Eni in 2012

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.

“Eni in 2012” report comprises an extract of the description of the business, 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, 2012. It does not contain sufficient information to allow as full an understanding of financial results, operating performance and business developments of Eni as “Eni 2012 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 “Eni in 2012” and “Eni 2012 Annual Report” on request, free of charge (see the request form on Eni’s web site – **eni.com** – under the section “Publications”). “Eni in 2012” and “Eni 2012 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 expenditures, 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, with operations in 90 Countries around the world with a staff of 78,000 employees. Eni boasts a strong position in the oil&gas value chain, from the hydrocarbon exploration phase to the product marketing. Our strong presence in the gas market and in LNG, our skills in power generation and refining, strengthened by world class skills in engineering and project management, allow us to catch integrated opportunities in the market place and to pursue synergies across all our businesses.

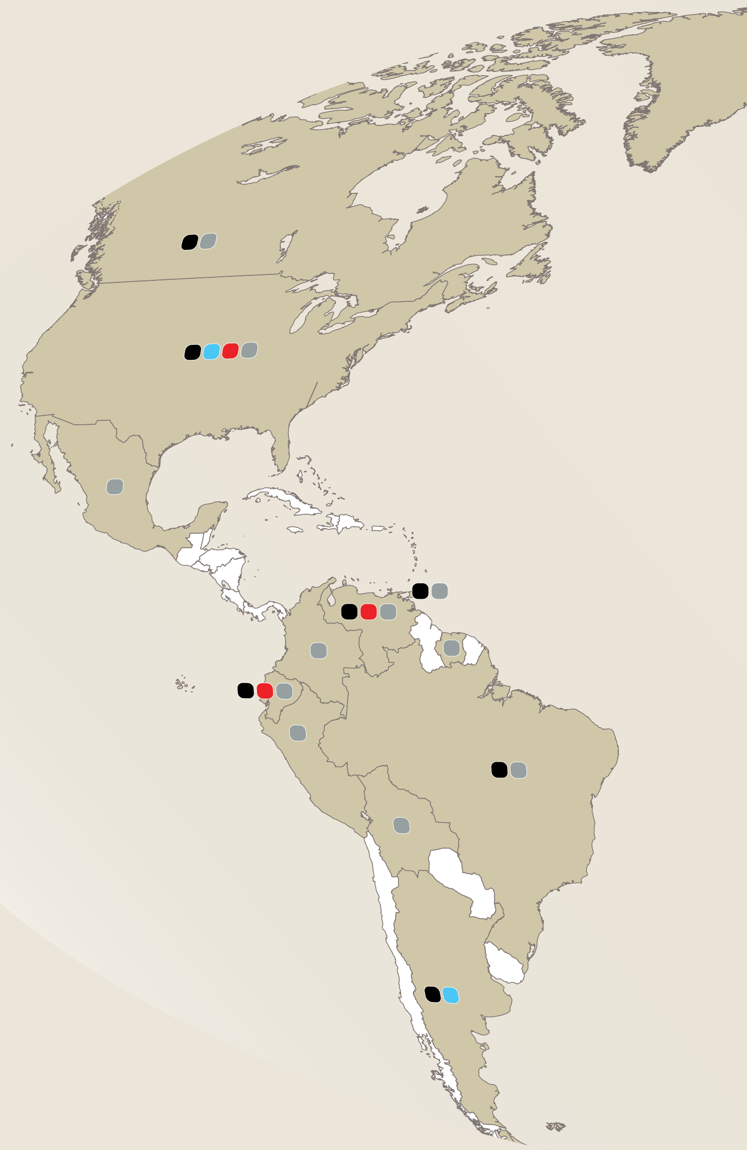
Adjusted operated profit
€19,753 million

Cash flow from operations
€12,356 million

Dividends paid to shareholders
€3,840 million

Net borrowings
€15,511 million

Leverage
0.25



Eni's **Exploration & Production** segment engages in oil and natural gas exploration and field development and production, as well as LNG operations in 43 Countries, including Italy, Libya, Egypt, Norway, the UK, Angola, Congo, the United States, Kazakhstan, Russia, Algeria, Australia, Venezuela, Iraq and Mozambique.

> Net proved hydrocarbon reserves at eight-year record
7.17 bboe

> Record discovered resources
3.64 bboe

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.

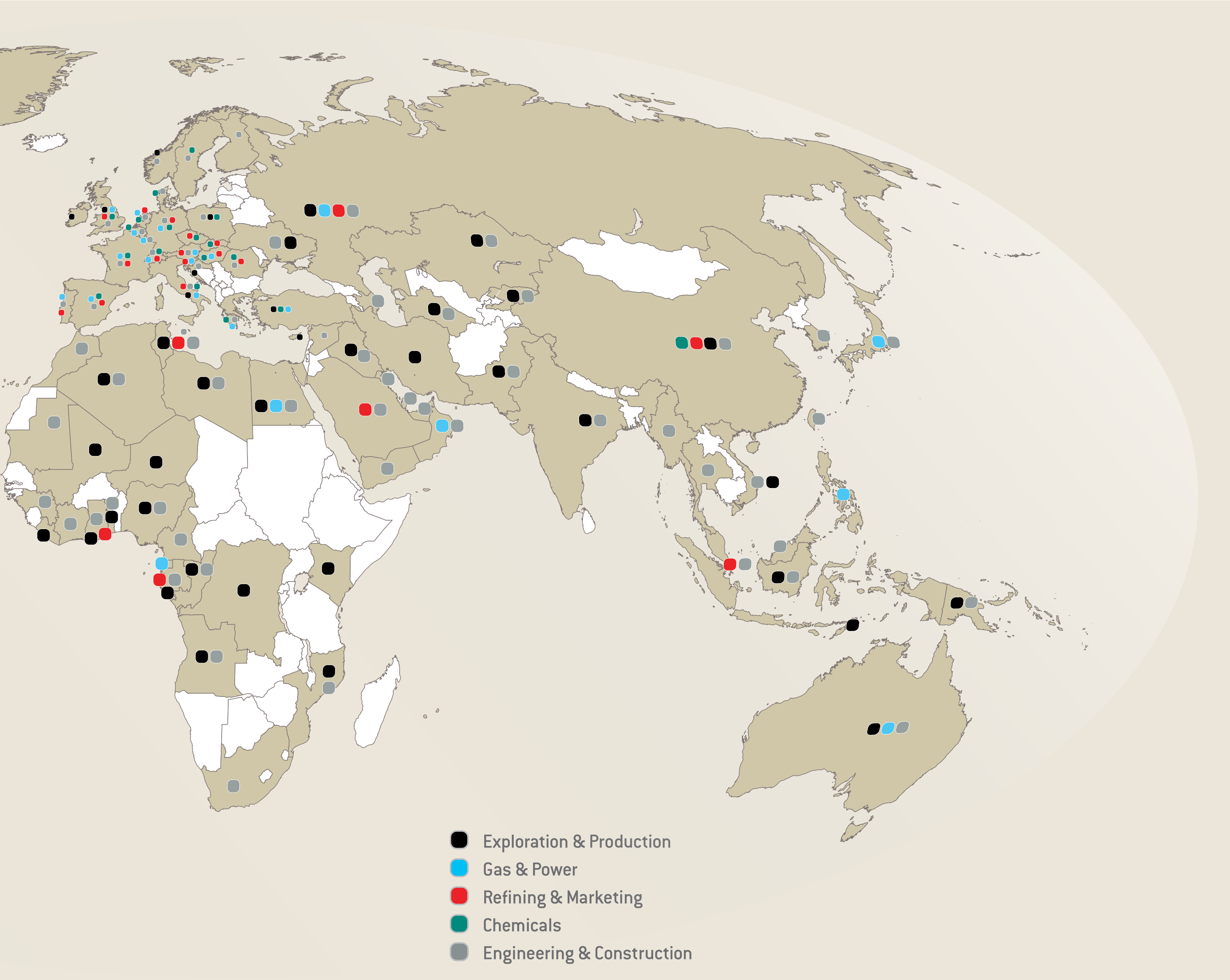
> Adjusted operating profit benefiting from the renegotiation of supply contracts
€354 million

> Strong customer base
7.45 million
customers in Italy
2.09 million
customers in Europe

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.

> Retail market share in Italy
31.2% vs 30.5% in 2011

> Efficiency and optimisation actions
~ €150 million of savings



Eni also engages in commodity risk management and asset backed trading activities. Through the Trading department of the parent company and its wholly-owned subsidiary Eni Trading & Shipping SpA, the Group engages in derivative activities and in crude oil and products supply, trading and shipping services.

> Crude and products traded

more than **600 mmboe**

> Natural gas traded

more than **100 bcm**

Through its wholly-owned subsidiary Versalis, Eni engages in the production and marketing of olefins, basic chemicals, plastics and elastomers. Versalis operations are concentrated in Italy and Western Europe. Recently, Versalis entered the bio-chemical segment to produce advanced and eco-friendly plastics and rubber.

> Strategic partnerships to grow in sustainable niches

> Sales of petrochemical products

3.95 mmtonnes

Through its listed subsidiary Saipem, Eni engages in oilfield services, construction and engineering activities through its partially-owned subsidiary Saipem which provides a full range of engineering, drilling and construction services to the oil and gas industry and downstream refining and chemicals sectors.

> Acquired orders

€13,391 million

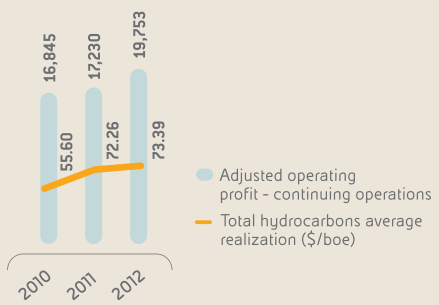
> Order backlog

€19,739 million

Eni at a glance

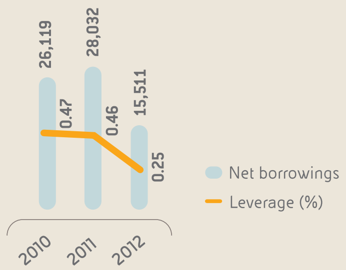
Operating performance

(€ million)



Net borrowings and leverage

(€ million)



Operating performance

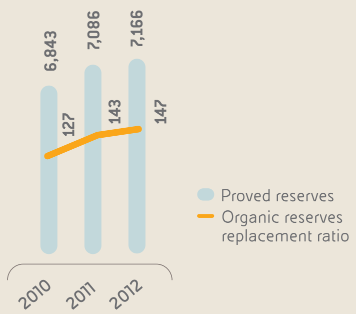
Eni's adjusted operating profit increased by 14.6%, reflecting excellent results delivered by the Exploration & Production Division on the back of an ongoing recovery in the Libyan production and higher realizations.

Net borrowings and leverage

Eni's financial structure was strengthened by the divestment of a significant stake in Snam and the deconsolidation of the investee's finance debt, as well as the start of the commencement of Galp disposition which enabled Eni to nearly cut in half the debt-to-equity ratio.
Net borrowings decreased to €15.5 billion.

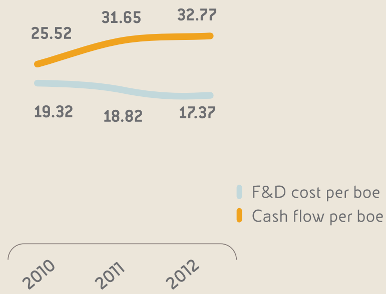
Net proved reserves of hydrocarbons

(million of boe)



Cash flow and F&D cost per boe

($/boe)



Net proved reserves of hydrocarbons

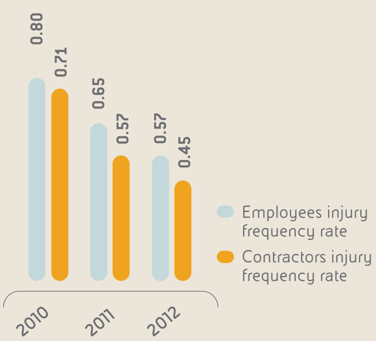
Eni's net proved oil and gas reserves were at the eight-year record. Achieved an organic reserve replacement ratio of 147% through efficient project sanctioning.

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.

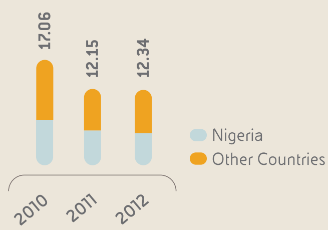
Injury frequency rate

(No. of accidents per million of worked hours)



Gas flaring

(million cubic meters/day)



Injury frequency rate

The injury frequency rate relating to employees and contractors decreased by 12.3% and 21.1% respectively, compared to 2011, progressing for the eighth consecutive year.

Gas flaring

The responsible use of resources was another feature of our 2012 performance where we have achieved an all time low in gas flaring, underpinned by our ability in monetizing our reserves of associated gas by means of marketing it in local outlets and LNG international markets, field reinjection and power plants construction.

Energy savings
We continued to upgrade the energy efficiency of our operations in order to achieve a rational use of energy and process optimization. In R&M and Chemicals, initiatives concluded in 2012 allowed to reach important savings.

Diversity and inclusiveness
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 65% of employees outside Italy.

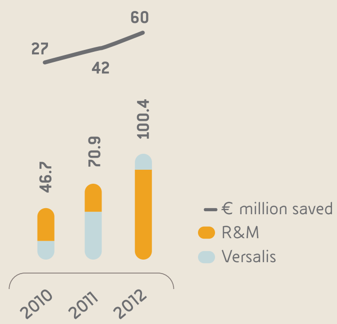
Capex
Capital expenditure was mainly focused on the robust pipeline of exploration and development projects to exploit oil and gas reserves.

Safety of our employees
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 43.3% decrease in the fatality index.

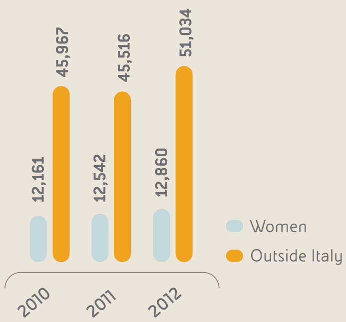
Research and development
Our growth has been supported by technological innovation and the application of advanced methodologies to be applied in harsh contexts, ensuring the protection of the environments and the conservation of sensitive ecosystems and biodiversity.

Customer satisfaction
Our attention to Eni's customers is confirmed by our competitive and up with the times offer, commercial choices and high quality services, in the G&P where we increased the level of customer satisfaction and in the R&M with initiatives targeted at our customers who join the you&eni Program.

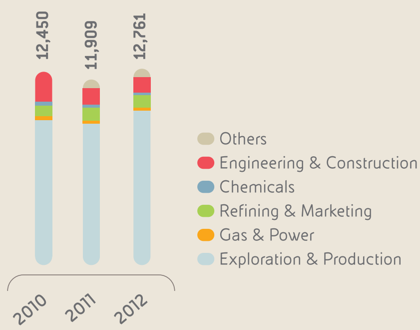
Energy savings
(ktoe avoided)



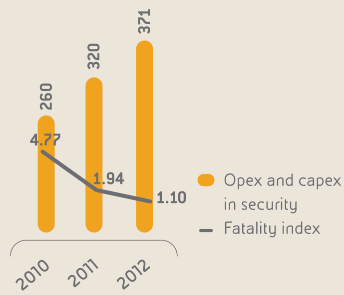
Diversity and inclusiveness
(number)



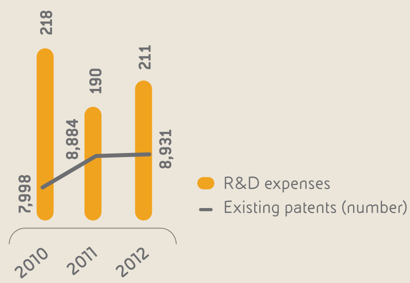
Capex
(€ million)



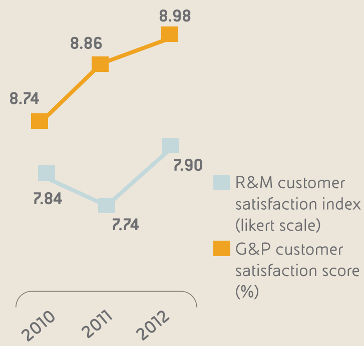
Safety of our employees
(€ million)



Research and development
(€ million)



Customer satisfaction
(likert scale) (%)



The competitive environment

A changing market

The Energy market is more challenging than ever against the backdrop of an uncertain macro-economic scenario, recent trends in global energy demand which is increasingly driven by emerging Countries and the discoveries of high potential basins for hydrocarbon production. In this scenario, Eni's strategic plan is focused on upstream growth a continuing focus on recovery profitability in the mid and downstream businesses, at the same time evaluating selective and sustainable growth opportunities in Extra European markets.

Industrial challenges

Discover new resources: access to emerging mineral potential and unconventional oil/gas (shale gas/tight oil)
The oil&gas industry has become more reliant on exploration in frontier areas to find large mineral potentials in harsh and unknown environments. The energy revolution following the development of new technologies to produce shale gas has been extended to tight oil, with an unexpected production growth in the oil mature region onshore the USA. The oil&gas companies are striving to improve their respective competitive positions in these plays also in basins outside the USA.

Develop, manage and preserve oil and gas reserves
The oil&gas industry has delivered poorly on project execution. At the same time it has been facing hurdles in the complex activity of mitigating natural field declines.
Increased blow out risks considering the relevant role of "difficult oil", located in harsh environments and requiring the adoption of complex technologies. Increased political risks reflecting the high portion of resources located in less stable Countries than the OECD ones. The evolution in the geo-political contest requires all the actors involved to rethink the relationships with the host Countries' Authorities and communities, in order to develop long-term standing relationships.

Dynamism of emerging economies and partnerships with National Oil Companies of producing and consuming Countries
Emerging economies are expected to grow steadily with a higher share of global oil and gas demand coming from these areas. A leading role at an international scale will be played by the National Oil Companies of big consuming Countries, through relevant acquisitions and partnerships signed with producing Countries. New forms of relationship are underway in the energy industry in order to review agreements and cooperation models with the NOCs.

Increasing competitive and regulatory pressure in the European energy market
The European economic downturn negatively effected demand for gas and refined products, in a trading environment characterized by oversupply and liquidity, excess capacity in the refining business and mounting competitive pressure in the gas market. The Authorities in Europe aim at increasing competitiveness and liquidity in the gas market, as well as at changing the indexation mechanism in the regulated tariffs to residential customers. Increasing take-or-pay risk.

Increasing requirements to conduct sustainable operations
Our primary engagement is intended to grant safety to the Company's employees, minimize the use of natural resources in operations through the development of lower energy and water intensive processes and reducing ghg emissions. Pressing for transparency in operations and respect of the highest ethical standards.

Eni's actions and plans	Performance of the year	2016 target
• Growth in conventional exploration, with significant discoveries in Mozambique, Ghana and in the Norwegian Arctic; • Upgrade the non-conventional portfolio in the shale and tight gas plays in Europe, Pakistan, Algeria and China; opportunities in Indonesian Coal Beth Methane and in Congolese tar sand; • Evaluate options to position in oil shale plays; • Develop technologies to explore frontier and harsh areas.	Discovered resources 3.64 bboe	1 bboe/y
• Increase operated production; • Strengthen construction and commissioning organization; • Leverage Eni's strength in managing producing fields, controlling maintenance activities and in reservoir management; • Asset integrity, operational excellence and people safety; • Cooperation model with host Countries.	Hydrocarbon production growth rate up 7% Operated production 2.9 mboe/d	up 4% on yearly average 5.2 mboe/d
• Enhanced partnership with Asian NOCs (Kogas, CNPC); • Signed new agreements in the downstream business in emerging basins, such as Malaysia and South Korea.	Personnel outside Italy 51,034	up 15%
• Ringegotiate long-term gas supply contracts in Europe; • Mitigate the take-or-pay risk; • Strengthen the position in the European gas market and in LNG markets outside Italy; • Relaunch efficiency programmes at European industrial sites; • Achieve the planned new initiatives in green refinery and bio-chemistry; • Retention and enhancement of the customer base.	Renegotiation of supply contracts Benefits from price-revisions Take-or -pay risk Reduced Minimum Take through renegotiations Efficiency in the refining activity around €150 million	Renegotiation of the gas supply portfolio Increase contract indexation to spot prices Reduce the financial risk €200 million
• Develop technologies to minimize the environmental footprint of our operations and water consumption; • Focus on the social impact and economic development of the basins in which Eni operates; • Adoption of anti-corruption procedures and Code of Ethics; • Governance framework.	GHG emission /production 0.225 ton CO_2eq/toe Oil spills from accident 3.3 boe/mln boe	down 30% from 2010 2.4 boe/mln boe

define strategies to seize the opportunities in the energy sector

Our strategy

Eni's excellent market position and competitive advantages derive from the Company's strategic choices which are consistent with the long-term nature of the business. Our long-term success owes to a sustainable business model backed by a framework of clear and straightforward rules of corporate governance, rigorous risk management and adoption of the highest ethical standards.

In 2012 Eni laid the foundations for a new growth phase of its oil and gas production, one which promises to outperform the industry over the medium and long-term. In the meanwhile, Eni has started the reorganization of its mid and downstream activities to manage the current European downturn. In the Chemical segment, Eni has progressed at repositioning the business to deliver sustainable results. Eni's strategies, resource allocation processes and management of day-by-day operations underpin sustainable value creation to shareholders and, more generally, to all of our stakeholders.

The oil&gas industry is copying with a complex scenario featured by the global economic slowdown, particularly in the Euro-zone, 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 is able to manage the complexities of the environment.

In the medium to long-term, the main challenges will be driven by rising competitive pressures in accessing hydrocarbon reserves, stricter regulation addressing environmental preservation and mitigation of the climate risk, growing importance of renewable sources as well as the role of unconventional resources in satisfying energy needs.

Eni's strategy for the 2013-2016 four-year period confirms the priorities of profitably growing oil and gas production, recovering profitability in the downstream gas sector, improving efficiency in downstream oil, chemicals and general services supporting business activities, as well as retaining the global leadership in Engineering & Construction focusing on the most technologically advanced

The new Eni: ideally positioned to deliver growth and returns

E&P Exceptional growth opportunities	- Production to reach ~ 2.5 mboe/d by 2022 - Returns supported by low costs of new giant project
G&P Positioning business for sustainable profitability	- Aligning supply with European hub pricing - Focus on sales and trading integration and premium sales segments
R&M Chemicals Restructuring to positive contribution	- Continuous focus on efficiencies - Profit enhancement through integration, innovation and portfolio refocusing
Capital allocation Tansformed balance sheet	- €19 billion financial improvement from divestments achieved in 2012 - Continuing pragmatic approach to capital management

and innovative segments.

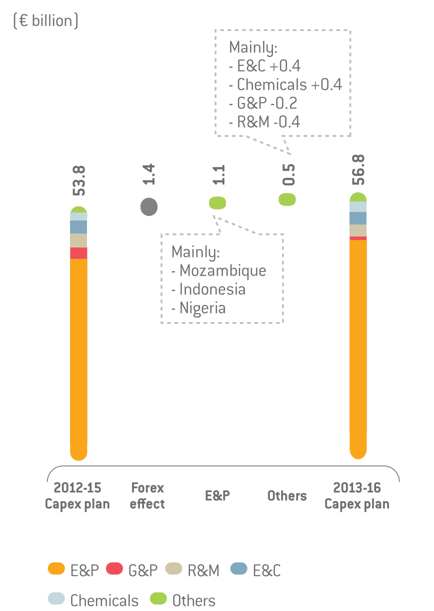
In 2012 following the divestment of a significant interest in Snam and deconsolidation of the investee's net borrowings as well as the transaction involving Eni's interest in Galp, the Group achieved a substantial improvement in its leverage at 2012 year end down to 0.25 thanks to €19 billion of disposals. This renewed and strengthened balance sheet will help the Company mitigate its greater exposure to the Exploration & Production business. The increased weight of upstream activities in Eni's portfolio will yield higher returns but also greater risks and volatility compared to the Italian regulated businesses that were divested in 2012. For these reasons, management will remain strongly focused on preserving the Company's financial structure as well as managing the upstream risks in the foreseeable future. We intend to maintain our leverage within a target range of 0.1-0.3 at our long-term Brent price scenario of $90 a barrel flat in the next four years. This range will allow us to absorb temporary fluctuations in oil prices, the market environment and business results.

Over the next four years, we plan that net cash generated by operating activities will enable Eni to finance a large capital expenditure program amounting to €56.8 billion to fuel production growth. In addition we are committed to raise further €10 billion from completing the disposal of our residual interests in Snam and Galp and other portafolio transactions.

Given the Company's changed business profile and improved balance sheet, management plans to distribute cash to shareholders by means of a revised dividend policy and share repurchases. The new 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.

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.

2013-2016 Capex plan



Business review

2012 was a record year for exploration at Eni with discovered resources about six times yearly production thanks to our outstanding achievements in Mozambique and our other successes in West Africa, in the Barents Sea and in Indonesia. We have also made significant progress in developing projects, further increasing our reserves to best ever levels. Production growth has delivered excellent operating profits at our Exploration & Production Division. In Gas & Power and Refining & Marketing we have realised significant efficiency improvements that have allowed us to absorb most of the effects of the still difficult European scenario.

Business review

Exploration & Production

Key performance indicators

		2010	2011	2012
Employees injury frequency rate	(No. of accidents per million of worked hours)	0.72	0.41	**0.28**
Contractors injury frequency rate		0.48	0.41	**0.36**
Fatality index	(No. of fatalities per 100 million of worked hours)	7.90	1.83	**0.81**
Net sales from operations [a]	(€ million)	29,497	29,121	**35,881**
Operating profit		13,866	15,887	**18,451**
Adjusted operating profit		13,898	16,075	**18,518**
Adjusted net profit		5,609	6,865	**7,425**
Capital expenditure		9,690	9,435	**10,307**
Adjusted ROACE	(%)	16.0	17.2	**17.6**
Profit per boe [b]	($/boe)	11.91	16.98	**15.95**
Opex per boe [b]		6.14	7.28	**7.10**
Cash flow per boe [d]		25.52	31.65	**32.77**
Finding & Development cost per boe [c] [d]		19.32	18.82	**17.37**
Average hydrocarbons realizations [d]		55.60	72.26	**73.39**
Production of hydrocarbons [d]	(kboe/d)	1,815	1,581	**1,701**
Estimated net proved reserves of hydrocarbons [d]	(mmboe)	6,843	7,086	**7,166**
Reserves life index [d]	(years)	10.3	12.3	**11.5**
Organic reserves replacement ratio [d]	(%)	127	143	**147**
Employees at year end	(units)	10,276	10,425	**11,304**
of which: *outside Italy*		*6,370*	*6,628*	***7,371***
Oil spills	(bbl)	3,820	2,930	**3,093**
Oil spills from sabotage and terrorism		18,695	7,657	**8,384**
Produced water re-injected	(%)	44	43	**49**
Direct GHG emissions	(mmtonnes CO_2eq)	31.20	23.59	**28.46**
of which: *from flaring*		*13.83*	*9.55*	***9.46***
Community investment	(€ million)	72	62	**59**

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

2012 Highlights

Performance of the year

- In 2012 employees and contractors injury frequency rate declined by 31.7% and 12.2% compared to the previous year.
- Total greenhouse gas emissions increased by 20.6% due to the recovery of activities in Libya. Greenhouse gas emissions from flaring were in line with 2011 (down 0.9%).
- In 2012 the E&P Division reported a record performance with an adjusted net profit amounting to €7,425 million (up 8.2% from 2011) driven by an ongoing production recovery in Libya.
- Eni reported oil and natural gas production for the full year of 1,701 kboe/day (up 7% from 2011) sustained by the recovery of activities in Libya, the start-up/ramp-up of fields, particularly in Russia and Australia, and higher production in Iraq.
- Estimated net proved reserves at December 31, 2012 was an eight-year record at 7.17 bboe based on a reference Brent price of $111 per barrel. The organic reserves replacement ratio was 147% with a reserves life index of 11.5 years (12.3 years in 2011).
- Oil spills increased in the full year (up 5.6% from accidents and up 9.5% from sabotage and terrorism) due to force majeure and security issues in Nigeria.
- Capital expenditure amounted to €10,307 million (up 9.2% from 2011) to fuel the growth of major projects in Norway, the United States, Congo, Italy, Kazakhstan, Angola and Algeria.
- In 2012 overall R&D expenditure of the Exploration & Production Division

amounted to approximately €94 million (€90 million in 2011).

Mozambique

- The exploration campaign executed in Mozambique in the Area 4 offshore the Rovuma basin proved the Mamba gas complex to be the largest discovery in the Company's exploration history. Eni estimates the full mineral potential of Area 4 at 80 tcf of gas in place. The geological studies confirmed the high productivity of exploration wells. This means that this huge resource base can be exploited with a limited number of producing wells that will make the upstream project highly efficient.
- Signed an agreement with Anadarko Petroleum Corporation for the coordinated development of common offshore activities in Area 4, operated by Eni and Area 1, operated by Anadarko. Furthermore, the two companies will jointly plan and construct onshore LNG liquefaction facilities in Northern Mozambique.
- Signed an agreement with CNPC/Petrochina to sell 28.57% of the share capital of our subsidiary Eni East Africa, which currently owns a 70% interest in Area 4 in Mozambique, for an agreed price of $4,210 million in cash. The deal is subject to approval by relevant authorities. Once finalized, CNPC indirectly acquires, through its 28.57% equity investment in Eni East Africa, a 20% interest in Area 4, while Eni will retain a 50% interest through the remaining controlling stake in Eni East Africa.

Exploration activity

- Full year 2012 was a record for exploration, adding 3.64 bboe of discovered resources, about six times the production of the year, increasing our reserves to best ever levels with rapid time-to-market and cost effectiveness. Our approach in the selective development initiatives, advanced technologies and knowledge management of core basins will be the key to achieve future targets. New resources were, in addition to the above mentioned Mozambique discoveries, the appraisal of the Skrugard/Havis discoveries in the Barents Sea and the Sankofa field in Ghana, a relevant onshore discovery in Pakistan as well as other successes in Egypt, Congo, Indonesia, Angola, the United States and Nigeria.
- Our portfolio was boosted with the acquisition of new exploration acreage in high potential areas such as Kenya, Liberia, Vietnam, Cyprus, offshore Russia and shale gas in Ukraine, as well as legacy areas such as China, Pakistan, Indonesia and Norway.
- Exploration expenditure amounted to €1,850 million (up 52.9% from 2011) to complete 60 new exploratory wells (34.1 net to Eni). The overall commercial success rate was 40% (40.8% net to Eni). In addition 144 exploratory wells drilled are in progress at year end (62 net to Eni).

Portfolio

- The international Contracting Companies of the Final Production Sharing Agreement (FPSA) of the Karachaganak field and the Republic of Kazakhstan closed a settlement agreement of all pending claims relating to the recovery of costs incurred to develop the field. The Contracting Companies divested 10% of their rights and interest in the project to Kazakhstan's KazMunaiGas for $1 billion net cash consideration ($325 million being Eni's share).
- The Consortium partners and the Authorities of the Republic of Kazakhstan reached an agreement on the Amendment to the sanctioned development plan of the Kashagan field (Amendment 4) which included an update to the project schedule, a revision of the investments estimate and the settlement of all pending claims relating to recoverable costs and other tax matters. The commercial production start-up is expected by the end of the first half of 2013.
- Divested production and development assets in Italy, Nigeria, Norway, the United Kingdom and offshore Gulf of Mexico confirming a selective growth approach to optimize Eni's asset portfolio and to enhance the competitiveness of Eni's full-cycle production costs.
- Sanctioned by Venezuelan authorities the development plan of the Perla gas project, in Block Cardón IV (Eni's interest 50%), in the Gulf of Venezuela. Two more phases were sanctioned to reach a production plateau of approximately 1,200 mmcf/d.
- Made final investment decisions to develop fields in Angola, Congo, Nigeria and Italy which are expected to add 59 kboe/d in 2016.

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, Russia, the Barents Sea and the Gulf of Mexico. Eni's strategy is to deliver organic production growth with increasing returns and full reserve replacement. Growth will be fuelled by continuing production start-ups and ramp-ups in Eni's core areas leveraging Eni's vast knowledge of reservoirs and geological basins, as well as technical and producing synergies. We intend to drive higher returns and manage the operational risk in our upstream operations by reducing time to market, increasing total volumes of operated production as well as selectively picking partners in non-operated joint-projects. Our growth trajectory will be supported by our ongoing commitment in establishing and consolidating our partnerships with key host Countries, leveraging the Eni co-operation model. We expect that continuing technological innovation and competence build-up will drive production growth by increasing rates of reserve recovery, developing drilling techniques to be applied in complex environment to fully exploiting marginal fields and leveraging deep/ultra deep offshore areas potential. 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 €39.9 billion to develop reserves over the next four years. An important share of these expenditures will be allocated to certain development projects which will support the Company's long-term production plateau, in particular we plan to

start developing the recent gas discovery offshore Mozambique and to progress large and complex projects in the Barents Sea, Nigeria and Indonesia.
We are also planning to maintain a prevailing share of projects regulated by production sharing agreements in our portfolio; this will shorten 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 €5.5 billion, which are intended to pursue finding projects in well-established basins and in high potential frontier areas.

Approximately €1.8 billion will be spent to execute development projects through equity-accounted entities.

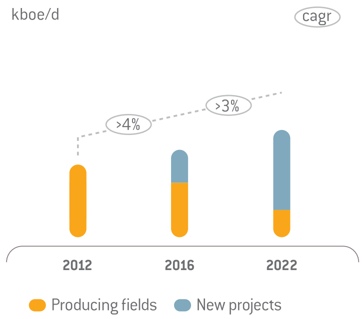
Maintain strong production growth

Eni's Exploration & Production segment engages in oil and natural gas exploration and field development and production, as well as LNG operations in 43 Countries, including Italy, Libya, Egypt, Norway, the UK, Angola, Congo, the United States, Kazakhstan, Russia, Algeria, Australia, Venezuela, Iraq and Mozambique.
The main driver of future growth will be the start-up of new fields which we estimate to add more than 700 kboe/d of new production by the end of the plan horizon. We have a good level of visibility on those new projects as we have already sanctioned 65% of these projects and we expect to arrive at 90% by the end of 2013.
Management will focus on delivering the planned projects on time and on budget. We acknowledge that most of our projects are complex due to scale and reach of operations, environmentally-sensitive or remote locations, harsh external conditions, industry limits and other considerations.
We intend to implement a number of initiatives to support profitability 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 the upstream industry is exposed to the risks of project delays and cost overruns. We plan to mitigate those risks by: (i) in-sourcing critical engineering and project management activities; (ii) strict monitoring of construction activities; and (iii) signing framework agreements with major suppliers, using standardized specifications to speed up the pre-award process for critical equipment and plants, increasing focus on supply chain programming to optimize order flows.
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: 2012 and outlook

Eni reported liquids and gas production for the full year of 1,701 kboe/d, up 7% from 2011. The performance was driven by an ongoing recovery in Libyan production and continuing field start-up and ramp-up mainly in Russia and Australia, as well as increased production in Iraq. The share of oil and natural gas produced outside Italy was 89%.
In the year we achieved the following main start-ups: (i) the MLE field (Eni's interest 75%) as part of the MLE-CAFC integrated project, in Algeria. A natural gas treatment plant started operations with a production and export capacity of approximately 320 mmcf/d of gas, 15 kbbl/d of oil and condensates and 12 kbbl/d of GPL; (ii) the Seth field located in the Ras el Barr concession (Eni's interest 50%). Production is processed at the El Gamil onshore plant. Production plateau is expected at approximately 170 mmcf/d (approximately 11 kboe/d net to Eni); (iii) the satellites Kizomba Phase 1 project in the Development Areas of former Block 15 (Eni's interest 20%), in Angola. Peak production of 72 kbbl/d (12 kbbl/d net to Eni) is expected in 2013; (iv) Phase 2A project located in service contract OML 119, in Nigeria, with a peak production at 15 kbbl/d; (v) the Samburgskoye field (Eni's interest 29.4%) located in the Yamal-Nenets area, in Siberia, by means of the first and the second train with an expected production level of 95 kboe/d (28 kboe/d net to Eni).
The outlook for the production of liquids and gas is positive in 2013. Management expects to grow production by ramping-up fields started in 2012 and major project start-ups in 2013, mainly those in Angola and Algeria.
According to management's plans, production growth will continue in the coming years as the Company is targeting an annual growth rate higher than 4% on average in the next 2013-2016 four-year period, based on our long-term Brent price assumptions of 90 $/bbl.

Production growth



Brent ($/boe)	2013/2016	2022
	90	+2%/year

To achieve that target, we intend:
- to leverage our robust pipeline of project start-ups, particularly in North Africa, Sub-Saharan Africa, Venezuela, Barents Sea, Yamal Peninsula, Kazakhstan, Iraq and Far East;
- to maximize the production recovery rate at our current fields by counteracting natural field depletion. We expect a low decline rate of approximately 4% on average in the next four-year period leveraging on dynamic reservoir management and intense production optimization activities;
- to monetize our reserves of associated gas in particular in Africa, targeting to reach zero flaring by 2017.

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, 2012 was an eight-year record at 7.17 bboe based on a reference Brent price of $111 per barrel. Additions to proved reserves booked in 2012 derived from: (i) revisions of previous estimates were 576 mmboe mainly reported in Venezuela, Kazakhstan, Nigeria and Egypt; (ii) extensions, discoveries and other factors were 349 mmboe, with major increases booked in Venezuela, Kazakhstan and Angola; (iii) improved recovery were 28 mmboe mainly reported in Algeria and Nigeria. The reserves life index is 11.5 years.
Eni intends to pay special attention to reserve replacement in order to ensure the medium to long-term sustainability of the business. In 2012, we achieved a strong reserve organic replacement ratio of 147%

through fast sanctioning and time to market of new projects. We made final investment decisions to develop fields in Angola, Congo, Nigeria and Venezuela as well as other minor projects in Italy. Eni will continue focusing on well-established areas of presence where availability of production facilities will enable the Company to readily put in production discovered reserves. We plan to increase returns at our oil and gas projects by reducing time to market, as 90% of the discoveries made in 2008-2012 will reach production within 8 years from their discovery.
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.

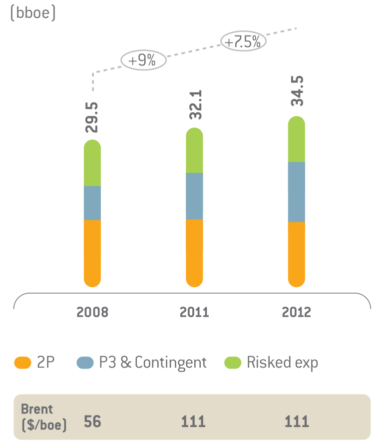
Exploration

Exploration activities play a major role in our sustainable growth strategy by fuelling new production and securing access to new opportunities.
In 2012 exploration expenditure amounted to €1,850 million (up 52.9% from 2011) and extraordinary success was achieved in terms of size and potential of new discoveries. Exploration in 2012 contributed to increase our resource base by 3.64 bboe, about six times the production of the year. Our exploration results support our capacity to deliver sustainable returns on new projects under almost any oil-price scenario with a very competitive discovery cost of 60 cents per barrel. Eni's resource base achieved 34.5 billion boe.
The exploration campaign executed in Mozambique in Area 4 offshore the Rovuma basin proved the Mamba gas complex to be the largest discovery in the Company's exploration history. Eni estimates the full mineral potential of Area 4 at 80 tcf of gas in place. Geological studies confirmed the high productivity of exploration wells. This means that this huge resource base can be exploited with a limited number of producing wells that will make the upstream project highly efficient. On development, we will jointly build with Anadarko onshore LNG facilities in Northern Mozambique. We will now proceed rapidly with the technical and commercial activities. The final investment decision is expected in 2014.

World-class discoveries have been made in the Barents Sea with the appraisal campaign of the mineral potential at the oil and gas Skrugard discovery and the new Havis oil and gas discovery in the PL532 license (Eni's interest 30%). Both fields are planned to be put in production by means of a fast-track synergic development. In addition we have made the gas and condensate Salina discovery in the PL 533 licence (Eni's interest 40%). In Ghana, appraisal activities at the Sankofa discovery in the Offshore Cape Three Points licence (Eni operator with a 47.22% interest) confirmed the overall potential of the discovery to be around 450 million barrels of oil in place. A relevant onshore discovery was made in Pakistan with estimated resources of 300 to 400 bcf of gas in place and in line with Eni's strategy of focusing on conventional and synergic assets. Other significant exploration successes were achieved in Egypt, Congo, Indonesia, Angola, the United States and Nigeria where synergies with existing infrastructures will reduce the time-to-market of discovered resources.

Our consistent performance confirms the effectiveness of our exploration strategy, with its focus on proven basins, a select number of high-potential frontier themes and accelerating appraisal campaigns. Building on this success, over the next four years we will confirm our exploration efforts to further strengthen the basis of our long-term growth. Exploration projects will attract some €5.5 billion in the next four years to appraise the latest discoveries made by the Company and to support continuing reserve replacement. The most important amounts of exploration expenses will be incurred in Angola, Russia, the United States, Nigeria, Egypt, Norway and Indonesia; important resources will be dedicated to explore new areas (Kenya, Vietnam, Ukraine and Cyprus) and on unconventional plays.
Over the next four years we aim to discover approximately 1 billion boe of resources per year, at an average unit exploration cost of $2 per boe. We will continue to focus on assets with high materiality and fast time to market, concentrating on plays where we have experience and good knowledge of the geological model. We are also renewing our portfolio in new basins close to areas with high demand growth.
As of December 31, 2012, Eni's mineral right portfolio consisted of 1,072 exclusive or shared rights for exploration and development in 43 Countries on five continents for a total acreage of 251,170 square kilometers net to Eni of which developed acreage was 40,939 square kilometers and undeveloped acreage was 210,231 square kilometers. Eni's portfolio was boosted with the acquisition of new exploration acreage in high potential areas such as Kenya, Liberia, Vietnam, Cyprus, offshore Russia and shale gas in Ukraine, as well as legacy areas such as China, Pakistan, Indonesia and Norway.

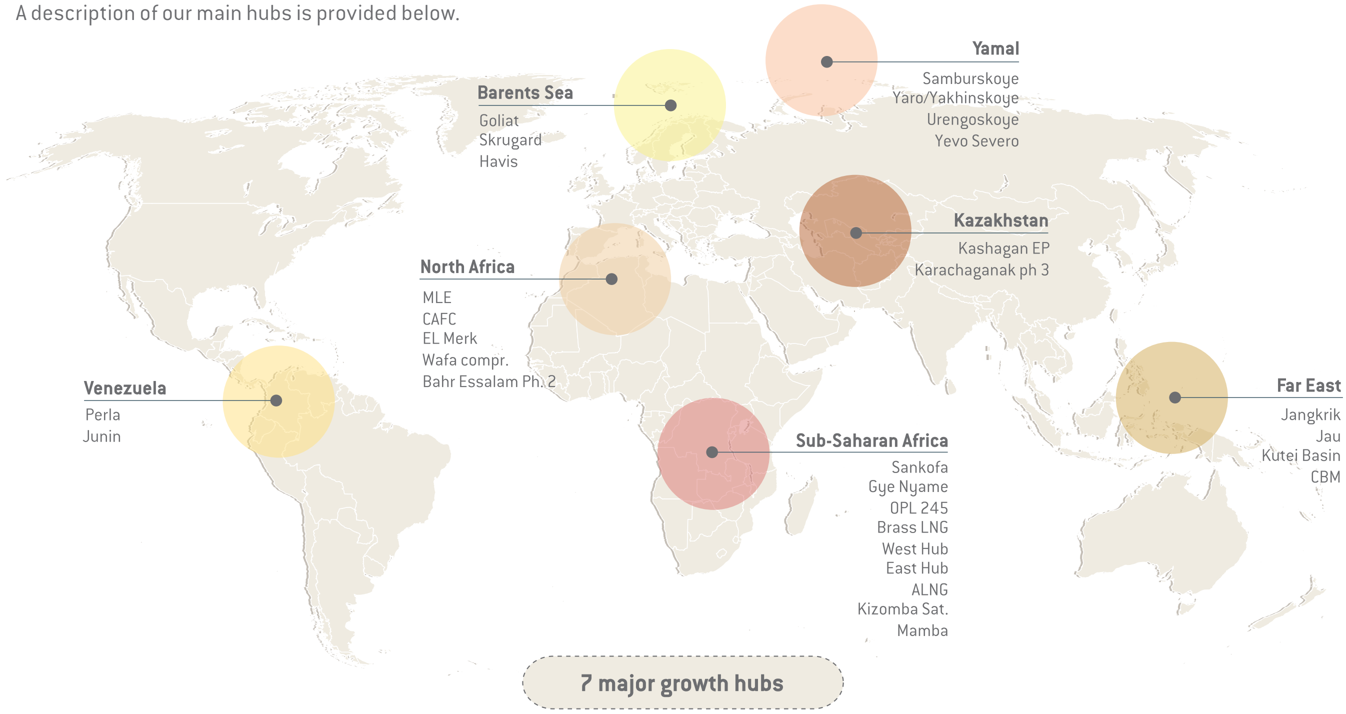
Total resources



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 expect that costs to develop and operate fields will increase in future years due to sector-specific inflation, and growing complexity of new projects. We plan to counteract those cost increases by leveraging on: (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.

A description of our main hubs is provided below.



> Oil & gas major hubs

Africa

Historically, Africa has been the backbone of Eni's production and growth, and it will be a key driver of our future. Our asset base is robust with a 1.5 million boe/d of operated production. We have major development projects with 5 bboe of 2P reserves, with significant exploration upside of 4.7 bboe of risked resources. Leveraging on our history in the area and long-term relationships we expect to gain further access to new opportunities.

While Libya and Egypt are the pillars of our current production in the area, our main ongoing projects are located in Algeria, Angola and moving to long-term in Mozambique.

Algeria – We achieved the production start-up at the MLE (Eni 75%) field as part of the MLE-CAFC integrated project; and lately, at the El Merk (Eni 12.25%) project. These projects will add 30 kboe/d in 2013 and will grow to 45 kboe/d at the end of 2016.

Angola – Block 15/06 (Eni 35%, Op.) is our major giant development in this Country. The potential resources will be developed within the West Hub and the East Hub projects. Production start-up of the West Hub is expected in 2014 with a peaking production of 25 kbbl/d in 2016. The East Hub will be sanctioned in 2013. Peak production is expected at approximately 15 kbbl/d.

Kazakhstan

Kazakhstan is one of our legacy Countries where we have interests in the Karachaganak (Eni 29.25%, Op.) and the Kashagan (Eni 16.81%) supergiant fields.
The Karachaganak field still contains about 5 bboe of reserves, approximately four times the amount already produced, with competitive production costs. Phase 3 of development is currently under study. The project is aimed at further developing gas and condensates reserves by means of the installation, in stages, of gas treatment plants and re-injection facilities to increase gas sales and liquids production. The development plan is currently in the phase of technical and marketing definition to be presented to the relevant Authorities.
Start-up and commercial production of the Kashagan field is confirmed by the end of the first half of 2013, as agreed with the Republic of Kazakhstan. In 2013 the project will add approximately 20 kboe/d.

Russia

In recent years, project development has been sped up in Russia. We have 5 giant gas and condensates fields (Eni's interest 29.4%) located in the Yamal Peninsula, in Siberia. In 2012, production started-up at the Samburgskoye field by means of the first and the second train with an expected production level of 95 kboe/d (28 kboe/d net to Eni). In addition, planned activities progressed at the sanctioned Urengoiskoye field. Start-up is expected in 2014. Activities are progressing also on the Yaro-Yakhinskoye field. The Yamal hub will provide a plateu of 165 kboe/d by 2016.

Barents Sea

Goliat represents the first oil development in the Barents Sea. We have already obtained governmental approval. Development provides for the use of a cylindrical FPSO unit linked to an underwater production system. Gas produced will be injected in the field. Start-up is expected in 2014 with a production plateau at approximately 100 kbbl/d. Activities progressed at the Skrugard, Havis and Salina discoveries to be developed in future years.

Venezuela

Our main development activities are the Perla (Eni 50%) and Junin 5 (Eni 40%) giant projects. Production started up at the Junin 5 field. Early production of the first phase is expected at plateau of 75 kbbl/d in 2015, targeting a long-term production plateau of 240 kbbl/d to be reached by 2018.
Venezuelan relevant authorities sanctioned the full field development plan of the Perla gas discovery. The early production phase includes the utilization of the already successfully drilled discovery/appraisal wells and the installation of production platforms linked by pipelines to the onshore treatment plant. Target production of approximately 300 mmcf/d is expected in 2015.
Overall the ongoing projects in Venezuela will contribute approximately 50 kboe/d to our production plateau in 2016.

Business review

Gas & Power

Key performance indicators [*]

		2010	2011	2012
Employees injury frequency rate	(No. of accidents per million of worked hours)	3.97	2.44	**1.84**
Contractors injury frequency rate		4.00	5.22	**3.64**
Net sales from operations [a]	(€ million)	27,806	33,093	**36,200**
Operating profit		896	(326)	**(3,221)**
Adjusted operating profit		1,268	(247)	**354**
Marketing		*923*	*(657)*	***45***
International transport		*345*	*410*	***309***
Adjusted net profit		1,267	252	**473**
Pro-forma adjusted EBITDA		2,562	949	**1,314**
Marketing		*1,863*	*257*	***856***
International transport		*699*	*692*	***458***
Capital expenditure		265	192	**225**
Worldwide gas sales [b]	(bcm)	97.06	96.76	**95.32**
LNG sales [c]		15.00	15.70	**14.60**
Customers in Italy	(million)	6.88	7.10	**7.45**
Electricity sold	(TWh)	39.54	40.28	**42.58**
Employees at period end	(units)	5,072	4,795	**4,752**
Direct GHG emissions	(mmtonnes CO_2eq)	13.41	12.77	**12.70**
Customer satisfaction score (CSC) [d]	(%)	87.4	88.6	**89.8**
Water consumption/withdrawals per kWheq produced	(cm/kWheq)	0.013	0.014	**0.012**

(*) Following the divestment plan of the Regulated Business in Italy, results of the Gas & Power Division include Marketing and International transport activities. Prior periods have been modified on a like-for-like basis.
(a) Before elimination of intragroup sales.
(b) Include volumes marketed by the Exploration & Production Division of 2.73 bcm (5.65 and 2.86 bcm in 2010 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) 2012 figure is calculated as the average of the CSS reviewed by the AEEG in the first half of 2012 and the result reviewed by the Eni satisfaction survey in the second half of 2012.

2012 Highlights

Performance of the year

- In 2012, Eni's continuous commitment and the resources dedicated to safety allowed to improve significantly the accident frequency rate. In particular a positive trend was confirmed for employees (down 24.6% from 2011), while the rate for contractors returned to levels lower than in 2010, improving by 30% from 2011.
- In 2012, the water consumption rate of EniPower's plants declined both in general (down 11.2% from 2011) and per kWh produced (down 13.8%).
- In 2012, adjusted net profit was €473 million, almost doubling the 2011 results. This reflected a better performance of the Marketing business in a context of weak demand and mounting competitive pressures. Declining selling prices were more than offset by the benefits associated with the renegotiations of the supply contracts, certain of which with effects retroactive to 2011, and an improved supply mix following the full recovery of Libyan supplies.
- Worldwide gas sales decreased by 1.5% to 95.32 bcm due to lower European demand and competitive pressures. Sales in Italy were in line with 2011, while they declined slightly in European markets, in particular in Benelux due to competitive pressure and in the Iberian Peninsula due to the divestment of Galp.
- Electricity sales of 42.58 TWh increased by 2.30 TWh from 2011, up 5.7%.
- Capital expenditure of €225 million concerned essentially flexibility and upgrading of combined cycle power stations (€131 million) and initiatives in gas marketing (€81 million).

Commercial Agreements in the Far East

- Eni signed a trilateral agreement with Korea Gas Corporation and Japanese company Chubu Electric Power Company for the sale of 28 loads of LNG (liquefied natural gas) corresponding to 1.7 million tonnes of LNG in the 2013-2017 period.

Entry in the French and Belgian markets

- In October 2012, Eni launched its brand in the gas retail market in France and in the business and retail gas and power market in Belgium. The Eni brand replaced the local brands of the operators acquired in the past few years with the aim of becoming one of the major retail operators in France and Belgium while consolidating its leadership on the Belgian business market.

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 natural gas market in Europe is facing a weaker-than-anticipated demand growth due to the economic downturn and rising competitive pressures fuelled by ongoing oversupplies. These trends will reduce sales opportunities and fuel continuing price pressure also considering the rigidities at long-term supply contracts with take-or-pay clauses. Difficult market conditions in the European gas sector are expected to continue at least over the next two years.

Given this challenging market scenario, we intend to improve the profitability at our Gas & Power segment by renegotiating our long-term supply contracts in order to enhance the competitiveness of the Company's gas offer and to mitigate the take-or-pay risk to our liquidity as we manage through the downturn. We plan to retain our market share in Italy and Europe by leveraging the expected improved costs in procurement and logistics and effective commercial actions. The return to profitability will be helped by developing LNG sales in international markets and optimizing margins by means of our trading activities.

The Gas & Power strategic guidelines are the following:

- **Renegotiate the bulk of the supply contracts seeking to align supply prices with hub prices less logistic costs and to increase contract flexibility.**
- **Retain the Company's market share in Italy.**
- **Expand in the industrial and wholesale segments across Europe by developing new structured products.**
- **Leverage on trading activities to boost marketing margins.**
- **Grow LNG sales.**

Management believes that profitability in the Company's gas marketing business will gradually recover along the plan period, however the visibility into future results of operations is constrained by the ongoing volatility in marketing margins. Our profitability outlook factors in the expected benefits of ongoing renegotiations at the Company long-term supply contracts which the Company is seeking to finalize over time during the plan period. Currently, 80% of Eni's supplies are under renegotiation.

Management will also seek to improve profitability by means of cost efficiencies, streamlining business support activities and reducing marketing, general and administrative costs. In addition, the Company intends to capture margins improvements by means of 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. As part of this strategy, the Company intends to improve results of operations by effectively managing the flexibilities associated with the Company's assets (gas supply contracts, transportation rights, and customer base and market position). This can be achieved through strategies of asset-backed trading by entering into arbitrage contracts to leverage on commodity price volatility exploiting the flexibility provided by the Company's assets.

Gas Market trends

Management expects the outlook in the European gas sector to remain unfavourable over the short to the medium-term due to continuing demand weakness and oversupplies, against the backdrop of the economic downturn.

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, 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. In spite of the fact that part of the 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, including Eni, have seen their profit margins squeezed by rising trends in costs of oil-linked gas supplies, as provided by pricing formulas in long-term supply contracts. In addition, minimum off-take obligations 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 2012, gas demand in Europe declined by 2% (down by 4% in Italy) due to lower consumption in all market segments on the back of the economic downturn. The power generation segment recorded the steepest fall, hit by an ongoing expansion in the use of renewable sources and a shift to coal as feedstock for power plants due to cost advantages. Due to the severity of the contraction in European gas demand and ongoing uncertainties in the macroeconomic outlook, management has revised down its projections of gas demand over the medium to long-term to factor in a number of trends:

- uncertainties and volatility in the current macroeconomic cycle;
- growing adoption of consumption patterns and life-styles characterized by wider sensitivity to energy efficiency; and
- EU policies intended to reduce GHG emissions and promoting renewable energy sources, following prescriptions set by the Climate Change and Renewable Energy package (the so-called PEE 20-20-20).

Management now expects EU demand to increase at an average growth rate of approximately 1.8% along the planning period. Gas demand in Italy is expected to grow with an average rate of approximately 1.7% in the same period. The projected level of gas demand in 2016 is significantly below the level recorded in the pre-crisis years.

As a result of those drivers, we expect that current market imbalances will continue over the next two to three years. Looking beyond, however, we believe that certain potential catalysts may help rebalance the European gas market. Those include: possible developments in the decommissioning of nuclear plants in countries like Japan, Taiwan and in Europe; continuing growth in LNG imports in China, India and other emerging countries in East Asia, Middle East and South America where we expect that consumption will increase significantly mainly driven by robust rates of economic development; the possible enactment of stricter environmental regulation in the EU; and finally we expect that gas production in Europe will progressively decline due to mature field depletion while the gas balance might tighten in the North African area due to growing consumption. 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: 2012 and outlook

In 2012, sales of natural gas were 95.32 bcm, down 1.44 bcm or 1.5% from 2011.
Sales volumes on the Italian market were substantially stable at 34.78 bcm (up 0.10 bcm, or 0.3% from 2011). Lower sales to the power generation segment, industrial customers and wholesalers, due to the negative scenario and increasing competitive pressure, were offset by higher sales at Italian hubs and, at a lower extent, to the residential segment reflecting efficient commercial initiatives.
Sales on target markets in Europe of 48.29 bcm showed a slight decline from 2011 (down 2.9%). This decline was mainly due to lower sales in Benelux and in the Iberian Peninsula due to the exclusion of Galp sales after the loss of control, offset only in part by increases recorded in France and in Germany/Austria.
Sales to markets outside Europe increased by 0.55 bcm due to higher LNG sales in the Far East, in particular in Japan.

Gas sales by market (bcm)

	2010	2011	2012
ITALY	**34.29**	**34.68**	**34.78**
Wholesalers	4.84	5.16	**4.65**
Gas release	0.68		
Italian gas exchange and spot markets	4.65	5.24	**7.52**
Industries	6.41	7.21	**6.93**
Medium-sized enterprises and services	1.09	0.88	**0.81**
Power generation	4.04	4.31	**2.55**
Residential	6.39	5.67	**5.89**
Own consumption	6.19	6.21	**6.43**
INTERNATIONAL SALES	**62.77**	**62.08**	**60.54**
Rest of Europe	**54.52**	**52.98**	**51.02**
Importers in Italy	8.44	3.24	**2.73**
European markets	46.08	49.74	**48.29**
Iberian Peninsula	*7.11*	*7.48*	***6.29***
Germany/Austria	*5.67*	*6.47*	***7.78***
Benelux	*15.64*	*13.84*	***10.31***
Hungary	*2.36*	*2.24*	***2.02***
UK/Northern Europe	*4.45*	*4.21*	***4.75***
Turkey	*3.95*	*6.86*	***7.22***
France	*6.09*	*7.01*	***8.36***
Other	*0.81*	*1.63*	***1.56***
Extra European markets	**2.60**	**6.24**	**6.79**
E&P in Europe and in the Gulf of Mexico	**5.65**	**2.86**	**2.73**
WORLDWIDE GAS SALES	**97.06**	**96.76**	**95.32**

In 2013 management expects to achieve stable natural gas sales compared to 2012 on a homogeneous basis, i.e. excluding the impact of the Galp divestment.

Marketing strategy: planned actions

Over the 2013-2016 period, Eni's marketing strategy will focus on certain distinct commercial objectives:

- to maintain its leadership in the Italian market mainly by strengthening the customer base in the valuable segments of retail consumers and small and medium businesses;
- to strengthen Eni's position in Europe in the business gas market, where the Company has a well balanced portfolio in terms of geographies, customer segments and contract duration.

In particular management plans to regain market share in Italy and to expand sales in European target markets by leveraging first of all on the improved competitiveness of the Company's cost position reflecting the expected benefits of the renegotiation of its supply contracts. About the marketing effort, we intend to improve the quality of our offer. We are targeting the industrial and wholesale segment across Europe, where we have integrated our commercial and trading operations in order to develop new structured products for those sophisticated customers. Those products will include multiple pricing options and volume flexibility.

Eni in Europe

The percentage represents Eni's interest in each subsidiary as of December 31, 2012.

In order to increase exposure to the retail segment, management plans to expand its customer base in Italy and outside Italy, by almost 3 million clients in the next four years to reach a total of 14 million customers by 2016, strengthening Eni's position in this segment. Particularly in the retail market in Italy, Eni's marketing action will focus on the combined commercial offer "luce, gas, carburanti" (electricity, gas and fuels), high standards of service, and the adoption of lean marketing procedures to facilitate customers' tasks and optimization of commercial channels (such as agencies, remote selling, energy stores) with a strong focus on web channels.

eni3: Our combined commercial offer

In November 2012, Eni launched the first combined commercial offer, integrating gas, electricity and fuels, addressed to the retail segment in Italy.

eni3 offers:

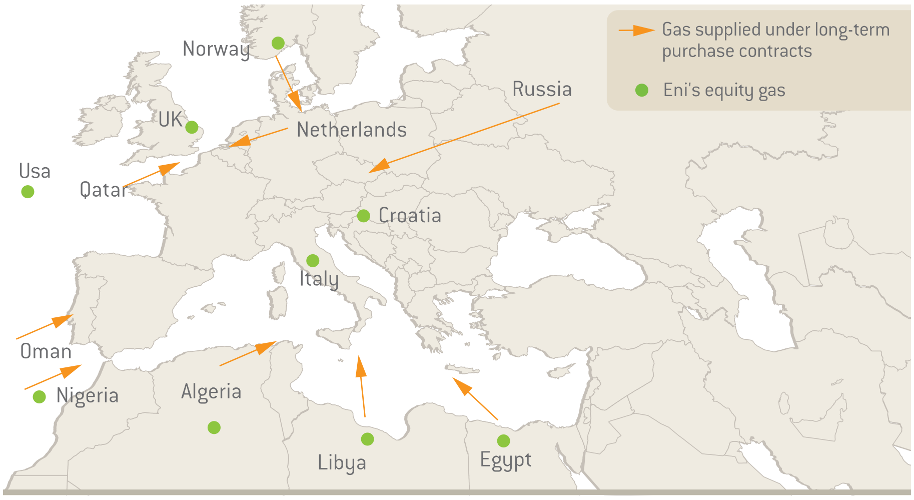
- a fixed portion of the total price of gas and electricity for a three-year period, free for two months a year;
- prizes to customer in proportion to their purchases of fuels on a loyalty card at Eni service stations (€0.6 of prize for each liter of fuel), for a maximum of 1,000 liters purchased until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

Supply

In order to secure long-term access to gas availability, particularly with a view of supplying the Italian gas market, Eni has signed a number of long-term gas supply contracts with key producing Countries that supply the European gas markets. These contracts have been ensuring approximately 80 bcm/y of gas availability from 2010 (including the Eni Gas & Power NV portfolio of supplies and excluding Eni's other subsidiaries and affiliates) with a residual life of approximately 16 years and a pricing mechanism that indexes the cost of gas to the price of crude oil and its derivatives (gasoil, fuel oil, etc.).

In 2012, Eni's consolidated subsidiaries supplied 86.74 bcm of natural gas, representing an increase of 3.36 bcm, or 4% from 2011. Gas volumes supplied outside Italy (79.19 bcm from consolidated companies), imported in Italy or sold outside Italy, represented approximately 91% of total supplies, an increase of 3.03 BCM, or 4%, from 2011, mainly reflecting higher volumes purchased from Libya (up 4.23 BCM), almost tripled from 2011 when the GreenStream gas pipeline had been shutdown.

Eni's supply portfolio



LNG

Eni is present in all phases of the LNG business: gas feeding, liquefaction, shipping, re-gasification and sale through operated activities or interests in joint ventures and associates. Eni's presence in the business is synergic with 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 a changing market scenario and to increase the value of the commodity entering in new markets. Looking forward, we expect that the LNG business will be one of the major drivers of our Gas & Power Division. We are targeting to increase LNG sales and profitability mainly through cargo diversion to Asia or South America and we have signed long-term supply agreements with clients in East Asia. At present, we participate through our affiliates in a number of facilities located in Spain (regasification) 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

Eni's main power generation plants are located in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi, Ferrara and in various photovoltaic parks.
In 2012, power production was 25.67 TWh, down 0.44 TWh, or 1.7% from 2011, mainly due to increased production at the Ferrara plant, offset in part by decreases at the Ferrera Erbognone and Ravenna plants. As of December 31, 2012, installed operational capacity was 5.3 GW. Power availability in 2012 was supported by the growth in electricity trading activities (up 1.86 TWh, or 12.4%) due to higher volumes traded on the Italian power exchange benefiting from lower purchase prices. By 2015, Eni expects to complete its plans for capacity expansion targeting an installed capacity of 5.4 GW. In the medium term, Eni intends to consolidate operations at its power generation plants and to enhance the flexibility of assets in order to better meet market needs. Furthermore Eni intends to develop the production from renewable sources focusing on photovoltaic power plants, and on the Company's "Green Chemistry" project for the remediation of the Porto Torres site, where it will be also build a bio-mass power plant.

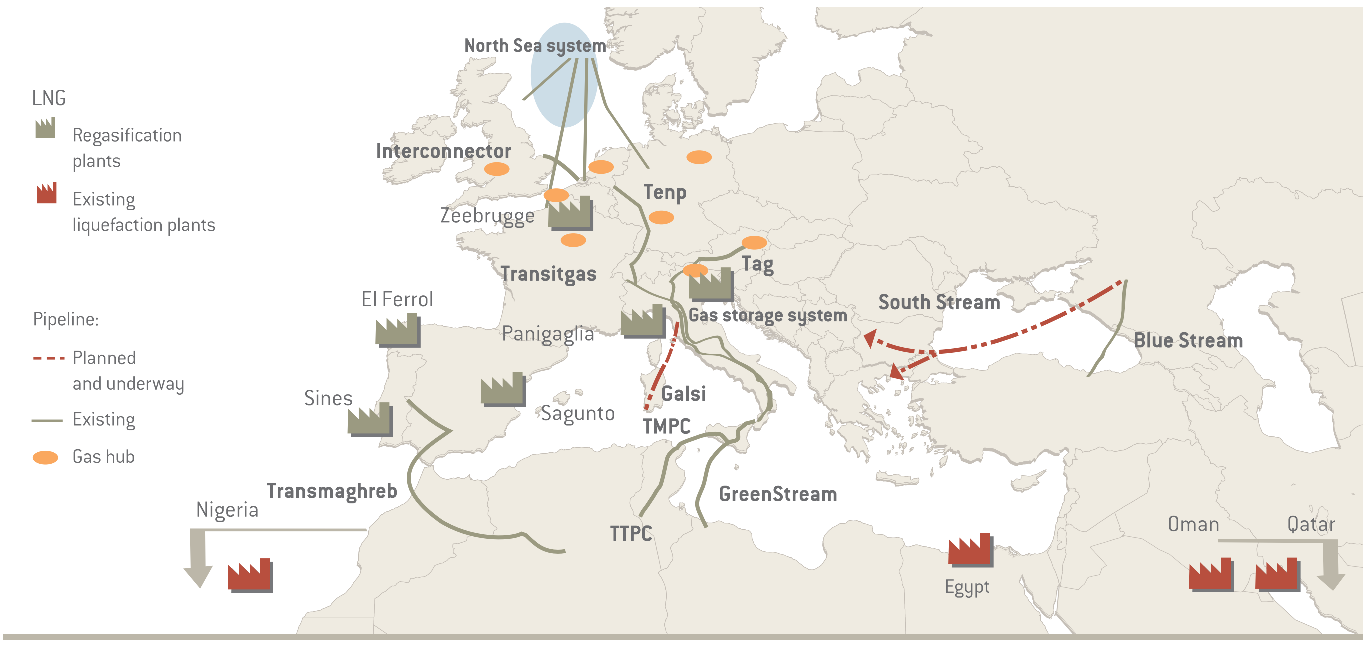
International transport

Eni owns capacity entitlements in an extensive network of international high pressure pipelines enabling the Company to import natural gas produced in Russia, Algeria, the North Sea, including the Netherlands and Norway, and Libya to Italy. The Company participates to both entities which own and operate the pipelines, the pipeline owners, and entities which manage transport rights, the carriers. For financial reporting purposes, such entities are either fully-consolidated or equity-accounted depending on the Company's interest or agreements with other shareholders.

Follows a description of the main international pipelines currently participated or operated by Eni.

- **TTPC** The pipeline, 740-kilometer long, made up of two lines that are each 370-kilometer long with a transport capacity of 33.2 bcm/y and five compression stations. This pipeline transports natural gas from Algeria across Tunisia from Oued Saf Saf at the Algerian border to Cap Bon on the Mediterranean coast where it links with the TMPC pipeline.
- **TMPC** The pipeline for the import of Algerian gas is 775-kilometer long and consists of five lines that are each 155-kilometer long with a transport capacity of 33.5 bcm/y. It crosses the underwater Sicily Channel from Cap Bon to Mazara del Vallo in Sicily, the point of entry into the Italian natural gas transport system.
- **GreenStream** The pipeline, jointly-owned with the Libyan National Oil Co, started operations in October 2004 for the import of Libyan gas produced at Eni operated fields Bahr Essalam and Wafa. It is 520-kilometer long with a transport capacity of 8 bcm/y expandible to 11 bcm/y and crosses underwater in the Mediterranean Sea from Mellitah on the Libyan coast to Gela in Sicily, the point of entry into the Italian natural gas transport system.
- Eni holds a 50% interest in the **Blue Stream** underwater pipeline (water depth greater than 2,150 meters) linking the Russian coast to the Turkish coast of the Black Sea. This pipeline is 774-kilometer long on two lines and has transport capacity of 16 bcm/y. It is part of a joint venture to sell gas produced in Russia on the Turkish market.

Principal gas transport infrastructures in Europe



Business review

Refining & Marketing

Key performance indicators

		2010	2011	2012
Employees injury frequency rate	(No. of accidents per million of worked hours)	1.77	1.96	**1.08**
Contractors injury frequency rate		3.59	3.21	**2.32**
Net sales from operations [a]	(€ million)	43,190	51,219	**62,656**
Operating profit		149	(273)	**(1,303)**
Adjusted operating profit		(181)	(539)	**(328)**
Adjusted net profit		(56)	(264)	**(179)**
Capital expenditure		711	866	**842**
Refinery throughputs on own account	(mmtonnes)	34.80	31.96	**30.01**
Conversion index	(%)	61	61	**61**
Balanced capacity of refineries	(kbbl/d)	757	767	**767**
Retail sales of petroleum products in Europe	(mmtonnes)	11.73	11.37	**10.87**
Service stations in Europe at year end	(units)	6,167	6,287	**6,384**
Average throughput per service station in Europe	(kliters)	2,353	2,206	**2,064**
Retail efficiency index	(%)	1.53	1.50	**1.48**
Employees at period end	(units)	8,022	7,591	**7,125**
Direct GHG emissions	(mmtonnes CO_2eq)	7.76	7.23	**6.03**
SO_x emissions (sulphur oxide)	(ktonnes SO_2eq)	28.05	23.07	**16.99**
NO_x emissions (nitrogen oxide)	(ktonnes NO_2eq)	7.96	6.74	**5.87**
Water consumption rate (refineries)/refinery throughputs	(cm/tonnes)	28.36	30.98	**25.33**
Biofuels marketed	(mmtonnes)	17.79	13.26	**14.83**
Customer satisfaction index	(likert scale)	7.84	7.74	**7.90**

(a) Before elimination of intragroup sales.

2012 Highlights

Performance of the year

- The injury frequency rates decreased from 2011 (down 45% for employees and 27.7% for contractors).
- In 2012 the trend in GHG, NO_x and SO_x, emissions continued to decline, benefiting from energy saving measures and increasing use of natural gas to replace fuel oil.
- The 2012 scenario was weighted down by a steep fall in fuel demand in Italy and continued deteriorating fundamentals in the refining activity. Against this backdrop, Eni's Refining & Marketing Division managed to reduce adjusted operating loss by €85 million from 2011 (down €179 million) due to better operating performances and improved efficiency at our operated refineries. Results posted by the Marketing activity were impacted by falling demand, high competitive pressure and increased expenses associated with certain marketing initiatives including a special discount on prices at the pump during the summer week-ends.
- In 2012 refining throughputs were 30.01 mmtonnes, down 6.1% from 2011. In Italy, processed volumes decreased (down 7.8%) due to the anticipation of scheduled standstills in order to mitigate the negative impact of the trading environment mainly at the Taranto and Gela refineries. Outside Italy, Eni's refining throughputs increased by 3.2% in particular in the Czech Republic.
- Retail sales in Italy of 7.83 mmtonnes decreased by 6.3% from 2011. This decline was driven by sharply lower consumption of gasoil and gasoline in Italy (down 8.3% from 2011) and increased competitive pressure. In 2012 Eni's average retail market share was 31.2% increasing by 0.7 percentage points from 2011 benefiting from the commercial initiatives made in the third quarter of 2012.
- Retail sales in the rest of Europe of 3.04 mmtonnes improved slightly from 2011 (up 1%). Volume additions in Austria and Switzerland, reflecting successful commercial initiatives were offset by lower sales in Eastern Europe due to declining demand.

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 recent years driven by a weak trading environment. High purchase costs for crude feedstock and oil-linked energy expenses have squeezed refining margins as product prices have lagged behind cost increases due to sluggish demand and excess capacity. At the same time our complex processes have been suffering from narrowing spreads between sour and sweet crudes.

Over the next four years of the industrial plan, management does not expect any meaningful improvement in the trading environment. The ongoing economic downturn is anticipated to weigh on a recovery in demand and in refining margins. On the supply side, we see that capacity rationalization is progressing as 11 refineries have shut down in Europe eliminating 1.4 mmboe/d of processing capacity and we believe that a further 15 refineries could potentially close in coming years. However, we assume that the trading environment will not get any benefits from the current rationalization process at least over the short to the medium-term. Retail and wholesale marketing activities of refined products will be affected by sluggish demand and product oversupply that is expected to trigger pricing competition.

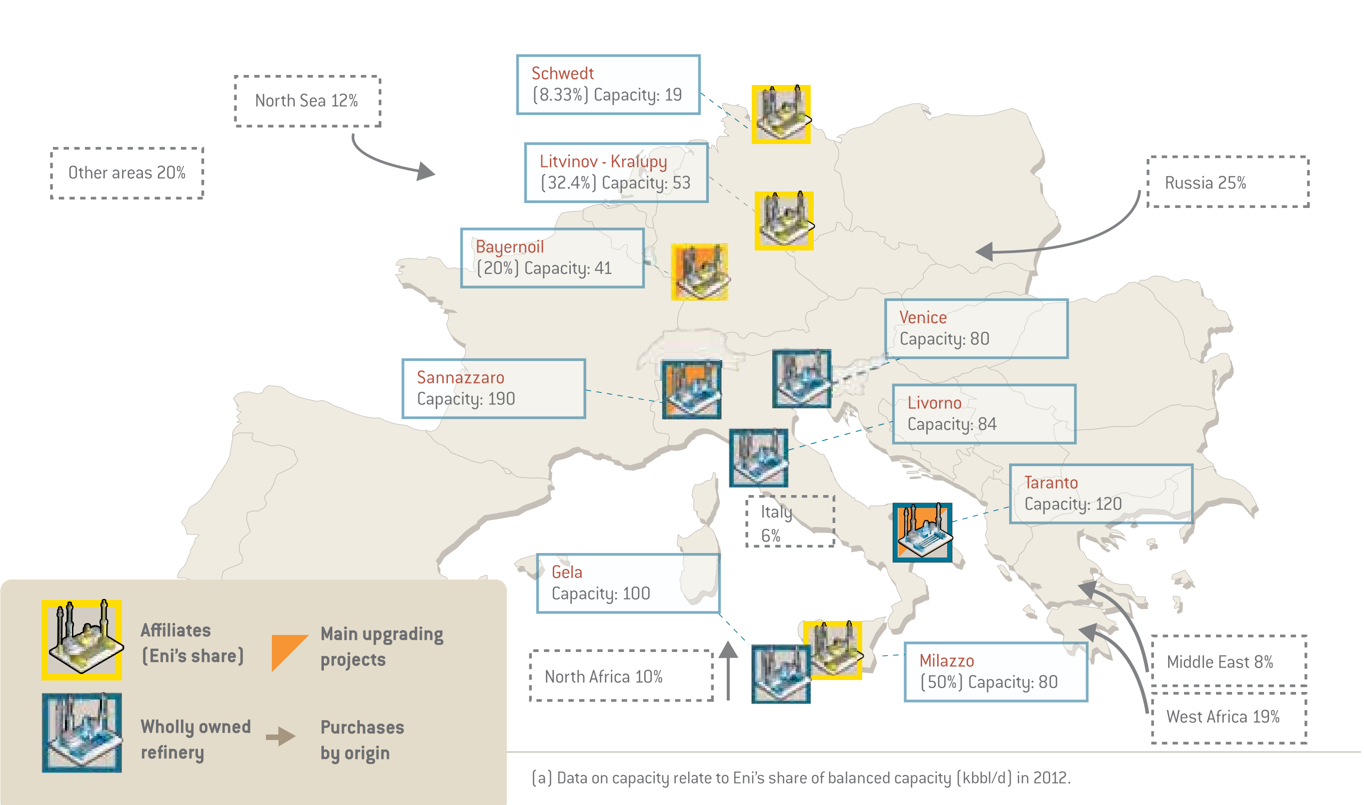
Our priority in the Refining & Marketing segment remains to restore profitability and improve the cash generation against the backdrop of weak industry fundamentals. Our strategic guidelines are:

- **to intensify cost reduction initiatives, energy saving and optimization of plant operations, in order to drive margin expansions.**
- **to make selective capital expenditure projects.**
- **to enhance profitability at our marketing operations through a number of initiatives for improving service quality and client retention and non-oil profit contribution.**
- **to grow selectively in target European markets and divest marginal assets.**

In the four year period, management plans to implement selective capital projects for upgrading refinery complexity and modernizing the retail network for a total amount of €2.4 billion. Approximately €1.7 billion is expected to be employed to convert the Venice plant into a bio-refinery, upgrade the Company's best refineries and improving 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 these actions, management expects the Refining & Marketing Division to break-even by 2014, assuming the same trading environment as in 2012.

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



(a) Data on capacity relate to Eni's share of balanced capacity (kbbl/d) in 2012.

Refining

> Planned actions

In 2012, Eni's refining system had total refining capacity (balanced with conversion capacity) of approximately 38.3 mmtonnes (equal to 767 kbbl/d) and a conversion index of 61%. Conversion is a parameter of refinery complexity. The higher the index, the wider the range of crude qualities and feedstock that a refinery is able to process thus enabling it to benefit from the cost economies associated with the purchase of heavy crudes that normally trade 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 2012, Eni's refineries throughputs in Italy and outside Italy were 30.01 mmtonnes.

Against the backdrop of a weak refining scenario, management plans to implement 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 and conversion to extract value from heavy crudes;
- converting the Venice plant into a "bio-refinery" to produce bio-fuels;
- achieving energy efficiency initiatives and ensuring higher rates of plant reliability;
- rationalizing logistic costs and implementing other cost-saving measures;
- 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. Eni's refineries in Italy operate and plan in order to maximize asset value according to the markets and the integration with Eni's other activities.

Sannazzaro refinery has balanced refining capacity of 190 kbbl/d and a conversion index of 59%. 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 along 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), 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. The most important ongoing project is a conversion unit based on the EST (Eni Slurry Technology) proprietary technology which targets the full upgrading of the heavy and extra-heavy barrel. Start-up of this facility is scheduled by 2013. As part of this initiative, Eni is developing the Slurry Dual Catalyst (an evolution of EST), based on a combination of two nano-catalysts, which could lead to a relevant breakthrough in the EST process, increasing its productivity and improving product quality. Another strategic process is the development of a process for hydrogen production, Hydrogen SCT-CPO (Short Contact Time-Catalytic Partial Oxidation) whose design is nearly completed. This reforming technology aims at transforming gaseous and liquid hydrocarbons (also derived from bio-mass) into synthetic gas (carbon monoxide and hydrogen) at competitive costs.

Taranto refinery has balanced refining capacity of 120 kbbl/d and a conversion index of 72%. This refinery process most of oil produced in Eni's Val d'Agri fields carried to Taranto through the Monte Alpi pipeline (in 2012 a total of 2.26 mmtonnes of this oil was processed). It principally produces fuels for automotive use and residential heating purposes for the Southern Italian markets. The complexity is achieved through a Residue Hydroconversion Unit (RHU) - Hydrocracking process and a "Two Stage" Visbreaking-Thermal Cracking unit.

Gela refinery has balanced refining capacity of 100 kbbl/d and a conversion index of 142%. Located on the Southern coast of Sicily, it is integrated with upstream operations processing heavy crude produced from Eni's nearby offshore and onshore fields. Its high conversion level is ensured by an FCC unit with go-finer for feedstocks upgrading and two coking plants enabling conversion of heavy residues topping or vacuum residues. In order to achieve full compliance with the tightest environmental standards, in the power station there is SNO_x plant to remove suphur dioxide, nitrogen oxides and particulates from flue gases. An underway refurbishment of the Gela power plant, substantially renewing pet-coke boilers, will increase profitability maximizing synergies from refining and power generation.

OUTSIDE ITALY

In Germany, Eni's share in the Schwedt refinery is 8.3% and 20% in Bayernoil, an integrated industrial hub that includes the Vohburg and Neustadt refineries. Eni's refining capacity in Germany is approximately 60 kbbl/d mainly to supply Eni's distribution network in Bavaria and Eastern Germany. In the Czech Republic, Eni's share is 32.4% in Ceska Rafinerska, that includes two refineries, Kralupy and Litvinov. Eni's refining capacity amounts to about 53 kbbl/d to supply Eastern Europe.

> Operational efficiency and environmental performance

Eni plans to improve operational efficiency and environmental performance at its refineries.

Our targets in environmental sustainability include energy saving projects aimed at cutting emissions and use of fresh water; in particular our commitment is to reach total savings of 106 ktoe/y (of which 45 ktoe/y from 2013) entailing a saving in CO_2 emissions of 307 ktonnes/y (of which 130 ktonnes/y from 2013). Water reuse projects at Gela and Sannazzaro are expected to lead to savings of water of 5 mmcm/y.

Logistics

Eni is a primary operator in storage and transport of petroleum products in Italy with its logistical integrated infrastructure consisting of 20 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 the leader in the retail marketing of refined products in Italy with a 31.2% market share, marketing a wide range of refined petroleum products, through an extensive network of operated service stations, franchises and other distribution systems.
In the Marketing activity management intends to preserve profitability by:

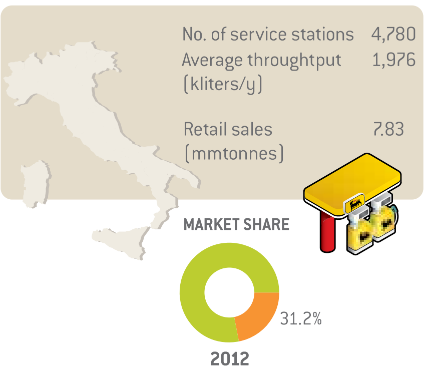
- strengthening our leadership in the Italian retail market leveraging on opportunities deriving from the liberalization process (i.e. rationalizing stations with low throughput, boosting full "iperself" mode and development of non-oil activities);
- preserving our customer base by effective marketing actions, rolling out our "eni" brand and service excellence;
- boosting margins by increasing the number of fully automated outlets and the contribution from non-oil products and services; and
- selectively growing our market share in European markets.

Outside Italy, we intend to selectively develop our activities.

In 2012, 2,300 of Eni service stations were re-branded to the "eni brand". We plan to complete this activity by the end of 2013. In spite of a weak domestic demand for fuels and rising competition, management plans to preserve the market share achieved in 2012 (31.2%). We expect that effective marketing campaigns, development of the non-oil offering and continuous network upgrading will underpin our market share and client retention.

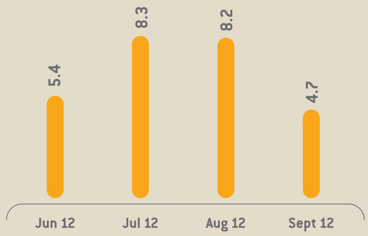
In 2012, retail sales in Italy were 7.79 mmtonnes, down 6.5% driven by lower consumption of fuel and gasoline, in particular at highway service stations related to the decline in freight transportation. At December 31, 2012, Eni's retail network in Italy consisted of 4,780 service stations, 79 more than at December 31, 2011.

Retail in Italy - Eni's competitive position



"riparti con eni"

In 2012, from June 16 to September 2, Eni launched a successful promotional campaign named "riparti con eni". The initiative complemented the 2011 "iperself h24" campaign which provided a discount on the corresponding price at self service pumps all day long. During the week ends with "riparti con eni", Eni provided an additional discount on the already exceptional prices of the "iperself h24". This initiative helped support sales against the backdrop of weak demand and increased price elasticity. This promotion has successfully delivered over one million liters giving a remarkable boost to the market share (together with iperself h24 with over 3,380 participating stations): 5.4 percentage points in June, reaching 8.3 percentage points in July, 8.2 percentage points in August and finally 4.7 percentage points in September.



Co-marketing

During the summer months of 2012, Eni launched a number of co-marketing promotions implemented with important partners, such as Coop, Vodafone and Despar, mainly targeting Italian households. This has been achieved by offering significant discounts on primary goods and services. Eni has made an important step to get closer to its customers and will continue to do so also during the second half of 2013 with other co-marketing activities with major national and international brands.

New fidelity and payment cards

In November 2012, Eni launched the new "you&eni" cards that include in one solution both "loyalty" and, if requested by the client, also "payment" functions. Clients can choose between 4 types of you&eni cards:

- "prepaid basic" with a €2,500 ceiling that can be requested in the eni stations or via web;
- "prepaid contract" with a €12,500 ceiling that can be requested only via web;
- "credit" that can be requested only via web;
- "young", only for clients between 14 and 23 and half years of age. Can be requested only via web.

For the you&eni members that will use these cards to pay for refuel in the eni stations, they will be granted double points for every liter of fuel (triple for every liter of eni blu+), 3 points for each euro spent in the enicafé/shop and 1 point each €3 spent for purchases done in all commercial activities affiliated to MasterCard and CartaSi networks.

> Retail – outside Italy

Eni's strategy in the rest of Europe is focused on selectively growing its market share, particularly in Germany, Austria and Eastern Europe (e.g. Czech Republic) leveraging on the synergies ensured by the proximity of these markets to Eni's production and logistic facilities.

In 2012, retail sales of refined products marketed in the rest of Europe (3.04 mmtonnes) were basically stable (up 1%). Volume additions in Austria and Switzerland reflecting successful commercial policies were almost completely offset by lower sales in Eastern Europe due to declining demand. At December 31, 2012, Eni's retail network in the rest of Europe consisted of 1,604 service stations, an increase of 18 units from December 31, 2011.

The key markets of Eni's presence are: Austria with a 11.7% market share, Hungary with 11.9%, Czech Republic with 10.8%, Slovakia with 9.7%, Switzerland with 7.1% 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 2012 we increased our supply of non-oil products and services at our service stations in Italy by developing a chain of franchised outlets, in particular:

- "enicafé", which is a format deployed at 610 stations following the upgrading of existing bars and stores where foods and other services (wifi connection, payments, etc.) are marketed;
- "enishop24", Eni launched a new self-service option h24 of food, non-food and personal care products by means of the installation of eni branded vending machines in 550 outlets;
- "eni carwash", areas for car washing, mainly automatic, which are present in 180 service stations.

> 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 Eni high quality 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 present all over Italy and articulated in local marketing offices and a network of agents and concessionaires.

In 2012, sales volumes on wholesale markets in Italy (8.62 mmtonnes) declined by approximately 740 ktonnes, down 7.9%, mainly due to declining sales of gasoline and gasoil related to lower demand from transports and industrial customers due to a generalized slowdown and lower jet fuel sales related to declining demand.

LPG

In Italy, Eni is leader in LPG production, marketing and sale with 614 ktonnes sold for heating and automotive use equal to a 19.8% market share. An additional 206 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 4 owned storage sites, in addition to products imported at coastal storage sites located in Livorno, Naples and Ravenna. Outside Italy, LPG sales in 2012 amounted to 515 ktonnes of which 389 ktonnes in Ecuador where Eni's LPG market share is around 37.8%.

Lubricants

Eni operates six (owned and co-owned) blending plants, in Italy, Europe, North and South America, Africa 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. In 2012, retail and wholesale sales in Italy amounted to 96 ktonnes with a 24.3% market share.

Oxygenates

Eni, through its subsidiary Ecofuel (Eni 100%), sells approximately 1.10 mmtonnes/y of oxygenates, mainly ethers (approximately 3.1% of world demand) and methanol (approximately 0.6% of world demand). About 76% 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 24% is bought and resold. Eni distributes bio-ETBE in the Italian market in compliance with the new legislation indicating minimum content of bio-fuels. Bio-ETBE like MTBE is an octane booster and gained a relevant position in the formulation of gasoline in European Union because it is produced from ethanol from agricultural crops and qualified as bio-component in the European directive on bio-fuels. Starting from March 1, 2010, Italian regulation on bio-fuels minimum content changed from 3% to 3.5%. From January 1, 2012, the compulsory content of bio-fuels increased to 4.5% from 4% in 2011 and through bio-ETBE and bio-diesel (of 1st and 2nd generation) blending into fossil fuels Eni covered the compliance within 109.6% in 2012. Eni plans to cover compliance through bio-ETBE, FAME, green diesel from Porto Marghera site, and direct blending of ethanol in gasoline in particular in some extents of Sannazzaro refinery inland.

Business review

Chemicals

Key performance indicators

		2010	2011	2012
Employees injury frequency rate	(No. of accidents per million of worked hours)	1.54	1.47	**0.76**
Contractors injury frequency rate		5.94	4.60	**1.66**
Net sales from operations [a]	(€ million)	6,141	6,491	**6,418**
Intermediates		*2,833*	*2,987*	***3,110***
Polymers		*3,126*	*3,299*	***3,128***
Other sales		*182*	*205*	***180***
Operating profit		(86)	(424)	**(683)**
Adjusted operating profit		(96)	(273)	**(485)**
Adjusted net profit		(73)	(206)	**(395)**
Capital expenditure		251	216	**172**
Production	(ktonnes)	7,220	6,245	**6,090**
Sales of petrochemical products		4,731	4,040	**3,953**
Average plant utilization rate	(%)	72.9	65.3	**66.7**
Employees at year end	(units)	5,972	5,804	**5,668**
Direct GHG emissions	(mmtonnes CO_2eq)	4.69	4.12	**3.69**
NMVOC (Non-Methane Volatile Organic Compound) emissions	(ktonnes)	4.71	4.18	**4.40**
SO_x emissions (sulphur oxide)	(ktonnes SO_2eq)	3.30	3.17	**2.19**
NO_x emissions (nitrogen oxide)	(ktonnes NO_2eq)	4.87	4.14	**3.43**
Recycled/reused water	(%)	82.7	81.8	**81.5**

(a) Before elimination of intragroup sales.

2012 Highlights

Performance of the year

- In 2012 the employees and contractors injury frequency rates continued to follow the positive trends of previous years (down 48.3% and 63.9%, respectively).
- In 2012 emissions of greenhouse gases, NO_x and SO_x decreased due to energy saving.
- In 2012 the sector reported sharply higher operating losses at €395 million (down €189 million from 2011), due to weak trends in demand reflecting the economic downturn and falling unit margins.
- Sales of petrochemical products were 3,953 ktonnes, down 87 ktonnes, or 2.1% from 2011, due to declining consumption.
- Petrochemical production volumes were 6,090 ktonnes, decreasing by 155 ktonnes, down 2.48%, due a steep decline in demand for petrochemical products in all businesses, in particular the steepest decline was reported in polyethylene.
- In 2012 overall expenditure in R&D amounted to approximately €38 million in line with the previous year. A total of new 18 patent applications were filed, including one in collaboration with our Exploration & Production Division.

Expansion in international markets

- In October 2012, Versalis signed 2 joint venture agreements with major chemical operators in South Korea and Malaysia to build and operate facilities for the production of elastomers incorporating Versalis proprietary technologies and know-how. These initiatives are in line with Eni's strategy of international expansion in Asian markets with interesting growth prospects.

Bio-based chemicals

- In January 2013, Versalis and Yulex, an agricultural-based bio-materials company, signed a strategic partnership to manufacture guayule-based bio-rubber materials in a production complex in Southern Europe. The partnership will cover the entire manufacturing chain. Versalis will produce high-margin materials for consumer and medical specialty markets. The investment will include an ambitious research project to develop technologies targeting the tire industry.
In June 2012, a Memorandum of Understanding was signed with Genomatica and Novamont to establish a technological joint venture in Italy aimed at developing a new technology for the production of butadiene from renewable feedstock. This joint venture will also hold exclusive rights for the industrial application of the research results, including licensing it to third parties.

Strategies

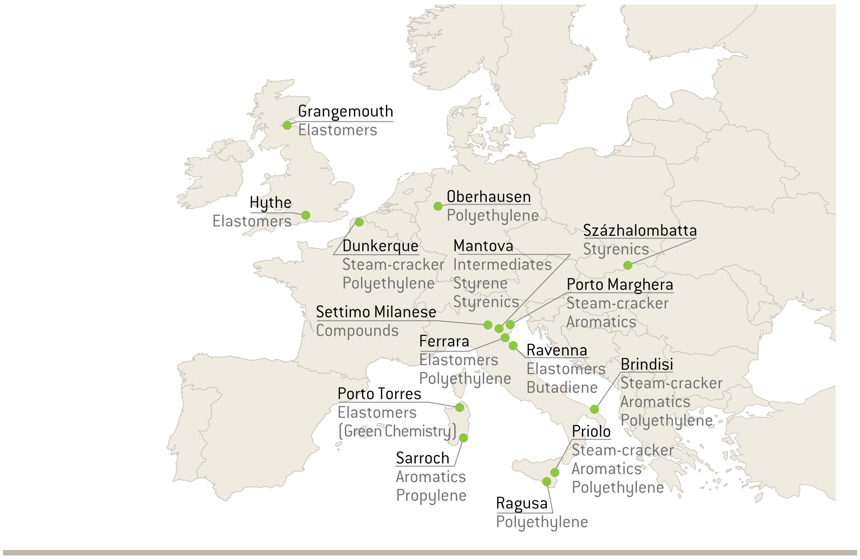
The chemical industry is subject to fluctuations in demand in response to macroeconomic cycles, leading to volatile results of operations and cash flow. It is a highly competitive industry due to lack of entry barriers, product commoditization and excess capacity, which may exacerbate the impact of any demand downturns on the results reported by Eni's Chemical business. Eni's chemical operations have been facing 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. Management also expects that US-based petrochemical companies will regain competitiveness in the medium term leveraging on the large domestic availability of raw materials which can be extracted from shale gas.

On the back of this scenario, management intends to recover profitability by further rationalising and integrating Eni's activities, refocusing Versalis' portfolio away from loss-making commodity chemicals while at the same time developing innovative and niche productions which are expected to yield better returns. Versalis' core products will be elastomers, with targeted production growth of over 60% to 2016 and the specialties segment including bio-chemicals.

Particularly, we intend to grow the green chemistry business leveraging on the ongoing project of converting the Porto Torres site into a modern plant for the manufacture of eco-compatible chemical products.

Based on these initiatives, management expects chemical operations to break-even in the next four-year period.

Versalis' production plants in Europe and Italy



Business areas

> Intermediates

Intermediates petrochemicals account for one of the pillars of the petrochemical activities of Versalis, whose products have a range of important industrial uses, such as the production of polyethylene, polypropylene, PVC and polystyrene. They are also used in the production of petrochemical derivatives that converge, in turn, into a range of other productive processes: plastics, rubbers, fibres, solvents and lubricants.

Intermediate revenues (€3,110 million) increased by €123 million from 2011 (up 4%) due to the positive performance of derivatives, reflecting increased sales volumes (up 21%) and average unit prices (up 10%) due to a more dynamic market and product availability. Sales volumes of olefins and aromatics declined (down 2% and 4.5%, respectively) due to the shutdown of the polyethylene line in the Sicilian plants due to their lack of profitability and demand decline. Average unit aromatics prices increased by 12% driven by the price of benzene (up 18.7%).

Intermediates production (4,112.5 ktonnes) was in line with last year (up 0.3%). An increase was registered in derivatives (up 12%) for phenol/derivatives and styrene monomer that last year had been affected by the planned facility downtimes at the Mantova plant. Production of olefins and aromatics declined by 2.7% and 5.4%, respectively.

> Polymers

In the polymers business, Versalis is active in the production of (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.

Polymer revenues (€3,128 million) decreased by €171 million from 2011 (down 5.2%) due to decreased sales volumes (down 5.8%) resulting from a steep decline in demand in particular on Italian and European markets, offset in part by slight increases in the markets of Eastern Europe.

Unit prices of elastomers declined (down 1.3%) due to lower unit prices for SBR/BR rubbers, affected by the downturn of the automotive industry and of polyethylene (down 0.4%), despite an improvement in the second part of the year.

Polymer production (1,978 ktonnes) decreased by 167 ktonnes from 2011 (down 7.8%), due mainly to a decline in elastomer production (down 9.4%) at Ravenna and Ferrara for the downturn of the automotive industry and of polyethylene (down 6%). The decline in styrene production (down 10.3%) was due to the divestment of compact and expandable polystyrene plant of Feluy (Belgium).

Business review

Engineering & Construction

Key performance indicators

		2010	2011	2012
Employees injury frequency rate	(No. of accidents per million of worked hours)	0.45	0.44	**0.54**
Contractors injury frequency rate		0.33	0.21	**0.17**
Fatality index	(No. of fatalities per 100 million of worked hours)	2.14	1.82	**0.93**
Net sales from operations [a]	(€ million)	10,581	11,834	**12,771**
Operating profit		1,302	1,422	**1,433**
Adjusted operating profit		1,326	1,443	**1,465**
Adjusted net profit		994	1,098	**1,109**
Capital expenditure		1,552	1,090	**1,011**
Orders acquired	(€ million)	12,935	12,505	**13,391**
Order backlog		20,505	20,417	**19,739**
Employees at period end	(units)	38,826	38,561	**43,387**
Employees outside Italy	(%)	87.3	86.5	**89.2**
Local managers		45.3	43.0	**42.3**
Local procurement		61.3	56.4	**51.8**
Healthcare expenditure	(€ thousand)	19,506	32,410	**21,236**
Security expenditure		26,403	50,541	**81,777**
Direct GHG emissions	(mmtonnes CO_2eq)	1.11	1.32	**1.54**

(a) Before elimination of intragroup sales.

2012 Highlights

Performance of the year

- The percentage of manager positions covered by local personnel is higher than 40% of total managerial positions, except for France and Italy, reflecting however fluctuations due to he opening of new yards and short-term projects.
- The overall amount of procurement was €9,584 million, of which €7,802 million related to operating projects, 51.8% of which was procured with local suppliers.
- In 2012 the employees injury frequency rate worsened from 2011 (by 22.7%) while it improved for contractors by 19%. Saipem continues to strive to mitigate and reduce accidents and injuries to its employees and contractors by means of training and awareness campaigns, such as the "Working at height", the dedicated HSE training portal and training courses for crane operators.
- Safety and environment expenditure increased by 24% from 2011 (from €83 million to €103 million).
- In 2012 the Engineering & Construction sector reported adjusted net profit amounting to €1,109 million, in line with 2011 (up 1%). This result reflects the good operating performance recorded mainly in the Drilling businesses deriving from the full operations of Scarabeo 9 and to greater profitability from the Saipem 10000 vessel, almost totally offset by the decline in performance of the Engineering & Construction business due to falling demand for oilfield services and lower margins at certain works related to the general downturn especially in the second half of the year.
- Capital expenditure amounted to €1,011 million (€1,090 million in 2011) and mainly regarded the upgrading of the drilling and construction fleet.
- In 2012 overall expenditure in R&D amounted approximately to €15 million in line with 2011. A total of 13 new patent applications were filed.

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 laying 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. Management expects to further strengthen Saipem's competitive position in the medium term, leveraging on its business model articulated across various market sectors combined with a strong competitive position in frontier areas, which are traditionally less exposed to the cyclical nature of this market. Based on those strengths we believe that Saipem will be able to overcome current headwinds due to macroeconomic uncertainties and a margin slowdown that are expected to affect the profitability outlook in 2013.

> 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 upgrading of its fleet, the construction of a large construction yard in Brazil and the acquisition of new rigs in the drilling segments.

In 2012 revenues amounted to €5,207 million, increasing by 5.5% from 2011, due to higher levels of activity in the Middle and Far East. Orders acquired amounted to €7,477 million (€6,131 million in 2011) and related to: (i) an EPCI contract with INPEX for the installation of an underwater pipeline 889-kilometer long linking the offshore Ichthys field with the onshore shut-off valves in the area of Darwin, Australia; (ii) an EPCI contract with Lukoil for the installation of two underwater pipelines linking the offshore Vladimir Filanovsky block in the northern area of the Caspian Sea, with the onshore facility between 10-20 kilometers inland in the Russian Republic of Kalmyk.

> Engineering & Construction Onshore

In the Engineering & Construction Onshore 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 the Middle East, Caspian Sea, Northern and Western Africa and Russia.

In 2012 revenues amounted to €5,745 million, increasing by 3.9% from 2011, due to higher levels of activity in the Middle East and North America. Orders acquired amounted to €3,972 million (€5,006 million in 2011), declining mainly as a result of the cancellation of the Jurassic contract in the third quarter of 2012.

Among the main orders acquired were: (i) a turn-key contract for Shell concerning the SSAGS (Southern Swamp Associated Gas) project concerning the construction of four compression stations and new production facilities for the treatment of collected gas in various areas of the Delta State in Nigeria; (ii) an EPC contract for Saudi Aramco and Sumitorno Chemical for the Naphtha and Aromatics Package (RP2) of the Rabigh II project.

> 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, the 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 order to better meet industry demands, Saipem is finalizing an upgrading program of its drilling fleet providing it with state-of-art rigs to enhance its role as high quality player capable of operating also in complex and harsh environments. 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 2012 revenues amounted to €1,089 million, increasing by 30.6% from 2011. Revenues deriving from the entry in full activity of the semisubmersible rigs Scarabeo 8 and Scarabeo 9 in 2012 were offset in part by the planned facility downtime of the Scarabeo 3 and Scarabeo 6 semisubmersible rigs. Orders acquired amounted to €1,025 million (€780 million in 2011), relating mainly to the drilling contract of the Scarabeo 7 operating in Indonesian waters; (ii) the contract of the Perro Negro jack up operating in Italian waters.

> 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 2012 revenues amounted to €730 million, increasing slightly from 2011.
Orders acquired amounted to €917 million (€588 million in 2011) and related mainly (i) the leasing contract to Saudi Aramco of 15 facilities in Saudi Arabia; (ii) the contracts for 8 facilities to be employed in South America, Saudi Arabia, Kazakhstan, Algeria, Mauritania and Italy.

Financial review

In 2012 Eni delivered robust results with a record performance in Exploration & Production and good progress in restructuring downstream activities. Our solid resource base and continuing progress in development activities supported by a stronger balance sheet have strengthened our excellent competitive positioning and from there we expect to achieve leading production growth in our upstream while creating sustainable value to our shareholders.

Group results for the year

Trading environment

Eni's results of operations and the year-to-year comparability of its financial results are affected by a number of external factors which exist in the industry environment, including changes in oil, natural gas and refined products prices, industry-wide movements in refining and petrochemical margins and fluctuations in exchange rates and interest rates. Changes in weather conditions from year to year can influence demand for natural gas and some petroleum products, thus affecting results of operations of the natural gas business and, to a lesser extent, of the refining and marketing business.

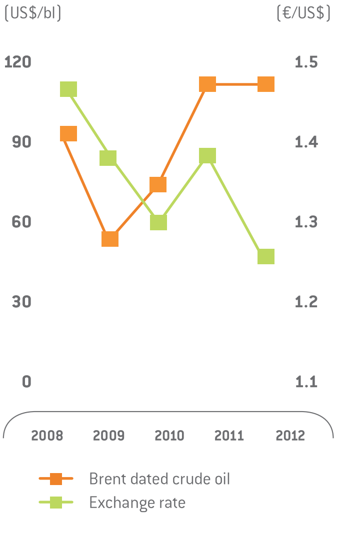
2012 Group results were achieved in a trading environment characterized by a marker Brent price of $111.58 per barrel, almost in line with 2011. The gas market was influenced by weak demand as a consequence of the European economic slowdown and strong competition fuelled by oversupplies. In spite of a 5% rise in European spot prices gas margins were squeezed by higher oil-linked supply costs. Refining margins showed a recovery from the depressed levels registered a year ago (the benchmark margin on Brent crude averaged $4.83 per barrel, up $2.77 per barrel). However the absolute size of margins remained in unprofitable territory due to the volatility in the trading environment and weak fuel demand on the back of the economic downturn, excess capacity and high cost of oil feedstock and oil-linked energy utilities. Furthermore, Eni's complex refineries were impacted by narrowing price differentials between light and heavy crudes. Results for the year were helped by the appreciation of the US dollar over the euro (up 7.7%).

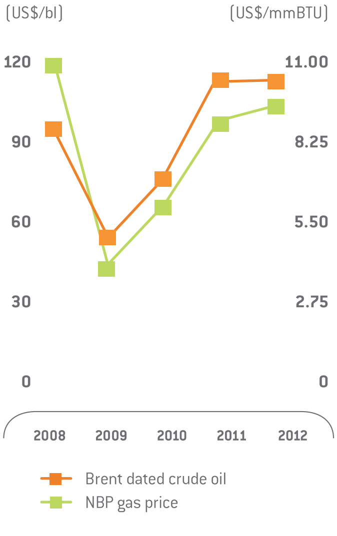
2012 results

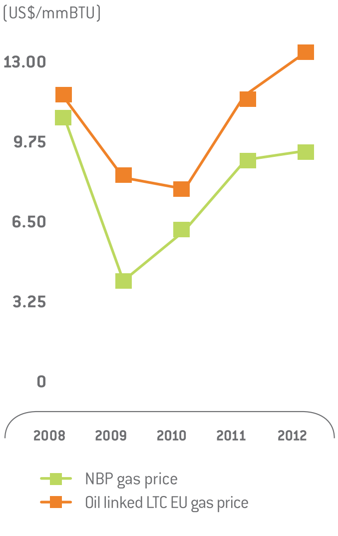
In 2012, **net profit attributable to Eni's shareholders** from continuing operations was €4,198 million, a decrease of €2,704 million, down by 39.2% from 2011. The result was negatively impacted by a lower operating profit, down by €1,777 million driven by the recognition of impairment losses of €4,029 million (€1,031 million in 2011) which were mainly incurred in the gas marketing and refining businesses due to a reduced profitability outlook on the back of the ongoing European downturn. In addition, net profit reflected increased income taxes (up by €1,756 million) due to higher taxable income reported by the Exploration & Production Division, subject to higher tax rates, and a write-down of €1,030 million recognized at deferred tax assets of Italian subsidiaries. On a positive side, net profit for the year reflected higher net profit from investments (up by €758 million) mainly due to gains from the disposal of part of Eni's interest in Galp and other Galp-related transactions.

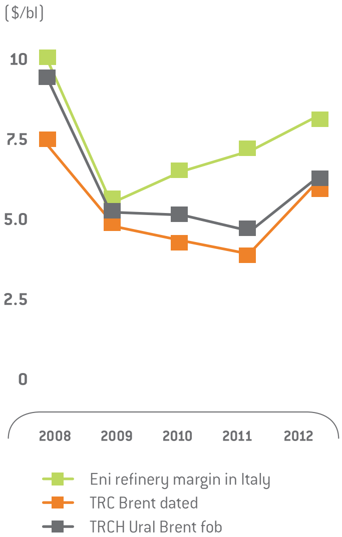
Net profit from discontinued operations included results of Snam until loss of control by Eni and the gains recorded both on the divestment of about 30% of Snam to Cassa Depositi e Prestiti for an amount of €2,019 million and the fair value revaluation at the residual interest based on current market prices for €1,451 million.

Adjusted net profit attributable to Eni's shareholders including results from discontinued operations amounted to €7,788 million, an increase of €928 million (up 13.5% from 2011).









Results for the year (€ million)					
2010		2011	2012	Change	% Ch.
6,252	**Net profit attributable to Eni's shareholders - continuing operations**	**6,902**	**4,198**	**(2,704)**	**(39.2)**
(610)	Exclusion of inventory holding (gains) losses	(724)	**(23)**		
1,128	Exclusion of special items	760	**2,953**		
	of which:				
(246)	*- non-recurring items*	*69*			
1,374	*- other special items*	*691*	***2,953***		
6,770	**Adjusted net profit attributable to Eni's shareholders - continuing operations** [a]	**6,938**	**7,128**	**190**	**2.7**

(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 of €4,744 million mainly related to:

(i) impairment losses of €4,029 million relating to goodwill and other tangible and intangible assets in the gas marketing and the refining businesses. In performing the impairment review, management assumed a reduced profitability outlook in those businesses driven by a deteriorating European macroeconomic environment, volatility in commodity prices and margins, and rising competitive pressures. Other impairment losses were incurred at a number of oil&gas properties in the Exploration & Production Division reflecting downward reserve revisions and a changed pricing environment, as well as marginal lines of business in the Chemical segment due to lack of profitability perspectives;

(ii) extraordinary expenses and risk provisions of €945 million incurred in connection with price revisions at long-term gas purchase contracts which were presented as special items given the contractual time span for price revisions expired in previous periods and relating to gas volumes purchased in previous reporting periods, including the one related to the settlement of an arbitration proceeding with GasTerra;

(iii) a gain on the divestment of a 10% interest in the Karachaganak project to the Kazakh partner KazMunaiGas as part of the settlement agreement (€343 million).

Special items in net profit included:

(i) the €2.08 billion gains recorded on Galp, including the divestment of a 9% interest (€311 million), a revaluation gain of the residual interest in Galp at market fair value through profit, following the loss of significant influence over the investee (€865 million) as well as a gain recognized through profit on occasion of a capital increase made by Galp's subsidiary Petrogal which was subscribed by a new partner (€835 million);

(ii) a portion of the write-down incurred at Italian subsidiaries' deferred tax assets (€800 million out of a global write-down of €1,030 million) which was driven by a lower likelihood of recoverability due to an expected reduction in taxable income generated in Italy, and as Eni has lost the availability of Snam taxable profit against which Italian tax assets can be utilized following the deconsolidation of Snam.

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

Adjusted net profit by Division (€ million)					
2010		2011	2012	Change	% Ch.
5,609	Exploration & Production	6,865	**7,425**	560	8.2
1,267	Gas & Power	252	**473**	221	87.7
(56)	Refining & Marketing	(264)	**(179)**	85	32.2
(73)	Chemicals	(206)	**(395)**	(189)	(91.7)
994	Engineering & Construction	1,098	**1,109**	11	1.0
(216)	Other activities	(225)	**(247)**	(22)	(9.8)
(867)	Corporate and financial companies	(753)	**(976)**	(223)	(29.6)
1,124	Impact of unrealized intragroup profit elimination [a]	1,146	**661**	(485)	
7,782	**Adjusted net profit - continuing operations**	**7,913**	**7,871**	**(42)**	**(0.5)**
	of which attributable to:				
1,012	- Non-controlling interest	975	**743**	(232)	(23.8)
6,770	**- Eni's shareholders**	**6,938**	**7,128**	**190**	**2.7**

(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 2012, capital expenditure of continuing operations amounted to €12,761 million, mainly relating to:

- development activities deployed mainly in Norway, the United States, Congo, Italy, Kazakhstan, Angola and Algeria, and exploratory activities of which 98% was spent outside Italy, primarily in Mozambique, Liberia, Ghana, Indonesia, Nigeria, Angola and Australia;
- upgrading of the Engineering & Construction fleet of vessels and rigs (€1,011 million);
- projects designed to improve the conversion rate and flexibility of refineries (€622 million), in particular at the Sannazzaro refinery, as well as upgrading and rebranding of the refined product retail network (€220 million).

Capital expenditure by Division (€ million)						
2010		2011	2012	Change	% Ch.
9,690	Exploration & Production	9,435	**10,307**	872	9.2
265	Gas & Power	192	**225**	33	17.2
711	Refining & Marketing	866	**842**	(24)	(2.8)
251	Chemicals	216	**172**	(44)	(20.4)
1,552	Engineering & Construction	1,090	**1,011**	(79)	(7.2)
22	Other activities	10	**14**	4	..
109	Corporate and financial companies	128	**152**	24	18.8
(150)	Impact of unrealized intragroup profit elimination	(28)	**38**	66	
12,450	**Capital expenditure - continuing operations**	**11,909**	**12,761**	**852**	**7.2**
1,420	Capital expenditure - discontinued operations	1,529	**756**	(773)	(50.6)
13,870	**Capital expenditure**	**13,438**	**13,517**	**79**	**0.6**

> Sources and uses of cash

The Company's cash requirements for capital expenditure, 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 of continuing operations (€12,356 million) and proceeds from disposals of €6,014 million funded cash outflows relating to capital expenditure totalling €12,761 million and investments (€569 million) relating to the acquisition of Nuon in Belgium and joint venture projects, as well as dividend payments amounting to €4,379 million (of which €1,956 million relating to the 2012 interim dividend and €1,884 million to the balance dividend for fiscal year 2011 to Eni's shareholders and the remaining part related to other dividend payments to non-controlling interests). Disposals of assets mainly regarded the divestment of a 30% interest less one share in Snam to Cassa Depositi e Prestiti (€3,517 million), two tranches of the interest in Galp for an overall amount of €963 million (a 5% interest sold to Amorim BV and a 4% sold through an accelerated book-building procedure), a 10% interest in the Karachaganak field (approximately €500 million) and other non-strategic assets in the Exploration & Production Division (€695 million). The proceeds on the divestment of a 5% interest in Snam before loss of control to institutional investors (€612 million) were recognized as an equity transaction.

> Capital structure and ratios

Following the divestment of a significant interest in Snam and deconsolidation of the investee's net borrowings as well as the transaction involving Eni's interest in Galp, the Group achieved a substantial improvement in its leverage at 2012 year end down to 0.25. Management believes that this improved financial position is consistent with the Company's new business profile, which features greater exposure to the Exploration & Production segment. For planning purposes, management projected the Company's expected cash flows assuming a scenario of Brent prices at 90 $/bbl for the years 2013-2016 to assess the financial compatibility of its capital expenditure programs and dividend policy with internal targets of ratio of total equity to net borrowing. Under that assumption, in 2013, the ratio of net borrowings to total equity is projected to be substantially in line with the level achieved at the end of 2012, due to cash flows from operations and portfolio management. Going forward, management currently expects to maintain this ratio within a target range of 0.1-0.3. This range will allow us to absorb temporary fluctuations in oil prices, the market environment and business results. The projected future cash flows from operations are estimated to fully fund capital expenditure plans. Furthermore management expects to deliver more than €10 billion of additional cash flows from asset disposal, mainly the divestment of the residual interest of Eni in Snam and Galp, the announced divestment of the 28.57% interest in Eni East Africa and other marginal assets in the Exploration & Production segment. Our cash flow projections are based on our Brent scenario of 90 $/bbl flat in the next four years. We note that Brent price in the period January 1 to March 28, 2013 was 112.60 $/BBL on average. We estimated that our cash flow from operations may improve by around €120 million for each dollar increase in Brent prices on a yearly basis.

> Returning cash to shareholders

Management plans to pay a dividend of €1.08 a share for fiscal year 2012 subject to approval from the General Shareholders' Meeting scheduled for May 10, 2013. Of this, €0.54 per share was paid in September 2012 as an interim dividend with the balance of €0.54 per share expected to be paid in late May 2013. The dividend for fiscal year 2012 represents an increase of 4% compared to the 2011 dividend.

Management has adopted a new dividend policy which 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 long-term gas supply contracts in the Gas & Power segment and the delivery on efficiency gains in the downstream businesses.

Management also plans to return cash to shareholders by means of a new flexible buy-back program, which has been authorized by the Shareholders' Meeting for a total amount of €6 billion. The buy-back will be activated at management's sole discretion and when a number of conditions are met. These include, but are not limited to, 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. In 2013, management would consider the activation of the buyback program, provided oil prices remain at current levels and Eni makes good progress on its business and cash flow targets.

Outlook for 2013

Management expects an uncertain macroeconomic outlook in 2013, particularly in the Euro-zone where businesses and households are cautious about investments and consumption decisions. We expect that a number of factors will support the price of crude oil including ongoing geopolitical risks as well as an improved balance between world demand and supplies of crude oil. For investment evaluation purposes and short-term financial projections, Eni assumes a full-year average price of $90 a barrel for the Brent crude benchmark. Management expects continuing weak conditions in the European gas, refining and marketing of fuels and chemical sectors. Demand for energy commodities is anticipated to remain sluggish due to the ongoing economic stagnation; unit margins are exposed to competitive pressures and the risk of new increases in the costs of oil-based raw materials in an extremely volatile environment. In this scenario, the recovery of profitability in the Gas & Power, Refining & Marketing and Chemical segments will depend greatly on management actions to optimize operations and improve the cost position.

Management expects that year-on-year comparability of results from continuing operations in 2013 will be affected by the fact that in 2012 Snam margins on intra-group transactions relating to the supply of gas transport and other services have been eliminated upon consolidation, while in 2013 those transactions will be accounted as third-party transactions, thus affecting the Group operating costs and profits.

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 chemical 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 euro/$ 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, trading activities and risk management and optimization activities as well as, from time to time, 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. Due to a changed competitive environment in the European gas market and also considering the development of highly liquid spot markets for gas and volatile gas margins, management has implemented through 2011 new risk management policies and instruments to safeguard the value of the Company's assets in the gas value chain and to seek to profit from market and trading opportunities. As part of its risk management strategy, the Company actively manages exposure to the commodity risk by entering into commodity derivatives transactions on both financial and physical trading venues targeting different objectives.

(i) On one hand, management enters commodity derivative transactions to hedge the risk of variability in future cash flows on already contracted or highly probable future sales exposed to commodity risk depending on the circumstance that costs of supplies may be indexed to different market and oil benchmarks compared to the indexing of selling prices. Management has been implementing tight correlation between such commodity derivatives transactions and underlying physical contracts in order to account for those derivatives in accordance with hedging accounting in compliance with IAS 39, where possible; and (ii) on the other hand, management enters purchase/sale commodity contracts for speculative purposes in order to alter the risk profile associated with a portfolio of assets (purchase contracts, transport entitlements, storage capacity) or leverage any price differences in the marketplace, seeking to increase margins on existing assets in case of favorable trends in the commodity pricing environment or seeking a potential profit based on expectations of future trends in prices. These contracts may lead to gains as well as losses, which, in each case, may be significant. Those derivatives will be accounted through profit and loss, resulting in higher volatility in the gas business operating profit. These trading activities are executed within limits set by internal policies and guidelines that define the maximum tolerable level of market risk. Furthermore the Company intends to optimize the value of its assets (gas supply contracts, storage sites, transportation rights, customer base, and market position) by effectively managing the flexibilities associated with them. This can be achieved through strategies of asset-backed trading where the underlying items are represented by the Company's assets. We believe that the risk associated with asset backed trading activities is mitigated by the natural hedge granted by the assets availability. In 2012, Eni's risk management activities helped reduce the Group exposure to the commodity risk. Furthermore trading activities including asset-backed activities reported a positive contribution to the Group results of operations. We are planning to expand those trading activities both in the Gas & Power and the Refining & Marketing businesses. In fact, in 2012 the Company started a reorganization to integrate the supply activities of the Gas & Power and Refining & Marketing segments together with our trading, risk management and the wholesale activities of gas and LNG. This integration will allow us to capture opportunities from market trends and synergies in commodity risk management.

> 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 finance requirements and to settle obligations.

Such a situation would negatively impact Group results as it would result in the Company incurring higher borrowing expenses to meet its obligations or, under the worst conditions, the inability of the Company to continue as a going concern. 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. The Group capital structure is set according to the Company's industrial targets and within the limits established by the Company's Board of Directors who are responsible for prescribing the maximum ratio of debt to total equity and minimum ratio of medium and long-term debt to total debt as well as fixed rate medium and long-term debt to total medium and long-term debt. In spite of ongoing tough credit market conditions resulting in higher spreads to borrowers, the Company has succeeded in maintaining access to a wide range of funding at competitive rates through the capital markets and banks.

The actions implemented as part of Eni's 2012 financial planning have enabled the Group to maintain access to the credit market particularly via the issue of commercial paper also targeting to increase the flexibility of funding facilities. The minimization of liquidity risks is a strategic driver of the next four-year financial plan. In particular in 2012, Eni issued three bonds addressed to institutional investors for a total amount of €1.82 billion, all at fixed rate with maturity of approximately 8 years. In November, as part of the divestment process of its interest in Galp, Eni also issued a convertible bond with underlying Galp shares equal to 8% of the share capital of the investee for a total amount of €1.03 billion at fixed rate with a maturity of three years.
Eni's financial policies are designed to achieve the following targets: (i) ensuring adequate funds to cover short-term obligations and reimbursement of long-term debt due; (ii) maintaining an adequate level of financial flexibility to support Eni's development plans; (iii) attaining a balance between duration and composition of the finance debt; and (iv) maintaining a cash reserve following the great flow of liquidity achieved from the divestments of 2012, particularly the disposal of Snam. The cash reserve will be commeasured in order to: (i) reduce the refinancing with maturity of one year, allowing the Company to be financially independent also in case of negative trends in the trading environment; (ii) increase the level of liquidity to face possible extraordinary needs; and (iii) increase the flexibility of the Company's financial structure considering lingering uncertainties in the credit markets, in a similar way as the policies adopted by the peer group companies and with a view of improving the Company's financial rating assessment. Cash stock will be available only for short-term operations with a very low risk profile.

At present, the Group believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.
At December 31, 2012, Eni maintained short-term committed and uncommitted unused borrowing facilities of €12,173 million, of which €1,241 million were committed, and long-term committed borrowing facilities of €6,928 million which were completely undrawn at the balance sheet date. These facilities bore interest rates that reflected prevailing market conditions. Fees charged for unused facilities were immaterial.

Eni has in place a program for the issuance of Euro Medium Term Notes up to €15 billion, of which about €12.3 billion were drawn as of December 31, 2012. 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 ratings are potentially exposed to the risk of further downgrading of the sovereign credit rating of Italy in addition to a possible deterioration in the global macroeconomic outlook, particularly the risks of a break-up of the Euro-zone. On the basis of the methodologies used by Standard & Poor's and Moody's, a potential downgrade of Italy's credit rating may have 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 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.
In 2012, in accordance with the guidelines of IFRS 5, the results of Snam SpA and its subsidiaries (Snam) have been reported as discontinued operations due to Eni's plan to divest the business. Eni lost control over the entity in October 2012, as part of a transaction to divest approximately 30% of the share capital of Snam to an Italian entity, Cassa Depositi e Prestiti which is a related party of Eni as both entities are under the common control of the Italian Ministry for Economy and Finance. The divestment took place in accordance to Law No. 27 of March 24, 2012, which mandated the ownership unbundling of Snam from Eni. Prior year data have been reclassified in accordance with guidelines of IFRS 5. The residual interest of Eni in Snam equal to 20.2% of the share capital of the investee as of the balance sheet date was accounted as financial instrument because Eni is forbidden from exercising the underlying voting rights by applicable laws and therefore cannot influence the financial and operating policy decisions of the investee. Furthermore, under applicable rules, Eni is mandated to divest any residual interest in the entity.

The consolidated financial statements of Eni include the 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 benefits 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 petrochemical 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 cash flow hedges, hedging exposure to variability in cash flows, are recognized in equity, except for the ineffective portion which 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 expenditures) 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 a defined useful life are not amortized but are reviewed periodically for impairment.

Impairment 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 calculated 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 (legal or constructive) obligation 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 34 - Legal proceedings - to the consolidated financial statements of 2012 included in Eni's Annual Report.

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 post-retirement benefits, recognition of environmental liabilities and recognition of revenues in the engineering and construction business. 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 2012 included in Eni's Annual Report.

Profit and loss account (€ million)	2010	2011	2012
REVENUES			
Net sales from operations	96,617	107,690	**127,220**
Other income and revenues	967	926	**1,546**
	97,584	**108,616**	**128,766**
OPERATING EXPENSES			
Purchases, services and other	68,774	78,795	**95,363**
- of which non-recurring charge (income)	*(246)*	*69*	
Payroll and related costs	4,428	4,404	**4,658**
OTHER OPERATING (EXPENSE) INCOME	**131**	**171**	**(158)**
DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS	**9,031**	**8,785**	**13,561**
OPERATING PROFIT	**15,482**	**16,803**	**15,026**
FINANCE INCOME (EXPENSE)			
Finance income	6,109	6,376	**7,218**
Finance expense	(6,727)	(7,410)	**(8,274)**
Derivative financial instruments	(131)	(112)	**(251)**
	(749)	**(1,146)**	**(1,307)**
INCOME (EXPENSE) FROM INVESTMENTS			
Share of profit (loss) of equity-accounted investments	493	500	**278**
Other gain (loss) from investments	619	1,623	**2,603**
	1,112	**2,123**	**2,881**
PROFIT BEFORE INCOME TAXES	**15,845**	**17,780**	**16,600**
Income taxes	(8,581)	(9,903)	**(11,659)**
Net profit for the year - Continuing operations	**7,264**	**7,877**	**4,941**
Net profit (loss) for the year - Discontinued operations	**119**	**(74)**	**3,732**
Net profit for the year	**7,383**	**7,803**	**8,673**
Attributable to:			
Eni			
- continuing operations	6,252	6,902	**4,198**
- discontinued operations	66	(42)	**3,590**
	6,318	**6,860**	**7,788**
Non-controlling interest			
- continuing operations	1,012	975	**743**
- discontinued operations	53	(32)	**142**
	1,065	**943**	**885**

Balance sheet (€ million)	Dec. 31, 2011	Dec. 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	1,500	**7,765**
Other financial assets available for sale	262	**235**
Trade and other receivables	24,595	**28,621**
Inventories	7,575	**8,496**
Current tax assets	549	**771**
Other current tax assets	1,388	**1,230**
Other current assets	2,326	**1,624**
Total current assets	**38,195**	**48,742**
Non-current assets		
Property, plant and equipment	73,578	**63,466**
Inventory - compulsory stock	2,433	**2,538**
Intangible assets	10,950	**4,487**
Equity-accounted investments	5,843	**4,265**
Other investments	399	**5,085**
Other financial assets	1,578	**1,229**
Deferred tax assets	5,514	**4,913**
Other non-current receivables	4,225	**4,400**
Total non-current assets	**104,520**	**90,383**
Assets held for sale	230	**516**
TOTAL ASSETS	**142,945**	**139,641**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Short-term debt	4,459	**2,223**
Current portion of long-term debt	2,036	**2,961**
Trade and other payables	22,912	**23,581**
Income taxes payables	2,092	**1,622**
Other taxes payables	1,896	**2,162**
Other current liabilities	2,237	**1,437**
Total current liabilities	**35,632**	**33,986**
Non-current liabilities		
Long-term debt	23,102	**19,279**
Provisions for contingencies	12,735	**13,603**
Provisions for employee benefits	1,039	**982**
Deferred tax liabilities	7,120	**6,740**
Other non-current liabilities	2,900	**1,977**
Total non-current liabilities	**46,896**	**42,581**
Liabilities directly associated with assets held for sale	24	**361**
TOTAL LIABILITIES	**82,552**	**76,928**
SHAREHOLDERS' EQUITY		
Non-controlling interest	**4,921**	**3,514**
Eni shareholders' equity		
Share capital	4,005	**4,005**
Reserves related to cash flow hedging derivatives net of tax effect	49	**(16)**
Other reserves	53,195	**49,579**
Treasury shares	(6,753)	**(201)**
Interim dividend	(1,884)	**(1,956)**
Net profit	6,860	**7,788**
Total Eni shareholders' equity	**55,472**	**59,199**
TOTAL SHAREHOLDERS' EQUITY	**60,393**	**62,713**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**142,945**	**139,641**

Statements of cash flow (€ million)

	2010	2011	2012
Net profit of the year - Continuing operations	7,264	7,877	**4,941**
Adjustments to reconcile net profit to net cash provided by operating activities:			
Depreciation and amortization	8,343	7,755	**9,538**
Impairments of tangible and intangible assets, net	688	1,030	**4,023**
Share of (profit) loss of equity-accounted investments	(493)	(500)	**(278)**
Gain on disposal of assets, net	(558)	(1,176)	**(875)**
Dividend income	(264)	(659)	**(431)**
Interest income	(95)	(99)	**(108)**
Interest expense	607	773	**803**
Income taxes	8,581	9,903	**11,659**
Other changes	(39)	331	**(1,945)**
Changes in working capital:			
- inventories	*(1,141)*	*(1,400)*	***(1,395)***
- trade receivables	*(1,923)*	*218*	***(3,184)***
- trade payables	*2,811*	*34*	***2,029***
- provisions for contingencies	*575*	*109*	***338***
- other assets and liabilities	*(1,480)*	*(657)*	***(1,161)***
Cash flow from changes in working capital	(1,158)	(1,696)	**(3,373)**
Net change in the provisions for employee benefits	22	(10)	**16**
Dividends received	766	955	**988**
Interest received	124	99	**91**
Interest paid	(630)	(927)	**(825)**
Income taxes paid, net of tax receivables received	(9,018)	(9,893)	**(11,868)**
Net cash provided by operating activities - Continuing operations	**14,140**	**13,763**	**12,356**
Net cash provided by operating activities - Discontinued operations	**554**	**619**	**15**
Net cash provided by operating activities	**14,694**	**14,382**	**12,371**
Investing activities:			
- tangible assets	*(12,308)*	*(11,658)*	***(11,222)***
- intangible assets	*(1,562)*	*(1,780)*	***(2,295)***
- consolidated subsidiaries and businesses	*(143)*	*(115)*	***(178)***
- investments	*(267)*	*(245)*	***(391)***
- securities	*(50)*	*(62)*	***(17)***
- financing receivables	*(866)*	*(715)*	***(1,634)***
- change in payables and receivables in relation to investing activities and capitalized depreciation	*261*	*379*	***54***
Cash flow from investing activities	(14,935)	(14,196)	**(15,683)**
Disposals:			
- tangible assets	*272*	*154*	***1,229***
- intangible assets	*57*	*41*	***61***
- consolidated subsidiaries and businesses	*215*	*1,006*	***3,521***
- investments	*569*	*711*	***1,203***
- securities	*14*	*128*	***52***
- financing receivables	*841*	*695*	***1,578***
- change in payables and receivables in relation to disposals	*2*	*243*	***(252)***
Cash flow from disposals	1,970	2,978	***7,392***
Net cash used in investing activities	**(12,965)**	**(11,218)**	**(8,291)**
Proceeds from long-term debt	2,953	4,474	**10,484**
Repayments of long-term debt	(3,327)	(889)	**(3,784)**
Increase (decrease) in short-term debt	2,646	(2,481)	**(753)**
	2,272	**1,104**	**5,947**
Net capital contributions by non-controlling interest		26	
Sale of treasury shares		3	
Net acquisition of treasury shares different from Eni SpA	37	17	**29**
Acquisition of additional interests in consolidated subsidiaries		(126)	**604**
Dividends paid to Eni's shareholders	(3,622)	(3,695)	**(3,840)**
Dividends paid to non-controlling interest	(514)	(552)	**(539)**
Net cash used in financing activities	**(1,827)**	**(3,223)**	**2,201**
Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)		(7)	**(4)**
Effect of exchange rate changes on cash and cash equivalents and other changes	39	17	**(12)**
Net cash flow of the year	**(59)**	**(49)**	**6,265**
Cash and cash equivalents - beginning of the year	**1,608**	**1,549**	**1,500**
Cash and cash equivalents - end of the year	**1,549**	**1,500**	**7,765**

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 impairments or write ups and gains or losses on

2012 (€ million)

							OTHER ACTIVITIES [a]				DISCONTINUED OPERATIONS			
(€ million)	Exploration & Production	Gas & Power [a]	Refining & Marketing	Chemicals	Engineering & Construction	Corporate and financial companies	Snam	Other activities	Impact of unrealized intragroup profit elimination	GROUP	Snam	Consolidation adjustments	Total	CONTINUING OPERATIONS
Operating profit	**18,451**	**(3,221)**	**(1,303)**	**(683)**	**1,433**	**(345)**	**1,676**	**(302)**	**208**	**15,914**	**(1,676)**	**788**	**(888)**	**15,026**
Exclusion of inventory holding (gains) losses		163	(29)	63					(214)	(17)				(17)
Exclusion of special items:														
- asset impairments	550	2,494	846	112	25			2		4,029				4,029
- 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
- environmental charges		(2)	40				71	25		134	(71)		(71)	63
- provision for redundancy incentives	6	5	19	14	7	11	2	2		66	(2)		(2)	64
- re-measurement gains/losses on commodity derivatives	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	**18,518**	**354**	**(328)**	**(485)**	**1,465**	**(329)**	**1,727**	**(224)**	**(6)**	**20,692**	**(1,727)**	**788**	**(939)**	**19,753**
Net finance (expense) income [b]	(248)	31	(4)	(1)		(861)	(51)	(22)		(1,156)	51		51	(1,105)
Net income (expense) from investments [b]	436	261	63	2	55	99	38	(1)		953	(38)		(38)	915
Income taxes [b]	(11,281)	(173)	90	89	(411)	115	(712)		2	(12,281)	712	(123)	589	(11,692)
Tax rate (%)	*60.3*	*26.8*	*..*		*27.0*		*41.5*			*59.9*				*59.8*
Adjusted net profit	**7,425**	**473**	**(179)**	**(395)**	**1,109**	**(976)**	**1,002**	**(247)**	**(4)**	**8,208**	**(1,002)**	**665**	**(337)**	**7,871**
of which attributable to:														
- non-controlling interest										885			(142)	743
- Eni's shareholders										**7,323**			**(195)**	**7,128**
Net profit attributable to Eni's shareholders										**7,788**			**(3,590)**	**4,198**
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										**7,323**			**(195)**	**7,128**

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

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 and adjusted net profit to reported operating profit and reported net profit see tables below.

2011 (€ million)

(€ million)	Exploration & Production	Gas & Power [a]	Refining & Marketing	Chemicals	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
- 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
- re-measurement gains/losses on 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 plan, Snam results are reclassified from "Gas & Power" sector to "Other activities" and accounted as discontinued operations.
(b) Excluding special items.

2010 (€ million)

(€ million)	Exploration & Production	Gas & Power [a]	Refining & Marketing	Chemicals	Engineering & Construction	Corporate and financial companies	OTHER ACTIVITIES [a] Snam	Other activities	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS Snam	Consolidation adjustments	Total	CONTINUING OPERATIONS
Operating profit	**13,866**	**896**	**149**	**(86)**	**1,302**	**(361)**	**2,000**	**(1,384)**	**(271)**	**16,111**	**(2,000)**	**1,371**	**(629)**	**15,482**
Exclusion of inventory holding (gains) losses		(117)	(659)	(105)						(881)				(881)
Exclusion of special items														
of which:														
Non-recurring (income) charges		**(270)**			**24**					**(246)**				**(246)**
Other special (income) charges:	**32**	**759**	**329**	**95**		**96**	**46**	**1,179**		**2,536**	**(46)**		**(46)**	**2,490**
- asset impairments	127	426	76	52	3		10	8		702	(10)		(10)	692
- gains on disposal of assets	(241)		(16)		5		4			(248)	(4)		(4)	(252)
- risk provisions		78	2			8		7		95				95
- environmental charges	30	16	169				9	1,145		1,369	(9)		(9)	1,360
- provision for redundancy incentives	97	52	113	26	14	88	23	10		423	(23)		(23)	400
- re-measurement gains/losses on commodity derivatives		30	(10)		(22)					(2)				(2)
- exchange rate differences and derivatives	14	195	(10)	17						216				216
- other	5	(38)	5					9		(19)				(19)
Special items of operating profit	**32**	**489**	**329**	**95**	**24**	**96**	**46**	**1,179**		**2,290**	**(46)**		**(46)**	**2,244**
Adjusted operating profit	**13,898**	**1,268**	**(181)**	**(96)**	**1,326**	**(265)**	**2,046**	**(205)**	**(271)**	**17,520**	**(2,046)**	**1,371**	**(675)**	**16,845**
Net finance (expense) income [b]	(205)	34			33	(783)	22	(9)		(908)	(22)		(22)	(930)
Net income (expense) from investments [b]	274	362	92	1	10		44	(2)		781	(44)		(44)	737
Income taxes [b]	(8,358)	(397)	33	22	(375)	181	(667)		102	(9,459)	667	(78)	589	(8,870)
Tax rate (%)	*59.8*	*23.9*	*..*		*27.4*		*31.6*			*54.4*				*53.3*
Adjusted net profit	**5,609**	**1,267**	**(56)**	**(73)**	**994**	**(867)**	**1,445**	**(216)**	**(169)**	**7,934**	**(1,445)**	**1,293**	**(152)**	**7,782**
of which attributable to:														
- non-controlling interest										1,065			(53)	1,012
- Eni's shareholders										**6,869**			**(99)**	**6,770**
Net profit attributable to Eni's shareholders										**6,318**			**(66)**	**6,252**
Exclusion of inventory holding (gains) losses										(610)				(610)
Exclusion of special items:										1,161			(33)	1,128
- non-recurring charges										*(246)*				*(246)*
- other special (income) charges										*1,407*			*(33)*	*1,374*
Adjusted net profit attributable to Eni's shareholders										**6,869**			**(99)**	**6,770**

(a) Following the divestment plan, 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 2012 Annual Report, "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes" pages 86-88.

> 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, 2011	Dec. 31, 2012
Fixed assets		
Property, plant and equipment	73,578	**63,466**
Inventories - Compulsory stock	2,433	**2,538**
Intangible assets	10,950	**4,487**
Equity-accounted investments and other investments	6,242	**9,350**
Receivables and securities held for operating purposes	1,740	**1,457**
Net payables related to capital expenditure	(1,576)	**(1,142)**
	93,367	**80,156**
Net working capital		
Inventories	7,575	**8,496**
Trade receivables	17,709	**19,966**
Trade payables	(13,436)	**(14,993)**
Tax payables and provisions for net deferred tax liabilities	(3,503)	**(3,318)**
Provisions	(12,735)	**(13,603)**
Other current assets and liabilities	281	**2,347**
	(4,109)	**(1,105)**
Provisions for employee post-retirement benefits	(1,039)	**(982)**
Assets held for sale including related liabilities	206	**155**
CAPITAL EMPLOYED NET	**88,425**	**78,224**
- Eni shareholders' equity	55,472	**59,199**
- Non-controlling interest	4,921	**3,514**
Shareholders' equity	**60,393**	**62,713**
Net borrowings	**28,032**	**15,511**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**88,425**	**78,224**

> 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, 2011	Dec. 31, 2012
Total debt	29,597	**24,463**
- Short-term debt	*6,495*	***5,184***
- Long-term debt	*23,102*	***19,279***
Cash and cash equivalents	(1,500)	**(7,765)**
Securities held for non-operating purposes	(37)	**(34)**
Financing receivables for non-operating purposes	(28)	**(1,153)**
Net borrowings	**28,032**	**15,511**
Shareholders' equity including non-controlling interest	**60,393**	**62,713**
Leverage	**0.46**	**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)	2010	2011	2012
Net profit - continuing operations	**7,264**	**7,877**	**4,941**
Adjustments to reconcile net profit to net cash provided by operating activities:			
- depreciation, depletion and amortization and other non monetary items	8,521	8,606	**11,354**
- net gains on disposal of assets	(558)	(1,176)	**(875)**
- dividends, interest, taxes and other changes	8,829	9,918	**11,923**
Changes in working capital related to operations	(1,158)	(1,696)	**(3,373)**
Dividends received, taxes paid, interest (paid) received during the period	(8,758)	(9,766)	**(11,614)**
Net cash provided by operating activities - continuing operations	**14,140**	**13,763**	**12,356**
Net cash provided by operating activities - discontinued operations	**554**	**619**	**15**
Net cash provided by operating activities	**14,694**	**14,382**	**12,371**
Capital expenditure - continuing operations	(12,450)	(11,909)	**(12,761)**
Capital expenditure - discontinued operations	(1,420)	(1,529)	**(756)**
Capital expenditure	**(13,870)**	**(13,438)**	**(13,517)**
Investments and purchase of consolidated subsidiaries and businesses	(410)	(360)	**(569)**
Disposals	1,113	1,912	**6,014**
Other cash flow related to capital expenditure, investments and disposals	228	627	**(136)**
Free cash flow	**1,755**	**3,123**	**4,163**
Borrowings (repayment) of debt related to financing activities	(26)	41	**(83)**
Changes in short and long-term financial debt	2,272	1,104	**5,947**
Dividends paid and changes in non-controlling interests and reserves	(4,099)	(4,327)	**(3,746)**
Effect of changes in consolidation area and exchange differences	39	10	**(16)**
NET CASH FLOW	**(59)**	**(49)**	**6,265**

Change in net borrowings (€ million)	2010	2011	2012
Free cash flow	**1,755**	**3,123**	**4,163**
Net borrowings of acquired companies	(33)		**(2)**
Net borrowings of divested companies		(192)	**12,446**
Exchange differences on net borrowings and other changes	(687)	(517)	**(340)**
Dividends paid and changes in non-controlling interest and reserves	(4,099)	(4,327)	**(3,746)**
CHANGE IN NET BORROWINGS	**(3,064)**	**(1,913)**	**12,521**

> 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. In order to calculate the EBITDA pro-forma adjusted, the adjusted operating profit of the Marketing business has been modified to take into account the impact of the settlement of certain commodity and exchange rate derivatives that do not meet the formal criteria to be classified as hedges under the IFRS. These are entered into by the Company in view of certain amounts of gas and electricity that the Company expects to supply at fixed prices during future periods. The impact of those derivatives has been allocated to the EBITDA pro-forma adjusted relating to the reporting periods during which those supplies at fixed prices are recognized. 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 ratio 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 Vice Chairman of GE Capital Interbanca SpA; a member of the Board of Directors and of the Audit Committee of Exor SpA; a member of the European Advisory Board of Blackstone and a member of the Massachusetts Institute of Technology E.I. External Advisory Board. He is also a member of the Italian Corporate Governance Committee, of the executive committees of Confindustria (where he chairs the Foreign Investment Committee), Assonime (Association of Italian Joint Stock Companies), Aspen Institute Italia; a 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 B20 Task Force on Improving Transparency and Anti-Corruption and director of the World Economic Forum Partnering Against Corruption Initiative. He holds a degree in Engineering from 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 Recchi Group. In 1999 he joined General Electric, where he held several management positions in Europe and in the United States. He served as Director of GE Capital Structure Finance Group; Managing Director for Industrial M&A and Business Development for GE EMEA; President & CEO of GE Italy. Until May 2011 he was President & CEO of GE South Europe. Mr. Recchi was a member of the Organizing Committee for the Rome Candidacy for the 2020 Olympic Games, of the Board of Permasteelisa SpA, of the Advisory Board 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 the London Stock Exchange Group and a Non- Executive Director of Veolia Environnement. He also sits on the Board of Overseers of Columbia Business School and of Fondazione Teatro alla Scala. After receiving a degree in economics and business from Luigi Bocconi University 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 in 1984. From 1985 to 1996 he was Deputy Chairman and CEO of Techint. In 1996 he moved to the UK and served as CEO of Pilkington until May 2002.
From May 2002 to May 2005 he served as Chief Executive Officer and General Manager of Enel. From 2005 to July 2006 he was Chairman of Alliance Unichem. In May 2004 he was decorated as Cavaliere del Lavoro of the Italian Republic. In November 2007 he was decorated as an Officier of the French Légion d'Honneur.

Carlo Cesare Gatto

Was born in 1941 and has been a Director of Eni since May 2011. He graduated from the University of Turin with a degree in Economics and Business. He is a certified public auditor. He is currently Chairman of the Board of Statutory Auditors of RAI SpA, Natuzzi SpA, Difesa Servizi SpA, Rainet SpA and Director of Arcese Trasporti SpA. He has taught courses in Finance, Administration and Control at the Isvor Fiat SpA training institute. In 1968 he was hired by Impresit as Chief Accountant, where he managed the finance department of the local branch in Jordan. He joined the Fiat Group in 1969 where over the years he held a series positions of increasing responsibility in the area of finance, administration and control. From 1979 to 1990 he was in charge of Financial Reporting at the Fiat Group and was also responsible for controlling the transport companies of the Fiat Group operating public transport concessions (Sapav, Sadem, Sita) and oversaw their subsequent sale. In 1990 he was appointed Joint Manager of Finance and Control of the Fiat Group, before becoming, in 1998, Chief Administration Officer (CAO). From 2000 to 2004, he was Chief Executive Officer and Deputy Chairman of Business Solutions, a new sector created by Fiat to provide business services. In 1993 he was the Italian Representative to the European Commission for the fiscal harmonization of the Member States. In 1992 he was decorated as Cavaliere Ordine al Merito of the Italian Republic and, in 1995, an Ufficiale Ordine al Merito of the Italian Republic.

Alessandro Lorenzi

Was born in 1948 and has been a Director of Eni since May 2011. He is currently a founding partner of Tokos Srl, a securities investment consulting firm, and Chairman of Società Metropolitana Acque Torino SpA, and a 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, a position he held 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, serving as a member of the Board of Directors from 2008 to June 2011.

Paolo Marchioni

Was born in 1969 and has been a Director of Eni since June 2008. He is a lawyer specializing in criminal and administrative law, and has been admitted to argue before the Supreme Court and the higher Courts. He has been Chairman of the Board of Directors of Finpiemonte partecipazioni SpA since August 2010. He serves 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

(*) 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.

Assembly of Mayors of the Asl 14 health authority, the steering committee of the Verbania health 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 (VB) city council. From October 2001 to April 2004 he was a Director of CIM SpA of Novara (merchandise interport centre) and from December 2002 to December 2005 a Director and executive committee member of Finpiemonte SpA. From June 2005 to June 2008 he was a Director of Consip SpA. He was Vice President and Provincial Councillor in charge of the budget, financial reporting, property, legal affairs and productive activities 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

Has been a Director of Eni since May 2011. He was born in Pescara in 1949 and graduated with a degree in law from "Gabriele D'Annunzio" University of Chieti and Pescara. He has been a member of the Board of Directors of the Ravenna Festival since 2007 and 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 "Lending 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 transferred, holding 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 Defence Ministry's contacts with industry and international relations. From 2008 to 2011 he was Chief Secretary of 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 1957 and has been Director of Eni since May 2011. He received a degree in Business Administration from 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 & Co). In 1991 he left the consulting field 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 expanding the revenues of that group'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 in Bruxelles and Chairman of the Internal Monetary Conference Washington. In May 2004 he was decorated as a Cavaliere del Lavoro.

Mario Resca

Was born in 1945 and has been a Director of Eni since May 2002. He graduated from the Università Luigi Bocconi of Milan with a degree in Economics and Business. He is also Chairman of Confimprese, Deputy Chairman of Sesto Immobiliare SpA 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 at 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 decorated as a Cavaliere del Lavoro in June 2002.

Francesco Taranto

Was born 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 management 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 an extended period of time. He was Director of ERSEL SIM, member of the steering council of Assogestioni and of the Committee for the Corporate Governance of 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, Roberto Ferranti, Paolo Fumagalli, Renato Righetti, Giorgio Silva, Francesco Bilotti 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

Umberto Vergine [a]
Gas & Power 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

(a) In charge until December 4, 2012; since December 5, 2012 Paolo Scaroni has been Gas & Power Chief Operating Officer ad interim.

> 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 aims 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 2013 Guidelines for the remuneration of the Chief Executive Officer and General Manager (CEO/GM), of the Chief Operating Officers of Eni's Divisions and other Managers with strategic responsibilities (MSR).

Remuneration Policy 2013

Component	Aims and characteristics	Implementation condition	Values
Fixed remuneration	Reflects the skills, experiences and contribution related to the assigned role	Setting of the remuneration levels through benchmarks consistent with Eni and with the responsibilities of the specific roles	CEO/GM €1,430,000 annually (unchanged since 2005) MSR: remuneration determined on the basis of the level of the specific role with possible adjustments in relation to competitive placement targets (average market values)
Annual variable incentives	Promotes the achievement of annual budget objectives All the managers participate in the Plan Target incentives assigned are differentiated based on different roles Incentives paid on the basis of results achieved in the previous year	CEO/GM Objectives: - Implementation of strategic, financial and sustainability guidelines (30%) - Operational Performance of Divisions (30%) - Adjusted EBIT (30%) - Efficiency program (10%) MSR objectives: business and individual objectives determined based on those of the CEO/GM and on the responsibilities assigned Performance scale for each objective 70÷130 points(*); minimum threshold for the incentive equal to a total performance of 85 points	CEO/GM: on-target bonus of 110% of the fixed remuneration (min. 87.5% and max. 155%) MSR: on-target incentives up to a maximum 60% of the fixed remuneration
Deferred Monetary Incentive (2012-2014 Plan)	Promotes the business profitability growth in the long-term All managers who have reached the annual objectives participate in the Plan Target incentives assigned are differentiated based on specific roles	EBITDA performance measured against the EBITDA value as per the Plan Amount assigned on the basis of the EBITDA results achieved in the previous year evaluated in accordance with the performance scale 70÷130 (*) Amount paid as a variable percentage between zero and 170% of the amount assigned, on the basis of the average results achieved in the vesting period, evaluated in accordance with the performance scale 70÷170 (*) Vesting period: three years	CEO/GM: on-target incentive assigned of 55% of the fixed remuneration (min. 38.5% and max. 71.5%) MSR: on-target incentives assigned up to a maximum 40% of the fixed remuneration
Long-Term Monetary Incentive (2012-2014 Plan)	Promotes a business long-term profitability growth superior of that of the peers Managers who are critical for the business participate in Plan Target incentives assigned are differentiated based on specific roles	Performance measured in terms of the variation of the Adjusted Net Profit + DD&A, compared to the ones reported by the main Oil Majors in the Eni Peer group (Exxon, Shell, Chevron, BP, Total, Conoco) Incentive paid as a variable percentage between zero and 130% of the assigned amount, based on the average annual placement achieved in the vesting period: 1° Place 130% 2° Place 115% 3° Place 100% 4° Place 85% 5° Place 70% 6° Place 0% 7° Place 0% Vesting period: three years	CEO/GM: on-target incentive assigned to target on the basis of the annual value of the previous stock option plan MSR: on-target incentives assigned up to a maximum 50% of the fixed remuneration
Benefits	The remuneration package is integrated with social security and insurance-related benefits, according to a "total reward" approach	Conditions defined by the national collective labour agreement and complementary company level agreements applicable to senior managers	- Supplementary pension plan - Supplementary health plan - Insurance coverages - Company car

(*) Performance rated below the minimum threshold (70 points) is considered equal to zero.

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, following the criteria of competence, fixed remuneration and fixed salary from employment due for the year, 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, following the criteria of competence, the compensation due to the Directors for participation in 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 rights following the assessment and approval of the relative performance results by the relevant company bodies, in accordance with that specified, in greater detail, 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 figures, as no form of profit-sharing is envisaged;
- "Non-monetary benefits" which reports, in accordance with competence and taxability criteria, the value of fringe benefits awarded;
- "Other remuneration" reports, in accordance with the criteria of competence, any other remuneration deriving from other services provided;
- "Total" which reports the sum of the amounts of all the previous items;
- "Fair value of equity remuneration" 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, even if not yet paid, for the terminations which occurred during the course of financial year considered or in relation to the end of the office and/or employment.

(1) For detailed information on Eni's remuneration policy and compensation see the "Remuneration Report 2013" available on Eni's website under the sections "Governance" and "Investor relations".

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 2012	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		245		4		1,014		
Paolo Scaroni	CEO and General Manager	01.01 - 31.12	04.2014	1,430		4,952		15		6,397		
Carlo Cesare Gatto	Director	01.01 - 31.12	04.2014	115	50					165		
Alessandro Lorenzi	Director	01.01 - 31.12	04.2014	115	59					174		
Paolo Marchioni	Director	01.01 - 31.12	04.2014	115	50					165		
Roberto Petri	Director	01.01 - 31.12	04.2014	115	36					151		
Alessandro Profumo	Director	01.01 - 31.12	04.2014	115	45					160		
Mario Resca	Director	01.01 - 31.12	04.2014	115	45					160		
Francesco Taranto	Director	01.01 - 31.12	04.2014	115	50					165		
Board of Statutory Auditors				435						435		
Chief Operating Officers												
Claudio Descalzi	E&P Division	01.01 - 31.12	04.2014	773		1,171		13	599	2,556		
Domenico Dispenza	G&P Division	01.01 - 31.12	04.2014	372		335		10		717		
Angelo Fanelli	R&M Division	01.01 - 31.12	04.2014	559		533		14		1,106		
Other Managers with strategic responsibilities [**]				5,432		6,597		133	145	12,307		2,917
				10,571	**335**	**13,833**		**189**	**744**	**25,672**		**2,917**

(*) 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 Management Committee during the course of the year and with the Chief Executive Officer and Chief Operating Officers of Eni's Divisions, and those who report directly to the Chief Executive Officer (thirteen 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		245						
Paolo Scaroni	CEO and General Manager		2,110	3,150	-	896	2,842	6,522	
Claudio Descalzi	Chief Operating Officer E&P Division		579	743			442	1,294	150
Umberto Vergine	Chief Operating Officer G&P Division [b]		191	387			144	447	
Angelo Fanelli	Chief Operating Officer R&M Division		369	481			164	925	
Other Managers with strategic responsibilities [c]			3,281	2,916	-	1,114	2,866	5,216	450
			6,775	**7,677**		**2,010**	**6,458**	**14,404**	**600**

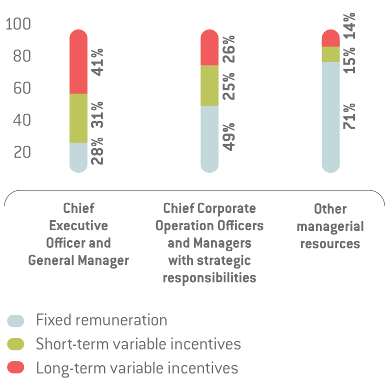
(a) Payment relative to deferred monetary incentive awarded in 2009.
(b) Chief Operating Officer G&P Division until December 4, 2012.
(c) Managers who were permanent members of the Company Management Committee, during the course of the year together with the Chief Executive Officer and Chief Operating Officers of Eni's Divisions, and those who report directly to the Chief Executive Officer (thirteen 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, 2012, amounted to €33 million, as described in the table below:

(€ million)	2012
Fees and salaries	21
Post employment benefits	1
Other long-term benefits	11
Indemnity upon termination of the office	0
	33

Pay mix



The 2013 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 2012

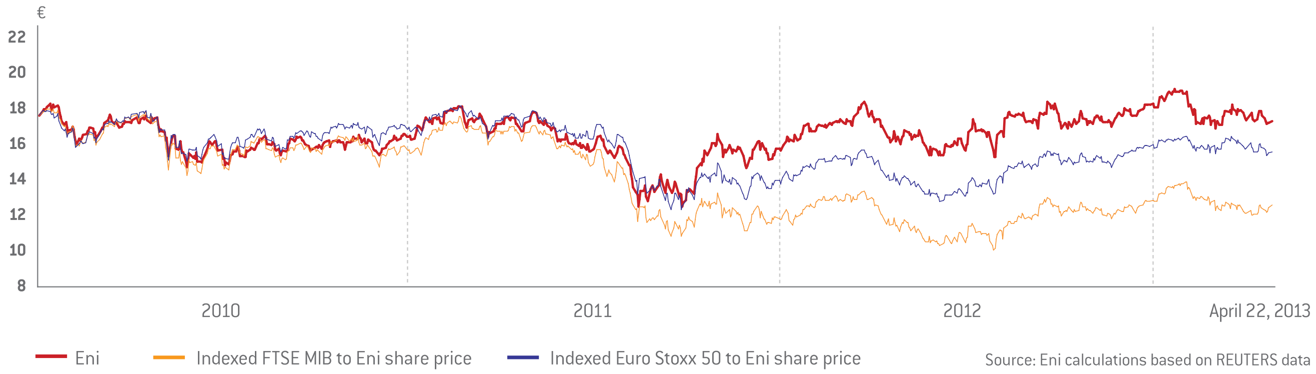
In accordance with Article 5 of the By-laws, the Company's share capital amounts to €4,005,358,876.00, fully-paid, and is represented by 3,634,185,330 ordinary registered shares without indication of par value. As of December 31, 2012, the decrease of No. 371,266,546 shares held in treasury compared to December 31, 2011 (No. 382,654,833 shares) was due to the cancellation of No. 371,173,546 shares, as resolved by the Extraordinary and Ordinary Shareholders' Meeting held on July 16, 2012 and to the sale of No. 93,000 shares following 2004 stock option plans. In the last session of 2012, the Eni share price, quoted on the Italian Stock Exchange, was €18.34, up 14.6 percentage points from the price quoted at the end of 2011 (€16.01). 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 7.8 percentage points. At the end of 2012, the Eni ADR listed on the NYSE was $49.14, up 19.07% compared to the price registered in the last session of 2011 ($41.27).

One ADR is equal to two Eni ordinary shares. In the same period the S&P 500 index increased by 13.2 percentage points. Eni market capitalization at the end of 2012 was €66.4 billion (€58 billion at the end of

Share information

		2010	2011	2012
Market quotations for common stock on the Mercato Telematico Azionario (MTA)				
High	(€)	18.56	18.42	**18.70**
Low		14.61	12.17	**15.25**
Average daily close		16.39	15.95	**17.18**
Year-end close		16.34	16.01	**18.34**
Market quotations for ADR on the New York Stock Exchange				
High	(US$)	53.89	53.74	**49.44**
Low		35.37	32.98	**36.85**
Average daily close		43.56	44.41	**44.24**
Year-end close		43.74	41.27	**49.14**
Average daily traded volumes	(million of shares)	20.69	22.85	**15.63**
Value of traded volumes	(€ million)	336	355	**267**

Eni share price in Milan (December 31, 2009 - April 22, 2013)



Source: Eni calculations based on REUTERS data

Eni ADR price in New York (December 31, 2009 - April 22, 2013)

Source: Eni calculations based on REUTERS data

2011), confirming Eni as the first company for market capitalization listed on the Italian Stock Exchange. Shares traded during the year totalled almost 3.9 billion, with a daily average of shares traded of 15.6 million (22.9 million in 2011).

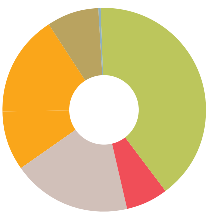
The total trade value of Eni shares amounted to approximately €68 billion (€92 billion in 2011), equal to a daily average of €267 million.

Share data

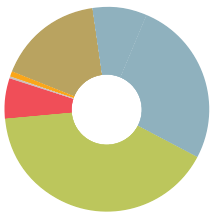
		2010	2011	2012
Net profit - continuing operations				
- *per share* [a]	(€)	*1.72*	*1.90*	***1.16***
- *per ADR* [a] [b]	(US$)	*4.59*	*5.29*	***2.98***
Adjusted net profit - continuing operations				
- *per share* [a]	(€)	*1.87*	*1.92*	***1.97***
- *per ADR* [a] [b]	(US$)	*4.96*	*5.35*	***5.06***
Leverage		*0.47*	*0.46*	***0.25***
Coverage		*22.2*	*15.4*	***11.7***
Current ratio		*1.00*	*1.10*	***1.40***
Debt coverage		*56.3*	*51.3*	***80.5***
Dividends pertaining to the year	(€ per share)	1.00	1.04	**1.08**
Pay-out	(%)	57	55	**50**
Dividend yield [c]	(%)	6.1	6.6	**5.9**
TSR		(2.2)	5.1	**22.0**

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

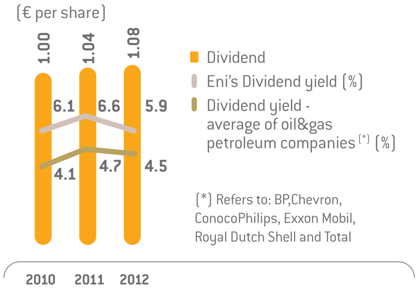
Shareholders distribution by geographic area



Class of shareholders



Dividend per share



Dividends

Management intends to propose to the Annual Shareholders' Meeting scheduled on May 10, 2013, the distribution of a dividend of €1.08 per share for fiscal year 2012, of which €0.54 was already paid as interim dividend in September 2012. Total cash outlay for the 2012 dividend is expected at approximately €3.9 billion (including €1.96 billion already paid in September 2012) in case 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 23, 2013).

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 Depository 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 1.201.680.6825.

Publications

1. **Annual Report 2012** a comprehensive report on Eni's activities and financial and sustainability results for the year.
2. **Annual Report on Form 20-F 2012** 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 2012** a report on Eni's businesses, strategies, objectives and development projects, including a full set of operating and financial statistics.
4. **Remuneration Report 2013** a report on Eni's compensation and remuneration policies pursuant to rule 123-ter of Legislative Decree No. 58/1998.
5. **Corporate Governance Report 2012** 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 (eni.com/sites/ENI_en_IT/documentation/documentation.page?type=bilrap&leftbox=documentazione&doc_from=hpeni_left). 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 2013 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 2013	**April 24, 2013**
	Results for the second quarter and the first half of 2013 and proposal of interim dividend for the financial year 2013	**July 31, 2013**
	Results for the third quarter of 2013	**October 29, 2013**
	Preliminary full-year results for the year ending December 31, 2013 and dividend proposal for the financial year 2013	**February, 2014**

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
EPIC	Engineering Procurement Installation Construction
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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Tax identification number: 00484960588
Branches:
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San Donato Milanese (Milan) - Piazza Ezio Vanoni, 1

Publications
Financial Statement pursuant to rule 154-ter paragraph 1
of Legislative Decree No. 58/1998
Annual Report
Annual Report on Form 20-F
for the Securities and Exchange Commission
Fact Book (in Italian and English)
Eni in 2012 (in English)
Interim Consolidated Report as of June 30 pursuant
to rule 154-ter paragraph 2 of Legislative Decree No. 58/1998
Corporate Governance Report pursuant to rule 123-bis
of Legislative Decree No. 58/1998 (in Italian and English)
Remuneration Report pursuant to rule 123-ter
of Legislative Decree No. 58/1998 (in Italian and English)

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Cover: Inarea - Rome - Italy
Layout and supervision: Korus - Rome - Italy
Printing: Tipografia Facciotti Srl - Rome - Italy
Printed on environment friendly paper: Gardapat 13 Kiara - Cartiere del Garda

eni.com

Eni in 2012