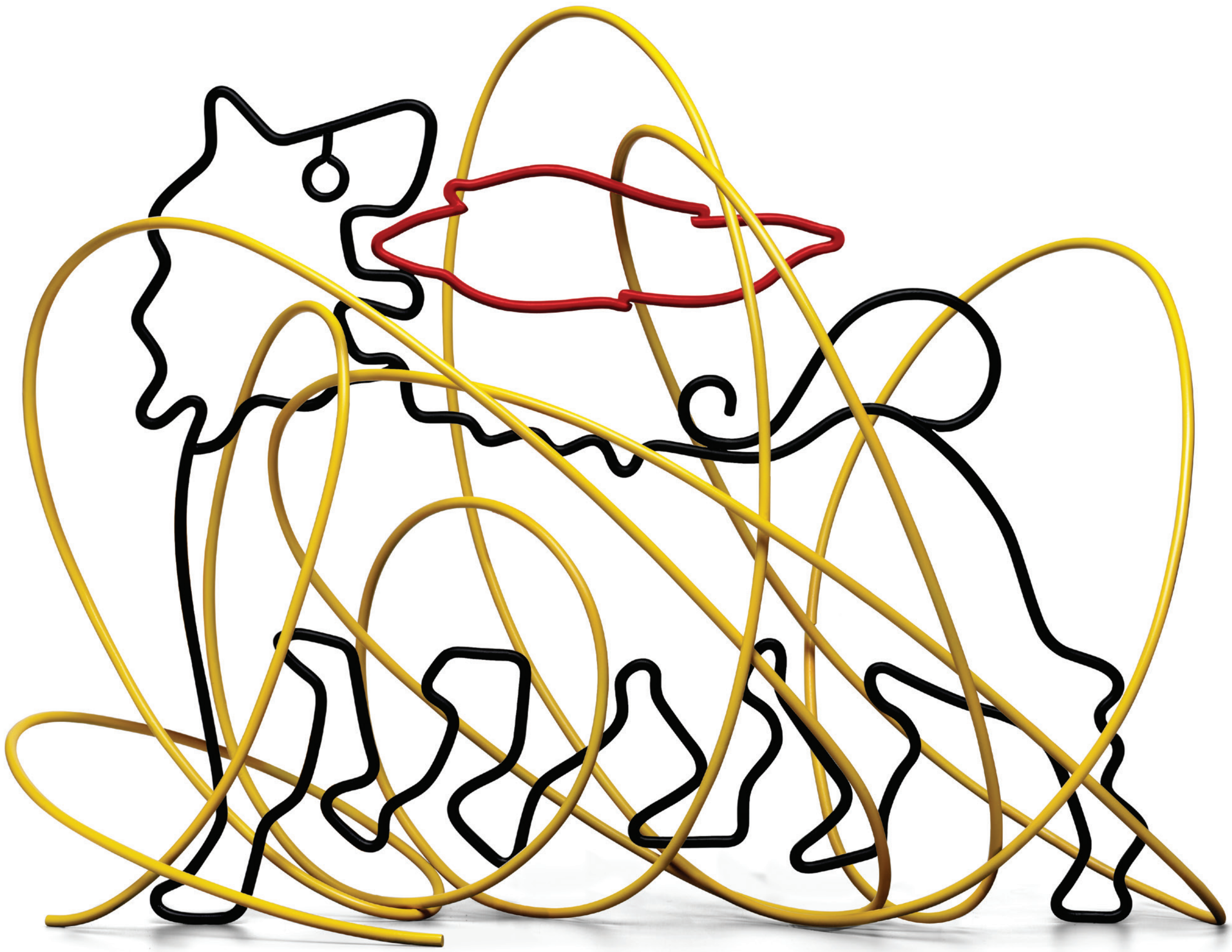
summary annual review

eni in 2013



eni

Mission

We are a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. Eni men and women have a passion for challenges, continuous improvement, excellence and particularly value people, the environment and integrity.

This summary review comprises an extract of the description of the businesses, the management's discussion and analysis of financial condition and results of operations and certain other Company information from Eni's Annual Report for the year ended December 31, 2013. It does not contain sufficient information to allow as full an understanding of financial results, operating performance and business developments of Eni as "Eni 2013 Annual Report".
It is not deemed to be filed or submitted with any Italian or US market or other regulatory authorities.
You may obtain a copy of "Summary Annual Review - Eni in 2013" and "Eni 2013 Annual Report" on request, free of charge (see the request form on Eni's web site – **eni.com** – under the section "Publications").
The "Summary Annual Review" and "Eni 2013 Annual Report" may be downloaded from Eni's web site under the section "Publications".

Financial data presented in this report is based on consolidated financial statements prepared in accordance with the IFRS endorsed by the EU.
For definitions of certain financial and operating terms see "Frequently used terms" section, on page 43.
This report contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, buy-back, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale 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 problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and regulations; development and use of new technologies; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document.

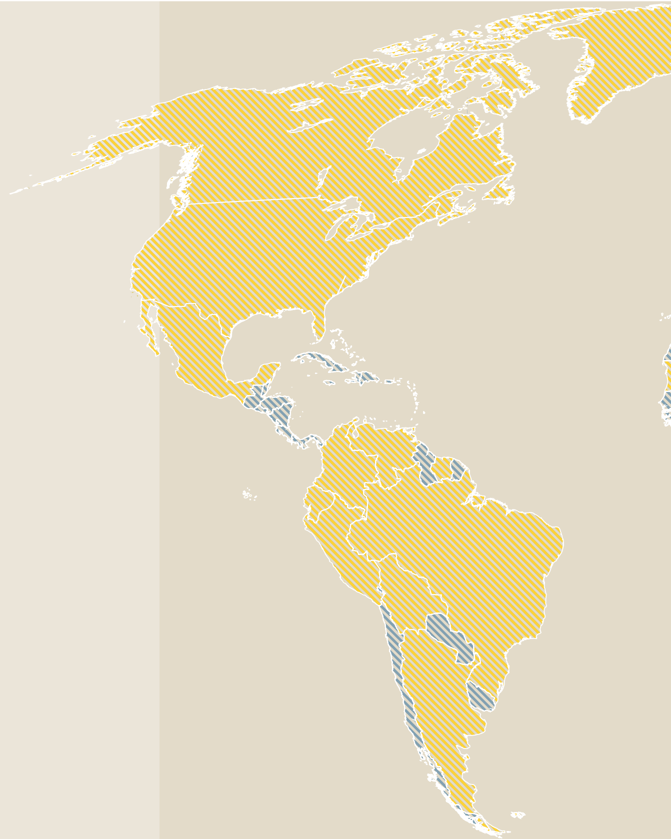
As Eni shares, in the form of ADRs, are listed on the New York Stock Exchange (NYSE), an Annual Report on Form 20-F has been filed with the US Securities and Exchange Commission in accordance with the US Securities Exchange Act of 1934. Hard copies may be obtained free of charge (see the request form on Eni's web site – **eni.com** – under the section "Publications").
Eni discloses on its Annual Report on Form 20-F significant ways in which its corporate governance practices differ from those mandated for US companies under NYSE listing standards.
The term "shareholder'" in this report means, unless the context otherwise requires, investors in the equity capital of Eni SpA, both direct and/or indirect. Eni shares are traded on the Italian Stock Exchange (Mercato Telematico Azionario) and on the New York Stock Exchange (NYSE) under the ticker symbol "E".

Contents

Our activities

Eni is an integrated energy company, active in 85 countries in the world with a staff of around 82,300 employees.

Eni's excellent portfolio of conventional oil assets with competitive costs and the strong resource base with options for anticipated monetization ensure a robust value generation at Eni's upstream activity. The vertical integration provided by the large presence in the gas and lng markets, and the know-how in refining and chemical sectors enable the company to capture synergies and catch joint opportunities and projects in the marketplace.
Eni's strategies, resource allocation processes and conduct of day-by-day operations underpin the delivery of sustainable value to our shareholders and, more generally, to all of our stakeholders, respecting the Countries where the company operates and the people who work for and with Eni.
Our way of doing business, based on operational excellence, focus on health, safety and the environment, is committed to preventing and mitigating operational risks.



Eni's Countries of operations.

Eni's Exploration & Production segment engages in oil and natural gas exploration and field development and production, as well as LNG operations in 42 Countries, including Italy, Libya, Egypt, Norway, the UK, Angola, Congo, the United States, Kazakhstan, Algeria, Australia, Venezuela, Iraq and Mozambique.

Eni's Gas & Power segment engages in supply, trading and marketing of gas and electricity, international gas transport activities, and LNG supply and marketing. This segment also includes the activity of electricity generation that is ancillary to the marketing of electricity.

Exploration & Production

Gas & Power

> **Adjusted operating profit:**
> **€12,618 million**

> **Net profit:**
> **€5,160 million**

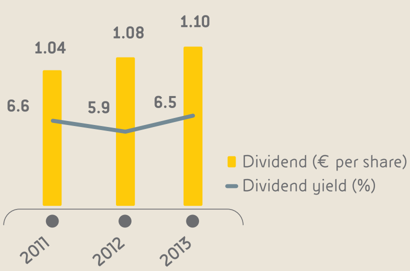
> **Cash flow from operations:**
> **€10,969 million**

> **Capital expenditure:**
> **€12,750 million**

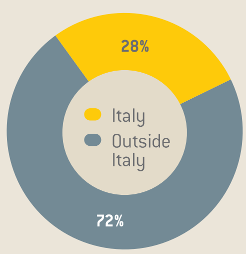
> **Dividends paid to shareholders:**
> **€3,949 million**

> **Net borrowings:**
> **€15,428 million**

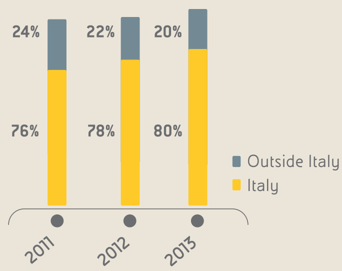
Dividend and dividend yield

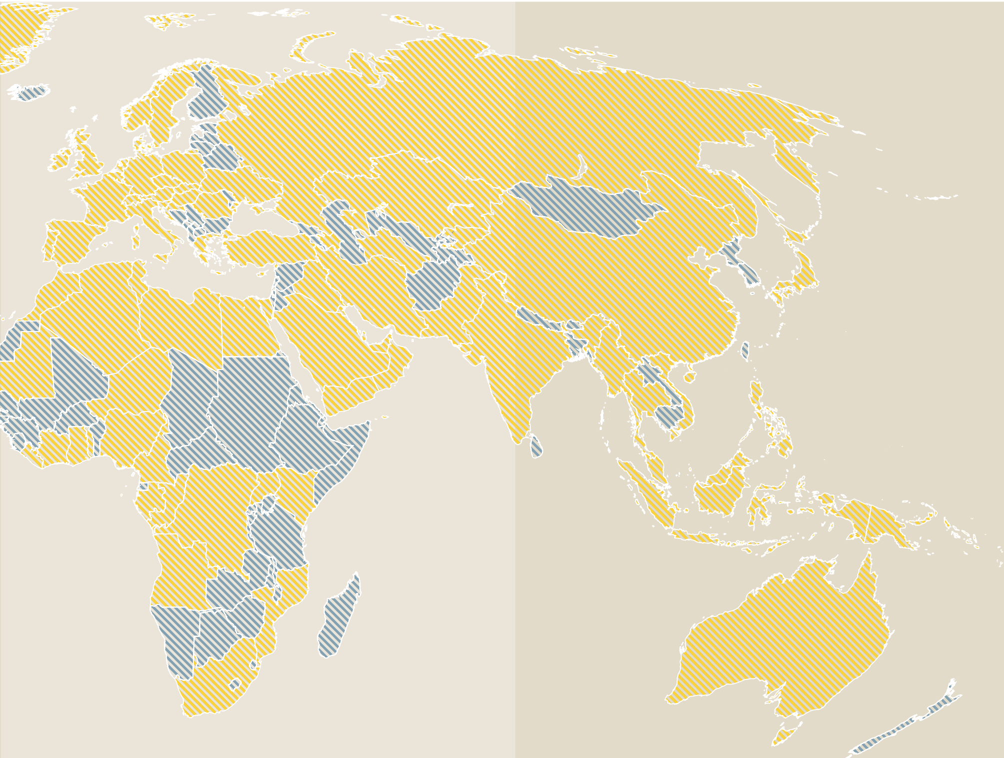


Net sales from operations



Retail customers in the gas business





Eni also engages in commodity risk management and asset backed trading activities. Through the Midstream department of the parent company and its wholly-owned subsidiary Eni Trading & Shipping SpA, the Group engages in derivative activities targeting the full spectrum of energy commodities on both the physical and financial trading venues. The objective of this activity is both to hedge part of the Group exposure to the commodity risk and to optimize commercial margins by entering speculative derivative transactions. Eni Trading & Shipping SpA and its subsidiaries also provide Group companies with crude oil and products supply, trading and shipping services.

Eni's Refining & Marketing segment engages in crude oil supply, refining and marketing of petroleum products mainly in Italy and in the Rest of Europe.

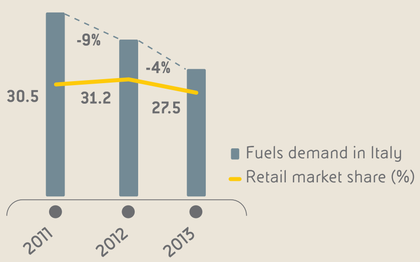
Refining & Marketing

> **Leverage:**
> **0.25**

> **Reserves of hydrocarbons:**
> **6.54 bln boe**

> **R&D expenditure:**
> **€197 million**

Fuels demand and retail market share in Italy



Eni's chemical activities include production of olefins and aromatics, basic intermediate products, polyethylene, polystyrenes, and elastomers. Eni's chemical operations are concentrated in Italy and Western Europe.

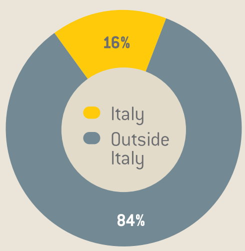
Versalis

> **Existing patents (no.):**
> **9,427**

> **Employees:**
> **+5.7% vs. 2012**

> **Women employees:**
> **16.5%**

Capital expenditure



Eni engages in oilfield services, construction and engineering activities through its partially-owned subsidiary Saipem and Saipem's controlled entities (Eni's interest being 42.91%). Saipem provides a full range of engineering, drilling and construction services to the oil and gas industry and downstream refining and petrochemicals sectors, mainly in the field of performing large EPC (engineering, procurement and construction) contracts offshore and onshore for the construction and installation of fixed platforms, sub-sea pipe laying and floating production systems and onshore industrial complexes.

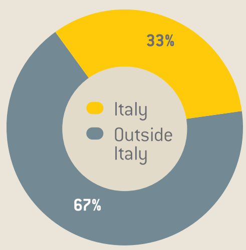
Engineering & Construction

> **Local employees:**
> **52.4%**

> **Injuries (no.):**
> **-32% vs. 2012**

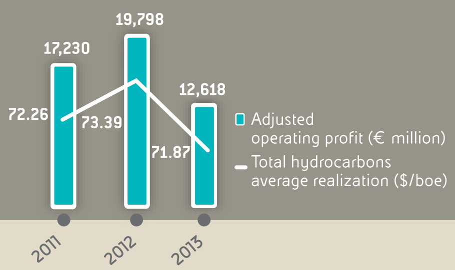
> **Training expenditure:**
> **€75.9 mln**

Eni's people



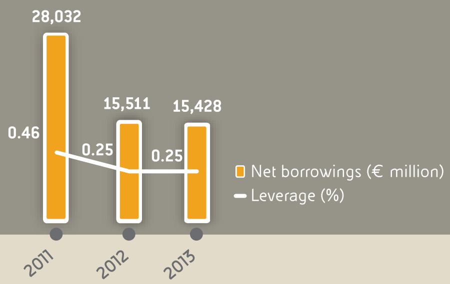
Eni at a glance

Operating performance



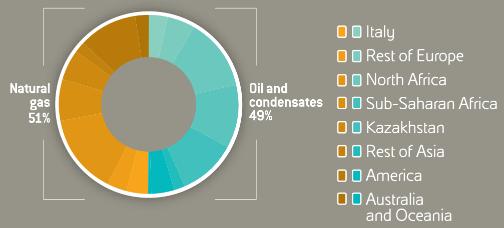
Eni's adjusted operating profit decreased by 36.3%, driven by geopolitical factors in the E&P Division causing production losses, plunging margins on sales of gas, electricity, fuels and chemical products, the effects of which were partly offset by turnaround savings, and sharply lower profitability at Saipem.

Net borrowings and leverage



Eni's financial structure was strengthened by the disposal of assets, which contributed €6.4 billion to cash generation and mainly related to the Mozambique deal and the divestment of the financial interests in Snam and Galp. Net borrowings and and leverage maintained flat compared to 2012 at €15,4 billion and 0.25, respectively.

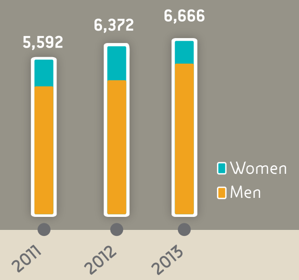
Oil and gas reserves



Proved oil and gas reserves as of December 31, 2013 were 6.54 bboe, of which 3.23 bboe relating to oil and condensates and 18.17 bcf of natural gas, mainly located in North Africa.

Number of hirings

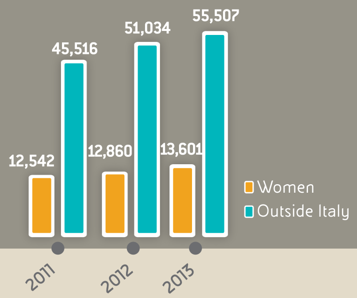
(number)



In 2013, the number of hirings increased by 4.6% compared to 2012, as a result of 5,101 workers recruited abroad and 1,565 in Italy. The majority of recruitment to permanent contracts and apprenticeships, involved graduates, recruited mainly into operating positions.

Employees at period end

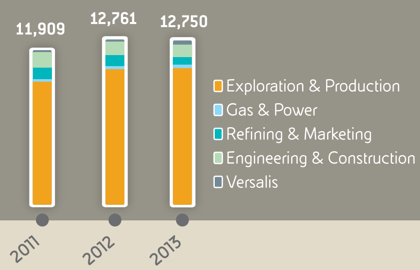
(number)



During the year Eni progressed in the process of enhancing the diversity and the inclusiveness of its people. Plurality is another distinctive elements of Eni's business featured by a strong international note, with more than 67% of employees outside Italy.

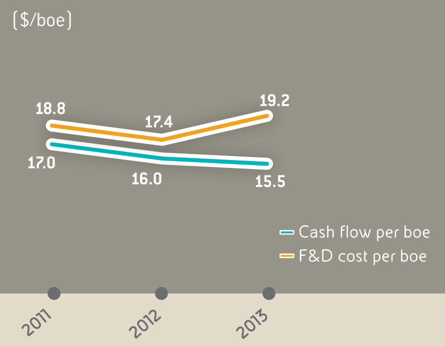
Capital expenditure

(€ million)



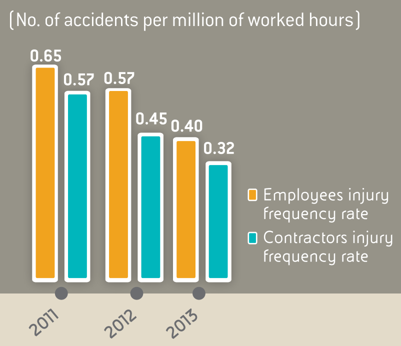
Capital expenditure was mainly focused on the robust pipeline of exploration and development projects to exploit oil and gas reserves.

Cash flow and F&D cost per boe



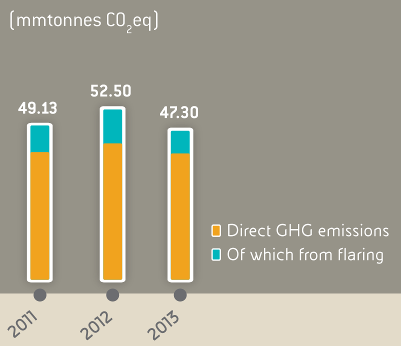
Unit cash flow and the finding and development cost per barrel was driven by competitive exploration costs, efficient development activity and an increased proportion of oil in our new productions.

Injury frequency rate



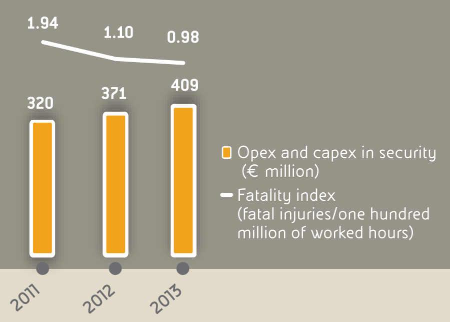
The positive trend of the injury frequency rate (relating to employees and contractors) is confirmed in 2013, for the ninth consecutive year.

Direct GHG emissions



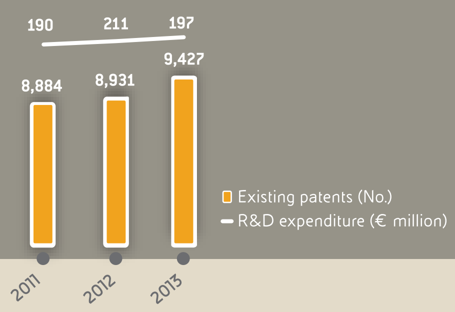
2013 direct greenhouse gas emissions declined by 9.9% from 2012, leveraging on the implementation of specific strategies, mainly flaring down activities, and the improvement actions designed to increase energy efficiency.

Safety of our people



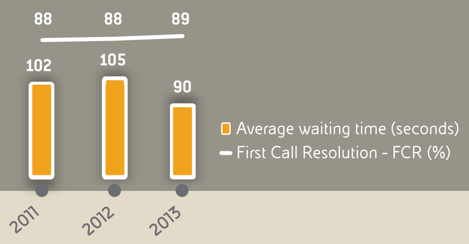
We are committed to maintain high standards of safety across all our activities. Our constant focus on the protection of safety, is confirmed by the 10.9% decrease in the fatality index.

Research and development



Our growth has been supported by technological innovation and the application of advanced methodologies in harsh contexts, ensuring the protection of the environments and the conservation of sensitive ecosystems and biodiversity.

Eni call center performance



The free number for customer service is configured as a single point of contact with Eni, to respond to all requests for service and information about gas, electricity and fuel with a free access 24 hours a day, seven days a week.
The average waiting time felt from 105 seconds in 2012 to 90 seconds in 2013. First Call Resolution (FCR) improved to 89%.

The competitive environment

Industrial challenges

A changing market

The growth prospects in the global energy demand have been increasingly depending on the development of the emerging economies. OECD Countries against the backdrop of macroeconomic uncertainties especially in Europe have been boosting renewable energy sources and higher energy and environmental efficiency. On the supply side we look at the strengthening of unconventional resources of hydrocarbons, the growing role of renewable sources and higher awareness of alternative mobility solutions.
In this scenario Eni's strategic plan is focused on upstream growth and turnaround actions in the mid-downstream businesses, at the same time adopting a strict capital discipline evaluating selective and sustainable growth opportunities in Extra European markets.

Access to new exploration plays, reserve replacement and risk diversification
The Energy revolution following the development of unconventional resources in the USA has fuelled a resurgence of the industry commitment towards mature areas. This is particularly interesting at a time in which the big oil companies are seeking ways to reduce their exposure to politically instable areas of the world. In the meanwhile exploration activities have spotted new material plays offshore Ghana, East Africa and the Eastern Mediterranean Sea.

Dynamism of emerging economies and their NOCs and partnerships with National Oil Companies of producing Countries
Growth prospects of emerging economies are expected to remain positive, driving any increase in the global demand for energy. This is reflected in the leading role played by national oil companies of big consuming Countries, which have reshaped the energy landscape through M&A and strategic partnerships with producing companies and Countries. This development is pressuring the big oil companies to search for new forms of relationships and cooperation with producing countries. The increasing contractual power of producing Countries is forcing oil players at all levels to rethink the business model and to redesign the relationships with local authorities with a long-term view.

The European downturn
Weak macroeconomic prospects in the Euro-zone, efficiency programmes and new consumption patterns will translate into nil growth in energy demand against the backdrop of overcapacity and increasing competition, also considering gas wholesalers exposure to long-term supply contracts.

Complexity and sustainable stewardship of operations
Oil & Gas players are required to maintain strong commitment in ensuring safety to the Company's employees, to minimize the use of natural resources and reduce the environmental footprint. At the same time, the industry is facing hurdles in the production of resources, particularly as it operates in harsh and environmentally-sensitive locations, such as the Arctic Sea, or in contexts that require complex and sophisticated technologies (unconventional and deepwater production).

Eni's actions	Performance of the year	2017 target
• New exploration initiatives also in order to boost geographical diversification, to balance the risk profile of the portfolio and to attain a right mix between giant fields and near field incremental success; • Robust pipeline of long-plateau/long-term cash flow projects; • Monetization of recent discoveries; • New initiatives in unconventional basins; • Better risk control on complex project execution leveraging on continuous improvement in technologies and better control on construction and commissioning activities.	**Discovered resources** 1.8 bboe of discovered resources	0.8 bboe/y
	Monetization of discoveries over €4 billion (28.57% Area 4 in Mozambique and other assets)	€9 billion (including Artic Russia)
	Production start-ups 8 production start-ups adding 140 kboe/d to 2013 production	26 major projects contributing 500 kboe/d additional production at 2017
	Cash flow from operating activities €11 billion	+55% vs. 2013
• Strengthening upstream activities leveraging on partnerships with NOCs in high potential areas (e.g. China); • Solid governance structure and commitment to integrity; • Eni's model of contribution to local development of producing Countries; • Focus on social projects and local content; • In the downstream segment, selective growth in emerging markets and enhanced partnerships with Asian NOCs.	**Congo: Hinda Integrated Project** 55% completion	100% completion and eventual collateral activities
	Sustainability management system of E&P subsidiaries MSG Issuance "Sustainability Stakeholder engagement&Communty Relations"	Minimum 4 certified subsidiaries compliant to International standards
• Turning around Eni's midstream business model and focusing on premium segments; • Restructuring the gas supply contracts portfolio and logistic costs; • Streamlining Eni's presence in non core areas/activities; • Reducing refining capacity: rationalizations, conversions to bio-refinery, increased flexibility in throughputs; • Overseeing of opportunities in emerging businesses in alternative sources for the automotive sector (CNG/LNG/biofuels) and development of smart mobility initiatives; • Progression on turnaround actions and internalization plan in the Chemical sector, focusing on Green Chemistry.	**Renegotiation of gas supply portfolio** Renegotiated supply terms of 85% of long-term gas contracts	100% supply costs aligned to market conditions
	Supply cost reduction €1.4 billion	≈ €2 billion per year expected in 2014-2016
	Reduction of Eni's refining capacity -13%	-22%
• Developing technologies to minimize the environmental footprint and to grant a responsible use of resources; • Commitment on increasing safety for people and operation integrity; • Attention to the social impact and economic development of the Countries in which Eni operates; • Integrated risk management also through the deployment of a more effective control system.	**Re-injected water** 55%	70%
	Energy savings in refining and chemical segments -229 ktoe/year vs. 2010	-400 ktoe/year vs. 2010
	Gas flared -65% vs. 2007	-83% vs. 2007

defining strategies to seize the opportunities in the energy sector

Our strategy

Eni's excellent market position and competitive advantages owe to the Company's strategic choices which are consistent with the long-term nature of the business, and relies on a sustainable business model founded on an established way of doing business, in a framework of clear and straightforward rules of corporate governance, rigorous risk management and adoption of the highest ethical standards.

2014-2017 strategy plan: main targets

- **E&P**
  focus on the start-up of giant projects, reduction of time-to-market and refocusing Eni's risk profile in terms of Countries of operations. Growing cash generation from operations at a 5% rate per year
- **Mid-downstream businesses**
  turning around and breakeven in the next four years
- **Capital expenditure plan to fuel growth**
  €54 billion, of which 83% in the upstream segment
- Projected **free cash flow increase by 13%** on average in the next four years
- Progressive **dividend** policy and **buyback** program

The oil&gas industry is copying with a complex scenario featured by the global economic slowdown, particularly in the Euro-zone, increasing political instability in oil-rich Countries, and volatile market conditions for energy commodities.
Against this backdrop, Eni believes that a sustainable business conduct contributes to both the achievement of industrial performance, and the mitigation of political, financial and operational risks. This strengthens Eni's role as a trustworthy and reliable partner, who is ready to capture new opportunities in the marketplace and able to manage the complexities of the environment.

Eni's strategy for the 2014-2017 four-year period is intended to grow oil and gas production business, which is characterized by improving returns and to restructure Eni's less profitable Europe-based businesses in the marketing of gas and in the production and marketing of refined products and chemical products in order to increase the cash flows deriving from our businesses.

Our planning assumptions do not contemplate any improvement in the fundamentals of the European industries of gas, refining and petrochemicals which will continue to be adversely affected by weak demand, overcapacity and oversupplies, strong competition and other cost disadvantages. As a part of our strategy, we are also planning to restore the profitability of our listed subsidiary Saipem, which in 2013 was impacted by activity downturn and extraordinary contract losses.
Management intends to pursue integration opportunities among segments and within each segment, to strongly focus on efficiency improvement through technology upgrading, cost efficiencies, commercial and supply optimization and continuing process streamlining across all segments. Over the next four years, Eni plans to execute capital expenditure of €54 billion to support continuing organic growth in its segments, in particular in the Exploration & Production which will absorb 83% of planned expenditure.
Eni will focus on preserving a balanced and well-established financial structure. Management seeks to maintain the ratio of net borrowings to total equity within a target range of 0.1-0.3 under the assumption of a Brent price scenario of 104 $/bbl in 2014 which will progressively decline in the subsequent years to our long-term case of 90 $/bbl from 2017 onwards and other trading assumptions, as well as the commitments of funding capital expenditure plans and implementing the Company's progressive dividend policy and share repurchases.
Eni expects that cash flow from operations will grow at a healthy rate along the plan period and provide enough resources to fund capital expenditure plans, to pay a regular dividend the amount of which will be set in accordance to our progressive dividend policy and to maintain leverage within the above mentioned range. Cash flow growth will be driven by increased cash generation in our Exploration & Production segment which will be underpinned by profitable production growth, cost control and capital discipline, as well as the restructuring of our Gas & Power, Refining & Marketing and Chemical businesses which will turn cash positive in the plan period due to contract renegotiations, expansion in profitable market segments and reduced exposure to the commodity risk.
Furthermore, management expects to deliver approximately €9 billion of additional cash flows from asset disposals, of which €2.2 billion have been already cashed-in following the closing of the disposal of our interest in Artic Russia early in January 2014.

We plans to distribute cash to shareholders by means of dividends and our multi-year buyback programme of up to 10% of outstanding shares. Our dividend policy contemplates a progressive, growing dividend at a rate which is expected to be determined year-to-year taking into account Eni's underlying earnings and cash flow growth as well as capital expenditure requirements and the targeted financial structure. Management will also evaluate the achievement of the targeted production levels in the Exploration & Production segment, the status of renegotiations at gas long-term supply contracts in the Gas & Power segment and the delivery of efficiency gains in the downstream businesses. Considering all these variables, we expects to propose to Shareholders approval a dividend of €1.12 per share for fiscal year 2014, an increase of approximately 1.8% from 2013.
We are also planning to continue repurchasing the Eni shares, which has been authorized by the Shareholders Meeting for a total amount of €6 billion. Share repurchases have commenced since the beginning of 2014. In the future, we expect to repurchase our share at our judgement when a number of conditions are met. These include, but are not limited to, current trends in the trading environment, a level of leverage which we are comfortable with and well within our target range limit of 0.3, and full funding of capital expenditure requirements and dividends throughout the plan period.

The other leg of our long-term strategy will be a continuing focus on managing the upstream risks. We intend to mitigate the political risk by expanding the geographic reach of our activities and deploying the Eni cooperation model with host Countries based on the commitment to maximize the value delivered to local communities and invest in long-term initiatives that benefit our local partners (access to energy, education and health). The risk of "project delivery" will require the in-source of critical engineering and project management activities as well as careful monitoring of supply-chain programming. Finally, the operational risk relating to drilling activities will be managed by applying Eni's rigorous procedures throughout the engineering and execution stages, leveraging on proprietary drilling technologies, internal skills and know-how, increased control of operations and specific technologies aimed at minimizing blow-out risks and responding quickly and effectively in case of emergencies.

Business review

In 2013 Eni achieved solid results in a particularly difficult market. Our E&P Division confirmed its capability to deliver high profits thanks to its cost leadership and extraordinary exploration successes. Our Mid-Downstream businesses, while at a disadvantage from the Italian and European crisis, strengthened their restructuring actions achieving a significant improvement in cash generation. Finally, the portfolio rationalisation permitted by the new discoveries has allowed an anticipated monetization of results and cash.

Business review

Exploration & Production

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	0.41	0.28	**0.14**
Contractors injury frequency rate		0.41	0.36	**0.26**
Fatality index	(No. of fatalities per 100 million of worked hours)	1.83	0.81	**-**
Net sales from operations [a]	(€ million)	29,121	35,881	**31,268**
Operating profit		15,887	18,470	**14,871**
Adjusted operating profit		16,075	18,537	**14,646**
Adjusted net profit		6,865	7,426	**5,952**
Capital expenditure		9,435	10,307	**10,475**
Adjusted ROACE	(%)	17.2	17.6	**13.5**
Profit per boe [b]	($/boe)	17.0	16.0	**15.5**
Opex per boe [b]		7.3	7.1	**8.3**
Cash flow per boe [d]		31.7	32.8	**31.9**
Finding & Development cost per boe [c] [d]		18.8	17.4	**19.2**
Average hydrocarbons realizations [d]		72.26	73.39	**71.87**
Production of hydrocarbons [d]	(kboe/d)	1,581	1,701	**1,619**
Estimated net proved reserves of hydrocarbons [d]	(mmboe)	7,086	7,166	**6,535**
Reserves life index [d]	(years)	12.3	11.5	**11.1**
Organic reserves replacement ratio [d]	(%)	143	147	**105**
Employees at year end	(number)	10,425	11,304	**12,352**
of which: *outside Italy*		*6,628*	*7,371*	***8,219***
Oil spills due to operations (>1 bbl)	(bbl)	2,930	3,015	**1,728**
Oil spills from sabotage (>1 bbl)		7,657	8,436	**5,493**
Produced water re-injected	(%)	43	49	**55**
Direct GHG emissions	(mmtonnes CO_2eq)	23.59	28.46	**25.71**
of which: *from flaring*		*9.55*	*9.46*	***8.48***
Community investment	(€ million)	62	59	**53**

(a) Before elimination of intragroup sales.
(b) Consolidated subsidiaries.
(c) Three-year average.
(d) Includes Eni's share of equity-accounted entities.

2013 Highlights

Performance of the year

- 2013 marked a strong performance in HSE activities with all KPIs improving from the previous year:
  - the injury frequency rates of employees and contractors decreased by 48.7% and by 28.8% respectively, with a zero fatality index;
  - greenhouse gas emissions decreased by 9.7% (down by 10.4% from flaring);
  - oil spills due to operations decreased by 42.7%; oil spills from sabotage decreased by 34.9%;
  - zero blow-outs for the tenth consecutive year;
  - water re-injection was a record at 55% of water used in operations.
- Adjusted net profit declined by €1,474 million, or 20%, due to extraordinary disruptions in Libya, Nigeria and Algeria. Cash generation was strong with $30 per barrel due to our low cost position.
- Oil and natural gas production of 1,619 kboe/day declined by 4.8% from 2012 mainly due to geopolitical factors.
- Estimated net proved reserves at December 31, 2013 amounted to 6.54 bboe based on a reference Brent price of $108 per barrel. The organic reserves replacement ratio was 105% with a reserves life index of 11.1 years (11.5 years in 2012).
- Development expenditure was €8,580 million (up by 3.3% from 2012) to support continuing production ramp-up and progress on major projects particularly in Norway, the United States, Angola, Congo, Italy, Nigeria, Kazakhstan, Egypt and the United Kingdom.

- Our exploration results for the year were robust with 1.8 bln boe of discovered resources, at a competitive cost of $1.2 per barrel.

Portfolio

- In 2013 we divested a 20% interest in the exploration Area 4 in Mozambique to China National Petroleum Co. (CNPC) for a total consideration of €3.4 billion and a net gain through profit of the same amount. The deal has enabled us to monetize early the future cash flows expected from the asset development.
- We divested to certain Gazprom subsidiary a 60% interest in the Artic Russia joint venture, which owns 49% of Severenergia which retains four licenses for the exploration and production of hydrocarbons in Russia. On January 15, 2014, the consideration for the disposal equal to €2.2 billion was cashed in, while a revaluation gain of €1.7 billion was recorded in 2013 profit.
- Awarded the exploration licenses in emerging basins which represent new frontiers in oil and gas exploration activity such as Vietnam, Myanmar and Greenland, in the high potential areas such as Cyprus, Russian offshore and Kenya, as well as legacy areas such as Australia, Indonesia, China, Congo, Egypt and Norway.
- Achieved start-up of the early production of the giant Junin 5 oil field (Eni's interest 40%) in the Orinoco Belt in Venezuela, targeting a production plateau of 75 kbbl/d in 2015.
- In line with production plans, we achieved main production start-ups, in addition to the above mentioned Junin 5, including the MLE-CAFC (Eni's interest 75%) and El Merk (Eni's interest 12.25%) fields in Algeria, the Angola LNG project (Eni's interest 13.6%) and other fields in Egypt, Nigeria, Norway and the United Kingdom. In addition 7 main FIDs were sanctioned. The start-up of new fields and continuing production ramp-ups contributed with 140 boe/day of new production.

Exploration activity

- The main discoveries made in the year were the Agulha prospect and the appraisal of Mamba and Coral in Mozambique, in the offshore of the Rovuma basin in the Area 4 (Eni operator with a 50% interest). Management estimates that Area 4 may contain up to 2,650 billion cubic meters of gas in place.
- We made the extraordinary Nenè Marine discovery in the mature Marine XII Block (Eni operator with 65%) offshore Congo, where we successfully applied the know-how and expertise gained in exploring frontier areas.
- In the Norwegian section of the Barents Sea we continued to expand the mineral potential thanks to the Skavl discovery (Eni's interest 30%) which added to the Skrugard and Havis findings, increasing the total recoverable resources at over 500 million barrels at 100%.
- The appraisal of the Sankofa East discovery (Eni operator with a 47.22% interest) offshore Ghana surpassed our previous estimates with 450 million barrels of oil in place and recoverable reserves up to 150 million barrels.
- Further exploration successes of the year were reported in Australia, Angola, Egypt, Norway and Pakistan where existing facilities ensure to reduce time-to-market and costs.

Strategies

Eni's Exploration & Production business boasts a strong competitive position in a number of strategic oil and gas basins in the world, namely the Caspian Region, North and Sub-Saharan Africa, Venezuela, the Barents Sea and the Gulf of Mexico.

Our growth strategy in the Exploration & Production Division has been reinvigorated by the extraordinary exploration successes made in the latest years which have build upon an already solid platform of large and conventional producing assets with an efficient cost position. The exploration successes have proven to be an efficient and effective way to increase the resource base, a driver of organic production growth and portfolio diversification also providing a boost to cash generation by early monetization of part of the discovered volumes.

In the next four years Eni targets a robust cash generation coupled with production growth and a rebalanced risk profile of our portfolio. We also plan to increase our resource base leveraging on our leading exploration activity where we boast an impressive track-record in discovering new resources. All these industrial targets are planned to be achieved through a capital expenditure plan 5% lower than the previous one.

Under Eni's price scenario, management expects to increase operating cash flow by 5% on average in the next four-year plan. This coupled with a continuing focus on capital discipline will drive the achievement of a self-financing ratio of 140% on average. The strong cash generation will be the result of organic production growth, the quality of our portfolio which is largely made up of conventional asset, our phased approach in giant projects, reduced time-to-market and production optimizations.

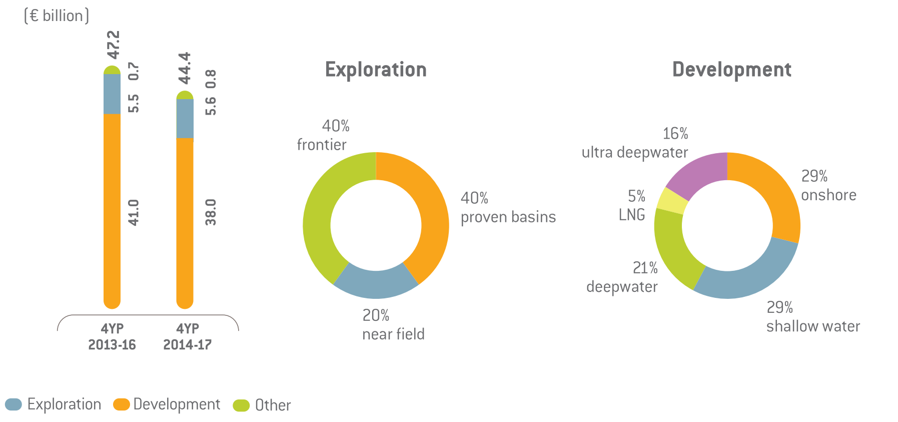
Consistent with the long-term nature of the business, strategic guidelines for our Exploration & Production Division have remained basically unchanged in the years, as follows:

- **Maintain strong, profitable production growth.**
- **Invest in exploration to enhance growth prospects over the long-term and ensure reserve replacement.**
- **Develop new projects to fuel future growth.**
- **Consolidate our industry-leading cost position.**

Management plans to invest €38 billion to develop the Company's reserves over the next four years. An important share of this expenditure will be allocated to certain development projects which will support the Company's long-term production plateau, in particular we plan to develop the gas discovery in Mozambique and to progress large and complex projects in Congo, Indonesia, Venezuela, Nigeria, Norway and Kazakhstan. We are also planning to maintain a prevailing share of projects regulated by Production Sharing Agreement in our portfolio; this will shorten the cost recovery in an environment of high crude oil prices.

Our long-term sustainable growth will leverage on continuous exploration activities, with planned expenses of €5.6

Strict capital discipline



billion, which are intended to appraise the latest discoveries made by the Company, to explore new plays and to support continuing reserve replacement. 60% of investments will be in lower risk environments such as proven and near field areas.

Maintain strong production growth

Eni's Exploration & Production segment engages in oil and natural gas exploration and field development and production, as well as LNG operations, in 42 Countries, including Italy, Libya, Egypt, Norway, the United Kingdom, Angola, Congo, Nigeria, the United States, Kazakhstan, Russia, Algeria, Australia, Venezuela, Iraq and Mozambique.
Our strategy will be focused on organic growth and the development of our portfolio made by conventional and low cost projects with a low break-even price in the region of $45 per barrel. Our leading cost position owes to our exploration which over the latest years has been able to discover huge amounts of resources at competitive costs. We are targeting a production growth rate of 3% in the next four-year plan with increasing returns. The main driver of future growth will be the start-up of 26 new and highly profitable projects which we estimate to add more than 500 kboe/d of production in 2017 to support our growth and replace mature field decline. Approximately 70% of the planned start-ups will relate to already sanctioned projects and the management plans to sanction almost all by the end of 2014.

Management intends to implement a number of initiatives to support profitability in its upstream operations by exercising tight control on project time schedules and costs and reducing the time span which is necessary to develop and market reserves. We acknowledge that our results of operations and production levels for the year have been adversely impacted by delays and cost overruns at a number of projects. We plan to mitigate those risks in the future by: (i) in-sourcing critical engineering and project management activities also redeploying to other areas key competences which will be freed with the start-up of certain strategic projects and increase direct control and governance on construction and commissioning activities; (ii) signing framework agreements with major suppliers, using standardized specifications to speed up pre-award process for critical equipment and plants, increasing focus on supply chain programming to optimize order flows. Based on these initiatives, we believe that almost all of our projects underway will be completed on time and on cost schedule.

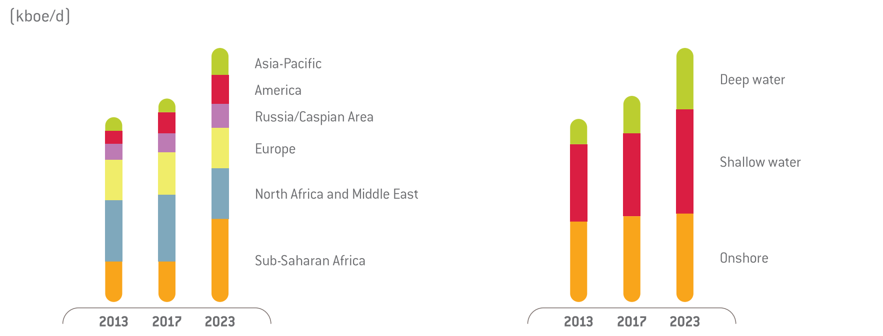
Eni will pursue further growth options by developing unconventional plays, gas-to-LNG projects and integrated gas projects. Finally, we intend to optimize our portfolio of development properties by focusing on areas where our presence is well established, and divesting non-strategic or marginal assets.

> Production and reserves: 2013 and outlook

In 2013, Eni's liquids and gas production of 1,619 kboe/d declined by 4.8% from the 2012, reflecting significant force majeure events in particular in Libya, Nigeria and Algeria, which considerably impacted the production level. The contribution of the new fields' start-ups and continuing production ramp-ups mainly in Algeria and Egypt partly offset the effects of planned facility downtimes and technical problems, in the North Sea and in the Gulf of Mexico respectively, as well as mature field declines. The share of oil and natural gas produced outside Italy was 89% (89% in 2012).

In the year we achieved the following main start-ups: (i) the MLE-CAFC project (Eni's interest 75%) in Algeria. A natural gas treatment plant started operations with a production and export capacity of 320 mmcf/d of gas, 15 kbbl/d of oil and condensates and 12 kbbl/d of GPL. The integrated project MLE-CAFC targets a production plateau of approximately 33 kboe/d net to Eni by 2017; (ii) the El Merk field (Eni 12.25%) in Algeria, where a gas treatment plant is processing 600 mmcf/d and two oil trains 65 kbbl/d each. Production is expected to peak at 18 kboe/d net to Eni in 2015; (iii) the oil and gas Jasmine field (Eni's interest 33%), in the United Kingdom. A production plateau of 117 kbbl/d (39 kbbl/d net to Eni) is expected in 2014; (iii) the LNG plant managed by the Angola LNG consortium (Eni's interest 13.6%). The plant will develop approximately 10,594 bcf of gas in 30 years; (iv) the Abo - Phase 3 project in the OML 125 Block (Eni operator with an 85% interest), in Nigeria, with production of approximately 5 kboe/d net to Eni; (v) the giant Junin 5 field (Eni's interest 40%), in Venezuela. Early production of the first phase is expected to reach a plateau of 75 kbbl/d by the end of 2015, targeting a long-term production

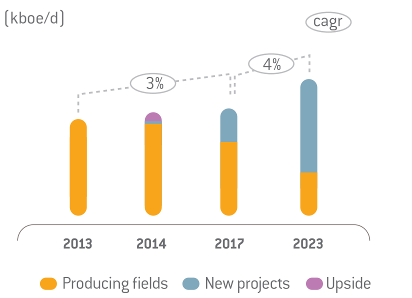
Production diversification



plateau of 240 kbbl/d; (vi) the Skuld field (Eni's interest 11.5%) in Norway, with a production of approximately 30 kboe/d (approximately 4 kboe/d net to Eni).

The 2014 outlook for the oil and gas production is substantially in line with 2013, excluding the impact of the divestment of Eni's interest in the Russian gas assets of Artic Russia, reflecting ongoing Country risks and geopolitical factors and assuming marginal contribution at the Kashagan field. According to management's plans, production growth will resume in the coming years as the Company is targeting an annual growth rate of 3% on average in the next 2014-2017 four-year period, based on our Brent prices assumptions which are expected to decline progressively during the plan period from 104 $/bbl in 2014 to 90 $/bbl in 2017.

Production growth



Brent scenario ($/boe)	2014/2017	Thereafter
	from 104 to 90	+2%/year

To achieve that target, we intend:

- to leverage our robust pipeline of project start-ups, particularly in Eni's core areas (Sub-Saharan Africa, Venezuela, the Barents Sea, Kazakhstan and Far East) leveraging on Eni's vast knowledge of reservoirs and geological basins, technical and producing synergies, as well as established partnerships with producing Countries;
- to maximize the production recovery rate at our current fields by counteracting natural field depletion and reducing facilities downtime. This will require intense development activities of work-over and infilling. We expect that continuing technological innovation and competence build-up will drive increasing rates of reserve recovery;
- to continuously focus on risk mitigation. The main drivers are the diversification of countries of presence, the reduction of the time-to-market, the in-source of critical engineering and project management activities, the retention of a large number of operated projects and the contribution to local development.

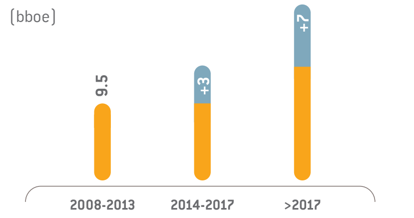
Actual production volumes will vary from year to year due to the timing of individual project start-ups, operational outages, reservoir performance, regulatory changes, asset sales, severe weather events, price effects under production sharing contracts and other factors.

Estimated net proved reserves at December 31, 2013 amounted to 6.54 bboe based on a reference Brent price of $108 per barrel. Additions to proved reserves booked in 2013 were 621 mmboe and derived from: (i) revisions of previous estimates up 508 mmboe, mainly reported in Congo, Iraq, Australia and Nigeria; (ii) extensions, discoveries and other factors up 108 mmboe, with major additions booked in Angola, Indonesia and the United States; (iii) improved recovery were 5 mmboe, reported particularly in Nigeria; (iv) sales of mineral-in-place related to the divestment of above mentioned assets in Russia (652 mmboe) and the United Kingdom (13 mmboe); (v) acquisitions referred to interests in assets located in Egypt (4 mmboe).
The reserve life index is 11.1 years.
Eni intends to pay special attention to reserve replacement in order to ensure the medium to long-term sustainability of the business. In 2013, we achieved an organic replacement ratio of 105% through fast sanctioning and relentless focus on field development. Going forward, our reserve replacement will be underpinned by our strong focus on exploration and timely conversion of resources into reserves and production, while at the same time fighting depletion and enhancing the recovery factor in existing fields through effective reservoir management.

Exploration

Exploration is the engine of our strategy in the upstream business. The exploration success has proven to be an efficient and effective way to increase the resource base, a driver of organic production growth and portfolio diversification also providing a boost to cash generation by early monetization of part of the discovered volumes.
Since 2008 we have discovered 9.5 bln boe of resources, equal to 2.5 times the production of the period. In 2013 our exploration activity discovered 1.8 bboe of fresh resources at an

Discovered and prospective resources



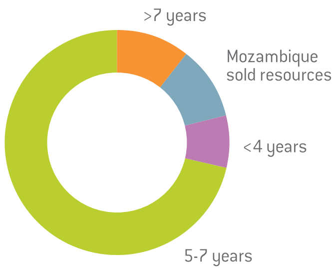
average competitive cost of $1.2 per barrel.
The main discoveries made in the year were the Agulha prospect and the appraisal of Mamba and Coral in Area 4 in Mozambique, where we estimate an overall mineral potential up to 2,650 billion cubic meters of gas in place. In 2014, Eni will continue appraisal activities, particularly regarding the new exploration prospect, where the drilling of two to three additional wells is planned. To exploit Mamba's straddling resources in Area 4 we are planning to build an initial onshore LNG train, plus two floating LNG units with a total capacity of 10 million tpa, with an option for a further onshore LNG train. We are also evaluating the development of the resources of the Coral prospect by means of a floating LNG unit. We confirm the FID of the first phase by year-end, with start-up expected in 2019.
In the Barents Sea we achieved an excellent result with the oil and gas Skavl discovery that in addition to the recent oil and gas discoveries of Skrugard and Havis brings the total recoverable resources of PL 532 license (Eni's interest 30%) at over 500 million barrels at 100%. These resources will be put into production by means of a fast-track synergic development.
We made the oil and gas Nené Marine discovery in the offshore Block Marine XII (Eni operator with a 65% interest), in Congo. This is a mature block which has been largely explored in the past, where the application of our proprietary technology and the geological know-how which we gained in exploring frontier areas, led us to make this exceptional discovery with more than 2.5 bboe of resources in place. The proximity to existing facilities, good productivity of reservoir and low cost will allow to fast track the discovery, targeting start-up in 2015.
In Ghana, appraisal activities at the Sankofa East discovery in the Offshore Cape Three Points licence (Eni operator with a 47.22% interest) confirmed the overall potential of the discovery at approximately 450 million barrels of oil in place with recoverable reserves up to 150 million barrels. The

appraisal program was concluded in mid 2013 and negotiations with the local Authorities are ongoing to sanction the development phase. The start-up of the project is expected by the end of 2016. Other significant exploration successes were achieved in Australia, Angola, Egypt, Norway and Pakistan where synergies with existing infrastructures will reduce the time-to-market of discovered resources.

In the next four years we will pursue even more ambitious exploration targets, by focusing on the emerging plays in Sub-Saharan Africa, the Barent Sea and Asia. In Africa our objectives are the pre-saline deposits in Congo, Angola and Gabon, the completion of the appraisal campaign in Mozambique and the launch of the exploration activity in the Lamu basin in Kenya. In the Russian section of the Barents Sea we jointly operate with Rosneft a high potential basin where seismic surveys have been started. In the Pacific basin we intend to go ahead with exploration in Vietnam and Myanmar and to confirm our commitment in Indonesia and Australia. We acquired the operatorship of three licences in the Cypriot deep offshore portion of the Levantine basin, in proximity of large gas discoveries.

2008-2013 discoveries time-to-market

80% discovered resources with start up in <7 years



Future exploration projects and appraisal activities will attract some €5.6 billion in the next four-year time frame to support continuing reserve replacement. 60% of the projected expenditure will be made in low-risk environments such as proven and near field areas. We target the discovery of 3.2 bboe of new resources at a unit cost of approximately $2.2 per barrel. These discoveries will be developed to ensure high-margin organic growth. Another option is their monetization in advance of development activities by diluting Eni's interest at an early stage thus reducing the execution and financial risk as it was the case with the Mozambique deal.

As of December 31, 2013, Eni's mineral right portfolio consisted of 976 exclusive or shared rights for exploration and development in 42 Countries on five continents for a total acreage of 276,256 square kilometers net to Eni of which developed acreage of 41,538 square kilometers and undeveloped acreage of 234,718 square kilometers net to Eni. Eni's portfolio was boosted with the acquisition of new exploration licenses in emerging basins which represent new frontiers in oil and gas exploration activity such as Vietnam, Myanmar and Greenland, in the high potential areas, in addition to above mentioned Cyprus, such as Russian offshore and Kenya, as well as legacy areas such as Australia, Indonesia, China, Congo, Egypt and Norway.

Develop new projects to fuel future growth

Eni has a strong pipeline of development projects that will fuel the medium and long-term growth of its oil and gas production. The pipeline of projects is geographically diversified and will become even more balanced across our hubs.

We plan to start-up 26 new major fields in the next four years, mainly Goliat in the Barents Sea, the Block 15/06 West Hub in Angola, the heavy oil and gas Venezuelan assets and Jangkrik in Indonesia, which will add more than 500 kboe/d by 2017, supporting production growth and the replacement of mature production.

We expect that costs to develop and operate fields will increase in the next years due to sector-specific inflation, and growing complexity of new projects. We plan to counteract those cost increases by leveraging on cost efficiencies associated with: (i) increasing the scale of our operations as we concentrate our resources on larger fields than in the past where we plan to achieve economies of scale; (ii) expanding projects where we serve as operator. We believe operatorship will enable the Company to exercise better cost control, effectively manage reservoir and production operations, and deploy our safety standards and procedures to minimize risks; and (iii) applying our technologies which we believe can reduce drilling and completion costs.

We plan to mitigate the operational risk relating to drilling activities by applying Eni's rigorous procedures throughout the engineering and execution stages, by leveraging on proprietary drilling technologies, excellent skills and know-how, increased control of operations and by deploying technologies which we believe to be able to reduce blowout risks and to enable the Company to respond quickly and effectively in case of emergencies.

Business review

Gas & Power

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	2.44	1.84	**1.31**
Contractors injury frequency rate		5.22	3.64	**1.81**
Net sales from operations [a]	(€ million)	33,093	36,200	**32,124**
Operating profit		(326)	(3,219)	**(2,992)**
Adjusted operating profit		(247)	356	**(663)**
Marketing		*(657)*	*47*	***(837)***
International transport		*410*	*309*	***174***
Adjusted net profit		252	473	**(246)**
EBITDA pro-forma adjusted		949	1,316	**6**
Marketing		*257*	*858*	***(311)***
International transport		*692*	*458*	***317***
Capital expenditure		192	225	**232**
Worldwide gas sales [b]	(bcm)	96.76	95.32	**93.17**
LNG sales [c]		15.70	14.60	**12.40**
Customers in Italy	(million)	7.10	7.45	**8.00**
Electricity sold	(TWh)	40.28	42.58	**35.05**
Employees at period end	(number)	4,795	4,752	**4,514**
Direct GHG emissions	(mmtonnes CO_2eq)	12.77	12.70	**11.16**
Customer satisfaction score (CSS) [d]	(%)	88.6	89.7	**90.4**
Water consumption/withdrawals per kWheq produced	(cm/kWheq)	0.014	0.012	**0.017**

(a) Before elimination of intragroup sales.
(b) Include volumes marketed by the Exploration & Production Division of 2.61 bcm (2.73 and 2.86 bcm in 2012 and 2011, respectively).
(c) LNG sales of affiliates and associates of the Gas & Power Division (included in worldwide gas sales) and the Exploration & Production Division.
(d) The customer satisfaction score for 2013 relates to the first six months as at the date of publication of this Annual Report the Authority for Electricity and Gas has not yet published the data for the second half of the year.

2013 Highlights

Performance of the year

- In 2013 our KPI in HSE improved significantly from the previous year with the employees and contractors injury frequency rates down by 28.9% and 50.1%, respectively and GHG emissions down by 12.1%.
- The adjusted net loss was €246 million, down by €719 million from 2012 reflecting the negative impacts of declining demand, strong competition and an oversupplied market on selling prices and margins.
- Eni gas sales (93.17 bcm) were flat when excluding the divestment of Galp made in 2012. Sales in the domestic market were driven by higher volumes at spot markets and to importers in Italy (up by 1.08 bcm), while volumes marketed in the main European markets were down 5.61 bcm particularly in Benelux, the Iberian Peninsula and the United Kingdom, due to declining gas demand and competitive pressure.
- Electricity sales of 35.05 TWh decreased by 7.53 TWh from 2012, down 17.7%, reflecting lower energy demand and inter-fuel competition.

Strategies

Eni's Gas & Power segment engages in supply, trading and marketing of gas and electricity, international transport, and LNG supply and marketing. This segment also includes the activities of electricity generation.
The economics of the marketing of gas in Europe have significantly deteriorated over the latest years. Gas demand has been on a downtrend since 2008 due to the economic downturn and a plunge in gas-fired electricity production. In the meantime, we have had a build up in gas supplies due to the entry into operations of several LNG projects and a massive development in the production of shale gas in the USA which have progressively reduced the imports of LNG. Those trends have favored the growth of the hubs in Europe where large volumes of gas are traded on a daily basis and spot prices have become the prevailing benchmark in sales to large accounts. Therefore, the profitability of the traditional European gas wholesalers has been squeezed by continuing pricing pressures due to weak fundamentals and reduced unit margins as spot prices have ceased to track the oil-linked cost of gas supplies in long-term contracts. To make matters worse, gas wholesalers have been forced to dispose of additional quantities of gas to reduce the financial risks associated with the take-or-pay clause provided by the

long-term supply contracts. We believe that the trends we are facing in the gas market are structural ones and we do not expect any improvement in the gas market in Italy and Europe in the foreseeable future.

Against this backdrop, management reaffirms its commitment in restoring profitability and preserving cash generation of its gas business leveraging on a robust turnaround plan which provides for:

- **Restructuring our supply contracts in order to reach price alignment with the new market conditions and to minimize the impact of the take-or-pay risks on future cash flows through the renegotiations of our entire portfolio.**
- **Focus on high value-added businesses, such as LNG, through integration with upstream segment and increasing sales in premium markets, on trading activities, through the enhancement of the physical and contractual assets in portfolio, as well as the development of our retail customer base.**
- **Re-engineering the business by streamlining logistics and cutting fixed expenses, in order to have it aligned to the changed market environment.**

Overall, we intend to preserve our leading role in the European gas market and to generate €1.2 billion of EBITDA by the end of the plan period.
The main driver to recover profitability in the Company's gas marketing business is the renegotiation of pricing and volume conditions of our supply contracts. In 2013, management finalized a round of renegotiations renewing pricing and volume terms of about 85% of gas supplies under long-term contracts which were worth €1.4 billion on the 2013 performance. However, these positive effects were not enough to absorb the severity of the trading environment. Management will seek to renegotiate the entire supply portfolio in order to align pricing terms with the market leveraging on the contractual principle so that Eni will be able to market the gas economically in the reference markets. We expect to close these renegotiations in 2014 and 2015 and to achieve benefits of around €2 billion per year on average in the next three years.
Management will also seek to recover profitability by strengthening our role of a global player in LNG trading where we have obtained solid profitability until now. Relevant aspect of this strategy will be the continuing optimization of our portfolio to re-direct volumes of LNG to Asia and the integration with our upstream operations by marketing equity gas, particularly with the start of the gas projects in Mozambique.
We will retain our large accounts by offering innovative solutions and develop our customer base in the retail market across Europe.
In addition, the Company intends to capture margins improvements by means of its enhanced optimization and trading activities by entering derivative contracts both in the commodity and the financial trading venues in order to capture possible favorable trends in market prices, within the limits set by internal policies and guidelines that define the maximum tolerable level of market risk, leveraging the size and uniqueness of Eni's portfolio of contracts and transport capacities.
Finally we expect to generate saving of approximately €300 million p.a. by rationalizing logistics, by restructuring our foreign subsidiaries to eliminate unnecessary staff costs and by reorganizing back-office activities, IT, billings and other overhead costs, as well as tight control of working capital.

Gas Market trends

In the latest years competitive dynamics and the economics of the European gas sector have structurally changed reflecting reduced sales opportunities due to lower gas demand, expansion of renewable sources of electricity and use of coal on a large scale in firing power plants due to cost advantages, abundant supplies on the marketplace related to worldwide flows of LNG and continuing pipeline upgrades for importing natural gas from Algeria and Russia to Europe and other factors as the massive increase of shale gas production in the United States which substantially reduced the Country's dependence on LNG imports.
On the one hand, high liquidity at the main European hubs for spot gas has favoured the development of well-established market prices which have become the prevailing benchmark for bilateral selling contracts to European customers, particularly in the industrial and thermoelectric segments. In spite of the fact that worldwide LNG surplus has been absorbed by growing energy needs in Asia, spot prices in Europe have been affected by continuing weak trends in demand and rising competitive pressure leading to unrelenting price softness.
On the other side of the equation, European gas intermediaries have seen their profit margins squeezed by rising trends in costs of gas supplies that are indexed to the price of oil and its derivatives, as provided by pricing formulas in long-term supply contracts. In addition, minimum off-take obligations in connection with take-or-pay, long-term gas supply contracts and the necessity to minimize the associated financial exposure have forced gas operators to compete more aggressively on pricing in consideration of lower selling opportunities, with negative effects on selling prices, and hence profitability.
In 2013 gas demand continued its downward trajectory as it was down by 7 per cent. and 1 per cent. in Italy and Europe respectively, driven by the economic downturn and sharply lower gas consumption in the thermoelectric sector. While there are signs that demand may have finally bottomed by end of 2013, there is still little visibility on the evolution of gas demand due to the risks and uncertainties associated with a number of ongoing trends:

- uncertainties and volatility in the macroeconomic cycle; particularly the anticipated slow recovery of the economic activity in Europe will weigh on the prospects of any sustainable rebound in gas demand;
- EU policies intended on one hand to reduce greenhouse gas emissions which should negatively impact the consumption of coal in producing electricity to advantage of gas; on the other hand continuing subsides to promote the development of renewable energy sources might jeopardize a recovery in gas-fired thermoelectric production which management still considers to be potentially the main engine of growth in gas demand;
- real developments following announcements made by certain national governments in Europe to shut down nuclear plants;
- growing adoption of consumption patterns and life styles characterized by wider sensitivity to energy efficiency.

Against these ongoing trends, management has revised downward its estimates for gas demand: it is now assumed an almost flat demand environment in Italy and Europe up to 2017 compared to previous years' assumptions made in the industrial plan 2013-2016 of a growth rate of 1.7-1.8%. It is worth mentioning that the projected levels of European gas demand in 2017 are significantly lower than the pre-crisis levels registered in 2008 as a result of weak fundamentals.
As a result of those drivers, we expect that market conditions will remain unfavorable in the gas sector in Italy and Europe for the foreseeable future. Looking beyond, there is still little visibility about future developments in the European gas sector. However we believe that a number of factors may help rebalance the European gas market. Those include: macroeconomic stability, renewed focus by European agencies on the role of

gas in electricity production as source of clean energy, possible reductions in the role of nuclear energy in crucial Countries like Japan, Taiwan and in Europe might support long-term trends in gas demand. In addition, we foresee continuing growing energy needs from the developing economies of China, India and other emerging Countries in East Asia, the Middle East and South America that will be covered by worldwide LNG streams. On the supply side, we expect a decline in production rates at European fields thus increasing the need for gas import requirements.
Any combination of those possible developments could trigger a recovery in European gas prices and a market tightening. In such an environment, Eni's competitive advantages given by a solid portfolio of gas contracts, access to infrastructures and storage capacity, innovative product offering and trading capabilities would drive significant upside potential.

Gas sales: 2013 and outlook

Gas sales by market (bcm)

	2011	2012	2013
ITALY	**34.68**	**34.78**	**35.86**
Wholesalers	5.16	4.65	**4.58**
Italian gas exchange and spot markets	5.24	7.52	**10.68**
Industries	7.21	6.93	**6.07**
Medium-sized enterprises and services	0.88	0.81	**1.12**
Power generation	4.31	2.55	**2.11**
Residential	5.67	5.89	**5.37**
Own consumption	6.21	6.43	**5.93**
INTERNATIONAL SALES	**62.08**	**60.54**	**57.31**
Rest of Europe	**52.98**	**51.02**	**47.35**
Importers in Italy	3.24	2.73	**4.67**
European markets	49.74	48.29	**42.68**
Iberian Peninsula	*7.48*	*6.29*	***4.90***
Germany/Austria	*6.47*	*7.78*	***8.31***
Benelux	*13.84*	*10.31*	***8.68***
Hungary	*2.24*	*2.02*	***1.84***
UK/Northern Europe	*4.21*	*4.75*	***3.51***
Turkey	*6.86*	*7.22*	***6.73***
France	*7.01*	*8.36*	***7.73***
Other	*1.63*	*1.56*	***0.98***
Extra European markets	**6.24**	**6.79**	**7.35**
E&P in Europe and in the Gulf of Mexico	**2.86**	**2.73**	**2.61**
WORLDWIDE GAS SALES	**96.76**	**95.32**	**93.17**

In 2013, Eni's gas sales were 93.17 bcm, down by 2.3% from 2012. When excluding the effect of the divestment of Galp, gas sales were broadly in line with the previous year. Eni's sales in the domestic market increased by 1.08 bcm driven by higher spot sales and by higher sales to importers in Italy (up 1.94 bcm). This positive trend was more than offset by lower volumes marketed in the main European markets (down 5.61 bcm, particularly in Benelux, the Iberian Peninsula and the UK) due to declining gas demand and competitive pressure. Higher sales outside Europe (up 0.56 bcm) were driven by increasing LNG sales in the Far East, particularly in Japan and Korea. Exploration & Production sales in Northern Europe and in the United States (2.61 bcm) declined by 0.12 bcm due to lower sales in the United State.
Looking forward, we expect flat to down gas sales across the plan period due to weak demand, continuing oversupplies and strong competition.

Marketing strategy: planned actions

Over the 2014-2017 period, Eni's marketing strategy will focus on offering valuable services and other options to our clients across all our markets leveraging our multi-Country approach, a new trading platform, market expertise and a strong brand.

- In the B2B segment we will seek to retain our customers by offering advanced risk management solutions and other flexibilities also leveraging on the support of our enhanced optimization activities.
- We intend to maintain our leadership in the Italian market by strengthening the customer base in the profitable segments of retail consumers and small and medium businesses, as well as expand our share in the retail markets in Europe.

Our efforts in the retail market will target to expand and to preserve the customer base in Italy and across our main European countries of presence. The main driver will be the development of the dual offer of gas and electricity, and the commercial penetration in France and the Benelux; for example we intend to launch the marketing of electricity in France. Value creation will be also supported by high standards of service, continuing innovation in processes, adoption of a wide range of sale channels to facilitate customers' acquisition and retention with a strong focus on web channels, and economies of scale.

Eni in Europe

The percentage represent Eni's interest in each subsidiary as of December 31, 2013.

Eni3: Our combined commercial offer

Eni progressed on the first combined commercial offer, integrating gas, electricity and fuels, addressed to the retail segment in Italy.

Eni3 offers:

- a fixed portion of the total price of gas and electricity for a three-year period, free for two months a year;
- prizes to customer in proportion to their purchases of fuels on a loyalty card at eni service stations (€0.6 of prize for each liter of fuel), for a maximum of 1,000 liters purchased until December 31, 2014.

Supply

Supply of natural gas (bcm)

	2011	2012	2013	Change	% Ch.
ITALY	**7.22**	**7.55**	**7.15**	**(0.40)**	**(5.3)**
Russia	21.00	19.83	29.59	9.76	49.2
Algeria (including LNG)	13.94	14.45	9.31	(5.14)	(35.6)
Libya	2.32	6.55	5.78	(0.77)	(11.8)
Netherlands	11.02	11.97	13.06	1.09	9.1
Norway	12.30	12.13	9.16	(2.97)	(24.5)
United Kingdom	3.57	3.20	3.04	(0.16)	(5.0)
Hungary	0.61	0.61	0.48	(0.13)	(21.3)
Qatar (LNG)	2.90	2.88	2.89	0.01	0.3
Other supplies of natural gas	6.16	5.43	3.63	(1.80)	(33.1)
Other supplies of LNG	2.23	2.09	1.58	(0.51)	(24.4)
Outside Italy	**76.05**	**79.14**	**78.52**	**(0.62)**	**(0.8)**
TOTAL SUPPLIES OF ENI'S CONSOLIDATED SUBSIDIARIES	**83.27**	**86.69**	**85.67**	**(1.02)**	**(1.2)**
Offtake from (input to) storage	1.79	(1.35)	(0.58)	0.77	..
Network losses, measurement differences and other changes	(0.21)	(0.28)	(0.31)	(0.03)	(10.7)
AVAILABLE FOR SALE BY ENI'S CONSOLIDATED SUBSIDIARIES	**84.85**	**85.06**	**84.78**	**(0.28)**	**(0.3)**
Available for sale by Eni's affiliates	**9.05**	**7.53**	**5.78**	**(1.75)**	**(23.2)**
E&P volumes	**2.86**	**2.73**	**2.61**	**(0.12)**	**(4.4)**
TOTAL AVAILABLE FOR SALE	**96.76**	**95.32**	**93.17**	**(2.15)**	**(2.3)**

LNG

Eni operates in all phases of the LNG business: purchase, liquefaction, shipping, re-gasification and sale through operated activities or interests in joint ventures and associates. Eni's presence in the business is tied to the Company's plans to develop its large gas reserve base in Africa and elsewhere in the world. The LNG business has been marginally impacted by the economic downturn and oversupply affecting the European gas market, as well as by structural modifications in the US market. LNG flexibility allowed to adapt the business model to the new scenario and to increase the value of the commodity entering in new markets.

At present, we participate through our affiliates in a number of facilities located in Spain (re-gasification) and Egypt (liquefaction). The Company has also access to LNG supplies in

Algeria and Qatar. Our main ongoing interest in the LNG business is the joint Pascagoula project with our Exploration & Production business. The Pascagoula project is part of an upstream development project related to the construction of an LNG plant in Angola designed to produce 5.2 mmtonnes of LNG (approximately 7.3 bcm/y) in order to monetize part of the Company's gas reserves.

Power generation

Power stations

	Installed capacity as of December 31, 2013 [a]	Fully installed capacity (2017) [b]	Effective/planned start-up	Technology	Fuel
Power stations	(MW)	(GW)			
Brindisi	1,321	1.3	2006	CCGT	Gas
Ferrera Erbognone	1,030	1.0	2004	CCGT	Gas/syngas
Livorno	199	0.2	2000	Power Station	Gas/fuel oil
Mantova	836	0.9	2005	CCGT	Gas
Ravenna	972	1.0	2004	CCGT	Gas
Taranto [c]	75	0.1	2000	Power Station	Gas/fuel oil
Ferrara	841	0.8	2008	CCGT	Gas
Bolgiano	30	0.1	2012	Power Station	Gas
Photovoltaic sites	4		2011-2015	Photovoltaic	Photovoltaic
	5,308	**5.4**			

(a) Capacity available after completion of dismantling of obsolete plants.
(b) Installed and operational generation capacity.
(c) In October 2013, divested to Raffineria di Taranto (R&M).

International transport

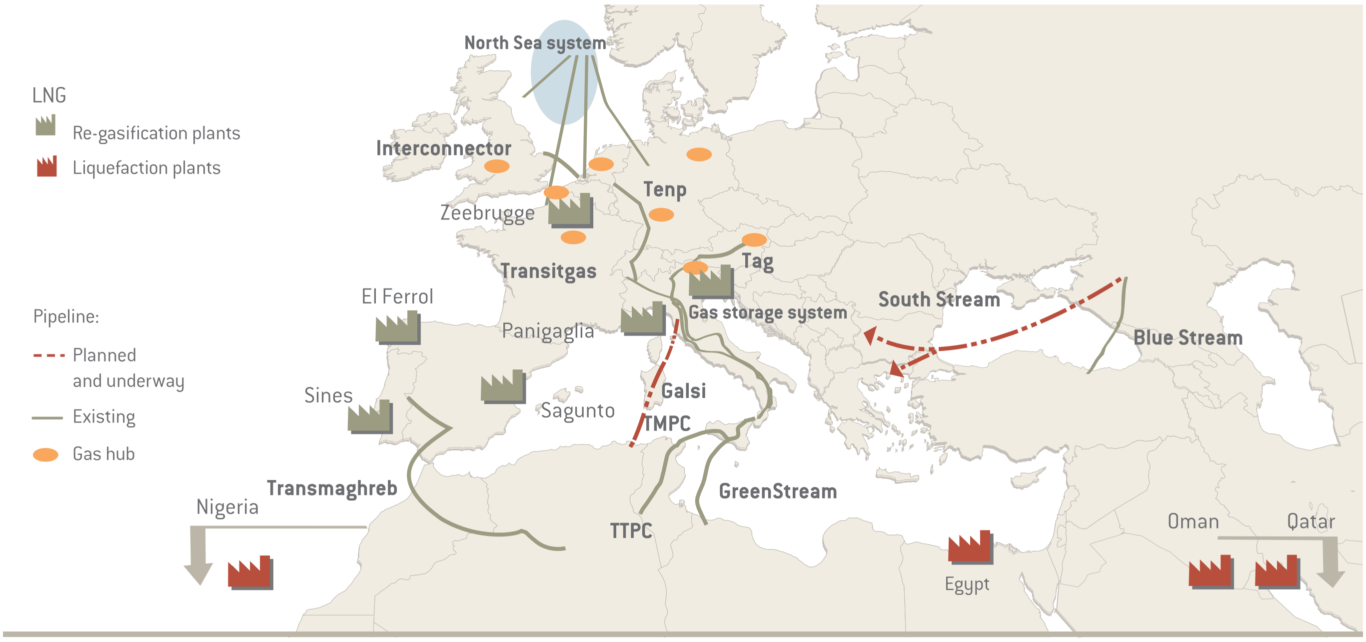
Eni owns capacity entitlements in an extensive network of high-pressure backbones which enable the Company to ship natural gas produced in Russia, Algeria, the North Sea, including the Netherlands and Norway, and Libya in order to serve Italy and the other European markets.
The Company also participates to entities which manage the transport rights, the carriers, and to entities which own and operate the pipelines, the pipeline owners. This business has provided a stable stream of operating profits in the latest years due to the fact that the transport capacity of the gas pipelines is booked by the shippers on a long-term basis.

Transport infrastructure

OUTSIDE ITALY	Lines (units)	Lenght of main line (km)	Diameter (inch)	Transport capacity [a] (bcm/y)	Transit capacity [b] (bcm/y)	Compression stations (No.)
TTPC [c] (Oued Saf Saf-Cap Bon)	2 lines of km 370	740	48	34.0	33.2	5
TMPC [c] (Cap Bon-Mazara del Vallo)	5 lines of km 155	775	20/26	33.5	33.5	
GreenStream (Mellitah-Gela)	1 line of km 520	520	32	8.0	8.0	1
Blue Stream (Beregovaya-Samsun)	2 lines of km 387	774	24	16.0	16.0	1

(a) Includes both transit capacity and volumes of natural gas destined to local markets and withdrawn at various points along the pipeline.
(b) The maximum volume of natural gas which is input at various entry points along the pipeline and transported to the next pipeline.
(c) Entirely owned by an affiliate of the Tunisian State.

Principal gas transport infrastructures in Europe



Business review

Refining & Marketing

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million worked hours)	1.96	1.08	**0.31**
Contractors injury frequency rate		3.21	2.32	**1.68**
Net sales from operations [a]	(€ million)	51,219	62,656	**57,329**
Operating profit		(273)	(1,296)	**(1,517)**
Adjusted operating profit		(539)	(321)	**(482)**
Adjusted net profit		(264)	(179)	**(232)**
Capital expenditure		866	842	**619**
Refinery throughputs on own account	(mmtonnes)	31.96	30.01	**27.38**
Conversion index	(%)	61	61	**62**
Balanced capacity of refineries	(kbbl/d)	767	767	**787**
Retail sales of petroleum products in Europe	(mmtonnes)	11.37	10.87	**9.69**
Service stations in Europe at year end	(units)	6,287	6,384	**6,386**
Average throughput per service station in Europe	(kliters)	2,206	2,064	**1,828**
Retail efficiency index	(%)	1.50	1.48	**1.28**
Employees at period end	(number)	7,591	7,125	**6,942**
Direct GHG emissions	(mmtonnes CO_2eq)	7.23	6.03	**5.18**
SO_x emissions (sulphur oxide)	(ktonnes SO_2eq)	23.07	16.99	**10.80**
NO_x emissions (nitrogen oxide)	(ktonnes NO_2eq)	6.74	5.87	**4.51**
Water consumption rate (refineries)/refinery throughputs	(cm/tonnes)	30.98	25.43	**19.98**
Biofuels marketed	(mmtonnes)	13.26	14.83	**10.84**
Customer satisfaction index	(likert scale)	7.74	7.90	**8.10**

(a) Before elimination of intragroup sales.

2013 Highlights

Financial and operating results

- The 2013 HSE performance was solid with all KPI improving sequentially: (i) the injury frequency rates down by 71.4% for employees and by 27.5% for contractors; (ii) emissions of GHG, SO_x and NO_x were lower due to energy saving measures and increasing use of natural gas to replace fuel oil; (iii) the water consumption rate down by 21%.
- The net loss was sharply lower at €232 million, down by 30%, caused by plunging refining margins due to weak demand and overcapacity, the effects of which were exacerbated by shrinking price differentials between light and heavy crudes due to lower heavy crudes supplies in the Mediterranean area. The negative trading environment was partly counteracted by efficiency and optimization gains. Marketing results declined due to lower sales related to the declining demand for fuels and mounting competitive pressure.
- 2013 refining throughputs were 27.38 mmtonnes, down by 8.8% from 2012. In Italy, processed volumes decreased (down 9.4%) due to the planned shutdown of the Venice Refinery following the Green Refinery project and in all the remaining plants due to their downsizing on the back of declining refining margins. Outside Italy, Eni's refining throughputs decreased by 5.9% in particular in the Czech Republic.
- In 2013, retail sales in Italy of 6.64 mmtonnes decreased by 15.2% from 2012. This decline was driven by the current economic downturn and increased competitive pressure. In 2013 Eni's average retail market share was 27.5% decreasing by 3.7 percentage points from 2012 when sales volumes benefitted from the effect of a promotional campaign made during the summer weekends.
- Retail sales in the Rest of Europe of 3.05 mmtonnes are substantially unchanged from 2012 (up 0.3%) due to higher volumes marketed in Germany and Austria, offset by lower sales in the Czech Republic and Hungary.
- Capital expenditure amounting to €619 million related mainly to refining, supply and logistics (€444 million) to improve flexibility and yields, in particular at the Sannazzaro Refinery, and marketing activities for upgrading the retail distribution network (€175 million).
- In 2013 total expenditure in R&D in the Refining & Marketing Division amounted to approximately €33 million, net of general and administrative costs. In the year 6 patent applications were filed.

Strategies

Eni's Refining & Marketing segment engages in the supply of crude oil, refining and marketing of refined products, trading and shipping of crude oil and refined products primarily in Italy and in Central-Eastern Europe. In Italy, Eni is the largest refining and marketing operator in terms of capacity and market share. The Company's operations are fully integrated through refining, supply, trading, logistics and marketing so as to maximize cost efficiencies and effectiveness of operations.

Our Refining & Marketing business has delivered poor results in the latest years driven by an industry downturn. Unit margins on the processing of crude oil have been squeezed by declining demand for fuels on the back of the economic recession, overcapacity and increasing competition due to imported product streams coming from Russia, the Middle East and the United States, as well as other cost disadvantages of European refiners compared to other geographic locations. Therefore, pressured by weak fundamentals, prices of refined products have lagged behind trends in crude feedstock costs and oil-linked energy expenses. At the same time our complex processes have been suffering from narrowing spreads between sweet and sour crudes due to reduced supplies of the latter in the Mediterranean area.

Over the next four years of the industrial plan, management does not see any meaningful improvement in the trading environment as we expect that excess capacity, weak demand and continuing competitive pressure continue to hurt our profitability. The ongoing economic downturn is anticipated to weigh on the recovery of demand for fuels, while high costs of the crude oil feedstock and energy utilities will continue squeezing refining margins. On the supply side, it is unlikely that ongoing capacity rationalization will help to absorb product surpluses on the short-term. Also retail and wholesale marketing activities of refined products will be affected by sluggish demand and product oversupply that are expected to trigger pricing competition.

Our priority in the Refining & Marketing segment is to restore profitability against the backdrop of weak industry fundamentals. We plan to further reduce and restructure refining capacity in order to reduce our exposure to the commodity risk and to implement a number of efficiency and cost reduction initiatives, energy saving and optimization of plant operations to drive margin expansions. Our strategic guidelines are:

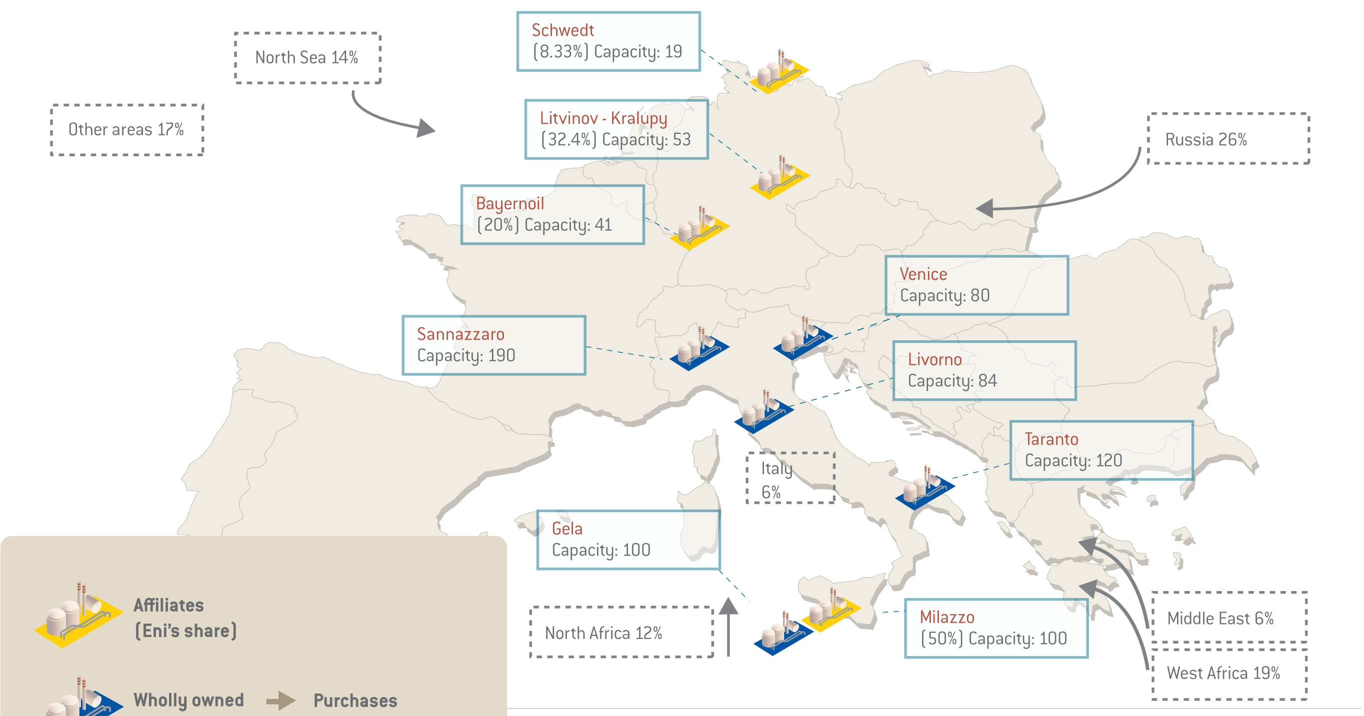
- **To reduce refining capacity.**
- **To make selective capital projects for developing bio-fuels, upgrading refinery complexity and the safety and reliability of our assets.**
- **To enhance the profitability of our retail network by closing down marginal outlets and continuing upgrading of our modern and most efficient service stations.**
- **To improve service quality and client retention and non-oil profit contribution taking into account a weak outlook for fuel consumption.**
- **To grow selectively in target European markets and divest marginal assets.**

In the four-year period, management plans to make capital expenditure amounting to €2.5 billion carefully selecting capital projects. The main expenditure will regard the conversion of the Venice refinery into a biofuel plant, continuous refinery upgrade as well as to improve plant efficiency and reliability. Retail activities will attract some 25% of the planned expenditure which will be mainly directed to upgrade and modernize our service stations in Italy and in selected European Countries, and to complete the network rebranding.

Based on the planned initiatives, management expects Eni's refining and marketing operations to break even in the next four-year period assuming that the trading environment remains as unfavourable as in 2013.

Refining

Eni's refining system [a] and main supply flows



(a) Data on capacity relate to Eni's share of balanced capacity (kbbl/d) in 2013.

> Planned actions

In 2013, Eni's refining system had total refinery capacity (balanced with conversion capacity) of approximately 39.3 mmtonnes (equal to 787 kbbl/d) and a conversion index of 62%. Conversion index is a measure of refinery complexity. The higher is the index, the wider is the spectrum of crude qualities and feedstock that a refinery is able to process thus enabling it to benefit from the cost economies which the Company generally expects to achieve as certain qualities of crude (particularly the heavy ones) may be traded at discount with reference to the light crude Brent benchmark. Eni's five 100% owned refineries have balanced capacity of 28.7 mmtonnes (equal to 574 kbbl/d), with a 64% conversion index. In 2013, Eni's refineries throughputs in Italy and outside Italy was 27.38 mmtonnes.

Against the backdrop of a weak refining scenario, management has progressively reduced the Company's exposure to the commodity risk by cutting refining capacity by around 13% and we are planning to achieve a further 22% reduction along the plan period by closing marginal lines and through the full conversion of the Venice refinery into a facility which will be able to process biofuels. In addition we will use all available levers to improve operations efficiency and profitability by:

- pursuing better integration of refineries and logistic assets and seeking synergies with the Exploration & Production segment to monetize equity crudes and proprietary technologies;
- maximizing refinery flexibility to quickly respond to market changes and exploiting the availability of any crude qualities;
- achieving energy efficiency initiatives;
- rationalizing logistic costs and implementing other cost-saving measures involving maintenance, labour and other fixed plant expenses;
- strictly selecting capital expenditure; and
- boosting margins leveraging on risk management activities.

> Our assets

ITALY

Eni's refining system in Italy is composed of five wholly-owned refineries and a 50% share in the Milazzo refinery in Sicily.

Sannazzaro Refinery has balanced refining capacity of 190 kbbl/d and a conversion index of 72.8%. Management believes that this site is one of the most efficient refineries in Europe. Located in the Po Valley, it mainly supplies markets in North-Western Italy and Switzerland. The high flexibility and conversion capacity of this refinery allows it to process a wide range of feedstock. From a logistical standpoint this refinery is located on the route of the Central Europe Pipeline, which links the Genoa terminal with French-speaking Switzerland. This refinery contains two primary distillation plants and relevant facilities, including three desulphurization units. Conversion is obtained through a fluid catalytic cracker (FCC), two hydrocrackers (HdC), the last unit entered into operations in June 2009, which enables middle distillate conversion and a visbreaking thermal conversion unit with a gasification facility loaded with heavy residue from visbreaking unit (tar) to produce syn-gas to feed the nearby EniPower power plant at Ferrera Erbognone. In 2013 a new conversion unit started operations based on the proprietary EST technology (Eni Slurry Technology). This conversion plant with a 23 kbbl/d capacity is designed to process extra heavy crude with high sulphur content yielding a high rate of middle distillates and reduced fuel oil. Furthrmore, Eni is developing a conversion technology called Slurry Dual Catalyst (an evolution of EST), based on a combination of two nano-catalysts, which could lead to a breakthrough in the EST process, improving efficiency and product quality.

Another important project is a proprietary process which is being tested to economically produce hydrogen on the basis of a SCT-CPO (Short Contact Time-Catalytic Partial Oxidation) reforming technology, which may be able to produce synthetic gas (carbon monoxide and hydrogen) from gaseous and liquid hydrocarbons (also derived from biomass).

Taranto Refinery has balanced primary refining capacity of 120 kbbl/d and a conversion index of 72%. This refinery can process a wide range of crudes and other feedstock. It processes most of the oil produced in Eni's Val d'Agri fields (2.87 mmtonnes in 2013) and transported to Taranto through the Monte Alpi pipeline. Complex cycles are achieved through a Residue Hydroconversion Unit (RHU) - Hydrocracking process and a "Two Stage" Visbreaking - Thermal Cracking unit.

Gela Refinery has balanced primary refining capacity of 100 kbbl/d and a conversion index of 142%. Gela refinery represents an upstream integrated pole with the production of heavy crude oil obtained from nearby Eni fields in Sicily, while downstream it is integrated with Eni's nearby petrochemical plants. Located on the Southern coast of Sicily, it mainly produces fuels for automotive use and other feedstock. Its high conversion level is ensured by a catalytic cracking unit integrated with go finer for feedstock upgrading and two coking plants enabling conversion of heavy residues topping or vacuum residues. The power plant of this refinery also contains modern fume treatment plants (so-called SNO_x) which allow full compliance with the tightest environmental standards, removing almost all sulphur and nitrogen composites coming from the coke burning-process. The Gela refinery is undergoing a revamping plan which is designed to increase the production of gasoil, to convert the go finer unit into a hydrocracking facility and to shut down the production of gasoline and chemical feedstock with the aim of restoring the plant profitability. The project will also involve the closure of Eni's adjacent polyethylene production.

OUTSIDE ITALY

In Germany, Eni holds an 8.3% interest in the Schwedt refinery and a 20% interest in Bayernoil, an integrated pole that includes Vohburg and Neustadt refineries. Eni's refining capacity in Germany amounts to approximately 60 kbbl/d, mainly used to supply Eni's distribution network in Bavaria and Eastern Germany.

Eni holds a 32.4% stake in Ceska Rafinerska, which owns and operates two refineries in the Czech Republic, Kralupy and Litvinov. Eni's share of balance refining capacity is about 53 kbbl/d.

> Operational efficiency and environmental performance

Eni intends to continue pursuing high levels of operational efficiency and environmental performance at its refineries. Our targets in environmental sustainability include energy saving projects aimed at cutting GHG emissions and the use of fresh water in plant operations; in particular in the four-year period Eni intends to increase plants'efficiency and to reach energy savings for a total of 114 ktoe/y. The water reuse projects planned at the Gela and Sannazzaro plants are expected to save up to 5 mmcm/y of water. In addition, Eni's initiatives in the Research and Development field intend to field test the T-Sand and Zero-Waste technologies by the end of the plan period and to design technological solutions to process second generation biomasses for the production of Biofuels at the Venice's Refinery.

Logistics

Eni is a primary operator in storage and transport of petroleum products in Italy with its logistical integrated infrastructure consisting of 18 directly managed storage sites and a network of petroleum product pipelines for products sale and storage of LPG and crude. Located in the Vado Ligure-Genova (Petrolig), Arquata Scrivia (Sigemi), Venice (Petroven), Ravenna (Petra) and Trieste (DCT) sites, they reduce logistic costs, and increase efficiency.
Eni's logistic model is based on a hub structure covering five main areas. These hubs monitor and centralize products flows in order to lower collection and delivery costs. Eni holds five partnerships with major Italian operators.

Marketing

Eni is a leader in the Italian retail market of refined products with a 27.5% market share, down by 3.7 percentage points from 2012 when sales volumes benefited of the effect of a promotional campaign made during the summer weekends ("riparti con eni").

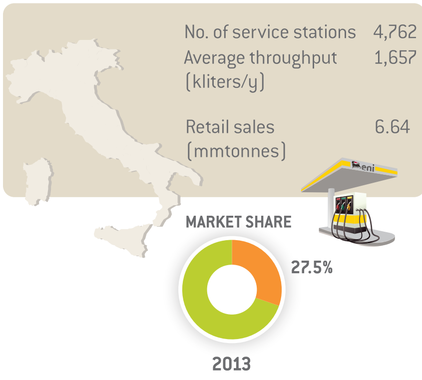
In the Marketing activity management intends to preserve profitability by:
- preserving our marketing margins at our Italian outlets by rationalizing and divesting marginal service stations and continuously upgrading our best plants and developing new revenues streams from non oil activities and other services to the driver;
- preserving our customer base by effective marketing actions, fidelity cards, cross initiatives with other operators (food distributors, telecoms, etc.), rolling out our "eni" brand and service excellence;
- boosting margins by increasing the number of fully automated outlets; and
- selectively growing our market share in European markets and divesting from marginal areas.

Outside Italy, we intend to selectively develop our activities.

In 2013, Eni's retail network in Italy consisted of 4,762 service stations, 18 stations less than at December 31, 2012 (4,780 service stations), resulting from the negative balance of the closing of service stations with low throughput (51 units), the release of one motorway concession, partially offset by the positive contribution of acquisitions/releases of lease concessions (34 units).

In 2013, retail sales in Italy of 6.64 mmtonnes decreased by approximately 1.19 mmtonnes or 15.2% from 2012, driven by lower consumption of gasoil and gasoline, in particular at highway service stations reflecting the decline in freight transportation and high competitive pressure. Average gasoline and gasoil throughputs (1,657 kliters) decreased by approximately 318 kliters from 2012.

Retail in Italy - Eni's competitive position



Co-marketing

Starting in 2013, Eni has been signing a number of agreements with its partners active in the sectors of large distribution, telecommunications and clothing, in order to give appreciable rewards to the Eni's customers who are participating to our loyalty programmes. By these initiatives, Italian customers are returned part of the value of the purchased amounts of fuels, which can be used to reduce the purchase costs of food and other large consumption goods. In 2013 Eni issued 4 million of discount codes, 1.6 million of which were utilized, for the total of 40 million of litres sold.

New fidelity and payment cards

Eni's fidelity and payment cards combine point accumulation program, related to purchase of fuel and non-oil products in Eni's stations and in the stations of Eni's commercial partners, with reloadable and credit card functions. By means of fidelity and payment cards, as well as cards previously issued within the "you&eni" program, customers can accelerate the point accumulation in Eni's branded service stations and in about 30 million stores displaying the CartaSì or Mastercard brands.
The cards are available in four different versions:
- basic prepaid with one time ceiling of €1,000 and an annual expense ceiling of €2,500;
- prepaid with contract for an annual expense ceiling at €12,500;
- credit card;
- prepaid young, designed for young people between the ages of 14 and 23, with one time ceiling of €1,000 and an annual expense ceiling of €2,500.

As of January 31, 2014 approximately 1,100,000 of new cards were requested (95% of which were basic prepaid), 150,000 of which were activated with first recharge.
As of December 31, 2013, approximately 2.8 million customers effected at least one transaction within the program. The cards which were active on the monthly basis averaged 1.3 million. In 2013, volumes sold to customers accumulating points on their cards accounted for approximately 37% of all network throughputs.

> Retail – outside Italy

Eni's strategy in the rest of Europe is focused on selectively growing its market share, particularly in Germany, Austria and France leveraging on the synergies ensured by the proximity of these markets to Eni's production and logistic facilities. We plan to divest from other area which are lacking growth and profitability prospects.

In 2013, retail sales in the Rest of Europe of 3.05 mmtonnes registered a slight increase compared to 2012 (up by 0.3% or 10 ktonnes). Higher volumes marketed in Germany and Austria were almost completely offset by lower sales in the Czech Republic and Hungary. At December 31, 2013 Eni's retail network in the Rest of Europe consisted of 1,624 service stations, with an increase of 20 units from December 31, 2012 (1,604 service stations).

The key markets of Eni's presence are: Austria with a 11.9% market share, Hungary with 11.7%, Czech Republic with 9.8%, Slovakia with 9.7%, Switzerland with 7.3% and Germany with a 3.2% on national basis.

> Non-oil

Non-oil activities have become an integral part of our retail business. We have been upgrading our offer of non-oil products and services by carefully selecting our partners and improving quality and reach of the offer. Our most important service stations in Italy are equipped with franchised outlets, which market a wide range of food items, services and other merchandise.

In 2013, Eni continued its engagement in enriching the offer of non-oil products and services in Eni's service stations in Italy by developing the following franchised chains:

- "enicafè&shop", which is a chain of 659 coffee shops and stores, set-up according innovative format through the upgrading of the pre-existing shops and stores, where food as well as other products and services (such as wifi connection) are marketed;
- "eni wash", which is a format deployed at 280 stations areas, which provides for car washing with no-scratch brushes of latest generation. The offer "eni wash" allows choosing one of the three types of self-service wash with the same price in all Italy;
- "enishop24", which is a vending machine format deployed at 620 stations. It's a self-service area with 2 or 3 vending machines where the customers can buy food, beverage products as well as personal care products.

Smart mobility

In December 2013, Eni launched in Milan the initiative "Enjoy", a service of car sharing with the objective of developing products and services for sustainable mobility. This service is provided in partnership with major Italian players (Fiat, Trenitalia, Cartasì). Customers may want to pick up a service car which is parked in a given reserved area in the city's centre and then hand it back in another reserved area. The service is simple and completely online, the tariffs are all inclusive and deemed to be competitive in comparison with other solutions. Eni is planning to deploy the service to other major Italian cities and abroad.

> Wholesale and other businesses

Fuels

Eni markets gasoline and other fuels on the wholesale market in Italy, including diesel fuel for automotive use and for heating purposes, for agricultural vehicles and for vessels and fuel oil. Major customers are resellers, agricultural users, manufacturing industries, public utilities and transports, as well as final users (transporters, condominiums, farmers, fishers, etc.). Eni provides its customers with its expertise in the area of fuels with a wide range of products that cover all market requirements. Along with traditional products provided with the high quality Eni standard, there is also an innovative low environmental impact line, which includes AdvanceDiesel especially targeted for heavy duty public and private transports. Customer care and product distribution is supported by a widespread commercial and logistical organization presence all over Italy and articulated in local marketing offices and a network of agents and distributors.

In 2013, wholesale sales in Italy (8.37 mmtonnes) declined by approximately 253 ktonnes, or 2.9%, mainly due to declining sales of bunkering and bitumen due to lower demand, almost completely offset by higher sales of fuel oil and minor products.

LPG

In Italy, Eni is leader in LPG production, marketing and sale with 619 ktonnes sold for heating and automotive use equal to a 20.8% market share. An additional 257 ktonnes of LPG were marketed through other channels mainly to oil companies and traders. LPG activities in Italy are supported by direct production, availability from 5 bottling plants and 3 owned storage sites. Outside Italy, LPG sales in 2013 amounted to 510 ktonnes of which 398 ktonnes in Ecuador where LPG market share is around 37.8%.

Lubricants

Eni operates six (owned and co-owned) blending plants, in Italy, Europe, North and South America and the Far East. With a wide range of products composed of over 650 different blends, Eni masters international state-of-art know-how for the formulation of products for vehicles (engine oil, special fluids and transmission oils) and industries (lubricants for hydraulic systems, industrial machinery and metal processing). In Italy, Eni is leader in the manufacture and sale of lubricant bases. Base oils are manufactured primarily at Eni's refinery in Livorno. Eni also owns one facility for the production of additives and solvents in Robassomero. In 2013, retail and wholesale sales in Italy amounted to 94 ktonnes with a 23.6% market share. Eni also sold approximately 3 ktonnes of special products (white oils, transformer oil and anti-freeze fluids). Outside Italy sales amounted to approximately 170 ktonnes, of these about 40% were registered in Europe.

Oxygenates

Eni, through its subsidiary Ecofuel (100% Eni's share), sells approximately 1 mmtonnes/y of oxygenates, mainly ethers (approximately 2.7% of world demand) and methanol (approximately 0.6% of world demand). About 72% of oxygenates are produced in Eni's plants in Italy (Ravenna), in Venezuela (in joint venture with Pequiven) and Saudi Arabia (in joint venture with Sabic) and the remaining 28% is bought and resold. Eni distributes bio-ETBE in the Italian market in compliance with the new legislation indicating minimum content of biofuels.

Business review

Versalis

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million worked hours)	1.47	0.76	**0.76**
Contractors injury frequency rate		4.60	1.67	**0.30**
Net sales from operations [(a)]	(€ million)	6,491	6,418	**5,859**
Intermediates		*2,987*	*3,050*	***2,709***
Polymers		*3,299*	*3,188*	***2,933***
Other sales		*205*	*180*	***217***
Operating profit		(424)	(681)	**(725)**
Adjusted operating profit		(273)	(483)	**(386)**
Adjusted net profit		(206)	(395)	**(338)**
Capital expenditure		216	172	**314**
Production	(ktonnes)	6,245	6,090	**5,817**
Sales of petrochemical products		4,040	3,953	**3,785**
Average plant utilization rate	(%)	65.3	66.7	**65.3**
Employees at year end	(number)	5,804	5,668	**5,708**
Direct GHG emissions	(mmtonnes CO_2eq)	4.12	3.69	**3.66**
NMVOC (Non-Methan Volatile Organic Compound) emissions	(ktonnes)	4.18	4.40	**3.93**
SOx emissions (sulphur oxide)	(ktonnes SO_2eq)	3.17	2.19	**1.53**
NOx emissions (nitrogen oxide)	(ktonnes NO_2eq)	4.14	3.43	**3.29**
Recycled/reused water	(%)	81.9	81.6	**86.2**

(a) Before elimination of intragroup sales.

2013 Highlights

Performance of the year

- In 2013, the contractors injury frequency rate was down by 81.9% from 2012. The employees injury frequency rate remained unchanged.
- In 2013 emissions of Greenhouse gas improved from 2012 particularly at the Mantova site for NOx, and NMVOC as well as at the Dunkerque site for SOx and NMVOC. Recycled/reused water rate improved, up to 86.2%.
- In 2013 the adjusted net loss of €338 million improved by €57 million from 2012.
- Sales of petrochemical products were 3,785 ktonnes, down by 168 ktonnes or 4.2% from 2012, due to lower commodity demand.
- Production volumes were 5,817 ktonnes, decreasing by 273 ktonnes or 4.5% from 2012, due to declining demand in all businesses. The steepest decline was reported in elastomers and polyethylene.
- In 2013 overall expenditure in R&D amounted to approximately €39 million in line with the previous year. 10 patent applications were filed, one of which jointly with E&P.

Business development and sustainability initiatives

- As part of the expansion strategy in the bioplastic sector and diversification from the commodity business, Versalis signed strategic partnerships with major operators in the field of biotechnology and rubber:
  - with Genomatica, for the establishment of a technology joint venture for bio-based butadiene production from non-food biomass. The resulting process will be licensed across Europe, Asia and Africa by the newly-created joint venture. Versalis will invest over $20 million in the development of process technologies and aims to be the first to license the process and build commercial plants;
  - with Pirelli, a Memorandum of Understanding for joint research project for the use of guayule-based natural rubber in tyre production;
  - with Yulex Corporation, an agricultural-based biomaterials company, for a project of guayule-based biorubber production and a launch of industrial production complex in Southern Europe. The partnership will cover the entire manufacturing chain. Versalis will manufacture materials for various applications, with a final goal of the optimization of the productive process in the tyre industry;
  - with South Korean company Lotte Chemical, Versalis established a 50:50 joint venture, while with Malaysian company Petronas, Versalis signed a shareholders agreement. The agreements concern the development of joint production of styrene and elastomers, as part of the expansion process in the growing South-East Asian markets;
  - with Neville Venture, Versalis signed an agreement of strategic partnership for the production of hydrocarbon resins at the Priolo plant and finalized a licence agreement related to the resins production for various applications such as adhesives, inks, coatings and rubber;

- with Elevance Renewable Sciences Inc., a United States chemical company, specialized in production of chemicals from vegetable oils, with a significant value added, Versalis signed a Memorandum of Understanding (MoU) for establishing a strategic partnership, in order to jointly develop and scale a new technology for a production from vegetable oils, aiming at developing and scaling of new catalysts. The market applications of the future production will be specialties with a significant added value such as personal care products, detergents and cleaners, bio-lubricants and oilfield chemicals.

> In the field of Green Chemistry, Versalis continued with the requalification of the hub of Porto Torres, in order to replace the traditional activities of the site with activities characterised by significant perspectives of future growth, by realizing the products with an elevated biodegradability and/or produced from row materials obtained from renewable sources. In 2013, Versalis completed the initiatives of restructuring and reorganization of the distribution network and storage at the Matrìca plant.

> In February 2014, Versalis reached an important agreement on the project of transformation and relaunch of the Porto Marghera site to redesign production facilities and regain competitiveness. Versalis expects to invest €200 million in Porto Marghera focused on the optimisation and reorganisation of cracker utilities, with significant energy savings, and on the new initiative of Green Chemistry.

Strategies

The chemical industry is subject to fluctuations in demand in response to macroeconomic cycles, leading to volatile results of operations and cash flow. It is a highly competitive industry due to lack of entry barriers, product commoditization and excess capacity, which may exacerbate the impact of any demand downturns on the results reported by our Chemicals business. Eni's chemical operations have been accumulating operating losses and negative cash flow over the latest years driven by structural headwinds in the industry and increasing competition from Asian companies and the petrochemical arm of national oil companies based in the Middle East which can leverage on long-term competitive advantages in terms of lower operating costs and cheaper feedstock costs.

On the back of this scenario, management intends to recover profitability by progressively reducing the exposure to loss making commodity chemicals by further restructuring and closing unprofitable plants and units and other efficiency initiatives, while at the same time developing innovative and niche productions. To reshape the products portfolio, Versalis is refocusing on niche segments leveraging on competitive advantages driven by proprietary technologies and on the business of green chemicals in order to capture opportunities for growth and profitability. Management believes that these planned initiatives to turnaround the business will be able by the end of the plan period to offset structural headwinds in our legacy basic petrochemicals and plastic businesses as we expect to break-even by the end of the plan horizon, assuming no improvement in the scenario.

Business areas

> Intermediates

Intermediates petrochemicals comprise a wide range of basic chemicals used as feedstock for manufacturing commodities with widespread industrial applications such as polyethylene, polypropylene, PVC and polystyrene. They also include petrochemical intermediates that converge, in turn, into a range of other productive processes: plastics, rubbers, fibres, solvents and lubricants.

Intermediates revenues (€2,709 million) decreased by €341 million from 2012 (down by 11.2%) reflecting decreased volumes sold (down by 4.2%) and average unit prices (down by 1.9%), with different trends in each business: in the olefins sales volumes of ethylene decreased (down 4%) due to the planned standstill at the Priolo plant and lower consumption, with prices slightly decreasing compared to the previous year, while butadiene volumes reported a sharp decrease (down by 38%) driven by the weakness of elastomers market and the reduced average prices by 23% reflecting the consumption crisis. Intermediates production (3,462 ktonnes) registered a decrease from 2012 (down by 133 ktonnes or 3.7%) due to reductions in olefines (down 5.7%) and in derivatives (down 2.4%) driven by lower utilization of Priolo cracking plant and lower production of butadiene (down 10.3%) affected by the planned facility downtimes at the Brindisi and Ravenna plants.

> Polymers

Versalis manufactures: (i) Polyethylene that accounts for 40% of the total volume of world production of plastic materials. It is a basic plastic material, used as a raw material by companies that transform it into a range of finished goods; (ii) Styrenics, which are polymeric materials based on styrenes that are used in a very large number of sectors through a range of transformation technologies. The most common applications are for industrial packaging and in the food industry, small and large electrical appliances, building isolation, electrical and electronic devices, household appliances, car components and toys; (iii) Elastomers, which are polymers characterized by high elasticity that allow them to regain their original shape even after having been subjected to extensive deformation. Versalis has a leading position in this sector and produces a wide range of products for the following sectors: tyres, footwear, adhesives, building components, pipes, electrical cables, car components and sealings, household appliances; they can be used as modifiers for plastics and bitumens, as additives for lubricating oils (solid elastomers); paper coating and saturation, carpet backing, moulded foams, adhesives (synthetic latex). Versalis is one of the world's major producers of elastomers and synthetic latex.

Polymers revenues (€2,933 million) decreased by €255 million from 2012, or by 8%, due to average unit prices decreasing by 19% and lower elastomers sale volumes (down by 9.7%) due to the significant decrease in demand from the tyre and automotive industry. This negative performance was partly offset by higher average prices of styrene (up 7.5%) and polyethylene (up 1%) mainly registered in the last part of 2013. Polymer production (2,356 ktonnes) decreased by 140 ktonnes from 2012 (down 5.6%), due mainly to a decline in production at the Ravenna plant and at English sites (Hythe and Grangemouth) reflecting market dynamics.

Business review

Engineering & Construction

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million worked hours)	0.44	0.54	**0.46**
Contractors injury frequency rate		0.21	0.17	**0.10**
Fatality index	(No. of fatalities per 100 million worked hours)	1.82	0.93	**2.01**
Net sales from operations [a]	(€ million)	11,834	12,771	**11,611**
Operating profit		1,422	1,442	**(83)**
Adjusted operating profit		1,443	1,474	**(84)**
Adjusted net profit		1,098	1,111	**(253)**
Capital expenditure		1,090	1,011	**902**
Orders acquired	(€ million)	12,505	13,391	**10,653**
Order backlog		20,417	19,739	**17,514**
Employees at period end	(number)	38,561	43,387	**47,209**
Employees outside Italy	(%)	86.5	88.1	**89.1**
Local managers		41.3	41.3	**41.3**
Local procurement		56.4	51.8	**51.1**
Healthcare expenditure	(€ thousand)	32	21	**22**
Security expenditure		51	82	**85**
Direct GHG emissions	(mmtonnes CO_2eq)	1.32	1.54	**1.54**

(a) Before elimination of intragroup sales.

2013 Highlights

Performance of the year

- In 2013 the injury frequency rate for employees and contractors declined from 2012 (by 14.8% and 41.1%, respectively). In 2013, Eni continued its commitment in education and training for employees and contractors in the field of health and security, with the initiatives such as "Leadership in Health and Safety", "Working at height and Confined Space" as well as the use of dedicated HSE training portal and individual protection equipment.
- In 2013 procurement amounted to €9,066 million, 51.1% of which referred to local procurement.
- Health and safety expenditure registered an increase (totally up by 4% from 2012). In particular, the expenditure for individual protection equipment increased by 30% and the expenditure for safety training increased by 10%.
- In 2013, adjusted net loss amounted to €253 million (down by €1,264 million from the adjusted net profit of €1,111 million reported in 2012). This result reflected operating and marketing difficulties encountered in the first half of 2013, which led management to revise the profit margin estimates for important orders, in particular for the construction of onshore industrial complexes.
- Orders acquired amounted to €10,653 million (€13,391 million in 2012) 94% of which relating to the works outside Italy, while 14% orders from Eni Companies.
- Order backlog amounted to €17,514 million at December 31, 2013 (€19,739 million at December 31, 2012), of which €9,244 million to be fulfilled within 2014.
- In 2013 overall expenditure in R&D amounted approximately to €15 million, in line with the previous year. 14 patent applications were filed.
- Capital expenditure amounted to €902 million (€1,011 million in 2012), mainly regarded the upgrading of the drilling and construction fleet.

Strategies

Through Saipem, a subsidiary listed on the Italian Stock Exchange (Eni's interest is 42.91%), and Saipem's controlled entities, Eni engages in engineering and construction, as well as offshore and onshore drilling targeting the oil&gas industry. In those markets Saipem boasts a strong competitive position, particularly in executing large, complex EPC contracts for the construction of offshore and onshore facilities and systems to develop hydrocarbons reserves as well as LNG, refining and petrochemicals plants, pipeline layering and offshore and onshore drilling services. The Company owes its market position to technological and operational skills which we believe are acknowledged in the marketplace due to its capabilities to operate in frontier areas and complex ecosystems, efficiently and effectively managing large projects, engineering competencies and availability of technologically-advanced vessels and rigs which have been upgraded in recent years through a large capital expenditure plan.

Despite the above mentioned factors, the Engineering & Construction segment faced sharply lower profitability in 2013 compared to 2012 due to a slowdown in business activities and large losses which were recorded at certain contract works due to a worsening trading environment and customer relationship and management issues. The sharp contraction in profitability negatively impacted the share performance of our listed subsidiary Saipem. The business underwent profound operational and organizational changes, a more selective commercial strategy was adopted and a new management team was put in place.

We believe that 2014 will be a transitional year with a recovery in profitability, the degree of which relies upon effective execution of operational and commercial activities at low-margin contracts still present in the current portfolio, in addition to the speed at which bids underway will be awarded.

Looking forward, management believes that the business remains well positioned to return to revenue and profitability growth in the medium term leveraging on technologically-advanced assets and competencies in engineering and project management and execution of large and complex oil and gas development.

> Engineering & Construction Offshore

Saipem is well positioned in the market of large, complex projects for the development of offshore hydrocarbon fields leveraging on its technical and operational skills, supported by a technologically-advanced fleet, the ability to operate in complex environments, and engineering and project management capabilities acquired on the marketplace over recent years. Saipem intends to consolidate its market share strengthening its EPIC oriented business model and leveraging on its satisfactory long-term relationships with the major oil companies and National Oil Companies ("NOCs"). Higher levels of efficiency and flexibility are expected to be achieved by reaching the technological excellence and the highest economies of scale in its engineering hubs employing local resources in contexts where this represents a competitive advantage, integrating in its own business model the direct management of construction process through the creation of a large construction yard in South-East Asia and revamping/upgrading its construction fleet. Over the next years, Saipem will invest in the new construction yard in Brazil to be completed in 2014, fleet maintenance/substitutions, major upgrades on offshore fleet, equipment for the execution of awarded/expected projects and development plans in strategic areas.

In 2013 revenues amounted to €5,094 million, decreasing by 2.2% from 2012, due to lower levels of activity in the North Sea, Kazakhstan and Australia. Orders acquired amounted to €5,777 million (€7,477 million in 2012).

Among the main orders acquired in 2013 were:

(i) EPCI contract on behalf of Total Upstream Nigeria Ltd, for the development of the Egina field in Nigeria regarding engineering, procurement, fabrication, installation and pre-commissioning of subsea pipelines for oil and gas production and gas export, flexible jumpers and umbilicals;

(ii) a contract on behalf of Burullus Gas Company for the development of the West Delta Deep Marine - Phase IXa Project, for the installation of subsea facilities.

> Engineering & Construction Onshore

In the Engineering & Construction onshore construction business, Saipem is one of the largest operators on turnkey contract base at a worldwide level in the oil&gas segment, especially through the acquisition of Snamprogetti. Saipem operates in the construction of plants for hydrocarbon production (extraction, separation, stabilization, collection of hydrocarbons, water injection) and treatment (removal and recovery of sulphur dioxide and carbon dioxide, fractioning of gaseous liquids, recovery of condensates) and in the installation of large onshore transport systems (pipelines, compression stations, terminals). Saipem preserves its own competitiveness through its technology excellence granted by its engineering hubs, its distinctive know-how in the construction of projects in the high-tech market of LNG and the management of large parts of engineering activities in cost efficient areas. In the medium term, underpinning upward trends in the oil service market, Saipem will be focused on taking advantage of the opportunities arising from the market in the plant and pipeline segments leveraging on its solid competitive position in the realization of complex projects in the strategic areas of Middle-East, Caspian Sea, Northern and Western Africa and Russia.

In 2013 revenues amounted to €4,619 million, decreasing by 24.4% from 2012, due to lower levels of activity in Eastern and Western Africa as well as in the Middle East. Orders acquired amounted to €2,566 million (€3,972 million in 2012).

Among the main orders acquired were:

(i) the EPC contract on behalf of Dangote Fertilizer for the realization of a new ammonia and urea production complex to be realized in Edo State, Nigeria;

(ii) the EPC contract on behalf of Star Refinery AS, for the realization of Socar Refinery in Turkey, encompassing the engineering, procurement and construction of a refinery and three crude refinery jetties.

> Offshore drilling

Saipem is the only engineering and construction contractor that provides also offshore and onshore drilling services to oil companies. In the offshore drilling segment Saipem mainly operates in West Africa, the North Sea, Mediterranean Sea and the Middle East and boasts significant market positions in the most complex segments of deep and ultra-deep offshore, leveraging on the outstanding technical features of its drilling platforms and vessels, capable of drilling exploration and development wells at a maximum depth of 9,200 meters. In parallel, investments are ongoing to renew and to keep up the production capacity of other fleet equipment (upgrade equipment to the characteristics of projects or to clients' needs and purchase of support equipment).

In 2013 revenues amounted to €1,177 million, increasing by 8.1% from 2012. Revenues deriving from the entry in full activity of the semisubmersible rigs Scarabeo 8, Scarabeo 3 and Scarabeo 6 and the beginning of operations of Ocean Spur vessels.

Orders acquired amounted to €1,401 million (€1,025 million in 2012). Among the main orders acquired were: (i) five-year contract extension with Eni for the charter of the drillship Saipem 10000 starting from the third quarter of 2014 for worldwide drilling activity operations; (ii) one-year contract extension on behalf of IEOC, for the utilization of the semi-submersible Scarabeo 4 in Egypt.

> Onshore drilling

Saipem operates in this area as a main contractor for the major international oil companies and NOCs executing its activity mainly in South America, Saudi Arabia, North Africa and, at a lower extent, in Europe. In this area Saipem can leverage its knowledge of the market, long-term relations with customers and synergies and integration with other business areas. Saipem boasts a solid track record in remote areas (in particular in the Caspian Sea), leveraging on its own operational skills and its ability to operate in complex environments.

In 2013 revenues amounted to €721 million, slightly decreasing from 2012.

Orders acquired amounted to €909 million (€917 million in 2012). Among the main orders acquired were: (i) three-year contract extension on behalf of Eni Congo for the management of a client's plant; (ii) the extension of the drilling contracts with variable duration, on behalf of several clients, in South America; (iii) new contracts by several clients, signed under different terms.

Financial review

In spite of extraordinary headwinds, Eni achieved solid operating and financial results leveraging on the strength of its portfolio and the turnaround underway in the mid-downstream businesses. Cash flow generation was robust thanks to the E&P contribution which continued to deliver an average cash flow of around $30 per barrel, absorbing the lower proceeds in the Countries which were by exceptional events. The ongoing turnaround in the G&P, R&M and Chemical segments delivered a €2 billion improvement in operating cash flows.

Group results for the year

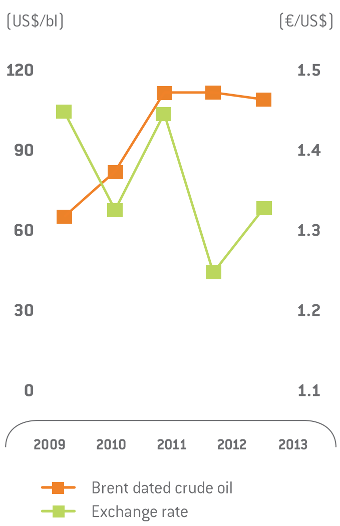
Trading environment

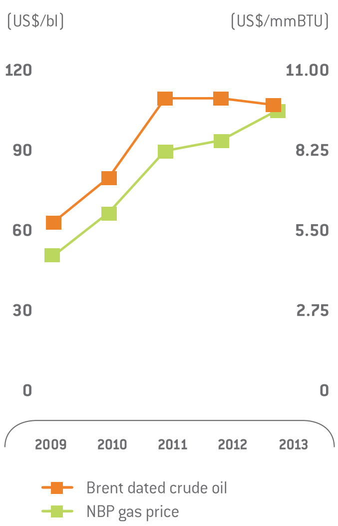
In 2013 the Group faced strong headwinds in any of its reference markets. In the Exploration & Production Division, production was negatively impacted by the resurgence of internal conflict in Libya and other geopolitical events, as well as technical issues at the giant Kashagan oil field. Oil and gas realizations in dollar terms declined due to a reduced Brent price, down by 2.6% from 2012.
Refining margins in the Mediterranean area fell to an unprecedented level, down to less than one dollar per barrel (down by 45.3% from 2012) due to structural headwinds in the industry driven by overcapacity, lower demand and increasing competition from imported refined product streams. Furthermore, Eni's results in the Refining & Marketing Division were affected by narrowing differentials between the heavy crudes processed by Eni's refineries and the marker Brent which reflected the lower availability of the former in the Mediterranean area. The gas market was characterized by weak demand, strong competitive pressure and oversupply. Price competition among operators has been stiff taking into account minimum off-take obligations provided by gas purchase take-or-pay contracts and reduced sales opportunities. Spot prices in Europe increased by 12.2% from 2012, even if this was not reflected in gas margins because of higher oil-linked supply costs. We recorded sharply lower margins in the production and sale of electricity due to oversupply and increasing competition from more competitive sources.
Results of 2013 were affected by the appreciation of the euro against the dollar (up by 3.3% over the year). Finally, Saipem reported a net loss due to customer relationship and management issues which translated into large contract losses.

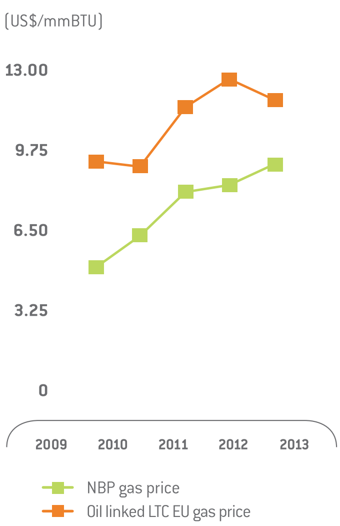
2013 results

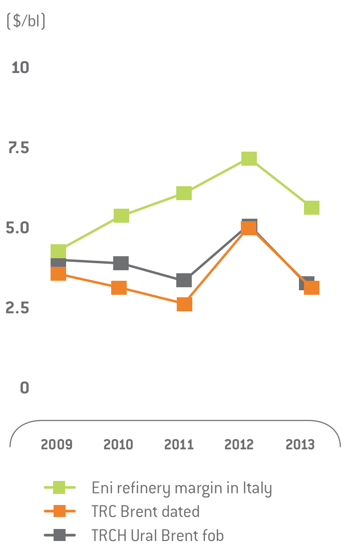
In 2013, **net profit attributable to Eni's shareholders** was €5,160 million. In spite of the challenging market conditions which impacted all of Eni's business segments, the 2013 **net profit** represented a 23% increase driven by the portfolio rationalization permitted by the recent discoveries that has enabled us to anticipate the monetization of results and cash. We divested a 20% interest in the Mozambique discovery to CNPC for a cash consideration of €3.4 billion and a net gain recorded in profit of approximately €3 billion. We defined a deal with Gazprom to dispose our 60% stake in Artic Russia for a total consideration of €2.2 billion which was cashed-in in January 2014, with the profit for 2013 benefitting of a fair-value revaluation of €1.7 billion.

Adjusted net profit attributable to Eni's shareholders amounted to €4,433 million, a decrease of €2,697 million, or 37.8% from 2012. Excluding Snam's contribution to continuing operations in 2012, the decline of 2013 adjusted net profit was 35%. The decline reflected the lower performance incurred by all the Divisions reflecting the above mentioned drivers. Adjusted net profit was calculated by excluding an inventory holding loss which amounted to €438 million and special gains of €1,165 million, net of exchange rate differences and exchange rate derivative instruments (€195 million) reclassified in operating profit, as they mainly related to derivative transactions entered into to manage exposure to the exchange rate risk implicit in commodity pricing formulas, resulting in a net negative adjustment of €727 million.









Adjusted net profit (€ million)					
2011		**2012**	**2013**	**Change**	**% Ch.**
6,902	**Net profit attributable to Eni's shareholders - continuing operations**	**4,200**	**5,160**	**960**	**22.9**
(724)	Exclusion of inventory holding (gains) losses	(23)	**438**		
760	Exclusion of special items	2,953	**(1,165)**		
	of which:				
69	*- non-recurring items*				
691	*- other special items*	*2,953*	***(1,165)***		
6,938	**Adjusted net profit attributable to Eni's shareholders - continuing operations** [a]	**7,130**	**4,433**	**(2,697)**	**(37.8)**

(a) For a detailed explanation of adjusted operating profit and net profit see paragraph "Reconciliation of reported operating and net profit to results on an adjusted basis".

Special charges in operating profit from continuing operations were €3,046 million:

i) impairment losses of €2,400 million were recorded to write down the book values of property, plant and equipment, goodwill and other intangible assets to their lower values in-use in the gas marketing (€1,685 million) and power generation business and in the refining businesses (€633 million). In performing the impairment review, management assumed a reduced profitability outlook in these businesses driven by structural headwinds in demand, excess capacity and oversupply, rising competitive pressure and other cost disadvantages;

ii) risk provisions of €334 million were recorded in connection with an onerous contract in the gas business;

iii) provisions for redundancy incentives (€270 million) and environmental provisions (€205 million);

iv) the effects of fair-value evaluation of certain commodity derivatives contracts lacking the formal criteria to be accounted as hedges under IFRS (a loss of €315 million);

v) net gains on the divestment of marginal properties in the Exploration & Production Division (€283 million).

Special items excluded from adjusted net profit mainly related to the gains on the divestment of an interest in the Mozambique project (€2,994 million net of the related tax effect) and on the fair-value revaluation of Eni's stake in the joint venture Artic Russia (€1,682 million).

These positives were partly offset by a write-off of deferred tax assets which were assessed to be no more recoverable due to the projections of lower earnings before income taxes at Italian activities (€954 million) and the renewal of certain petroleum contracts (€490 million).

The breakdown of **adjusted net profit by Division** is shown in the table below:

Adjusted net profit by Division (€ million)					
2011		**2012**	**2013**	**Change**	**% Ch.**
6,865	Exploration & Production	7,426	**5,952**	(1,474)	(19.8)
252	Gas & Power	473	**(246)**	(719)	...
(264)	Refining & Marketing	(179)	**(232)**	(53)	(29.6)
(206)	Versalis	(395)	**(338)**	57	14.4
1,098	Engineering & Construction	1,111	**(253)**	(1,364)	..
(225)	Other activities	(247)	**(205)**	42	17.0
(753)	Corporate and financial companies	(976)	**(472)**	504	51.6
1,146	Impact of unrealized intragroup profit elimination [a]	661	**39**	(622)	
7,913	**Adjusted net profit - continuing operations**	**7,874**	**4,245**	**(3,629)**	**(46.1)**
	of which attributable to:				
975	- Non-controlling interest	744	**(188)**	(932)	..
6,938	**- Eni's shareholders**	**7,130**	**4,433**	**(2,697)**	**(37.8)**

(a) This item concerned mainly intragroup sales of commodities, services and capital goods recorded in the assets of the purchasing business segment as of end period.

> Capital expenditure

In 2013, capital expenditure amounted to €12,750 million (€12,761 million in 2012) relating to:

- development activities deployed mainly in Norway, the United States, Angola, Congo, Italy, Nigeria, Kazakhstan, Egypt and the UK and exploratory activities of which 98% was spent outside Italy, primarily in Mozambique, Norway, Congo, Togo, Nigeria, the United States and Angola as well as acquisition of new licenses in the Republic of Cyprus and in Vietnam;
- upgrading of the fleet used in the Engineering & Construction Division (€902 million);
- refining, supply and logistics in Italy and outside Italy (€444 million) with projects designed to improve the conversion rate and flexibility of refineries, in particular at the Sannazzaro Refinery, as well as the upgrade of the refined product retail network in Italy and in the rest of Europe (€175 million);
- initiatives to improve flexibility of the combined cycle power plants (€121 million).

Capital expenditure by Division (€ million)

2011		2012	2013	Change	% Ch.
9,435	Exploration & Production	10,307	**10,475**	168	1.6
192	Gas & Power	225	**232**	7	3.1
866	Refining & Marketing	842	**619**	(223)	(26.5)
216	Versalis	172	**314**	142	82.6
1,090	Engineering & Construction	1,011	**902**	(109)	(10.8)
10	Other activities	14	**21**	7	50.0
128	Corporate and financial companies	152	**190**	38	25.0
(28)	Impact of unrealized intragroup profit elimination	38	**(3)**	(41)	
11,909	**Capital expenditure - continuing operations**	**12,761**	**12,750**	**(11)**	**(0.1)**
1,529	Capital expenditure - discontinued operations	756		(756)	..
13,438	**Capital expenditure**	**13,517**	**12,750**	**(767)**	**(5.7)**

> Sources and uses of cash

The Company's cash requirements for capital expenditure, buyback program, dividends to shareholders, and working capital were financed by a combination of funds generated from operations, borrowings and divestments.

Net cash provided by operating activities (€10,969 million) and proceeds from disposals of €6,360 million funded cash outflows relating to capital expenditure totalling €12,750 million and investments (€317 million) and dividend payments and other changes amounting to €4,231 million (of which €1,993 million relating to 2013 interim dividend). Net cash provided by operating activities was positively influenced by higher receivables due beyond the end of the reporting period, being transferred to financing institutions compared to the amount transferred at the end of the previous reporting period (up €552 million; from €2,203 million as of December 31, 2012 to €2,755 million as of December 31, 2013).

Cash from disposals largely related to the sale of the 28.57% stake in Eni East Africa, the divestment of the 11.69% interest in the share capital of Snam (€1,459 million), the 8.19% interest in the share capital of Galp (€830 million) and marginal assets in the Exploration & Production Division.

> Capital structure and ratios

In the foreseeable future, management is focused on preserving a solid balance sheet and strengthening the Company's financial structure, seeking to maintain its key ratio of net borrowing to equity - leverage – within the range of 0.1-0.3. At the end of 2013 leverage stood at 0.25 substantially unchanged from the previous reporting period. Management believes that this target range in leverage is consistent with the Company's business profile, which features greater exposure to the Exploration & Production segment than in previous years up to the divestment of Italian gas transport activities which occurred at the end of 2012.

Going forward, management expects that the projected future cash flow from operations will provide enough resources to fund capital expenditure plans, pay a regular dividend which amounts will be set in accordance to our progressive dividend policy and maintain the leverage within the above mentioned range. We expect that our cash flow from operations will grow at a healthy rate along the plan period. This will be driven by increased cash generation in our Exploration & Production segment which will be underpinned by profitable production growth, cost control and capital discipline, as well as the restructuring of our Gas & Power, Refining & Marketing and Chemical businesses which will turn cash positive in the plan period due to contract renegotiations, expansion in profitable market segments and a reduced exposure to the commodity risk. Furthermore management expects to deliver approximately €9 billion of additional cash flows from asset disposals, of which €2.2 billion have been already cashed-in following the closing of the disposal of our interest in Arctic Russia early in January 2014. Our cash flow projections are based on our declining Brent scenario down progressively from 104 $/BBL in 2014 to 90 $/BBL in 2017. We note that the Brent price in the period January 1 to March 31, 2014 was 108.21 $/BBL on average. We estimated that our cash flow from operations may improve by around €0.1 billion for each dollar increase in Brent prices on a yearly basis.

> Returning cash to shareholders

The General Shareholders' Meeting scheduled for May 8, 2014 is expected to approve a dividend of €1.10 a share for fiscal year 2013. Of this, €0.55 per share was paid in September 2013 as an interim dividend with the balance of €0.55 per share expected to be paid in late May 2014. The dividend for fiscal year 2013 represented an increase of 2% compared to the 2012 dividend.

The Company dividend policy contemplates a progressive, growing dividend at a rate which is expected to be determined year-to-year taking into account Eni's underlying earnings and cash flow growth as well as capital expenditure requirements and the targeted financial structure. Management will also evaluate the achievement of the targeted production levels in the Exploration & Production segment, the status of renegotiations at gas long-term supply contracts in the Gas & Power segment and the delivery on efficiency gains in the other businesses.

Based on current business trends and expectations, including the probable evolution of the Company's financial structure, management expects to pay a dividend per share of €1.12 in 2014.

Management is also planning to continue repurchasing the Eni shares, which has been authorized by the Shareholders Meeting for a total amount of €6 billion. Share repurchases have commenced since the beginning of 2014. In the future, share repurchases will be executed at management's sole discretion and when a number of conditions are met. These include, but are not limited to, current trends in the trading environment, a level of leverage which management assesses to be sound enough given market conditions and well within our target range limit of 0.3, and full funding of capital expenditure requirements and dividends throughout the plan period.

Outlook for 2014

The 2014 outlook features a moderate strengthening in the global economic recovery. Still a number of uncertainties are surrounding this outlook due to weak growth prospects in the Euro-zone and risks concerning the emerging economies. Crude oil prices are forecast on a solid trend driven by geopolitical factors and the resulting technical issues in a few important producing Countries against the backdrop of well supplied global markets. Management expects that the trading environment will remain challenging in the other Company's businesses. We expect continuing weak conditions in the European industries of gas distribution, refining and marketing of fuels and chemical products, where we do not anticipate any meaningful improvement in demand, while competition, excess supplies and overcapacity will continue to weigh on selling margins of energy commodities. In this scenario, management reaffirms its commitment in restoring profitability and preserving cash generation at the Company's loss-making businesses leveraging on cost cuts and continuing renegotiation of long-term gas supply contracts, capacity restructuring and reconversion and product and marketing innovation.

In 2014, management expects a capital budget in line with 2013 (€12.75 billion in capital expenditure and €0.32 billion in financial investments). Assuming a Brent price of $104 a barrel on average for the full year 2014, the ratio of net borrowings to total equity – leverage – is projected to be almost in line with the level achieved at the end of 2013, due to cash flows from operations and portfolio transactions.

Financial risk factors

> Market risk and sensitivity to market environment

Market risk is the possibility that the exposure to fluctuations in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. Eni's financial performance is particularly sensitive to changes in the price of crude oil and movements in the euro/$ exchange rate. Overall, a rise in the price of crude oil has a positive effect on Eni's results from operations and liquidity due to increased revenues from oil and gas production. Conversely, a decline in crude oil prices reduces Eni's results from operations and liquidity.
The impact of changes in crude oil prices on the Company's downstream gas and refining and marketing businesses and petrochemical operations depends upon the speed at which the prices of finished products adjust to reflect changes in crude oil prices. In addition, the Group's activities are, to various degrees, sensitive to fluctuations in the €/$ exchange rate as commodities are generally priced internationally in US dollars or linked to dollar denominated products as in the case of gas prices. Overall, an appreciation of the euro against the dollar reduces the Group's results from operations and liquidity, and vice versa.
As part of its financing and cash management activities, the Company uses derivative instruments to manage its exposure to changes in interest rates and foreign exchange rates. These instruments are principally interest rate and currency swaps. The Company also enters into commodity derivatives as part of its ordinary commercial, optimization and risk management activities as well as exceptionally to hedge the exposure to variability in future cash flows due to movements in commodity prices, in view of pursuing acquisitions of oil and gas reserves as part of the Company's ordinary asset portfolio management or other strategic initiatives.
During 2013, the above mentioned centralized model for the execution of financial derivatives has been ring-fenced in light of the relevant new financial regulations which became effective (EMIR/Dodd Frank). Eni's activities are now in compliance with regulatory requirements which mandate that derivatives instruments be executed on an European Regulated Market or non European exchange, on a Multilateral Trading Facilities or purely OTC, by using semi-automated broker/crossing platform (so-called OTF) or directly with a counterpart.
To comply with the EMIR framework, financial derivatives have been classified in order to clearly: a) isolate ex ante trading activities; b) define a priori the types of OTC derivative contracts included in the hedging portfolios and the eligibility criteria, and stating that the transactions in contracts included in the hedging portfolios are limited to covering risks directly related to commercial or treasury financing activities; c) provide for a sufficiently disaggregate view of the hedging portfolios in terms of e.g. asset class, product, time horizon, in order to establish the direct link between the portfolio of hedging transactions and the risks that this portfolio seeks to hedge. A derivative can be qualified a risk reducing instrument when, by itself or in combination with other derivative contracts (so-called macro or portfolio hedging). i) directly or through closely correlated instruments (so-called proxy hedging) covers the risks arising from potential changes in value, direct or caused by fluctuation of interest rates, inflation rates, foreign exchange rates or credit risk, of different assets under Eni controls or that Eni will have under its controls in the normal course of business or; ii) qualifies as a hedging contract pursuant to International Financial Reporting Standards (IFRS).

> Liquidity and counterparty risks

Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets on the marketplace in order to meet short-term financial requirements and to settle obligations. Such a situation would negatively impact the Group results of operations and cash flows as it would result in Eni incurring higher borrowing expenses to meet its obligations or, under the worst conditions, the inability of Eni to continue as a going concern. European and global financial markets are currently subject to volatility amid concerns over the European sovereign debt crisis and weak macroeconomic growth, particularly in the Euro-zone. In case of extended periods of constraints in the financial markets, or an inability on part of the Company to access the financial markets, at a time when cash flows from our business operations may be under pressure, our capacity to carry out our long-term investment program may be impacted also adversely affecting our growth prospects, shareholder returns, and the share price.

As part of its financial planning process, Eni manages the liquidity risk by targeting such a capital structure as to allow the Company to maintain a level of liquidity adequate to the Group's needs, optimizing the opportunity cost of maintaining liquidity reserves also achieving an efficient balance in terms of maturity and composition of finance debt. For this purpose, Eni maintain a significant amount of liquid reserves (financial assets plus committed credit lines), which aims at (a) dealing with identified risk factors that could significantly affect the planned cash flows (i.e. changes in the scenario and/or production volumes, delays in disposals, limitations in profitable acquisitions), (b) refinancing short-term debt and long-term debts with a maturity of 24 months, (c) ensuring availability of an adequate level of financing flexibility to support the Group's development plans.
At present, the Group believes to have access to sufficient funding to meet the current foreseeable borrowing requirements as a

consequence of the availability of financial assets and lines of credit and the access to a wide range of funding at competitive costs through the credit system and capital markets.
Eni has in place a program for the issuance of Euro Medium Term Notes up to €15 billion, of which about €13.7 billion were drawn as of December 31, 2013.

In the course of 2013, Eni issued bonds for a total amount of €4.3 billion, of which €3.1 billion related to the Euro Medium Term Notes Program and €1.2 billion related to bonds exchangeable into Snam ordinary shares.
At December 31, 2013, Eni maintained short-term committed and uncommitted unused borrowing facilities of €14.3 billion, of which €2.1 billion were committed, and long-term committed borrowing facilities of €4.7 billion which were completely undrawn at the balance sheet date. These facilities bore interest rates and fees for unused facilities that reflected prevailing market conditions.

The Group has credit ratings of A and A-1 respectively for long and short-term debt assigned by Standard & Poor's and A3 and P-2 assigned by Moody's; the outlook is negative in both ratings. Eni's credit rating is linked in addition to the Company's industrial fundamentals and trends in the trading environment to the sovereign credit rating of Italy. On the basis of the methodologies used by Standard & Poor's and Moody's, a potential downgrade of Italy's credit rating may trigger a potential knock-on effect on the credit rating of Italian issuers such as Eni and make it more likely that the credit rating of the notes or other debt instruments issued by the Company could be downgraded. Eni, through the constant monitoring of the international economic environment and continuing dialogue with financial investors and rating agencies, believes to be ready to perceive emerging critical issues screened by the financial community and to be able to react quickly to any changes in the financial and the global macroeconomic environment and implement the necessary actions to mitigate such risks, coherently with Company strategies.

Credit risk is the potential exposure of the Group to losses in case counterparties fail to perform or pay amounts due. The Group manages differently credit risk depending on whether credit risk arises from exposure to financial counterparties or to customers relating to outstanding receivables. Individual business units and Eni's corporate financial and accounting units are responsible for managing credit risk arising in the normal course of the business.
The Group has established formal credit systems and processes to ensure that before trading with a new counterpart can start, its creditworthiness is assessed. Also credit litigation and receivable collection activities are assessed. Eni's corporate units define directions and methods for quantifying and controlling customer's reliability. With regard to risk arising from financial counterparties, Eni has established guidelines prior to entering into cash management and derivative contracts to assess the counterparty's financial soundness and rating in view of optimizing the risk profile of financial activities while pursuing operational targets. Maximum limits of risk exposure are set in terms of maximum amounts of credit exposures for categories of counterparties as defined by the Company's Board of Directors taking into account the credit ratings provided by primary credit rating agencies on the marketplace. Credit risk arising from financial counterparties is managed by the Group central finance department, including Eni's subsidiary Eni Trading & Shipping which specifically engages in commodity derivatives transactions and by Group companies and Divisions, only in the case of physical transactions with financial counterparties consistently with the Group centralized finance model. Eligible financial counterparties are closely monitored to check exposures against limits assigned to each counterpart on a daily basis. Exceptional market conditions have forced the Group to adopt contingency plans and under certain circumstances to suspend eligibility to be a Group financial counterparty. Actions implemented also have been intended to limit concentrations of credit risk by maximizing counterparty diversification and turnover.

Financial information

Summary of significant accounting policies and practices

Eni prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union. Differences in certain respects between IFRS as endorsed by the EU and IFRS as issued by IASB are on matters that do not relate to Eni. On this basis, Eni's financial statements are fully in compliance with IFRS as issued by IASB.

The consolidated financial statements of Eni include accounts of the parent company Eni SpA and of all Italian and foreign significant subsidiaries in which Eni directly or indirectly holds the majority of voting rights or is otherwise able to exercise control as in the case of "de facto" controlled entities. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benfit from its activities. Immaterial subsidiaries, jointly controlled entities, and other entities in which the group is in a position to exercise a significant influence through participation in the financial and operating policy decisions of the investee are generally accounted for under the equity method.

Revenues from sales of crude oil, natural gas, petroleum and chemical products are recognized when the products are delivered and title passes to the customer. Revenue recognition in the Engineering & Construction division is based on the stage of completion of contracts as measured on the cost-to-cost basis applied to contractual revenues.

Eni enters into various **derivative** financial transactions to manage exposures to certain market risks, including foreign currency exchange rate risks, interest rate risks and commodity risks. Such derivative **financial instruments** are assets and liabilities recognized at fair value starting on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are designated as hedges when the hedging relationship between the hedged item or transaction and the hedging instrument is highly effective and formally documented. Changes in the fair value of hedging derivatives are recognized: (i) for fair value hedges, hedging the exposure to changes in the fair value of a recognized asset or liability, in the profit and loss account; (ii) for cash flow hedges, hedging exposure to variability in cash flows, the effective portion is recognized directly in equity, while the ineffective portion is recognized in profit or loss; subsequently amounts taken to equity are transferred to the profit and loss account when the hedged transaction affects profit or loss. Changes in fair value of derivatives held for trading purposes, including derivatives for which the hedging relationship is not formally documented or is ineffective, are recognized in profit or loss.

Inventories of crude oil, natural gas and oil products are stated at the lower of purchase or production cost and net realizable value. Cost is determined by applying the weighted-average cost method. Contract work in progress is recorded on the basis of contractual considerations by reference to the stage of completion of a contract measured on a cost-to-cost basis.

Property, plant and equipment is stated at cost less any accumulated depreciation, depletion and amortization charges and impairment losses. Depreciation, depletion and amortization of oil and gas properties (capitalized costs incurred to obtain access to proved reserves and to provide facilities for extracting, gathering and storing oil and gas) is calculated based on the Unit-Of-Production (UOP) method on proved reserves or proved developed reserves. Other property, plant and equipment is depreciated on a straight-line basis over its expected useful life.

Exploration costs (costs associated with exploratory activities for oil and gas including geological and geophysical exploration costs and exploratory drilling well expenditure) are capitalized and fully amortized as incurred.

Intangible assets are initially stated at cost. Intangible assets having a defined useful life are amortized systematically, based on the straight-line method. Goodwill and intangibles lacking defined useful life are not amortized and are reviewed periodically for impairment.

Recoverability of the carrying amounts of tangible and intangible assets Eni assesses its property, plant and equipment and intangible assets, including goodwill, for impairment whenever events or changes in circumstances indicate that the carrying values of the assets may not be recoverable. Indications of impairment include changes in the Group's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities. The recoverability of an asset or Group of assets is assessed by comparing the carrying value with the recoverable amount represented by the higher of fair value less costs to sell and value in use. In assessing value in use, the Group makes an estimate of the future cash flows expected to be derived from the use of the asset on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. Oil, natural gas and petroleum products prices used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years of the estimate and management's long-term planning assumptions thereafter. Future cash flows are discounted at a rate that reflects current market valuation of the time value of money and those specific risks of the asset that are not reflected in the estimation of future cash flows. The Group uses a discount rate that is calculates as the weighted average cost of capital to the Group

(WACC), adjusted to reflect specific Country risks of each asset.

Asset retirement obligations, that may be incurred for the dismantling and removal of assets and the reclamation of sites, are evaluated estimating the costs to be incurred when the asset is retired. Future estimated costs are discounted if the effect of the time value of money is material. The initial estimate is reviewed periodically to reflect changes in circumstances and other factors surrounding the estimate, including the discount rates. The Company recognizes material provisions for asset retirement in the upstream business. No significant asset retirement obligations associated with any legal obligations to retire refining, marketing and transportation (downstream) and chemical long-lived assets are generally recognized, as indeterminate settlement dates for the asset retirement prevent estimation of the fair value of the associated asset retirement obligation.

Provisions, including environmental liabilities, are recognized when the Group has a current obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when the obligation can be reliably estimated. The initial estimate to settle the obligation is discounted when the effect of the time value of money is material. The estimate is reviewed periodically to take account of changes in costs expected to be incurred to settle the obligation and other factors, including changes in the discount rates.

Eni is a party to a number of **legal proceedings** arising in the ordinary course of business. Based on information available to date, and taking into account the existing risk provisions, Eni's management believes that ongoing litigations will not have a material adverse effect on Eni's financial position and results of operations. However, there can be no assurance that in the future Eni will not incur material charges in connection with pending litigations as new information becomes available and new developments may occur. For further information about pending litigations, see Note 35 – Legal proceedings – to the consolidated financial statements of 2013 Eni's Annual Report on Form 20-F filed with the US SEC.

The preparation of consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates made are based on complex or subjective judgments, past experience, other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgments and estimates to be used in the preparation of consolidated financial statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of fixed assets, intangible assets and goodwill, asset retirement obligations, business combinations, pensions and other postretirement benefits, recognition of environmental liabilities and recognition of revenues in the oilfield services construction and engineering businesses. Although the Company uses its best estimates and judgments, actual results could differ from the estimates and assumptions used.

For further information regarding accounting policies and practices, see Note 3 – Summary of significant accounting policies – and Note 5 – Use of accounting estimates – to the consolidated financial statements of 2013 Eni's Annual Report.

Profit and loss account (€ million)	2011	2012	2013
REVENUES			
Net sales from operations	107,690	127,220	**114,722**
Other income and revenues	926	1,546	**1,385**
	108,616	**128,766**	**116,107**
OPERATING EXPENSES			
Purchases, service and other	78,795	95,363	**90,213**
- of which non-recurring charge (income)	*69*		
Payroll and related costs	4,404	4,613	**5,264**
OTHER OPERATING (EXPENSE) INCOME	**171**	**(158)**	**(71)**
DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS	**8,785**	**13,561**	**11,703**
OPERATING PROFIT	**16,803**	**15,071**	**8,856**
FINANCE INCOME (EXPENSE)			
Finance income	6,376	7,218	**5,746**
Finance expense	(7,410)	(8,314)	**(6,649)**
Finance income (expense) from financial instruments held for trading, net			**4**
Derivative financial instruments	(112)	(251)	**(92)**
	(1,146)	**(1,347)**	**(991)**
INCOME (EXPENSE) FROM INVESTMENTS			
Share of profit (loss) of equity-accounted investments	500	278	**252**
Other gain (loss) from investments	1,623	2,603	**5,863**
- of which gains on disposal of the 28.57% of Eni East Africa BV			***3,359***
	2,123	**2,881**	**6,115**
PROFIT BEFORE INCOME TAXES	**17,780**	**16,605**	**13,980**
Income taxes	(9,903)	(11,661)	**(9,008)**
Net profit - Continuing operations	**7,877**	**4,944**	**4,972**
Net profit (loss) - Discontinued operations	**(74)**	**3,732**	
Net profit	**7,803**	**8,676**	**4,972**
Attributable to:			
Eni's shareholders			
- continuing operations	6,902	4,200	**5,160**
- discontinued operations	(42)	3,590	
	6,860	**7,790**	**5,160**
Non-controlling interest			
- continuing operations	975	744	**(188)**
- discontinued operations	(32)	142	
	943	**886**	**(188)**

Balance sheet (€ million)

	Dec. 31, 2012	Dec. 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	7,765	**5,288**
Other financial assets held for trading		**5,004**
Other financial assets available for sale	235	**235**
Trade and other receivables	28,747	**29,073**
Inventories	8,496	**7,883**
Current tax assets	771	**802**
Other current tax assets	1,230	**825**
Other current assets	1,624	**1,325**
	48,868	**50,435**
Non-current assets		
Property, plant and equipment	63,466	**62,506**
Inventory - compulsory stock	2,538	**2,571**
Intangible assets	4,487	**3,877**
Equity-accounted investments	4,262	**3,934**
Other investments	5,085	**3,027**
Other financial assets	1,229	**1,097**
Deferred tax assets	5,027	**4,662**
Other non-current receivables	4,400	**3,683**
	90,494	**85,357**
Assets held for sale	**516**	**2,296**
TOTAL ASSETS	**139,878**	**138,088**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	2,223	**2,742**
Current portion of long-term debt	2,961	**2,149**
Trade and other payables	23,581	**23,598**
Income taxes payables	1,622	**742**
Other taxes payables	2,162	**2,268**
Other current liabilities	1,437	**1,448**
	33,986	**32,947**
Non-current liabilities		
Long-term debt	19,279	**20,988**
Provisions for contingencies	13,603	**13,167**
Provisions for employee benefits	1,374	**1,245**
Deferred tax liabilities	6,740	**6,723**
Other non-current liabilities	1,977	**1,704**
	42,973	**43,827**
Liabilities directly associated with assets held for sale	**361**	**140**
TOTAL LIABILITIES	**77,320**	**76,914**
SHAREHOLDERS' EQUITY		
Non-controlling interest	**3,498**	**2,964**
Eni shareholders' equity		
Share capital	4,005	**4,005**
Reserves related to the fair value of cash flow hedging derivatives net of tax effect	(16)	**(154)**
Other reserves	49,438	**51,393**
Treasury shares	(201)	**(201)**
Interim dividend	(1,956)	**(1,993)**
Net profit	7,790	**5,160**
Total Eni shareholders' equity	**59,060**	**58,210**
TOTAL SHAREHOLDERS' EQUITY	**62,558**	**61,174**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**139,878**	**138,088**

Statement of cash flows (€ million)

	2011	2012	2013
Net profit of the year - Continuing operations	7,877	4,944	**4,972**
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	7,755	9,538	**9,303**
Impairments of tangible and intangible assets, net	1,030	4,023	**2,400**
Share of (profit) loss of equity-accounted investments	(500)	(278)	**(252)**
Gain on disposal of assets, net	(1,176)	(875)	**(3,770)**
Dividend income	(659)	(431)	**(400)**
Interest income	(99)	(108)	**(155)**
Interest expense	773	803	**709**
Income taxes	9,903	11,661	**9,008**
Other changes	331	(1,945)	**(1,878)**
Changes in working capital:			
- inventories	(1,400)	(1,395)	**320**
- trade receivables	*218*	*(3,184)*	***(1,363)***
- trade payables	*34*	*2,029*	***706***
- provisions for contingencies	*109*	*338*	***58***
- other assets and liabilities	*(657)*	*(1,161)*	***765***
Cash flow from changes in working capital	*(1,696)*	*(3,373)*	***486***
Net change in the provisions for employee benefits	(10)	11	**5**
Dividends received	955	988	**684**
Interest received	99	91	**108**
Interest paid	(927)	(825)	**(944)**
Income taxes paid, net of tax receivables received	(9,893)	(11,868)	**(9,307)**
Net cash provided by operating activities - Continuing operations	**13,763**	**12,356**	**10,969**
Net cash provided by operating activities - Discontinued operations	**619**	**15**	
Net cash provided by operating activities	**14,382**	**12,371**	**10,969**
Investing activities:			
- tangible assets	*(11,658)*	*(11,222)*	***(10,864)***
- intangible assets	*(1,780)*	*(2,295)*	***(1,886)***
- consolidated subsidiaries and businesses	*(115)*	*(178)*	***(25)***
- investments	*(245)*	*(391)*	***(292)***
- securities	*(62)*	*(17)*	***(5,048)***
- financing receivables	*(715)*	*(1,634)*	***(989)***
- change in payables and receivables in relation to investing activities and capitalized depreciation	*379*	*54*	***48***
Cash flow from investing activities	(14,196)	(15,683)	**(19,056)**
Disposals:			
- tangible assets	*154*	*1,229*	***514***
- intangible assets	*41*	*61*	***16***
- consolidated subsidiaries and businesses	*1,006*	*3,521*	***3,401***
- investments	*711*	*1,203*	***2,429***
- securities	*128*	*52*	***33***
- financing receivables	*695*	*1,578*	***1,565***
- change in payables and receivables in relation to disposals	*243*	*(252)*	***155***
Cash flow from disposals	2,978	7,392	***8,113***
Net cash used in investing activities	**(11,218)**	**(8,291)**	**(10,943)**
Proceeds from long-term debt	4,474	10,484	**5,418**
Repayments of long-term debt	(889)	(3,784)	**(4,669)**
Increase (decrease) in short-term debt	(2,481)	(753)	**1,029**
	1,104	**5,947**	**1,778**
Net capital contributions by non-controlling interest	26		**(4)**
Sale of treasury shares	3		
Net acquisition of treasury shares different from Eni SpA	17	29	**1**
Acquisition of additional interests in consolidated subsidiaries	(126)	604	**(28)**
Dividends paid to Eni's shareholders	(3,695)	(3,840)	**(3,949)**
Dividends paid to non-controlling interest	(552)	(539)	**(251)**
Net cash used in financing activities	**(3,223)**	**2,201**	**(2,453)**
Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)	(7)	(4)	**(13)**
Effect of exchange rate changes on cash and cash equivalents and other changes	17	(12)	**(37)**
Net cash flow of the year	**(49)**	**6,265**	**(2,477)**
Cash and cash equivalents - beginning of the year	**1,549**	**1,500**	**7,765**
Cash and cash equivalents - end of the year	**1,500**	**7,765**	**5,288**

Non-GAAP measures

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

Management evaluates Group and business performance on the basis of 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 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. The Italian statutory tax rate is applied to finance charges and income (38% is applied to charges recorded by companies in the energy sector, whilst a tax rate of 27.5% is applied to all other companies). Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or US GAAP. 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. The following is a description of items that are excluded from the calculation of adjusted results.

Inventory holding gain or loss 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.

Special items 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

2013 (€ million)

(€ million)	Exploration & Production	Gas & Power	Refining & Marketing	Versalis	Engineering & Construction	Corporate and financial companies	Other activities	Impact of unrealized intragroup profit elimination	GROUP
Operating profit	**14,871**	**(2,992)**	**(1,517)**	**(725)**	**(83)**	**(399)**	**(377)**	**38**	**8,856**
Exclusion of inventory holding (gains) losses		191	221	213				91	716
Exclusion of special items:									
- environmental charges		(1)	93	61			52		205
- asset impairments	19	1,685	633	44			19		2,400
- net gains on disposal of assets	(283)	1	(9)		107		(3)		(187)
- risk provisions	7	292		4			31		334
- provision for redundancy incentives	52	10	91	23	2	72	20		270
- commodity derivatives	(2)	314	5	(1)	(1)				315
- exchange rate differences and derivatives	(2)	(186)	(2)	(5)					(195)
- other	(16)	23	3		(109)	(5)	8		(96)
Special items of operating profit	**(225)**	**2,138**	**814**	**126**	**(1)**	**67**	**127**		**3,046**
Adjusted operating profit	**14,646**	**(663)**	**(482)**	**(386)**	**(84)**	**(332)**	**(210)**	**129**	**12,618**
Net finance (expense) income [a]	(264)	24	(4)	(2)	(5)	(554)	4		(801)
Net income (expense) from investments [a]	367	100	70		(12)	290	1		816
Income taxes [a]	(8,797)	293	184	50	(152)	124		(90)	(8,388)
Tax rate (%)	*59.6*	*...*	*...*		*...*				*66.4*
Adjusted net profit	**5,952**	**(246)**	**(232)**	**(338)**	**(253)**	**(472)**	**(205)**	**39**	**4,245**
of which attributable to:									
- non-controlling interest									(188)
- Eni's shareholders									**4,433**
Net profit attributable to Eni's shareholders									**5,160**
Exclusion of inventory holding (gains) losses									438
Exclusion of special items									(1,165)
Adjusted net profit attributable to Eni's shareholders									**4,433**

(a) Excluding special items.

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 include gains and losses on re-measurement at fair value of certain non hedging commodity derivatives, including the ineffective portion of cash flow hedges and certain derivatives financial instruments embedded in the pricing formula of long-term gas supply agreements of the Exploration & Production Division.

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 Division). Finance charges or interest income and related taxation effects excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies. For a reconciliation of adjusted operating profit, adjusted net profit to reported operating profit and reported net profit see tables below.

2012 (€ million)

(€ million)	Exploration & Production	Gas & Power [a]	Refining & Marketing	Versalis	Engineering & Construction	Corporate and financial companies	OTHER ACTIVITIES [a]: Snam	OTHER ACTIVITIES [a]: Other activities	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS: Snam	DISCONTINUED OPERATIONS: Consolidation adjustments	DISCONTINUED OPERATIONS: Total	CONTINUING OPERATIONS
Operating profit	**18,470**	**(3,219)**	**(1,296)**	**(681)**	**1,442**	**(341)**	**1,679**	**(300)**	**208**	**15,962**	**(1,679)**	**788**	**(891)**	**15,071**
Exclusion of inventory holding (gains) losses		163	(29)	63					(214)	(17)				(17)
Exclusion of special items														
- environmental charges		(2)	40				71	25		134	(71)		(71)	63
- asset impairments	550	2,494	846	112	25			2		4,029				4,029
- net gains on disposal of assets	(542)	(3)	5	1	3		(22)	(12)		(570)	22		22	(548)
- risk provisions	7	831	49	18		5		35		945				945
- provision for redundancy incentives	6	5	19	14	7	11	2	2		66	(2)		(2)	64
- commodity derivates	1			1	(3)					(1)				(1)
- exchange rate differences and derivatives	(9)	(51)	(8)	(11)						(79)				(79)
- other	54	138	53					26		271				271
Special items of operating profit	**67**	**3,412**	**1,004**	**135**	**32**	**16**	**51**	**78**		**4,795**	**(51)**		**(51)**	**4,744**
Adjusted operating profit	**18,537**	**356**	**(321)**	**(483)**	**1,474**	**(325)**	**1,730**	**(222)**	**(6)**	**20,740**	**(1,730)**	**788**	**(942)**	**19,798**
Net finance (expense) income [b]	(264)	29	(11)	(3)	(7)	(865)	(54)	(24)		(1,199)	54		54	(1,145)
Net income (expense) from investments [b]	436	261	63	2	55	99	38	(1)		953	(38)		(38)	915
Income taxes [b]	(11,283)	(173)	90	89	(411)	115	(712)		2	(12,283)	712	(123)	589	(11,694)
Tax rate (%)	*60.3*	*26.8*	..		*27.0*		*41.5*			*59.9*				*59.8*
Adjusted net profit	**7,426**	**473**	**(179)**	**(395)**	**1,111**	**(976)**	**1,002**	**(247)**	**(4)**	**8,211**	**(1,002)**	**665**	**(337)**	**7,874**
of which attributable to:														
- non-controlling interest										886			(142)	744
- Eni's shareholders										**7,325**			**(195)**	**7,130**
Net profit attributable to Eni's shareholders										**7,790**			**(3,590)**	**4,200**
Exclusion of inventory holding (gains) losses										(23)				(23)
Exclusion of special items:										(442)			3,395	2,953
Adjusted net profit attributable to Eni's shareholders										**7,325**			**(195)**	**7,130**

(a) Following the divestment of the Regulated Businesses in Italy, Snam results are reclassified from "Gas & Power" sector to "Other activities" and accounted as discontinued operations.
(b) Excluding special items.

2011 (€ million)

(€ million)	Exploration & Production	Gas & Power [a]	Refining & Marketing	Versalis	Engineering & Construction	Corporate and financial companies	OTHER ACTIVITIES [a] Snam	OTHER ACTIVITIES [a] Other activities	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS Snam	DISCONTINUED OPERATIONS Consolidation adjustments	DISCONTINUED OPERATIONS Total	CONTINUING OPERATIONS
Operating profit	**15,887**	**(326)**	**(273)**	**(424)**	**1,422**	**(319)**	**2,084**	**(427)**	**(189)**	**17,435**	**(2,084)**	**1,452**	**(632)**	**16,803**
Exclusion of inventory holding (gains) losses		(166)	(907)	(40)						(1,113)				(1,113)
Exclusion of special items														
of which:														
Non-recurring (income) charges				**10**				**59**		**69**				**69**
Other special (income) charges:	**188**	**245**	**641**	**181**	**21**	**53**	**27**	**142**		**1,498**	**(27)**		**(27)**	**1,471**
- asset impairments	190	154	488	160	35		(9)	4		1,022	9		9	1,031
- net gains on disposal of assets	(63)		10		4	(1)	(4)	(7)		(61)	4		4	(57)
- risk provisions		77	8			(6)		9		88				88
- environmental charges			34	1			10	141		186	(10)		(10)	176
- provision for redundancy incentives	44	34	81	17	10	9	6	8		209	(6)		(6)	203
- commodity derivatives	1	45	(3)		(28)					15				15
- exchange rate differences and derivatives	(2)	(82)	(4)	3						(85)				(85)
- other	18	17	27			51	24	(13)		124	(24)		(24)	100
Special items of operating profit	**188**	**245**	**641**	**191**	**21**	**53**	**27**	**201**		**1,567**	**(27)**		**(27)**	**1,540**
Adjusted operating profit	**16,075**	**(247)**	**(539)**	**(273)**	**1,443**	**(266)**	**2,111**	**(226)**	**(189)**	**17,889**	**(2,111)**	**1,452**	**(659)**	**17,230**
Net finance (expense) income [b]	(231)	43				(876)	19	5		(1,040)	(19)		(19)	(1,059)
Net income (expense) from investments [b]	624	363	99		95	1	44	(3)		1,223	(44)		(44)	1,179
Income taxes [b]	(9,603)	93	176	67	(440)	388	(918)	(1)	78	(10,160)	918	(195)	723	(9,437)
Tax rate (%)	*58.3*	*..*	*..*		*28.6*		*42.2*			*56.2*				*54.4*
Adjusted net profit	**6,865**	**252**	**(264)**	**(206)**	**1,098**	**(753)**	**1,256**	**(225)**	**(111)**	**7,912**	**(1,256)**	**1,257**	**1**	**7,913**
of which attributable to:														
- non-controlling interest										943			32	975
- Eni's shareholders										**6,969**			**(31)**	**6,938**
Net profit attributable to Eni's shareholders										**6,860**			**42**	**6,902**
Exclusion of inventory holding (gains) losses										(724)				(724)
Exclusion of special items:										833			(73)	760
- non-recurring charges										*69*				*69*
- other special (income) charges										*764*			*(73)*	*691*
Adjusted net profit attributable to Eni's shareholders										**6,969**			**(31)**	**6,938**

(a) Following the divestment of the Regulated Businesses in Italy, Snam results are reclassified from "Gas & Power" sector to "Other activities" and accounted as discontinued operations.
(b) Excluding special items.

Financial information

Frequently Used Terms

For a reconciliation of Summarized Group Balance Sheet and Summarized Group Cash Flow Statement with the corresponding statutory tables see Eni's 2013 Annual Report, "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes" pages 87-89.

> Summarized Group Balance Sheet

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.

Summarized Group Balance Sheet (€ million)

	Dec. 31, 2012	Dec. 31, 2013
Fixed assets		
Property, plant and equipment	63,466	**62,506**
Inventories - Compulsory stock	2,538	**2,571**
Intangible assets	4,487	**3,877**
Equity-accounted investments and other investments	9,347	**6,961**
Receivables and securities held for operating purposes	1,457	**1,607**
Net payables related to capital expenditure	(1,142)	**(1,256)**
	80,153	**76,266**
Net working capital		
Inventories	8,496	**7,883**
Trade receivables	19,966	**21,213**
Trade payables	(14,993)	**(15,529)**
Tax payables and provisions for net deferred tax liabilities	(3,204)	**(3,005)**
Provisions	(13,603)	**(13,167)**
Other current assets and liabilities	2,473	**2,030**
	(865)	**(575)**
Provisions for employee post-retirement benefits	**(1,374)**	**(1,245)**
Assets held for sale including related liabilities	**155**	**2,156**
CAPITAL EMPLOYED NET	**78,069**	**76,602**
- Eni shareholders' equity	59,060	**58,210**
- Non-controlling interest	3,498	**2,964**
Shareholders' equity	**62,558**	**61,174**
Net borrowings	**15,511**	**15,428**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**78,069**	**76,602**

> Net borrowings and leverage

Eni evaluates its financial condition by reference to **net borrowings**, which 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. Non-operating financing receivables consist of amounts due to Eni's financing subsidiaries from banks and other financing institutions and amounts due to other subsidiaries from banks for investing purposes and deposits in escrow. Securities not related to operations consist primarily of government and corporate securities.

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 financial 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.

Net borrowings and leverage (€ million)

	Dec. 31, 2012	Dec. 31, 2013
Total debt	24,463	**25,879**
- Short-term debt	*5,184*	***4,891***
- Long-term debt	*19,279*	***20,988***
Cash and cash equivalents	(7,765)	**(5,288)**
Securities held for trading and other securities held for non-operating purpose	(34)	**(5,037)**
Financing receivables for non-operating purposes	(1,153)	**(126)**
Net borrowings	**15,511**	**15,428**
Shareholders' equity including non-controlling interest	**62,558**	**61,174**
Leverage	**0.25**	**0.25**

> Summarized Group Cash Flow Statement and Change in net borrowings

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; and (ii) change 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.

Summarized Group Cash Flow Statement (€ million)

	2011	2012	2013
Net profit - continuing operations	**7,877**	**4,944**	**4,972**
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation, depletion and amortization and other non monetary items	8,606	11,349	**9,578**
- net gains on disposal of assets	(1,176)	(875)	**(3,770)**
- dividends, interest, taxes and other changes	9,918	11,925	**9,162**
Changes in working capital related to operations	(1,696)	(3,373)	**486**
Dividends received, taxes paid, interest (paid) received during the period	(9,766)	(11,614)	**(9,459)**
Net cash provided by operating activities - continuing operations	**13,763**	**12,356**	**10,969**
Net cash provided by operating activities - discontinued operations	**619**	**15**	
Net cash provided by operating activities	**14,382**	**12,371**	**10,969**
Capital expenditure - continuing operations	(11,909)	(12,761)	**(12,750)**
Capital expenditure - discontinued operations	(1,529)	(756)	
Capital expenditure	**(13,438)**	**(13,517)**	**(12,750)**
Investments and purchase of consolidated subsidiaries and businesses	(360)	(569)	**(317)**
Disposals	1,912	6,014	**6,360**
Other cash flow related to capital expenditure, investments and disposals	627	(136)	**(253)**
Free cash flow	**3,123**	**4,163**	**4,009**
Borrowings (repayment) of debt related to financing activities	41	(83)	**(3,983)**
Changes in short and long-term financial debt	1,104	5,947	**1,778**
Dividends paid and changes in non-controlling interests and reserves	(4,327)	(3,746)	**(4,231)**
Effect of changes in consolidation area and exchange differences	10	(16)	**(50)**
NET CASH FLOW	**(49)**	**6,265**	**(2,477)**

Change in net borrowings (€ million)

	2011	2012	2013
Free cash flow	**3,123**	**4,163**	**4,009**
Net borrowings of acquired companies		(2)	**(21)**
Net borrowings of divested companies	(192)	12,446	**(16)**
Exchange differences on net borrowings and other changes	(517)	(340)	**342**
Dividends paid and changes in non-controlling interest and reserves	(4,327)	(3,746)	**(4,231)**
CHANGE IN NET BORROWINGS	**(1,913)**	**12,521**	**83**

> Pro-forma adjusted EBITDA

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization charges) on an adjusted basis is calculated by adding amortization and depreciation charges to adjusted operating profit, which is also modified to take into account the impact associated with certain derivatives instruments as detailed below. This performance indicator includes the adjusted EBITDA of Eni's wholly owned subsidiaries and Eni's share of adjusted EBITDA generated by certain associates which are accounted for under the equity method for IFRS purposes. Management believes that the EBITDA pro-forma adjusted is an important alternative measure to assess the performance of Eni's Gas & Power Division, taking into account evidence that this Division is comparable to European utilities in the gas and power generation sector. This measure is provided in order to assist investors and financial analysts in assessing the divisional performance of Eni Gas & Power, as compared to its European peers, as EBITDA is widely used as the main performance indicator for utilities. The EBITDA pro-forma adjusted is a non-GAAP measure under IFRS.

> Production sharing agreements (PSA)

Contract in use in non OECD Countries, regulating relationships between States and oil companies with regard to the exploration and production of hydrocarbons. The mining concession is assigned to the national oil company jointly with the foreign oil company who has exclusive right to perform exploration, development and production activities and can enter agreements with other local or international entities. In this type of contract the national oil company assigns to the international contractor the task of performing exploration and production with the contractor's equipment and financial resources. Exploration risks are borne by the contractor and production is divided into two portions: "Cost Oil" is used to recover costs borne by the contractor, "Profit Oil" is divided between contractor and national company according to variable schemes and represents the profit deriving from exploration and production. Further terms and conditions may vary from one Country to the other.

> Possible reserves

Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

> Probable reserves

Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

> Proved reserves

Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. Reserves are classified as either developed and undeveloped. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well, and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well. Proved undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

> Recoverable reserves

Amounts of hydrocarbons included in different categories of reserves (proved, probable and possible), without considering their different degree of uncertainty.

> Reserves

Quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project. Reserves can be: (i) developed reserves quantities of oil and gas anticipated to be through installed extraction equipment and infrastructure operational at the time of the reserves estimate; (ii) undeveloped reserves: oil and gas expected to be recovered from new wells, facilities and operating methods.

> Reserve replacement ratio

Measure of the reserves produced replaced by proved reserves. Indicates the company's ability to add new reserves through exploration and purchase of property. A rate higher than 100% indicates that more reserves were added than produced in the period. The ratio should be averaged on a three-year period in order to reduce the distortion deriving from the purchase of proved property, the revision of previous estimates, enhanced recovery, improvement in recovery rates and changes in the value of reserves – in PSAs – due to changes in international oil prices. Management also calculates this ratio by excluding the effect of the purchase of proved property in order to better assess the underlying performance of the Company's operations.

> Average reserve life index

Ratio between the amount of reserves at the end of the year and total production for the year.

> Resource base

Oil and gas volumes contained in a reservoir as ascertained based on available engineering and geological data (sum of proved, probable and possible reserves) plus volumes not yet discovered but that are expected to be eventually recovered from the reservoir net of a risk factor (risked exploration resources).

> Take-or-pay

Clause included in natural gas supply contracts according to which the purchaser is bound to pay the contractual price or a fraction of such price for a minimum quantity of gas set in the contract whether or not the gas is collected by the purchaser. The purchaser has the option of collecting the gas paid for and not delivered at a price equal to the residual fraction of the price set in the contract in subsequent contract years.

> Conversion

Refinery process allowing the transformation of heavy fractions into lighter fractions. Conversion processes are cracking, visbreaking, coking, the gasification of refinery residues, etc. The ration of overall treatment capacity of these plants and that of primary crude fractioning plants is the conversion rate of a refinery. Flexible refineries have higher rates and higher profitability.

Directors and officers

Eni's Board of Directors (*)

Giuseppe Recchi

Was born in 1964 and has been Chairman of the Board of Eni since May 2011. He is also member of the Board of Directors and the Internal Control and Risk Committee of Exor SpA; Director of GE Capital Interbanca SpA and member of the Massachusetts Institute of Technology E.I. External Advisory Board. He is also member of the Italian Corporate Governance Committee, the Executive Committees of Confindustria (where he chairs the Foreign Investment Committee), Assonime (Association of Italian Joint Stock Companies), Aspen Institute Italia; member of the Board of Directors of FEEM-Eni Enrico Mattei Foundation, of the Italian Institute of Technology and of the LUISS Business School Advisory Board. He is Co-Chair of the Italy-China Foundation, Co-Chair of the B20 Task Force on Improving Transparency and Anti-Corruption and Director of the World Economic Forum Partnering Against Corruption Initiative. He graduated in Engineering at the Polytechnic of Turin. In 1989 he started his career as entrepreneur at Recchi SpA, a general contractor active in 25 Countries in the construction of high tech public infrastructure. Since 1994 he has served as Executive Chairman of Recchi America Inc, the US branch of the Group. In 1999 he joined General Electric, where he held several managerial positions in Europe and in the USA. He served as Director of GE Capital Structure Finance Group; Managing Director for Industrial M&A and Business Development of GE EMEA; President & CEO of GE Italy. Until May 2011 he was President & CEO of GE South Europe. Unitl March 2014, he was member of the European Advisory Board of Blackstone. Mr. Recchi has been member of the Honorary Committee for the Rome Candidacy to the 2020 Olympic Games, member of the Board of Permasteelisa SpA Advisory Board member of Invest Industrial (private equity) and visiting Professor in Structured Finance at Turin University.

Paolo Scaroni

Has been Chief Executive Officer of Eni since June 2005. He is currently a Non-Executive Director of Assicurazioni Generali, Non-Executive Deputy Chairman of London Stock Exchange Group, Non-Executive Director of Veolia Environnement. Besides is in the Board of Overseers of Columbia Business School and Fondazione Teatro alla Scala. After graduating in economics at the Università Luigi Bocconi in Milan in 1969, he worked for three years at Chevron, before obtaining an MBA from Columbia University, New York, and continuing his career at McKinsey. In 1973 he joined Saint Gobain, where he held a series of management positions in Italy and abroad, until his appointment as head of the Glass Division in Paris. From 1985 to 1996 he was Deputy Chairman and Chief Executive Officer of Techint. In 1996 he moved to the UK and was Chief Executive Officer of Pilkington until May 2002. From May 2002 to May 2005 he was Chief Executive Officer and Chief Operating Officer of Enel. In 2005 and in 2006 he was Chairman of Alliance Unichem. In May 2004 he was appointed Cavaliere del Lavoro of the Italian Republic. In June 2013 he was made a Commandeur of the Legion of Honour.

Carlo Cesare Gatto

Was born in Murazzano (Cuneo) in 1941 and has been a Director of Eni since May 2011. He graduated in Economics and Business at the Università degli Studi of Turin. He is a registered public auditor. He is currently Chairman of the Board of Statutory Auditors of Rai SpA, Natuzzi SpA, Difesa Servizi SpA, Rainet SpA; effective Statutory Auditor of Rai Pubblicità SpA and Director of Arcese Trasporti SpA. He was teacher of Finance, Administration and Control at the Isvor Fiat SpA training institute.
In 1968 he was hired by Impresit as Chief Accountant, where he managed, in Jordan, the finance department of the local branch. He joined the Fiat Group in 1969 where over the years he held a series of increasing responsibility positions in the area of finance, administration and control. From 1979 to 1990 he was Headof Financial Reporting at the Fiat Group and also had responsiblility for the control of the transport companies (Sapav, Sadem, Sita) run under concession by the Fiat Group and for which he subsequently oversaw the sale. In 1990 he was appointed Joint Manager of Finance and Control of the Fiat Group, before becoming, in 1998, Chief Administration Officer (CAO) of the Fiat Group. From 2000 to 2004, he was Chief Executive Officer and Deputy Chairman of Business Solution, a new sector created by Fiat for the supply of business services. In 1993 he was the Italian Representative at the European Commission for the fiscal harmonization of member States. In 1992 he was decorated as Cavaliere dell'Ordine al Merito della Repubblica Italiana and, in 1995, as Ufficiale dell'Ordine al Merito della Repubblica Italiana.

Alessandro Lorenzi

Was born in Turin in 1948 and has been a Director of Eni since May 2011. He is currently a founding partner of Tokos Srl, consulting firm for securities investment, Chairman of Società Metropolitana Acque Torino SpA, Director of Ersel SIM SpA, Millbo SpA and Sicme Motori Srl. He began his career at SAIAG SpA, in the Administration and Control area. In 1975 he joined Fiat Iveco SpA where he held a series of positions: Controller of Fiat V.I. SpA, Head of Administration, Finance and Control, Head of Personnel of Orlandi SpA in Modena (1977-1980) and Project Manager (1981-1982). In 1983 he joined the GFT Group, where he was Head of Administration, Finance and Control of Cidat SpA, a GFT SpA subsidiary (1983-1984), Central Controller of the GFT Group (1984-1988), Head of Finance and Control of the GFT Group (1989-1994) and Managing Director of GFT SpA, with ordinary and extraordinary powers over all operating activities (1994-1995). In 1995 he was appointed Chief Executive Officer of SCI SpA, where he oversaw the restructuring process. In 1998 he was appointed Central Manager and, subsequently, Director of Ersel SIM SpA, until June 2000. In 2000 he became Central Manager of Planning and Control at the Ferrero Group and General Manager of Soremartec, the technical research and marketing company of the Ferrero Group. In May 2003 he was appointed CFO of the Coin Group. In 2006 he became Central Corporate Manager at Lavazza SpA, becoming member of the Board of Directors from 2008 to June 2011.

Paolo Marchioni

Was born in Verbania in 1969 and has been a Director of Eni since June 2008. He is a qualified lawyer specializing in penal and administrative law, counselor in the Supreme Court and superior jurisdictions. He has been Chairman of the Board of Directors of Finpiemonte partecipazioni SpA since August 2010. He acts as a consultant to government agencies and business organizations on business, corporate, administrative and local government law. He was Mayor of Baveno (Verbania) from April 1995 to June 2004 and Chairman of the Assembly of Mayors of Con.Ser.Vco from September 1995 to June 1999. Until June 2004 he was a member of the Assembly of Mayors of the Asl 14 health authority, the steering committee of the Verbania health

(*) Appointed by the Ordinary Shareholders' Meeting held on May 5, 2011, for a three-year period. The Board of Directors appointed Paolo Scaroni Chief Executive Officer. The Board mandate will expire with the shareholders' meeting approving the financial statements for the year ending December 31, 2013.

district, the Assembly of Mayors of the Valle Ossola waste water consortium, the Assembly of Mayors of the Verbania social services consortium. From April 2005 to January 2008 he was a member of the Stresa city council. From October 2001 to April 2004 he was a Director of CIM SpA of Novara (merchandise interport center) and from December 2002 to December 2005 Director and executive committee member of Finpiemonte SpA. From June 2005 to June 2008 he was a Director of Consip SpA. He was Provincial Councillor in charge of balance, property, legal affairs and production activities and Vice-President of the Province of Verbano-Cusio-Ossola from June 2009 to October 2011. He was Director of the Provincial Board of the Province of Verbano-Cusio-Ossola from October 2011 to November 2012.

Roberto Petri

Was born in Pescara in 1949 and has been a Director of Eni since May 2011. He graduated in law at the Università degli Studi "Gabriele D'Annunzio" of Chieti and Pescara. He has been Chairman of Italimmobili Srl since 2011. In 1976 he was hired by Banca Nazionale del Lavoro (BNL) where he held a series of positions: Head of the "Overdrafts Advisory" of BNL in Busto Arsizio (1982), Deputy Manager for the industrial division at the BNL branch in Ravenna (1983-1987), Area Chief of BNL in Venice (1987-1989) and Joint Manager of the central office of BNL in Rome (1989-1990). In 1990 he was appointed commercial manager at Banca Popolare and in 1994 he moved, with the same position, to Cassa di Risparmio di Ravenna Group (Carisp Ravenna and Banca di Imola). From 2001 to 2006 he was Chief Secretary to the Under-Secretary of Defence, where he was mainly involved in the Department's contacts with industry and international relations. From 2008 to 2011 he was Chief Secretary at the Minister of Defence. From 2003 to 2006 he was a Director of Fintecna SpA and from 2005 to 2008 a Director of Finmeccanica SpA.

Alessandro Profumo

Was born in Genoa in 1957 and has been Director of Eni since May 2011. He graduated in Business Administration at the Università Luigi Bocconi of Milan. He is currently Chairman of Banca Monte dei Paschi di Siena, of Appeal Strategy & Finance Srl and member of the Supervisory Board of Sberbank. He is also member of the Board of Directors of the Bocconi University in Milan. He began his career in 1977 at the Banco Lariano, becoming Branch Manager in Milan. In 1987 he joined McKinsey where he was Project Manager in the strategy area for the finance sector. In 1989 he was appointed Head of relations with financial institutions and integrated development projects at Bain, Cuneo e Associati firm (now Bain & Company). In 1991 he left the field of company consultancy to join RAS, Riunione Adriatica di Sicurtà, where he was given responsibility, as General Manager, for the banking and parabanking sectors. He was also in charge of the yield increase of that company's bank and of the other Group companies operating in the field of asset management. In 1994 he joined Credito Italiano as Joint Central Manager, with responsibility for Programming and Control, becoming General Manager in 1995. In 1997 he was appointed Chief Executive Officer of Credito Italiano and subsequently of Unicredit, a position he held until September 2010. On an international level he was Chairman of the European Banking Federation and Chairman of the IMC Washington. In May 2004 he was decorated as Cavaliere del Lavoro.

Mario Resca

Was born in Ferrara in 1945 and has been a Director of Eni since May 2002. He graduated in Economics and Business at the Università Luigi Bocconi of Milan. He is Chairman of Confimprese, Chairman of Bioenergy C.G. and Director of Mondadori SpA. After graduating he joined Chase Manhattan Bank. In 1974 he was appointed manager of Saifi Finanziaria (Fiat Group) and from 1976 to 1991 he was a partner and Country Mgr of Egon Zehnder. In this period he was appointed Director of Lancôme Italia and of companies belonging to the RCS Corriere della Sera Group and the Versace Group. From 1995 to 2007 he was Chairman and Chief Executive Officer of McDonald's Italia. He was also Chairman of Sambonet SpA and Kenwood Italia SpA, a founding partner of Eric Salmon & Partners, Chairman of the American Chamber of Commerce, General Director of Italian Heritage and Antiquities in the Ministry of Cultural Heritage and Activities and Chairman of Convention Bureau Italia SpA. He was also Extraordinary Commissioner of Cirio Del Monte. He was decorated as a Cavaliere del Lavoro in June 2002.

Francesco Taranto

Was born in Genoa in 1940 and has been a Director of Eni since June 2008. He is currently Vice Chairman of Banca CR Firenze SpA (Cassa di Risparmio di Firenze SpA). He is also a Director and member of the Executive Committee of Rimorchiatori Riuniti SpA. He started working in 1959 in a stock brokerage in Milan; from 1965 to 1982, he worked at Banco di Napoli as deputy manager of the stock market and securities department. He held a series of managerial positions in the asset management field, notably as manager of securities funds at Eurogest from 1982 to 1984, and General Manager of Interbancaria Gestioni from 1984 to 1987. After moving to the Prime Group (1987 to 2000), he was Chief Executive Officer of the parent company for a long period. He was Director of ERSEL S.I.M., member of the steering council of Assogestioni and of the Corporate Governance Committee for listed companies formed by Borsa Italiana. He was a Director of Enel from October 2000 to June 2008.

BOARD COMMITTEES

Control and Risk Committee:
Alessandro Lorenzi - Chairman, Carlo Cesare Gatto, Paolo Marchioni and Francesco Taranto

Compensation Committee:
Mario Resca - Chairman, Carlo Cesare Gatto, Roberto Petri and Alessandro Profumo

Nomination Committee:
Giuseppe Recchi - Chairman, Alessandro Lorenzi, Alessandro Profumo and Mario Resca

Oil - Gas Energy Committee:
Alessandro Profumo - Chairman, Alessandro Lorenzi, Paolo Marchioni, Roberto Petri, Mario Resca and Francesco Taranto

BOARD OF STATUTORY AUDITORS

Ugo Marinelli - Chairman, Francesco Bilotti, Paolo Fumagalli, Renato Righetti, Giorgio Silva and Maurizio Lauri.

EXTERNAL AUDITORS

Reconta Ernst & Young SpA

GROUP OFFICERS

Paolo Scaroni
Chief Executive Officer and General Manager

Claudio Descalzi
Exploration & Production Chief Operating Officer

Angelo Fanelli
Refining & Marketing Chief Operating Officer

Massimo Mondazzi
Chief Financial Officer

Salvatore Sardo
Chief Corporate Operations Officer

Stefano Lucchini
Senior Executive Vice President for International Relations and Communication

Massimo Mantovani
Senior Executive Vice President for General Counsel Legal Affairs

Roberto Ulissi
Senior Executive Vice President for Corporate Affairs and Governance

Marco Petracchini
Senior Executive Vice President for Internal Audit

Marco Alverà
Senior Executive Vice President for Trading

Salvatore Meli
Executive Vice President for Research and Technological Innovation

Leonardo Bellodi
Executive Vice President for Government Affairs

Stefano Leofreddi
Senior Vice President for Integrated Risk Management

Raffaella Leone
Executive Assistant to the Chief Executive Officer

> Remuneration[1]

The Eni Remuneration Policy is defined consistently with the recommendations of the Borsa Italiana Code as transposed in the Eni Code. It is approved by the Board of Directors following a proposal by the Compensation Committee, made up of non-executive, independent Directors, and is defined in accordance with the governance model adopted by the Company and with the recommendations of the Corporate Governance Code.

This Policy is designed to align the interests of management with the prime objective of creating sustainable value for shareholders over the medium/long-term, in accordance with the guidelines defined in the Strategic Plan of the Company.

The table describes the main elements of the approved 2014 Guidelines for the remuneration of the Chief Executive Officer, of the Chief Operating Officers of Eni's Divisions and other Managers with strategic responsibilities (MSR).

Remuneration Policy 2014

Component	Purpose and characteristics	Conditions for the implementation	Values
Fixed remuneration	Values the expertise, experience and complexity required by the assigned role	- Setting of the remuneration levels through benchmarks consistent with the characteristics of Eni and the assigned roles	- CEO/GM: 1,430,000 Euro per year (amount unchanged since 2005) - MSR: remuneration set based on the assigned role with possible adjustments in relation to annual competitive positioning (average market values) settings
Annual variable incentives	- Promotes the achievement of annual budget targets - Beneficiaries: the whole management team	2014 CEO targets: - Cash flow - Ebit (40%) - Implementation of strategic guidelines (30%), - Divisions' operating performance (20%) - Sustainability (10%) - MSR targets: business and individual targets based on those of the CEO/GM and the assigned responsibilities - Incentives paid on the basis of the results achieved in the previous year and evaluated according to a performance scale 70÷130 points[1], with a minimum threshold for the incentive equal to an overall performance of 85 points - Clawback in cases of violation of company or legal rules and regulations	- CEO/GM: level of incentive target equal to 110% of fixed remuneration (min 87.5% and max 155%) - MSR: levels of incentive targets differentiated according to the assigned role, up to a maximum of 60% of the fixed remuneration
Deferred Monetary Incentives	- Promotes the growth of profitability of the business over the long-term - Beneficiaries: managerial resources who have achieved their annual targets	- EBITDA performance measured relative to the value of the Planned EBITDA - Incentives awarded on the basis of the EBITDA results achieved during the previous year according to a performance scale of 70÷130[1] - Incentives paid as a percentage varying between zero and 170% of the amounts assigned, according to the average of the annual results achieved during the vesting period, according to an annual performance scale of 70÷170[1] - Three-year vesting - Clawback in cases of violation of company or legal rules and regulation	- CEO/GM: incentive to be awarded for targets (the third and last awarding) equal to 55% of the fixed remuneration (min 38.5% and max 71.5%) - MSR: incentives awarded based on targets differentiated according to the assigned role, up to a maximum of 40% of the fixed remuneration
Long-Term Monetary Incentives	- Promotes the alignment with shareholder interests and the sustainability of value creation in the long-term - Beneficiaries: Key managerial roles for the Business	- Performance measured in terms of variation of the TSR parameters[2] (60%) and Net Present Value of proved reserves[2] (40%), compared to the variation achieved by the companies of a peer group of reference (Exxon, Chevron, Shell, BP, Total, Repsol) - Incentives paid as a percentage varying between zero and 130% of the amounts awarded, according to the average of the annual positioning achieved during the vesting period: 1° Place 130% · 2° Place 115% · 3° Place 100% · 4° Place 85% 5° Place 70%[5] · 6° Place 0% · 7° Place 0% - Three-year vesting - Clawback in cases of violation of company or legal rules and regulations	- CEO[3]: incentive to be awarded for targets in relation to a restructuring of the remuneration provided by Law No. 98/2013 - MSR: incentives awarded based on targets differentiated according to the assigned role, up to a maximum of 75% of the fixed remuneration
Benefits	- Completing the salary package following a total reward logic by means of predominantly social security and welfare benefits - Beneficiaries: the whole management team	- Conditions defined by the national collective labour agreements and the complementary company agreements applicable to senior managers	- Supplementary pension - Supplementary health care - Insurance coverage - Car for business and personal use

(1) Performance rated below the minimum threshold (70 points) is considered equal to zero.
(2) The Total Shareholder Return is an indicator that measures the overall return of a stock investment, taking into consideration both the price change and the dividends paid and reinvested in the same stock, in a specific period. The Net Present Value of the proved reserves is an indicator that represents the present value of the future cash flows of proved reserves, net of future production and development costs and related taxes.
(3) Incentive to be awarded to the new CEO in relation to the decisions that will be taken by the Board of Directors.
(4) The minimum incentive threshold requires both indicators to be ranked among the first five in at least one year of the three-year vesting period.

Pursuant to Article 84-quater of Consob Decision No. 11971 of May 14, 1999, and subsequent modifications, the following table below reports individual remuneration paid in 2012 to each Member of the Board of Directors, Statutory Auditors, and Chief Operating Officers. The overall amount earned by other Managers with strategic responsibilities is reported too.

In compliance with the rule, the table provides details on:

- "Fixed remuneration" which includes, on an accrual basis, fixed remuneration and fixed salary contractually agreed, gross of social security and tax expenses to be paid by the employee; it excludes lump-sum expense reimbursements and attendance fees, as they are not envisaged;
- "Committees membership remuneration" which reports, on an accrual basis the compensation due to the Directors for participation to the Committees established by the Board;
- "Variable non-equity remuneration - Bonuses and other incentives" which reports the incentives paid during the year due to the vesting of the relative awards following the assessment and approval of the relative performance results by the relevant company bodies, in accordance with that detailed in the Table "Monetary incentive plans for Directors, Chief Operating Officers, and other Managers with strategic responsibilities"; the column "Profit sharing", does not include any amounts, as no form of profit-sharing is envisaged;
- "Non-monetary benefits" which report, on an accrual and taxable basis, the value of fringe benefits awarded;
- "Other remuneration" reports, the criteria of competence, any other remuneration deriving from other services provided;

(1) For detailed information on Eni's remuneration policy and compensation see the "Remuneration Report 2014" available on Eni's website under the sections "Governance" and "Investor relations".

- "Fair value of equity remuneration". Currently the Company is not adopting any scheme of stock based compensation which reports the fair value of competence of the year related to the existing stock option plans, estimated in accordance with international accounting standards which assign the relevant cost in the vesting period;
- "Severance indemnities for end of office or termination of employment" which reports the indemnities accrued, for the terminations which occurred during the course of the reporting period considered or in relation to the end of the office and/or employment.

Remuneration paid to Directors, Statutory Auditors, Chief Operating Officers, and other Managers with strategic responsibilities

(€ thousand)

Name	Office	Term of office	Office expiry (*)	Fixed remuneration	Committee membership remuneration	Variable non-equity remuneration: Bonuses and other incentives	Variable non-equity remuneration: Profit sharing	Non-monetary benefits	Other remuneration	Total 2013	Fair Value of equity remuneration	Severance indemnity for end of office or termination of employment
Board of Directors												
Giuseppe Recchi	Chairman	01.01 - 31.12	04.2014	765		452		4		1,221		
Paolo Scaroni	CEO and General Manager	01.01 - 31.12	04.2014	1,430		3,110		15		4,555		
Carlo Cesare Gatto	Director	01.01 - 31.12	04.2014	115	50	20				185		
Alessandro Lorenzi	Director	01.01 - 31.12	04.2014	115	59	20				194		
Paolo Marchioni	Director	01.01 - 31.12	04.2014	115	50	20				185		
Roberto Petri	Director	01.01 - 31.12	04.2014	115	36	20				171		
Alessandro Profumo	Director	01.01 - 31.12	04.2014	115	45	20				180		
Mario Resca	Director	01.01 - 31.12	04.2014	115	45	20				180		
Francesco Taranto	Director	01.01 - 31.12	04.2014	115	50	20				185		
Board of Statutory Auditors				435						435		
Chief Operating Officers												
Claudio Descalzi	E&P Division	01.01 - 31.12	04.2014	774		1,495		13	606	2,888		
Angelo Fanelli	R&M Division	01.01 - 31.12	04.2014	585		651		14		1,250		
Other Managers with strategic responsibilities (**)				5,583		5,406		144	225	11,358		
				10,377	**335**	**11,254**		**190**	**831**	**22,987**		

(*) The term of office expires with the Shareholders' Meeting approving the financial statements for the year ending December 31, 2013.
(**) Managers who were permanent members of the Company's Management Committee, during the course of the year together with the Chief Executive Officer and Division Chief Operating Officers, and those who report directly to the Chief Executive Officer (twelve managers).

The following table sets out long-term variable components.

Name	Office (€ thousand)	Bonuses of the year: paid/payable	Bonuses of the year: deferred	Bonuses of the year: deferral period	Bonuses of previous years: no longer payable	Bonuses of previous years: paid/payable (a)	Bonuses of previous years: still deferred	Other bonuses
Giuseppe Recchi	Chairman	452						
Paolo Scaroni	CEO and General Manager	2,088	3,039	-	2,501	1,022	6,384	
Claudio Descalzi	Chief Operating Officer E&P Division	988	1,125		347	357	1,415	150
Angelo Fanelli	Chief Operating Officer R&M Division	399	504		244	252	968	
Other Managers with strategic responsibilities (b)		3,460	3,661	-	1,467	1,446	6,257	500
		7,387	**8,329**	**-**	**4,559**	**3,077**	**15,024**	**650**

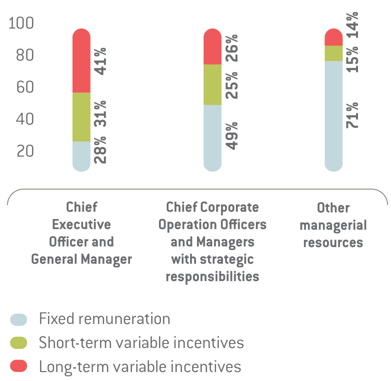
(a) Payment relative to the deferred monetary incentive awarded in 2010.
(b) Managers who were permanent members of the Company's Management Committee, during the course of the year together with the Chief Executive Officer and Division Chief Operating Officers, and those who report directly to the Chief Executive Officer (twelve managers).

> Overall remuneration of key management personnel

Remuneration of persons responsible of key positions in planning, direction and control functions of Eni Group companies, including executive and non-executive Directors, Chief Operating Officers and other managers with strategic responsibilities in charge at December 31, 2013, amounted to €38 million, as described in the table below:

(€ million)	2013
Fees and salaries	25
Post employment benefits	2
Other long-term benefits	11
	38

Pay mix



The 2014 Remuneration Policy Guidelines lead to a remuneration mix in line with the managerial role held, with greater weight on the variable component, in particular in the long-term, for roles characterised by a greater impact on Company results, as highlighted in the pay-mix diagram, calculated by considering the value of short and long-term incentives in the case of target results.

Investor information

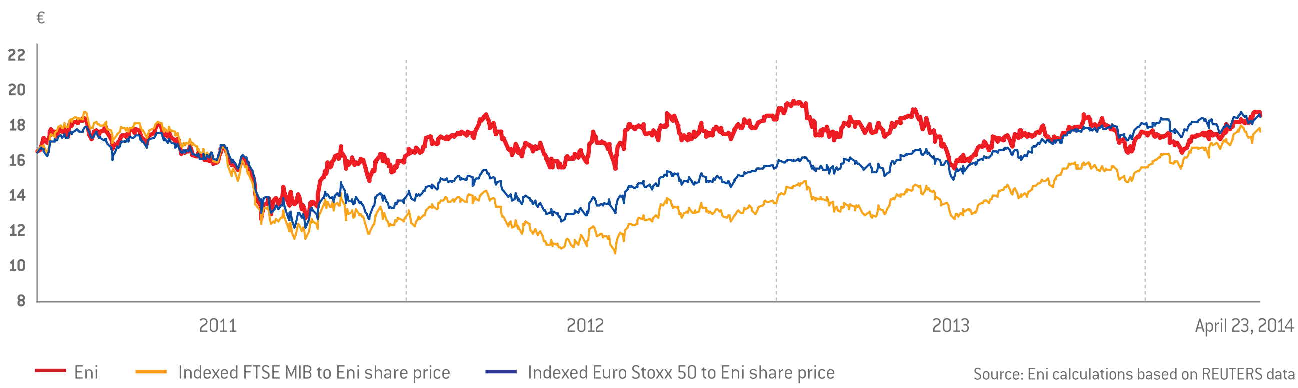
> Eni share performance in 2013

In accordance with Article 5 of the By-laws, the Company's share capital amounts to €4,005,358,876.00, fully-paid, and is represented by 3,634,185,330 ordinary registered shares without indication of par value.
In the last session of 2013, the Eni share price, quoted on the Italian Stock Exchange, was €17.49, down 4.6 percentage points from the price quoted at the end of 2011 (€18.34). The Italian Stock Exchange is the primary market where the Eni share is traded. During the year the FTSE/MIB index, the basket including the 40 most important shares listed on the Italian Stock Exchange, increased by 16.6 percentage points.
At the end of 2013, the Eni ADR listed on the NYSE was $48.49, down 1.3% compared to the price registered in the last session of 2012 ($49.14). One ADR is equal to two Eni ordinary shares.
In the same period the S&P 500 index increased by 29.6 percentage points.
Eni market capitalization at the end of 2013 was €63.4 billion (€66.4 billion at the end of 2012), confirming Eni as the first company for market capitalization listed on the Italian Stock Exchange.
Shares traded during the year totalled

Share information

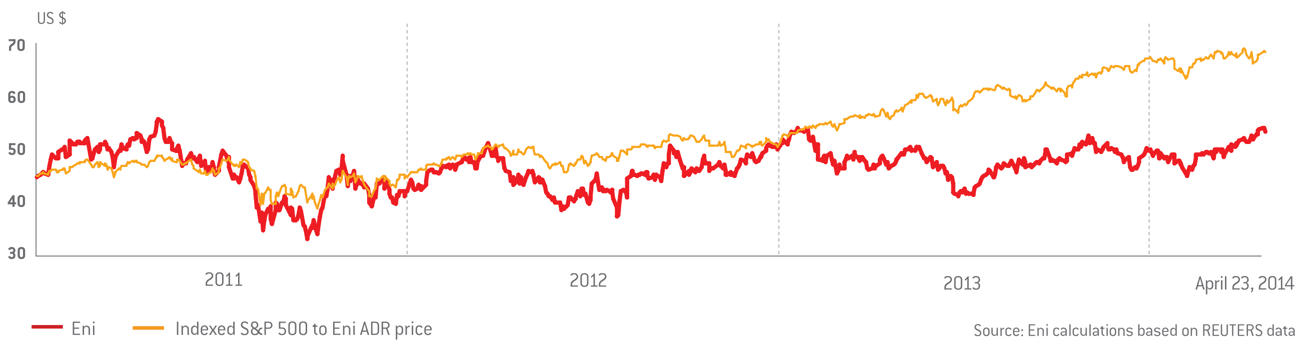
		2011	2012	2013
Market quotations for common stock on the Mercato Telematico Azionario (MTA)				
High	(€)	18.42	18.70	**19.48**
Low		12.17	15.25	**15.29**
Average daily close		15.95	17.18	**17.57**
Year-end close		16.01	18.34	**17.49**
Market quotations for ADR on the New York Stock Exchange				
High	(US $)	53.74	49.44	**52.12**
Low		32.98	36.85	**40.39**
Average daily close		44.41	44.24	**46.68**
Year-end close		41.27	49.14	**48.49**
Average daily traded volumes	(million of shares)	22.85	15.63	**15.44**
Value of traded volumes	(€ million)	355.0	267.0	**271.4**

Eni share price in Milan (December 31, 2010 - April 23, 2014)



Source: Eni calculations based on REUTERS data

Eni ADR price in New York (December 31, 2010 - April 23, 2014)



Source: Eni calculations based on REUTERS data almost 3.9 billion, with a daily average of shares traded of 15.4 million (15.6 million in 2012). The total trade value of Eni shares amounted to approximately €68 billion (€68 billion in 2012), equal to a daily average of €271 million.

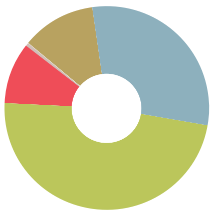
Summary financial data

		2011	2012	2013
Net profit - continuing operations				
- per share [a]	(€)	*1.90*	*1.16*	***1.42***
- per ADR [a] [b]	(USD)	*5.29*	*2.98*	***3.77***
Adjusted net profit - continuing operations				
- per share [a]	(€)	*1.92*	*1.97*	***1.22***
- per ADR [a] [b]	(USD)	*5.35*	*5.06*	***3.24***
Leverage		0.46	0.25	**0.25**
Coverage		15.4	11.9	**8.9**
Current ratio		1.1	1.4	**1.5**
Debt coverage		51.3	79.8	**71.1**
Dividends pertaining to the year	(€ per share)	1.04	1.08	**1.10**
Pay-out	(%)	55	50	**77**
Dividend yield [c]	(%)	6.6	5.9	**6.5**
TSR		5.1	22.0	**1.3**

(a) Fully diluted. Ratio of net profit and average number of shares outstanding in the period. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by ECB for the period presented.
(b) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.
(c) Ratio of dividend for the period and the average price of Eni shares as recorded in December.

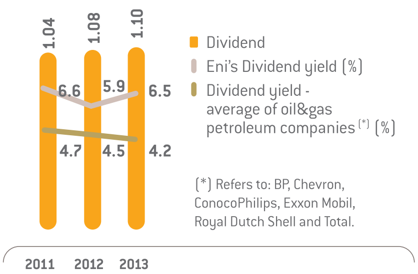
Shareholders distribution by geographic area

Class of shareholders



Dividend per share

(€ per share)



Dividends

Management intends to propose to the Annual Shareholders' Meeting scheduled on May 8, 2014, the distribution of a dividend of €1.10 per share for fiscal year 2013, of which €0.55 was already paid as interim dividend in September 2013.
Total cash outlay for the 2013 dividend is expected at approximately €3.95 billion (including €1.99 billion already paid in September 2013) if the Annual Shareholders' Meeting approves the annual dividend.
In future years, management expects to continue paying interim dividends for each fiscal year, with the balance to the full-year dividend to be paid in each following year. Eni intends to continue paying interim dividends in the future.
Holders of ADRs receive their dividends in US dollars. The rate of exchange used to determine the amount in dollars is equal to the official rate recorded on the date of dividend payment in Italy (May 22, 2014). On ADR payment date, Bank of New York Mellon pays the dividend less the amount of any withholding tax under Italian law (currently 27%) to all Depositary Trust Company Participants, representing payment of Eni SpA's gross dividend.
By submitting to Bank of New York Mellon certain required documents with respect to each dividend payment, US holders of ADRs will enable the Italian Depositary bank and Bank of New York Mellon as ADR Depositary to pay the dividend at the reduced withholding tax rate of 15%. US shareholders can obtain relevant documents as well as a complete instruction packet to benefit from this tax relief by contacting Bank of New York Mellon at 201-680-6825.

Publications

1 **Annual Report 2013** a comprehensive report on Eni's activities and financial and sustainability results for the year.

2 **Annual Report on Form 20-F 2013** a comprehensive report on Eni's activities and results to comply with the reporting requirements of the US Securities Exchange Act of 1934 and filed with the US Securities and Exchange Commission.

3 **Fact Book 2013** a report on Eni's businesses, strategies, objectives and development projects, including a full set of operating and financial statistics.

4 **Remuneration Report 2014** a report on Eni's compensation and remuneration policies pursuant to rule 123-ter of Legislative Decree No. 58/1998.

5 **Corporate Governance Report 2013** a report on the Corporate Governance system adopted by Eni pursuant to rule 123-bis of Legislative Decree No. 58/1998.

These and other Eni publications are available on Eni's internet site eni.com, in the section Publications (http://www.eni.com/en_IT/documentation/documentation.page?type=bil-rap&home_2010_en_tab=header_tools).

Shareholders may receive a hard copy of Eni's publications, free of charge, by filling in the request form found in the section Publications or through an email request addressed to segreteriasocietaria.azionisti@eni.com or to investor.relations@eni.com. Any other information relevant to shareholders and investors can be found at Eni's website under the "Investor Relations" section.

Financial calendar

The dates of the Board of Directors' meetings to be held during 2014 in order to approve/review the Company's quarterly and semi-annual, and annual preliminary results are the following:	Results for the first quarter of 2014	**April 28, 2014**
	Results for the second quarter and the first half of 2014 and proposal of interim dividend for the financial year 2014	**July 31, 2014**
	Results for the third quarter of 2014	**October 30, 2014**
	Preliminary full-year results for the year ending December 31, 2014 and dividend proposal for the financial year 2014	**February 2015**

A press release on quarterly results is disseminated to the market the following day, when management also hosts a conference call with financial analysts to review the Group performance.

Energy conversion table

Oil (average reference density 32.35 ƒAPI, relative density 0.8636)

1 barrel	(bbl)	158.987 l oil[a]	0.159 m^3 oil	162.602 m^3 gas		5,492 ft^3 gas
				5,800,000 btu		
1 barrel/d	(bbl/d)	~50 t/y				
1 cubic meter	(m^3)	1,000 l oil	6.29 bbl	1,033 m^3 gas		36,481 ft^3 gas
1 tonne oil equivalent	(toe)	1,160.49 l oil	7.299 bbl	1.161 m^3 oil	1,187 m^3 gas	41,911 ft^3 gas

Gas

1 cubic meter	(m^3)	0.976 l oil	0.00643 bbl	35,314.67 btu		35,315 ft^3 gas
1,000 cubic feet	(ft^3)	27.637 l oil	0.1742 bbl	1,000,000 btu	27.317 m^3 gas	0.02386 toe
1,000,000 British thermal unit	(btu)	27.4 l oil	0.17 bbl	0.027 m^3 oil	28.3 m^3 gas	1,000 ft^3 gas
1 tonne LNG	(tGNL)	1.2 toe	8.9 bbl	52,000,000 btu		52,000 ft^3 gas

Electricity

1 megawatthour=1,000 kWh	(MWh)	93.532 l oil	0.5883 bbl	0.0955 m^3 oil	94.448 m^3 gas	3,412.14 ft^3 gas
1 teraJoule	(TJ)	25,981.45 l oil	163.42 bbl	25.9814 m^3 oil	26,939.46 m^3 gas	947,826.7 ft^3 gas
1,000,000 kilocalories	(kcal)	108.8 l oil	0.68 bbl	0.109 m^3 oil	112.4 m^3 gas	3,968.3 ft^3 gas

(a) l oil: liters of oil.

Conversion of mass

	kilogram (kg)	**pound (lb)**	**metric ton (t)**
kg	1	2.2046	0.001
lb	0.4536	1	0.0004536
t	1,000	22,046	1

Conversion of length

	meter (m)	**inch (in)**	**foot (ft)**	**yard (yd)**
m	1	39.37	3.281	1.093
in	0.0254	1	0.0833	0.0278
ft	0.3048	12	1	0.3333
yd	0.9144	36	3	1

Conversion of volumes

	cubic foot (ft^3)	**barrel (bbl)**	**liter (lt)**	**cubic meter (m^3)**
ft^3	1	0	28.32	0.02832
bbl	5.615	1	159	0.158984
l	0.035311	0.0063	1	0.001
m^3	35.3107	6.2898	10^3	1

Abbreviations

/d	per day
/y	per year
bbbl	billion barrels
bbl	barrels
bboe	billion barrels of oil equivalent
bcf	billion cubic feet
bcm	billion cubic meters
bln liters	billion liters
bln tonnes	billion tonnes
boe	barrels of oil equivalent
EPC	Engineering Procurement Construction
EPCI	Engineering Procurement Construction Installation
FPSO	Floating Production Storage and Offloading
FSO	Floating Storage and Offloading
GWh	gigawatthour
LNG	liquefied natural gas
LPG	liquefied petroleum gas
kbbl	thousand barrels
kboe	thousand barrels of oil equivalent
km	kilometers
ktoe	thousand tonnes of oil equivalent
ktonnes	thousand tonnes
mmbbl	million barrels
mmboe	million barrels of oil equivalent
mmcf	million cubic feet
mmcm	million cubic meters
mmtonnes	million tonnes
no.	number
NGL	Natural Gas Liquids
PSA	Production Sharing Agreement
TWh	terawatthour

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