positioning in compounding, thanks to the integration of Finproject that we fully acquired last year.

Eni technologies will play a key role in supporting the decarbonisation process and business growth, contributing to create new attackable markets. One of the main action plan, will be the development of magnetic confinement fusion technology after the excellent results of 2021, with the aim of entering into operation SPARC by 2025, the first fusion plant in the world that will demonstrate net energy production, able to pave the way for the next commercial phase scheduled for the early 30s.

Other actions concern circular economy, with the launch of the HOOP plant for the chemical recycling of otherwise non-reusable plastics, the conversion of the wet fraction of waste into energy products (waste-to-fuels/chemicals/hydrogen), the application of the proprietary PROESA technology for the enhancement of forest biomass through conversion into bioethanol or biogas and new renewable technologies, such as wave-energy exploitation (ISWEC), CO<sub>2</sub> capture through biofixation by algae (mineralisation) and potential developments in the thermoelectric energy production with intrinsic capture of CO<sub>2</sub>. The R&D expenditure plan is about €1 billion over the four-year period.

Overall, the 2022-2025 action plan foresees a Group with robust fundamentals and growing profitability, thanks to the transformation strategy adopted to face the downturn which, on the one hand, increased the resilience of traditional businesses and their cash generation, and, on the other hand, laid the foundations for a phase of strong development of the transition business hinging on the integration of technologies, on new business models and on the close collaboration with our stakeholders.

The audience of our stakeholders will benefit from the Company's increasingly sustainable industrial action thanks to the progressive reduction of emissions, attention to local content, respect for human rights in the supply chain, the quality of our products/services and the continuous development programs of our people based on the enhancement of everyone's contribution and engagement.

Results expected in the next four years will make our carbon neutrality strategy to 2050 even more robust thanks to the growing visibility of intermediate targets and milestones. Financial discipline and selective spending, cost control and margin expansion initiatives will allow us to further contain cash neutrality and gain significant operating surplus of cash under our conservative Brent assumptions, which will fund the acceleration of green businesses growth, maintain strong balance sheet ratios and ensure competitive shareholder returns.

In view of the scale and complexity of the events surrounding the crisis between Russia and Ukraine, the immediate issue of energy security and supply stability is a crucial factor in the definition of strategies and operational plans in the near future.

At the end of a two-year period characterized, first, by a global crisis, then by a strong macroeconomic recovery, in an always challenging and uncertain context, the Company is stronger and more resilient, able to play a leading role in the economy transition process, and for all this, we give credit to the women and men of Eni who, never as in this period, have shown team culture, flexibility, toughness and ability to better implement our mission.

To all of them our heartfelt thanks.

Rome, March 17, 2022

On behalf of the Board of Directors

**Lucia Calvosa**  
Chairman



**Claudio Descalzi**  
Chief Executive Officer  
and General Manager

