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Eni: full year 2016 and fourth quarter results

Yesterday, Eni's Board of Directors approved group results for the full year and the fourth quarter 2016 (unaudited).

Highlights and outlook

Upstream

- **Continuing strong exploration track record: discovered 1.1 billion boe of additional resources at a cost of 0.6 $/boe. Additions to the Company's resources backlog of 3.4 billion boe in the latest 3 years, at a cost of 1 $/boe. Promising new prospects to be drilled in future years**
- **Divested a 40% interest in Zohr, proving the effectiveness of our dual exploration model**
- **Organic reserves replacement ratio surged to 193%, the best ever performance in Eni's history. The 2016 reserves replacement ratio remains very robust at 139%, also considering the 40% sale of Zohr on a pro forma basis**
- **Kashagan and Goliat in production**
- **2016 hydrocarbon production: 1.76 million boe/d in the year, in line with 2015, despite the Val d'Agri shutdown; 1.86 million boe/d in the quarter (down by 1.5%)**
- **Progressed construction activities at our development projects expected to come on stream in 2017(Jangkrik - Indonesia, OCTP oil - Ghana and Zohr - Egypt). In February, started-up the East Hub project in Angola, five months earlier than scheduled. These projects, together with the ramp-up of 2016 new production from Kashagan and Goliat, will strongly contribute to the cash generation in 2017 and following years**
- **Opex efficiency above expectations at 6.2 $/boe compared to 7.2 $/boe in 2015**

G&P

- **Confirmed the goal of structural breakeven from 2017 owing also to the already achieved gas contract renegotiations and reductions in logistic costs**

R&M and Chemicals

- **Refinery breakeven margin reduced to 4.2 $/bl (compared with 5.2 $/bl in 2015)**
- **Green refinery projects on schedule**
- **The Chemical business Ebit[1] of €300 million in 2016 reflects the success of the segment's restructuring**

Consolidated financial results[2]

- **Strong cash generation in the fourth quarter of €3.2 billion**
- **FY normalized cash flow from operations[3] of €8.3 billion, covering 95% of capex[4] in an unfavorable oil price environment (Brent at 44 $/bl)**
- **Improved prospects of organic production growth over the next four years notwithstanding a 19% capex reduction y-o-y**
- **All mid-downstream businesses cash positive this year**
- **Fourth quarter consolidated adjusted operating profit at €1.29 billion, up by 103% from the fourth quarter of 2015**
- **FY adjusted operating profit of €2.32 billion, down by €2.17 billion (or 48%), due to the unfavorable oil price environment (-€3.3 billion) and the Val d'Agri shutdown. Efficiency measures and lower costs help to offset the effect of the low oil price by €1.7 billion**
- **Fourth quarter consolidated net adjusted profit of €0.46 billion founded on a robust upstream recovery. FY adjusted net result roughly at breakeven (-€0.34 billion)**
- **Disposals closed/agreed this year of €2.6 billion, approximately 40% of the 2016-2019 four-year target of €7 billion, announced in March 2016**
- **Net debt reduced to €14.8 billion, equating to a leverage ratio of 0.28. Pro-forma leverage ratio to include 40% Zohr disposal at 0.24**

2016 dividend: €0.80 of which €0.40 already paid as interim dividend

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[1] Adjusted Earnings before interest and taxes.
[2] In this press release, adjusted results from continuing operations of the comparative periods 2015 are reported on a standalone basis, thus excluding the results of Saipem. An equivalent performance measure has been provided for net cash provided by operating activities. Adjusted results and standalone results are Non-GAAP measures; for further information see page 25.
[3] Net cash provided by operating activities. For an explanation of the items of the cash flow normalization see page 15 in the section "Summarized Group Cash Flow Statement".
[4] Net of the Zohr reimbursement; see page 15.

Claudio Descalzi, Eni's Chief Executive Officer, commented:
"The 2016 results mark the successful conclusion of a radical transformation process. Over the past three years, Eni has restructured to withstand one of the most complex environments in the history of the oil industry, while strengthening its growth prospects and preserving a robust balance sheet. Our future growth trajectory will leverage on the key achievements made in this period: a strong production in Q4 of 1.86 million boe/d, our record proved reserve replacement ratio, a well-stocked pipeline of new, high quality projects which will contribute to an expected production growth rate of 3% on average in the next four-year period, and the advanced restructuring of our mid-downstream businesses. The solidity of our balance sheet has been preserved by maintaining a sustainable level of gearing, while Eni has been the only Major to reduce its leverage during the 2014-2016 period. In light of these achievements, we intend to propose at the next Annual General Shareholders Meeting the distribution of a cash dividend of €0.8 per share in 2016. Looking to the future, we are able to reaffirm our progressive remuneration policy, in line with the expected improvement of commodity prices and our own financial performance."

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q. 16 vs. IV Q. 15	SUMMARY GROUP RESULTS [a] (€ million)	Full year 2015	Full year 2016	% Ch.
634	**258**	**1,286**	**102.8**	**Adjusted operating profit (loss)** [b]	**4,486**	**2,315**	**(48.4)**
(301)	**(484)**	**459**	**..**	**Adjusted net profit (loss)** [b]	**803**	**(340)**	**..**
3,964	**1,325**	**3,248**	**(18.1)**	**Net cash provided by operating activities** [b]	**12,155**	**7,673**	**(36.9)**
(8,454)	**(562)**	**340**	**104.0**	**Net profit (loss) from continuing operations**	**(7,952)**	**(1,051)**	**..**
(2.35)	(0.16)	0.09		- per share (€) [c]	(2.21)	(0.29)	
(5.15)	(0.36)	0.19		- per ADR ($) [c] [d]	(4.91)	(0.64)	
(8,723)	**(562)**	**340**	**103.9**	**Group net profit (loss)**	**(8,778)**	**(1,464)**	**..**
(2.42)	(0.16)	0.09		- per share (€) [c]	(2.44)	(0.41)	
(5.30)	(0.36)	0.19		- per ADR ($) [c] [d]	(5.42)	(0.91)	

(a) Attributable to Eni's shareholders.
(b) From continuing operations. The comparative reporting period are calculated on a standalone basis. They reinstate the elimination of gains and losses on intercompany transactions with the E&C sector classified as discontinued operations under the IFRS 5, until Eni lost control following the closing of the divestment transaction in January 2016.
(c) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.
(d) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.

Adjusted results

In the **fourth quarter of 2016**, Eni reported an adjusted operating profit of €1.29 billion, up by 103% or €0.65 billion quarter-on-quarter, reversing the negative trend of the previous quarters, thanks to doubling in the E&P operating performance to €1.4 billion (up by €0.8 billion). The E&P improvement was driven mainly by efficiency and optimization measures (up by €0.7 billion) and by a marginal recovery in the oil scenario (the Brent benchmark was up by 13.2%), which has yet to be fully reflected in gas prices which were down due to the time lags in oil-linked price formulas. These increases were partly offset by lower non-recurring gains in the G&P segment.

On the minus side, the G&P segment reported an adjusted operating loss of €72 million, compared to a profit of €18 million in the fourth quarter of 2015, which was negatively affected by an unfavourable trading environment, particularly in the LNG business, as well as by lower non-recurring gains and higher operating charges. The Refining & Marketing and Chemical segment reported lower results (down by €59 million or 44%) due to competitive pressures, a less favourable refining and commodity environment y-o-y and the negative impact of the shutdown of the EST conversion plant following the accident occurred in December 2016. These negatives were partly counteracted by cost efficiencies and optimization gains.

After five quarters affected by the downturn in oil prices, the fourth quarter of 2016 saw the Group revert to a net profit of €0.46 billion, compared to a net loss of €0.3 billion in the fourth quarter of 2015. This recovery reflected an improved operating performance and a material reduction in the adjusted tax rate to 58% from about 168% in the fourth quarter of 2015.

For the **FY2016**, adjusted operating profit of €2.32 billion was down by €2.2 billion y-o-y, or 48%. A low commodity price environment accounted for a decline of €3.3 billion, while a four month and half shutdown of operations at Val d'Agri and lower non-recurring gains in G&P accounted for €0.6 billion. By contrast, efficiency gains and a reduced cost base, mainly in the E&P segment, improved the performance by €1.7 billion.

Adjusted net loss for the FY2016 amounted to €0.34 billion, lower by €1.14 billion from the adjusted net profit of 2015 (€0.8 billion). This was due to a lowered operating performance, declining results from equity-accounted entities reflecting a weaker oil price scenario and a higher tax rate (up by 38 percentage points). The latter point reflected the recording of a tax rate as high as 100% in the first nine months of the year due to the oil downturn, which determined a larger relative weight of taxable profit earned under PSA schemes, which are characterized by higher-than-average rates of taxes. Furthermore, the Group tax rate was negatively affected by the classification as special items of the reversals of certain deferred tax assets, which were written down in the previous reporting period.

Net borrowings and cash flow

As of December 31, 2016, net borrowings[5] were €14.78 billion, €2.09 billion lower than December 31, 2015. The reduction reflected an increase in **cash flow from operating activities** (€7.67 billion), the closing of the Saipem transaction with net proceeds of €5.2 billion and other asset divestments for €0.6 billion, which comprised the available-for-sale shareholding in Snam due to the exercise of the conversion right from bondholders and marketing activities of fuels in Eastern Europe. These inflows funded capital expenditure of the year (€9.2 billion) and the payment of the final dividend 2015 and the 2016 interim dividend to Eni's shareholders (for a total amount of €2.88 billion). The reduction in net borrowings was also due to other inflows relating to investing activities (€0.3 billion) and the fact that the financial assets (€0.57 billion) held by the Group insurance company are no longer committed to funding the loss provisions and therefore have been netted against finance debt in determining the Group's net borrowings. These positives were offset by negative change in fair value of securities held for trading (down €0.3 billion) which are netted against net borrowings. A normalized measure of the cash flow from operating activities was €8.3 billion, calculated by excluding the negative effect of the Val d'Agri shutdown (€0.2 billion), a reclassification of certain receivables for investing activities to trading receivables (€0.3 billion), while including changes in working capital due to the sale of a 40% interest in Zohr (€0.1 billion). This normalized cash flow funded approximatly 95% of the capex of the year, which reduced from €9.2 billion to €8.7 billion when deducting the expected reimbursement of past capex related to the divestment of a 40% interest in the Zohr project (€0.5 billion).
Cash flow from operations was also influenced by a larger amount of receivables due beyond the end of the reporting period, being transferred to financing institutions compared to the amount sold at the end of the previous reporting period (approximately €1 billion).
Compared to September 30, 2016, net borrowings decreased by €1.23 billion due to the robust cash generation of the fourth quarter of €3.25 billion, which funded capital expenditure of the period (€2.25 billion) generating a surplus. A larger amount of receivables due beyond the end of the reporting period were sold to financing institutions compared to the amount sold at the end of the previous reporting period by approximately €700 million.

As of December 31, 2016, the ratio of net borrowings to shareholders' equity including non-controlling interest – leverage[6] – decreased to 0.28, compared to 0.29 as of December 31, 2015. This change was due to lower net borrowings which offset a €4 billion reduction in total equity, driven by the negative result of the period, the derecognition of the Saipem non-controlling interest and dividend distributions to Eni shareholders.
It is worth mentioning the recovery in Group leverage to 0.28 from 0.32 on September 30, 2016, due to the robust cash generation of the fourth quarter 2016 and the increase in total equity driven by the positive result of the period and positive foreign currency translation differences (approximately €2.3 billion).

2016 Dividend distribution

The Board of Directors intends to submit a proposal for distributing a dividend of €0.80 per share[7] (€0.80 in 2015) at the Annual Shareholders' Meeting convened for April 13, 2017. Included in this annual payment is €0.40 per share paid as interim dividend in September 2016. The balance of €0.40 per share is payable to shareholders on April 26, 2017, the ex-dividend date being April 24, 2017.

[5] Details on net borrowings are furnished on page 33.
[6] 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 25 and subsequent.
[7] Dividends are not entitled to tax credit and, depending on the receiver, are subject to a withholding tax on distribution or are partially cumulated to the receiver's taxable income.

Zohr operation

Eni signed two agreements with Bp and Rosneft for the disposal of a 40% interest in the giant discovery Zohr, located in the operated block of Shoruk (Eni 100%) off Egypt. These transactions confirm the effectiveness of Eni's "dual exploration model", which simultaneously targets the fast-track development of discovered resources, while reducing stakes retained in exploration leases in order to monetize in advance part of the discovered volumes and reduce expenditures in development process.

These agreements have economic efficacy from January 1, 2016 and contemplate the reimbursement to Eni of capex incurred until the closing date. The new partners have the option to acquire a further 5% stake at the same terms defined in the agreements.

The first transaction closed on February 2017 following approval by the Egyptian authorities; the second one is expected to close by the first half of 2017. The total consideration of the deal amounts to approximately €2 billion as of January 1, 2017, including the reimbursement of costs incurred by Eni in 2016.

Business developments:

2017

- February 2017: started-up the Cabaça South East field of the East Hub Development Project, in Block 15/06 of the Angolan deep offshore, five months ahead of development plan estimates and with a time-to-market among the best in the sector. Block 15/06 will reach a peak of 150,000 barrels of oil per day this year.
- January 2017: successfully drilled an appraisal well of the Merakes discovery under the Production Sharing Contract (PSC) in East Sepinggan. This discovery is located 35 kilometers from the Eni-operated Jangkrik field, close to starting operations, is estimated to have 2.0 Tcf of gas in place with additional potential still to be evaluated.
- January 2017: made a discovery in the PL128/128D licenses in the Norwegian Sea nearby the FPSO (Floating Production, Storage and Offloading) operating the Norne field. Volumes of oil in place are expected to range from 70 to 200 million barrels. This discovery is part of Eni's *near-field* exploration strategy aimed at unlocking the presence of additional resources in proximity to existing infrastructures.
- January 2017: awarded three new exploration licenses in Norway, as a part of the APA Round.
- January 2017: signed a Memorandum of Understanding with the Nigerian Authorities for the development of the mineral potential of the Country. The agreement also comprises the upgrading of the Port Harcourt refinery and a capacity doubling of the power generation unit in Okpai IPP.

2016

- November 2016: signed four agreements in Bahrein with the National Oil Companies for the evaluation of the mineral potential of certain exploration areas and for the study of the Awali fields.
- October 2016: signed a binding agreement between the partners of the Area 4 in Mozambique (Eni East Africa, joint operation between Eni and CNPC, Galp, Kogas and ENH) and BP for the sale, over a 20-year period, of approximately 3.3 million tons of LNG per annum (corresponding to about 5 bcm), which will be produced at the Coral South Floating facility. The agreement, approved by the Government of Mozambique, is a fundamental step towards achieving the Final Investment Decision (FID) of the project. The achievement of the FID is prerequisite to the efficacy of the sale contract. Back in February 2016, the Mozambique authorities approved the first development phase of Coral, targeting production of 5 trillion cubic feet (TCF) of gas.
- October 2016: restarted production at the Kashagan giant field following completion of the operations to replace certain auxiliary pipelines which were put out of order due to a gas leakage. The original damage, which occurred at the end of 2013, forced the Consortium to shut down the oilfield. The Consortium is targeting an initial plateau of 185 kbbl/d and from there to ramp up to 370 kbbl/d by the end of 2017.
- September 2016: as part of Eni's "near-field" exploration strategy, activities resumed onshore Tunisia with the Larich East discovery. The well yielded approximately 2 kbbl/d during test production and has been put into production by linking the discovery well to the MLD oil treatment center.

- September 2016: reached a production plateau of 700 mmcf/d (corresponding to 128 kboe/d, 67 kboe/d net to Eni) from the Nooros field. This record-setting production level was reached in just 13 months after the discovery and ahead of schedule, thanks to the success of the latest exploration wells drilled in the Nooros area and the drilling of new development wells. The production is currently flowing from 7 wells; furthermore, with the drilling of additional development wells, the field is expected to reach a maximum production capacity of about 160 kboe/d in 2017. In addition, thanks to the mature operating environment and the conventional nature of the project, production costs are among the lowest in Eni's portfolio.
- September 2016: the potential at the Baltim South West field discovery, in the conventional water of Egypt, was upped to 1 TCF of gas in place due to successful test of the first appraisal well. The discovery is located near the Nooros field and has increased the relevant gas potential of the so-called "Great Nooros Area" to 3 TCF of gas in place, of which about 2 TCF are in the Nooros field, while the remaining are in the new independent discovery of Baltim South West.
- September 2016: successfully drilled the Zohr 5x appraisal well, located in 1,538 meters of water depth and 12 kilometers south west from the discovery well. The appraisal well confirmed the overall potential of the Zohr Field, estimated to retain 30 TCF of gas in place and produced more than 50 mmcf/d during a test, which was constrained by limits of the surface infrastructures. The Zohr development was sanctioned by Egyptian authorities in February 2016. Expected the drilling of a sixth well that will accelerate the production start-up within the end of 2017.
- March 2016: production start-up at the Goliat oilfield, which is the first producing oilfield in the Barents Sea in the license PL229. Goliat is operated through the largest and most sophisticated floating cylindrical production and storage vessel (FPSO) in the world. Production has achieved the full-field plateau at 100 kbbl/d (65 kbbl/d net to Eni). The field is estimated to contain reserves amounting to about 180 million barrels of oil.
- In 2016, Eni increased its exploration rights portfolio by about 10,500 square kilometers net, mainly in Egypt, Ghana, Morocco, Montenegro, Norway and the United Kingdom.

Sustainability performances

Sustainability performances		Full year 2015	2016	% Ch.
Total recordable injury rate (TRIR)	(total recordable injury rate/worked hours) x 1.000.000	0.45	0.35	(20.8)
Direct GHG emissions	(mmtonnes CO_2eq.)	41.6	40.1	(3.5)
- of which CO_2 from combustion and process		*31.5*	*30.6*	*(2.8)*
- of which CO_2 eq from methane		*2.8*	*2.4*	*(12.4)*
- of which CO_2 eq from flaring		*5.5*	*5.4*	*(2.0)*
- of which CO_2 eq from venting		*1.8*	*1.7*	*(7.2)*
Direct GHG emissions E&P/production	(tonnes CO_2eq./toe)	0.18	0.17	(8.7)
Oil spills due to operations (>1 barrel)	(barrels)	1,634	1,159	(29.1)
Water reinjection	(%)	56	58	3.9

Eni reported positive performances when comparing to the corresponding period of 2015:

- GHG emissions recorded in 2016 declined by 3.5% compared to the 2015. Higher emissions recorded in the G&P segment, reflected higher power production and increasing gas volumes transported. Lower emissions from combustion and process were recorded (down 1.8 mmtonnes CO_2eq) and reduced methane emissions (down 0.4 mmtonnes CO_2eq) in the upstream segment. These were achieved leveraging on energy efficiency projects (gas consumption reduction and logistics optimization) and ongoing initiatives to contain fugitive emissions developed for the 2016 in Egypt, Kazakhstan, UK, Ecuador and USA. In March 2016, the Goliat platform started-up, through advanced technology solutions (power supply by undersea cables connected to the ground) thus contributing to the containment of emissions from combustion.
- The trend of GHG emission index compared to operated gross hydrocarbon production of the upstream segment remain positive with a reduction of 8.7%. This performance is better than the guided 2016 full year target.
- In 2016 the trend in safety improvement continued, reporting a lower total recordable injury rate (TRIR), down by 20.8% from the 2015. This result reflected a better performance for both

employees and contractors (down by 10.8% and 25.2% respectively). This positive performance leveraged on inspections on sites, HSE audit processes on suppliers, employment in industrial sites of people trained at the Safety Competence Center in Gela as well as specific training projects and programs to raise awareness of HSEQ issues as “Eni in Safety” new phase finalized to spread over the company the near miss and incident lessons learnt.

- Oil spills due to operations (88% related to E&P segment and 12% to R&M and Chemicals) declined by 29.1% from 2015; E&P recorded the best improvement in Nigeria due to the revamping of industrial installations; the Refining & Marketing and Chemicals segment reduced the overall volume spilled (down by 290 barrels compared to 2015).
- Water reinjections reached the threshold of 58%, due to the contribution of Ecuador, Egypt and Congo (for the latter the best contribution came from Mboundi field and since July 2016 Loango field after the revamping activities).

Renewable energies and climate change

As part of its strategy designed to evolve the Company’s business model towards a low-carbon environment, Eni intends to develop renewable energy projects in its countries of operations. In 2016, Eni selected and launched a number of industrial initiatives on a large scale in Italy and abroad.

> The “Italy project” plans to build facilities, mainly in the solar photovoltaic business, in owned industrial areas, which are ready to use and currently lack any industrial value. Fifteen projects have been identified with an overall capacity of approximately 220 MW to be installed by 2022. The first phase of the project foresees the installation of five units: Assemini and Porto Torres in Sardinia (obtained the Final Investment Decision for both projects, while the approval is ongoing from the relevant authorities), Manfredonia in Puglia and Priolo in Sicily (FID obtained) and finally Augusta in Sicily.

> Outside Italy the company has identified a number of projects to be deployed in countries of operations considered strategic for the Company (mainly Africa and Asia) to increase Eni’s energy efficiency, the sustainability of our consumptions, as well as to improve the access to energy of local communities through a more sustainable energy mix. In December 2016 Eni obtained the FID for a development project in the upstream field BRN in Algeria.

Futhermore, a number of agreements for collaboration have been settled with Ghana, Algeria and Tunisia, to strengthen Eni’s presence in these countries and to enlarge the scope of activities.

Finally, in 2016 Eni signed strategic framework agreements with:

(i) General Electric (GE) for the development of innovative technologies on renewable energy projects (brownfield and greenfield) and hybrid renewable projects focused on energy efficiency. This agreement is intended to identify and develop jointly projects for power generation from renewable sources on large scale;

(ii) Terna for the evaluation of opportunities for the development of energy systems with a focus on sustainability and supporting production from renewables.

Gela

In 2016 Eni’s activities continued in line with the commitments foreseen in the Memorandum of Understanding, signed in 2014, with the Ministery for the Economic development and Local Authorities.

In April following the fulfilment of certain conditions, Eni began the construction activities at the Green Refinery project, being one of the pillar of the agreement. The refinery will have a capacity of 750 ktonnes/y. The conversion will leverage on the application of ecofining proprietary technology, developed and patented by Eni, to convert unconventional and second-generation raw materials into green diesel. Gela reconversion represents the first integrated and cross businesses’ project which Eni is developing in Italy to combine the needs of the business and those of the communities living in the area. The agreement foresees also: i) the launch of new hydrocarbon exploration and production activities in the Region of Sicily and the offshore area; ii) the realization of a modern hub for shipping locally produced crude oil and green fuel produced on the site; a feasibility study, to identify LNG and CNG storage and transport infrastructure in Gela, as well as the realization of a project for the production of natural latex from natural products with the relative development of the agricultural supply chain; iii) the set-up of a competence centre focused on safety issues; iv) environmental remediation activities at plants and areas that will gradually lose their industrial destination.

Outlook

The Group financial outlook, its business prospects and the key industrial and profitability targets in the short and medium term are disclosed in the press release “Eni’s strategic plan 2017-2020”, which will be issued later today, available on the Company’s website eni.com and publicly disseminated as required by applicable listing standards.

This press release on the results of the full year and the fourth quarter 2016 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 each quarter. Instead, the discussion about the full year results and performance of the Group complies with the listing standards set by the Italian Exchange ("Borsa Italiana") with regard to the minimum set of disclosures of press release about the approval of statutory financial statements by listed companies' boards.
Results and cash flow are presented for the fourth and the third quarter of 2016 and the full year of 2016, for the fourth quarter and the full year of 2015. Information on the Company's financial position relates to end of the periods as of December 31, 2016, September 30, 2016 and December 31, 2015. 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. These criteria are unchanged from the Interim Consolidated Financial Report as of June 30, 2016, which investors are urged to read.

Continuing and discontinued operations in Eni's financial statements 2016

Effective January 1, 2016, Eni Group is no more engaged in the Engineering & Construction segment ("E&C"), following the closing of the sale of a 12.503% stake in Saipem SpA to CDP Equity SpA on January 22, 2016. Concurrently, a shareholder agreement between Eni and CDP Equity SpA entered into force, which established the joint control of the two parties over the target entity. Those transactions triggered loss of control of Eni over Saipem. The retained interest of 30.55% in the former subsidiary has been recognized as an investment in an equity-accounted joint venture with an initial carrying amount aligned to the share price at the closing date of the transaction (€4.2 per share, equal to €564 million) recognizing a loss through profit of €441 million. Considering the pro-quota share capital increase of Saipem subscribed by Eni, the initial carrying amount of the investment amounted to €1,614 million. At the end of February 2016, Saipem reimbursed intercompany loans owed to Eni (€5,818 million as of December 31, 2015) by using the proceeds from the share capital increase and new credit facilities from third-party financing institutions.

Eni's Chemical business, managed by the wholly-owned subsidiary Versalis, has been reclassified as continuing operations, with retroactive effects as of December 31, 2015. In accordance with IFRS 5, Versalis has ceased to be classified as discontinued operations due to termination of the negotiations with US-based SK hedge fund, who had shown an interest in acquiring a majority stake in Versalis. Eni's Annual Report 2015 was prepared accounting this business as discontinued operations. Consequently, Eni's management reinstated the criteria of the continuing use to evaluate Versalis by aligning its book value to the recoverable amount, given by the higher of fair value less cost to sell and value-in-use. Conversely, under IFRS 5 Versalis was measured at the lower of its carrying amount and fair value less cost to sell. This amendment in Versalis evaluation marginally affected the opening balance of Eni's consolidated net assets (an increase of €294 million) and was neutral on the Group's net financial position. For more information about the criteria of the continuing use to evaluate Versalis in Eni consolidated accounts 2016, see Eni Interim Consolidated Report as of June 30, 2016 (the section Basis of preparation in Notes to the Consolidated Interim Financial Statements). The results of Versalis have been aggregated with those of R&M, in the reportable segment "R&M and Chemicals" because the two segments exhibit similar economic characteristics.

Successful effort method (SEM)

Effective January 1, 2016, management modified on voluntary basis, the criterion to recognize exploration expenses adopting the accounting of the successful-effort-method (SEM). The successful-effort method is largely adopted by oil&gas companies, to which Eni is increasingly comparable given the recent re-focalization of the Group activities on its core upstream business.
Under the SEM, geological and geophysical exploration costs are recognized as an expense as incurred. Costs directly associated with an exploration well are initially capitalized as an unproved tangible asset until the drilling of the well is complete and the results have been evaluated. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an unproved asset. If it is determined that development will not occur then the costs are expensed. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons are initially capitalized as an unproved tangible asset. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to proved property.
In accordance to IAS 8 "Accounting policies, Changes in accounting estimates and Errors", the SEM application is a voluntary change in accounting policy explained by the alignment with an accounting standard largely adopted by oil&gas companies and as such it has been applied retrospectively.
The retrospective application of the SEM has required adjustment of the opening balance of the retained earnings and other comparative amounts as of January 1, 2014. Specifically, the opening balance of the carrying amount of property, plant and equipment was increased by €3,524 million, intangible assets by €860 million and the retained earnings by €3,001 million. Other adjustments related to deferred tax liabilities and other minor line items. More details are available on the "Basis of presentation" in the "Notes to the Consolidated Financial Statements" of Eni's Interim Consolidated Report as of June 30, 2016.

The table below sets forth the amounts of the comparative periods 2015 which have been restated following the adoption of the SEM and the accounting of Versalis as part of the continuing operations.

	REPORTED		RESTATED	
(€ million)	*IV quarter 2015*	*Full year 2015*	*IV quarter 2015*	*Full year 2015*
Operating profit (loss) - continuing operations	(5,008)	**(2,781)**	(6,699)	**(3,076)**
Operating profit (loss) E&P	(3,614)	**(144)**	(4,696)	**(959)**
Adjusted operating profit (loss) - continuing operations on a standalone basis	858	**4,104**	634	**4,486**
Adjusted operating profit (loss) - E&P	863	**4,108**	598	**4,182**
Net profit (loss) attributable to Eni's shareholders - continuing operations	(6,778)	**(7,680)**	(8,454)	**(7,952)**
Adjusted net profit (loss) attributable to Eni's shareholders - continuing operations on a standalone basis	(202)	**334**	(301)	**803**
Total assets		**134,792**		**139,001**
Eni's shareholders equity		**51,753**		**55,493**
Cash flow from operations from continuing operations on a standalone basis	4,012	**11,181**	4,444	**12,875**
Net cash flow	(232)	**(1,414)**	(223)	**(1,405)**

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.

* * *

Disclaimer

This press release, in particular the statements under the section "Outlook", contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sales growth, new markets and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational issues; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document. Due to the seasonality in demand for natural gas and certain refined products and the changes in a number of external factors affecting Eni's operations, such as prices and margins of hydrocarbons and refined products, Eni's results from operations and changes in net borrowings for the fourth quarter of the year cannot be extrapolated on an annual basis.

The all sources reserve replacement ratio disclosed elsewhere in this press release is calculated as ratio of changes in proved reserves for the year resulting from revisions of previously reported reserves, improved recovery, extensions, discoveries and sales or purchases of minerals in place, to production for the year. A ratio higher than 100% indicates that more proved reserves were added than produced in a year. The Reserve Replacement Ratio is a measure used by management to indicate the extent to which production is replaced by proved oil and gas reserves. The Reserve Replacement Ratio is not an indicator of future production because the ultimate development and production of reserves is subject to a number of risks and uncertainties. These include the risks associated with the successful completion of large-scale projects, including addressing ongoing regulatory issues and completion of infrastructure, as well as changes in oil and gas prices, political risks and geological and other environmental risks.

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This press release for the full year and the fourth quarter of 2016 (unaudited) is also available on Eni's website **eni.com**.

Quarterly consolidated report

Summary results[8] for the full year and the fourth quarter of 2016

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
15,066	**13,195**	**15,807**	**Net sales from operations - continuing operations**	**72,286**	**55,762**
(6,699)	**192**	**1,640**	**Operating profit (loss) - continuing operations**	**(3,076)**	**2,157**
591	(87)	(237)	Exclusion of inventory holding (gains) losses	1,136	(175)
7,255	153	(117)	Exclusion of special items [(a)]	7,648	333
1,147	**258**	**1,286**	**Adjusted operating profit (loss) - continuing operations**	**5,708**	**2,315**
			Breakdown by segment:		
598	*644*	*1,400*	*Exploration & Production*	*4,182*	*2,494*
18	*(374)*	*(72)*	*Gas & Power*	*(126)*	*(390)*
134	*175*	*75*	*Refining & Marketing and Chemicals*	*695*	*583*
(101)	*(118)*	*(118)*	*Corporate and other activities*	*(369)*	*(452)*
498	*(69)*	*1*	*Impact of unrealized intragroup profit elimination and other consolidation adjustments [(b)]*	*1,326*	*80*
1,147	**258**	**1,286**	**Adjusted operating profit (loss) - continuing operations**	**5,708**	**2,315**
(513)			Reinstatement of intercompany transactions vs. discontinued operations	(1,222)	
634	**258**	**1,286**	**Adjusted operating profit (loss) - continuing operations on standalone basis**	**4,486**	**2,315**
(8,454)	**(562)**	**340**	**Net profit (loss) attributable to Eni's shareholders - continuing operations**	**(7,952)**	**(1,051)**
409	(59)	(162)	Exclusion of inventory holding (gains) losses	782	(120)
7,961	137	281	Exclusion of special items [(a)]	8,487	831
(84)	**(484)**	**459**	**Adjusted net profit (loss) attributable to Eni's shareholders - continuing operations**	**1,317**	**(340)**
(217)			Reinstatement of intercompany transactions vs. discontinued operations	(514)	
(301)	**(484)**	**459**	**Adjusted net profit (loss) attributable to Eni's shareholders on standalone basis**	**803**	**(340)**
(8,723)	**(562)**	**340**	**Net profit (loss) attributable to Eni's shareholders**	**(8,778)**	**(1,464)**
(8,454)	**(562)**	**340**	**Net profit (loss) attributable to Eni's shareholders - continuing operations**	**(7,952)**	**(1,051)**
(269)			Net profit (loss) attributable to Eni's shareholders - discontinued operations	(826)	(413)
4,444	**1,325**	**3,248**	**Net cash provided by operating activities - continuing operations**	**12,875**	**7,673**
19			Net cash provided by operating activities - discontinued operations	(1,226)	
4,463	**1,325**	**3,248**	**Net cash provided by operating activities**	**11,649**	**7,673**
3,964	**1,325**	**3,248**	**Net cash provided by operating activities on standalone basis**	**12,155**	**7,673**
2,697	**2,051**	**2,250**	**Capital expenditure - continuing operations**	**10,741**	**9,180**

(a) For further information see "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.

Trading environment indicators

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15		Full Year 2015	Full Year 2016	% Ch.
43.69	45.85	49.46	13.2	Average price of Brent dated crude oil [(a)]	52.46	43.69	(16.7)
1.095	1.116	1.078	(1.6)	Average EUR/USD exchange rate [(b)]	1.110	1.107	(0.3)
39.90	41.08	45.88	15.0	Average price in euro of Brent dated crude oil	47.26	39.47	(16.5)
6.6	3.3	4.7	(28.8)	Standard Eni Refining Margin (SERM) [(c)]	8.3	4.2	(49.4)
208	156	202	(2.9)	PSV [(d)]	234	168	(28.2)
181	136	182	0.6	TTF [(d)]	210	148	(29.5)
(0.09)	(0.30)	(0.31)	..	Euribor - three-month euro rate (%)	(0.02)	(0.26)	..
0.41	0.79	0.92	..	Libor - three-month dollar rate (%)	0.32	0.74	..

(a) In USD dollars per barrel. Source: Platt's Oilgram.

(b) Source: ECB.

(c) In USD per barrel. Source: Eni calculations. It gauges the profitability of Eni's refineries against standard raw material slate and yields.

(d) In €/kcm.

[8] As provided by IFRS, in case of "discontinued operations" gains and losses pertaining to activities in disposal phase and consequently to "continuing operations" are those deriving from transaction with third parties. Because of this, the above mentioned representations of Saipem (insofar as 2015 comparative periods are concerned) and continuing operations do not fully illustrate their results as standalone entities, mainly when relevant intercompany transactions occur, with regard to both the reporting period disclosed in this press release as well as in future reporting periods. See segment information at page 25 and subsequent for further information on Saipem (insofar as 2015 comparative periods are concerned) and continuing operations results with details about intercompany transaction.

Financial review

Adjusted results

In the **fourth quarter of 2016**, adjusted operating profit of €1,286 million more than doubled the result of the comparative quarter (up by €652 million on a standalone basis). This trend was driven by a robust E&P operating performance (up by €0.8 billion) boosted by efficiency and optimization gains (up by €0.7 billion) and, to a lesser extent, by an ongoing recovery in Brent prices (the Brent benchmark was up by 13.2%). Gas prices were negatively affected by the time lag in oil-linked price formulas. These increases were partly offset by lower non-recurring gains in the G&P segment.
In the fourth quarter of 2016, Eni reported an adjusted net profit of €459 million after five quarters affected by the oil price downturn. Compared to the fourth quarter of 2015 when an adjusted net loss of €301 million was recorded on a standalone basis, the €760 million improvement reflected a better operating performance and a significantly reduced tax rate, which declined to 58% from 168% quarter-on-quarter. This latter reflected the Company's improved profitability, which reduced the relative incidence on taxable profit of results under PSA schemes, characterized by higher-than-average rates of taxes, and of certain non-deductible expenses.

Special items of the operating profit were net gains of €117 million in the quarter (net charges of €333 million in the year) and mainly related to:

(i) The reversal of prior impairment losses at oil&gas properties for €1,440 million, driven by an upward revision to management's long-term price assumption for the benchmark Brent to $70 per barrel, up from the previous $65 per barrel, adopted in the financial projections of the 2017-2020 industrial plan;
(ii) impairment of gas properties in the upstream segment driven by a lowered price scenario in Europe and other oil&gas properties due to contractual changes, downward reserves revision as well as a higher country risk (for an overall amount of €756 million);
(iii) the write down of capital expenditure relating to certain Cash Generating Units in the R&M and Chemicals segment, which were impaired in previous reporting periods (€40 million; €104 million in the full year);
(iv) the write-off of the damaged units of the EST conversion plant at the Sannazzaro refinery, following the accident occurred in December 2016 and a provision for decommissioning (for an overall amount of €217 million), partially offset by a compensation gain on part of a third-party insurer (€122 million);
(v) environmental provisions (€28 million in the quarter; €193 million in the year);
(vi) the effects of fair-valued commodity derivatives that lacked the formal criteria to be accounted as hedges under IFRS (gains of €279 million and €427 million, respectively in the fourth quarter and the full year);
(vii) exchange rate differences and derivatives reclassified to adjusted operating profit (gains of €37 million and charges of €19 million, respectively in the fourth quarter and the full year);
(viii) risk provisions of €43 million (€151 million in the year);
(ix) other charges (€850 million and €667 million in the year and the fourth quarter, respectively) mainly relating to the impairment of certain disputed receivables in the E&P segment owed by certain NOCs, due to the expected outcome of ongoing negotiations to settle the matter. Because certain of these receivables were recognized as items deductible from taxable profit, the Company utilized against net profit a redundant provision for deferred tax liabilities which were provided when the receivables were firstly recorded, resulting in a gain of €380 million.

Non-operating special items of the year comprised:
Continuing operations

- the impairment of certain equity-accounted entities in the E&P segment driven by the financial downturn in certain countries (€236 million);
- income taxes includes in addition to the tax effects of special gains/charges in operating profit, the reversal of the impairment provision relating deferred tax assets in a foreign country (€121 million), as well as utilization of deferred tax liabilities due to certain changes in tax regulations in the United Kingdom and Norway (€28 million) and to the impairment of certain disputed

receivables relating to E&P owed by NOCs to reflect the expected outcome of certain ongoing negotiations;

- a write-off of deferred tax assets at Italian companies (approximately €170 million) due to a reduced outlook of future taxable earnings, mainly due to the gas scenario;
- an impairment loss recorded at Eni's equity-accounted interest in Saipem, subsequently to establishment of Eni's joint control over the investee. The loss reflected the outcome of the impairment review and other extraordinary charges incurred by Saipem, based on the changed financial projections of new strategic plan announced by the entity on October 25, 2016 (Eni's share of €163 million).

Discontinued operations

- Special items of discontinued operations included a loss of €441 million taken to align the net book value of the interest retained in Saipem with the market capitalization of the investee at the date of the loss of control (January 22, 2016).

For the FY **2016** adjusted operating profit was €2,315 million, representing a decrease of €2,171 million, down by 48.4% y-o-y. The decline reflected a lower commodity price environment with a negative effect of €3.3 billion, while the Val d'Agri shutdown and lower non-recurring gains in G&P weighted for €0.6 billion. These negatives were partly offset by production growth in other areas, efficiency gains and a reduced cost base for €1.7 billion, mainly in the E&P segment.

Reported results

Eni reported a **net loss from continuing operations** of €1,051 million for the **FY2016**, a marked reduction to the €7,952 million loss recorded in 2015.
This improvement mainly reflects an ongoing recovery in oil markets from the second half of the year. Better market fundamentals were factored in the upward revision to management's long-term price assumption for the benchmark Brent to 70$ per barrel from the previous 65$, which has been adopted in the financial projections of the 2017-2020 industrial plan. This revision triggered the reversal of prior impairment losses of €1,005 million post-tax at oil&gas properties, which were absorbed by impairment losses due to a lowered outlook for gas prices in Europe and other drivers, as well as other non-recurring charges for an overall negative impact of €831 million.
On the contrary, the FY 2015 result was negatively affected by the recognition of material special charges of €8.5 billion. Those comprised impairment losses of upstream assets (€3.9 billion) and the write-off of deferred tax assets for €1.8 billion due to a lowered outlook for oil prices. Furthermore, the year-ago charges included the impairment of the Chemical business (€1 billion), which carrying amount was aligned to the expected fair value based on a sale transaction then ongoing designed to established an industrial joint venture, as well as other extraordinary charges of €1.8 billion mainly in the G&P segment.

Still, the 2016 underlying performance was negatively affected by a continued slump in commodity prices especially in the first half of the year which determined y-o-y declines in crude oil prices (down by 16.7%, from 52.5 $/b reported in 2015, to 43.7 $/b in 2016), in gas prices (down by 28.2%) and in refining margins (down by 49.4%). These declines drove a 23% reduction in the Group consolidated turnover. Other factors negatively affecting the performance were a four and half-month shutdown of the Val d'Agri oil complex in Italy. Management implemented a number of initiatives to withstand the negative scenario including tight investment selection, with capex down by 19% y-o-y at constant exchange rates, control of E&P operating expenses (down by 14%), optimizations of plant setup at refineries and chemical plants, savings on energy consumptions and logistic costs and G&A cuts. All these measures improved EBIT by around €1.7 billion. Finally, income taxes declined by €1,186 million due to the above mentioned extraordinary drivers. The tax rate was affected by the high relative incidence on taxable profit of results under PSA schemes, which are characterized by higher-than-average rates of taxes, recorded in the first three quarters of 2016.

In the fourth quarter of 2016, Eni reported a net profit of €340 million compared to a loss of €8,454 million in the same period of 2015 due to the same drivers described in the disclosure of the year results and an improved industrial performance.

In FY 2016, **group net loss pertaining to Eni's shareholders** amounted to €1,464 million, which included a loss in the discontinued operations of €413 million relating to the impairment taken to align the book value of Eni's retained interest in Saipem to its fair value, equal to the market capitalization at the date of loss of control (January 22, 2016) with a charge of €441 million.

Summarized Group Balance Sheet[9]

(€ million)

	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2016	Change vs. Dec. 31, 2015	Change vs. Sept. 30, 2016
Fixed assets					
Property, plant and equipment	68,005	67,882	70,793	2,788	2,911
Inventories - Compulsory stock	909	1,044	1,184	275	140
Intangible assets	3,034	2,835	3,269	235	434
Equity-accounted investments and other investments	3,513	4,442	4,316	803	(126)
Receivables and securities held for operating purposes	2,273	2,352	1,932	(341)	(420)
Net payables related to capital expenditure	(1,284)	(1,466)	(1,765)	(481)	(299)
	76,450	**77,089**	**79,729**	**3,279**	**2,640**
Net working capital					
Inventories	4,579	4,558	4,637	58	79
Trade receivables	12,616	10,418	11,186	(1,430)	768
Trade payables	(9,605)	(9,226)	(11,038)	(1,433)	(1,812)
Tax payables and provisions for net deferred tax liabilities	(4,137)	(3,419)	(3,073)	1,064	346
Provisions	(15,375)	(14,127)	(13,896)	1,479	231
Other current assets and liabilities	1,827	1,866	1,171	(656)	(695)
	(10,095)	**(9,930)**	**(11,013)**	**(918)**	**(1,083)**
Provisions for employee post-retirement benefits	**(1,123)**	**(1,018)**	**(868)**	**255**	**150**
Discontinued operations and assets held for sale including related liabilities	**9,048**	**11**	**14**	**(9,034)**	**3**
CAPITAL EMPLOYED, NET	**74,280**	**66,152**	**67,862**	**(6,418)**	**1,710**
Eni shareholders' equity	55,493	50,096	53,037	(2,456)	2,941
Non-controlling interest	1,916	48	49	(1,867)	1
Shareholders' equity	**57,409**	**50,144**	**53,086**	**(4,323)**	**2,942**
Net borrowings	**16,871**	**16,008**	**14,776**	**(2,095)**	**(1,232)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**74,280**	**66,152**	**67,862**	**(6,418)**	**1,710**
Leverage	**0.29**	**0.32**	**0.28**	**(0.01)**	**(0.04)**

The Summarized Group Balance Sheet was affected by the movement in the EUR/USD exchange rate, which determined an increase in net capital employed, total equity and net borrowings by €1,747 million, €1,198 million, and €549 million respectively. This was due to translation into euros of the financial statements of US-denominated subsidiaries reflecting a 3.2% depreciation of the euro against the US dollar (1 EUR= 1.054 USD at December 31, 2016 compared to 1.089 at December 31, 2015).

Fixed assets (€79,729 million) increased by €3,279 million from December 31, 2015. The item "Property, plant and equipment" was up by €2,788 million mainly due to capital expenditure (€9,180 million), positive currency movements and net asset write-ups (€475 million). These positives were offset by DD&A (€7,559 million), the write-off of exploration projects lacking the criteria for continuing capitalization and the write-off of the damaged units of the EST plant in Sannazzaro refinery (€350 million). The increase in the item "Equity-accounted investments and other investments" of €803 million was due to the recognition as an equity-accounted investment of the stake of 30.55% retained in Saipem following loss of control over the former subsidiary and the pro-quota share capital increase of the investee for an overall amount of €1,614 million, net of losses incurred in the period on equity accounted entities.

[9] The summarized Group balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria, which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing. Management believes that this summarized Group balance sheet is useful information in assisting investors to assess Eni's capital structure and to analyze its sources of funds and investments in fixed assets and working capital. Management uses the summarized Group balance sheet to calculate key ratios such as the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Eni's financing structure is sound and well-balanced.

Net working capital was in negative territory at minus €11,013 million and decreased by €918 million y-o-y driven by reduced trade receivables, due to better management of working capital and higher volume of trade receivables due beyond end of the reporting period which were sold to factoring institution, as well as increased trade payables. Other current assets and liabilities decreased due mainly to the impairment of certain disputed receivables in the E&P segment owed by certain NOCs, based on the expected outcome of ongoing negotiations.
These negatives were partly offset by the decrease in tax payables and provisions for deferred taxes, reflecting lower provisions for current taxes, driven by the reduction of taxable profit and E&P utilization of deferred tax liabilities relating to the impairment of disputed receivables, as well as the reduction in the risk provisions for the fulfilment of obligations.

Discontinued operations, assets held for sale including related liabilities (€14 million) decreased by €9,034 million due to the closing of the Saipem transaction and the divestment of fuel distribution activities in Eastern Europe.

Shareholders' equity including non-controlling interest was €53,086 million, down by €4,323 million from December 31, 2015. This was due to the net loss of the year (€1,457 million), the derecognition of Saipem non-controlling interest (€1,872 million), as well as dividend distribution of €2,885 million (including the 2015 balance and the 2016 interim dividends paid to Eni's shareholders amounting to €2,881 million). These effects were partially offset by a positive change in the cash flow hedge reserve (€883 million) and positive foreign currency translation differences (€1,198 million).

Summarized Group Cash Flow Statement[10]

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016	Change
(8,155)	**(561)**	**341**	**Net profit (loss) - continuing operations**	**(7,399)**	**(1,044)**	**6,355**
			Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
9,813	2,181	1,740	- depreciation, depletion and amortization and other non monetary items	17,216	7,773	(9,443)
(136)	(10)	(11)	- net gains on disposal of assets	(577)	(48)	529
569	397	749	- dividends, interest, taxes and other changes	3,215	2,229	(986)
3,141	(115)	1,455	Changes in working capital related to operations	4,781	2,112	(2,669)
(788)	(567)	(1,026)	Dividends received, taxes paid, interest (paid) received	(4,361)	(3,349)	1,012
4,444	**1,325**	**3,248**	**Net cash provided by operating activities - continuing operations**	**12,875**	**7,673**	**(5,202)**
19			Net cash provided by operating activities - discontinued operations	(1,226)		1,226
4,463	**1,325**	**3,248**	**Net cash provided by operating activities**	**11,649**	**7,673**	**(3,976)**
(2,697)	**(2,051)**	**(2,250)**	**Capital expenditure - continuing operations**	**(10,741)**	**(9,180)**	**1,561**
(154)			Capital expenditure - discontinued operations	(561)		561
(2,851)	**(2,051)**	**(2,250)**	**Capital expenditure**	**(11,302)**	**(9,180)**	**2,122**
(57)	(6)	(6)	Investments and purchase of consolidated subsidiaries and businesses	(228)	(1,164)	(936)
1,353	70	33	Disposals	2,258	1,054	(1,204)
(660)	(106)	614	Other cash flow related to capital expenditure, investments and disposals	(1,351)	465	1,816
2,248	**(768)**	**1,639**	**Free cash flow**	**1,026**	**(1,152)**	**(2,178)**
(377)	30	42	New borrowings (repayment) of long-term finance debt	(300)	5,271	5,571
(1,206)	1,854	(798)	Changes in short and long-term financial debt	2,126	(766)	(2,892)
(23)	(1,408)	(33)	Dividends paid and changes in non-controlling interest and reserves	(3,477)	(2,885)	592
(865)	(5)	22	Effect of changes in consolidation and exchange differences	(780)	(3)	777
(223)	**(297)**	**872**	**NET CASH FLOW**	**(1,405)**	**465**	**1,870**
3,964	**1,325**	**3,248**	**Net cash provided by operating activities on standalone basis**	**12,155**	**7,673**	**(4,482)**

Change in net borrowings

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016	Change
2,248	**(768)**	**1,639**	**Free cash flow**	**1,026**	**(1,152)**	**(2,178)**
	28		Net borrowings of divested companies	83	5,848	5,765
(682)	(46)	(374)	Exchange differences on net borrowings and other changes	(818)	284	1,102
(23)	(1,408)	(33)	Dividends paid and changes in non-controlling interest and reserves	(3,477)	(2,885)	592
1,543	**(2,194)**	**1,232**	**CHANGE IN NET BORROWINGS**	**(3,186)**	**2,095**	**5,281**

In the FY2016, **net cash provided by operating activities** amounted to €7,673 million. Proceeds from disposals were €1,054 million and mainly related to the 12.503% interest in Saipem (€463 million), an interest in Snam due to exercise of the conversion right by bondholders (€332 million) as well as fuel distribution activities in Eastern Europe. Following the closing of the Saipem transaction, Eni was reimbursed of intercompany loans due by Saipem amounting to €5,818 million.
These inflows funded part of the financial requirements for capital expenditure (€9,180 million, of which €500 million are expected to be reimbursed following the divestment of a 40% interest in Zohr), the payment of Eni's 2015 balance dividend and the 2016 interim dividend (€2,881 million), and finally the amount cashed out to subscribe the share capital increase of Saipem (€1,069 million). Capital

[10] Eni's summarized Group cash flow statement derives from the statutory statement of cash flows. It enables investors to understand 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. The measure enabling such a link is represented by the free cash flow which 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. The free cash flow is a non-GAAP measure of financial performance.

expenditure decreased by 19% vs 2015 at constant exchange rates, including Eni's capital contributions to joint-ventures, as planned.
The normalized cash flow from operating activities was €8.3 billion and it was calculated by excluding the negative effect of the Val d'Agri shutdown (€0.2 billion), a reclassification of certain receivables for investing activities to trading receivables (€0.3 billion), while including changes in working capital due to the sale of a 40% interest in Zohr (€0.1 billion). This normalized cash flow funded approximately 95% the capex of the year, reduced from €9.2 billion to €8.7 billion when deducting the expected reimbursement of past capex related to the divestment of a 40% interest in the Zohr project (€0.5 billion).

From January 1, 2016, Eni's captive insurance subsidiary (Eni Insurance) is required to meet certain capital and solvency ratios as minimum requirements to continue performing the insurance activity based on the provisions of EU Solvency II Directive (the so-called Minimum Capital Requirement - MCR - and Solvency Capital Requirement - SCR). Therefore, it is no longer necessary to commit the financial assets of the insurance company to funding the loss provisions. Accordingly, those assets, which mainly comprise available-for-sale securities and bank deposits, have ceased to be classified as held for operating purposes and have been netted against finance debt in determining the Group net borrowing at December 31, 2016 with a positive impact of €600 million. Net borrowings also reflects the negative effect of approximately €300 million in the fair value of securities held for trading.

Due to the above mentioned inflows and outflows, the Group's net borrowings decreased by €2,095 million compared to 2015 year-end.

Other information

Article No. 36 of Italian regulatory exchanges (Consob Resolution No. 16191/2007 and subsequent amendments). Continuing listing standards about issuers that control subsidiaries incorporated or regulated in accordance with laws of extra-EU Countries.

Certain provisions have been enacted to regulate continuing Italian listing standards of issuers controlling subsidiaries that are incorporated or regulated in accordance with laws of extra-EU Countries, also having a material impact on the consolidated financial statements of the parent company. Regarding the aforementioned provisions, as of December 31, 2016, Eni's subsidiaries - Eni Congo SA, Eni Norge AS, Eni Petroleum Co Inc, Nigerian Agip Oil Co Ltd, Nigerian Agip Exploration Ltd, Eni Finance USA Inc, Eni Trading & Shipping Inc, Eni Canada Holding Ltd, Eni Turkmenistan Ltd, Eni Ghana Exploration and Production Ltd and Eni Suisse SA – fall within the scope of the new continuing listing standards. Eni has already adopted adequate procedures to ensure full compliance with the new regulations.

Eni's 2016 Annual Report

Eni's 2016 Annual Report will be filed with the Italian market authorities and for other statutory purposes as early as the end of March 2017. An annual report on form 20-F fully audited will be filed simultaneously with the US SEC. Those reports will be disseminated through the Company's headquarters and on Eni's website eni.com and through other sources provided by the regulation in force.
Enclosed are the 2016 IFRS consolidated statements of the companies within the Eni group as included in the approved Consolidated financial statements and the statements of the parent company Eni SpA.

Financial and operating information by segment for the fourth quarter and the full year 2016 is provided in the following pages.

Exploration & Production

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15	RESULTS	(€ million)	Full Year 2015	Full Year 2016	% Ch.
4,977	**3,991**	**4,855**	**(2.5)**	**Net sales from operations**		**21,436**	**16,089**	**(24.9)**
(4,696)	**559**	**1,720**	**..**	**Operating profit (loss)**		**(959)**	**2,567**	**..**
5,294	85	(320)		Exclusion of special items:		5,141	(73)	
5,100		*(789)*		*- impairments losses (impairment reversals), net*		*5,212*	*(684)*	
169				*- impairment of exploration projects*		*169*	*7*	
(37)		*(3)*		*- net gains on disposal of assets*		*(403)*	*(2)*	
	106	*(1)*		*- risk provisions*			*105*	
(1)	*1*	*19*		*- provision for redundancy incentives*		*15*	*24*	
(14)	*4*			*- commodity derivatives*		*12*	*19*	
(51)	*(27)*	*(1)*		*- exchange rate differences and derivatives*		*(59)*	*(3)*	
128	*1*	*455*		*- other*		*195*	*461*	
598	**644**	**1,400**	**..**	**Adjusted operating profit (loss)**		**4,182**	**2,494**	**(40.4)**
(72)	(63)	123		Net financial income (expense) [a]		(272)	(55)	
100	(46)	77		Net income (expense) from investments [a]		254	68	
(599)	(548)	(741)		Income taxes [a]		(3,173)	(1,999)	
95.7	*102.4*	*46.3*		*Tax rate (%)*		*76.2*	*79.7*	
27	**(13)**	**859**	**..**	**Adjusted net profit (loss)**		**991**	**508**	**(48.7)**
				Results also include:				
498	61	73	(85.3)	exploration expense:		871	374	(57.1)
53	*45*	*45*	*(15.1)*	*- prospecting, geological and geophysical expenses*		*254*	*204*	*(19.7)*
445	*16*	*28*	*(93.7)*	*- write-off of unsuccessful wells [b]*		*617*	*170*	*(72.4)*
2,201	**1,874**	**1,871**	**(15.0)**	**Capital expenditure**		**9,980**	**8,254**	**(17.3)**
				Production [c] [d]				
998	864	906	(9.2)	Liquids [e]	(kbbl/d)	908	878	(3.3)
4,868	4,616	5,184	6.5	Natural gas	(mmcf/d)	4,681	4,807	2.3
1,884	**1,710**	**1,856**	**(1.5)**	**Total hydrocarbons**	(kboe/d)	**1,760**	**1,759**	**(0.1)**
				Average realizations				
38.68	40.82	44.56	15.2	Liquids [e]	($/bbl)	46.30	39.18	(15.4)
4.06	3.14	3.50	(13.8)	Natural gas	($/kcf)	4.55	3.27	(28.2)
31.68	**29.70**	**32.95**	**4.0**	**Total hydrocarbons**	($/boe)	**36.47**	**29.14**	**(20.1)**
				Average oil market prices				
43.69	45.85	49.46	13.2	Brent dated	($/bbl)	52.46	43.69	(16.7)
39.90	41.08	45.88	15.0	Brent dated	(€/bbl)	47.26	39.47	(16.5)
42.10	44.88	49.18	16.8	West Texas Intermediate	($/bbl)	48.72	43.20	(11.3)
2.11	2.85	3.01	42.7	Gas Henry Hub	($/mmbtu)	2.61	2.49	(4.6)

(a) Excluding special items

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

(c) Supplementary operating data is provided on page 40.

(d) Includes Eni's share of production of equity-accounted entities.

(e) Includes condensates.

Results

In the **fourth quarter of 2016**, the Exploration & Production segment reported an adjusted operating profit of €1,400 million, which doubled the performance of fourth quarter 2015 (up by €802 million). This result was driven by a better performance driven by cost efficiencies and optimizations (€0.7 billion) and, to a lesser extent, by an ongoing recovery in Brent prices (the Brent benchmark was up by 13.2%), which has yet to be fully reflected in gas prices which were down due to the time lags in oil-linked price formulas. The quarter recorded lower DD&A charges, which were due to lower capital expenditure (down by 15%) and the reduction in the carrying amounts of oil &gas properties following the material impairment losses booked last year (€5,100 million).

Special items of the operating profit resulted in a net gain of €320 million in the quarter (€73 million in the year). The main items were reversals of prior impairment losses at oil&gas properties for €1,440 million, driven by an upward revision to management's long-term price assumption for the benchmark Brent to 70$ per barrel, up from the previous 65$ per barrel, adopted in the financial projections of the 2017-2020 industrial plan. These were absorbed by: (ii) impairment losses of gas properties driven by a lowered price outlook in Europe and other oil&gas properties due to contractual changes, reserves revision and a higher country risk (overall amount of €756 million); and (iii) other charges of €461 million mainly relating to the impairment of certain overdue receivables owed by National oil companies due to the expected outcome of ongoing negotiations to settle disputed amounts. The recognition of those receivables as deductible items for tax purposes resulted in the reversal of unused deferred tax liabilities of €380 million.

In the fourth quarter of 2016, the Exploration & Production segment reported an adjusted net profit of €859 million, up by €832 million y-o-y. The increase reflected a substantial improvement in operating profit and a lower tax rate (down by approximately 50 percentage points) due to an improved profitability that reduced the concentration of taxable profit in PSA contracts, which bear higher-than average rates of tax, and incidence of certain non-deductible expenses.

For the **FY 2016**, the Exploration & Production segment reported an adjusted operating profit of €2,494 million, down by 40.4% y-o-y. The €1,688 million decline mainly reflected a weaker commodity environment, with the marker Brent down by 16.7% and declining gas prices in Europe and the United States. Profit for the year was also negatively affected by the Val d'Agri shutdown, which lasted four and a half months. These effects were only partially offset by higher production in other areas and lower operating expenses and DD&A. This latter was due to lower capital expenditure and the reduction in the carrying amounts of oil&gas properties following the material impairment losses booked last year (€5,212 million).

For the FY2016, adjusted net profit amounted to €508 million, a decline of €483 million, or 48.7%, from 2015 mainly due to a lower operating performance.
For the FY2016, taxes paid represented approximately 32% of the cash flow from operating activities of the E&P segment before changes in working capital and income taxes paid.

Operating review

In the **fourth quarter of 2016**, Eni's hydrocarbon production[11] was 1.856 million boe/d (1.759 million boe/d in the full year), 1.5% lower compared to the fourth quarter of 2015 (unchanged y-o-y). Performance for the year was affected by the production shutdown at Val d'Agri (as compared to the full year results), while y-o-y comparison was affected by the recognition in 2015 of cost recovery for past investments made in Iran. New fields' start-ups and production ramp-ups at fields started up in 2015 (280 kboe/d) mainly in Angola, Egypt, Kazakhstan, Norway and Venezuela as well as increased production in Iraq (as compared for the full year) were partly offset by planned facilities downtime, mainly in the United Kingdom, and mature fields declines. The share of oil and natural gas produced outside Italy was 91% in the quarter and 92% for the full year (91% and 90% in the 2015 reporting periods, respectively).

Liquids production (906 kbbl/d) decreased by 9.2% from the fourth quarter of 2015. Planned facilities downtime and mature fields declines were partly offset by the start-ups and ramp-ups in Angola, Norway and Kazakhstan.

Natural gas production in the fourth quarter (5,184 mmcf/d) increased by 6.5% from the same period a year ago. Higher production in Angola, Egypt and Venezuela was partly offset by planned facilities downtime and mature field declines.

For **the FY2016**, liquids production (878 kbbl/d) decreased by 30 kbbl/d, or 3.3% from the full year 2015. Natural gas production (4,807 mmcf/d) increased by 126 mmcf/d, or 2.3%.

[11] From January 1, 2016, as part of a regular reviewing procedure, Eni has updated the conversion rate of gas to 5,458 cubic feet of gas equals 1 barrel of oil (it was 5,492 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 all Eni's gas fields currently on stream. The effect of this update on production expressed in boe for the fourth quarter and the full year 2016 was 5 kboe/d. Other per-boe indicators were only marginally affected by the update (e.g. realization prices, costs per boe) and negligible was the impact on depletion charges. Other oil companies may use different conversion rates.

OPL245 - Nigeria

On January 27, 2017, Eni's subsidiary Nigerian Agip Exploration Ltd became aware of an Interim Order of Attachment ("Order") issued by the Federal High Court, sitting in Abuja, attaching the property known as Oil Prospecting License 245 ("OPL 245") jointly owned by Eni and Shell. The Order does not revoke the license but restricts temporarily Eni's ability to dispose of and manage the property, pending the conclusion of the investigation into alleged corruption and money laundering in respect of the acquisition of the license by Eni and Shell in 2011. Eni and Shell promptly made an application to discharge the order. Management believes that the Company may possibly accede not only to jurisdictional remedies provided by Nigerian laws but also to arbitration remedies provided by international treaties for the protection of investments.
Based on the review of the matter performed by international law firms who have also examined the material and the information made available by the investigation authorities, no wrongdoing has been detected in the awarding process to Eni of the license.

Estimated net proved reserves

		Full year		
		2015	**2016**	**Var. %**
Estimated net proved reserves [a]				
Liquids	(mmbl)	3,559	3,398	(4.5)
Natural Gas	(bcf)	18,295	22,333	22.0
Hydrocarbons	(mmboe)	**6,890**	**7,490**	**8.7**
of which: Italy		*465*	*354*	*(23.9)*
Outside Italy		*6,425*	*7,136*	*11.1*
Estimated net proved developed reserves				
Liquids	(mmbl)	2,148	2,233	4.0
Natural Gas	(bcf)	10,301	11,149	8.2
Hydrocarbons	(mmboe)	**4,023**	**4,275**	**6.3**

(a) Includes Eni's share of proved reserves of equity-accounted entities.

Movements in Eni's 2016 estimated proved reserves were as follows:

(mmboe)		
Estimated net proved reserves at December 31, 2015		**6,890**
Extensions, discoveries and other additions, revisions of previous estimates and improved recovery		1,244
of which:		
- Price effect		*(76)*
Portfolio		
Production of the year		(644)
Estimated net proved reserves at December 31, 2016		**7,490**
Reserves replacement ratio, organic	(%)	193

In 2016, net additions to proved reserves pertaining to discoveries, extensions, improved recovery, revisions of previous estimates were 1,244 mmboe. These increases compared to production of the year yielded an organic reserve replacement ratio of 193%. Reserve additions were boosted by projects advancements and the FID taken at the Zohr project.
Additions were partly offset by downward revisions of 76 mmboe related to negative price effects, mainly driven by a lowered Brent price used in the reserves estimation process down to $42.8 per barrel in 2016 compared to $54 per barrel in 2015, under which certain reserves became uneconomical. This change was mitigated by higher cost entitlements in PSA contracts. The reserves life index was 11.6 years (10.7 years in 2015).

The company will provide additional details relating to its 2016 reserves activity in its regular annual filing with the Italian market Authorities and the US SEC.

Gas & Power

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15	RESULTS		Full Year 2015	Full Year 2016	% Ch.
					(€ million)			
10,720	**9,211**	**11,986**	**11.8**	**Net sales from operations**		**52,096**	**40,961**	**(21.4)**
(894)	**(325)**	**5**	**100.6**	**Operating profit (loss)**		**(1,258)**	**(391)**	**68.9**
96	(12)	(56)		Exclusion of inventory holding (gains) losses		132	90	
816	(37)	(21)		Exclusion of special items:		1,000	(89)	
137		*81*		*- impairments losses (impairment reversals), net*		*152*	*81*	
	1			*- net gains on disposal of assets*				
		1		*- environmental charges*			*1*	
132		*17*		*- risk provisions*		*226*	*17*	
132		*17*		*- of which provision on retail credits on invoices to be issued*		*226*	*17*	
(1)		*3*		*- provision for redundancy incentives*		*6*	*4*	
144	*(34)*	*(265)*		*- commodity derivatives*		*90*	*(443)*	
7	*(12)*	*33*		*- exchange rate differences and derivatives*		*(9)*	*(19)*	
397	*8*	*109*		*- other*		*535*	*270*	
18	**(374)**	**(72)**	**..**	**Adjusted operating profit (loss)**		**(126)**	**(390)**	**..**
5	3	(1)		Net finance income (expense) [a]		11	6	
5	(10)	(8)		Net income (expense) from investments [a]		(2)	(20)	
(64)	79	50		Income taxes [a]		(51)	74	
(36)	**(302)**	**(31)**	**13.9**	**Adjusted net profit (loss)**		**(168)**	**(330)**	**..**
74	**23**	**53**	**(28.4)**	**Capital expenditure**		**154**	**120**	**(22.1)**
				Natural gas sales [b]	(bcm)			
9.51	8.76	10.25	7.8	Italy		38.44	38.43	(0.0)
12.87	11.25	13.42	4.3	International sales		52.44	50.50	(3.7)
10.36	*9.07*	*11.42*	*10.2*	*- Rest of Europe*		*42.89*	*42.43*	*(1.1)*
1.66	*1.45*	*1.59*	*(4.2)*	*- Extra European markets*		*6.39*	*5.45*	*(14.7)*
0.85	*0.73*	*0.41*	*(51.8)*	*- E&P sales in Europe and in the Gulf of Mexico*		*3.16*	*2.62*	*(17.1)*
22.38	**20.01**	**23.67**	**5.76**	**Worldwide gas sales**		**90.88**	**88.93**	**(2.1)**
				of which:				
20.77	*18.63*	*22.35*	*7.6*	*- Sales of consolidated subsidiaries*		*84.94*	*83.34*	*(1.9)*
0.76	*0.65*	*0.91*	*19.7*	*- Eni's share of sales of natural gas of affiliates*		*2.78*	*2.97*	*6.8*
0.85	*0.73*	*0.41*	*(51.8)*	*- E&P sales in Europe and in the Gulf of Mexico*		*3.16*	*2.62*	*(17.1)*
9.06	**9.17**	**9.79**	**8.1**	**Electricity sales**	(TWh)	**34.88**	**37.05**	**6.2**

(a) Excluding special items.

(b) Supplementary operating data is provided on page 41.

Results

In the **fourth quarter of 2016**, the Gas & Power segment reported an adjusted operating loss of €72 million, down by €90 million compared to the fourth quarter of 2015. This trend reflected the impact of a negative trading environment, particularly in the LNG business, and lower non-recurring gains and higher operating expenses, partly offset by a better performance of the trading activities.

Adjusted operating loss for the quarter excluded a profit on stock of €56 million (a loss of €90 million in the full year 2016) and net special gains of €21 million (€89 million in the full year 2016). Special gains comprised the effects of the fair-value evaluation of certain commodity derivatives lacking the formal criteria to be accounted as hedges under IFRS (gains of €265 million and €443 million in the two reporting periods, respectively). Furthermore, they included a downward revision of revenues accrued on the sale of gas and power for past reporting periods, resulting from the restructuring plan launched in 2015 (€161 million in the full year), the impairment loss of certain assets due to the increased country risk and the weakness of the gas scenario (a total amount of €81 million in the two reporting periods). Adjusted operating result of the period include the positive balance of €33 million in the quarter (a negative balance of €19 million in the full year) of exchange rate differences and derivatives which management consider to be part of the adjusted operating performance, in spite of their recognition as part of the finance income or expense.

In the quarter, adjusted net loss amounted to €31 million, compared to an adjusted net loss of €36 million reported in the same period of the previous year.

In the full year **2016**, the Gas & Power segment reported an adjusted operating loss of €390 million, down by €264 million y-o-y. This reflected lower margins on LNG sales and higher one-off benefits from contracts renegotiations reported in 2015, partly offset by logistics costs optimizations and better performance in trading activities. The retail segment reported lower results due to unusual winter weather conditions.

In the full year, the Gas & Power segment reported an adjusted net loss of €330 million due to the reduction of operating performance.

Operating review

In the **fourth quarter of 2016**, Eni's natural gas sales were 23.67 bcm, up by 1.29 bcm, or 5.8% compared to the fourth quarter of 2015. Sales in Italy increased by 7.8% to 10.25 bcm driven by higher spot sales. Sales in the European markets amounted to 10.27 bcm, up by 11.8%, mainly in Germany/Austria and France thanks to a better performance of the wholesale segment (benefitting also from nuclear shutdowns in France).

In the quarter, sales to the Extra European markets decreased by 4.2% due to lower LNG volumes marketed in the Far East, due to expiration of certain supply contracts to customers in that region.

Sales of natural gas in the full year **2016**, amounted to 88.93 bcm (included Eni's own consumption, Eni's share of sales made by equity-accounted entities and Exploration & Production sales in Europe and in the Gulf of Mexico) reporting a decrease of 1.95 bcm or 2.1% from the full year 2015. Sales in Italy barely unchanged (38.43 bcm) from the full year 2015. Lower volumes sold, particularly in residential and wholesale segments were offset by higher spot volumes.
Sales in the European markets amounted to 38.06 bcm, broadly unchanged from last year.

Electricity sales were 9.79 TWh in the fourth quarter of 2016, up by 8.1%, from the corresponding period of 2015 (37.05 TWh, up by 6.2% in the full year 2016) mainly due to higher volumes traded on the wholesale segment.

Refining & Marketing and Chemicals

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15	RESULTS	(€ million)	Full Year 2015	Full Year 2016	% Ch.
4,878	**4,910**	**5,125**	**5.1**	**Net sales from operations**		**22,639**	**18,733**	**(17.3)**
(1,530)	**192**	**168**	..	**Operating profit (loss)**		**(1,567)**	**723**	**..**
567	(73)	(181)		Exclusion of inventory holding (gains) losses		877	(406)	
1,097	56	88		Exclusion of special items:		1,385	266	
25	*19*	*18*		*- environmental charges*		*137*	*104*	
1,055	*30*	*40*		*- impairments losses (impairment reversals), net*		*1,150*	*104*	
	(1)	*(3)*		*- net gains on disposal of assets*		*(8)*	*(8)*	
2	*1*	*27*		*- risk provisions*		*(5)*	*28*	
7	*1*	*7*		*- provision for redundancy incentives*		*8*	*12*	
11	*(3)*	*(14)*		*- commodity derivatives*		*68*	*(3)*	
(6)	*1*	*5*		*- exchange rate differences and derivatives*		*5*	*3*	
3	8	8		*- other*		*30*	*26*	
134	**175**	**75**	**(44.0)**	**Adjusted operating profit (loss)**		**695**	**583**	**(16.1)**
93	*100*	*68*	*(26.9)*	*- Refining & Marketing*		*387*	*278*	*(28.2)*
41	*75*	*7*	*(82.9)*	*- Chemicals*		*308*	*305*	*(1.0)*
(1)		1		Net finance income (expense) [a]		(2)	1	
31	3	9		Net income (expense) from investments [a]		69	32	
(78)	(57)	(35)		Income taxes [a]		(250)	(197)	
47.6	*32*	*41.2*		*Tax rate (%)*		*32.8*	*32*	
86	**121**	**50**	**(41.9)**	**Adjusted net profit (loss)**		**512**	**419**	**(18.2)**
242	**149**	**303**	**25.2**	**Capital expenditure**		**628**	**664**	**5.7**
				Global indicator refining margin				
6.6	3.3	4.7	(28.8)	Standard Eni Refining Margin (SERM) [b]	($/bbl)	8.3	4.2	(49.4)
				REFINING THROUGHPUTS AND SALES	(mmtonnes)			
5.71	**5.76**	**5.38**	**(5.8)**	**Refining throughputs in Italy**		**23.10**	**21.88**	**(5.3)**
6.40	**6.46**	**5.97**	**(6.7)**	**Refining throughputs on own account**		**26.41**	**24.52**	**(7.2)**
5.65	5.71	5.22	(7.6)	- Italy		22.72	21.61	(4.9)
0.75	0.75	0.75		- Rest of Europe		3.69	2.91	(21.1)
0.06	**0.06**	**0.06**		**Green refining throughputs**		**0.20**	**0.21**	**5.0**
2.19	**2.30**	**2.08**	**(5.0)**	**Retail sales in Europe**		**8.89**	**8.59**	**(3.4)**
1.51	1.59	1.47	(2.6)	- Italy		5.96	5.93	(0.5)
0.68	0.71	0.61	(10.3)	- Rest of Europe		2.93	2.66	(9.2)
2.86	**3.06**	**2.92**	**2.1**	**Wholesale sales in Europe**		**11.67**	**11.34**	**(2.8)**
1.99	2.23	2.08	4.5	- Italy		7.84	8.16	4.1
0.87	0.83	0.84	(3.4)	- Rest of Europe		3.83	3.18	(17.0)
0.11	**0.12**	**0.11**		**Wholesale sales outside Europe**		**0.43**	**0.43**	
1,435	**1,412**	**1,336**	**(6.9)**	**Production of petrochemical products**	(ktonnes)	**5,700**	**5,646**	**(0.9)**
1,107	**1,012**	**1,082**	**(2.3)**	**Sales of petrochemical products**	(€ million)	**4,717**	**4,196**	**(11.0)**

(a) Excluding special items.
(b) In USD per barrel. Source: Eni calculations. It gauges the profitability of Eni's refineries against the typical raw material slate and yields.

Results

In the **fourth quarter of 2016**, the Refining & Marketing and Chemicals segment reported an adjusted operating profit of €75 million, down by €59 million y-o-y (or 44%).

The Refining & Marketing segment reported an adjusted operating profit of €68 million, down by €25 million, or 26.9% compared to the fourth quarter of 2015. This decline was driven by an unfavorable margin scenario (the Eni's standard refining margin - SERM – was down by 28.8% to 4.7 $/bl in the fourth quarter of 2016), a planned shutdown of the Livorno refinery for extensive maintenance and the shutdown of EST plant at the Sannazzaro refinery due to the accident occurred at the beginning of December 2016. Moreover, marketing recorded lower results reflecting weaker margins due to stronger competitive pressure and asset disposals in Slovenia and Hungary.
These negatives were partly offset by improved plant optimization and efficiency. The refining breakeven margin improved to 4.2 $/bl on a yearly basis, better than the planned target of 4.5 $/bl.

The Chemical business reported an adjusted operating profit of €7 million, declining by €34 million y-o-y (down by 82.9%) due to an unfavorable trading environment, which hit commodity margins.

Sales volumes declined by approximately 3.9% due to weak demand, competitive pressure and lower products availability following unplanned shutdowns.

Special charges excluded from adjusted operating profit of the fourth quarter of 2016 amounted to a net positive of €88 million (€266 million in the full year 2016).
This included impairment losses to write down capital expenditure of the period at assets impaired in previous reporting periods (€40 million and €104 million in the fourth quarter and the full year, respectively), environmental charges (€18 million and €104 million in the two reporting periods, respectively) as well as fair-value evaluation of certain commodity derivatives (gains of €14 million in the quarter and of €3 million in the full year) lacking the formal criteria to be accounted as hedges under IFRS. Furthermore, special charges included the write-off of the EST conversion plant, at Sannazzaro Refinery, which was damaged by the accident occurred in December 2016, and the environmental provision for decommissioning (a total amount of €217 million), partially offset by an insurance compensation income (€122 million).

Adjusted net profit of the fourth quarter of 2016 declined by €36 million to €50 million y-o-y due to the worsening operating performance.

In the full year **2016**, the Refining & Marketing and Chemicals segment reported an adjusted operating profit of €583 million, declining by €112 million y-o-y. Adjusted net profit of €419 million was down by €93 million for the same drivers disclosed in the quarterly disclosure.

Operating review

In the fourth quarter of 2016, the Standard Eni Refining Margin (SERM) decreased by 28.8% to 4.7 $/bl, compared to 6.6 $/bl reported in the same quarter of 2015. For the FY2016, it averaged 4.2$/bl down by 49.4%, compared to 8.3 $/bl reported in the full year 2015). Those trends reflected weaker spreads of gasoil and gasoline, against the backdrop of structural oversupply and strong competition in Europe.

In the fourth quarter 2016, **Eni refining throughputs** amounted to 5.97 mmtonnes, down by 6.7% mainly due to a planned, extensive shutdown at the Livorno refinery. Refining throughputs in the full year of 2016 were 24.52 mmtonnes, declining by 7.2%. On a homogeneous basis, when excluding the impact of the disposal of CRC refinery in the Czech Republic finalized on April 30, 2015, refining throughputs were down by 4.5%, due to higher incidence of scheduled maintenance activities compared to 2015.
In the full year 2016, volumes of **biofuels** produced at the Venice Green Refinery increased by 5% from 2015.
Retail sales in Italy of 1.47 mmtonnes in the fourth quarter (5.93 mmtonnes in the full year) decreased by a small amount from both the comparative periods, in a trading environment characterized by intense competition. Eni's retail market share was 24.4% (24.3% in the fourth quarter of 2015).
Wholesale sales in Italy amounted to 2.08 mmtonnes in the fourth quarter of 2016, up by 4.5% compared to the corresponding period of 2015 (8.16 mmtonnes in the full year 2016, up by 4.1% y-o-y). Higher volumes of jet fuels, gasoil and gasoline, driven by an improved demand, were offset by lower sales of bitumen and bunker.
Retail and wholesale sales in the rest of Europe decreased in both the reporting periods compared to the same periods of the previous year mainly due to the assets disposal in the Czech Republic and Slovakia finalized in July 2015 as well as in Slovenia and Hungary in the second half of 2016. These negatives were partially offset by higher volumes traded in France in both the business segments and in Spain in the wholesale segment.

Petrochemical production of 1.336 mmtonnes decreased by 6.9% in the third quarter of 2016 reflecting unplanned shutdowns. In the full year 2016, production decreased by 0.9%.

Summarized Group profit and loss account

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15		Full Year 2015	Full Year 2016	% Ch.
15,066	13,195	15,807	4.9	Net sales from operations	72,286	55,762	(22.9)
347	82	347	..	Other income and revenues	1,252	931	(25.6)
(13,122)	(11,067)	(13,087)	0.3	Operating expenses	(59,967)	(47,118)	21.4
(105)	(79)	94	..	Other operating income (expense)	(485)	16	..
(2,086)	(1,889)	(1,965)	5.8	Depreciation, depletion and amortization	(8,940)	(7,559)	15.4
(6,302)	(33)	656	..	Impairments losses (impairments reversals), net	(6,534)	475	..
(497)	(17)	(212)	57.3	Write-off	(688)	(350)	49.1
(6,699)	**192**	**1,640**	**..**	**Operating profit (loss)**	**(3,076)**	**2,157**	**..**
(500)	(273)	(324)	35.2	Finance income (expense)	(1,306)	(885)	32.2
(391)	(178)	(280)	..	Income (expense) from investments	105	(380)	..
(7,590)	**(259)**	**1,036**	**..**	**Profit (loss) before income taxes**	**(4,277)**	**892**	**..**
(565)	(302)	(695)	(23.0)	Income taxes	(3,122)	(1,936)	38.0
..	..	*67.1*		*Tax rate (%)*	..	..	
(8,155)	**(561)**	**341**	**..**	**Net profit (loss) - continuing operations**	**(7,399)**	**(1,044)**	**..**
(669)			**..**	**Net profit (loss) - discontinued operations**	**(1,974)**	**(413)**	**79.1**
(8,824)	**(561)**	**341**	**..**	**Net profit (loss)**	**(9,373)**	**(1,457)**	**..**
(8,723)	**(562)**	**340**	**..**	**Eni's shareholders**	**(8,778)**	**(1,464)**	**..**
(8,454)	(562)	340	..	*- continuing operations*	(7,952)	(1,051)	..
(269)			..	*- discontinued operations*	(826)	(413)	50.0
(101)	**1**	**1**	**..**	**Non-controlling interest**	**(595)**	**7**	**..**
299	1	1	(99.7)	*- continuing operations*	553	7	(98.7)
(400)				*- discontinued operations*	(1,148)		..
(8,454)	**(562)**	**340**	**..**	**Net profit (loss) attributable to Eni's shareholders - continuing operations**	**(7,952)**	**(1,051)**	**..**
409	(59)	(162)		Exclusion of inventory holding (gains) losses	782	(120)	
7,961	137	281		Exclusion of special items	8,487	831	
(84)	**(484)**	**459**	**..**	**Adjusted net profit (loss) attributable to Eni's shareholders - continuing operations [(a)]**	**1,317**	**(340)**	**..**
(217)				Reinstatement of intercompany transactions vs. discontinued operations	(514)		
(301)	**(484)**	**459**	**..**	**Adjusted net profit (loss) attributable to Eni's shareholders on standalone basis [(a)]**	**803**	**(340)**	**..**

(a) Alternative preformance measures. For a detailed explanation and reconciliation of adjusted results which exclude as usual the items “profit/loss on stock” and extraordinary gains and losses (special items), while they reinstate the effects relating the elimination of gains and losses on intercompany transactions with discontinued operations see the following pages.

Alternative performance measures (Non-GAAP measures)

Management evaluates underlying business performance on the basis of non-GAAP financial measures under IFRS ("Alternative performance measures"), such as adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses, special items and, in determining the business segments' adjusted results, finance charges on finance debt and interest income. The adjusted operating profit of each business segment reports gains and losses on derivative financial instruments entered into to manage exposure to movements in foreign currency exchange rates which affect industrial margins and translation of commercial payables and receivables. Accordingly, also currency translation effects recorded through profit and loss are reported within business segments' adjusted operating profit. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them.
Management includes them in order to facilitate a comparison of base business performance across periods, and to allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. Non-GAAP financial measures should be read together with information determined by applying IFRS and do not stand in for them. Other companies may adopt different methodologies to determine Non-GAAP measures.

Follows the description of the main alternative performance measures adopted by Eni. The measures reported below refer to the actual performance:

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.

Adjusted operating profit, adjusted net profit and cash flow from operating activities on a standalone basis
Considering the relevant impact of the discontinued operations on Eni's 2015 financial statements, management determines adjusted performance measures on a standalone basis which exclude as usual the items "profit/loss on stock" and extraordinary gains and losses (special items), while they reinstate the effects relating to the elimination of gains and losses on intercompany transactions with the Engineering & Construction segment which, as of December 31, 2015, was in the disposal phase, represented as discontinued operations under the IFRS5. These measures obtain a representation of the performance of the continuing operations anticipating the effect of the derecognition of the discontinued operations. Namely: adjusted operating profit, adjusted net profit and cash flow from operating activities on a standalone basis.

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.

Free cash flow

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

Net borrowings

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

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

Reconciliation of reported operating profit and reported net profit to results on an adjusted basis

(€ million)

Full Year 2016	**Exploration & Production**	**Gas & Power**	**Refining & Marketing and Chemicals**	**Corporate and other activities**	**Impact of unrealized intragroup profit elimination**	**GROUP**	**DISCONTINUED OPERATIONS**	**CONTINUING OPERATIONS**
Reported operating profit (loss)	**2,567**	**(391)**	**723**	**(681)**	**(61)**	**2,157**		**2,157**
Exclusion of inventory holding (gains) losses		90	(406)		141	(175)		(175)
Exclusion of special items:								
environmental charges		1	104	88		193		193
impairments losses (impairment reversals), net	(684)	81	104	40		(459)		(459)
impairment of exploration projects	7					7		7
net gains on disposal of assets	(2)		(8)			(10)		(10)
risk provisions	105	17	28	1		151		151
provision for redundancy incentives	24	4	12	7		47		47
commodity derivatives	19	(443)	(3)			(427)		(427)
exchange rate differences and derivatives	(3)	(19)	3			(19)		(19)
other	461	270	26	93		850		850
Special items of operating profit (loss)	**(73)**	**(89)**	**266**	**229**		**333**		**333**
Adjusted operating profit (loss)	**2,494**	**(390)**	**583**	**(452)**	**80**	**2,315**		**2,315**
Net finance (expense) income [(a)]	(55)	6	1	(721)		(769)		(769)
Net income (expense) from investments [(a)]	68	(20)	32	(6)		74		74
Income taxes [(a)]	(1,999)	74	(197)	188	(19)	(1,953)		(1,953)
Tax rate (%)	*79.7*	*..*	*32.0*			*120.6*		*120.6*
Adjusted net profit (loss)	**508**	**(330)**	**419**	**(991)**	**61**	**(333)**		**(333)**
of which:								
- Adjusted net profit (loss) of non-controlling interest						7		7
- Adjusted net profit (loss) attributable to Eni's shareholders						**(340)**		**(340)**
Reported net profit (loss) attributable to Eni's shareholders						**(1,464)**	**413**	**(1,051)**
Exclusion of inventory holding (gains) losses						(120)		(120)
Exclusion of special items						1,244	(413)	831
Adjusted net profit (loss) attributable to Eni's shareholders						**(340)**		**(340)**

[(a)] Excluding special items.

(€ million)

Full Year 2015	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Engineering & Construction	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS: Engineering & Construction	DISCONTINUED OPERATIONS: Consolidation adjustments	DISCONTINUED OPERATIONS: Total	CONTINUING OPERATIONS	Reinstatement of intercompany transactions vs. discontinued operations	CONTINUING OPERATIONS - on standalone basis
Reported operating profit (loss)	**(959)**	**(1,258)**	**(1,567)**	**(497)**	**(694)**	**(23)**	**(4,998)**	**694**	**1,228**	**1,922**	**(3,076)**		**(4,304)**
Exclusion of inventory holding (gains) losses		132	877			127	1,136				1,136		1,136
Exclusion of special items:													
environmental charges			137	88			225				225		225
impairments losses (impairment reversals), net	5,212	152	1,150	20	590		7,124	(590)		(590)	6,534		6,534
impairment of exploration projects	169						169				169		169
net gains on disposal of assets	(403)		(8)	4	1		(406)	(1)		(1)	(407)		(407)
risk provisions		226	(5)	(10)			211				211		211
provision for redundancy incentives	15	6	8	1	12		42	(12)		(12)	30		30
commodity derivatives	12	90	68		(6)		164	6	(6)		164		170
exchange rate differences and derivatives	(59)	(9)	5				(63)				(63)		(63)
other	195	535	30	25			785				785		785
Special items of operating profit (loss)	**5,141**	**1,000**	**1,385**	**128**	**597**		**8,251**	**(597)**	**(6)**	**(603)**	**7,648**		**7,654**
Adjusted operating profit (loss)	**4,182**	**(126)**	**695**	**(369)**	**(97)**	**104**	**4,389**	**97**	**1,222**	**1,319**	**5,708**	**(1,222)**	**4,486**
Net finance (expense) income [(a)]	(272)	11	(2)	(686)	(5)		(954)	5	24	29	(925)	**(24)**	(949)
Net income (expense) from investments [(a)]	254	(2)	69	285	17		623	(17)		(17)	606		606
Income taxes [(a)]	(3,173)	(51)	(250)	107	(212)	(47)	(3,626)	212	(53)	159	(3,467)	**53**	(3,414)
Tax rate (%)	*76.2*	*..*	*32.8*				*89.4*				*64.3*		*82.4*
Adjusted net profit (loss)	**991**	**(168)**	**512**	**(663)**	**(297)**	**57**	**432**	**297**	**1,193**	**1,490**	**1,922**	**(1,193)**	**729**
of which:													
- Adjusted net profit (loss) of non-controlling interest							(243)			848	605	(679)	(74)
- Adjusted net profit (loss) attributable to Eni's shareholders							**675**			**642**	**1,317**	**(514)**	**803**
Reported net profit (loss) attributable to Eni's shareholders							**(8,778)**			**826**	**(7,952)**		**(7,952)**
Exclusion of inventory holding (gains) losses							782				782		782
Exclusion of special items							8,671			(184)	8,487		8,487
Reinstatement of intercompany transactions vs. discontinued operations													(514)
Adjusted net profit (loss) attributable to Eni's shareholders							**675**			**642**	**1,317**		**803**

[(a)] Excluding special items.

(€ million)

Fourth Quarter 2016	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**1,720**	**5**	**168**	**(254)**	**1**	**1,640**
Exclusion of inventory holding (gains) losses		(56)	(181)			(237)
Exclusion of special items:						
environmental charges		1	18	9		28
impairments losses (impairment reversals), net	(789)	81	40	28		(640)
net gains on disposal of assets	(3)		(3)			(6)
risk provisions	(1)	17	27			43
provision for redundancy incentives	19	3	7	4		33
commodity derivatives		(265)	(14)			(279)
exchange rate differences and derivatives	(1)	33	5			37
other	455	109	8	95		667
Special items of operating profit (loss)	**(320)**	**(21)**	**88**	**136**		**(117)**
Adjusted operating profit (loss)	**1,400**	**(72)**	**75**	**(118)**	**1**	**1,286**
Net finance (expense) income [(a)]	123	(1)	1	(391)		(268)
Net income (expense) from investments [(a)]	77	(8)	9	4		82
Income taxes [(a)]	(741)	50	(35)	81	5	(640)
Tax rate (%)	*46.3*	*..*	*41.2*			*58.2*
Adjusted net profit (loss)	**859**	**(31)**	**50**	**(424)**	**6**	**460**
of which:						
- Adjusted net profit (loss) of non-controlling interest						1
- Adjusted net profit (loss) attributable to Eni's shareholders						**459**
Reported net profit (loss) attributable to Eni's shareholders						**340**
Exclusion of inventory holding (gains) losses						(162)
Exclusion of special items						281
Adjusted net profit (loss) attributable to Eni's shareholders						**459**

[(a)] Excluding special items.

(€ million)

Fourth Quarter 2015	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Engineering & Construction	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS			CONTINUING OPERATIONS	Reinstatement of intercompany transactions vs. discontinued operations	CONTINUING OPERATIONS - on standalone basis
								Engineering & Construction	Consolidation adjustments	Total			
Reported operating profit (loss)	**(4,696)**	**(894)**	**(1,530)**	**(149)**	**(59)**	**57**	**(7,271)**	**59**	**513**	**572**	**(6,699)**	**513**	**(7,212)**
Exclusion of inventory holding (gains) losses		96	567			(72)	591				591		591
Exclusion of special items:													
environmental charges			25	24			49				49		49
impairments losses (impairment reversals), net	5,100	137	1,055	10	379		6,681	(379)		(379)	6,302		6,302
impairment of exploration projects	169						169				169		169
net gains on disposal of assets	(37)			6			(31)				(31)		(31)
risk provisions		132	2	(1)			133				133		133
provision for redundancy incentives	(1)	(1)	7	1	8		14	(8)		(8)	6		6
commodity derivatives	(14)	144	11				141				141		141
exchange rate differences and derivatives	(51)	7	(6)				(50)				(50)		(50)
other	128	397	3	8	7		543	(7)		(7)	536		536
Special items of operating profit (loss)	**5,294**	**816**	**1,097**	**48**	**394**		**7,649**	**(394)**		**(394)**	**7,255**		**7,255**
Adjusted operating profit (loss)	**598**	**18**	**134**	**(101)**	**335**	**(15)**	**969**	**(335)**	**513**	**178**	**1,147**	**(513)**	**634**
Net finance (expense) income [(a)]	(72)	5	(1)	(240)	(1)		(309)	1	2	3	(306)	**(2)**	(308)
Net income (expense) from investments [(a)]	100	5	31	(6)	37		167	(37)		(37)	130		130
Income taxes [(a)]	(599)	(64)	(78)	(12)	(136)	(15)	(904)	136	(12)	124	(780)	**12**	(768)
Tax rate (%)	*95.7*	..	*47.6*				*109.3*				*80.3*		*168.4*
Adjusted net profit (loss)	**27**	**(36)**	**86**	**(359)**	**235**	**(30)**	**(77)**	**(235)**	**503**	**268**	**191**	**(503)**	**(312)**
of which:													
- Adjusted net profit (loss) of non-controlling interest							123			152	275	(286)	(11)
- Adjusted net profit (loss) attributable to Eni's shareholders							**(200)**			**116**	**(84)**	**(217)**	**(301)**
Reported net profit (loss) attributable to Eni's shareholders							**(8,723)**			**269**	**(8,454)**		**(8,454)**
Exclusion of inventory holding (gains) losses							409				409		409
Exclusion of special items							8,114			(153)	7,961		7,961
Reinstatement of intercompany transactions vs. discontinued operations													(217)
Adjusted net profit (loss) attributable to Eni's shareholders							**(200)**			**116**	**(84)**		**(301)**

[(a)] Excluding special items.

(€ million)

Third Quarter 2016	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP
Reported operating profit (loss)	**559**	**(325)**	**192**	**(167)**	**(67)**	**192**
Exclusion of inventory holding (gains) losses		(12)	(73)		(2)	(87)
Exclusion of special items:						
environmental charges			19	45		64
impairments losses (impairment reversals), net			30	3		33
net gains on disposal of assets		1	(1)			
risk provisions	106		1			107
provision for redundancy incentives	1		1	1		3
commodity derivatives	4	(34)	(3)			(33)
exchange rate differences and derivatives	(27)	(12)	1			(38)
other	1	8	8			17
Special items of operating profit (loss)	**85**	**(37)**	**56**	**49**		**153**
Adjusted operating profit (loss)	**644**	**(374)**	**175**	**(118)**	**(69)**	**258**
Net finance (expense) income [(a)]	(63)	3		(175)		(235)
Net income (expense) from investments [(a)]	(46)	(10)	3	(13)		(66)
Income taxes [(a)]	(548)	79	(57)	64	22	(440)
Tax rate (%)	*102.4*	..	*32.0*			*(1,023.3)*
Adjusted net profit (loss)	**(13)**	**(302)**	**121**	**(242)**	**(47)**	**(483)**
of which:						
- Adjusted net profit (loss) of non-controlling interest						1
- Adjusted net profit (loss) attributable to Eni's shareholders						**(484)**
Reported net profit (loss) attributable to Eni's shareholders						**(562)**
Exclusion of inventory holding (gains) losses						(59)
Exclusion of special items						137
Adjusted net profit (loss) attributable to Eni's shareholders						**(484)**

[(a)] Excluding special items.

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
4,444	**1,325**	**3,248**	**Net cash provided by operating activities - continuing operations**	**12,875**	**7,673**
(480)			Reinstatement of intercompany transactions vs. discontinued operations	(720)	
3,964	**1,325**	**3,248**	**Net cash provided by operating activities on standalone basis**	**12,155**	**7,673**

Breakdown of special items[12]

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
49	64	28	Environmental charges	225	193
6,681	33	(640)	Impairments losses (impairment reversals), net	7,124	(459)
169			Impairment of exploration projects	169	7
(31)		(6)	Net gains on disposal of assets	(406)	(10)
133	107	43	Risk provisions	211	151
14	3	33	Provisions for redundancy incentives	42	47
141	(33)	(279)	Commodity derivatives	164	(427)
(50)	(38)	37	Exchange rate differences and derivatives	(63)	(19)
543	17	667	Other	785	850
7,649	**153**	**(117)**	**Special items of operating profit (loss)**	**8,251**	**333**
205	**38**	**56**	**Net finance (income) expense**	**292**	**166**
			of which:		
50	*38*	*(37)*	*- exchange rate differences and derivatives reclassified to operating profit (loss)*	*63*	*19*
521	**112**	**362**	**Net income (expense) from investments**	**488**	**817**
			of which:		
	(45)	(5)	- gains on disposal of assets	(33)	(57)
506	108	415	- impairments/revaluation of equity investments	506	896
(36)	**(166)**	**(20)**	**Income taxes**	**(7)**	**(72)**
			of which:		
880	*(101)*	*122*	*- net impairment of deferred tax assets of Italian subsidiaries*	*880*	*170*
860		*6*	*- net impairment of deferred tax assets of upstream business outside Italy*	*860*	*6*
(1,776)	*(65)*	*(148)*	*- taxes on special items of operating profit (outside Italy) and other special item:*	*(1,747)*	*(248)*
8,339	**137**	**281**	**Total special items of net profit (loss)**	**9,024**	**1,244**
			Attributable to:		
225			- Non-controlling interest	353	
8,114	**137**	**281**	**- Eni's shareholders**	**8,671**	**1,244**

Analysis of Profit and Loss account items of continuing operations

Net sales from operations

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. Iv Q.16 vs. IV Q.15		Full Year 2015	Full Year 2016	% Ch.
4,977	3,991	4,855	(2.5)	Exploration & Production	21,436	16,089	(24.9)
10,720	9,211	11,986	11.8	Gas & Power	52,096	40,961	(21.4)
4,878	4,910	5,125	5.1	Refining & Marketing and Chemicals	22,639	18,733	(17.3)
3,875	*3,989*	*4,141*	*6.9*	*- Refining & Marketing*	*18,458*	*14,932*	*(19.1)*
1,107	*1,012*	*1,082*	*(2.3)*	*- Chemicals*	*4,717*	*4,196*	*(11.0)*
(104)	*(91)*	*(98)*		*- Consolidation adjustment*	*(536)*	*(395)*	
391	323	391		Corporate and other activities	1,468	1,343	(8.5)
(206)				Impact of unrealized intragroup profit elimination			
(5,694)	(5,240)	(6,550)		Consolidation adjustments	(25,353)	(21,364)	
15,066	**13,195**	**15,807**	**4.9**		**72,286**	**55,762**	**(22.9)**

12 For details on asset impairments (reversals) see the sequent page.

Operating expenses

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. Iv Q.16 vs. IV Q.15		Full Year 2015	Full Year 2016	% Ch.
12,390	10,358	12,346	(0.4)	Purchases, services and other	56,848	44,124	(22.4)
182	*171*	*87*		*of which: - other special items*	*436*	*360*	
732	709	741	1.2	Payroll and related costs	3,119	2,994	(4.0)
17	*14*	*33*		*of which: - provision for redundancy incentives and other*	*41*	*47*	
13,122	**11,067**	**13,087**	**(0.3)**		**59,967**	**47,118**	**(21.4)**

DD&A, impairments, reversals and write-off

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. Iv Q.16 vs. IV Q.15		Full Year 2015	Full Year 2016	% Ch.
1,867	1,692	1,757	(5.9)	Exploration & Production	8,080	6,772	(16.2)
97	88	92	(5.2)	Gas & Power	363	354	(2.5)
114	98	106	(7.0)	Refining & Marketing and Chemicals	454	389	(14.3)
87	*89*	*95*	*9.2*	*- Refining & Marketing*	*346*	*359*	*3.8*
27	*9*	*11*	*(59.3)*	*- Chemicals*	*108*	*30*	*(72.2)*
15	18	17	13.3	Corporate and other activities	71	72	1.4
(7)	(7)	(7)		Impact of unrealized intragroup profit elimination	(28)	(28)	
2,086	**1,889**	**1,965**	**(5.8)**	**Total depreciation, depletion and amortization**	**8,940**	**7,559**	**(15.4)**
6,302	**33**	**(656)**	**..**	**Impairment losses (impairment reversals), net**	**6,534**	**(475)**	**..**
8,388	**1,922**	**1,309**	**(84.4)**	**Depreciation, depletion, amortization, impairments and reversal**	**15,474**	**7,084**	**(54.2)**
497	**17**	**212**	**..**	**Write-off**	**688**	**350**	**(49.1)**
8,885	**1,939**	**1,521**	**(82.9)**		**16,162**	**7,434**	**(54.0)**

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
6,142	33	849	Asset impairment	6,376	1,067
161			Goodwill impairment	161	
(1)		(1,505)	Impairment reversals	(3)	(1,542)
6,302	**33**	**(656)**	**Sub totale**	**6,534**	**(475)**
		16	Impairment of losses on receivables related to non recurring activities		16
6,302	**33**	**(640)**	**Impairments losses (impairment reversals), net**	**6,534**	**(459)**

Income (expense) from investments

(€ million)

Full Year 2016	**Exploration & Production**	**Gas & Power**	**Refining & Marketing and Chemicals**	**Corporate and other activities**	**Group**
Share of gains (losses) from equity-accounted investments	(198)	19	(3)	(144)	**(326)**
Dividends	88		48	7	**143**
Net gains on disposal	7		11	(32)	**(14)**
Other income (expense), net	(63)	(84)	(14)	(22)	**(183)**
	(166)	**(65)**	**42**	**(191)**	**(380)**

Leverage and net borrowings

Leverage is a measure used by management to assess the Company's level of indebtedness. It is calculated as a ratio of net borrowings - which is calculated by excluding cash and cash equivalents and certain very liquid assets from finance debt 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.

(€ million)

	Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2016	Change vs. Dec. 31, 2015	Change vs. Sept. 30, 2016
Total debt	27,793	27,579	27,239	(554)	(340)
Short-term debt	*8,396*	*4,694*	*6,675*	*(1,721)*	*1,981*
Long-term debt	*19,397*	*22,885*	*20,564*	*1,167*	*(2,321)*
Cash and cash equivalents	(5,209)	(4,802)	(5,674)	(465)	(872)
Securities held for trading and other securities held for non-operating purposes	(5,028)	(6,321)	(6,404)	(1,376)	(83)
Financing receivables held for non-operating purposes	(685)	(448)	(385)	300	63
Net borrowings	**16,871**	**16,008**	**14,776**	**(2,095)**	**(1,232)**
Shareholders' equity including non-controlling interest	**57,409**	**50,144**	**53,086**	**(4,323)**	**2,942**
Leverage	**0.29**	**0.32**	**0.28**	**(0.01)**	**(0.04)**

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

Bonds maturing in the 18-months period starting on December 31, 2016

(€ million)

Issuing entity	Amount at Dec. 31, 2016 [a]
Eni SpA	3,622
Eni Finance International SA	102
	3,724

(a) Amounts include interest accrued and discount on issue.

Bonds issued in 2016 (guaranteed by Eni Spa)

Issuing entity	Nominal amount (million)	Currency	Amount at Dec. 31, 2016 [a] (€ million)	Maturity	Rate	%
Eni SpA	900	EUR	893	2024	fixed	0.625
Eni SpA	800	EUR	797	2028	fixed	1.625
Eni SpA	700	EUR	700	2022	fixed	0.750
Eni SpA	600	EUR	594	2028	fixed	1.125
Eni SpA	400	EUR	383	2022		convertible
	3,400		**3,367**			

(a) Amounts include interest accrued and discount on issue.

Consolidated financial statements

BALANCE SHEET

(€ million)

Jan. 1, 2015		Dec. 31, 2015	Sept. 30, 2016	Dec. 31, 2016
	ASSETS			
	Current assets			
6,614	Cash and cash equivalents	5,209	4,802	5,674
5,024	Other financial activities held for trading	5,028	5,968	6,166
257	Other financial assets available for sale	282	353	238
28,601	Trade and other receivables	21,640	18,860	17,593
7,555	Inventories	4,579	4,558	4,637
762	Current tax assets	360	381	383
1,209	Other current tax assets	630	434	689
4,385	Other current assets	3,642	2,118	2,591
54,407		**41,370**	**37,474**	**37,971**
	Non-current assets			
75,991	Property, plant and equipment	68,005	67,882	70,793
1,581	Inventory - compulsory stock	909	1,044	1,184
4,420	Intangible assets	3,034	2,835	3,269
3,172	Equity-accounted investments	2,853	4,157	4,040
2,015	Other investments	660	285	276
1,042	Other financial assets	1,026	1,006	1,860
4,509	Deferred tax assets	3,853	3,683	3,790
2,773	Other non-current assets	1,758	1,609	1,348
95,503		**82,098**	**82,501**	**86,560**
456	**Discontinued operations and assets held for sale**	**15,533**	**13**	**14**
150,366	**TOTAL ASSETS**	**139,001**	**119,988**	**124,545**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
	Current liabilities			
2,716	Short-term debt	5,720	3,918	3,396
3,859	Current portion of long-term debt	2,676	776	3,279
23,703	Trade and other payables	14,942	14,581	16,703
534	Income taxes payable	431	361	426
1,873	Other taxes payable	1,454	1,473	1,293
4,489	Other current liabilities	4,712	2,480	2,599
37,174		**29,935**	**23,589**	**27,696**
	Non-current liabilities			
19,316	Long-term debt	19,397	22,885	20,564
15,882	Provisions for contingencies	15,375	14,127	13,896
1,313	Provisions for employee benefits	1,123	1,018	868
8,590	Deferred tax liabilities	7,425	6,510	6,667
2,285	Other non-current liabilities	1,852	1,713	1,768
47,386		**45,172**	**46,253**	**43,763**
165	**Liabilities directly associated with discontinued operations and assets held for sale**	**6,485**	**2**	
84,725	**TOTAL LIABILITIES**	**81,592**	**69,844**	**71,459**
	SHAREHOLDERS' EQUITY			
2,455	**Non-controlling interest**	**1,916**	**48**	**49**
	Eni shareholders' equity:			
4,005	Share capital	4,005	4,005	4,005
(284)	Reserve related to the fair value of cash flow hedging derivatives net of tax effect	(474)	(110)	189
60,763	Other reserves	62,761	50,026	52,329
(581)	Treasury shares	(581)	(581)	(581)
(2,020)	Interim dividend	(1,440)	(1,440)	(1,441)
1,303	Net profit (loss)	(8,778)	(1,804)	(1,464)
63,186	**Total Eni shareholders' equity**	**55,493**	**50,096**	**53,037**
65,641	**TOTAL SHAREHOLDERS' EQUITY**	**57,409**	**50,144**	**53,086**
150,366	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**139,001**	**119,988**	**124,545**

GROUP PROFIT AND LOSS ACCOUNT

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
			REVENUES		
15,066	13,195	15,807	Net sales from operations	72,286	55,762
347	82	347	Other income and revenues	1,252	931
15,413	**13,277**	**16,154**	**Total revenues**	**73,538**	**56,693**
			OPERATING EXPENSES		
12,390	10,358	12,346	Purchases, services and other	56,848	44,124
732	709	741	Payroll and related costs	3,119	2,994
(105)	**(79)**	**94**	**OTHER OPERATING (EXPENSE) INCOME**	**(485)**	**16**
2,086	**1,889**	**1,965**	**DEPRECIATION, DEPLETION AND AMORTIZATION**	**8,940**	**7,559**
6,302	**33**	**(656)**	**IMPAIRMENT LOSSES (IMPAIRMENT REVERSALS), NET**	**6,534**	**(475)**
497	**17**	**212**	**WRITE-OFF**	**688**	**350**
(6,699)	**192**	**1,640**	**OPERATING PROFIT (LOSS)**	**(3,076)**	**2,157**
			FINANCE INCOME (EXPENSE)		
1,523	762	1,898	Finance income	8,635	5,850
(1,991)	(892)	(1,920)	Finance expense	(10,104)	(6,232)
(9)	(36)	68	Income (expense) from other financial activities held for trading	3	(21)
(23)	(107)	(370)	Derivative financial instruments	160	(482)
(500)	**(273)**	**(324)**		**(1,306)**	**(885)**
			INCOME (EXPENSE) FROM INVESTMENTS		
(460)	(208)	(199)	Share of profit (loss) of equity-accounted investments	(471)	(326)
69	30	(81)	Other gain (loss) from investments	576	(54)
(391)	**(178)**	**(280)**		**105**	**(380)**
(7,590)	**(259)**	**1,036**	**PROFIT (LOSS) BEFORE INCOME TAXES**	**(4,277)**	**892**
(565)	(302)	(695)	Income taxes	(3,122)	(1,936)
(8,155)	**(561)**	**341**	**Net profit (loss) - continuing operations**	**(7,399)**	**(1,044)**
(669)			**Net profit (loss) - discontinued operations**	**(1,974)**	**(413)**
(8,824)	**(561)**	**341**	**Net profit (loss)**	**(9,373)**	**(1,457)**
			Eni's shareholders:		
(8,454)	(562)	340	- continuing operations	(7,952)	(1,051)
(269)			- discontinued operations	(826)	(413)
(8,723)	**(562)**	**340**		**(8,778)**	**(1,464)**
			Non controlling interest		
299	1	1	- continuing operations	553	7
(400)			- discontinued operations	(1,148)	
(101)	**1**	**1**		**(595)**	**7**
			Net profit (loss) per share attributable to Eni's shareholders (€ per share)		
(2.42)	(0.16)	0.09	- basic	(2.44)	(0.41)
(2.42)	(0.16)	0.09	- diluted	(2.44)	(0.41)
			Net profit (loss) per share - continuing operations attributable to Eni's shareholders (€ per share)		
(2.35)	(0.16)	0.09	- basic	(2.21)	(0.29)
(2.35)	(0.16)	0.09	- diluted	(2.21)	(0.29)

COMPREHENSIVE INCOME

(€ million)

	Full Year	
	2015	**2016**
Net profit (loss)	**(9,373)**	**(1,457)**
Items that are not reclassified to profit in later periods	**15**	**(19)**
Remeasurements of defined benefit plans	*36*	*16*
Taxation	*(21)*	*(35)*
Items that may be reclassified to profit in later periods	**4,634**	**1,889**
Currency translation differences	*4,837*	*1,198*
Change in the fair value of cash flow hedging derivatives	*(256)*	*883*
Change in the fair value of other available-for-sale financial instruments	*(4)*	*(4)*
Share of "Other comprehensive income" on equity-accounted entities	*(9)*	*32*
Taxation	*66*	*(220)*
Total other items of comprehensive income (loss)	**4,649**	**1,870**
Total comprehensive income (loss)	**(4,724)**	**413**
attributable to:		
Eni's shareholders	**(4,195)**	**406**
- continuing operations	(3,416)	819
- discontinued operations	(779)	(413)
Non-controlling interest	**(529)**	**7**
- continuing operations	554	7
- discontinued operations	(1,083)	

CHANGES IN SHAREHOLDERS' EQUITY

(€ million)

Shareholders' equity at January 1, 2015:		**65,641**
Total comprehensive income (loss)	(4,724)	
Dividends distributed to Eni's shareholders	(3,457)	
Dividends distributed by consolidated subsidiaries	(21)	
Other changes	(30)	
Total changes		**(8,232)**
Shareholders' equity at Dec. 31, 2015:		**57,409**
Total comprehensive income (loss)	413	
Dividends distributed to Eni's shareholders	(2,881)	
Dividends distributed by consolidated subsidiaries	(4)	
Deconsolidation of Saipem's non-controlling interest	(1,872)	
Other changes	21	
Total changes		**(4,323)**
Shareholders' equity at Dec. 31, 2016:		**53,086**
attributable to:		
- Eni's shareholders		**53,037**
- Non-controlling interest		49

GROUP CASH FLOW STATEMENT

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
(8,155)	**(561)**	**341**	**Net profit (loss) - continuing operations**	**(7,399)**	**(1,044)**
			Adjustments to reconcile net profit (loss) to net cash provided by operating activities:		
2,086	1,889	1,965	Depreciation, depletion and amortization	8,940	7,559
6,302	33	(656)	Impairment losses (impairment reversals), net	6,534	(475)
497	17	212	Write-off	688	350
460	208	199	Share of (profit) loss of equity-accounted investments	471	326
(136)	(10)	(11)	Gain on disposal of assets, net	(577)	(48)
(120)	(22)	(66)	Dividend income	(402)	(143)
(42)	(48)	(41)	Interest income	(164)	(209)
166	165	161	Interest expense	659	645
565	302	695	Income taxes	3,122	1,936
482	20	20	Other changes	586	(9)
			Changes in working capital:		
1,165	(158)	(145)	- inventories	1,638	(273)
1,003	397	(648)	- trade receivables	4,944	1,286
132	(292)	1,827	- trade payables	(2,342)	1,495
321	190	(280)	- provisions for contingencies	43	(1,043)
520	(252)	701	- other assets and liabilities	498	647
3,141	*(115)*	*1,455*	*Cash flow from changes in working capital*	*4,781*	*2,112*
(14)	14		Net change in the provisions for employee benefits	(3)	22
221	42	83	Dividends received	545	212
26	23	70	Interest received	81	160
(152)	(26)	(360)	Interest paid	(692)	(780)
(883)	(606)	(819)	Income taxes paid, net of tax receivables received	(4,295)	(2,941)
4,444	**1,325**	**3,248**	**Net cash provided from operating activities - continuing operations**	**12,875**	**7,673**
19			**Net cash provided from operating activities - discontinued operations**	**(1,226)**	
4,463	**1,325**	**3,248**	**Net cash provided from operating activities**	**11,649**	**7,673**
			Investing activities:		
(2,793)	(2,035)	(2,185)	- tangible assets	(11,177)	(9,067)
(58)	(16)	(65)	- intangible assets	(125)	(113)
(57)	(6)	(6)	- investments	(228)	(1,164)
(71)	(58)	(53)	- securities	(201)	(1,336)
(536)	(316)	(268)	- financing receivables	(1,103)	(1,208)
(622)	(81)	42	- change in payables and receivables in relation to investments and capitalized depreciation	(1,058)	(8)
(4,137)	*(2,512)*	*(2,535)*	*Cash flow from investments*	*(13,892)*	*(12,896)*
			Disposals:		
6	3	7	- tangible assets	427	19
			- intangible assets	32	
2	53		- consolidated subsidiaries and businesses net of cash and cash equivalent disposed of	73	(362)
1,345	14	26	- investments	1,726	508
7	9	4	- securities	18	20
158	370	777	- financing receivables	533	8,063
27		154	- change in payables and receivables in relation to disposals	160	205
1,545	*449*	*968*	*Cash flow from disposals*	*2,969*	*8,453*
(2,592)	**(2,063)**	**(1,567)**	**Net cash used in investing activities** (*)	**(10,923)**	**(4,443)**

GROUP CASH FLOW STATEMENT (continued)

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
387	1,827	272	Increase in long-term debt	3,376	4,202
(1,612)	(211)	(143)	Repayments of long-term debt	(4,466)	(2,323)
19	238	(927)	Increase (decrease) in short-term debt	3,216	(2,645)
(1,206)	**1,854**	**(798)**		**2,126**	**(766)**
			Net capital contributions by non-controlling interest	1	
(23)	(1,408)	(33)	Dividends paid to Eni's shareholders	(3,457)	(2,881)
			Dividends paid to non-controlling interests	(21)	(4)
(1,229)	**446**	**(831)**	**Net cash used in financing activities**	**(1,351)**	**(3,651)**
(11)		(4)	Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)	(13)	(5)
(889)			Effect of cash and cash equivalents relating to discontinued operations	(889)	889
35	(5)	26	Effect of exchange rate changes on cash and cash equivalents and other changes	122	2
(223)	**(297)**	**872**	**Net cash flow for the period**	**(1,405)**	**465**
5,432	**5,099**	**4,802**	**Cash and cash equivalents - beginning of the period (excluding discontinued operations)**	**6,614**	**5,209**
5,209	**4,802**	**5,674**	**Cash and cash equivalents - end of the period (excluding discontinued operations)**	**5,209**	**5,674**

(*) Net cash used in investing activities included investments and divestments (on net basis) in held-for-trading financial assets and other investments/divestments in certain short-term financial assets. Due to their nature and the circumstance that they are very liquid, these financial assets are netted against finance debt in determing net borrowings. Cash flows of such investments were as follows:

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
(377)	**30**	**42**	**Net cash flow from financing activities**	**(300)**	**5,271**

SUPPLEMENTAL INFORMATION

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016		Full Year 2015	Full Year 2016
			Effect of disposal of consolidated subsidiaries and businesses		
	26		Current assets	44	6,526
	64	1	Non-current assets	125	8,615
	(23)		Net borrowings	(77)	(5,415)
	(24)		Current and non-current liabilities	(45)	(6,334)
	43	**1**	**Net effect of disposals**	**47**	**3,392**
	7		Reclassification of exchange rate differences included in other comprehensive income	(34)	7
			Current value of residual interests following the loss of control		(1,006)
2	7	(1)	Gains on disposal	66	11
			Non-controlling interest		(1,872)
2	**57**		**Selling price**	**79**	**532**
			less:		
	(4)		Cash and cash equivalents disposed of	(6)	(894)
2	**53**		**Cash flow on disposals**	**73**	**(362)**

Capital expenditure

(€ million)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15		Full Year 2015	Full Year 2016	% Ch.
2,254	1,919	1,916	(15.0)	Exploration & Production	10,234	8,458	(17.4)
				- acquisition of proved and unproved properties		*2*	
53	*45*	*45*	*(15.1)*	*- g&g costs*	*254*	*204*	*(19.7)*
74	*113*	*134*	*81.1*	*- exploration*	*566*	*417*	*(26.3)*
2,097	*1,752*	*1,725*	*(17.7)*	*- development*	*9,341*	*7,770*	*(16.8)*
30	*9*	*12*	*(60.0)*	*- other expenditure*	*73*	*65*	*(11.0)*
74	23	53	(28.4)	Gas & Power	154	120	(22.1)
242	149	303	25.2	Refining & Marketing and Chemicals	628	664	5.7
32	9	26	(18.8)	Corporate and other activities	64	55	(14.1)
148	(4)	(3)		Impact of unrealized intragroup profit elimination	(85)	87	
2,750	**2,096**	**2,295**	**(16.5)**	**Capital expenditure - continuing operations**	**10,995**	**9,384**	**(14.7)**
53	**45**	**45**	**(15.1)**	**Cash out in net cash flow from operating activities**	**254**	**204**	**(19.7)**
2,697	**2,051**	**2,250**	**(16.6)**	**Cash out in net cash flow from investment activities**	**10,741**	**9,180**	**(14.5)**

In 2016, capital expenditure amounted to €9,180 million (€10,741 million in 2015) and mainly related to:

- development activities (€7,770 million) deployed mainly in Egypt, Angola, Kazakhstan, Indonesia, Iraq, Ghana and Norway. Development expenditures in Italy also comprised the upgrading of certain plants at the Viggiano oil center in Val d'Agri, which did not alter the plant set up. This upgrading addressed certain objections made by jurisdictional Authorities about the proper function of the plants and were duly authorized by the in-charge department of the Italian Ministry of Economic Development. Due to this upgrading, plant activities were regularly restarted following notification by the public prosecutor that it has definitively repealed the plant seizure. Exploratory activities (€417 million) concerned mainly Egypt, Indonesia, Libya and Angola;

- refining activity in Italy and outside Italy (€298 million) aiming fundamentally at plants improving, 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 (€123 million);

- initiatives relating to gas marketing (€69 million) as well as initiatives to improve flexibility and upgrade combined-cycle power plants (€41 million).

Exploration & Production

PRODUCTION OF OIL AND NATURAL GAS BY REGION

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016			Full Year 2015	Full Year 2016
1,884	**1,710**	**1,856**	**Production of oil and natural gas** [(a)] [(b)]	(kboe/d)	**1,760**	**1,759**
169	125	159	Italy		169	133
192	187	240	Rest of Europe		185	201
684	638	680	North Africa		662	647
343	330	334	Sub-Saharan Africa		341	339
100	103	133	Kazakhstan		95	111
201	133	103	Rest of Asia		135	127
170	171	184	America		147	177
25	23	23	Australia and Oceania		26	24
166.2	**148.5**	**161.1**	**Production sold** [(a)]	(mmboe)	**614.1**	**608.6**

PRODUCTION OF LIQUIDS BY REGION

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016			Full Year 2015	Full Year 2016
998	**864**	**906**	**Production of liquids** [(a)]	(kbbl/d)	**908**	**878**
69	42	67	Italy		69	47
85	108	140	Rest of Europe		85	109
290	242	241	North Africa		272	244
258	239	237	Sub-Saharan Africa		256	249
57	64	78	Kazakhstan		56	65
148	85	58	Rest of Asia		78	78
87	81	82	America		87	83
4	3	3	Australia and Oceania		5	3

PRODUCTION OF NATURAL GAS BY REGION

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016			Full Year 2015	Full Year 2016
4,868	**4,616**	**5,184**	**Production of natural gas** [(a)] [(b)]	(mmcf/d)	**4,681**	**4,807**
550	453	504	Italy		547	471
586	430	543	Rest of Europe		552	502
2,161	2,162	2,394	North Africa		2,143	2,197
470	495	527	Sub-Saharan Africa		469	493
235	216	301	Kazakhstan		218	254
290	262	247	Rest of Asia		314	265
462	492	555	America		326	511
114	106	113	Australia and Oceania		112	114

(a) Includes Eni's share of production of equity-accounted entities.

(b) Includes volumes of gas consumed in operation (556 and 407 mmcf/d in the fourth quarter 2016 and 2015, respectively, 478 and 397 mmcf/d in the full year 2016 and 2015, respectively and 462 mmcf/d in the third quarter 2016).

Gas & Power

Natural gas sales by market

(bcm)

Fourth Quarter 2015	Third Quarter 2016	Fourth Quarter 2016	% Ch. IV Q.16 vs. IV Q.15		Full year 2015	Full year 2016	% Ch.
9.51	**8.76**	**10.25**	**7.8**	**ITALY**	**38.44**	**38.43**	**(0.0)**
1.36	0.40	1.26	(7.4)	- Wholesalers	4.19	3.83	(8.6)
3.45	4.94	3.92	13.6	- Italian exchange for gas and spot markets	16.35	17.08	4.5
1.04	1.06	1.19	14.4	- Industries	4.66	4.54	(2.6)
0.43	0.27	0.44	2.3	- Medium-sized enterprises and services	1.58	1.72	8.9
0.16	0.22	0.25	56.3	- Power generation	0.88	0.77	(12.5)
1.52	0.27	1.53	0.7	- Residential	4.90	4.39	(10.4)
1.55	1.60	1.66	7.1	- Own consumption	5.88	6.10	3.7
12.87	**11.25**	**13.42**	**4.3**	**INTERNATIONAL SALES**	**52.44**	**50.50**	**(3.7)**
10.36	**9.07**	**11.42**	**10.2**	**Rest of Europe**	**42.89**	**42.43**	**(1.1)**
1.17	1.10	1.15	(1.7)	- Importers in Italy	4.61	4.37	(5.2)
9.19	7.97	10.27	11.8	- European markets	38.28	38.06	(0.6)
1.55	*1.31*	*1.52*	*(1.9)*	*Iberian Peninsula*	*5.40*	*5.28*	*(2.2)*
0.96	*1.79*	*1.84*	*91.7*	*Germany/Austria*	*5.82*	*7.81*	*34.2*
1.74	*1.48*	*1.23*	*(29.3)*	*Benelux*	*7.94*	*7.03*	*(11.5)*
0.57	*0.06*		*..*	*Hungary*	*1.58*	*0.93*	*(41.1)*
0.43	*0.34*	*0.95*	*..*	*UK*	*1.96*	*2.01*	*2.6*
2.06	*1.50*	*2.07*	*0.5*	*Turkey*	*7.76*	*6.55*	*(15.6)*
1.73	*1.05*	*2.46*	*42.2*	*France*	*7.11*	*7.42*	*4.4*
0.15	*0.44*	*0.20*	*33.3*	*Other*	*0.71*	*1.03*	*45.1*
1.66	**1.45**	**1.59**	**(4.2)**	**Extra European markets**	**6.39**	**5.45**	**(14.7)**
0.85	**0.73**	**0.41**	**(51.8)**	**E&P sales in Europe and in the Gulf of Mexico**	**3.16**	**2.62**	**(17.1)**
22.38	**20.01**	**23.67**	**5.8**	**WORLDWIDE GAS SALES**	**90.88**	**88.93**	**(2.1)**

Eni SpA parent company accounts

Profit and loss account

(€ million)

	Full year	
	2015 [a]	**2016**
REVENUES		
Net sales from operations	33,653	27,718
Other income and revenues	337	547
Total Revenues	**33,990**	**28,265**
OPERATING EXPENSES		
Purchases, services and other	(33,269)	(27,247)
Payroll and related costs	(1,148)	(1,179)
OTHER OPERATING (EXPENSE) INCOME	**(622)**	**(50)**
DEPRECIATION, DEPLETION AND AMORTIZATION	**(894)**	**(815)**
IMPAIRMENT LOSSES (IMPAIRMENT REVERSALS), NET	**(132)**	**(443)**
WRITE-OFF	**(63)**	**(209)**
OPERATING PROFIT (LOSS)	**(2,138)**	**(1,678)**
FINANCE INCOME (EXPENSE)		
Finance income	2,642	2,149
Finance expense	(2,982)	(2,540)
Income (expense) from other financial activities held for trading	3	(21)
Derivative financial instruments	(94)	(34)
	(431)	**(446)**
INCOME (EXPENSE) FROM INVESTMENTS	**5,141**	**6,058**
NET PROFIT BEFORE TAXES - continuing operations	**2,572**	**3,934**
Income taxes	(438)	232
NET PROFIT - continuing operations	**2,134**	**4,166**
NET PROFIT - discontinued operations	**49**	**355**
NET PROFIT	**2,183**	**4,521**

(a) 2015 figures have been restated to reflect the adoption of SEM and the change in the classification of Versalis as non-current asset held for sale and discontinued operation.

Balance sheet

(€ million)

	Dec. 31, 2015 [a]	Dec. 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	4,132	4,583
Other financial activities held for trading	5,028	6,062
Trade and other receivables:	14,561	15,658
- financial receivables	*5,991*	*7,763*
- trade and other receivables	*8,570*	*7,895*
Inventories	1,452	1,277
Current income tax assets	107	92
Other current tax assets	244	346
Other current assets	1,047	1,011
	26,571	**29,029**
Non-current assets		
Property, plant and equipment	8,437	8,046
Inventory - compulsory stock	899	1,172
Intangible assets	1,204	1,205
Equity-accounted investments	32,915	40,009
Other financial assets	6,969	1,428
Deferred tax assets	1,261	1,185
Other non-current receivables	786	700
	52,471	**53,745**
Discontinued operations and assets held for sales	**236**	**4**
TOTAL ASSETS	**79,278**	**82,778**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	3,687	4,159
Current portion of long-term debt	2,514	3,014
Trade and other payables	6,369	6,209
Income taxes payable	57	4
Other taxes payable	1,073	887
Other current liabilities	1,838	1,205
	15,538	**15,478**
Non-current liabilities		
Long-term debt	17,959	19,554
Provisions for contingencies	3,971	4,054
Provisions for employee benefits	366	391
Other non-current liabilities	1,881	1,366
	24,177	**25,365**
Liabilities directly associated with discontinued operations	**1**	
TOTAL LIABILITIES	**39,716**	**40,843**
SHAREHOLDERS' EQUITY		
Share capital	4,005	4,005
Legal reserve	959	959
Other reserves	34,436	34,472
Interim dividend	(1,440)	(1,441)
Treasury shares	(581)	(581)
Net profit	2,183	4,521
TOTAL SHAREHOLDERS' EQUITY	**39,562**	**41,935**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**79,278**	**82,778**

(a) 2015 figures have been restated to reflect the adoption of SEM and the change in the classification of Versalis as non-current asset held for sale and discontinued operation.

Cash Flow Statement

(€ million)

	Full Year	
	2015 [(a)]	2016
Net profit (loss) - continuing operations	**2,134**	**4,166**
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	894	815
Impairment losses (impairment reversals)	132	443
Write-off	63	209
Share of (profit) loss of equity-accounted investments	5,374	374
Gain on disposal of assets, net	(157)	29
Dividend income	(10,366)	(6,486)
Interest income	(241)	(161)
Interest expense	675	588
Income taxes	438	(232)
Other changes	129	159
Changes in working capital:		
- inventories	872	(66)
- trade receivables	4,616	1,353
- trade payables	(3,133)	93
- provisions for contingencies	(338)	(30)
- other assets and liabilities	1,651	(585)
Cash flow from changes in working capital	*3,668*	*765*
Net change in the provisions for employee benefits		16
Dividends received	11,041	6,458
Interest received	234	165
Interest paid	(708)	(692)
Income taxes paid, net of tax receivables received	6	7
Net cash provided from operating activities - continuing operations	**13,316**	**6,623**
Net cash provided from operating activities - discontinued operations		
Net cash provided from operating activities	**13,316**	**6,623**
Investing activities:		
- tangible assets	(1,162)	(788)
- intangible assets	(60)	(58)
- consolidated subsidiaries and businesses	(7,711)	(8,299)
- securities hel for operating purposes	(3)	
- financing receivables held for operating purposes	(3,582)	(1,585)
- change in payables and receivables in relation to investments and capitalized depreciation	(35)	(507)
Cash flow from investments	*(12,553)*	*(11,237)*
Disposals:		
- tangible assets	20	5
- intangible assets		
- available for sale	17	
- consolidated subsidiaries and businesses	1,586	2,209
- securities		
- financing receivables held for operating purposes	176	5,405
Cash flow from disposals	*1,799*	*7,619*
Net cash used in investing activities	**(10,754)**	**(3,618)**

(a) 2015 figures have been restated to reflect the adoption of SEM and the change in the classification of Versalis as non-current asset held for sale and discontinued operation.

Cash Flow Statement (continued)

(€ million)

	Full Year	
	2015 [(a)]	2016
Other financial activities held for trading	(120)	(1,257)
New borrowings (repayments) of long-term finance debt	(501)	2,135
Increase (decrease) in short-term financial debt	79	548
Financing receivables held for non-operating purposes	1,288	(1,105)
Dividends paid to Eni's shareholders	(3,457)	(2,881)
Net cash used in financing activities	**(2,711)**	**(2,560)**
Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)		**6**
Net cash flow for the period	**(149)**	**451**
Cash and cash equivalents - beginning of the period	**4,281**	**4,132**
Cash and cash equivalents - end of the period	**4,132**	**4,583**

(a) 2015 figures have been restated to reflect the adoption of SEM and the change in the classification of Versalis as non-current asset held for sale and discontinued operation.