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# Eni results for the third quarter and nine months of 2019

## Key operating and financial results[1]

| IIQ 2019 | | | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|---|
| 68.82 | Brent dated | $/bbl | 61.94 | 75.27 | (18) | 64.66 | 72.13 | (10) |
| 1.124 | Average EUR/USD exchange rate | | 1.112 | 1.163 | (4) | 1.124 | 1.194 | (6) |
| 61.25 | Brent dated | €/bbl | 55.70 | 64.72 | (14) | 57.54 | 60.41 | (5) |
| 178 | PSV | €/kcm | 131 | 280 | (53) | 175 | 255 | (31) |
| **1,834** | **Hydrocarbon production** | kboe/d | **1,888** | **1,803** | **5** | **1,854** | **1,844** | **1** |
| **2,279** | **Adjusted operating profit (loss) (a)** | € million | **2,159** | **3,304** | **(35)** | **6,792** | **8,248** | **(18)** |
| *2,140* | *of which: E&P* | | *2,141* | *3,095* | *(31)* | *6,589* | *7,922* | *(17)* |
| *46* | *G&P* | | *93* | *71* | *31* | *511* | *501* | *2* |
| *48* | *R&M and Chemicals* | | *145* | *93* | *56* | *138* | *237* | *(42)* |
| **562** | **Adjusted net profit (loss) (a)(b)** | | **776** | **1,388** | **(44)** | **2,330** | **3,133** | **(26)** |
| *0.16* | *per share - diluted (€)* | | *0.22* | *0.39* | | *0.65* | *0.87* | |
| **424** | **Net profit (loss) (b)** | | **523** | **1,529** | **(66)** | **2,039** | **3,727** | **(45)** |
| *0.12* | *per share - diluted (€)* | | *0.15* | *0.42* | | *0.57* | *1.03* | |
| **3,385** | **Net cash before changes in working capital at replacement cost (c)** | | **2,602** | **3,389** | **(23)** | **9,402** | **8,931** | **5** |
| **4,515** | **Net cash from operations** | | **2,055** | **4,102** | **(50)** | **8,667** | **9,322** | **(7)** |
| 1,915 | Net capital expenditure (d)(e) | | 1,791 | 1,820 | (2) | 5,580 | 5,515 | 1 |
| 7,869 | Net borrowings before lease liability ex IFRS 16 | | 12,709 | 9,005 | 41 | 12,709 | 9,005 | 41 |
| 13,591 | Net borrowings after lease liability ex IFRS 16 | | 18,517 | n.a. | | 18,517 | n.a. | |
| 51,006 | Shareholders' equity including non-controlling interest | | 51,471 | 50,868 | 1 | 51,471 | 50,868 | 1 |
| **0.15** | **Leverage before lease liability ex IFRS 16** | | **0.25** | **0.18** | | **0.25** | **0.18** | |
| **0.27** | **Leverage after lease liability ex IFRS 16** | | **0.36** | **n.a.** | | **0.36** | **n.a.** | |

(a) Non-GAAP measure. For further information see the paragraph "Non-GAAP measures" on page 19.
(b) Attributable to Eni's shareholders.
(c) Non-GAAP measure. Net cash provided by operating activities before changes in working capital excluding inventory holding gains or losses.
(d) Include capital contribution to equity accounted entities.
(e) Net of expenditures relating to reserves acquisition, purchase of minority interests and other non-organic items.

Yesterday, Eni's Board of Directors approved the Group results for the third quarter and the nine months of 2019 (unaudited). Commenting on the results, Claudio Descalzi, CEO of Eni, remarked:

*"Eni has delivered robust results in the quarter, while also finalizing the acquisition of Exxon's assets in Norway and a 20% stake in the Ruwais refinery in the UAE, providing a further boost to growth and stability. We achieved significant 6% growth in upstream production in the quarter, mainly from Egypt, Kazakhstan and Ghana, as well as first production from Mexico, just 11 months after the final investment decision was made. The growth in production and results from gas sales and oil marketing allowed us to generate significantly better cash flow of €9.4 billion in the first nine months of the year, despite an adverse trading environment. This is sufficient to cover not only the €5.6 billion in net investments during the period, but also the planned dividend and buy-back for the entire year, forecast at approximately €3.4 billion. This shows that Eni's efficient portfolio can achieve breakeven at prices well below current difficult conditions. In particular, in the third quarter Brent prices decreased by 13 $/barrel and European gas prices fell by over 50%, as the downward trend which began in 2018 gathered pace. From the end of the year, the acquisition in Norway, adding further production of around 100 thousand barrels per day, in addition to the stabilizing contribution from our stake in the Ruwais refinery, which will increase our current refining capacity by 35%, will contribute to the robustness of our results.*
*Finally, it is important to highlight the continued progress from our complementary businesses of the future, from bio-refineries to renewables and the first waste to fuel pilot plants, which draw on in-house research and will become more and more our "second exploration activity" in terms of new business generation.*
*On this basis, I am very confident in Eni's position as I look to the near future as well as to the medium and long-term transition."*

[1] Results of operations, cash flow and statement of financial position for the second and third quarter and nine months of 2019 included the effects of the new accounting standard IFRS 16 – Leases. Since as permitted by the standard the comparative periods have not been restated, to enable the users of this report to make a homogeneous comparison, the effect of IFRS 16 on the results of the second and third quarter and the nine months of 2019 have been disclosed with reference to the single items of the profit and loss, cash flow and statement of the financial position and as whole in the tables presented on pages 17-18.

# Highlights

## Exploration & Production

**Hydrocarbon production**

- **Strong growth in the third quarter: 1.89 million boe/d, up by 6%,** when excluding price and portfolio effects, the highest ever third quarter (1.85 million boe/d in the nine months, up by 1.8%);
- **Further production ramp-up anticipated in the fourth quarter**;
- **Added 240 kboe/d** from start-ups and ramp-ups in the nine-month period, with the bulk coming from Egypt, Libya, Ghana, Angola, Mexico and Algeria;
- **2019 main start-ups**:
  - **Area 1** offshore Mexico, started up in early production in just eleven months after the FID;
  - in Egypt, the **Baltim SW** gas project in the Great Nooros Area, in just nineteen months after the FID, and recent near-field oil discoveries in the **Melehia SW development area**;
  - **Trestakk** field in Norway and the **Berkine oil** field in Algeria.

**Portfolio**

- Vår Energi, the joint venture between Eni (70%) and HitecVision (30%), announced the acquisition of ExxonMobil's upstream assets in **Norway**, which are expected to produce 150 kboe/d in 2019, with a production target in excess of 350 kboe/d by 2023. The consideration of the transaction amounting to $4.5 billion will be funded by Vår Energi's own cash flows and dedicated credit lines. Closing is expected by the end of 2019 with accretive effects on the net cash flow.
- Signed agreements to divest exploration permits in **Kenya, Morocco** and **Mozambique** to **Qatar Petroleum.**
- Divested a 20% interest in the **Merakes** discovery to Neptune.

**Exploration**

- **Main successes**:
  - in the nine-month period approximately 650 mmboe of exploration equity resources were discovered;
  - in **Block 15/06** (Eni operator with a 36.8% interest) **offshore Angola**, since the beginning of the year, three discoveries have been made totaling five since the resumption of exploration in 2018. The cumulative resources found are pegged at 2 billion barrels of oil in place;
  - **Vietnam**: a gas and condensates discovery in the exploration permit Ken Bau, in the offshore Block 114 (Eni operator with a 50% interest);
  - **Niger Delta**: made a significant near-field discovery, already linked to production facilities, with a capacity of approximately 3 mmcm/d of gas and 3 kbbl/d of condensates;
  - **Offshore Ghana**: new gas and condensates discovery made in the CTP-Block 4 (Eni operator with a 42.47% interest), with estimated resources in place ranging between 550-650 bcf of gas and 18-20 mmbbl of associated condensate, representing a potential commercial discovery due to its proximity to existing production infrastructures;
  - **Norwegian North Sea**: new oil and gas discoveries in the PL 869 license participated by Vår Energi;
  - **Egypt**: a gas discovery in the Nour exploration licence (Eni operator with a 40% interest). Near-field discoveries in the Western Desert, the Nile Delta and in the Gulf of Suez which have already been linked to the production facilities.
- **Reloading the Eni's mineral interest portfolio**: in 2019, acquired new exploration areas covering

27,541 square kilometers in Algeria, Bahrain, Cyprus, Egypt, Ivory Coast, Kazakhstan, Mexico, Mozambique, Norway and the UAE.

- **Adjusted operating profit Exploration & Production**: €2.14 billion, down by 31% q-o-q; €6.59 billion in the nine months, down by 17%. Excluding the impact of the loss of control over Eni Norge on the 2018 results to allow a-like-for-like comparison, and net of scenario effects and IFRS 16 accounting, the adjusted operating profit increased by 12% in the quarter (up by 7% in the nine months), mainly due to production growth. A large portion of the scenario effects was driven by significantly lower gas prices, mainly in Europe, which negatively affected the result for €530 million in the quarter and €690 million in the nine months.

## Gas & Power

- **Retail business**: enlarged the customer base by approximately 130,000 delivery points in the nine months of 2019 due to growth in the power business and outside Italy; expected additional growth by the end of the year.
- **Adjusted operating profit G&P**: €93 million in the third quarter of 2019, up by 31% compared to the third quarter of 2018; €511 million in the nine months (up by 2%). The performance was mainly driven by optimizations of the gas assets portfolio in Europe which captured the high market volatility and by growth in the result of the retail business.

## Refining & Marketing and Chemicals

- Closed the **acquisition of 20% stake in ADNOC Refining** in Abu Dhabi, for a consideration of $3.24 billion, including the 20% of a Trading Joint Venture for oil products marketing to set-up. The transaction is part of Eni's strategy targeting geographical diversification of the portfolio in order to balance it along Eni's value chain, with a 35% increase in its refining capacity.
- In August 2019, **the Gela Green Refinery** started-up which is ramping up toward the target processing capacity of 750,000 tonnes per year.
- **Strong recovery in the R&M business results**: adjusted operating profit of €0.22 billion in the third quarter of 2019, representing a three-fold increase compared to a year-ago (up by 54% from the third quarter of 2018) due to a robust marketing performance in the peak demand period and a recovery in refining margins at simple throughputs as pointed out by trends in the Company's SERM[2], offset by a continued deterioration in price differentials between heavy crudes vs. the Brent crude. In the nine months, operating profit at €0.28 billion was up by 29% due to a better performance of marketing activity, while the refining business was affected by a weaker refining scenario for complex throughputs and unplanned refinery downtime.
- **Adjusted result of the Chemical business**: operating loss of €70 million in the third quarter in a persistent difficult environment. In the nine months the operating loss was €144 million, negatively affected by the scenario, the incident at the Priolo steam-cracker, and by unplanned shutdowns.

## Decarbonization and circular economy

- **Energy Solutions**, power generation from renewables: 42 MW of installed capacity as of September 30, 2019. The main initiatives of the quarter are specified below:
  - the acquisition of two construction-ready solar photovoltaic projects in the **Northern Territory of Australia**, 12.5 MW each at Batchelor and Manton sites, scheduled for completion by the third quarter of 2020;
  - a co-operation agreement with **Mainstream Renewable Power**, the wind and solar development company, to develop projects in high-growth markets;
  - an allotment to ArmWind LLP, joint venture between Eni and General Electric, of a project for a 48 MW wind farm in the **Northern Kazakhstan** following a reverse auction.

[2] SERM is the standard Eni refining margin. See page 9.

Began construction of the following plants:

- Badamsha, in **Kazakhstan**, a 50 MW wind farm;
- Porto Torres (Sassari), a 31 MW photovoltaic plant and a 18 MW plant at Volpiano (Turin), in **Italy**;
- Katherine, in Northern **Australia**, a 33.7 MW photovoltaic plant, equipped with a storage system;
- Tataouine, in Southern **Tunisia**, a 10 MW (Eni 50% interest) photovoltaic plant, and Adam, located near the homonymous oil concession, a 5 MW (Eni 50% interest) photovoltaic plant;
- Bhit in **Pakistan**, a 10 MW photovoltaic plant.

Installed generation capacity expected at 190 MW by year-end.

- Eni has been confirmed as a **Global Compact LEAD** participant, as a result of its ongoing commitment to the United Nations' Sustainable Development Goals (SDGs).
- Signed a number of MOUs to **develop circular economy projects**, targeting mainly the recycling of solid urban waste to convert it in bio-feedstock.
- Signed a joint declaration with the **United Nations Industrial Development Organization**, setting up an innovative public-private cooperation model aimed at enhancing the UN's SDGs.

## Group results

- **Adjusted operating profit**: €2.16 billion in the third quarter, down by 35% q-o-q (€6.79 billion in the nine months, down by 18%). Excluding the impact of the loss of control over Eni Norge on the 2018 results to allow a-like-for-like comparison, and net of scenario effects and IFRS 16 accounting, the Group adjusted operating profit decreased by 1% in the quarter (a 4% increase in the nine months).
- **Adjusted net profit**: €0.78 billion for the quarter, down by 44% q-o-q (down by 42% excluding IFRS 16 accounting effects); €2.33 billion in the nine months, down by 26% (down by 23% excluding IFRS 16 accounting effects).
- **Net profit**: €0.52 billion and €2.04 billion in the quarter and the nine months, respectively.
- **Cash flow before working capital at replacement cost**[3]: €2.6 billion (down by 23%) and €9.4 billion (up by 5%) in the third quarter and in the nine months of 2019, respectively (€2.4 billion in the quarter; €8.9 billion in the nine months of 2019 when excluding IFRS 16 accounting effects). Cash generation was negatively affected by lower gas prices, mainly in Europe, with an impact of €340 million in the quarter and €520 million in the nine months.
- **Cash flow provided by operating activities**: €2.06 billion in the third quarter (down by 50%); €8.67 billion in the nine months (down by 7%), which was negatively affected by an extraordinary payment to settle an arbitration outcome (€330 million).
- **Capital expenditure and investment, net**: €5.6 billion in the nine months, net of the acquisition of ADNOC Refining and hydrocarbons reserves (IFRS 16 effects were immaterial).
- **Net borrowings**: €12.7 billion before the effect of IFRS 16, up by 53% from 2018 year-end mainly due to the acquisition of a 20% interest in ADNOC Refining (€2.9 billion), net capex of €5.6 billion and cash returns to shareholders for €3.24 billion. Including IFRS 16, net borrowings was €18.5 billion, of which around €2 billion pertains to the share of lease liabilities attributable to joint operators in Eni-led upstream project.
- **Leverage**: 0.25 before the effect of IFRS 16, higher than the values at December 31, 2018 (0.16) and June 30, 2019 (0.15) having accounted for the acquisition of a 20% interest in ADNOC Refining, net capex and cash returns to shareholders. Including IFRS 16, leverage was 0.36, or 0.32 excluding the share of lease liabilities attributable to E&P joint operators.
- **Buy-back**: the buy-back program of Eni's shares started at June 5, 2019; as of September 30, 2019 16.2 million of shares have been repurchased for a total consideration of €229 million.

[3] See table on page 14.

# Outlook 2019

## Exploration & Production

**Hydrocarbon production**: reaffirmed the target of a production plateau in the range of 1.87 -1.88 mmboe/d, assuming a Brent price forecast of 62 $/bbl. The projected range assumes a degree of volatility in the Asian demand for LNG and in Venezuelan production. As previously anticipated, production growth has been faster in the third quarter which was nonetheless affected by residual maintenance activity. Production is expected to ramp-up further in the fourth quarter. New field start-ups and ramp-ups are projected to add approximately 250 kboe/d of new production in the year, mainly relating the Zohr field, the achievement of full production at fields started in 2018, particularly in Libya, Ghana and Angola, as well as the fields started in 2019, mainly the Area 1 oil project offshore Mexico, Baltim SW in Egypt, North Berkine in Algeria and the Trestakk project in Norway and other additions. Those increases are expected to more than offset mature field declines.

**Exploration resources**: equity additions for the year expected at 700 million boe.

## Gas & Power

**Operating profit**: expected at approximately €600 million.

**Portfolio of retail customers** projected to increase due to the development of the power business and activities outside Italy.

## Refining & Marketing and Chemicals

**Refinery breakeven margin expected at approximately 5.2 $/bbl in 2019** reflecting an unfavourable trading environment due to narrowing differentials between heavy/sour crudes and the light Brent crude and with the industrial system running below full operations. At the budget scenario and at full capacity, the breakeven margin would be 3.5 $/bbl at the end of 2019.

**R&M pro-forma operating profit (including the contribution of ADNOC Refining)**: revised down to €400 million, due to a further deterioration in the scenario for complex refineries in the third quarter, which has been stabilizing lately.

**Refinery throughputs on own account**: substantially unchanged.

**Green throughputs**: an increase expected due to the start-up of the Gela plant.

**Retail sales of refined products** seen as stable, in line with the market share in Italy.

**Petrochemical production volumes and sales**: expected to decline y-o-y due to the shutdown of the Priolo steam-cracker in the first quarter and fully in operation by the end of July, as well as other unplanned standstills. Sale volumes are expected to be significantly affected by a slowdown in demand from the automotive sector and by weaker demand of “single-use plastics”.

## Group

**Capex:** revised a slight decrease in the previous guidance of €8 billion for FY 2019 at the budget exchange rate of 1€=1.15 USD.

**Cash flow from operations before working capital at replacement cost**: confirmed guidance of approximately €12.8 billion at the budget scenario assumptions, before IFRS 16 effects.

**Cash neutrality**: organic capex and the dividend are expected to be fully funded by operating cash flows at the Brent scenario of 55 $/bbl before IFRS 16 effects, or 52 $/bbl including IFRS 16 effects.

## Business segments operating results

# Exploration & Production

### Production and prices

| IIQ 2019 | | | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|---|
| | **Production** | | | | | | | |
| 867 | Liquids | kbbl/d | 893 | 886 | 0.8 | 882 | 884 | (0.2) |
| 5,230 | Natural gas | mmcf/d | 5,379 | 5,008 | 7.0 | 5,256 | 5,241 | 0.7 |
| **1,834** | **Hydrocarbons [(a)(b)]** | kboe/d | **1,888** | **1,803** | **4.7** | **1,854** | **1,844** | **0.5** |
| | **Average realizations** | | | | | | | |
| 63.52 | Liquids | $/bbl | 56.90 | 69.99 | (19) | 59.34 | 66.95 | (11) |
| 4.90 | Natural gas | $/kcf | 4.49 | 5.73 | (22) | 4.99 | 4.90 | 2 |
| **45.18** | **Hydrocarbons** | $/boe | **40.99** | **51.85** | **(21)** | **43.57** | **47.29** | **(8)** |

(a) Cumulative daily production for the third quarter and the nine months 2019 includes approximately 8 kboe/d and 13 kboe/d respectively of volumes (mainly gas) as part of a long-term supply agreement to a state-owned national oil company, whereby the buyer has paid the price without lifting the underlying volume due to the take-or-pay clause. Management has estimated to be highly probable that the buyer will not redeem its contractual right to lift the pre-paid volumes within the contractual terms. The price collected on such volumes was recognized as revenue in the financial statements in accordance to IFRS 15 because the Company has satisfied its performance obligation under the contract.

(b) Effective January 1, 2019, the conversion rate of natural gas from cubic feet to boe has been updated to 1 barrel of oil = 5,408 cubic feet of gas (it was 1 barrel of oil = 5,458 cubic feet of gas). The effect on production has been 9 kboe/d in the nine months and in the third quarter of 2019. Data of the previous 2019 quarters have been restated accordingly. For further information see page 17.

- In the third quarter of 2019, **oil and natural gas production** averaged 1,888 kboe/d. Net of portfolio and price effect, production grew 6% over the year-ago quarter and 1.8% in the nine-month period. The comparison of the nine-month period was affected by the termination of the Intisar production contract in Libya from the third quarter of 2018; net of this, production in the nine-month period grew approximately 6%. Eni's production performance was driven by the ramp-up of the Zohr field and of other fields started in 2018, mainly in Libya, Angola and Ghana, and by the 2019 new project start-ups in Mexico, Egypt and Algeria. Other production increases were reported in Kazakhstan, Nigeria and the United Arab Emirates; lower maintenance activity also helped. New production from field ramp-up and start-up contributed 240 kboe/d in the nine-month period. These positives were partly offset by lower production in Indonesia due to a scale-down in activity reflecting a significant slowdown in gas demand in Asia, and in Venezuela due to the current situation in the Country, as well as mature fields decline, mainly in Italy.
- **Liquids production** (893 kbbl/d) increased by 7 kbbl/d from the third quarter of 2018 (882 kbbl/d in the nine months of 2019). Start-ups and ramp-ups of the period and production growth in Kazakhstan, Nigeria and in the United Arab Emirates were offset by facility shutdowns, lower production in Venezuela and mature fields decline.
- **Natural gas production** (5,379 mmcf/d) increased by 371 mmcf/d, or 7% compared to the third quarter of the previous year (5,256 mmcf/d in the nine months). Ramp-ups of the period were partly offset by lower production in Indonesia as well as by mature fields decline.

### Results

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|
| **2,136** | **Operating profit (loss)** | **2,162** | **3,220** | **(33)** | **6,587** | **7,788** | **(15)** |
| 4 | Exclusion of special items | (21) | (125) | | 2 | 134 | |
| **2,140** | **Adjusted operating profit (loss)** | **2,141** | **3,095** | **(31)** | **6,589** | **7,922** | **(17)** |
| (79) | Net finance (expense) income | (119) | (110) | | (322) | (429) | |
| 86 | Net income (expense) from investments | 50 | 53 | | 198 | 197 | |
| (1,415) | Income taxes | (1,267) | (1,649) | | (3,857) | (4,293) | |
| *65.9* | *tax rate (%)* | *61.1* | *54.3* | | *59.7* | *55.8* | |
| **732** | **Adjusted net profit (loss)** | **805** | **1,389** | **(42)** | **2,608** | **3,397** | **(23)** |
| | Results also include: | | | | | | |
| **189** | **Exploration expenses:** | **69** | **100** | **(31)** | **375** | **261** | **44** |
| 64 | - prospecting, geological and geophysical expenses | 66 | 58 | | 212 | 186 | |
| 125 | - write-off of unsuccessful wells | 3 | 42 | | 163 | 75 | |
| **1,676** | **Capital expenditure** | **1,559** | **1,575** | **(1)** | **5,221** | **5,636** | **(7)** |

- In the third quarter of 2019, the Exploration & Production segment reported an **adjusted operating profit** of €2,141 million, down by 31% q-o-q (€6,589 million in the nine months, down by 17%). When reviewing the segment's underlying performance, management identified the following trends: i) the prior year contribution from the former subsidiary Eni Norge which was merged with Point Resources to establish Vår Energi, an equity-accounted joint venture, fully operational since January 1, 2019, leading to the de-recognition of Eni Norge; ii) the IFRS 16 accounting effects which were recorded without restating the comparative periods; iii) the negative trading environment which was driven by lower crude oil prices in dollars (the marker Brent was down by 18% in the third quarter and by 10% in the nine months) and lower gas prices in all geographies, which negatively affected especially realized prices in European markets, while the appreciation of USD/EUR exchange rate (up by 4%) partly alleviated the impact of lower prices. Particularly, significantly lower gas prices, mainly in Europe, negatively affected the adjusted operating profit for €530 million in the quarter and €690 million in the nine months. Those effects took into account both lower realized prices of volumes of equity gas and lower reselling margins of Libyan gas volumes due a partner, which were marketed in Europe. The above-mentioned lower margin is excluded by the calculation of Eni's average realized gas prices disclosed in the table on page 6, because the realized prices are calculated only with reference to equity production. Excluding the above mentioned trends, the adjusted operating profit increased by 12% in the third quarter (up by 7% in the nine months) and was driven by a better volume/mix performance reflecting higher contribution of barrels with higher-than-average profitability, partly offset by higher amortization charges and, in the nine months, by bigger write-off expenses related to unsuccessful exploration wells. Operating profit included the result relating to certain hydrocarbon volumes, comprised in the production for the period, whereby the price was paid by the buyer without lifting the underlying volume due to the take-or-pay clause in a long-term supply agreement. Management has ascertained that it is highly likely that the buyer will not redeem its contractual right to lift the pre-paid volumes in future reporting periods within the contractual terms. On this basis, the price collected on such volumes was recognized as revenue in the financial statements as well as unit-of-production amortization charges and the related effect on income taxes.
- **Adjusted net profit** of €805 million decreased by 42% in the third quarter (€2,608 million, down by 23% compared to the nine months of 2018) due to decreased operating profit. In the nine months, this decrease was partly offset by higher finance income and gains from equity-accounted entities (up by €108 million) due to the share of the result of the joint venture Vår Energi (€38 million) and in last year's nine months, the write-off of financing receivables related to an unsuccessful exploration initiative executed by a joint venture in the Black Sea. The increase of the adjusted tax rate of 7 percentage points and 4 percentage points in the two reporting periods was due to a higher share of taxable profit reported in Countries with higher taxation.
  Cash tax rate at 30% in the third quarter and 29% in the nine-month period.

  For the disclosure on business segment special charges, see page 11.

# Gas & Power

## Sales

| IIQ 2019 | | | IIIQ 2019 | IIIQ 2018 | IIIQ % Ch. | Nine months 2019 | Nine months 2018 | Nine months % Ch. |
|---|---|---|---|---|---|---|---|---|
| **178** | **PSV** | €/kcm | **131** | **280** | **(53)** | **175** | **255** | **(31)** |
| **137** | **TTF** | | **108** | **260** | **(58)** | **146** | **237** | **(38)** |
| | **Natural gas sales** | bcm | | | | | | |
| 9.69 | Italy | | 8.72 | 9.22 | (5) | 29.18 | 30.18 | (3) |
| 5.97 | Rest of Europe | | 6.20 | 6.10 | 2 | 20.17 | 21.52 | (6) |
| *1.10* | *of which: Importers in Italy* | | *1.11* | *1.00* | 11 | *3.23* | *2.38* | *36* |
| *4.87* | *European markets* | | *5.09* | *5.10* | | *16.94* | *19.14* | *(11)* |
| 2.14 | Rest of World | | 1.93 | 2.15 | (10) | 6.63 | 6.29 | 5 |
| **17.80** | **Worldwide gas sales** | | **16.85** | **17.47** | **(4)** | **55.98** | **57.99** | **(3)** |
| *2.20* | *of which: LNG sales* | | *2.50* | *2.50* | | *7.40* | *7.90* | *(6)* |
| **9.25** | **Power sales** | TWh | **10.18** | **9.46** | **8** | **29.57** | **27.17** | **9** |

- In the third quarter of 2019, **natural gas sales** were 16.85 bcm, down by 4% from the third quarter of 2018 (55.98 bcm, down by 3% from the nine months of 2018). Sales in Italy were down by 5% to 8.72 bcm in the third quarter of 2019 (down by 3% to 29.18 bcm in the nine months) mainly due to lower sales to wholesalers and hub, partly offset by higher sales to thermoelectric and industrial segments. Sales in European markets amounted to 5.09 bcm, in line with the comparative period; in the nine months of 2019, sales decreased by 11% to 16.94 bcm, as result of portfolio optimizations.
- **Power sales** were 10.18 TWh in the third quarter of 2019 (29.57 TWh in the nine months of 2019) up by 8% and 9% in the two reporting periods respectively, due to higher spot sales.

## Results

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | IIIQ % Ch. | Nine months 2019 | Nine months 2018 | Nine months % Ch. |
|---|---|---|---|---|---|---|---|
| **95** | **Operating profit (loss)** | **(24)** | **21** | **..** | **429** | **576** | **(26)** |
| (49) | Exclusion of special items | 117 | 50 | | 82 | (75) | |
| **46** | **Adjusted operating profit (loss)** | **93** | **71** | **31** | **511** | **501** | **2** |
| *27* | *- Gas & LNG Marketing and Power* | *96* | *89* | *8* | *349* | *390* | *(11)* |
| *19* | *- Eni gas e luce* | *(3)* | *(18)* | *83* | *162* | *111* | *46* |
| (2) | Net finance (expense) income | (14) | 1 | | (25) | (5) | |
| (6) | Net income (expense) from investments | (18) | (9) | | (17) | 2 | |
| (17) | Income taxes | (15) | (33) | | (137) | (196) | |
| *44.7* | *tax rate (%)* | *24.6* | *52.4* | | *29.2* | *39.4* | |
| **21** | **Adjusted net profit (loss)** | **46** | **30** | **53** | **332** | **302** | **10** |
| **57** | **Capital expenditure** | **50** | **44** | **14** | **149** | **141** | **6** |

- In the third quarter of 2019, the Gas & Power segment reported an **adjusted operating profit** of €93 million (€511 million in the nine months; up by 2%) increasing by 31% from the third quarter of 2018, mainly due to the contribution of optimizations at the gas assets portfolio in Europe which benefitted of a highly-volatile environment. These positives were partly offset by the weaker LNG business result due to a lower pricing environment in Asia which affected margins and volumes. The retail business, in the traditional weak third quarter due to seasonality factors in gas consumption, reported nonetheless a remarkable performance improvement, which confirmed the trend already recorded in the previous two quarters leading to a 46% increase in operating profit y-o-y, driven by more effective commercial initiatives, a reduction in the churn rate in the power segment, higher extra-commodity revenues, and lower expenses.
- **Adjusted net profit** amounted to €46 million in the third quarter of 2019, up by €30 million or 53% q-o-q. In the nine months of 2019, adjusted net profit amounted to €332 million, up by 10% from the nine months of 2018.

For the disclosure on business segment special charges, see page 11.

# Refining & Marketing and Chemicals

## Production and sales

| IIQ 2019 | | | IIIQ 2019 | 2018 | % Ch. | Nine months 2019 | 2018 | % Ch. |
|---|---|---|---|---|---|---|---|---|
| **3.7** | **Standard Eni Refining Margin (SERM)** | $/bbl | **6.0** | **4.5** | **33** | **4.4** | **3.9** | **13** |
| 5.25 | Throughputs in Italy | mmtonnes | 5.65 | 5.23 | 8 | 15.84 | 15.58 | 2 |
| 0.38 | Throughputs in the rest of Europe | | 0.61 | 0.66 | (8) | 1.40 | 2.10 | (33) |
| **5.63** | **Total throughputs** | | **6.26** | **5.89** | **6** | **17.24** | **17.68** | **(2)** |
| 88 | Average refineries utilization rate | % | 94 | 91 | | 89 | 92 | |
| 20 | Green throughputs | ktonnes | 85 | 41 | .. | 185 | 166 | 11 |
| | **Marketing** | | | | | | | |
| **2.10** | **Retail sales in Europe** | mmtonnes | **2.19** | **2.20** | **..** | **6.23** | **6.29** | **(1)** |
| 1.48 | Retail sales in Italy | | 1.53 | 1.54 | .. | 4.39 | 4.42 | (1) |
| 0.62 | Retail sales in the rest of Europe | | 0.66 | 0.66 | | 1.84 | 1.87 | (2) |
| 23.9 | Retail market share in Italy | % | 23.7 | 24.0 | | 23.7 | 24.0 | |
| **2.57** | **Wholesale sales in Europe** | mmtonnes | **2.83** | **2.72** | **4** | **7.66** | **7.76** | **(1)** |
| 1.98 | Wholesale sales in Italy | | 2.07 | 1.98 | 5 | 5.75 | 5.55 | 4 |
| 0.59 | Wholesale sales in the rest of Europe | | 0.76 | 0.74 | 3 | 1.91 | 2.21 | (14) |
| | **Chemicals** | | | | | | | |
| **1.12** | **Sales of petrochemical products** | mmtonnes | **1.09** | **1.21** | **(10)** | **3.25** | **3.75** | **(13)** |
| 69 | Average plant utilization rate | % | 68 | 77 | | 68 | 79 | |

- In the third quarter of 2019, **Eni's Standard Refining Margin** – SERM – was 6 $/barrel, up by 33% compared to the third quarter of 2018 (4.4 $/barrel in the nine months of 2019), due to higher relative prices of products compared to the cost of the petroleum feedstock. In the third quarter of 2019 the trading environment for complex throughputs was negatively affected by the almost zeroing of price differentials between heavy/sour crudes and the Brent benchmark crude. There were positive signs in October as the gasoline and middle distillates crack spreads improved further and the discount of the heavy vs light crude recovered to 1 $/barrel.
- **Eni refining throughputs on own account** were 6.26 mmtonnes, up by 6% q-o-q, thanks to the lower maintenance standstills at Taranto and Milazzo plants and to higher volumes being processed by the Sannazzaro refinery. Those higher volumes were partly offset by an upset occurred at the Livorno refinery, as well as by the unavailability of the Vohburg plant (Bayernoil) following the incident occurred in September 2018. In the nine months of 2019 the throughputs amounted to 17.24 mmtonnes, down by 2%, due to the aforementioned unavailability as well as the standstill at the PCK refinery in Germany, driven by the reduced availability of Ural crude oil for the Druzhba pipeline contamination, and the lower throughputs at the Milazzo and Sannazzaro refineries, partially offset by higher volumes processed by the Taranto refinery.
- **Green throughputs** more than doubled from the third quarter of 2018, following the production start-up at the Gela biorefinery, achieved in August, partly offset by uneven performance at the Venice green refinery. In the nine months of 2019 volumes of produced biofuels increased by 11% from the comparative period, due to the aforementioned drivers as the quarter.
- **Retail sales in Italy** were 1.53 mmtonnes in line with the third quarter of 2018 (4.39 mmtonnes, almost unchanged from the nine months of 2018). The increase reported in the company-owned fuel stations was offset by reduction in the other segments. Retail sales in the premium segment increased. In the third quarter of 2019, Eni's retail market share was 23.7%, slightly lower q-o-q (24%) in a decreasing consumption environment.
- **Wholesale sales in Italy** were 2.07 mmtonnes, up by 5% q-o-q (5.75 mmtonnes in the nine months of 2019; up by 4%) mainly due to higher sales of gasoil, gasoline and bunkers.
- **Retail and wholesale sales in the rest of Europe** of 1.42 mmtonnes increased by 1% q-o-q (down by 8% in the nine months of 2019) mainly as a result of the higher volumes marketed in Austria and Switzerland, offset by lower sales in Germany due to the unavailability of the Bayernoil plant.
- **Sales of petrochemical products** of 1.09 mmtonnes decreased by 10% q-o-q mainly due to lower sales of intermediate commodities as result of weak demand in the automotive sector and as a consequence of the restrictions on "single-use plastics". In addition to a weak demand environment, the 13% decline in the nine-month period was affected by the incident that occurred at the Priolo hub at

the beginning of the year with a subsequent ramp-up to full operation achieved at the end of July and to other unscheduled standstills.

## Results

| IIQ | | IIIQ | | | Nine months | | |
|---|---|---|---|---|---|---|---|
| 2019 | (€ million) | 2019 | 2018 | % Ch. | 2019 | 2018 | % Ch. |
| **(52)** | **Operating profit (loss)** | **(68)** | **170** | **..** | **158** | **566** | **(72)** |
| (42) | Exclusion of inventory holding (gains) losses | 129 | (154) | | (315) | (513) | |
| 142 | Exclusion of special items | 84 | 77 | | 295 | 184 | |
| **48** | **Adjusted operating profit (loss)** | **145** | **93** | **56** | **138** | **237** | **(42)** |
| *76* | *- Refining & Marketing* | *215* | *140* | *54* | *282* | *219* | *29* |
| *(28)* | *- Chemicals* | *(70)* | *(47)* | *(49)* | *(144)* | *18* | *..* |
| (4) | Net finance (expense) income | (4) | (2) | | (4) | 9 | |
| (14) | Net income (expense) from investments | 2 | 2 | | 9 | 4 | |
| (22) | Income taxes | (56) | (36) | | (89) | (107) | |
| *73.3* | *tax rate (%)* | *39.2* | *38.7* | | *62.2* | *42.8* | |
| **8** | **Adjusted net profit (loss)** | **87** | **57** | **53** | **54** | **143** | **(62)** |
| **229** | **Capital expenditure** | **231** | **181** | **28** | **648** | **505** | **28** |

- In the third quarter of 2019, the **Refining & Marketing business** reported an **adjusted operating profit** of €215 million, an increase of 54% from the third quarter of 2018 (€282 million of adjusted operating profit in the nine months of 2019, up by 29% from the comparative period) leveraging on a strong marketing performance, mainly in the retail segment. The refining business experienced a certain recovery, notwithstanding a continued deterioration of the scenario for complex throughputs, driven by optimization of refinery set-up. In the nine months of 2019, the business reported a 29% increase, lower than the third quarter, because the refining business was negatively affected by significantly lower margins at complex throughputs, due to narrowing differentials between high-sulphur content crudes and the light Brent crude benchmark, which penalized the performance of high-conversion Eni's refineries, as well as by unplanned refinery downtime.
- Eni's **Chemical business** reported adjusted operating losses of €70 million and €144 million in the third quarter and in the nine months of 2019, respectively. These results were negatively affected by a depressed trading environment due to a slowdown in demand from the main customers, particularly the automotive sector, and by weaker demand of "single-use plastics". These drivers determined an unprofitable spread between product prices and feedstock costs mainly for polyethylene and a profitability decline in styrenics and elastomers. Furthermore, operating performance was negatively affected by the incident that occurred at the Priolo hub, which was fully operational by the end of July, with loss of revenues and additional expenses for restarting activities, and by other unplanned shutdowns.
- **Adjusted net result** was €87 million in the third quarter of 2019, up by 53% q-o-q, due to an improved operating performance in the Refining & Marketing business. In the nine months of 2019, adjusted net profit amounted to €54 million, down by 62% from the nine months of 2018.

For the disclosure on business segment special charges, see page 11.

# Group results

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|
| **18,440** | **Net sales from operations** | **16,686** | **19,695** | **(15)** | **53,666** | **55,766** | **(4)** |
| **2,231** | **Operating profit (loss)** | **1,861** | **3,449** | **(46)** | **6,610** | **8,487** | **(22)** |
| (74) | Exclusion of inventory holding (gains) losses | 109 | (153) | | (237) | (507) | |
| 122 | Exclusion of special items [a] | 189 | 8 | | 419 | 268 | |
| **2,279** | **Adjusted operating profit (loss)** | **2,159** | **3,304** | **(35)** | **6,792** | **8,248** | **(18)** |
| | Breakdown by segment: | | | | | | |
| *2,140* | *Exploration & Production* | *2,141* | *3,095* | *(31)* | *6,589* | *7,922* | *(17)* |
| *46* | *Gas & Power* | *93* | *71* | *31* | *511* | *501* | *2* |
| *48* | *Refining & Marketing and Chemicals* | *145* | *93* | *56* | *138* | *237* | *(42)* |
| *(127)* | *Corporate and other activities* | *(149)* | *(102)* | *(46)* | *(413)* | *(433)* | *5* |
| *172* | *Impact of unrealized intragroup profit elimination and other consolidation adjustments* [b] | *(71)* | *147* | | *(33)* | *21* | |
| **424** | **Net profit (loss) attributable to Eni's shareholders** | **523** | **1,529** | **(66)** | **2,039** | **3,727** | **(45)** |
| (52) | Exclusion of inventory holding (gains) losses | 77 | (108) | | (167) | (359) | |
| 190 | Exclusion of special items [a] | 176 | (33) | | 458 | (235) | |
| **562** | **Adjusted net profit (loss) attributable to Eni's shareholders** | **776** | **1,388** | **(44)** | **2,330** | **3,133** | **(26)** |

(a) For further information see table "Breakdown of special items".

(b) Unrealized intragroup profit elimination mainly pertained to intra-group sales of commodities and services recorded in the assets of the purchasing business segment as of the end of the period.

## Adjusted results

- In the third quarter of 2019, the **adjusted operating profit** of €2,159 million decreased by 35% q-o-q (€6,792 million in the nine months, down by 18%) due to a weakened trading environment and the loss of control of Eni Norge following the Vår Energi deal. **Excluding on a-like-for-like comparison the effect of the deal and net of scenario and IFRS 16 impacts, the adjusted operating profit decreased by 1%** (a 4% increase in the nine months). Particularly, significantly lower gas prices, mainly in Europe, negatively affected the adjusted operating profit for €530 million in the quarter and €690 million in the nine months.
  The improvement in the underlying performance was driven by higher E&P volumes and the rising contribution of barrels with higher-than-average profitability, a stronger performance of the refined products marketing activity and improved results of the G&P segment due to the optimization of the gas assets portfolio in Europe and solid execution at gas retail activities.

- In the third quarter of 2019, the **adjusted net result** of €776 million decreased by 44% q-o-q, affected by declining operating performance partly offset by lower finance expenses due to one-off finance incomes. In the nine months 2019, adjusted net profit of €2,330 million was down by 26%. Adjusted tax rate was 61% in the third quarter (63% in the nine months), increasing by 6 percentage points q-o-q (up by 5 percentage points in the nine months) due to a higher share of taxable incomes reported by the Exploration & Production segment in Countries subject to higher-than-average tax rates.

## Special items

The breakdown by segment of **special items of operating profit** (net charges of €189 million in the third quarter; €419 million in the nine months) is the following:

- **E&P**: reported net gains of €21 million in the quarter (net charges of €2 million in the nine months) related to: net gains on the divestment of certain oil&gas properties, cost reimbursement following the divestment of an interest in the Nour field (€15 million in the nine months) and other gains, partly offset by an allowance for doubtful accounts as part of a dispute to recover credits for investments due by a State counterparty to align the recoverable amount with the expected outcome of an ongoing renegotiation (€37 million), the impairment of certain assets to align the book value to fair value (€26 million in the nine months) as well as risk provisions;
- **G&P**: net charges of €117 million in the quarter (€82 million in the nine months) due to a loss given by the difference between the change in gas inventories accounted under the weighted-average cost method provided by IFRS and management's own measure of inventories which moves forward at the

time of inventory drawdown the margins captured on volumes in inventories above their normal levels leveraging the seasonal spread in gas prices net of the effects of the associated commodity derivatives (€34 million in the quarter and €185 million in the nine months), as well as the reclassification to adjusted operating profit of the positive balance of €85 million (€125 million in the nine months) 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. Those changes were partly offset gains related to fair-valued commodity derivatives that lacked the formal criteria to be accounted as hedges under IFRS (gains of €18 million and €233 million respectively in the third quarter and in the nine months).

- **R&M and Chemical**: net charges of €84 million in the quarter (€295 million in the nine months) relating to an impairment loss recorded at the Sannazzaro refinery driven by a revised management outlook for trends in the relative prices of heavy/sour crude vs. the Brent benchmark leading to the projections of lower margins for complex throughputs, as well as the write-down of capital expenditure made in the period at certain Cash Generating Units in the R&M business, which were impaired in previous reporting periods and continued to lack any profitability prospects (€315 million in the nine months), environmental provisions (€35 million and €120 million, respectively in the third quarter and the nine months), partly offset by an insurance compensation (€169 million) relating to the EST plant at the Sannazzaro refinery.

## Reported results

In the nine months of 2019, **net profit attributable to Eni's shareholders** was €2,039 million compared to €3,727 million in the same period of 2018 (down by 45%). The reported operating profit (€6,610 million) decreased by 22% or approximately €1.9 billion mainly due to the declining operating performance of the E&P segment (down by €1.2 billion) due to lower Brent prices (down by 10%) and gas prices in Europe (mainly the spot price in Italy "PSV" declined by 50%), as well as the de-recognition of the former subsidiary, Eni Norge, which was involved in the business combination leading to the establishment of the equity-accounted entity, Vår Energi. The appreciation of the US dollar vs. the Euro helped mitigate the impact of lower prices.

The Refining & Marketing and Chemical segment also reported declining results (down by €0.4 billion) due to the effect of lower prices on the inventory evaluation at the weighted average cost method, a weaker refining scenario, mainly for complex refineries, the downturn in the chemical products' demand which was reflected in the lower margins of main commodities, as well as lower utilization rates of refineries and chemical plants due to certain incidents and unplanned standstills. These trends were partly offset by the increased hydrocarbons production, the good performance in the marketing of oil products and the improved results of the G&P segment which benefitted from the optimization of the gas assets portfolio in Europe and the growth in the retail business driven by most effective and efficient commercial actions.

Net profit also benefitted from higher finance income (up by €206 million) reflecting certain gains on currency translation effects on an intercompany capital reimbursement, as well as the fact that the nine months of 2018 result was negatively affected by the write-off of financing receivables taken in connection with an unsuccessful exploration project in the Black Sea.

The nine-month profit was negatively affected by lower net income from investments (down by €345 million) as a result of a write-up of €429 million made in Angola LNG equity accounted entity in the same period of 2018, as well as a 13 percentage point increase in the Group tax rate.

The adoption of IFRS 16 determined a €180 million improvement in the reported operating profit due to fees for the rental of assets no longer being recognized as an expense, partly offset by the recognition of the amortization of the right-of-use assets, equal to the present value of the lease liabilities. Instead, net profit decreased by €81 million as the improved operating profit was more than offset by interest charges accrued on the lease liabilities. This was due to the fact that amortization charges of the ROU asset are calculated based on the straight-line method, whereas interest expense on the lease liability accrues proportionally to the amount of the financial liability.

## Net borrowings and cash flow from operations

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | IIIQ Change | Nine months 2019 | Nine months 2018 | Nine months Change |
|---|---|---|---|---|---|---|---|
| **425** | **Net profit (loss)** | **524** | **1,530** | **(1,006)** | **2,044** | **3,735** | **(1,691)** |
| | *Adjustments to reconcile net profit (loss) to net cash provided by operating activities:* | | | | | | |
| 2,330 | - depreciation, depletion and amortization and other non monetary items | 1,962 | 1,911 | 51 | 6,246 | 5,574 | 672 |
| (21) | - net gains on disposal of assets | (18) | (19) | 1 | (44) | (437) | 393 |
| 1,701 | - dividends, interests and taxes | 1,483 | 1,846 | (363) | 4,666 | 4,629 | 37 |
| 1,056 | Changes in working capital related to operations | (438) | 560 | (998) | (972) | (116) | (856) |
| 625 | Dividends received by equity investments | 72 | 60 | 12 | 1,227 | 160 | 1,067 |
| (1,363) | Taxes paid | (1,220) | (1,620) | 400 | (3,736) | (3,754) | 18 |
| (238) | Interests (paid) received | (310) | (166) | (144) | (764) | (469) | (295) |
| **4,515** | **Net cash provided by operating activities** | **2,055** | **4,102** | **(2,047)** | **8,667** | **9,322** | **(655)** |
| (1,997) | Capital expenditure | (1,899) | (1,830) | (69) | (6,135) | (6,332) | 197 |
| (21) | Investments | (2,931) | (26) | (2,905) | (2,982) | (157) | (2,825) |
| 32 | Disposal of consolidated subsidiaries, businesses, tangible and intangible assets and investments | 192 | 95 | 97 | 230 | 1,356 | (1,126) |
| (27) | Other cash flow related to capital expenditure, investments and disposals | (117) | 46 | (163) | (76) | 739 | (815) |
| **2,502** | **Free cash flow** | **(2,700)** | **2,387** | **(5,087)** | **(296)** | **4,928** | **(5,224)** |
| (57) | Borrowings (repayment) of debt related to financing activities [a] | (31) | (45) | 14 | (153) | (104) | (49) |
| (453) | Changes in short and long-term financial debt | (1,432) | 2,064 | (3,496) | (2,095) | 1,090 | (3,185) |
| (167) | Repayment of lease liabilities | (255) | | (255) | (652) | | (652) |
| (1,525) | Dividends paid and changes in non-controlling interests and reserves | (1,719) | (1,510) | (209) | (3,244) | (2,953) | (291) |
| (6) | Effect of changes in consolidation, exchange differences and cash and cash equivalent | 16 | 5 | 11 | 18 | 17 | 1 |
| **294** | **NET CASH FLOW** | **(6,121)** | **2,901** | **(9,022)** | **(6,422)** | **2,978** | **(9,400)** |

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | IIIQ Change | Nine months 2019 | Nine months 2018 | Nine months Change |
|---|---|---|---|---|---|---|---|
| **2,502** | **Free cash flow** | **(2,700)** | **2,387** | **(5,087)** | **(296)** | **4,928** | **(5,224)** |
| (167) | Repayment of lease liabilities | (255) | | (255) | (652) | | (652) |
| | Net borrowings of acquired companies | | | | | (2) | 2 |
| | Net borrowings of divested companies | 13 | | 13 | 13 | (5) | 18 |
| (1) | Exchange differences on net borrowings and other changes | (179) | 15 | (194) | (241) | (57) | (184) |
| (1,525) | Dividends paid and changes in non-controlling interest and reserves | (1,719) | (1,510) | (209) | (3,244) | (2,953) | (291) |
| **809** | **CHANGE IN NET BORROWINGS BEFORE LEASE LIABILITIES** | **(4,840)** | **892** | **(5,732)** | **(4,420)** | **1,911** | **(6,331)** |
| (13) | IFRS 16 first application effect | | | | (5,759) | | (5,759) |
| 167 | Repayment of lease liabilities | 255 | | 255 | 652 | | 652 |
| (58) | New leases subscription of the period and other changes | (341) | | (341) | (701) | | (701) |
| **96** | **Change in lease liabilities** | **(86)** | | **(86)** | **(5,808)** | | **(5,808)** |
| **905** | **CHANGE IN NET BORROWINGS** | **(4,926)** | **892** | **(5,818)** | **(10,228)** | **1,911** | **(12,139)** |

[a] See note (a) of the Group cash flow statement.

**Net cash provided by operating activities** amounted to €8,667 million in the nine months of 2019 (€2,055 million in the third quarter). The working capital absorbed funds (approximately €1 billion in the nine months and €0.4 billion in the third quarter) because of a lower amount of receivables due in subsequent reporting periods divested to financing institutions compared to the amount divested in fourth quarter 2018 (down by €363 million; down by €244 million of lower divested receivables in the third quarter) and a cash settlement (€330 million) related to the outcome of an arbitration provisioned in the financial statements 2018. Net cash provided by operating activities included a dividend amounting to approximately €1,047 million paid by the JV Vår Energi.

**Net cash before changes in working capital at replacement cost** was €9,402 million (€2,602 million in the third quarter). Cash generation was negatively affected by lower gas prices, mainly in Europe, with an impact of €340 million in the quarter and €520 million in the nine months.

Following the adoption of IFRS 16, net cash provided by operating activities improved by €498 million as a result of the reimbursement of the principal of lease fees pertaining to assets hired in connection to operating activities that are no longer part of the operating cash outflows, but are now part of the cash flow from financing activities.

**Cash outflows for expenditures and investments** were €9,117 million, including the acquisition of hydrocarbons reserves mainly in Alaska and Algeria and other non-organic items for an overall amount of €650 million and the consideration for the acquisition of a 20% interest in ADNOC Refining (€2.9 billion).

Following the adoption of IFRS 16, these cash outflows improved by €154 million as a result of the reimbursement of the principal of lease fees, which are incurred in relation to the hire of equipment used

in connection with a capital project, no longer being recognized among the cash outflows of investing activities, but are now instead part of the cash flow from financing activities.
The free cash flow for the nine months benefitted from a favorable €652 million effect due to the adoption of IFRS 16.
The line item "**Dividends paid and other changes in non-controlling interests and reserves**" (€3,244 million) related mainly to the payment of dividends to Eni's shareholders (€3,018 million including the 2018 balance dividend and the 2019 interim dividend) and to own share repurchases (€222 million) in line with the buyback program adopted by management as part of the authorization set by Eni's Shareholders Meeting on May 14, 2019, which foresees a maximum cash out of €400 million and up to 67 million shares for the year 2019.
In the nine months 2019, net cash provided by operating activities financed only part of the cash outflows related to organic investments and equity and reserves acquisitions, which resulted in a negative free cash flow of approximately €296 million. When considering the shareholders' remuneration of €3.24 billion, the payment of lease liabilities (€652 million) and other minor components, net borrowings increased by approximately €4.4 billion, before IFRS 16 impacts.

*IFRS 16 impacts on cash flow statement*

(€ million)

| Nine months 2019 | After IFRS 16 adoption | IFRS 16 impact | Before IFRS 16 adoption |
|---|---|---|---|
| **Net cash before changes in working capital at replacement cost [(a)]** | **9,402** | (525) | **8,877** |
| **Changes in working capital at replacement cost [(a)]** | **(735)** | 27 | **(708)** |
| **Net cash provided by operating activities** | **8,667** | (498) | **8,169** |
| **Capital expenditure** | **(6,135)** | (154) | **(6,289)** |
| **Free cash flow** | **(296)** | (652) | **(948)** |
| **Cash flow from financing activity** | **(5,991)** | 652 | **(5,339)** |
| **Net cash flow** | **(6,422)** | | **(6,422)** |

(a) Excluding from changes in working capital as reported in the cash flow statement (-€972 million) the increase in stock profit due to price effect amounting to €237 million (-€972 million + €237 million = €735 million). Consistently, net cash before changes in working capital at replacement cost excludes the stock profit.

(€ million)

| Third Quarter 2019 | After IFRS 16 adoption | IFRS 16 impact | Before IFRS 16 adoption |
|---|---|---|---|
| **Net cash before changes in working capital at replacement cost [(a)]** | **2,602** | (171) | **2,431** |
| **Changes in working capital at replacement cost [(a)]** | **(547)** | (35) | **(582)** |
| **Net cash provided by operating activities** | **2,055** | (206) | **1,849** |
| **Capital expenditure** | **(1,899)** | (49) | **(1,948)** |
| **Free cash flow** | **(2,700)** | (255) | **(2,955)** |
| **Cash flow from financing activity** | **(3,406)** | 255 | **(3,151)** |
| **Net cash flow** | **(6,121)** | | **(6,121)** |

(a) Excluding from changes in working capital as reported in the cash flow statement (-€438 million) the increase in stock loss due to price effect amounting to €109 million (-€438 million - €109 million= €547 million). Consistently, net cash before changes in working capital at replacement cost excludes the stock profit.

## Summarized Group Balance Sheet

| (€ million) | Sept. 30, 2019 | Impact of IFRS 16 adoption as of January 1, 2019 | Dec. 31, 2018 | Change |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Property, plant and equipment | 63,697 | | 60,302 | 3,395 |
| Right of use | 5,569 | 5,643 | | 5,569 |
| Intangible assets | 3,189 | | 3,170 | 19 |
| Inventories - Compulsory stock | 1,332 | | 1,217 | 115 |
| Equity-accounted investments and other investments | 10,152 | | 7,963 | 2,189 |
| Receivables and securities held for operating purposes | 1,504 | | 1,314 | 190 |
| Net payables related to capital expenditure | (2,498) | | (2,399) | (99) |
| | **82,945** | **5,643** | **71,567** | **11,378** |
| **Net working capital** | | | | |
| Inventories | 4,679 | | 4,651 | 28 |
| Trade receivables | 8,711 | | 9,520 | (809) |
| Trade payables | (9,759) | 128 | (11,645) | 1,886 |
| Tax payables and provisions for, net deferred tax liabilities | (2,028) | | (1,104) | (924) |
| Provisions | (12,708) | | (11,886) | (822) |
| Other current assets and liabilities | (721) | (12) | (860) | 139 |
| | **(11,826)** | **116** | **(11,324)** | **(502)** |
| **Provisions for employee post-retirements benefits** | **(1,151)** | | **(1,117)** | **(34)** |
| **Assets held for sale including related liabilities** | **20** | | **236** | **(216)** |
| **CAPITAL EMPLOYED, NET** | **69,988** | **5,759** | **59,362** | **10,626** |
| Eni's shareholders equity | 51,413 | | 51,016 | 397 |
| Non-controlling interest | 58 | | 57 | 1 |
| **Shareholders' equity** | **51,471** | | **51,073** | **398** |
| **Net borrowings before lease liabilities ex IFRS 16** | **12,709** | | **8,289** | **4,420** |
| **Lease liabilities** | **5,808** | **5,759** | | **5,808** |
| - of which Eni working interest | 3,782 | 3,730 | | 3,782 |
| - of which Joint operators' working interest | 2,026 | 2,029 | | 2,026 |
| **Net borrowings** | **18,517** | **5,759** | **8,289** | **10,228** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **69,988** | **5,759** | **59,362** | **10,626** |
| **Leverage before lease liability ex IFRS 16** | **0.25** | | **0.16** | **0.09** |
| **Leverage after lease liability ex IFRS 16** | **0.36** | | **n.a.** | |
| **Gearing** | **0.26** | | **0.14** | **0.12** |

- As of September 30, 2019, **fixed assets** increased by €11,378 million to €82,945 million mainly due to the initial recognition of the right-of-use asset for €5,643 million following the adoption of IFRS 16, as well as the accounting of the acquisition of a 20% interest in ADNOC Refining (€2,886 million), which was finalized in July 2019. Furthermore, the increase in the property, plant and equipment line (up by €3,395 million) reflected capex for the period (€6,135 million), foreign currency translation effects, and upward revision of asset retirement obligations. These were partly offset by amortization, depletion, impairments and write-offs (€6,417 million) recorded in the period.
- **Net working capital** (-€11,826 million) decreased by €502 million due to increased tax payables as a result of the recognition of income taxes in the period, and higher provisions, partly offset by the reduced balance of trade payables and liabilities.
- **Shareholders' equity** (€51,471 million) increased by €398 million compared to December 31, 2018. Net profit for the period and the increase in foreign currency translation differences (€1,801 million) were offset by the remuneration of Eni's shareholders (€3,018 million related to the 2018 balance dividend and the 2019 interim dividend), a negative change in the fair value of the cash flow hedge reserve (-€318 million) as well as the impact of the share buy-back (-€229 million).
- **Net borrowings**[4] as of September 30, 2019 were €18,517 million and increased by €10,228 million from 2018. This increase was driven by the initial recognition of the lease liabilities upon the adoption

[4] Details on net borrowings are furnished on page 27.

of IFRS 16, which amounted to €5,759 million and included the reclassification of €128 million for certain trade payables due in connection with the hiring of assets, which were outstanding as of January 1, 2019. The effect of the adoption of IFRS 16 on the Group net borrowings totalled approximately €2 billion, driven by lease liabilities pertaining to joint operators in Eni-led upstream unincorporated joint ventures, which will be recovered through a partner-billing process (see the paragraph Transition to IFRS 16 on page 17). Excluding the overall impact of the adoption of IFRS 16, net borrowings were re-determined at €12,709 million, increasing by €4,420 million compared to December 31, 2018.

- **Leverage**[5] – the ratio of the borrowings to total equity - was 0.36 at September 30, 2019, due to the increase in net borrowings driven by the adoption of IFRS 16. The impact of the lease liability pertaining to joint operators in Eni-led upstream unincorporated joint ventures weighted on leverage for approximately 4 points. Excluding altogether the impact of IFRS 16, leverage would be 0.25.

[5] Non-GAAP financial measures and other alternative performance indicators disclosed throughout this press release 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 "Non-GAAP measures" of this press release. See pages 19 and subsequent.

## *Other information, basis of presentation and disclaimer*

This press release on Eni's results of the third quarter of 2019 and the nine months of 2019 has been prepared on a voluntary basis according to article 82-ter, Regulations on issuers (Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and inclusions). The disclosure of results and business trends on a quarterly basis is consistent with Eni's policy to provide the market and investors with regular information about the Company's financial and industrial performances and business prospects considering the reporting policy followed by oil&gas peers who are communicating results on quarterly basis.

Results and cash flow are presented for the second and third quarter of 2019, the nine months of 2019 and for the third quarter and the nine months of 2018. Information on the Company's financial position relates to end of the periods as of September 30, 2019 and December 31, 2018. Accounts set forth herein have been prepared in accordance with the evaluation and recognition criteria set by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002. Except for the adoption of IFRS 16 described below, these criteria are unchanged from the 2018 Annual Report on Form 20-F filed with the US SEC on April 5, 2019, which investors are urged to read, excepted for the adoption of IFRS 16 and amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures", with the latter being immaterial.

Effective January 1, 2019, Eni has updated the conversion rate of gas produced to 5,408 cubic feet of gas equals 1 barrel of oil (it was 5,458 cubic feet of gas per barrel in previous reporting periods). This update reflected changes in Eni's gas properties that took place in the last three years and was assessed by collecting data on the heating power of gas in Eni's gas fields currently on stream. The effect of this update on production expressed in boe was 9 kboe/d for the nine months and the third quarter. For the sake of comparability also production of the first and the second quarter of 2019 was restated resulting in an effect equal to that of the third quarter. Other per-boe indicators were only marginally affected by the update (e.g. realized prices, costs per boe) and also negligible was the impact on depletion charges. Other oil companies may use different conversion rates.

**Transition to IFRS 16**

Effective January 1 2019, Eni has adopted the new accounting standard "IFRS 16 – Leases", which has replaced IAS 17. IFRS 16 defines a lease as a contract that conveys to the lessee the right to control the use of an identified asset for a period of time in exchange for consideration. The new IFRS eliminates the classification of leases as either operating leases or finance leases for the preparation of lessees' financial statements.

On initial application, Eni elected to adopt the modified retrospective approach, by recognizing the cumulative effect of initially applying the new standard as an adjustment to the opening balance at January 1, 2019, without restating the comparative information. Furthermore, management opted to not reassess each contract existing at January 1, 2019, by applying IFRS 16 to all contracts previously identified as leases (under IAS 17 and IFRIC 4), while not applying IFRS 16 to the contracts that were not previously identified as leases.

The accounting of the new standard applies to all leases that have a lease term of more than 12 months and requires:

- in the balance sheet, to recognize a right-of-use asset, that represents a lessee's right to use an underlying asset (RoU asset), and a lease liability, that represents the lessee's obligation to make the contractual lease payments;
- in the profit and loss account, to recognize, within operating costs, the depreciation charges of the right-of-use asset and, within finance expense, the interest expense on the lease liability, if not capitalized, rather than recognizing the operating lease payments within operating costs under IAS 17, effective until year 2018. The depreciation charges of the right-of-use asset and the interest expense on the lease liability directly attributable to the construction of an asset are capitalized as part of the cost of such asset and subsequently recognised in the profit and loss account through depreciation, impairments or write-off, mainly in the case of exploration assets. Moreover, the profit and loss account will include: (i) the lease expenses relating to short-term leases or leases of low-value assets, as allowed under the simplified approach provided for by IFRS 16; and (ii) the variable lease payments that are not included in the measurement of the lease liability (e.g., payments based on the use of the underlying asset);
- in the statement of cash flows, to recognize cash payments for the principal portion of the lease liability within the net cash used in financing activities and interest expenses within the net cash provided by operating activities, if they are recognized in the profit and loss account, or within the net cash used in investing activities if they are capitalized as referred to leased assets that are used for the construction of other assets. Consequently, compared with the requirements of IAS 17 related to operating leases, the adoption of IFRS 16 was determined a significant impact in the statement of cash flows, by determining: (a) an improvement of the net cash provided by operating activities, which no longer includes the operating lease payments, not capitalized, but only includes the cash payments for the interest portion of the lease liability that are not capitalised; (b) an improvement of the net cash used in investing activities, which no longer includes capitalized lease payments, but only includes cash payments for the capitalized interest portion of the lease liability; and (c) a worsening in the net cash used in financing activities, which includes cash payments for the principal portion of the lease liability.

Activities in the Exploration & Production segment are often carried out through unincorporated joint operations, managed by one of the partners (the operator), which has the responsibility to carry out the operations and the approved work programmes. When the operator enters into a lease contract as the sole signatory, the operator manages the lease contract, makes lease payments to the lessor and recovers the share of lease expenses pertaining to the joint operators through a partner billing process. On this regard, the indications of the IFRS Interpretations Committee (hereinafter also the IFRIC) issued in September 2018 apply, which were confirmed at its March 2019 meeting. In particular, the IFRIC indicated that, in the case of unincorporated joint operations, the operator recognises the entire lease liability, as, by signing the contract, it has primary responsibility for the liability towards the third-party supplier. Therefore, if, based on the contractual provisions and any other relevant facts and circumstances, Eni has primary responsibility, it recognises in the balance sheet: (i) the entire lease liability and (ii) the entire RoU asset, unless there is a sublease with the joint operators. On the other hand, if the lease contract is signed by all the partners of the venture, Eni recognises its share of the RoU asset and lease liability based on its working interest. If Eni does not have primary responsibility for the lease liability, it does not recognise any RoU asset or lease liability related to the lease contract.

Follows the impact of the IFRS 16 adoption on Eni's consolidated financial statements:

| | Nine months 2019 | | |
|---|---|---|---|
| | Profit and loss account | | |
| (€ million) | before IFRS 16 | IFRS 16 effects | GAAP results |
| **Purchases, services and other** | **(39,744)** | **770** | **(38,974)** |
| **Depreciation, depletion and amortization** | **(5,303)** | **(590)** | **(5,893)** |
| **Operating profit** | **6,430** | **180** | **6,610** |
| **Finance expense and income taxes** | **(6,986)** | **(261)** | **(7,247)** |
| **Net profit** | **2,125** | **(81)** | **2,044** |

| (€ million) | January 1, 2019<br>Balance Sheet<br>before IFRS 16 opening balance | IFRS 16 effects | GAAP results |
|---|---|---|---|
| **Fixed assets** | 71,567 | 5,643 | 77,210 |
| **Net working capital** | (11,324) | 116 | (11,208) |
| **Net borrowings** | 8,289 | 5,759 | 14,048 |
| **Shareholders' equity** | 51,073 | | 51,073 |
| **Leverage** | 0.16 | | 0.28 |

| (€ million) | Nine months 2019<br>Cash Flow<br>before IFRS 16 | IFRS 16 effects | GAAP results |
|---|---|---|---|
| **Cash Flow From Operations (FFO)** | 8,169 | 498 | 8,667 |
| **Capital expenditure** | (6,289) | 154 | (6,135) |
| **Free Cash Flow (FCF)** | (948) | 652 | (296) |
| **Cash Flow From Financing, net (CFFF)** | (5,339) | (652) | (5,991) |
| **Net Cash Flow** | (6,422) | | (6,422) |

Further details are furnished in the note N.4 "Accounting principles recently enacted" of the Notes to the Consolidated Financial Statements included in the Annual Report on Form 20 F.

* * *

Non-GAAP financial measures and other alternative performance indicators disclosed throughout this press release 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 (Non-GAAP measures)" of this press release.

*Eni's Chief Financial Officer, Massimo Mondazzi, in his position as manager responsible for the preparation of the Company's financial reports, certifies that data and information disclosed in this press release correspond to the Company's evidence and accounting books and records, pursuant to rule 154-bis paragraph 2 of Legislative Decree No. 58/1998.*

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This press release for the third quarter and nine months of 2019 (unaudited) is also available on Eni's website eni.com.

# Alternative performance measures (Non-GAAP measures)

Management evaluates underlying business performance on the basis of Non-GAAP financial measures, not determined in accordance with IFRS ("Alternative performance measures"), such as adjusted operating profit and adjusted net profit, which are arrived at by excluding from reported operating profit and net profit certain gains and losses, defined special items, which include, among others, asset impairments, gains on disposals, risk provisions, restructuring charges and, in determining the business segments' adjusted results, finance charges on finance debt and interest income (see below). In determining adjusted results, also inventory holding gains or losses are excluded from base business performance, which 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, except in those business segments where inventories are utilized as a lever to optimize margins. Management is disclosing Non-GAAP measures of performance 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; or (iii) 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. Those items 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 exchange rate market. 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. Also, special items allow to allocate to future reporting periods gains and losses on re-measurement at fair value of certain non-hedging commodity derivatives and exchange rate derivatives relating to commercial exposures, lacking the criteria to be designed as hedges, including the ineffective portion of cash flow hedges and certain derivative financial instruments embedded in the pricing formula of long-term gas supply agreements of the Exploration & Production segment.

***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.

***Adjusted net cash before changes in working capital***
Adjusted net cash is defined as net cash provided from operating activities before changes in working capital at replacement cost and excluding certain non-recurring charges.

***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. Financial activities are qualified as "not related to operations" when these are not strictly related to the business operations.

**Reconciliation tables of Non-GAAP results to the most comparable measures of financial performance determined in accordance to GAAPs**

(€ million)

| Third Quarter 2019 | Exploration & Production | Gas & Power | Refining & Marketing and Chemicals | Corporate and other activities | Impact of unrealized intragroup profit elimination | GROUP |
|---|---|---|---|---|---|---|
| **Reported operating profit (loss)** | **2,162** | **(24)** | **(68)** | **(158)** | **(51)** | **1,861** |
| Exclusion of inventory holding (gains) losses | | | 129 | | (20) | 109 |
| **Exclusion of special items:** | | | | | | |
| environmental charges | | | 35 | 41 | | 76 |
| impairment losses (impairment reversals), net | 4 | | 28 | 1 | | 33 |
| net gains on disposal of assets | (1) | | | | | (1) |
| risk provisions | 2 | | (20) | 23 | | 5 |
| provision for redundancy incentives | 6 | 1 | 7 | 2 | | 16 |
| commodity derivatives | | (18) | (11) | | | (29) |
| exchange rate differences and derivatives | | 85 | 1 | | | 86 |
| other | (32) | 49 | 44 | (58) | | 3 |
| **Special items of operating profit (loss)** | **(21)** | **117** | **84** | **9** | | **189** |
| **Adjusted operating profit (loss)** | **2,141** | **93** | **145** | **(149)** | **(71)** | **2,159** |
| Net finance (expense) income [(a)] | (119) | (14) | (4) | (49) | | (186) |
| Net income (expense) from investments [(a)] | 50 | (18) | 2 | 8 | | 42 |
| Income taxes [(a)] | (1,267) | (15) | (56) | 76 | 24 | (1,238) |
| *Tax rate (%)* | *61.1* | *24.6* | *39.2* | | | *61.4* |
| **Adjusted net profit (loss)** | **805** | **46** | **87** | **(114)** | **(47)** | **777** |
| *of which:* | | | | | | |
| - Adjusted net profit (loss) of non-controlling interest | | | | | | 1 |
| **- Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **776** |
| **Reported net profit (loss) attributable to Eni's shareholders** | | | | | | **523** |
| Exclusion of inventory holding (gains) losses | | | | | | 77 |
| Exclusion of special items | | | | | | 176 |
| **Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **776** |

(a) Excluding special items.

(€ million)

| Third Quarter 2018 | Exploration & Production | Gas & Power | Refining & Marketing and Chemicals | Corporate and other activities | Impact of unrealized intragroup profit elimination | GROUP |
|---|---|---|---|---|---|---|
| **Reported operating profit (loss)** | **3,220** | **21** | **170** | **(108)** | **146** | **3,449** |
| Exclusion of inventory holding (gains) losses | | | (154) | | 1 | (153) |
| **Exclusion of special items:** | | | | | | |
| environmental charges | 47 | | 41 | | | 88 |
| impairment losses (impairment reversals), net | 5 | | 35 | 1 | | 41 |
| net gains on disposal of assets | (5) | | (2) | (1) | | (8) |
| risk provisions | 8 | | (1) | | | 7 |
| provision for redundancy incentives | 5 | 119 | 5 | 2 | | 131 |
| commodity derivatives | | (69) | (8) | | | (77) |
| exchange rate differences and derivatives | (13) | 40 | (2) | | | 25 |
| other | (172) | (40) | 9 | 4 | | (199) |
| **Special items of operating profit (loss)** | **(125)** | **50** | **77** | **6** | | **8** |
| **Adjusted operating profit (loss)** | **3,095** | **71** | **93** | **(102)** | **147** | **3,304** |
| Net finance (expense) income [(a)] | (110) | 1 | (2) | (149) | | (260) |
| Net income (expense) from investments [(a)] | 53 | (9) | 2 | 3 | | 49 |
| Income taxes [(a)] | (1,649) | (33) | (36) | 48 | (34) | (1,704) |
| *Tax rate (%)* | *54.3* | *52.4* | *38.7* | | | *55.1* |
| **Adjusted net profit (loss)** | **1,389** | **30** | **57** | **(200)** | **113** | **1,389** |
| *of which:* | | | | | | |
| - Adjusted net profit (loss) of non-controlling interest | | | | | | 1 |
| **- Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **1,388** |
| **Reported net profit (loss) attributable to Eni's shareholders** | | | | | | **1,529** |
| Exclusion of inventory holding (gains) losses | | | | | | (108) |
| Exclusion of special items | | | | | | (33) |
| **Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **1,388** |

(a) Excluding special items.

(€ million)

| Nine months 2019 | Exploration & Production | Gas & Power | Refining & Marketing and Chemicals | Corporate and other activities | Impact of unrealized intragroup profit elimination | GROUP |
|---|---|---|---|---|---|---|
| **Reported operating profit (loss)** | **6,587** | **429** | **158** | **(453)** | **(111)** | **6,610** |
| Exclusion of inventory holding (gains) losses | | | (315) | | 78 | (237) |
| **Exclusion of special items:** | | | | | | |
| environmental charges | | | 120 | 32 | | 152 |
| impairment losses (impairment reversals), net | 26 | | 315 | 3 | | 344 |
| net gains on disposal of assets | (21) | | (3) | | | (24) |
| risk provisions | (10) | | | 21 | | 11 |
| provision for redundancy incentives | 9 | 4 | 8 | 4 | | 25 |
| commodity derivatives | | (233) | (7) | | | (240) |
| exchange rate differences and derivatives | 6 | 125 | 2 | | | 133 |
| other | (8) | 186 | (140) | (20) | | 18 |
| **Special items of operating profit (loss)** | **2** | **82** | **295** | **40** | | **419** |
| **Adjusted operating profit (loss)** | **6,589** | **511** | **138** | **(413)** | **(33)** | **6,792** |
| Net finance (expense) income [(a)] | (322) | (25) | (4) | (380) | | (731) |
| Net income (expense) from investments [(a)] | 198 | (17) | 9 | 25 | | 215 |
| Income taxes [(a)] | (3,857) | (137) | (89) | 139 | 3 | (3,941) |
| *Tax rate (%)* | *59.7* | *29.2* | *62.2* | | | *62.8* |
| **Adjusted net profit (loss)** | **2,608** | **332** | **54** | **(629)** | **(30)** | **2,335** |
| *of which:* | | | | | | |
| - Adjusted net profit (loss) of non-controlling interest | | | | | | 5 |
| **- Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **2,330** |
| **Reported net profit (loss) attributable to Eni's shareholders** | | | | | | **2,039** |
| Exclusion of inventory holding (gains) losses | | | | | | (167) |
| Exclusion of special items | | | | | | 458 |
| **Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **2,330** |

(a) Excluding special items.

(€ million)

| Nine months 2018 | Exploration & Production | Gas & Power | Refining & Marketing and Chemicals | Corporate and other activities | Impact of unrealized intragroup profit elimination | GROUP |
|---|---|---|---|---|---|---|
| **Reported operating profit (loss)** | **7,788** | **576** | **566** | **(458)** | **15** | **8,487** |
| Exclusion of inventory holding (gains) losses | | | (513) | | 6 | (507) |
| **Exclusion of special items:** | | | | | | |
| environmental charges | 110 | | 120 | 10 | | 240 |
| impairment losses (impairment reversals), net | 63 | 6 | 70 | 4 | | 143 |
| net gains on disposal of assets | (423) | | (9) | (1) | | (433) |
| risk provisions | 351 | | (1) | 6 | | 356 |
| provision for redundancy incentives | 8 | 123 | 6 | (1) | | 136 |
| commodity derivatives | | (239) | (15) | | | (254) |
| exchange rate differences and derivatives | (11) | 77 | (1) | | | 65 |
| other | 36 | (42) | 14 | 7 | | 15 |
| **Special items of operating profit (loss)** | **134** | **(75)** | **184** | **25** | | **268** |
| **Adjusted operating profit (loss)** | **7,922** | **501** | **237** | **(433)** | **21** | **8,248** |
| Net finance (expense) income [(a)] | (429) | (5) | 9 | (483) | | (908) |
| Net income (expense) from investments [(a)] | 197 | 2 | 4 | 5 | | 208 |
| Income taxes [(a)] | (4,293) | (196) | (107) | 182 | 7 | (4,407) |
| *Tax rate (%)* | *55.8* | *39.4* | *42.8* | | | *58.4* |
| **Adjusted net profit (loss)** | **3,397** | **302** | **143** | **(729)** | **28** | **3,141** |
| *of which:* | | | | | | |
| - Adjusted net profit (loss) of non-controlling interest | | | | | | 8 |
| **- Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **3,133** |
| **Reported net profit (loss) attributable to Eni's shareholders** | | | | | | **3,727** |
| Exclusion of inventory holding (gains) losses | | | | | | (359) |
| Exclusion of special items | | | | | | (235) |
| **Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **3,133** |

(a) Excluding special items.

(€ million)

| Second Quarter 2019 | Exploration & Production | Gas & Power | Refining & Marketing and Chemicals | Corporate and other activities | Impact of unrealized intragroup profit elimination | GROUP |
|---|---|---|---|---|---|---|
| **Reported operating profit (loss)** | **2,136** | **95** | **(52)** | **(152)** | **204** | **2,231** |
| Exclusion of inventory holding (gains) losses | | | (42) | | (32) | (74) |
| **Exclusion of special items:** | | | | | | |
| environmental charges | | | 45 | (9) | | 36 |
| impairment losses (impairment reversals), net | 10 | | 270 | | | 280 |
| net gains on disposal of assets | (17) | | (1) | | | (18) |
| risk provisions | (12) | | 20 | (2) | | 6 |
| provision for redundancy incentives | 2 | 3 | (1) | (1) | | 3 |
| commodity derivatives | | (94) | 8 | | | (86) |
| exchange rate differences and derivatives | 5 | 7 | (3) | | | 9 |
| other | 16 | 35 | (196) | 37 | | (108) |
| **Special items of operating profit (loss)** | **4** | **(49)** | **142** | **25** | | **122** |
| **Adjusted operating profit (loss)** | **2,140** | **46** | **48** | **(127)** | **172** | **2,279** |
| Net finance (expense) income [(a)] | (79) | (2) | (4) | (188) | | (273) |
| Net income (expense) from investments [(a)] | 86 | (6) | (14) | 8 | | 74 |
| Income taxes [(a)] | (1,415) | (17) | (22) | (5) | (58) | (1,517) |
| *Tax rate (%)* | *65.9* | *44.7* | *73.3* | | | *72.9* |
| **Adjusted net profit (loss)** | **732** | **21** | **8** | **(312)** | **114** | **563** |
| *of which:* | | | | | | |
| - Adjusted net profit (loss) of non-controlling interest | | | | | | 1 |
| **- Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **562** |
| **Reported net profit (loss) attributable to Eni's shareholders** | | | | | | **424** |
| Exclusion of inventory holding (gains) losses | | | | | | (52) |
| Exclusion of special items | | | | | | 190 |
| **Adjusted net profit (loss) attributable to Eni's shareholders** | | | | | | **562** |

(a) Excluding special items.

## Breakdown of special items

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|
| 36 | Environmental charges | 76 | 88 | 152 | 240 |
| 280 | Impairment losses (impairment reversals), net | 33 | 41 | 344 | 143 |
| (18) | Net gains on disposal of assets | (1) | (8) | (24) | (433) |
| 6 | Risk provisions | 5 | 7 | 11 | 356 |
| 3 | Provisions for redundancy incentives | 16 | 131 | 25 | 136 |
| (86) | Commodity derivatives | (29) | (77) | (240) | (254) |
| 9 | Exchange rate differences and derivatives | 86 | 25 | 133 | 65 |
| | Reinstatement of Eni Norge amortization charges | | (173) | | (173) |
| (108) | Other | 3 | (26) | 18 | 188 |
| **122** | **Special items of operating profit (loss)** | **189** | **8** | **419** | **268** |
| **43** | **Net finance (income) expense** | **(86)** | **(23)** | **(79)** | **(50)** |
| | *of which:* | | | | |
| *(9)* | *- exchange rate differences and derivatives reclassified to operating profit (loss)* | *(86)* | *(25)* | *(133)* | *(65)* |
| **25** | **Net income (expense) from investments** | **(31)** | **(41)** | **(4)** | **(356)** |
| | *of which:* | | | | |
| | *- impairment/revaluation of equity investments* | | *(30)* | | *(351)* |
| | **Income taxes** | **104** | **23** | **122** | **(97)** |
| | *of which:* | | | | |
| *9* | *- net impairment of deferred tax assets of Italian subsidiaries* | *89* | *(38)* | *98* | *(111)* |
| *(9)* | *- taxes on special items of operating profit and other special items* | *15* | *61* | *24* | *14* |
| **190** | **Total special items of net profit (loss)** | **176** | **(33)** | **458** | **(235)** |

# Analysis of Profit and Loss account items

## Net sales from operations

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|
| 5,850 | Exploration & Production | 5,908 | 7,158 | (17) | 17,432 | 18,982 | (8) |
| 13,153 | Gas & Power | 11,485 | 14,153 | (19) | 38,646 | 40,930 | (6) |
| 6,140 | Refining & Marketing and Chemicals | 6,110 | 6,677 | (8) | 17,641 | 18,668 | (6) |
| *5,163* | *- Refining & Marketing* | *5,189* | *5,504* | *(6)* | *14,793* | *15,165* | *(2)* |
| *1,104* | *- Chemicals* | *1,029* | *1,306* | *(21)* | *3,170* | *3,921* | *(19)* |
| *(127)* | *- Consolidation adjustments* | *(108)* | *(133)* | | *(322)* | *(418)* | |
| 399 | Corporate and other activities | 424 | 386 | 10 | 1,190 | 1,130 | 5 |
| (7,102) | Consolidation adjustments | (7,241) | (8,679) | | (21,243) | (23,944) | |
| **18,440** | | **16,686** | **19,695** | **(15)** | **53,666** | **55,766** | **(4)** |

## Operating expenses

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|
| 13,375 | Purchases, services and other | 12,183 | 13,848 | (12) | 38,974 | 40,296 | (3) |
| 157 | Impairment losses (impairment reversals) of trade and other receivables, net | 102 | 38 | .. | 348 | 270 | 29 |
| 779 | Payroll and related costs | 705 | 790 | (11) | 2,258 | 2,341 | (4) |
| *3* | *of which: provision for redundancy incentives and other* | *16* | *131* | | *25* | *136* | |
| **14,311** | | **12,990** | **14,676** | **(11)** | **41,580** | **42,907** | **(3)** |

## DD&A, impairments, reversals and write-off

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|
| 1,711 | Exploration & Production | 1,805 | 1,492 | 21 | 5,119 | 4,690 | 9 |
| 101 | Gas & Power | 114 | 106 | 8 | 332 | 303 | 10 |
| 118 | Refining & Marketing and Chemicals | 119 | 99 | 20 | 355 | 296 | 20 |
| *96* | *- Refining & Marketing* | *98* | *78* | *26* | *290* | *230* | *26* |
| *22* | *- Chemicals* | *21* | *21* | | *65* | *66* | *(2)* |
| 37 | Corporate and other activities | 37 | 14 | .. | 111 | 43 | .. |
| (8) | Impact of unrealized intragroup profit elimination | (8) | (7) | | (24) | (22) | |
| **1,959** | **Total depreciation, depletion and amortization** | **2,067** | **1,704** | **21** | **5,893** | **5,310** | **11** |
| **280** | **Impairment losses (impairment reversals), net** | **33** | **41** | **(20)** | **344** | **143** | **..** |
| **2,239** | **Depreciation, depletion, amortization, impairments and reversals** | **2,100** | **1,745** | **20** | **6,237** | **5,453** | **14** |
| **138** | **Write-off of tangible and intangible assets** | **2** | **53** | **..** | **180** | **74** | **..** |
| **2,377** | | **2,102** | **1,798** | **17** | **6,417** | **5,527** | **16** |

## Income (expense) from investments

(€ million)

| Nine months 2019 | Exploration & Production | Gas & Power | Refining & Marketing and Chemicals | Corporate and other activities | Group |
|---|---|---|---|---|---|
| Share of profit (loss) from equity-accounted investments | 82 | (17) | (21) | 11 | **55** |
| Dividends | 113 | | 30 | | **143** |
| Net gains (losses) on disposals | 18 | | 2 | | **20** |
| Other income (expense), net | | 1 | | | **1** |
| | **213** | **(16)** | **11** | **11** | **219** |

## 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 to shareholders' equity, including non-controlling interest. 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.

| Jun. 30, 2019 | (€ million) | Sept. 30, 2019 | Dec. 31, 2018 | Change |
|---|---|---|---|---|
| 25,300 | Total debt | 24,135 | 25,865 | (1,730) |
| 6,344 | - *Short-term debt* | *5,260* | *5,783* | *(523)* |
| 18,956 | - *Long-term debt* | *18,875* | *20,082* | *(1,207)* |
| (10,554) | Cash and cash equivalents | (4,433) | (10,836) | 6,403 |
| (6,670) | Securities held for trading | (6,783) | (6,552) | (231) |
| (207) | Financing receivables held for non-operating purposes | (210) | (188) | (22) |
| **7,869** | **Net borrowings before lease liabilities** | **12,709** | **8,289** | **4,420** |
| 5,722 | Lease Liabilities | 5,808 | | 5,808 |
| 3,724 | - of which Eni working interest | 3,782 | | 3,782 |
| 1,998 | - of which Joint operators' working interest | 2,026 | | 2,026 |
| **13,591** | **Net borrowings** | **18,517** | **8,289** | **10,228** |
| **51,006** | **Shareholders' equity including non-controlling interest** | **51,471** | **51,073** | **398** |
| **0.15** | **Leverage before lease liability ex IFRS 16** | **0.25** | **0.16** | **0.09** |
| **0.27** | **Leverage after lease liability ex IFRS 16** | **0.36** | **n.a.** | |

### Pro-forma leverage

| (€ million) | Reported measure | Lease liabilities of Joint operators' working interest | Pro-forma measure |
|---|---|---|---|
| **Net borrowings** | **18,517** | **2,026** | **16,491** |
| **Shareholders' equity including non-controlling interest** | **51,471** | | **51,471** |
| **Pro-forma leverage** | **0.36** | | **0.32** |

Pro-forma leverage is net of followers' lease liabilities which are recovered through a cash call mechanism.

Net borrowings are calculated under Consob provisions on Net Financial Position (Com. no. DEM/6064293 of 2006).

# Consolidated financial statements

## BALANCE SHEET

(€ million)

| | Sept. 30, 2019 | Dec. 31, 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash and cash equivalents | 4,433 | 10,836 |
| Other financial activities held for trading | 6,783 | 6,552 |
| Other current financial assets | 375 | 300 |
| Trade and other receivables | 13,309 | 14,101 |
| Inventories | 4,679 | 4,651 |
| Current tax assets | 190 | 191 |
| Other current tax assets | 568 | 561 |
| Other current assets | 1,951 | 2,258 |
| | **32,288** | **39,450** |
| **Non-current assets** | | |
| Property, plant and equipment | 63,697 | 60,302 |
| Right of use | 5,569 | |
| Intangible assets | 3,189 | 3,170 |
| Inventory - compulsory stock | 1,332 | 1,217 |
| Equity-accounted investments | 9,179 | 7,044 |
| Other investments | 973 | 919 |
| Other financial assets | 1,377 | 1,253 |
| Deferred tax assets | 3,740 | 3,931 |
| Other non-current assets | 982 | 792 |
| | **90,038** | **78,628** |
| **Assets held for sale** | **20** | **295** |
| **TOTAL ASSETS** | **122,346** | **118,373** |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities** | | |
| Short-term debt | 2,503 | 2,182 |
| Current portion of long-term debt | 2,757 | 3,601 |
| Current portion of long-term lease liabilities | 850 | |
| Trade and other payables | 14,393 | 16,747 |
| Income taxes payable | 531 | 440 |
| Other taxes payable | 1,866 | 1,432 |
| Other current liabilities | 4,281 | 3,980 |
| | **27,181** | **28,382** |
| **Non-current liabilities** | | |
| Long-term debt | 18,875 | 20,082 |
| Long-term lease liabilities | 4,958 | |
| Provisions for contingencies | 12,708 | 11,886 |
| Provisions for employee benefits | 1,151 | 1,117 |
| Deferred tax liabilities | 4,428 | 4,272 |
| Other non-current liabilities | 1,574 | 1,502 |
| | **43,694** | **38,859** |
| **Liabilities directly associated with assets held for sale** | | **59** |
| **TOTAL LIABILITIES** | **70,875** | **67,300** |
| **SHAREHOLDERS' EQUITY** | | |
| **Non-controlling interest** | **58** | **57** |
| **Eni shareholders' equity:** | | |
| Share capital | 4,005 | 4,005 |
| Retained earnings | 37,605 | 36,702 |
| Cumulative currency translation differences | 8,406 | 6,605 |
| Other reserves | 1,710 | 1,672 |
| Treasury shares | (810) | (581) |
| Interim dividend | (1,542) | (1,513) |
| Net profit (loss) | 2,039 | 4,126 |
| **Total Eni shareholders' equity** | **51,413** | **51,016** |
| **TOTAL SHAREHOLDERS' EQUITY** | **51,471** | **51,073** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **122,346** | **118,373** |

# GROUP PROFIT AND LOSS ACCOUNT

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|
| | **REVENUES** | | | | |
| 18,440 | Net sales from operations | 16,686 | 19,695 | 53,666 | 55,766 |
| 383 | Other income and revenues | 275 | 213 | 919 | 1,051 |
| **18,823** | **Total revenues** | **16,961** | **19,908** | **54,585** | **56,817** |
| | **OPERATING EXPENSES** | | | | |
| (13,375) | Purchases, services and other | (12,183) | (13,848) | (38,974) | (40,296) |
| (157) | Impairment reversals (impairment losses) of trade and other receivables, net | (102) | (38) | (348) | (270) |
| (779) | Payroll and related costs | (705) | (790) | (2,258) | (2,341) |
| **96** | **Other operating (expense) income** | **(8)** | **15** | **22** | **104** |
| **(1,959)** | **Depreciation, Depletion and Amortization** | **(2,067)** | **(1,704)** | **(5,893)** | **(5,310)** |
| **(280)** | **Impairment reversals (impairment losses), net** | **(33)** | **(41)** | **(344)** | **(143)** |
| **(138)** | **Write-off of tangible and intangible assets** | **(2)** | **(53)** | **(180)** | **(74)** |
| **2,231** | **OPERATING PROFIT (LOSS)** | **1,861** | **3,449** | **6,610** | **8,487** |
| | **FINANCE INCOME (EXPENSE)** | | | | |
| 154 | Finance income | 1,005 | 692 | 2,425 | 3,041 |
| (484) | Finance expense | (1,085) | (973) | (3,114) | (3,687) |
| 16 | Net finance income (expense) from financial assets held for trading | 43 | 13 | 121 | 30 |
| (2) | Derivative financial instruments | (63) | 31 | (84) | (242) |
| **(316)** | | **(100)** | **(237)** | **(652)** | **(858)** |
| | **INCOME (EXPENSE) FROM INVESTMENTS** | | | | |
| (24) | Share of profit (loss) of equity-accounted investments | 3 | 2 | 55 | 403 |
| 73 | Other gain (loss) from investments | 70 | 88 | 164 | 161 |
| **49** | | **73** | **90** | **219** | **564** |
| **1,964** | **PROFIT (LOSS) BEFORE INCOME TAXES** | **1,834** | **3,302** | **6,177** | **8,193** |
| (1,539) | Income taxes | (1,310) | (1,772) | (4,133) | (4,458) |
| **425** | **Net profit (loss)** | **524** | **1,530** | **2,044** | **3,735** |
| | attributable to: | | | | |
| 424 | - Eni's shareholders | 523 | 1,529 | 2,039 | 3,727 |
| 1 | - Non-controlling interest | 1 | 1 | 5 | 8 |
| | **Net profit (loss) per share attributable to Eni's shareholders (€ per share)** | | | | |
| 0.12 | - basic | 0.15 | 0.42 | 0.57 | 1.03 |
| 0.12 | - diluted | 0.15 | 0.42 | 0.57 | 1.03 |
| | **Weighted average number of shares outstanding (million)** | | | | |
| 3,600.6 | - basic | 3,590.5 | 3,601.1 | 3,597.4 | 3,601.1 |
| 3,603.4 | - diluted | 3,593.3 | 3,602.9 | 3,600.1 | 3,602.9 |

## COMPREHENSIVE INCOME (LOSS)

| (€ million) | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|
| **Net profit (loss)** | **524** | **1,530** | **2,044** | **3,735** |
| **Items that may be reclassified to profit in later periods** | **1,638** | **388** | **1,562** | **1,773** |
| *Currency translation differences* | *1,481* | *280* | *1,801* | *1,474* |
| *Change in the fair value of cash flow hedging derivatives* | *246* | *149* | *(318)* | *427* |
| *Share of other comprehensive income on equity-accounted entities* | *(18)* | *(3)* | *(13)* | *(23)* |
| *Taxation* | *(71)* | *(38)* | *92* | *(105)* |
| **Total other items of comprehensive income (loss)** | **1,638** | **388** | **1,562** | **1,773** |
| **Total comprehensive income (loss)** | **2,162** | **1,918** | **3,606** | **5,508** |
| attributable to: | | | | |
| **- Eni's shareholders** | **2,161** | **1,917** | **3,601** | **5,500** |
| - Non-controlling interest | 1 | 1 | 5 | 8 |

## CHANGES IN SHAREHOLDERS' EQUITY

| (€ million) | | |
|---|---|---|
| **Shareholders' equity at January 1, 2018** | | **48,324** |
| Total comprehensive income (loss) | 5,508 | |
| Dividends paid to Eni's shareholders | (2,953) | |
| Dividends distributed by consolidated subsidiaries | (3) | |
| Other changes | (8) | |
| **Total changes** | | **2,544** |
| **Shareholders' equity at September 30, 2018** | | **50,868** |
| attributable to: | | |
| **- Eni's shareholders** | | **50,814** |
| - Non-controlling interest | | 54 |
| **Shareholders' equity at December 31, 2018** | | **51,073** |
| Impact of adoption IAS 28 | | (4) |
| **Shareholders' equity at January 1, 2019** | | **51,069** |
| Total comprehensive income (loss) | 3,606 | |
| Dividends paid to Eni's shareholders | (3,018) | |
| Dividends distributed by consolidated subsidiaries | (3) | |
| Buy-back program | (229) | |
| Reimbursement to third party shareholders | (1) | |
| Other changes | 47 | |
| **Total changes** | | **402** |
| **Shareholders' equity at September 30, 2019** | | **51,471** |
| attributable to: | | |
| **- Eni's shareholders** | | **51,413** |
| - Non-controlling interest | | 58 |

# GROUP CASH FLOW STATEMENT

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|
| **425** | **Net profit (loss)** | **524** | **1,530** | **2,044** | **3,735** |
| | *Adjustments to reconcile net profit (loss) to net cash provided by operating activities:* | | | | |
| 1,959 | Depreciation, depletion and amortization | 2,067 | 1,704 | 5,893 | 5,310 |
| 280 | Impairment losses (impairment reversals), net | 33 | 41 | 344 | 143 |
| 138 | Write-off of tangible and intangible assets | 2 | 53 | 180 | 74 |
| 24 | Share of (profit) loss of equity-accounted investments | (3) | (2) | (55) | (403) |
| (21) | Gains on disposal of assets, net | (18) | (19) | (44) | (437) |
| (68) | Dividend income | (54) | (39) | (143) | (118) |
| (38) | Interest income | (37) | (40) | (109) | (140) |
| 268 | Interest expense | 264 | 153 | 785 | 429 |
| 1,539 | Income taxes | 1,310 | 1,772 | 4,133 | 4,458 |
| (59) | Other changes | (91) | 44 | (105) | 343 |
| | Changes in working capital: | | | | |
| 87 | - inventories | 52 | (451) | (50) | (632) |
| 2,289 | - trade receivables | 796 | (12) | 927 | (919) |
| (1,297) | - trade payables | (1,028) | 960 | (1,901) | 705 |
| 25 | - provisions for contingencies | (30) | 85 | (60) | (253) |
| (48) | - other assets and liabilities | (228) | (22) | 112 | 983 |
| *1,056* | *Cash flow from changes in working capital* | *(438)* | *560* | *(972)* | *(116)* |
| (12) | Net change in the provisions for employee benefits | (46) | 71 | (11) | 107 |
| 625 | Dividends received | 72 | 60 | 1,227 | 160 |
| 18 | Interest received | 37 | 27 | 69 | 52 |
| (256) | Interest paid | (347) | (193) | (833) | (521) |
| (1,363) | Income taxes paid, net of tax receivables received | (1,220) | (1,620) | (3,736) | (3,754) |
| **4,515** | **Net cash provided by operating activities** | **2,055** | **4,102** | **8,667** | **9,322** |
| | Investing activities: | | | | |
| (1,930) | - tangible assets | (1,836) | (1,752) | (5,945) | (6,138) |
| (67) | - intangible assets | (63) | (78) | (190) | (194) |
| | - consolidated subsidiaries and businesses net of cash and cash equivalent acquired | | (29) | | (44) |
| (21) | - investments | (2,931) | 3 | (2,982) | (113) |
| (5) | - securities | | | (8) | |
| (39) | - financing receivables | (57) | (67) | (144) | (267) |
| (107) | - change in payables in relation to investing activities | (90) | (77) | (110) | 243 |
| *(2,169)* | *Cash flow from investing activities* | *(4,977)* | *(2,000)* | *(9,379)* | *(6,513)* |
| | Disposals: | | | | |
| 20 | - tangible assets | 2 | 18 | 28 | 1,035 |
| | - intangible assets | 1 | | 1 | 5 |
| | - consolidated subsidiaries and businesses net of cash and cash equivalent disposed of | 187 | 11 | 187 | 189 |
| | - tax on disposals | (3) | | (3) | |
| 12 | - investments | 5 | 66 | 17 | 127 |
| 5 | - securities | | | 5 | 7 |
| 24 | - financing receivables | 31 | 25 | 87 | 157 |
| 95 | - change in receivables in relation to disposals | (1) | 165 | 94 | 599 |
| *156* | *Cash flow from disposals* | *222* | *285* | *416* | *2,119* |
| *(57)* | *Net change in receivables and securities held for operating purposes* [(a)] | *(31)* | *(45)* | *(153)* | *(104)* |
| **(2,070)** | **Net cash used in investing activities** | **(4,786)** | **(1,760)** | **(9,116)** | **(4,498)** |

[(a)] From 2019, Eni's cash flow statement is reporting in a dedicated line-item the net cash outflow (investments minus divestments) in held-for-trading financial assets and current non-operating receivables financing, with the latter being investment of temporary cash surpluses. Those two assets are netted against financial liabilities to determine the Group net borrowings in accordance to applicable listing standards. In previous reporting periods, cash inflows and outflows relating those assets were reported among investing activities or divesting activities relating to securities and financing receivables, respectively. The establishment of a dedicated line-item for these movements enables the users of financial statements to immediately reconcile the statutory cash flow statement to the Non-Gaap financial disclosure relating to changes in the Company's net borrowings, because the difference between the two cash flow statements is the net investment in held-for-trading securities and current non-operating receivables financing which are part of net cash from financing activities in the Non-Gaap cash flow statements. The cash flow statements of comparative periods have been reclassified accordingly.

## GROUP CASH FLOW STATEMENT (continued)

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|
| 995 | Increase in long-term debt | 22 | 2,383 | 1,043 | 3,301 |
| (1,355) | Repayments of long-term debt | (1,560) | (230) | (3,296) | (1,879) |
| (167) | Repayment of lease liabilities | (255) | | (652) | |
| (93) | Increase (decrease) in short-term financial debt | 106 | (89) | 158 | (332) |
| **(620)** | | **(1,687)** | **2,064** | **(2,747)** | **1,090** |
| (1) | Net capital contributions (reimbursement) by non-controlling interest | | | (1) | |
| (1,475) | Dividends paid to Eni's shareholders | (1,543) | (1,510) | (3,018) | (2,950) |
| (3) | Dividends paid to non-controlling interests | | | (3) | (3) |
| (46) | Net purchase of treasury shares | (176) | | (222) | |
| **(2,145)** | **Net cash used in financing activities** | **(3,406)** | **554** | **(5,991)** | **(1,863)** |
| | Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries) | (6) | | (7) | |
| (6) | Effect of exchange rate changes on cash and cash equivalents and other changes | 22 | 5 | 25 | 17 |
| **294** | **Net cash flow for the period** | **(6,121)** | **2,901** | **(6,422)** | **2,978** |
| **10,260** | **Cash and cash equivalents - beginning of the period** | **10,554** | **7,440** | **10,855** | **7,363** |
| **10,554** | **Cash and cash equivalents - end of the period** | **4,433** | **10,341** | **4,433** | **10,341** |

## SUPPLEMENTAL INFORMATION

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|
| | **Investment of consolidated subsidiaries and businesses** | | | | |
| | Current assets | | 38 | | 40 |
| | Non-current assets | | 85 | | 109 |
| | Cash and cash equivalents (net borrowings) | | 28 | | 27 |
| | Current and non-current liabilities | | (44) | | (45) |
| | **Net effect of investments** | | **107** | | **131** |
| | Fair value of investments held before the acquisition of control | | (50) | | (50) |
| | Bargain purchase | | | | (8) |
| | **Purchase price** | | **57** | | **73** |
| | *less:* | | | | |
| | Cash and cash equivalents | | (28) | | (29) |
| | **Investment of consolidated subsidiaries and businesses net of cash and cash equivalent acquired** | | **29** | | **44** |
| | **Disposal of consolidated subsidiaries and businesses** | | | | |
| | Current assets | 77 | 5 | 77 | 57 |
| | Non-current assets | 188 | 87 | 188 | 285 |
| | Cash and cash equivalents (net borrowings) | 11 | | 11 | 18 |
| | Current and non-current liabilities | (57) | (90) | (57) | (161) |
| | **Net effect of disposals** | **219** | **2** | **219** | **199** |
| | Reclassification of exchange rate differences included in other comprehensive income | (24) | (2) | (24) | (2) |
| | Gain (loss) on disposal | 16 | 11 | 16 | 5 |
| | **Selling price** | **211** | **11** | **211** | **202** |
| | *less:* | | | | |
| | Cash and cash equivalents disposed of | (24) | | (24) | (13) |
| | **Disposal of consolidated subsidiaries and businesses net of cash and cash equivalent divested** | **187** | **11** | **187** | **189** |

# Capital expenditure

| IIQ 2019 | (€ million) | IIIQ 2019 | IIIQ 2018 | % Ch. | Nine months 2019 | Nine months 2018 | % Ch. |
|---|---|---|---|---|---|---|---|
| 1,676 | Exploration & Production | 1,559 | 1,575 | (1) | 5,221 | 5,636 | (7) |
| *6* | *- acquisition of proved and unproved properties* | *24* | *10* | .. | *396* | *733* | *(46)* |
| *170* | *- exploration* | *86* | *103* | *(17)* | *399* | *264* | *51* |
| *1,490* | *- development* | *1,431* | *1,449* | *(1)* | *4,388* | *4,607* | *(5)* |
| *10* | *- other expenditure* | *18* | *13* | *38* | *38* | *32* | *19* |
| 57 | Gas & Power | 50 | 44 | *14* | 149 | 141 | 6 |
| 229 | Refining & Marketing and Chemicals | 231 | 181 | 28 | 648 | 505 | 28 |
| *208* | *- Refining & Marketing* | *208* | *152* | *37* | *587* | *409* | *44* |
| *21* | *- Chemicals* | *23* | *29* | *(21)* | *61* | *96* | *(36)* |
| 37 | Corporate and other activities | 63 | 32 | .. | 127 | 60 | .. |
| (2) | Impact of unrealized intragroup profit elimination | (4) | (2) | | (10) | (10) | |
| **1,997** | **Capital expenditure** | **1,899** | **1,830** | **4** | **6,135** | **6,332** | **(3)** |

In the nine months of 2019, capital expenditure amounted to €6,135 million (€6,332 million in the nine months of 2018) and mainly related to:

- development activities (€4,388 million) deployed mainly in Egypt, Nigeria, Kazakhstan, Indonesia, Mexico, the USA and Libya. The acquisition of proved and unproved reserves of €396 million relates mainly to the acquisition of reserves in Alaska and Algeria;
- refining activity in Italy and outside Italy (€518 million) mainly aimed at reconstruction works of the EST conversion plant at the Sannazzaro refinery, reconversion of Gela refinery into a biorefinery, maintain plants' integrity as well as initiatives in the field of health, security and environment; marketing activity, mainly regulation compliance and stay in business initiatives in the refined product retail network in Italy and in the Rest of Europe (€69 million);
- initiatives relating to gas marketing (€120 million).

# Exploration & Production

### PRODUCTION OF OIL AND NATURAL GAS BY REGION

| IIQ 2019 | | | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|---|
| **1,834** | **Production of oil and natural gas** [(a)(b)(c)] | (kboe/d) | **1,888** | **1,803** | **1,854** | **1,844** |
| 123 | Italy | | 120 | 132 | 124 | 139 |
| 146 | Rest of Europe | | 146 | 181 | 154 | 195 |
| 388 | North Africa | | 372 | 368 | 378 | 409 |
| 346 | Egypt | | 369 | 324 | 351 | 291 |
| 399 | Sub-Saharan Africa [(c)] | | 395 | 346 | 386 | 350 |
| 120 | Kazakhstan | | 169 | 134 | 146 | 136 |
| 179 | Rest of Asia | | 183 | 186 | 181 | 171 |
| 106 | Americas | | 106 | 109 | 106 | 131 |
| 27 | Australia and Oceania | | 28 | 23 | 28 | 22 |
| **150** | **Production sold** [(a)(c)] | (mmboe) | **162** | **152** | **464** | **468** |

### PRODUCTION OF LIQUIDS BY REGION

| IIQ 2019 | | | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|---|
| **867** | **Production of liquids** | (kbbl/d) | **893** | **886** | **882** | **884** |
| 52 | Italy | | 52 | 55 | 53 | 61 |
| 86 | Rest of Europe | | 86 | 101 | 91 | 113 |
| 175 | North Africa | | 160 | 168 | 167 | 156 |
| 73 | Egypt | | 77 | 82 | 74 | 80 |
| 266 | Sub-Saharan Africa | | 252 | 247 | 257 | 248 |
| 76 | Kazakhstan | | 118 | 90 | 96 | 89 |
| 79 | Rest of Asia | | 90 | 80 | 84 | 71 |
| 57 | Americas | | 56 | 61 | 58 | 64 |
| 3 | Australia and Oceania | | 2 | 2 | 2 | 2 |

### PRODUCTION OF NATURAL GAS BY REGION

| IIQ 2019 | | | IIIQ 2019 | IIIQ 2018 | Nine months 2019 | Nine months 2018 |
|---|---|---|---|---|---|---|
| **5,230** | **Production of natural gas** | (mmcf/d) | **5,379** | **5,008** | **5,256** | **5,241** |
| 380 | Italy | | 364 | 419 | 384 | 429 |
| 325 | Rest of Europe | | 326 | 439 | 339 | 444 |
| 1,151 | North Africa | | 1,144 | 1,091 | 1,144 | 1,379 |
| 1,477 | Egypt | | 1,581 | 1,317 | 1,498 | 1,151 |
| 720 | Sub-Saharan Africa | | 776 | 537 | 699 | 550 |
| 237 | Kazakhstan | | 277 | 242 | 267 | 258 |
| 543 | Rest of Asia | | 506 | 581 | 523 | 550 |
| 266 | Americas | | 268 | 261 | 264 | 368 |
| 131 | Australia and Oceania | | 137 | 121 | 138 | 112 |

(a) Includes Eni's share of production of equity-accounted entities.
(b) Includes volumes of hydrocarbons consumed in operation (136 and 116 kboe/d in the third quarter of 2019 and 2018, respectively, 126 and 109 kboe/d in the nine months of 2019 and 2018, respectively, and 121 kboe/d in the second quarter of 2019).
(c) For further information see page 17.

# Gas & Power

## Natural gas sales

| IIQ 2019 | (bcm) | IIIQ 2019 | IIIQ 2018 | IIIQ % Ch. | Nine months 2019 | Nine months 2018 | Nine months % Ch. |
|---|---|---|---|---|---|---|---|
| **9.69** | **ITALY** | **8.72** | **9.22** | **(5)** | **29.18** | **30.18** | **(3)** |
| 1.93 | - Wholesalers | 1.45 | 1.95 | (26) | 5.93 | 7.20 | (18) |
| 3.63 | - Italian exchange for gas and spot markets | 3.61 | 3.89 | (7) | 9.76 | 10.38 | (6) |
| 1.30 | - Industries | 1.16 | 1.07 | 8 | 3.78 | 3.49 | 8 |
| 0.14 | - Small and medium-sized enterprises and services | 0.14 | 0.11 | 27 | 0.63 | 0.58 | 9 |
| 0.65 | - Power generation | 0.48 | 0.38 | 26 | 1.53 | 1.12 | 37 |
| 0.61 | - Residential | 0.23 | 0.24 | (4) | 2.85 | 2.90 | (2) |
| 1.43 | - Own consumption | 1.65 | 1.58 | 4 | 4.70 | 4.51 | 4 |
| **8.11** | **INTERNATIONAL SALES** | **8.13** | **8.25** | **(1)** | **26.80** | **27.81** | **(4)** |
| **5.97** | **Rest of Europe** | **6.20** | **6.10** | **2** | **20.17** | **21.52** | **(6)** |
| 1.10 | - Importers in Italy | 1.11 | 1.00 | 11 | 3.23 | 2.38 | 36 |
| 4.87 | - European markets | 5.09 | 5.10 | | 16.94 | 19.14 | (11) |
| *1.00* | *Iberian Peninsula* | *0.90* | *0.91* | *(1)* | *3.11* | *3.24* | *(4)* |
| *0.39* | *Germany/Austria* | *0.69* | *0.24* | *..* | *1.53* | *1.37* | *12* |
| *0.88* | *Benelux* | *1.02* | *1.37* | *(26)* | *2.81* | *4.28* | *(34)* |
| *0.41* | *UK* | *0.41* | *0.49* | *(16)* | *1.31* | *1.72* | *(24)* |
| *1.27* | *Turkey* | *1.39* | *1.39* | | *4.43* | *4.83* | *(8)* |
| *0.84* | *France* | *0.55* | *0.65* | *(15)* | *3.10* | *3.37* | *(8)* |
| *0.08* | *Other* | *0.13* | *0.05* | *..* | *0.65* | *0.33* | *..* |
| **2.14** | **Rest of World** | **1.93** | **2.15** | **(10)** | **6.63** | **6.29** | **5** |
| **17.80** | **WORLDWIDE GAS SALES** | **16.85** | **17.47** | **(4)** | **55.98** | **57.99** | **(3)** |
| *2.20* | *of which: LNG sales* | *2.50* | *2.50* | | *7.40* | *7.90* | *(6)* |