

**Rating object**

Eni S.p.A.  
Eni Finance International SA  
Long Term Local Currency Senior unsecured issues of Eni S.p.A.  
Long Term Local Currency Senior unsecured issues of Eni Finance International SA

**Rating incl. outlook / watch**

BBB+ / negative  
BBB+ / negative  
BBB+ / negative  
BBB+ / negative

**Date of inception / disclosure to rated entity / maximum validity:**

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Eni S.p.A.	17.12.2020	17.12.2020	Until withdrawal of the rating
Eni Finance International SA	17.12.2020	17.12.2020	Until withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Eni S.p.A.	17.12.2020	17.12.2020	Until withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Eni Finance International SA	17.12.2020	17.12.2020	Until withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

**Rating summary:**

Creditreform Rating (CRA) has confirmed the rating of the unsolicited corporate issuer rating of Eni S.p.A. and Eni Finance International SA, as well as their unsolicited corporate issue ratings of the long-term local currency senior unsecured notes, at **BBB+**. The outlook has been set to **negative**.

The current rating (**BBB+**, **negative outlook**) attests a highly satisfactory level of creditworthiness, representing a low-to-medium default risk for the Companies and their long-term local currency senior unsecured notes.

Eni S.p.A., whose full name is Ente Nazionale Idrocarburi S.p.A., (hereinafter "Eni", "the Company", or "the Group"), headquartered in Rome, was founded in 1953 in Milan from the existing company Agip, which was created in 1926 with the aim to explore for oilfields and to acquire and commercialize oil and oil derivatives. With the inception of Eni S.p.A., Agip was integrated into the Eni Group, thus continuing the Group's business operations. Starting in 1954, Eni acquired exploration rights in North Africa, signing an agreement with the Egyptian government while providing an active and equal role for the crude oil-producing countries through the establishment of joint ventures.

Today Eni is an Italian multinational oil and gas company with operations in 71 countries, and is currently one of the world's largest 20 industrial companies, with an approximate 33 thousand employees. As a petroleum and energy company, Eni operates in the fields of crude oil, natural gas, electricity production, petrochemicals, and as a provider of engineering services for oil fields. Eni sells gas, electricity, LNG and oil products in the European and extra-European markets, also leveraging on trading activities. In the German market, Eni has been operating in the fields of refining, marketing, and natural gas since 1960.

The main shareholder of the publicly listed company is the Italian government, with a share of 30.10% (of this, 4.34% is held directly and 25.76% indirectly via Cassa Depositi e Prestiti S.p.A.).

The outbreak of the COVID-19 pandemic has triggered a sharp sell-off in energy commodities markets due to a sudden drop in the worldwide consumption of oil, gas and other energy products, as a result of global measures taken to contain the spread of the COVID-19 pandemic. In early March 2020, members of the OPEC+ failed to reach a new deal for additional oil production cuts desired by some participants to counteract the decrease in demand due to COVID-19 effects. These developments triggered a collapse in crude oil prices. The price of the Brent crude benchmark has fallen by more than 50% from 65 US-\$/bbl early in January 2020 to its current values; however, the average Brent price for the first quarter 2020 of approximately 51 US-\$/bbl has fallen by a considerably lower amount over the corresponding period a year ago (down by approximately 20%). Moreover, the price of natural gas on the Italian spot market, which is the main benchmark for sales volumes of equity gas production, fell in this period, with the average price for the first quarter of 2020 at approximately 3.7/mmmbtu, down by approximately 50% year-on-year.

From January until September 2020, the Group generated revenues of EUR 32,356m, 39.7% less compared to the same period of 2019 (EUR 53,666m). The Group's net result for the first three quarters of 2020 was a loss of EUR 7,838m (2019: profit EUR 2,039m). Adjusted by special items and inventory holding losses, the Group incurred a loss of EUR 808m (2019: profit EUR 2,330m). The negative trend as compared to the previous year is the result of negative impacts associated with the COVID-19 pandemic as well as partly high value adjustments and write-offs.

In the first three quarters of the current year, revenues in all segments decreased by up to 48%. Overall, revenue was 40% lower than in the same period of the previous year due to the reduced economic performance. Although costs were also reduced by 35%, but a significant loss remains for the first nine months of 2020.

Eni's management expects the fourth quarter to be in line with the business trends recorded in the just-ended quarter, which featured high volatility in energy commodity prices due to an uncertain and uneven economic recovery. During the course of 2020, in response to an unprecedented crisis for the oil industry due to the fall in energy demand caused by the COVID-19 pandemic and continued pressure on product prices, Eni's management has repeatedly reviewed business plans and operating schedules in order to adapt the business to the current challenges, defining a set of actions and initiatives designed to strengthen liquidity and the robustness of the balance sheet, preserve profitable operations, and increase the portfolio resilience to the scenario, without impairing the Company's ability to grow as soon as macro-economic conditions improve, while accelerating the low-carbon evolution of the business.

Against this backdrop and in view of further economic distortions to be expected, we have set the outlook to negative.

#### Primary key rating drivers:

- + Nationwide presence in Italy and strong presence in other European countries
- + National leader in its strategic business areas
- + Good access to financial markets
- + Generally stable, significant cash flows from operating activities
- + High entry barriers
  
- Highly specialised product portfolio with a focus on power and gas
- Significant investments necessary to maintain its leading market position
- High concentration on the Italian market
- Above-average country risk
- Deterioration of sovereign creditworthiness of main (Italy rating)
- Economic and geopolitical risks both in Europe and globally
- Further expected economic disruptions from the COVID-19 pandemic

#### ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Eni we have identified ESG factors with significant influence on the following categories, which is described in the sections below.

(E) Environment  (S) Social  (G) Governance

- (E): Strategic focus on fossil energy sources and production materials.

Due to societal and political changes with regard to fossil fuels based on European and international environmental and climate protection targets, we see Eni's business model and strategy impaired in the medium to long term. In the short term, this has manifested in the current year as impairment charges on both capitalized exploration and evaluation expenditures, as well as in oil and gas production assets of a significant magnitude. Our assessment is reinforced by a general trend towards Decarbonization which can be seen e.g. in the development of electric mobility by major car manufacturers and in the expansion of renewable energies. We nevertheless assume that oil and gas will continue to play a significant role in the energy sector and industrial production in the long term, but with gradually decreasing relevance. We see natural gas in particular as an important part of the energy mix and as a transitional technology in the longer term.

Due to the specific objectives and active measures to improve sustainability, we currently consider the impact of ESG factors to be limited. However, our overall view of the assessed area, in addition to the other aspects mentioned above, has been unfavorable with regard to the rating.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

<https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/The%20Impact%20of%20ESG%20Factors%20on%20Credit%20Ratings.pdf>

**Rating scenarios:**

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: BBB+

In our best-case scenario for one year, we assume a stable rating of BBB+, based on our assessment that the business development proceeds according to schedule and that balance sheet and P&L ratios show better development than in the 2019 fiscal year. In our sub-methodology for 'state-affiliated companies', we assume a high degree of willingness on the part of the Italian government to provide financial assistance to Eni if necessary.

Worst-case scenario: BBB-

In the worst-case scenario for one year, we assume a rating of BBB-, based on the assumption that there is a change, e.g. due to legislative changes, in our assessment of the ownership structure or prospective financial assistance. In addition, substantial political or geopolitical changes could result in a downgrade in the worst-case scenario.

**Analysts / Person approving (PAC):**

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**Initial rating:**

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Eni S.p.A.	Initial rating	26.04.2019	03.05.2019	withdrawal of the rating	BBB+ / stable
Corporate Issuer Rating of Eni Finance International SA	Initial rating	26.04.2019	03.05.2019	withdrawal of the rating	BBB+ / stable
LT LC Senior Unsecured Issues Issued of Eni S.p.A.	Initial rating	26.04.2019	03.05.2019	withdrawal of the rating	BBB+ / stable
LT LC Senior Unsecured Issues Issued of Eni Finance International SA	Initial rating	26.04.2019	03.05.2019	withdrawal of the rating	BBB+ / stable

**Status of solicitation and information basis:**

The present rating is, in the regulatory sense, an **unsolicited** rating that is public. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

**Rating methodology / Version / Date of application:**

Rating methodology	Version number	Date	Website
Corporate Ratings	2.3	29.05.2019	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Corporate%20Ratings.pdf</a>
Government-related Companies	1.0	19.04.2017	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Government-Related%20Companies.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Government-Related%20Companies.pdf</a>
Non-financial Corporate Issue Ratings	1.0	October 2016	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf</a>
Rating Criteria and Definitions	1.3	January 2018	<a href="https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf">https://creditreform-rating.de/en/about-us/regulatory-requirements.html?file=files/content/downloads/Externes%20Rating/Regulatorische%20Anforderungen/EN/Ratingmethodiken%20EN/CRAG%20Rating%20Criteria%20and%20Definitions.pdf</a>

**Regulatory requirements:**

In 2011 Creditreform Rating AG has been registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

**Conflict of interests**

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

**Rules on the presentation of credit ratings and rating outlooks**

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG

explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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