ENI SPA
Form 6-K
May 05, 2014
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN ISSUER
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April 2014

Eni S.p.A.
(Exact name of Registrant as specified in its charter)

Piazzale Enrico Mattei 1 - 00144 Rome, Italy
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F o

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2b under the Securities Exchange Act of 1934.)

Yes o No x

(If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): ________)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorised.

Eni S.p.A.

Name: Antonio Cristodoro
Title: Head of Corporate Secretary's Staff Office

Date: April 30, 2014

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Eni: Proposal to be voted on in Saipem s AGM

Rome, April 1, 2014 - At the next Annual General Meeting of Saipem shareholders, which will be held on May 6, 2014, Eni will submit a proposal to the Company s shareholders regarding the Directors term of office, in accordance with agenda item number four. The proposed duration for the Directors to be appointed will be of one financial year, in order to avoid both Eni s and Saipem s Board of Directors being up for renewal at the same time.

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Eni: Report on the purchase of treasury shares

San Donato Milanese (Milan), April 2, 2014 - During the period from March 24 to March 28, 2014, Eni acquired No. 50,000 shares for a total consideration of euro 893,735.12, within the authorization to purchase treasury shares approved at Eni s Ordinary General Meeting of shareholders on May 10, 2013, previously subject to disclosure pursuant to Article 144-*bis* of Consob Regulation 11971/1999.
The following are details of transactions for the purchase of treasury shares on the Electronic Stock Market on a daily basis:

Date	Number of ordinary shares purchased	Average price (euro)	Consideration (euro)
27/03/2014	50,000	17.8747	893,735.12
Total	**50,000**	**17.8747**	**893,735.12**

Following the purchases announced today, considering the treasury shares already held, on March 28, 2014 Eni holds No. 20,238,287 shares equal to 0.56% of the share capital.

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Eni: Report on the purchase of treasury shares

San Donato Milanese (Milan), April 9, 2014 - During the period from March 31 to April 4, 2014, Eni acquired No. 305,317 shares for a total consideration of euro 5,539,668.30, within the authorization to purchase treasury shares approved at Eni s Ordinary General Meeting of shareholders on May 10, 2013, previously subject to disclosure pursuant to Article 144-*bis* of Consob Regulation 11971/1999.

The following are details of transactions for the purchase of treasury shares on the Electronic Stock Market on a daily basis:

Date	Number of ordinary shares purchased	Average price (euro)	Consideration (euro)
01/04/2014	50,000	18.1819	909,097.41
02/04/2014	150,000	18.1409	2,721,135.27
03/04/2014	75,000	18.1061	1,357,958.80
04/04/2014	30,317	18.1903	551,476.82
Total	**305,317**	**18.1440**	**5,539,668.30**

Following the purchases announced today, considering the treasury shares already held, on April 4, 2014 Eni holds No. 20,543,604 shares equal to 0.57% of the share capital.

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Eni Annual Report / **Letter to shareholders**

letter to shareholders

In 2013 Eni faced challenging market conditions.
Hydrocarbon production in our upstream segment was severely hit by disruptions in Libya and, to a lesser extent, in Nigeria and Algeria due to social unrest, internal conflicts and other geopolitical risks. In our mid-downstream businesses, the economic downturn and strong competition from alternative sources of energy drove a further decline in the consumption of gas and fuels, mainly in Italy. Finally, Saipem reported sharply lower results due to the lower profitability of ongoing contracts.
In spite of these extraordinary headwinds, Eni achieved solid operating and financial results leveraging on the strength of its portfolio and the turnaround underway in the mid-downstream businesses.
Cash flow generation was robust thanks to the E&P contribution which continued to deliver an average cash flow per barrel of around 30 US dollars, absorbing the lower proceeds in the Countries which were by exceptional events. The ongoing turnaround in the G&P, R&M and Chemical segments delivered a euro 2 billion improvement in operating cash flows.
Finally, leveraging on the breadth of our portfolio boosted by the latest exploration successes, we were able to monetize a 20% interest in the Mozambique discovery for euro 3.4 billion and our interest in the Siberian assets of Articgas, with a consideration of euro 2.2 billion cashed in January 2014, without affecting our longer term growth prospects.
Capital expenditure was kept essentially flat in line with our policy in place from 2009 of strict project selection.
In a very challenging year, Eni recorded a 23% increase in net profit from 2012 and maintained the net debt flat.
Eni s strong financial position and underlying growth perspectives underpin our progressive distribution policy, with a 2% increase in the dividend per share and the launch of the share buyback program.
In conclusion, at the end of this three-year period, we deliver to our shareholders a Company even more focused on the upstream, with excellent prospects of profitability and cash generation thanks to our portfolio of projects and reserves which is so flexible to enable options for anticipated monetization, and with a clear strategy of turnaround in the mid-downstream businesses.
Our balance sheet is stronger with net debt halved compared to three years ago.
Exploration is the engine of our strategy in the upstream business. Eni has continued to deliver industry leading results. Since 2008 the appraisal of Sankofa offshore Ghana, and other successes in Norway, Australia, Pakistan and Egypt.
Exploration success, which owes to our know-how and organization, is the feature that mostly distinguishes Eni among the oil majors.
In the next four-year we will pursue even more ambitious exploration targets, by focusing on the emerging plays in Sub-Saharan Africa, the Barents Sea and Asia.
In Africa our objectives are pre-saline deposits in Congo, Angola and Gabon, the completion of the appraisal campaign in Mozambique and the launch of exploration activity in the Lamu basin in Kenya.
In the Russian section of the Barents Sea we jointly operate with Rosneft a high potential basin where seismic surveys have been started. The Norwegian section of the Barents Sea confirms to be an extraordinary promising area, where, once the operated Goliat has been started marking the first oil project of the region as expected at the end of 2014, we will see a rapid development of the recent discoveries of the area.
In the Pacific basin we intend to go ahead with exploration in Vietnam and Myanmar and to confirm our commitment in Indonesia and Australia. Furthermore we intend to explore the Russian and

we have discovered 9.5 bln boe of resources, equal to 2.5 times the production of the period. 2013 has been a brilliant year too, with 1.8 bln boe of resources discovered at a competitive cost of $1.2 per barrel. The main discoveries made in the year were the Agulha prospect and the appraisal of Mamba and Coral in Area 4 in Mozambique, where we estimate an overall mineral potential up to 2,650 billion cubic meters of gas in place, Nené Marine in Congo, which has founded a new oil play with huge potential,

Ukrainian frontier areas of the Black Sea, where the Subbotina oil discovery is in place.

We acquired the operatorship of three licenses in the Cypriot deep offshore portion of the Levantine basin, in proximity of large gas discoveries.

Our second priority comes through a major review of our legacy assets where we are applying new geological play concepts with exciting results. A remarkable example of the value this approach can bring is by the extraordinary Nené discovery in Marine XII. This is a mature block which has been largely explored in the past, where the application of new geological targets led us to discover more than 2.5 bboe of resources in place.

We maintain a strong commitment to time-to-market of discovered resources and continue to be selective in the phased development of our projects.
We plan to start-up 26 new major fields in the next four years, mainly Goliat in the Barents Sea, the Block 15/06 West Hub in Angola, the heavy oil and gas Venezuelan assets and Jangkrik in Indonesia, which will add more than 500 kboe/d by 2017, supporting production growth and the replacement of mature production. Approximately 70% of the planned start-ups will relate to already sanctioned projects, whose costs and schedules are in line with budgets. These progresses have been underpinned by our organizational model which is based on the in-source of critical engineering phases and a strong grip on construction and commissioning activities in order to minimize the risk of cost overruns.
Operational efficiency is the other driver of our organization, mainly in the drilling and completion of our wells. 2013 was a record in terms of control of the operational risk as well as health and safety risks with a total recordable injury rate 60% lower than the average recorded in the previous six years, and zero blow-outs for the tenth consecutive year.
For the future we intend to target even more challenging targets. In the next four year plan we will invest in training initiatives and sharing of know-how in the prevention of accidents and injuries, in new techniques for the rationale use of resources by optimizing water reinjection and in reducing GHG emissions by means of flaring down projects.

our commercial policies.
Our renegotiation strategy is based on a fair distribution of economic benefits between the producer and the acquirer in line with the contractual principles. In 2013 we renegotiated supply terms of 85% of our long-term contracted gas. In 2014-2016, we plan to finalize a new round of renegotiations with expected benefits of euro 2 billion per year on our cost position. Our marketing strategy will deliver increasingly innovative products in order to best suit large customers needs and maximize value generation from our physical and contractual assets, overcoming the traditional role of the wholesaler.
In the retail segment our mission is to achieve customer satisfaction and fidelity with a multi-Country approach. In doing so, we will evolve into a supplier of value-added energy services and leave behind us the role of a commodity reseller. We serve approximately 10 million of customers across Europe and we intend to increase and retain our customer base leveraging on the Eni s brand awareness, the quality of service and the innovation.
We intend to streamline our fixed-cost structure by reorganizing post-sale activities, restructuring of logistics and simplifying the organizational structure.
In the R&M Division we have reduced our refining capacity by 13% since the beginning of the downturn and we are planning for a further cut of 22% in the next four years. In addition we will continue to adopt capital discipline, to increase plants flexibility, pursuing at the same time fixed cost reductions and energy saving initiatives. We foresee to consolidate our presence in the retail

competitive advantage. In the four-year plan, bio-chemicals productions at Porto Torres and Porto Marghera are expected to start-up. Also the joint ventures with major operators in the South Korea and Malaysia in the elastomers will start production. The technology lever is the driver to upgrade the business. It is worth mentioning our collaborations with Genomatica and Yulex for the production of elastomers from renewable, non-food plantations, targeting to substitute the traditional oil-based feedstock.
2013 has been a tough year at Saipem due to a slowdown in the business and issues affecting the profitability of certain large contracts. The Company reacted with a renewed focus on execution activities, an organizational turnaround and the adoption of a more selective commercial strategy. 2014 will be a transitional year with a recovery in profitability, the dimension of which relies upon the effective execution of operational and commercial activities at low-margin contracts still present in the current portfolio, in addition to the speed at which bids underway will be awarded.

Results of the year

Results reported in 2013 reflect the complexity of the scenario. Adjusted operating and net profit amounted to euro 12.62 billion and euro 4.43 billion respectively, declining by approximately one third compared to 2012. These results were driven by geopolitical factors in the E&P Division causing production losses of about 110 kboe/d to an annual production of 1,619 kboe/d (down 5% from 2012), plunging margins on sales of gas, electricity, fuels and

Overall in 2013 the E&P Division reported excellent results, in spite of geopolitical factors, and laid the foundations of a new production growth phase which will fuel value and cash generation.
The G&P, R&M and Chemical segments intensified turnaround actions in a difficult market scenario. The G&P Division devoted great efforts in the renegotiation of long-term gas supply contracts in order to both align supply costs to market conditions and to reduce the annual minimum take obligations (take-or-pay) ensuring higher flexibility to of fuels in Italy leveraging on the continuous innovation of products and services and the non-oil development. Outside Italy we intend to focus our presence on growing markets and to divest from non-strategic areas.
Our Chemical business will progressively reduce its exposure to commodity chemicals, which have been increasingly exposed to international competition. We intend to grow our presence in the green chemicals business and to expand internationally targeting those segments where Eni s know-how represents a chemical products, the effects of which were partly offset by turnaround savings, and sharply lower profitability at Saipem.
In spite of these headwinds, we reported a solid 23% increase in net profit to euro 5.2 billion, which was boosted by the gains recorded on portfolio transactions at the E&P segment. We generated a robust cash flow from operations at euro 11 billion, reflecting the high value per barrel in the E&P, turnaround improvements in the mid-downstream businesses and capital discipline. The disposal of assets

contributed euro 6.4 billion to cash generation and mainly related to the Mozambique deal and the divestment of the financial interests in Snam and Galp. These inflows financed capital expenditure of euro 12.75 billion, in line with the last three years trend, and the dividend payment to Eni s shareholders of euro 3.95 billion, maintaining net borrowings and leverage flat compared to 2012 at euro 15.4 billion and 0.25, respectively.
On the basis of the Company s results, the Board of Directors intends to submit to the Annual Shareholders Meeting a dividend proposal of euro 1.10 per share (euro 1.08 in 2012).

Corporate Governance

Our business commitment cannot leave a sound and structured governance system out of consideration.
In these three years, we have promoted several initiatives to improve our internal and national system.
In July 2011, we published 35 proposals for the national governance and most of them were adopted in the self-discipline recommendations enacted in December 2011.
In 2013, Eni s Chairman held a number of meetings in Europe and in the United States with proxy advisors and major investors, examinating the main governance issues.
We received positive feedback from our counterparts who recognized Eni s corporate governance as a well structured and one of the most efficient in Italy.
Transparency was valued as a strong point of our Company, which, together with the quality and completeness of information, allowed aimed at ensuring effectiveness and efficiency of the whole system.
In this contest, Eni has developed an integrated risk management system, finalized to the individuation, management and monitoring of all risks, not only industrial. In particular, the risk management system is intended to submit periodically to the Board of Directors the main risks of Eni.
Also the internal control model and the integrated risk management system were appreciated by the above-mentioned proxy advisors and institutional investors.

Strategies and mid-term objectives

The 2014 outlook features a moderate strengthening in the global economic recovery. Still a number of uncertainties are surrounding this outlook due to weak growth prospects in the Euro-zone and risks concerning the emerging economies. Crude oil prices are forecast on a solid trend in the short-term, driven by geopolitical factors against the backdrop of well supplied global markets. For investment evaluation purposes we assume a long-term price of $90 a barrel for the Brent crude benchmark. Management expects that the trading environment will remain challenging in the Company s businesses due to higher Country risks in the upstream segment and to continuing weak fundamentals in our businesses exposed to the European market. Particularly in our businesses of gas reselling, refining and marketing of fuels and chemical products we do not anticipate any meaningful improvement in demand, while competition, oversupply and overcapacity will continue to weigh the mid-downstream businesses.
In Exploration & Production we target an average growth rate of 3% per year, in line with our long-term targets, and the discovery of 3.2 bboe of fresh resources, to be accomplished while at the same time reducing capital expenditure by 5% from the previous four-year plan. Our capital expenditure plan for the 2014-2017 period considers an outlay of euro 54 billion that will be directed for 83% to exploration and development of hydrocarbons reserves.
Our operational efforts will on the start-up of our major projects in portfolio, the reduction of time-to-market and to achieve a well balanced risk profile in our countries of presence. The entry into production of high-margin projects will enable us to expand cash generation from operations at a 5% rate per year.
We expect that once the turnaround plans have been completed, our mid-downstream business will be able to generate returns also in a trading environment as unfavorable as the one experienced in 2013. The medium-term target is to breakeven in the four year plan.
All in all, also supported by a valuable Corporate Governance system, which ensure an effective decisional process, we are confident that the planned strategies and initiatives will allow Eni to perform strongly leveraging on the valuable growth in the E&P and a recover to profitability in the mid-downstream businesses thanks to contract renegotiation, capacity reductions and focus on premium segments.
Those drivers and the continuing refocusing of our portfolio will

Eni to be awarded for the best corporate website in the world.
One of the pillars of Eni s governance is the internal control and risk management model, further strengthened during 2013 by the definition of regulatory instruments

on selling margins of energy commodities.
Against this challenging environment, management reaffirms its strategy of profitable growth in the upstream and of further strengthening and turning around

deliver robust cash generation where we are targeting an average 13% increase per year in our free cash flow till 2017 under our price scenario.
Such prospects will underpin our progressive dividend policy and the prosecution of the buyback program.

March 17, 2014

In representation of the Board of Directors

Giuseppe Recchi
Chairman

Paolo Scaroni
Chief Executive Officer and General Manager

profile of the year

Results > In 2013 Eni achieved solid results in a particularly difficult market. In spite of geopolitical factors in Libya, Nigeria and Algeria, the Exploration & Production Division delivered robust earnings and cash flow leveraging its cost leadership and extraordinary exploration successes. The mid-downstream businesses, which were impacted by the downturn and plunging demand in Europe and Italy, boosted their restructuring efforts achieving an impressive euro 2 billion improvement in cash generation. Finally, the portfolio management enhanced by the new discoveries of the latest years enabled Eni to anticipate the monetization of results and cash. The overall effect of management s actions in such a challenging year was to deliver a 23% increase in net profit versus to euro 5.16 billion, to pay a generous dividend and to launch a buyback program, while maintaining a constant debt at euro 15.43 billion.
Net cash generated by operating activities of euro 10.97 billion and cash from disposals of euro 6.36 billion, mainly related to the Mozambique deal, were used to fund capital expenditure of euro 12.75 billion and dividend payments of euro 3.95 billion to Eni s shareholders.
Ratio of net borrowings to shareholders equity including minority interest leverage was 0.25 at December 31, 2013, unchanged compared to December 31, 2012.

Solid results and cash flow

+23% vs. 2012

net profit

euro 10.97 bln

cash flow

Turnaround in mid-downstream

+euro 2 bln

cash flow improvement

Dividend > The Company s robust results and strong fundamentals underpin a dividend distribution of euro 1.10 per share (euro 1.08 in 2012). Management reaffirms its commitment to deliver a progressive dividend policy taking into account Eni s underlying growth in earnings and cash flow.

Hydrocarbon production > In 2013, hydrocarbon production declined to 1.619 million boe/d by 4.8% from 2012, reflecting significant force majeure events in Libya, Nigeria and Algeria, partly offset by the contribution of the start-up of new fields and continuing production ramp-ups.

Proved oil and natural gas reserves > Proved oil and gas reserves as of December 31, 2013 were 6.54 bboe. The organic reserve replacement ratio was 105%. The reserve life index is 11.1 years.

Proved reserves

6.54 bboe

at year end

Natural gas supply contracts > Renegotiated purchase terms of 85% of the Company s long-term gas supply contracts, resulting in a euro 1.4 billion cost saving.

Natural gas sales > Natural gas sales declined by 2.3% to 93.17 bcm against the backdrop of an ongoing demand downturn, competitive pressure and oversupply.

Divestment of Eni s interest in Eni East Africa > In July 2013, Eni closed the sale of a 28.57% interest in Eni East Africa (EEA) to China National Petroleum Corp (CNPC). CNPC indirectly acquires, through its equity investment in Eni East Africa, a 20% interest in the Area 4 mineral property, located offshore of Mozambique. Eni retains operatorship and a 50% interest through the remaining stake in the investee. The total consideration cashed-in by Eni was euro 3,386 million, with a gain of equivalent amount recorded in profit and loss (euro 3,359 million, euro 2,994 million net of tax charges).

> **Rationalization of E&P asset s portfolio**

Anticipated monetization of results and cash

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Divestment of Eni s interest in Artic Russia > In January 2014 Eni closed the sale of its 60% stake in Artic Russia to certain Gazprom affiliates for a total sale price of euro 2.2 billion. At the balance sheet date, Eni s interest in Artic Russia was stated at fair value due to the loss of joint control over the investee with a revaluation gain of euro 1,682 million recorded through profit.
While with the disposal Eni monetized a mature investment, the Company still maintains a strong commitment in the Russian upstream.

Injury frequency rate

-28.7%

progressing for the ninth consecutive year

Safety > In 2013 Eni continued to implement the communication and training program Eni in safety , with 185 workshops dedicated to Eni s employees. The benefit of these and other programs in safety is confirmed by the positive trend of the injury frequency rate relating to employees and contractors which improved for the ninth consecutive year (down by 28.7% from 2012). Notwithstanding the 10.5% decrease in the fatality index, six fatal accidents occurred in 2013.

Partnership for Sustainable Energy > Among the UN Sustainable Development Solutions Network (SDSN) , in 2013 Eni led the Energy For All in Sub-Saharan Africa initiative through international collaborations aimed at devising solutions to fight against energy poverty, in particular in Sub-Saharan Africa. For this purpose, Eni will leverage on the strategic partnership signed with the Earth Institute of the Columbia University.

> Access to energy

New agreements in Mozambique

Relationships with the territory and local development > In 2013 Eni s commitment continued in ensuring access of local communities to energy, particularly in Sub-Saharan Africa. In Mozambique Eni announced the construction of a gas fired plant with a capacity of 75 MW, in the Cabo Delgado area. In Italy, the Company signed a MoU with the city of L Aquila for the restoration of the Basilica of Santa Maria Collemaggio and the redevelopment of the Parco del Sole.

Exploration successes

Exploration successes > The exploration activity for the year delivered strong results adding 1.8 billion boe of resources to the company s resource base, with a unit exploration cost of 1.2 $/boe.

1.8 bln boe
at year end

In Mozambique, the exploration campaign assessed the potential of the Mamba and Coral discoveries, while the Agulha discovery revealed a new gas accumulation in the Southern section of Area 4. Agulha was the tenth discovery made in Area 4. Management estimates that Area 4 may contain up to 2,650 billion cubic meters of gas in place.
In Congo, an exciting discovery was made in the mature Block Marine XII offshore. The Nené Marine oil and gas discovery and the adjacent Litchendjili Marine field found an overall potential of about 2.5 billion boe in place.

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In Australia, the Evans Shoal North-1 discovery, in the Timor Sea, was estimated to contain a mineral potential of 8 Tcf of gas in place.

Acquired acreage > In the year Eni rejuvenated its mineral right portfolio entering new high potential areas for a total acreage of approximately 120,000 square kilometers.

Start-ups > In line with production plans, in 2013 eight major projects have been started up, contributing for 140,000 boe/d to the year production. The main start-ups related to: MLE-CAFC (Eni s interest 75%) and El Merk (Eni s interest 12.25%) fields in Algeria, the liquefaction plant Angola LNG (Eni s interest 13.6%), the offshore Abo-Phase 3 project in Nigeria, the giant heavy oil field Junin 5 (Eni s interest 40%) in Venezuela, the Skuld field (Eni s interest 11.5%) in Norway, the Kashagan field (Eni s interest 16.81%) in Kazakhstan and the Jasmine project (Eni s interest 33%) in the United Kingdom.

> Organic growth

+140 kboe/d contribution of 2013 start-ups/rump-ups

Versalis > In 2013, Eni s chemical subsidiary Versalis progressed with the expansion in the bio-plastic segment and the diversification of the commodity chemical, by entering into joint ventures with strategic international partners active in bio-technologies and rubber, among which Pirelli, Genomatica, Yulex Corporation and Lotte Chemical.
In the green chemistry business Versalis carried on the ongoing project of converting the Porto Torres site and a relevant agreement has been reached to start the project for the conversion and relaunching of the Porto Marghera site.

> Versalis

Strategic and international partnerships

Green Data Center > In October 2013 Eni launched the Green Data Center, the best in the world for energy efficiency. It hosts Eni s central computer processing systems, both for information management and seismic simulation processing, allowing a reduction of CO_2 emissions by 300,000 tons per year.

Transparency in Corporate Reporting > In 2013 Eni has been ranked first in a survey conducted by Transparency International Italy into the corporate reporting on transparency. The survey, which used a sample of the largest

Italian companies by market capitalization, has analyzed three areas of transparency in corporate reporting: anti-bribery programs, the organization and the publication of key economic and financial data related to the activities in each Country where the companies operate.

Eni s commitment with the Massachusetts Institute of Technology In February 2013, Eni renewed its commitment to the MIT Energy Initiative (MITEI) to develop innovative, powerful tools, technologies and solutions to address global energy needs and challenges.

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Financial highlights (*)

		2011	2012	2013
Net sales from operations	(euro million)	107,690	127,220	**114,722**
Operating profit		16,803	15,071	**8,856**
Adjusted operating profit		17,230	19,798	**12,618**
Net profit [a]		6,902	4,200	**5,160**
Net profit - discontinued operations [a]		(42)	3,590	
Group net profit [a]		6,860	7,790	**5,160**
Adjusted net profit [a]		6,938	7,130	**4,433**
Net cash provided by operating activities		13,763	12,356	**10,969**
Capital expenditure		11,909	12,761	**12,750**
Dividends to Eni shareholders pertaining to the period [b]		3,768	3,912	**3,986**
Cash dividends to Eni shareholders		3,695	3,840	**3,949**
Total assets at period end		142,945	139,878	**138,088**
Shareholders' equity including non-controlling interest at period end		60,393	62,558	**61,174**
Net borrowings at period end		28,032	15,511	**15,428**
Net capital employed at period end		88,425	78,069	**76,602**
Share price at period end	(euro)	16.01	18.34	**17.49**
Number of shares outstanding at period end	(million)	3,622.7	3,622.8	**3,622.8**
Market capitalization [c]	(euro billion)	58.0	66.4	**63.4**

(*) Pertaining to continuing operations. Following the divestment of the Regulated Businesses in Italy 2012, results of Snam are represented as discontinued operations throughout this Annual Report.

(a) Attributable to Eni s shareholders.

(b) The amount of dividends for the year 2013 is based on the Board s proposal.

(c) Number of outstanding shares by reference price at year end.

Summary financial data

		2011	2012	2013
Net profit (*)				
- per share [a]	(euro)	*1.90*	*1.16*	***1.42***
- per ADR [a] [b]	($)	*5.29*	*2.98*	***3.77***
Adjusted net profit (*)				

(a) Fully diluted. Ratio of net profit from continuing operations and average number of shares outstanding in the period. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by ECB for the period presented.

(b) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.

(c) Calculated assuming the deconsolidation of the Snam group from priors periods.

(d) Ratio of dividend for the period and the average price of Eni shares as recorded in December.

- per share [a]	(euro)	*1.92*	*1.97*	***1.22***
- per ADR [a] [b]	($)	*5.35*	*5.06*	***3.24***
Adjusted return on average capital employed (ROACE) [c]	(%)	10.2	10.1	**5.9**
Leverage		0.46	0.25	**0.25**
Coverage		15.4	11.9	**8.9**
Current ratio		1.1	1.4	**1.5**
Debt coverage		51.3	79.8	**71.1**
Dividends pertaining to the year	(euro per share)	1.04	1.08	**1.10**
Pay-out	(%)	55	50	**77**
Dividend yield [d]	(%)	6.6	5.9	**6.5**

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Operating and sustainability data

		2011	2012	2013
Employees at period end	(number)	72,574	77,838	**82,289**
of which				
- women		*12,542*	*12,860*	***13,601***
- outside Italy		*45,516*	*51,034*	***55,507***
Female managers	(%)	18.5	18.9	**19.4**
Training hours	(thousand hours)	3,127	3,132	**4,350**
Employees injury frequency rate	(No. of accidents per million of worked hours)	0.65	0.57	**0.40**
Contractors injury frequency rate		0.57	0.45	**0.32**
Fatality index	(fatal injuries per one hundred millions of worked hours)	1.94	1.10	**0.98**
Oil spills due to operations	(barrels)	7,295	3,759	**1,901**
Direct GHG emissions	(mmtonnes CO_2 eq)	49.13	52.50	**47.30**
R&D expenditure [(a)]	(euro million)	190	211	**197**
Expenditure for the territory [(b)]		101	91	**101**
Exploration & Production				
Estimated net proved reserves of hydrocarbons (at year end)	(kboe/d)	7,086	7,166	**6,535**
Average reserve life index	(year)	12.3	11.5	**11.1**
Production of hydrocarbons	(kboe/d)	1,581	1,701	**1,619**
Profit per boe [(c)]	($/boe)	17.0	16.0	**15.5**
Opex per boe [(c)]		7.3	7.1	**8.3**
Cash flow per boe		31.7	32.8	**31.9**
Finding & Development cost per boe [(d)]		18.8	17.4	**19.2**
Gas & Power				
Worldwide gas sales [(e)]	(bcm)	96.76	95.32	**93.17**
- in Italy		*34.68*	*34.78*	***35.86***
- outside Italy		*62.08*	*60.54*	***57.31***
Customers in Italy	(million)	7.10	7.45	**8.00**
Electricity sold	(TWh)	40.28	42.58	**35.05**
Customer satisfaction index	(%)	88.6	89.7	**90.4**
Refining & Marketing				
Refinery throughputs on own account	(mmtonnes)	31.96	30.01	**27.38**

Retail market share	(%)	30.5	31.2	**27.5**
Retail sales of petroleum products in Europe	(mmtonnes)	11.37	10.87	**9.69**
Service stations in Europe at year end	(units)	6,287	6,384	**6,386**
Average throughput of service stations in Europe	(kliters)	2,206	2,064	**1,828**
Chemicals				
Production	(ktonnes)	6,245	6,090	**5,817**
Sales of petrochemical products		4,040	3,953	**3,785**
Average plant utilization rate	(%)	65.3	66.7	**65.3**
Engineering & Construction				
Orders acquired	(euro million)	12,505	13,391	**10,653**
Order backlog at period end		20,417	19,739	**17,514**

(a) Net of general and administrative costs.

(b) Includes investments for local communities, charities, association fees, sponsorships, payments to Eni Enrico Mattei Foundation and Eni Foundation.

(c) Related to consolidated subsidiaries.

(d) Three year average.

(e) Includes Exploration & Production natural gas sales amounting to 2.61 bcm (2.73 bcm and 2.86 bcm in 2012 and 2011, respectively).

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the competitive environment

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our strategy

> **2014-2017**
> **main targets**

- Hydrocarbon production: **+3% on average per year**

- Breakeven in **mid-downstream** businesses in 2015

- Cash flow: **+40%** in 2014-2015; **+55%** in 2016-2017

- Capital expenditure plan: **-5%** vs. 2013-2016

- Cash from disposals: **euro 9 billion**

(1) Ratio of cash flow (net profit + amortization) and cost incurred (exploration and development investments + proved and unproved reserves purchases).

In 2013 our upstream activity was negatively impacted by the increased political instability in certain countries of operations. Our mid-downstream businesses recorded operating losses as they were hit by structural headwinds in the competitive context and continuing weak demand, against the backdrop of the European downturn, particularly in Italy.
In order to tackle with a deteriorated trading environment, management has planned a number of actions that are intended to help the Company to achieve strong performances in each of its business segment against prudent, cautious and conservative assumptions about the external context whereby we do not anticipate any meaningful improvement in market conditions and have projected flat production profiles in the Company s main countries at risk of political instability (i.e. Libya, Nigeria and Algeria).
Eni s strategy confirms the priorities of profitable growth in the upstream, turning around the mid-downstream businesses, recovering profitability at Saipem and monetizing non-core exploration assets. Assuming a Brent price of $90 a barrel for the full year 2017, our projected operating cash flows (up 40% in the two years period 2014-2015 and 55% in 2016-2017) will provide enough resources to maintain the leverage below the ceiling of 0.30, to finance the planned capital expenditure (euro 54 billion) and to ensure a progressive increase in the cash returned to shareholders also through the flexible tool of the buyback program.

Our growth strategy in the **Exploration & Production Division** has been reinvigorated by the extraordinary exploration successes made in the latest years which have build upon an already solid platform of large, conventional producing assets with an efficient cost position. The exploration successes has proven to be an efficient and effective way to increase the resource base, a driver of organic production growth and portfolio diversification also providing a boost to cash generation by early monetization of part of the discovered volumes.
In the next four-years Eni targets a robust cash generation coupled with production growth and a rebalanced risk profile of our portfolio. We also plan to increase our resource base leveraging on our leading exploration activity where we boast an impressive track-record in discovering new resources. All these industrial targets are planned to be achieved through a capital expenditure plan 5% lower than the previous one.
Under Eni s price scenario, management expects to increase operating cash flow by 4% on average in the next four years plan. This coupled with a continuing focus on capital discipline will drive the achievement of a self-financing ratio[1] of 140% on average. The strong cash generation will

be the result of organic production growth, the quality of our portfolio which is largely made-up of conventional asset, our phased approach in giant projects, reduced time-to-market and production optimizations.

Average production growth is expected at a rate of 3% in the 2014-2017 period. Growth will be fuelled by new production additions in Eni s core areas (Sub-Saharan Africa, Venezuela, the Barents Sea and Kazakhstan) leveraging on Eni s vast knowledge of reservoirs and geological basins, technical and producing synergies, as well as established partnerships with producing Countries.

New fields start-ups of 26 major projects, most operated and coming from our exploration activities (including the Goliat in the Barents Sea, the Block 15/06 in the West Hub located in

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Angola, gas and heavy oil assets in Venezuela, OCTP oil development in Ghana and Jangkrik in Indonesia), will add more than 500 kboe/d of production in 2017 to support our growth and replace mature field decline. Since 2008 we discovered approximately 9.5 bboe of resources, largely conventional and at competitive costs, which accounted more than double of our production in the period. Eni confirms its commitment to the exploration strategy as the pillar of the long-term sustainable growth.
We plan to execute finding projects in high risk-high reward area and near field activities to target the discovery of 3.2 bboe of new resources at a unit cost of approximately $2.2 per barrel. These discoveries will be developed to ensure high-margin organic growth. Another option is their monetization in advance of development activities by diluting Eni s interest at an early stage thus reducing the execution and financial risk as it was the case with the Mozambique deal.
The achievement of the planned growth targets will be underpinned by a continuing focus on risk mitigation. The main drivers are the diversification of the country presence, the reduction of the time-to-market, the in-source of critical engineering and project management activities, the retention of a large number of operated projects and the contribution to local development (promoting access to energy, education and training and the improvement of health and safety conditions). In particular, Eni reaffirms its commitment to promote access to energy in Sub-Saharan Africa (including Mozambique, Nigeria, Ghana and Congo) involving the construction of power plants, natural gas transportation and distribution facilities as well as isolated systems (off-grid) to provide electricity to remote communities.
Notwithstanding Eni s commitment to maintain long-term relations with host countries, disruptions following socio-political unrest represent an unpredictable factor and a source of possible risks to an upstream company. Following disruptions in Libya, Nigeria and Algeria with a production loss of approximately 110 kboe/d for the full year 2013, the contribution of these important countries to Eni s production growth profile up to 2015 has been prudently assumed to be marginal.
The execution capabilities of contractors in the EPC contractual scheme are a major source of risk to the profitability of development projects. Eni has adopted strong organizational options to ensure effective control on the most important project activities. The Company has elected to execute most of the engineering phase in-house through a reinforced organizational structure. We directly coordinate all the construction phases and deploy our own people to manage hook-up and commissioning. Following this approach management believes that all projects currently being executed which will be started-up in the next four years are as a whole on time and on budget.
Operational risk relating to drilling activities will be managed by applying Eni s rigorous procedures throughout the engineering and execution stages. The main drivers of this will be the adoption of our field-tested proprietary drilling technologies, our excellent skills and know-how and increased control of operations. The excellence in our drilling activities allowed us to

achieve zero blow-outs for the tenth consecutive year. The planning of emergency responses and quick remediation in case of accidents, oil spills or gas leaks is as rigorous as our operations.

Targets on environmental impact include the reduction in GHG emission rates and the depletion of natural resources by means of flaring down policies and rehabilitation projects of production water.

In particular projects of water re-injection in Egypt, Nigeria, Tunisia, Iraq, Angola, Ghana, Norway and Congo are estimated to allow a recovery factor up to 70% of the total water produced in 2017 from a rate of water re-injected of 55% in 2013.

Management expects that continuing development proprietary technologies to be applied in complex environment and competence build-up will drive production growth and value creation as well as increase the safety in our operations. Eni estimates to spend euro 500 million in R&D (on an overall Eni s expenditure of euro 1.2 billion) over the 2014-2017 plan period.

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> **G&P turnaround**

- **Renegotiation** of supply contracts
- **Focus** on premium segments

In the **Gas & Power Division**, we expect continuing weak conditions in the trading environment due to strong competition, oversupply in Europe and the strengthening of the role of the continental hubs to trade spot gas. In this scenario, management believes that the key factors are the ability to oversee trade hubs, to enhance the flexibility of our portfolio and to adapt our contracts and assets to the current tough market environment.
Management reaffirms its commitment in restoring profitability and preserving cash generation leveraging on a robust turnaround plan which provides for: (i) restructuring our supply contracts in order to reach price alignment with the new market conditions and to minimize the impact of take-or-pay risks on future cash flows through a new round of negotiations or arbitrations; (ii) focus on high-value added businesses, such as LNG, through integration with upstream segment and increasing sales in premium markets, on trading activities, through the enhancement of the physical and contractual assets in portfolio, as well as the development of our retail customer base; (iii) the re-engineering of B2B business with innovative products for our customers and efficiency actions and integration with the skills of the trading unit; (iv) process reengineering and cost cutting in our operations.
Management believes that these turnaround drivers will help the Company to restore profitability by 2015 and generate approximately euro 1.2 billion of EBITDA pro-forma adjusted in 2017.
In R&D, Eni aims to assess the impact of advanced LNG technologies on the increase of natural gas consumption in the industrial and business segment and to enhance technological developments related to the energy efficiencies in the mid-market and retail (cogeneration, energy storage, smart metering and integration with renewable energy sources).

> **Optimization of refinery capacity**

Sannazzaro: start-up of EST Plant
Venice: start-up of Green Diesel Plant
Gela: shut down of gasoline production line
Further initiatives

In the **Refining & Marketing Division** a number of additional actions compared to the previous strategic plan have been launched in order to face the further worsening of the trading environment with a refinery margin which fell to unprecedented levels, down to less than one dollar per barrel in the last quarter of the year.
In the refining activity, Eni will deploy the following initiatives: (i) the reorganization and optimization of refinery plants through rationalizations and reconversion of processes (biorefinery in Venice and restructuring of Gela) resulting in a 22% cut of existing refining capacity in the four-year plan; (ii) higher flexibility, process integration and efficiency to better face market scenario; (iii) the improvement in operating efficiency and energy saving projects.
Building on these initiatives, in the 2014-2017 four-year period Eni intends to increase plants efficiency and to reach energy savings for a total of 114 ktoe/y.
Water reuse projects at Gela and Sannazzaro plants are expected to lead to savings of water use of 5 mmcm/y.
In marketing operations management intends to enhance the presence in the fuels market by: (i) gaining higher efficiency results (closing stations with

low throughput), developing non-oil operations and LPG and methane distribution; (ii) retaining Eni s position in the wholesale market also leveraging on opportunities deriving by the closing of third parties refinery; (iii) launching innovative activities, by means of new products (LNG in the automotive segment) and innovative services (smart mobility).
Building on these initiatives, in the 2014-2017 four-years period Eni expects to increase its adjusted EBIT under constant scenario assumptions (base 2013) by euro 0.7 billion by 2017.
Eni s initiatives in the Research and Development field intend to prove the T-Sand and Zero-Waste technologies in the two-years period 2014-2015 and to define technological solutions to process second generation biomasses for the production of Biofuels at the Venice s refinery.

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Eni s **Chemical** segment has been hindered by falling commodity demand and increasing competition mainly in its more commoditized lines of business and in those with low technologic content.

5% reduction in production capacity <

Against the backdrop of this scenario, the 2014-2017 strategic plan sets the stage for: (i) a more adequate and efficient cost position leveraging on the optimization/rationalization of Italian critical industrial sites, and higher integration, optimization and flexibility of production; (ii) the refocusing on premium productions, reducing the exposure to commodity chemicals, the selective development of a technological platform in the elastomers and styrenes, and the expansion of the specialties segment. Eni intends to grow the green chemistry business for the manufacture of eco-compatible chemical products and with high-growth demand rate; (iii) a greater internationalization of the business to serve customers even more global and markets characterized by high-growth demand rates, also through strategic alliances.

Refocusing on high value productions <

Internationalization <

Energy efficiency programs planned in Porto Marghera and Porto Torres sites will allow energy savings of 44.5 ktoe/year.

In the four year plan, Eni expects to invest approximately euro 3.3 million to carry on activities agreed with the relevant Authorities and local people, in order to reconvert critical sites, safeguarding and developing employment and local economy.

In light of these initiatives, in the 2014-2017 plan, adjusted EBIT under constant scenario assumptions (base 2013) is expected to increase by euro 0.5 billion in 2017.

The **Engineering & Construction** segment faced a complex 2013 due to operating difficulties in certain projects in the Onshore and Offshore activities of the Engineering & Construction business unit. Saipem expects a recovery in profitability in 2014 and to gradually improve margins in the following years leveraging on the completion of low-margins contracts still present in the current portfolio, effective commercial discipline and investment activities recently completed. These actions will strengthen Saipem s business model in strategic areas and markets.

Recovery in **profitability** in 2014 <

As far as R&D is concerned, Saipem intends to focus on the development of technologies in the Engineering & Construction Offshore business unit for working in deep and ultra deep waters, subsea processing and for the installation of underwater pipes in extreme conditions.

In the onshore business, it will increase the competitiveness of proprietary technologies and know-how to better preserve environment and reduce GHG emissions. In the Offshore and Onshore drilling business units Saipem plans to develop methodologies and innovative technologies.

risk management

Eni has developed and adopted a model for Integrated Risk Management (IRM) that targets to achieve an organic and comprehensive view of the Company main risks[1], greater consistency among internally-developed methodologies and tools to manage risks and a strengthening of the organization awareness, at any level, that suitable risk evaluation and mitigation may influence the delivery of Corporate targets and value.

Integrated Risk Management Model

The IRM has been defined and updated consistently with international principles and best practices. It is an integral part of the Internal Control and Risk Management System (see page 29) and is structured on three control levels.

The **first level** is represented by risk owners, whose responsibility lies in risk assumption and related treatment measures.

The **second level** concerns the risk control functions that cooperate in drafting the methodologies and risk management tools and perform control activities through structures that are independent from operating management.

The **third level** is represented by the independent assurance provider that provides independent certifications on the planning and functioning of risk management processes.

(*) Including Integrated Risk Management department.

Risk governance attributes a central role to the Board of Directors. The Board, with the support of the Control and Risk Committee outlines the guidelines for risk management, so as to ensure that the main corporate risks are properly identified and adequately assessed, managed and monitored.

(1) Potential events that can affect Eni s activities and whose occurrence could hamper the achievement of the main corporate objectives.

In addition, the Eni Board of Directors, in fulfilling its responsibilities and its role of direction and with the support of the Control and Risk Committee, defines the degree of compatibility of these risks with the company management consistent with its strategic targets. For this purpose, Eni s CEO, through the process of integrated risk management, presents at least every six months Eni s a review of the main risks to the Board of Directors. The analysis is based on the scope of the work and risks specific of each business area and processes aiming at defining an integrated risk management policy; the CEO also ensures the evolution of the IRM process consistently with business dynamics and the regulatory environment. Furthermore, the Risk Committee, chaired by the CEO, holds the role of consulting body for the latter with regards to major risks. For this purpose, the Risk Committee evaluates and expresses opinions, at the instance of CEO, related to the main results of the integrated risk management process.

Our process of integrated risk management

The IRM model is implemented through a process of integrated management which is both continuous and dynamic, leveraging on the risk management systems already adopted by each business unit and corporate processes, promoting harmonization with methodologies and specific tools of the IRM. The commencement of the risk assessment process includes the definition of its scope, basing on the guidelines defined by the Board of Directors, i.e. the identification of the organizational functions/units and, when necessary, the processes of Eni and its subsidiaries, which might significantly impact the achievement of corporate objectives, and the relevant management to be involved in the IRM process.
In 2013, two assessment sessions were performed: the interim top risk assessment performed in the first half of the year, relating to the update and in-depth identification, evaluation and treatment of top risks resulted by the 2012 risk assessment and the yearly risk assessment performed in the second half of the year involving 13 subsidiaries.
Based on the major risks identified through the above mentioned assessments, the strategic guidelines and treatment measures for their mitigation/management were identified and submitted to Eni s management, consistently with the evolution of internal/external context and of the Company s strategy.
The first monitoring assessment of Eni s top risks identified in 2012 was also performed. The monitoring of main risks and the relevant treatment plans through appropriate indicators (Key Risk Indicator, Key Control Indicator, Key Performance Indicator) allow to identify improvement areas in the management of major risks, analyze their evolution as well as the progress in implementation of further treatment measures decided by the management (also related to the update and development and risk management models) and to timely identify potential new risks.
The assessment and monitoring results were submitted to the Risk

Committee and to the management and control bodies according to the procedure provided by the Management System Guidelines MSG IRM (interim IRM reporting and annual IRM reporting).

The following table summarizes Eni s main risks in relation to corporate targets, except for scenario risk, linked to operating performance variability related to fluctuations in crude oil prices, natural gas and oil products prices. For further details on these risks, as well as minors uncertainty factors, see the section Risk factors and uncertainties .

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governance

Integrity and transparency are the principles that have inspired Eni in the formulation of its Corporate Governance system[1] and are the pillars of the Company s business model. The Governance system, supplementing Eni s business strategy, is designed to sustain the relationship of trust between Eni and its stakeholders and to help achieve business results, creating sustainable long-term value.

Eni, as Italy s top company by capitalization, is committed to building a Corporate Governance system inspired by excellence in a transparent relationship with the market. For this reason, Eni places great emphasis on communication with its stakeholders, taking account of their needs and maintaining an ongoing commitment to helping shareholders effectively exercise their rights, developing an open dialogue that fosters mutual understanding. In this context, in 2013 the Chairman of the Board of Directors of Eni held a series of meetings with institutional investors and the major proxy advisors in Europe and the United States in order to provide them with a complete understanding of Eni s Corporate Governance system and how it relates to the various regulatory models.

Eni s Corporate Governance structure

The Corporate Governance arrangements of Eni are structured along the lines of the traditional model, which, without prejudice to the responsibilities of the Shareholders Meeting, assigns corporate management duties to the Board of Directors, monitoring functions to the Board of Statutory Auditors and the auditing of the financial statements to the audit firm.

The Board of Directors and the Board of Statutory Auditors of Eni, as well as their respective Chairmen, are appointed by the Shareholders Meeting using a slate voting mechanism. Three directors and two statutory auditors, including the Chairman of the Board of Statutory Auditors, are appointed by non-controlling shareholders, thereby ensuring that the number of representatives of non-controlling shareholders exceeds the minimum established by law. In addition, the number of independent Directors indicated in Eni s By-laws exceeds that required by law. In fact, the number of independent Directors currently serving (seven[2] out of nine Directors, of whom eight are non-executive Directors) is above the minimum set out in the By-laws and in the Corporate Governance rules, as well as the average number of such directors for Italian listed companies in general. The Board s structure is also balanced in relation to the professional qualifications and experience of the Directors, gained in companies operating primarily in the industrial, banking or financial sectors. Starting from the next election in

(1) For further information on Eni s Corporate Governance system, refer to Eni s Corporate Governance Report, which is published on the Company s website in the Governance section.

(2) Reference is made to the independence requirement under both the law, to which Eni s By-laws refers, and the recommendations of the Italian Corporate Governance Code.

(3) More specifically, the less-represented gender must receive at least one-fifth of the positions on each board in the first election and one-third of the positions in the next two elections. The law establishes that this composition shall apply to the corporate boards of unlisted Italian subsidiaries, but the Board of Directors of Eni has, since the 2012 elections, required that at least one-third of the members be women with regard to the appointments that Eni may make as shareholder.

(4) As to the composition of the Control and Risk Committee, Eni requires that at least two of its members possess adequate experience in accounting, financial or risk management matters, strengthening the Corporate Governance Code provisions, which recommends that one member have such experience.

(5) The Compensation Committee rules require that at least one member have an adequate knowledge of and experience in financial matters or compensation policies, to be evaluated by the Board of Directors at the time of appointment.

2014, the Board of Directors and Board of Statutory Auditors will be assured a balanced gender representation, as provided for By-Law and the Company s By-laws[3]

The Board of Directors has appointed a Chief Executive Officer (CEO) and granted the Chairman powers, provided for in the Eni By-laws, to identify and promote integrated projects and international agreements of strategic importance.

The Board of Directors has established four internal committees with consulting and advisory functions: the Control and Risk Committee[4], the Compensation Committee[5], the Nomination

Committee and the Oil-Gas Energy Committee, which report to the Board at each meeting on the most significant issues addressed.
The following chart provides a graphical representation of the Company s Corporate Governance structure:

Decision-making processes

The Board of Directors has appointed a Chief Executive Officer to manage the Company, while retaining responsibility over strategic, operational and organizational matters, particularly in the fields of governance, sustainability[6], internal control and risk management.
The Directors are made knowledgeable and informed about the company s matters in order to make effective decision-making processes. The Board, thanks to its diversified range of expertise and competences, has the capabilities to perform the in-depth review that is required by the complexity and reach of the Company s business. The newly-appointed

(6) More specifically, the Board has retained the exclusive power to set sustainability policies, the results of which are comprehensively reported together with financial and performance information in the Annual Report, as well as to examine and approve the sustainability reporting not covered in the integrated reporting system.

Boards underwent an induction[7] program and other training initiatives, including visits to a number of key operating sites, such as in Venezuela in 2013. The Directors are also promptly and fully informed about matters on the Board s agenda.

To achieve this, specific procedures have been established for setting the deadline by which documentation must be made available prior to Board meetings, and the Chairman ensures that each Director is able to contribute effectively to Board discussions.

Before the Board s approval of the Company s strategic guidelines, an annual Strategy Day is organized to evaluate and discuss major issues. The Oil-Gas Energy Committee assists the Board in preparing for the event.

The Board s training and informational activities over the past year have focused on the Board s duties and responsibilities in the areas of control and risk. The Company also decided to take part in the Global Compact LEAD Board Programme Pilot Phase[8], which is devoted to training Directors on sustainability issues, as Eni actively contributed to the development of the program.

The Board s most important duties include appointing key management and control personnel, including the Chief Operating Officers, the Officer in charge of preparing financial reports (Financial Reporting Officer) and the Internal Audit Senior Executive Vice President. The Board is supported by the Nomination Committee in performing these duties.

Remuneration policy

Eni s remuneration policy for its Directors and top management is established in accordance with the recommendations of the Corporate Governance Code and best practices in the field. The Policy seeks to retain with high-level professionals and skilled managers and to align the interests of management with the priority objective of creating value for shareholders over the medium/long-term.

For this purpose, the remuneration of Eni s top management is established on the basis of the position and the responsibilities assigned, with due consideration given to market benchmarks for similar positions in companies similar to Eni in dimension and complexity. Remuneration is composed of a balanced mix of fixed and variable elements.

Under Eni remuneration policy, considerable importance is given to the variable component, which is linked to the achievement of preset performance and financial targets, business development and operational objectives, also considering the long-term sustainability of the results, in line with the Company s Strategic Plan.

The variable remuneration of Eni s executive officers having a greater influence on the business performance is characterized by a significant percentage of long-term incentive components, to be paid at the end of a three-year vesting period to reflect the long-term nature of the business.

With regard to sustainability issues, the CEO objectives set for the incentives

(7) Following the program commenced in 2012, Eni conducted a training program in 2013 for new members of the boards of directors of its Italian subsidiaries, gradually extending it to its foreign subsidiaries and investees, with a special emphasis on business integrity.

(8) Eni is a member of the UN Global Compact LEAD Group.

(9) More specifically, Eni confirmed the high level of votes in favor registered in 2013, as well as in 2012, in the field of its remuneration policy. In fact, out of 61.08% of the share capital represented at the meeting (with a significant increase in the Assembly s participation as compared to 56.4% registered in 2012), 96.2% of the shares present voted in favor, registering an increase of approximately 3.6% compared to 2012.

which will be paid in 2014, focused also on maintaining Eni s presence in the main sustainability indexes, as well as the development of the Integrity Culture program.

The objectives of the Chief Operating Officers of Eni Divisions and other Managers with strategic responsibilities are assigned on the base of the role and the responsibilities assigned also in terms of health and safety, environmental protection, relations with stakeholders. The remuneration policy is described in the first section of the Remuneration Report , available on the Company s website (www.eni.com) and is presented, on an annual basis, for an advisory vote at the Shareholders Meeting[9].

The internal control and risk management system

Eni has adopted an integrated and comprehensive internal control and risk management system based on reporting tools and flows that, involving all Eni personnel, reach all the way up to the Company s top management. The members of the Board, as well as the members of the other corporate bodies and all Eni personnel, are required to comply with Eni s Code of Ethics (as part of the Company s Model 231), which sets out the rules of conduct for the fair and proper management of the Company s business. In March 2013, Eni adopted a regulatory instrument for the integrated governance of the internal control and risk management system, the guidelines of which, approved by the Board, set out the duties, responsibilities and procedures for coordinating between the primary system actors. For detailed information on Eni s risk management system, see the section Risk management .
An integral part of the Eni internal control system is the internal control system for financial reporting, the objective of which is to provide reasonable certainty of the reliability of financial reporting and the ability of the financial report preparation process to generate such reporting in compliance with generally accepted international accounting standards. Eni s CEO and Chief Financial Officer (CFO) are responsible for planning, establishing and maintaining the internal control system for financial reporting. The CFO also serves as the officer in charge of preparing financial reports (FRO), who must satisfy specific professional requirements set out in the Eni By-laws.

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Exploration & Production

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	0.41	0.28	**0.14**
Contractors injury frequency rate		0.41	0.36	**0.26**
Fatality index	(No. of fatalities per 100 million of worked hours)	1.83	0.81	**-**
Net sales from operations [a]	(euro million)	29,121	35,881	**31,268**
Operating profit		15,887	18,470	**14,871**
Adjusted operating profit		16,075	18,537	**14,646**
Adjusted net profit		6,865	7,426	**5,952**
Capital expenditure		9,435	10,307	**10,475**
Adjusted ROACE	(%)	17.2	17.6	**13.5**
Profit per boe [b]	($/boe)	17.0	16.0	**15.5**
Opex per boe [b]		7.3	7.1	**8.3**
Cash flow per boe [d]		31.7	32.8	**31.9**
Finding & Development cost per boe [c] [d]		18.8	17.4	**19.2**
Average hydrocarbons realizations [d]		72.26	73.39	**71.87**
Production of hydrocarbons [d]	(kboe/d)	1,581	1,701	**1,619**
Estimated net proved reserves of hydrocarbons [d]	(mmboe)	7,086	7,166	**6,535**
Reserves life index [d]	(years)	12.3	11.5	**11.1**
Organic reserves replacement ratio [d]	(%)	143	147	**105**
Employees at year end	(number)	10,425	11,304	**12,352**
of which: *outside Italy*		*6,628*	*7,371*	***8,219***
Oil spills due to operations (>1 bbl)	(bbl)	2,930	3,015	**1,728**
Oil spills from sabotage (>1 bbl)		7,657	8,436	**5,493**
Produced water re-injected	(%)	43	49	**55**
Direct GHG emissions	(mmtonnes CO_2 eq)	23.59	28.46	**25.71**
of which: *from flaring*		*9.55*	*9.46*	***8.48***
Community investment	(euro million)	62	59	**53**

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

Performance of the year

In 2013, employees and contractors injury frequency rate continued with a positive trend (down by 48.7% and by 28.8% from 2012, respectively), with a zero fatality index. Eni is engaged in maintaining a high safety standard in each of its operations, in particular the eni in safety program in the E&P Division involved more than 1,600 people in Italy and outside Italy.

Direct greenhouse gas emissions decreased by 9.7% compared to the previous year (down by 10.4% from flaring) due to, in particular, flaring down projects in Nigeria and higher supply to the power plants in Congo (in particular to the CEC power plant, Eni s interest 20%).

Oil spills reported a decline from 2012 (down by 42.7% from operations; down by 34.9% from sabotage) and zero blow-outs for the tenth consecutive year.

Achieved a record result of 55% in re-injection of the produced water. In particular, a water re-injection program is planned in the Nigerian onshore for the next years.

In 2013 the E&P Division reported a decline of euro 1,474 million, or 20% from 2012 in adjusted net profit due to extraordinary disruptions in particular in Libya, Nigeria and Algeria. Cash generation was strong with $30 per barrel due to our low cost position.

In 2013, oil and natural gas production of 1,619 kboe/day declined by 4.8% from 2012 mainly due to geopolitical factors. The contribution of the start-ups/ramp-ups was partly offset by the effects of planned facility downtimes and technical problems, as well as mature field declines.

Estimated net proved reserves at December 31, 2013 amounted to 6.54 bboe based on a reference Brent price of $108 per barrel.
The organic reserves replacement ratio was 105% with a reserves life index of 11.1 years (11.5 years in 2012).

Portfolio optimization

Concluded the sale of a 20% interest in Area 4 operated by Eni and located in Mozambique to Chinese partner CNPC, for a total consideration of euro 3.4 billion. This operation has ensured an anticipated monetization of future cash flow expected from asset development. CNPC s entrance into Area 4 is strategically significant for the project because of the worldwide importance of the company in the upstream and downstream sectors.

Divested to certain Gazprom subsidiaries a 60% interest in Artic Russia, the subsidiary owing a 49% stake of Severenergia, which holds four licenses for the exploration and production of hydrocarbons in Russia. On January 15, 2014, the consideration for the disposal equal to euro 2.2 billion was cashed in.

Awarded the exploration licenses in emerging basins which represent new frontiers in oil and gas exploration activity such as Vietnam, Myanmar and Greenland, in the high potential areas such as Cyprus, Russian offshore and Kenya, as well as legacy areas such as Australia, Indonesia, China, Congo, Egypt and Norway.

Exploration activity

In 2013 exploration activity reported a successful performance, with approximately 1.8 bboe of discovered resources at an average competitive cost of $1.2 per barrel:

Exploration campaign of the year in Mozambique, in the offshore of the Rovuma basin in the Area 4 (Eni operator with a 50% interest), regarded the appraisal of the Mamba and Coral discoveries and a new prospect in the Southern section of Area 4, with Agulha discovery. Management estimates that Area 4 may contain up to 2,650 billion cubic meters of gas in place.

Recent appraisal of the Sankofa East discovery in the Offshore Cape Three Points license (Eni operator with a 47.22% interest), in Ghana, confirming high oil potential of the western part of the area. The total potential of the Sankofa East oil discovery is estimated at approximately 450 million barrels of oil in place with recoverable reserves up to 150 million barrels.

Oil Skavl discovery (Eni s interest 30%) in the Barents Sea in Norway confirmed an extraordinarily high potential of the area, in addition to the recent oil and gas Skrugard and Havis discoveries. The total recoverable resources are estimated at over 500 million barrels at 100% and are planned to be put in production by means of fast-track synergic development.

Recent discoveries and appraisal activities in the Marine XII Block (Eni operator with 65%) in Congo achieved the mineral potential of the area to 2.5 billion boe in place.

Further exploration successes of the year were reported in Australia, Angola, Egypt, Norway and Pakistan where existing facilities ensure to reduce time-to-market and costs.

Achieved a strategic cooperation agreement with Rosnfet for exploration activities in the Russian offshore (Fedynsky and Central Barents licenses) where seismic surveys started, and in the Black Sea (Western Chernomorsky license).

Signed an agreement with Quicksilver for joint exploration and development of unconventional oil reservoirs (shale oil), located in onshore of the United States. In particular, Eni will participate with a 50% interest.

In 2013 exploration expenditure amounted to euro 1,669 million. In the year 53 new exploratory wells (27.8 net to Eni) were completed with an overall commercial success rate of 36.9% (38.5% net to Eni). In addition 129 exploratory wells drilled are in progress at year end (55 net to Eni).

Sustainability and portfolio developments

Developed a training program in the field of human rights for staff, in particular employed in the security area, at Eni s subsidiaries in Indonesia and Algeria. The activities involved totally approximately 200 employees in the Jakarta and Borneo area, as well as Algeri.
This Eni s program is a part of a multi-year project presented at Global Compact Leaders Summit in September 2013.

In 2013 the community investment amounted to euro 53 million (euro 59 million in 2012). Eni's commitment to "access to energy" progresses in Congo and Nigeria.

Achieved start-up of the accelerated early production of the giant Junin 5 oil field (Eni s interest 40%) in the Orinoco Belt, with 35 bbbl of certified heavy oil in place. Early production of the first phase is expected to reach a plateau of 75 kbbl/d by the end of 2015.

In line with production plans, in addition to the above mentioned Junin 5, the MLE-CAFC (Eni s interest 75%) and El Merk (Eni s interest 12.25%) fields in Algeria, the liquefaction plant Angola LNG (Eni s interest 13.6%) and other projects in Egypt, Nigeria, Norway and the United Kingdom have been started-up as well as 7 main FIDs were sanctioned. The start-up of new fields and continuing production ramp-ups contributed with 140 kboe/day of new production.

Development expenditure was euro 8,580 million (up by 3.3% from 2012) to fuel the growth of major projects particularly in Norway, the United States, Angola, Congo, Italy, Nigeria, Kazakhstan, Egypt and the United Kingdom.

In 2013 overall R&D expenditure of the Exploration & Production Division amounted to euro 87 million (euro 94 million in 2012).

Reserves

Overview

The Company has adopted comprehensive classification criteria for the estimate of proved, proved developed and proved undeveloped oil and gas reserves in accordance with applicable US Securities and Exchange Commission (SEC) regulations, as provided for in Regulation S-X, Rule 4-10. Proved oil and gas reserves are those quantities of liquids (including condensates and natural gas liquids) and natural 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, 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.

Oil and natural gas prices used in the estimate of proved reserves are obtained from the official survey published by Platt s Marketwire, except when their calculation derives from existing contractual conditions. Prices are calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. Prices include consideration of changes in existing prices provided only by contractual arrangements.

Engineering estimates of the Company s oil and gas reserves are inherently uncertain. Although authoritative guidelines exist regarding engineering criteria that have to be met before estimated oil and gas reserves can be designated as proved , the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and evaluation. Consequently, the estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revisions may be made to the initial booking of reserves due to analysis of new

Reserves Governance

Eni retains rigorous control over the process of booking proved reserves, through a centralized model of reserves governance. The Reserves Department of the Exploration & Production Division is entrusted with the task of: (i) ensuring the periodic certification process of proved reserves; (ii) continuously updating the Company s guidelines on reserves evaluation and classification and the internal procedures; and (iii) providing training of staff involved in the process of reserves estimation. Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineering company, which has stated that those guidelines comply with the SEC rules[1]. D&M has also stated that the Company guidelines provide reasonable interpretation of facts and circumstances in line with generally accepted practices in the industry whenever SEC rules may be less precise. When participating in exploration and production activities operated by other entities, Eni estimates its share of proved reserves on the basis of the above guidelines.

The process for estimating reserves, as described in the internal procedure, involves the following roles and responsibilities: (i) the business unit managers (geographic units) and Local Reserves Evaluators (LRE) are in charge with estimating and classifying gross reserves including assessing production profiles, capital expenditure, operating expenses and costs related to asset retirement obligations; (ii) the petroleum engineering department at the head office verifies the production profiles of such properties where significant changes have occurred; (iii) geographic area managers verify the commercial conditions and the progress of the projects; (iv) the Planning and Control Department provides the economic evaluation of reserves; (v) the Reserves Department, through the Division Reserves Evaluators (DRE), provides independent reviews of information.

Proved reserves to which Eni is entitled under concession contracts are determined by applying Eni s share of production to total proved reserves of the contractual area, in respect of the duration of the relevant mineral right. Proved reserves to which Eni is entitled under PSAs are calculated so that the sale of production entitlements should cover expenses incurred by the Group to develop a field (Cost Oil) and on the Profit Oil set contractually (Profit Oil). A similar scheme applies to buyback and service contracts.

fairness and correctness of classifications carried out by the above mentioned units and aggregates worldwide reserves data.

The head of the Reserves Department attended the Politecnico di Torino and received a Master of Science degree in Mining Engineering in 1985. She has more than 25 years of experience in the oil and gas industry and more than 15 years of experience in evaluating reserves.

Staff involved in the reserves evaluation process fulfils the professional qualifications requested and maintains the highest level of independence, objectivity and confidentiality in accordance with professional ethics. Reserves Evaluators qualifications comply with international standards defined by the Society of Petroleum Engineers.

(1) The reports of independent engineers are available on Eni website eni.com section Publications/Annual Report 2009.

Reserves independent evaluation

Since 1991, Eni has requested qualified independent oil engineering companies[2] to carry out an independent evaluation of part of its proved reserves on a rotational basis. The description of qualifications of the persons primarily responsible for the reserves audit is included in the third party audit report[3]. In the preparation of their reports, independent evaluators rely, without independent verification, upon information furnished by Eni with respect to property interests, production, current costs of operations and development, sale agreements, prices and other factual information and data that were accepted as represented by the independent evaluators. These data, equally used by Eni in its internal process, include logs, directional surveys, core and PVT (Pressure Volume Temperature) analysis, maps, oil/gas/water production/injection data of wells, reservoir studies, technical analysis relevant to field performance, development plans, future capital and operating costs.
In order to calculate the economic value of Eni s equity reserves, actual prices applicable to hydrocarbon sales, price adjustments required by applicable contractual arrangements and other pertinent information are provided by Eni to third party evaluators.
In 2013 Ryder Scott Company and DeGolyer and MacNaughton[3] provided an independent evaluation of approximately 30% of Eni s total proved reserves at December 31, 2013[4], confirming, as in previous years, the reasonableness of Eni internal evaluation.
In the 2011-2013 three year period, 92% of Eni total proved reserves were subject to an independent evaluation. As at December 31, 2013, the main Eni properties not subjected to independent evaluation in the last three years were M Boundi (Congo) and Elgin Franklin (United Kingdom).

Movements in estimated net proved reserves

Eni s estimated proved reserves were determined taking into account Eni s share of proved reserves of equity-accounted entities. Movements in Eni s 2013 estimated proved reserves were as follows:

(mmboe)	Consolidated subsidiaries	Equity-accounted entities	Total
Estimated net proved reserves at December 31, 2012	**5,667**	**1,499**	**7,166**
Extensions, discoveries and other additions, revisions of previous estimates, improved recovery and other factors, excluding price effect	607		607
Price effect	14		14
Reserve additions, total	621		621
Sales of minerals-in-place	(13)	(652)	(665)
Purchase of minerals-in-place	4		4
Production of the year	(571)	(20)	(591)
Estimated net proved reserves at December 31, 2013	**5,708**	**827**	**6,535**
Organic reserves replacement ratio (%)			105

Additions to proved reserves booked in 2013 were 621 mmboe and derived from: (i) revisions of previous estimates were up 508 mmboe mainly reported in Congo, Iraq, Australia and Nigeria; (ii) extensions, Acquisitions referred to interests in assets located in Egypt (4 mmboe).
In 2013 Eni achieved an organic reserves replacement ratio[5] of 105%. Reserves life index was 11.1 years (11.5

discoveries and other factors were 108 mmboe, with major increases booked in Angola, Indonesia and the United States; (iii) improved recovery were 5 mmboe reported particularly in Nigeria.
Price effects were negligible, leading to an upward revision of 14 mmboe, due to a lowered Brent price used in the reserve estimation process down to $108 per barrel in 2013 compared to $111 per barrel in 2012. Sales of mineral-in-place related to the divestment of assets in Russia (652 mmboe) and the United Kingdom (13 mmboe).

years in 2012).

Proved undeveloped reserves

Proved undeveloped reserves as of December 31, 2013 totaled 3,108 mmboe, of which 1,361 mmboe of liquids mainly concentrated in Africa and Kazakhstan and 9,592 bcf of natural gas mainly located in Africa and Venezuela. Proved undeveloped reserves of consolidated subsidiaries amounted to 1,248 mmbbl of liquids and 5,900 bcf of natural gas.
In 2013, total proved undeveloped reserves decreased by 542 mmboe due to disposal made in Russia as well as upwards and

(2) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott.
(3) The reports of independent engineers are available on Eni website eni.com section Publications/Annual Report 2013.
(4) Includes Eni s share of proved reserves of equity accounted entities.
(5) Organic ratio of changes in proved reserves for the year resulting from revisions of previously reported reserves, improved recovery, extensions and discoveries, to production for the year. All sources ratio includes sales or purchases of minerals in place. A ratio higher than 100% indicates that more proved reserves were added than produced in a year. The Reserves Replacement Ratio is not an indicator of future production because the ultimate development and production of reserves is subject to a number of risks and uncertainties. These include the risks associated with the successful completion of large-scale projects, including addressing ongoing regulatory issues and completion of infrastructure, as well as changes in oil and gas prices, political risks and geological and environmental risks.

downwards revisions related to contractual and technical review.
During 2013, Eni converted 337 mmboe of proved undeveloped reserves to proved developed reserves due to development activities, production start-ups and revisions. The main reclassifications to proved developed reserves are related to the following fields/projects: Kashagan (Kazakhstan), CAFC-MLE and Block 208 (Algeria), Jasmine (United Kingdom) and Zubair (Iraq).
In 2013, capital expenditure amounted to approximately euro 2 billion and was made to progress the development of proved undeveloped reserves.
Reserves that remain proved undeveloped for five or more years are a result of several physical factors that affect the timing of the projects development and execution, such as the complex nature of the development project in adverse and remote locations, physical limitations of infrastructures or plant capacity and contractual limitations that establish production levels. The Company estimates that approximately 0.8 bboe of proved undeveloped reserves have remained undeveloped for five years or more with respect to the balance sheet date, mainly related to: (i) the Kashagan project in Kazakhstan (0.4 bboe) residual after the start-up of Phase 1 development (Experimental Program) following the completion of the facilities and the drilling campaign (for more details regarding this project please refer to Main exploration and development projects-Kashagan); (ii) some Libyan gas fields (0.3 bboe) where development completion and production start-up are planned according to the delivery obligations set forth in a long-term gas supply agreement currently in force.
In order to secure fulfillment of the contractual delivery quantities, Eni will implement phased production start-up from the relevant fields, which are expected to be put in production over the next several years; and (iii) other minor projects where development activities are progressing.

Delivery commitments

Eni sells crude oil and natural gas from its producing operations under a variety of contractual obligations. Some of these contracts, mostly relating to natural gas, specify the delivery of fixed and determinable quantities.
Eni is contractually committed under existing contracts or agreements to deliver in the next three years mainly natural gas to third parties for a total of approximately 348 mmboe from producing assets located mainly in Algeria, Australia, Egypt, Libya, Nigeria and Norway. The sales contracts contain a mix of fixed and variable pricing formulas that are generally referenced to the market price for crude oil, natural gas or other petroleum products. Management believes it can satisfy these contracts from quantities available from production of the Company s proved developed reserves and supplies from third parties based on existing contracts. Production will account for approximately 75% of delivery commitments.
Eni has met all contractual delivery commitments as of December 31, 2013.

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Estimated net proved hydrocarbons reserves

	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)
Consolidated subsidiaries		2011			2012			2013	
Italy	**259**	**2,491**	**707**	**227**	**1,633**	**524**	**220**	**1,532**	**499**
Developed	*184*	*1,977*	*540*	*165*	*1,325*	*406*	*177*	*1,266*	*408*
Undeveloped	*75*	*514*	*167*	*62*	*308*	*118*	*43*	*266*	*91*
Rest of Europe	**372**	**1,425**	**630**	**351**	**1,317**	**591**	**330**	**1,247**	**557**
Developed	*195*	*995*	*374*	*180*	*925*	*349*	*179*	*904*	*343*
Undeveloped	*177*	*430*	*256*	*171*	*392*	*242*	*151*	*343*	*214*
North Africa	**917**	**6,190**	**2,031**	**904**	**5,558**	**1,915**	**830**	**5,231**	**1,783**
Developed	*622*	*3,070*	*1,175*	*584*	*2,720*	*1,080*	*561*	*2,432*	*1,003*
Undeveloped	*295*	*3,120*	*856*	*320*	*2,838*	*835*	*269*	*2,799*	*780*
Sub-Saharan Africa	**670**	**1,949**	**1,021**	**672**	**2,061**	**1,048**	**723**	**2,374**	**1,155**
Developed	*483*	*1,437*	*742*	*456*	*1,429*	*716*	*465*	*1,295*	*701*
Undeveloped	*187*	*512*	*279*	*216*	*632*	*332*	*258*	*1079*	*454*
Kazakhstan	**653**	**1,648**	**950**	**670**	**2,038**	**1,041**	**679**	**1,957**	**1,035**
Developed	*215*	*1,480*	*482*	*203*	*1,401*	*458*	*295*	*1,488*	*566*
Undeveloped	*438*	*168*	*468*	*467*	*637*	*583*	*384*	*469*	*469*
Rest of Asia	**106**	**685**	**230**	**82**	**562**	**184**	**128**	**744**	**263**
Developed	*34*	*528*	*129*	*41*	*372*	*108*	*38*	*286*	*90*
Undeveloped	*72*	*157*	*101*	*41*	*190*	*76*	*90*	*458*	*173*
America	**132**	**590**	**238**	**154**	**449**	**236**	**147**	**509**	**240**
Developed	*92*	*385*	*162*	*109*	*334*	*170*	*96*	*310*	*153*
Undeveloped	*40*	*205*	*76*	*45*	*115*	*66*	*51*	*199*	*87*
Australia and Oceania	**25**	**604**	**133**	**24**	**572**	**128**	**22**	**848**	**176**
Developed	*25*	*491*	*112*	*24*	*459*	*107*	*20*	*561*	*123*
Undeveloped		*113*	*21*		*113*	*21*	*2*	*287*	*53*
Total consolidated subsidiaries	**3,134**	**15,582**	**5,940**	**3,084**	**14,190**	**5,667**	**3,079**	**14,442**	**5,708**
Developed	***1,850***	***10,363***	***3,716***	***1,762***	***8,965***	***3,394***	***1,831***	***8,542***	***3,387***
Undeveloped	***1,284***	***5,219***	***2,224***	***1,322***	***5,225***	***2,273***	***1,248***	***5,900***	***2,321***
Equity-accounted entities									
Rest of Europe		**2**							
Developed									
Undeveloped		*2*							
North Africa	**17**	**20**	**21**	**17**	**16**	**20**	**16**	**15**	**19**
Developed	*16*	*17*	*19*	*17*	*16*	*20*	*16*	*15*	*19*
Undeveloped	*1*	*3*	*2*						
Sub-Saharan Africa	**22**	**338**	**83**	**16**	**353**	**81**	**15**	**330**	**75**
Developed	*4*	*4*	*4*						
Undeveloped	*18*	*334*	*79*	*16*	*353*	*81*	*15*	*330*	*75*

Rest of Asia	**110**	**3,033**	**656**	**114**	**3,043**	**668**	**1**	**28**	**7**
Developed		*24*	*5*	*8*	*402*	*82*		*14*	*3*
Undeveloped	*110*	*3,009*	*651*	*106*	*2,641*	*586*	*1*	*14*	*4*
America	**151**	**1,307**	**386**	**119**	**3,355**	**730**	**116**	**3,353**	**726**
Developed	*25*	*8*	*26*	*19*	*6*	*20*	*19*	*5*	*18*
Undeveloped	*126*	*1,299*	*360*	*100*	*3,349*	*710*	*97*	*3,348*	*708*
Total equity-accounted entities	**300**	**4,700**	**1,146**	**266**	**6,767**	**1,499**	**148**	**3,726**	**827**
Developed	***45***	***53***	***54***	***44***	***424***	***122***	***35***	***34***	***40***
Undeveloped	***255***	***4,647***	***1,092***	***222***	***6,343***	***1,377***	***113***	***3,692***	***787***
Total including equity-accounted entities	**3,434**	**20,282**	**7,086**	**3,350**	**20,957**	**7,166**	**3,227**	**18,168**	**6,535**
Developed	*1,895*	*10,416*	*3,770*	*1,806*	*9,389*	*3,516*	*1,866*	*8,576*	*3,427*
Undeveloped	*1,539*	*9,866*	*3,316*	*1,544*	*11,568*	*3,650*	*1,361*	*9,592*	*3,108*

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Eni Annual Report / **Operating Review**

Oil and natural gas production

In 2013, Eni s liquids and gas production of 1,619 kboe/d declined by 4.8% from the 2012, reflecting significant force majeure events in particular in Libya, Nigeria and Algeria, which considerably impacted the production level and the disposals made in the first half of 2012, while it was partially helped by the performance of the Elgin-Franklin field (Eni s interest 21.87%) in the United Kingdom, operated by another oil major, which was off line in 2012 due to a gas leak. The contribution of the new fields start-ups and continuing production ramp-ups mainly in Algeria and Egypt partly offset the effects of planned facility downtimes and technical problems, in the North Sea and in the Gulf of Mexico respectively, as well as mature field declines. The share of oil and natural gas produced outside Italy was 89% (89% in 2012).

Liquids production (833 kbbl/d) decreased by 49 kbbl/d or 5.6% from the previous year, driven mainly by lower production in Libya and Nigeria, planned and extraordinary downtimes and mature field declines. These negatives were partly offset by new field start-ups and production ramp-ups mainly in: (i) Algeria, following the start-up of the MLE-CAFC (Eni s interest 75%) and the El Merk (Eni s interest 12.25%) projects; (ii) Egypt, following the ramp-up of Meleiha area (Eni s interest 76%); and (iii) Iraq, due to increased production at the Zubair field (Eni s interest 41.6%).

Natural gas production (4,320 mmcf/d) reported a decline of 181 mmcf/d from the 2012 (down by 3.9%). The lower production in Nigeria, planned and extraordinary downtimes and mature field declines were partially offset by the contribution of new field start-ups and ramp-ups of the year, mainly in Algeria and the United Kingdom following the start-up of Jasmine field (Eni s interest 33%).

Oil and gas production sold amounted to 555.3 mmboe. The 35.7 mmboe difference over production (591 mmboe) reflected mainly volumes of natural gas consumed in operations (30 mmboe). Approximately 60% of liquids production sold (299.5 mmbbl) was destined to Eni s Refining & Marketing Division (of which 25% was processed in Eni s refinery). About 27% of natural gas production sold (1,405 bcf) was destined to Eni s Gas & Power Division.

In 2013 oil spills from operations and sabotage reported a decrease compared to the previous year, amounting to 42.7% and 34.9%, respectively. Oil spills were concentrated mainly in Nigeria, due to disruptions and force majeure events reported during the year. In particular, a pilot project was launched to identify a technology which can be used to oppose at the illegal bunkering. Eni continues to promote operations aimed at raising safety standards and at ensuring efficient operations management.

Productive wells

In 2013 oil and gas productive wells were 8,697 (3,424.4 of which represented Eni s share). In particular, oil productive wells were 6,099 (2,217.4 of which represented Eni s share); natural gas productive wells amounted to 2,598 (1,207 of which represented Eni s share).
The following table shows the number of productive wells in the year indicated by the Group and its equity-accounted entities in accordance with the requirements of FASB Extractive Activities - oil&gas (Topic 932).

Productive oil and gas wells [(a)]

	2013	
	Oil wells	Natural gas wells

(units)	Gross	Net	Gross	Net
Italy	240.0	194.1	615.0	531.5
Rest of Europe	415.0	60.8	182.0	90.2
North Africa	1,590.0	820.4	199.0	85.8
Sub-Saharan Africa	2,908.0	585.9	339.0	25.5
Kazakhstan	104.0	29.7		
Rest of Asia	644.0	417.3	897.0	341.6
America	191.0	105.4	352.0	129.1
Australia and Oceania	7.0	3.8	14.0	3.3
	6,099.0	**2,217.4**	**2,598.0**	**1,207.0**

(a) Includes 2,162 gross (761.2 net) multiple completion wells (more than one producing into the same well bore). Productive wells are producing wells and wells capable of production. One or more completions in the same bore hole are counted as one well.

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Oil and natural gas production [a]

	Liquids (kbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)
Consolidated subsidiaries		**2011**			**2012**			**2013**	
Italy	**64**	**674.3**	**186**	**63**	**695.1**	**189**	**71**	**630.2**	**186**
Rest of Europe	**120**	**537.9**	**216**	**95**	**458.4**	**178**	**77**	**429.6**	**155**
Croatia		29.9	5		25.4	5		43.0	8
Norway	80	284.0	131	74	289.6	126	60	250.5	106
United Kingdom	40	224.0	80	21	143.4	47	17	136.1	41
North Africa	**204**	**1,265.1**	**432**	**267**	**1,728.2**	**581**	**248**	**1,668.7**	**551**
Algeria	69	19.0	72	71	40.1	78	73	81.6	88
Egypt	91	800.7	236	88	805.9	235	93	734.6	227
Libya	36	423.2	112	101	863.5	258	76	836.7	228
Tunisia	8	22.2	12	7	18.7	10	6	15.8	8
Sub-Saharan Africa	**275**	**506.1**	**366**	**245**	**534.3**	**343**	**242**	**481.7**	**329**
Angola	92	32.8	98	78	34.8	85	79	32.7	84
Congo	87	119.1	108	82	120.5	104	90	161.8	120
Nigeria	96	354.2	160	85	379.0	154	73	287.2	125
Kazakhstan	**64**	**231.0**	**106**	**61**	**221.7**	**102**	**61**	**213.5**	**100**
Rest of Asia	**33**	**404.4**	**106**	**41**	**390.1**	**112**	**43**	**354.7**	**108**
China	7	5.0	8	8	4.4	9	7	3.4	8
India		19.6	4		10.5	2		7.2	1
Indonesia	1	58.6	12	1	58.9	12	1	55.0	11
Iran	6		6	3		3	4		4
Iraq	7		7	18		18	22		22
Pakistan	1	321.2	58	1	310.4	57		283.1	52
Turkmenistan	11		11	10	5.9	11	9	6.0	10
America	**55**	**334.0**	**115**	**72**	**283.5**	**124**	**61**	**244.5**	**106**
Ecuador	7		7	25		25	13		13
Trinidad & Tobago		56.7	10		58.5	11		58.6	11
United States	48	277.3	98	47	225.0	88	48	185.9	82
Australia and Oceania	**11**	**97.8**	**28**	**18**	**100.8**	**37**	**10**	**110.4**	**30**
Australia	11	97.8	28	18	100.8	37	10	110.4	30
	826	**4,050.6**	**1,555**	**862**	**4,412.1**	**1,666**	**813**	**4,133.3**	**1,565**
Equity-accounted entities									
Angola	3	1.9	4	2	4.4	2		14.2	3
Brazil	1		1	2		2			
Indonesia	1	25.7	6	1	26.0	6	1	24.2	5
Russia				2	52.4	11	5	141.6	31
Tunisia	5	6.4	6	4	5.3	5	4	5.5	5

Ukraine					0.5				
Venezuela	9		9	9		9	10	0.8	10
	19	**34.0**	**26**	**20**	**88.6**	**35**	**20**	**186.3**	**54**
Total	**845**	**4,084.6**	**1,581**	**882**	**4,500.7**	**1,701**	**833**	**4,319.6**	**1,619**

(a) Includes volumes of gas consumed in operations (451, 383 and 321 mmcf/d in 2013, 2012 and 2011, respectively).

Drilling

Exploration

In 2013, a total of 53 new exploratory wells were drilled (27.8 of which represented Eni s share), as compared to 60 exploratory wells drilled in 2012 (34.1 of which represent Eni s share) and 56 exploratory wells drilled in 2011 (28 of which represented Eni s share).
The following tables show the number of net productive, dry and in progress exploratory wells in the years indicated by the Group and its equity-accounted entities in accordance with the requirements of FASB Extractive Activities - oil&gas (Topic 932).
The overall commercial success rate was 36.9% (38.5% net to Eni) as compared to 40% (40.8% net to Eni) in 2012 and 42% (38.6% net to Eni) in 2011.

Development

In 2013 a total of 463 development wells were drilled (187.2 of which represented Eni s share) as compared to 351 development wells drilled in 2012 (163.6 of which represented Eni s share) and 407 development wells drilled in 2011 (186.1 of which represented Eni s share).
The drilling of 130 wells (45 of which represented Eni s share) is currently underway.
The following tables show the number of net productive, dry and in progress development wells in the years indicated by the Group and its equity-accounted entities in accordance with the requirements of FASB Extractive Activities - oil&gas (Topic 932).

Exploratory Well Activity

	Net wells completed						Wells in progress at Dec. 31 [a]	
	2011		2012		2013		2013	
(units)	Productive	Dry [b]	Productive	Dry [b]	Productive	Dry [b]	Gross	Net
Italy			1.0				5.0	3.4
Rest of Europe	0.3	0.7	1.0	1.0		3.4	17.0	6.2
North Africa	6.2	3.4	6.3	11.3	4.9	5.4	14.0	9.8
Sub-Saharan Africa	0.6	2.6	4.5	5.1	3.2	6.6	60.0	24.3
Kazakhstan				0.8		0.4	6.0	1.1
Rest of Asia	0.2	7.6	0.5	0.6	4.3	2.7	21.0	8.2
America	2.5			0.1	0.2	1.2	4.0	1.2
Australia and Oceania		1.4		0.4		0.5	2.0	0.8
	9.8	**15.7**	**13.3**	**19.3**	**12.6**	**20.2**	**129.0**	**55.0**

Development Well Activity

	Net wells completed						Wells in progress at Dec. 31	
	2011		2012		2013		2013	
(units)	Productive	Dry [b]	Productive	Dry [b]	Productive	Dry [b]	Gross	Net
Italy	25.3		18.0	1.0	7.4	1.0	3.0	3.0
Rest of Europe	3.3	0.3	2.9	0.6	6.3		31.0	5.9
North Africa	55.9	1.1	46.0	1.6	61.6	3.3	20.0	11.3
Sub-Saharan Africa	28.2	1.0	27.4	0.3	26.3	1.2	20.0	5.1

Kazakhstan	1.3		1.4		0.3		17.0	3.1
Rest of Asia	39.2	2.5	41.2	0.1	61.7	4.3	26.0	11.4
America	27.6		23.1		13.8		12.0	4.8
Australia and Oceania	0.4						1.0	0.4
	181.2	**4.9**	**160.0**	**3.6**	**177.4**	**9.8**	**130.0**	**45.0**

(a) Includes temporary suspended wells pending further evaluation.

(b) A dry well is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas sufficient quantities to justify completion as an oil or gas well.

Acreage

As of December 31, 2013, Eni s mineral right portfolio consisted of 976 exclusive or shared rights for exploration and development in 42 Countries on five continents for a total acreage of 276,256 square kilometers net to Eni of which developed acreage of 41,538 square kilometers and undeveloped acreage of 234,718 square kilometers net to Eni.

In 2013, changes in total net acreage mainly derived from: (i) new leases mainly in Cyprus, Kenya, Greenland, Norway, Russia and Vietnam for a total acreage of approximately 48,000 square kilometers; (ii) the total relinquishment of licenses mainly in Angola, China, Congo, Egypt, Poland, Russia, Timor Leste, the United States and the United Kingdom, covering an acreage of approximately 15,000 square kilometers; (iii) partial relinquishment or interest reduction in Congo, Indonesia, Mozambique and Timor Leste for approximately 6,000 square kilometers.

Oil and natural gas interests

	December 31, 2012	December 31, 2013						
	Total net acreage (a)	Number of interest	Gross developed acreage (a) (b)	Gross undeveloped acreage (a)	Total gross acreage (a)	Net developed acreage (a) (b)	Net undeveloped acreage (a)	Total net acreage (a)
EUROPE	**27,423**	**264**	**16,170**	**40,753**	**56,923**	**10,907**	**26,111**	**37,018**
Italy	**17,556**	**151**	**10,663**	**10,815**	**21,478**	**8,948**	**8,334**	**17,282**
Rest of Europe	**9,867**	**113**	**5,507**	**29,938**	**35,445**	**1,959**	**17,777**	**19,736**
Cyprus		3		12,523	12,523		10,018	10,018
Croatia	987	2	1,975		1,975	987		987
Norway	2,676	57	2,264	9,302	11,566	346	3,433	3,779
Poland	1,968	2		969	969		969	969
Ukraine	1,941	12	50	3,840	3,890	30	1,911	1,941
United Kingdom	914	34	1,218	223	1,441	596	42	638
Other Countries	1,381	3		3,081	3,081		1,404	1,404
AFRICA	**142,796**	**280**	**66,341**	**185,574**	**251,915**	**20,131**	**116,965**	**137,096**
North Africa	**21,390**	**116**	**32,560**	**14,334**	**46,894**	**14,150**	**6,262**	**20,412**
Algeria	1,232	42	3,223	187	3,410	1,148	31	1,179
Egypt	4,590	53	4,926	5,460	10,386	1,778	1,887	3,665
Libya	13,294	10	17,947	8,687	26,634	8,950	4,344	13,294
Tunisia	2,274	11	6,464		6,464	2,274		2,274
Sub-Saharan Africa	**121,406**	**164**	**33,781**	**171,240**	**205,021**	**5,981**	**110,703**	**116,684**
Angola	6,079	71	6,498	14,991	21,489	802	3,641	4,443
Congo	5,035	28	1,835	2,890	4,725	1,017	2,108	3,125
Democratic Republic of Congo	263	1		478	478		263	263
Gabon	7,615	6		7,615	7,615		7,615	7,615
Ghana	1,885	2		4,676	4,676		1,664	1,664
Kenya	35,724	4		46,410	46,410		38,930	38,930
Liberia	2,036	3		7,365	7,365		1,841	1,841
Mozambique	9,069	1		10,207	10,207		5,103	5,103
Nigeria	7,646	41	25,448	10,838	36,286	4,162	3,484	7,646
Togo	6,192	2		6,192	6,192		6,192	6,192
Other Countries	39,862	5		59,578	59,578		39,862	39,862
ASIA	**58,042**	**70**	**19,013**	**168,024**	**187,037**	**6,650**	**72,664**	**79,314**
Kazakhstan	**869**	**6**	**2,391**	**2,542**	**4,933**	**442**	**427**	**869**
Rest of Asia	**57,173**	**64**	**16,622**	**165,482**	**182,104**	**6,208**	**72,237**	**78,445**
China	10,495	8	76	5,130	5,206	19	5,130	5,149
India	6,208	11	206	16,546	16,752	109	6,058	6,167
Indonesia	19,734	13	3,220	25,779	28,999	1,218	17,991	19,209
Iran	820	4	1,456		1,456	820		820
Iraq	352	1	1,074		1,074	446		446
Pakistan	10,533	18	10,390	17,731	28,121	3,396	6,939	10,335
Russia	1,469	3		62,592	62,592		20,862	20,862
Timor Leste	4,118	1		1,538	1,538		1,230	1,230

Turkmenistan	200	1	200		200	200		200
Vietnam		3		21,566	21,566		10,783	10,783
Other Countries	3,244	1		14,600	14,600		3,244	3,244
AMERICA	**9,075**	**348**	**4,809**	**15,268**	**20,077**	**3,141**	**6,065**	**9,206**
Ecuador	1,985	1	1,985		1,985	1,985		1,985
Greenland		1		2,630	2,630		920	920
Trinidad & Tobago	66	1	382		382	66		66
United States	4,632	331	1,640	5,089	6,729	822	3,021	3,843
Venezuela	1,066	6	802	2,002	2,804	268	798	1,066
Other Countries	1,326	8		5,547	5,547		1,326	1,326
AUSTRALIA AND OCEANIA	**13,834**	**14**	**1,140**	**22,436**	**23,576**	**709**	**12,913**	**13,622**
Australia	13,796	14	1,140	22,436	23,576	709	12,913	13,622
Other Countries	38							
Total	**251,170**	**976**	**107,473**	**432,055**	**539,528**	**41,538**	**234,718**	**276,256**

(a) Square kilometers.

(b) Developed acreage refers to those leases in which at least a portion of the area is in production or encompasses proved developed reserves.

Main exploration and development projects

Italy

In the Val d Agri concession (Eni s interest 60.77%) the development plan is ongoing as agreed with the Basilicata Region in 1998: (i) the construction of a new gas treatment unit progressed, aiming at improving the environmental performance of the treatment unit and achieving a production capacity of 104 kbbl/d; (ii) start-up of Alli 2 producing well; (iii) the Environmental Monitoring Plan is ongoing and represents an environmental protection excellence. Eni implemented an environmental protection standard by means of the Action Plan for Biodiversity in Val d'Agri launched in 2008 and aimed to reduce impacts of associated operations; (iv) continuing improvement and maintenance activities progressed to optimize environmental and production performance of the field.
Other main development activities concerned the maintenance and production optimization at the fields located in the Adriatic offshore and onshore area in Sicily as well as the upgrading of compression and hydrocarbon treatment facilities at the production platforms of the Barbara field.

Rest of Europe

Norway Exploration activities yielded positive results in the: (i) PL 532 license (Eni s interest 30%) with the oil and gas Skavl discovery, in addition to the recent oil and gas discoveries of Skrugard and Havis. The total recoverable resources of PL 532 license are estimated at over 500 million barrels at 100% and are planned to be put in production by means of fast-track synergic development; (ii) PL 479 license (Eni s interest 19.6%) with the Smørbukk near field gas and condensates discovery that will leverage on the synergies with the existing production facilities.
During the year, Eni was awarded the operatorship and a 40% interest in the PL 717, PL 712, PL 716 and PL 697 (Eni s interest 65%) exploration licenses, as well as a 30% stake in the PL 696 and 714 licenses.
The Skuld field (Eni s interest 11.5%) started up with a production of approximately 30 kboe/d (approximately 4 Environmental Agency, at the local administrations and at all stakeholders and reaffirmed that the Goliat project is characterized by a well-advance emergency system for the management of an oil spill, in terms of organization, consolidation of the emergency apparatus, as well as equipment and technology development. Activities are expected to be completed in 2014.
Other ongoing activities aimed at maintaining and optimizing production at the Ekofisk field (Eni s interest 12.39%) by means of drilling of infilling wells, upgrading of existing facilities and optimization of water injection. The development of the South Area was completed in the year.

United Kingdom Within its strategy of portfolio optimization, Eni finalized the disposal of 19 development/production fields and 11 exploration licenses.
Production started at the oil and gas Jasmine field (Eni s interest 33%), with the installation activities and linkage to productive and treatment facilities. A peak of approximately 117 kbbl/d (approximately 39 kbbl/d net to Eni) is expected in 2014.
Other development activities concerned the West Franklin field (Eni s interest 21.87%) with the construction and installation of production platforms and linkage to nearby treatment facilities. Start-up is expected at the end of 2014.

North Africa

Algeria In the year, production started at the MLE-CAFC (Eni s interest 75%) and El Merk (Eni 12.25%) fields. The natural gas treatment plant of the MLE-CAFC project has a production and export capacity of approximately 320 mmcf/d of gas, 15 kbbl/d of oil and condensates and 12 kbbl/d of LPG. Four export pipelines link it to the national grid system. The integrated project MLE-CAFC targets a production plateau of approximately 33 kboe/d net to Eni by 2017.
The El Merk field started up with the construction of a gas treatment plant for approximately 600 mmcf/d, two oil trains for 65 kbbl/d each and three export pipelines linked to the local network. Production peak of 18 kboe/d net to Eni is expected in 2015.
In 2013 production activities at the Blocks 403 a/d (Eni s interest 100%) and 403 (Eni s interest 50%) used

kboe/d net to Eni).
Development activities progressed at the Goliat field (Eni operator with a 65% interest) in the Barents Sea. Start-up is expected by the end of 2014, with a production plateau at approximately 56 kboe/d net to Eni in 2015.
In 2013 the implementation of oil spill contingency and response was progressed by means of the development of techniques and methodologies to support the oil spill preparedness program which already has been acknowledged by the Norwegian Authorities as the reference standard for all future development projects in the Arctic.
The project was launched by Eni and involved other oil companies operating in the oil and gas exploration in the Barents Sea as well as the Norwegian Clean Seas Association for Operating Companies (NOFO) and International Research Institutes. These results were presented at the Norwegian technical synergies of R&D Integrated Operations program leveraging on the Centre of Excellence for Electrical Submersible Pump (ESP). In particular, leveraging on the real time analysis of performance data at the producing well, operations were performed in time to avoid possible disruptions, with cost and time savings.

Egypt Exploration activities yielded positive results in the: (i) Meleiha development lease (Eni s interest 76%) with three near field oil and gas discoveries and the Rosa North-1X oil discovery, where the drilling activities are underway. Development activities plan to leverage on the existing production facilities; (ii) two near field oil discoveries in the Belayim concession (Eni 100%).
In 2013 Eni was awarded the operatorship and a 100% interest in an exploration block in Egyptian deep waters in the Eastern Mediterranean Sea.
Development activities mainly concerned: (i) infilling activities at the Belayim, Denise (Eni s interest 50%), Tuna (Eni s interest 50%) fields and the Western Desert Area to optimize the mineral

potential recovery factor; (ii) completion of the drilling activities at the Seth field (Eni s interest 50%); (iii) development program of the DEKA field (Eni s interest 50%) and the Emry Deep discovery (Eni s interest 76%); and (iv) the upgrading of the water injection system at the Abu Rudeis field (Eni s interest 100%) in the Gulf of Suez. The level of produced water re-injected is 99.5%, corresponding to approximately 1 mmcf/d.

Sub-Saharan Africa

Angola Exploration activities yielded positive results in the Block 15/06 (Eni operator with a 35% interest) with the oil offshore Vandumbu 1 discovery.
The LNG plant managed by the Angola LNG consortium (Eni s interest 13.6%) started up and delivered its first cargo in June 2013. The plant envisages the development of 10,594 bcf of gas in 30 years.
In 2013 the East Hub project was sanctioned in the Block 15/06, with an estimated mineral potential of over 230 million barrels. The development program includes the drilling of submarine wells that were linked to an FPSO with a capacity of 80 kboe/d. Peak production of 55 kbbl/d is expected in 2017. Development activities progressed at the West Hub project, with start-up expected at the end of 2014.
In Block 0 (Eni s interest 9.8%), activities progressed to reduce flaring gas at the Nemba field. In 2015 once completed flared gas is expected to decrease by approximately 85% from current level. The development activities of the Mafumeira field included the installation of production and treatment platforms and underwater linkage. Start-up is expected by the end of 2015.
In the Block 14 KA/IMI (Eni s interest 10%) the development activities progressed at the Lianzi field by means of the linkage to the existing production facilities. The second phase of Kizomba satellites in the Development Area of former Block 15 (Eni s interest 20%) progressed as planned. The project provides to put into production three additional discoveries that will be linked to the existing FPSO. Start-up is expected at the end of 2015.

Congo Exploration activities yielded positive results in the offshore block Marine XII (Eni operator with a 65% interest) with the oil and gas discovery and the appraisal and development permits, with the aligning of expiring date within the period 2034-2039, the dilution of Eni s stake and an acquisition interest of a new high potential exploration permit. The approval of the relevant authorities is in progress.
Activities on the M Boundi field (Eni operator with an 83% interest) moved forward with the application of Eni advanced recovery techniques and a design to monetize associated gas. Gas is sold under long-term contracts to power plants in the area including the CEC Centrale Electrique du Congo (Eni s interest 20%) with a 300 MW generation capacity. These facilities will also receive in the future gas from the offshore discoveries of the Marine XII permit. In 2013 M Boundi contractual supplies were approximately 106 mmcf/d (approximately 17 kboe/d net to Eni). Additional gas production will be re-injected within the Eni s zero gas flaring programs.
During the year activities progressed to support the population in M Boundi area. The social project for 25,000 people provides to improve education, health, access to water and energy.
Development program progressed at the Litchendjili sanctioned project in the block Marine XII. The project provides for the installation of a production platform, the construction of transport facilities and of an onshore treatment plant. The start-up is expected by the end of 2015, with a production plateau of approximately 12 kboe/d net to Eni. Production will also feed the CEC power station.

Mozambique On July 26, 2013, Eni concluded the sale of a 28.57% interest in Eni East Africa (EEA) to China National Petroleum Corporation (CNPC). EEA retains a 70% interest in the Area 4 mineral property, located offshore of Mozambique. CNPC indirectly acquires, through its equity investment in Eni East Africa, a 20% interest in Area 4, while Eni retains operatorship and a 50% interest through the remaining stake. The total consideration was equal to euro 3,386 million (for further information see Financial review).
The exploration campaign of the year regarded the appraisal of the Mamba and Coral discoveries. In particular, the delineation of Mamba discovery used the results of the implementation of a propriety process, which includes a study on reservoir characterization, data processing (e-dva™) and analyses of seismic scale.

of the Nené Marine field and with the appraisal of the gas and condensates Litchendjili discovery. The overall discoveries potential is estimated in 2.5 billion boe in place. The block has a further significant oil and gas residual amount that will be assessed by the next exploratory and delineation campaign. The proximity to existing facilities, good productivity of reservoir and low cost will allow to fast track development, targeting start-up in 2015.

In 2013 Eni acquired the operatorship of Ngolo exploration block, which is part of the Cuvette Basin, in the joint venture with the Congolese state company Société Nationale des Pétroles du Congo (SNPC). Exploration activities will take place over a period of 10 years. The Cuvette Basin is one of the new themes of frontier exploration activities in Africa.

During the year, Eni redefined with the relevant authorities the extension of Madingo, Marine VI and Marine VII exploration

In 2013 Eni made the Agulha discovery, the tenth discovery in a new exploration prospect located in the southern part of Area 4. Management estimates that Area 4 may contain up to 2,650 billion cubic meters of gas in place. In 2014, Eni will continue appraisal activities, particularly regarding the new exploration prospect, where the drilling of two to three additional wells is planned.

Leveraging on Eni s cooperation model, the construction of a gas fired power plant for domestic consumption is being planned with the support of the Mozambican government.

In addition, a significant program of ecosystems evaluation and the analysis of biodiversity started in the country. This program will be included in the development project of recent discoveries.

Eni continues its recruitment and local training program in order to support the activities of hydrocarbons exploration in the Country. In particular the training program that started with the University of Mozambique involved 75 students during the year.

Nigeria In the OML 125 block (Eni operator with an 85% interest), the Abo - Phase 3 project started-up, with production of approximately 5 kboe/d net to Eni. This project was sanctioned at the end of 2012 and was used an innovative technology for the installation of the intelligent control at the producing wells for simultaneous production start-up from the different reservoir levels. This technology allowed a fast track installation with significant savings.
Main activities progressed to support gas production to feed the Bonny liquefaction plant: (i) in the OMLs 60, 61, 62 and 63 blocks (Eni operator with a 20% interest), the Ogbainbiri flowstation was completed with a decline in flared gas of approximately 5 mmcf/d. This facility ensured to treat natural gas production of Ogbainbiri field. In the year, flaring down program includes a reduction of approximately 50 mmcf/d of gas flared leveraging on the upgrade of Idu flowstation completed at the end of 2012; as well as flaring down of Akri with a reduction of approximately 25 mmcf/d of gas flared; (ii) in the OML 28 block (Eni s interest 5%), within the integrated oil and natural gas project in the Gbaran-Ubie area, the drilling campaign was completed. The development plan provides for the construction of a Central Processing Facility (CPF) with a treatment capacity of approximately 1 bcf/d of gas and 120 kbbl/d of liquids. Further development phases are planned to put in production the residual mineral potential in the area.
Other activity during the year concerned: (i) the Forkados-Yokri field (Eni s interest 5%). The project includes the drilling of 24 producing wells, the upgrading of existing flowstations and the construction of transport facilities; (ii) Bonga NW field in the OML 118 block (Eni s interest 12.5%). The activities include the drilling and completion of producing and infilling wells; (iii) programs to support local development for improving access to health and education and initiatives in agriculture development; (iv) technical support from the ESP Excellence Centre for data performance analysis in different production site of the country. Real-time monitoring at the producing wells allowed to avoid possible disruptions.
Eni holds a 10.4% interest in the Nigeria LNG Ltd joint venture which runs the Bonny liquefaction plant, located in the Eastern Niger Delta. The plant has a design treatment capacity of approximately 1,236 bcf/y of feed gas from offshore to onshore facilities, without any impact on the environment and local communities.
Recovery activities are ongoing. Management believes that from 2015 field production will recover to the originally expected level and the field contribution to Eni s production profile for the year 2014 has been prudently assumed to be marginal.
The Phase 1 (Experimental Program) is targeting an initial production capacity of 150 kbbl/d; when the second treatment offshore train and compression facilities for gas reinjection will be completed and put online enabling to increase the production capacity up to 370 kbbl/d. The partners are planning to further increase available production capacity up to 450 kbbl/d by installing additional gas compression capacity for re-injection in the reservoir. The partners submitted the scheme of this additional phase to the relevant Kazakh Authorities.
In 2013 Eni submitted the development program of the Western section of the nearby Kalamkas discovery to the authorities. Sanction is expected in 2014 to start-up with the FEED phase.
Eni continues its commitment in the protection of the environment and ecosystems in the Caspian area with the integrated program for the management of biodiversity in the Ural Delta (Ural River Park Project - URPP). The project is almost completed and Eni s aim to include it in the Man and Biosphere Program of UNESCO with positive consent of Kazakh Authority.
Within the agreement signed with the relevant authorities, Eni continues its training program for Kazakh resources management positions.
As of December 31, 2013, the aggregate costs incurred by Eni for the Kashagan project capitalized in the financial statements amounted to $8.2 billion (euro 5.9 billion at the EUR/USD exchange rate of December 31, 2013). This capitalized amount included: (i) $6.1 billion relating to expenditure incurred by Eni for the development of the oilfield; and (ii) $2.1 billion relating primarily to accrue finance charges and expenditures for the acquisition of interests in the North Caspian Sea PSA consortium from exiting partners upon exercise of pre-emption rights in previous years.
As of December 31, 2013 Eni s proved reserves booked for the Kashagan field amounted to 565 mmboe, barely unchanged from 2012.

gas corresponding to a production of 22 mmtonnes/y of LNG on six trains. The seventh unit is being engineered as it is in the planning phase. When fully operational, total capacity will amount to approximately 30 mmtonnes/y of LNG, corresponding to a feedstock of approximately 1,624 bcf/y. Natural gas supplies to the plant are provided under gas supply agreements with a 20-year term from the SPDC JV (Eni s interest 5%) and the NAOC JV, the latter operating the OMLs 60, 61, 62 and 63 blocks with an overall amount of approximately 2,825 mmcf/d (approximately 268 mmcf/d net to Eni corresponding to approximately 49 kboe/d). LNG production is sold under long-term contracts and exported to European and American markets by the Bonny Gas Transport fleet, wholly owned by Nigeria LNG Co.

Kazakhstan

Kashagan On September 11, 2013, following the completion, test and delivery of all infrastructures, the first oil from the giant Kashagan (Eni s interest 16.81%) field was produced. From October 2013 production has been halted due to a technical issue that occurred to the pipeline transporting acid

Karachaganak The Expansion Project of the Karachaganak field (Eni s interest 29.25%) is currently under study. The project is aimed for a further developing gas and condensates reserves by means of the installation, in stages, of gas treatment plants and re-injection facilities to support liquids production plateau and increase gas sales. The development plan to increase re-injection capacity is currently in the phase of technical and marketing discussion to be presented to the relevant Authorities, with FEED expected in 2014.
In 2013 Eni launched an environmental monitoring program to identify the best available monitoring operations for biodiversity protection. Eni continues its commitment to support local communities by means of the construction of schools and educational facilities as well as health assistance for the villages located in the nearby area of Karachaganak.
As of December 31, 2013, Eni s proved reserves booked for the Karachaganak field amounted to 470 mmboe, barely unchanged from 2012.

Rest of Asia

Indonesia Development activities progressed at the operated Jangkrik (Eni s interest 55%) and Jau (Eni s interest 85%) offshore fields. The Jangkrik project includes linkage of production wells to a Floating Production Unit for gas and condensate treatment and the construction of a transportation facility to the Bontang liquefaction plant. Start-up is expected in 2017 with a production peak of 80 kboe/d (42 kboe/d net to Eni) in 2018. The Jau project provides for the drilling of production wells and the linkage to onshore plants via pipeline. Start-up is expected in 2017.
Development activities are underway at the Indonesia Deepwater Development project (Eni s interest 20%), located in the East Kalimantan, to ensure gas supplies to the Bontang plant. The project initially provides for the linkage of the Bangka field to existing production facilities, with start-up expected in 2016. Then the project also provides for the integrated development of the first Hub including the Gendalo, Gandang, Maha fields and the second Hub of the Gehem field. Start up is expected in 2018.

Iran The formal hand over of operations to local partners at the Darquain project is almost completed. This was the sole Eni-operated project in the Country. When the final hand over is completed, Eni s involvements essentially will consist of being reimbursed for its past investments.

Iraq In July 2013, Eni signed with the national oil company South Oil Co and the Iraqi Ministry of Oil an amendment to the technical service contract for the development of the Zubair oil field (Eni s interest 41.6%). The agreement includes a new target plateau at 850 kbbl/d and extends the expiring date of service contract for an additional five years, until 2035.
The Rural Support Project to support farms and communities in the area of Zubair field was completed during the year. The program in accordance with the Zubair Agricoltural Department, Farmers Association and with the monitoring of Local Authorities, involved 165 farms during 2012-2013 agricultural season.

Russia Eni divested to certain Gazprom subsidiaries its 60% interest in Artic Russia, the subsidiary owing a surveys will be performed under the provisions of Russian environmental legislation.

America

United States In March 2013 Eni was the highest bidder in five offshore exploration blocks located in the Mississippi Canyon and Desoto Canyon areas within the Central Gulf of Mexico Lease Sale 227. Relevant authorities approved the bid of one of five blocks.
In November 2013, Eni signed an agreement with the American company Quicksilver, for explorating and developing an area with unconventional oil reservoirs (shale oil), onshore the United States. Eni is expected to acquire a 50% interest in the Leon Valley area (West Texas). The work plan provides for the drilling of up to five exploration wells and the geophysical survey, aiming at determining the hydrocarbon potential of the area and the subsequent development plan. Eni will invest up to $52 million, for the completion of the project s exploration activities. The agreement also establishes that Eni will obtain 50% of another area located in the Leon Valley owned by Quicksilver, without additional costs.
Phase 1 of the development plan was sanctioned at the Heidelberg field (Eni s interest 12.5%) in the deep offshore of the Gulf of Mexico. The project provides for the drilling of 5 producing wells and the installation of a producing platform. Start-up is expected at the end of 2016 with a production of approximately 9 kboe/d net to Eni.
Development activities in the Gulf of Mexico mainly concerned: (i) drilling and completion activities at the Hadrian South (Eni s interest 30%), Lucius/Hadrian North (Eni s interest 5.4%) and St. Malo (Eni s interest 1.25%) fields; (ii) infilling activities at the producing operated fields of Appaloosa (Eni s interest 100%), Longhorn (Eni s interest 75%), Pegasus (Eni s interest 58%) and at the non-operated Front Runner field (Eni s interest 37.5%); and (iii) maintenance of the pipeline linking to the Corral production platform.
Drilling activities progressed at the Nikaitchuq (Eni operator with a 100% interest) and Oooguruk (Eni s interest 30%) fields in Alaska.

Venezuela In March 2013, production (accelerated early production) started up at the giant Junin 5 field (Eni s

49% stake of Severenergia, which holds four licenses for the exploration and production of hydrocarbons in the region of Yamal Nenets (Siberia), among which in particular the on-stream field of Samburgskoye, Eni s first development in the Russian upstream. On January 15, 2014, the consideration for the disposal equal to euro 2.16 billion ($2,940 million) was cashed in (for further information see the Financial review). With this disposal, Eni monetized a mature investment, but maintains a strong commitment in the Russian upstream through the partnership with Rosneft, the projects for exploration in the Russian section of the Black Sea and in the Barents Sea.
In June 2013, Eni and Rosneft signed the completion deed relating to the agreements for the joint development of exploration activities in the Russian Barents Sea (Fedynsky and Central Barents licenses, Eni s interest 33.33%) where seismic surveys have been started, and in the Black Sea (Western Chernomorsky license, Eni s interest 33.33%). Seismic interest 40%), located in the Orinoco oil belt and containing 35 bbbl of certified heavy oil in place. Early production of the first phase is expected to reach a plateau of 75 kbbl/d by the end of 2015, targeting a long-term production plateau of 240 kbbl/d. The project provides for the construction of a refinery with a capacity of approximately 350 kbbl/d. Eni agreed to finance part of PDVSA s development costs for the early production phase and engineering activity of refinery plant up to $1.74 billion. Drilling activities and installation of the transport and treatment facilities are ongoing.
The sanctioned development plan progressed at the Perla gas discovery, located in the Cardon IV Block (Eni s interest 50%), in the Gulf of Venezuela. PDVSA exercised its 35% back-in right. Eni will retain the 32.5% joint controlled interest in the company, at the execution of the transfer stake. The early production phase includes the utilization of the existing discovery/appraisal wells and the installation of production

platforms linked by pipelines to the onshore treatment plant. Target production of approximately 450 mmcf/d is expected in 2015. The development program will continue with the drilling of additional wells and the upgrading of treatment facilities to reach a production plateau of approximately 1,200 mmcf/d.

Capital expenditure

Capital expenditure of the Exploration & Production Division (euro 10,475 million) concerned development of oil and gas reserves (euro 8,580 million) directed mainly outside Italy, in particular in Norway, the United States, Angola, Congo, Nigeria, Kazakhstan, Egypt and the United Kingdom. Development expenditures in Italy concerned the well drilling program and facility upgrading in Val d Agri as well as sidetrack and workover activities in mature fields.

About 98% of exploration expenditures were directed outside Italy in particular to Mozambique, Norway, Congo, Togo, Nigeria, the United States and Angola as well as the acquisition of new licenses in the Republic of Cyprus and in Vietnam. In Italy, exploration activities were directed mainly to the Adriatic offshore, Val d Agri and Po Valley.

In 2013 overall expenditure in R&D amounted to euro 87 million.

A total of 9 new patents applications were filed, one jointly with Versalis.

Capital expenditure (euro million)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Acquisition of proved and unproved properties	**754**	**43**	**109**	**66**	**..**
North Africa	57	14	109		
Sub-Saharan Africa	697	27			
America		2			
Exploration	**1,210**	**1,850**	**1,669**	**(181)**	**(9.8)**
Italy	38	32	32		
Rest of Europe	100	151	357	206	..
North Africa	128	153	95	(58)	(37.9)
Sub-Saharan Africa	482	1,142	757	(385)	..
Kazakhstan	6	3	1	(2)	(66.7)
Rest of Asia	156	193	233	40	20.7
America	60	80	110	30	37.5
Australia and Oceania	240	96	84	(12)	(12.5)
Development	**7,357**	**8,304**	**8,580**	**276**	**3.3**
Italy	720	744	743	(1)	(0.1)
Rest of Europe	1,596	2,008	1,768	(240)	(12.0)
North Africa	1,380	1,299	808	(491)	(37.8)
Sub-Saharan Africa	1,521	1,931	2,675	744	38.5
Kazakhstan	897	719	658	(61)	(8.5)
Rest of Asia	361	641	749	108	16.8
America	831	953	1,127	174	18.3
Australia and Oceania	51	9	52	43	..
Other expenditure	**114**	**110**	**117**	**7**	**6.4**
	9,435	**10,307**	**10,475**	**168**	**1.6**

Contents

Gas & Power

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	2.44	1.84	**1.31**
Contractors injury frequency rate		5.22	3.64	**1.81**
Net sales from operations [(a)]	(euro million)	33,093	36,200	**32,124**
Operating profit		(326)	(3,219)	**(2,992)**
Adjusted operating profit		(247)	356	**(663)**
Marketing		*(657)*	*47*	***(837)***
International transport		*410*	*309*	***174***
Adjusted net profit		252	473	**(246)**
EBITDA pro-forma adjusted		949	1,316	**6**
Marketing		*257*	*858*	***(311)***
International transport		*692*	*458*	***317***
Capital expenditure		192	225	**232**
Worldwide gas sales [(b)]	(bcm)	96.76	95.32	**93.17**
LNG sales [(c)]		15.7	14.6	**12.4**
Customers in Italy	(million)	7.10	7.45	**8.00**
Electricity sold	(TWh)	40.28	42.58	**35.05**
Employees at period end	(number)	4,795	4,752	**4,514**
Direct GHG emissions	(mmtonnes CO_2 eq)	12.77	12.70	**11.16**
Customer satisfaction score (CSS) [(d)]	(%)	88.6	89.7	**90.4**
Water consumption/withdrawals per kWh eq produced	(cm/kWh eq)	0.014	0.012	**0.017**

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

Performance of the year

In 2013 the positive trend in employees and contractors injury frequency rates was confirmed, with a reduction of 28.9% and 50.1%, respectively.

In 2013 Greenhouse gas emissions decreased by 12.1% following lower power production (-10.5%) as well as lower volumes of gas transported.

In 2013, the water consumption rate of EniPower s plants increased both in general (up 24.3% from 2012) and per kWh produced (up 39.9%), due to production reorganization in a number of sites, in particular in the Brindisi power plant due to higher use of sea water in cooling operations.

In 2013, adjusted net loss was euro 246 million, decreasing by euro 719 million from 2012 mainly in the marketing business reflecting worsening competitive environment, the effects of which were exacerbated by minimum off-take obligations provided by long-term supply contracts.

Eni gas sales (93.17 bcm) were down by 2.3% compared to 2012. When excluding the effect of the divestment of Galp, gas sales were broadly in line with the previous year. Eni s sales in the domestic market increased by 1.08 bcm driven by higher spot sales and by higher sales to importers in Italy (up 1.94 bcm). This positive trend was more than offset by lower volumes marketed in the main European markets (down 5.61 bcm), particularly in Benelux, the Iberian Peninsula and the United Kingdom, due to declining gas demand and competitive pressure.

Electricity sales of 35.05 TWh decreased by 7.53 TWh from 2012, down 17.7%.

In 2013 capital expenditure of euro 232 million mainly concerned the revamping activities of the cogeneration plant of Bolgiano and the development of its heating cable system (euro 39 million), the flexibility and upgrading of combined cycle power stations (euro 82 million) as well as gas marketing initiatives (euro 88 million).

On March 31, 2014, Eni and Statoil have signed final agreement on the revision of the long-term gas supply contract currently in force between the two parties. The revision is reflecting changed fundamentals in the gas sector and will determine a positive effect in 2014 profit. The final agreement, which follows the Heads of Agreement signed on February 27, 2014, implies the end of the arbitration proceedings previously initiated by Eni.

In 2013 EniPower, in the development of Eni s worldwide projects, confirmed its role as supplier of technological and specialist know-how in the electricity and photovoltaic applications, preserving the attention to access to energy projects, environmental and social themes. In particular during the year the company sanctioned the pre-feasibility study of a power generation plant and its related facilities to be built in the northern region of Mozambique, near the recently discovered giant gas fields.

Marketing

Eni operates in a liberalized market where energy customers are allowed to choose the gas supplier and, according to their specific needs, to evaluate the quality of services and offers. Overall Eni supplies approximately 2,600 customers including large companies, power generation companies, wholesalers and distributors of natural gas for automotive use. Residential users are approximately 8 million and include households, professionals, small and medium sized enterprises, and public bodies located all over Italy and approximately 2 million customers in European Countries. In a context characterized by a six percentage points drop of demand in the Italian market (broadly in line in the European Union) due to declining consumption in all the reference segments and increased competitive pressure, Eni progressed a number of initiatives in order to mitigate the negative impact of the trading environment such as renegotiation of supply contracts, efficiency and optimization actions (for further information on the European scenario, see chapter on Risk factors below).

Natural Gas

Supply of natural gas

In 2013, Eni s consolidated subsidiaries supplied 85.67 bcm of natural gas, representing a decrease of 1.02 bcm, or 1.2% from 2012.
Gas volumes supplied outside Italy (78.52 bcm from consolidated companies), imported in Italy or sold outside Italy, represented approximately 92% of total supplies, were substantially in line with 2012 (down 0.62 bcm, or 0.8%) due to higher volumes purchased in Russia (up 9.76 bcm) and the Netherlands (up 1.09 bcm), completely offset by lower volumes purchased in particular in Algeria (down 5.14 bcm), Norway (down 2.97 bcm) and Libya (down 0.77 bcm).

Supply of natural gas (bcm)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Italy	**7.22**	**7.55**	**7.15**	**(0.40)**	**(5.3)**

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

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Supplies in Italy (7.15 bcm) slightly decreased from 2012 due to the decline of mature fields. In 2013, main gas volumes from equity production derived from: (i) Italian gas fields (6.1 bcm); (ii) Libyan fields (1.7 bcm); (iii) certain Eni fields located in the British and Norwegian sections of the North Sea (1.5 bcm); (iv) the United States (1.2 bcm); (v) other European areas (Croatia with 0.4 bcm).
Considering also direct sales of the Exploration & Production Division and LNG supplied from the Bonny liquefaction plant in Nigeria, supplied gas volumes from equity production were approximately 16 bcm representing 17% of total volumes available for sale.

Gas sales by entity (bcm)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Total sales of subsidiaries	**84.05**	**84.30**	**83.60**	**(0.70)**	**(0.8)**
Italy (including own consumption)	34.60	34.66	35.76	1.10	3.2
Rest of Europe	44.84	44.57	42.30	(2.27)	(5.1)
Outside Europe	4.61	5.07	5.54	0.47	9.3
Total sales of Eni's affiliates (net to Eni)	**9.85**	**8.29**	**6.96**	**(1.33)**	**(16.0)**
Italy	0.08	0.12	0.10	(0.02)	(16.7)
Rest of Europe	8.14	6.45	5.05	(1.40)	(21.7)
Outside Europe	1.63	1.72	1.81	0.09	5.2
E&P in Europe and in the Gulf of Mexico	**2.86**	**2.73**	**2.61**	**(0.12)**	**(4.4)**
WORLDWIDE GAS SALES	**96.76**	**95.32**	**93.17**	**(2.15)**	**(2.3)**

Gas sales by market (bcm)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
ITALY	**34.68**	**34.78**	**35.86**	**1.08**	**3.1**
Wholesalers	5.16	4.65	4.58	(0.07)	(1.5)
Italian gas exchange and spot markets	5.24	7.52	10.68	3.16	42.0
Industries	7.21	6.93	6.07	(0.86)	(12.4)
Medium-sized enterprises and services	0.88	0.81	1.12	0.31	38.3
Power generation	4.31	2.55	2.11	(0.44)	(17.3)
Residential	5.67	5.89	5.37	(0.52)	(8.8)
Own consumption	6.21	6.43	5.93	(0.50)	(7.8)
INTERNATIONAL SALES	**62.08**	**60.54**	**57.31**	**(3.23)**	**(5.3)**
Rest of Europe	**52.98**	**51.02**	**47.35**	**(3.67)**	**(7.2)**
Importers in Italy	3.24	2.73	4.67	1.94	71.1
European markets	49.74	48.29	42.68	(5.61)	(11.6)
Iberian Peninsula	*7.48*	*6.29*	*4.90*	*(1.39)*	*(22.1)*
Germany/Austria	*6.47*	*7.78*	*8.31*	*0.53*	*6.8*
Benelux	*13.84*	*10.31*	*8.68*	*(1.63)*	*(15.8)*
Hungary	*2.24*	*2.02*	*1.84*	*(0.18)*	*(8.9)*
UK/Northern Europe	*4.21*	*4.75*	*3.51*	*(1.24)*	*(26.1)*

Turkey	*6.86*	*7.22*	*6.73*	*(0.49)*	*(6.8)*
France	*7.01*	*8.36*	*7.73*	*(0.63)*	*(7.5)*
Other	*1.63*	*1.56*	*0.98*	*(0.58)*	*(37.2)*
Extra European markets	**6.24**	**6.79**	**7.35**	**0.56**	**8.2**
E&P in Europe and in the Gulf of Mexico	**2.86**	**2.73**	**2.61**	**(0.12)**	**(4.4)**
WORLDWIDE GAS SALES	**96.76**	**95.32**	**93.17**	**(2.15)**	**(2.3)**

Sales of natural gas

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

LNG

In 2013, LNG sales (12.4 bcm) decreased by 2.2 bcm from 2012. In particular, LNG sales by the Gas & Power segment (8.4 bcm, included in worldwide gas sales) mainly concerned LNG from Qatar, Algeria and Nigeria marketed in Europe, South America and the Far East.

LNG sales	(bcm)	2011	2012	2013	Change	% Ch.
G&P sales		**11.8**	**10.5**	**8.4**	**(2.1)**	**(20.0)**
Rest of Europe		9.8	7.6	4.6	(3.0)	(39.5)
Outside Europe		2.0	2.9	3.8	0.9	31.0
E&P sales		**3.9**	**4.1**	**4.0**	**(0.1)**	**(2.2)**
Terminals:						
Soyo (Angola)				0.1	0.1	..
Bontang (Indonesia)		0.6	0.6	0.5	(0.1)	(16.7)
Point Fortin (Trinidad & Tobago)		0.4	0.5	0.6	0.1	22.4
Bonny (Nigeria)		2.5	2.7	2.4	(0.3)	(10.1)
Darwin (Australia)		0.4	0.3	0.4	0.1	21.2
		15.7	**14.6**	**12.4**	**(2.2)**	**(15.0)**

Power

Availability of electricity

Eni s power generation sites are located in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi, Ferrara and Bolgiano. In 2013, power generation was 23.03 TWh, down 2.64 TWh, or 10.3% from 2012. As of December 31, 2013, installed operational capacity was 5.3 GW (5.3 GW as of December 31, 2012).
Electricity trading, to increase availability of electricity, lowered by 28.9% to 12.2 TWh due to lower purchases on the market.

Power sales

In 2013 power sales (35.05 TWh) were directed to the free market (82%), industrial sites (9%), the Italian power exchange (6%) and others (3%). Compared with 2012, electricity sales were down by 17.7%, due to lower volumes traded on the Italian power exchange and declining sales to wholesales, partly offset by higher sales to retail customers.

		2011	2012	2013	Change	% Ch.
Purchases of natural gas	(mmcm)	5,008	5,206	4,635	(571)	(11.0)
Purchases of other fuels	(ktoe)	528	462	449	(13)	(2.8)
Power generation	(TWh)	25.23	25.67	23.03	(2.64)	(10.3)
Steam	(ktonnes)	14,401	12,603	10,099	(2,504)	(19.9)

Availability of electricity	(TWh)	2011	2012	2013	Change	% Ch.
Power generation		25.23	25.67	23.03	(2.64)	(10.3)
Trading of electricity [(a)]		15.05	16.91	12.02	(4.89)	(28.9)
		40.28	**42.58**	**35.05**	**(7.53)**	**(17.7)**
Free market		27.25	31.84	28.73	(3.11)	(9.8)
Italian Exchange for electricity		8.67	6.10	1.96	(4.14)	(67.9)
Industrial plants		3.23	3.30	3.31	0.01	0.3
Other [(a)]		1.13	1.34	1.05	(0.29)	(21.6)
Power sales		**40.28**	**42.58**	**35.05**	**(7.53)**	**(17.7)**

(a) Includes positive and negative imbalances.

In 2013, as part of its activities selling natural gas and electricity with the aim of improving planning of commercial actions and monitoring technologies for energy efficiency, Eni continued successfully the development of **eni kassandra meteo forecast** (e-km™), a proprietary system for forecasting temperatures from meteorological and climate data in the short/long-term (from 1 to 90 days) over large European areas (including Italy, Belgium, Germany and France). The system will be applied to power generation activity at EniPower plants and on the largest Italian cities.

During the year the company continued the development of the proprietary technology **vibroacustic pipeline monitoring system** (e-vpms™) for the continuing remote control based on theoretical models of elastic-acoustic propagation of pipelines, used for the transportation of natural gas, oil and water in variable operating conditions.

Capital expenditure

In 2013, capital expenditure of euro 232 million, mainly related to activities performed to cogeneration plant of Bolgiano (revamping and development of its heating cable system (euro 39 million), upgrading and other initiatives to improve flexibility of the combined cycle power plants (euro 82 million) and gas marketing initiatives (euro 88 million).

Capital expenditure	(euro million)	2011	2012	2013	Change	% Ch.
Marketing		**184**	**212**	**209**	**(3)**	**(1.4)**
Marketing		97	81	88	7	8.6
Italy		*45*	*43*	*42*	*(1)*	*(2.3)*
Outside Italy		*52*	*38*	*46*	*8*	*21.1*

Power generation	87	131	121	(10)	(7.6)
International transport	**8**	**13**	**23**	**10**	**76.9**
	192	**225**	**232**	**7**	**3.1**
of which:					
Italy	132	174	163	(11)	(6.3)
Outside Italy	60	51	69	18	35.3

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Refining & Marketing

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	1.96	1.08	**0.31**
Contractors injury frequency rate		3.21	2.32	**1.68**
Net sales from operations [(a)]	(euro million)	51,219	62,656	**57,329**
Operating profit		(273)	(1,296)	**(1,517)**
Adjusted operating profit		(539)	(321)	**(482)**
Adjusted net profit		(264)	(179)	**(232)**
Capital expenditure		866	842	**619**
Refinery throughputs on own account	(mmtonnes)	31.96	30.01	**27.38**
Conversion index	(%)	61	61	**62**
Balanced capacity of refineries	(kbbl/d)	767	767	**787**
Retail sales of petroleum products in Europe	(mmtonnes)	11.37	10.87	**9.69**
Service stations in Europe at year end	(units)	6,287	6,384	**6,386**
Average throughput per service station in Europe	(kliters)	2,206	2,064	**1,828**
Retail efficiency index	(%)	1.50	1.48	**1.28**
Employees at period end	(number)	7,591	7,125	**6,942**
Direct GHG emissions	(mmtonnes CO_2 eq)	7.24	6.03	**5.18**
SO_x emissions (sulphur oxide)	(ktonnes SO_2 eq)	23.07	16.99	**10.80**
NO_x emissions (nitrogen oxide)	(ktonnes NO_2 eq)	6.74	5.87	**4.51**
Water consumption rate (refineries)/refinery throughputs	(cm/tonnes)	31.03	25.43	**19.98**
Biofuels marketed	(mmtonnes)	13.26	14.83	**10.84**
Customer satisfaction index	(likert scale)	7.74	7.90	**8.10**

(a) Before elimination of intragroup sales.

Performance of the year

In 2013, the injury frequency rates decreased from 2012 (down 71.4% for employees and 27.5% for contractors).

In 2013, the declining trend of Greenhouse gas, SO_x and NO_x emissions continued, benefiting from lower production, energy saving measures and increasing use of natural gas to replace fuel oil.

The water consumption rate of Refining & Marketing Division declined by more than 21%.

In 2013, the Refining & Marketing Division reported sharply lower adjusted net loss amounting to euro 232 million (euro 179 million in 2012). This decrease reflected plunging refining margins driven by weak demand for refined products and overcapacity, the effects of which were exacerbated by shrinking price differentials between light and heavy crudes due to lower heavy crudes supplies in the Mediterranean area. The negative trading environment was partly counteracted by efficiency and optimization gains. Marketing results declined due to lower sales related to the declining demand for fuels and mounting competitive pressure.

2013 refining throughputs were 27.38 mmtonnes, down 8.8% from 2012. In Italy, processed volumes decreased (down 9.4%) due to the planned shutdown of the Venice Refinery following the Green Refinery project and in all the remaining plants due to their downsizing on the back of declining refining margins. Outside Italy, Eni s refining throughputs decreased by 5.9% in particular in the Czech Republic.

In 2013, retail sales in Italy of 6.64 mmtonnes decreased by 15.2% from 2012. This decline was driven by the current economic downturn and increased competitive pressure. In 2013 Eni s average retail market share was 27.5% decreasing by 3.7 percentage points from 2012 when sales volumes benefited from the effect of a promotional campaign made during the summer weekends.

Retail sales in the Rest of Europe of 3.05 mmtonnes are substantially unchanged from 2012 (up 0.3%) due to higher volumes marketed in Germany and Austria, almost completely offset by lower sales in the Czech Republic and Hungary.

Capital expenditure amounting to euro 619 million related mainly refining, supply and logistics (euro 444 million) to improve flexibility and yields, in particular at the Sannazzaro Refinery, and marketing activities for the streamlining of the retail distribution network (euro 175 million).

In 2013 total expenditure in R&D in the Refining & Marketing Division amounted to approximately euro 33 million, net of general and administrative costs. In the year 6 patent applications were filed.

Renovation and recovery of Gela Refinery

In July 2013 Eni announced a plan for the renovation and recovery of the Gela Refinery with a total investment of euro 700 million. The project is aimed to create an economically sound refinery in order to meet the challenges of a competitive and constantly evolving scenario. The refinery will also be redesigned to be more environmentally friendly and respectful of the local area. When fully operational, with its new industrial and organizational structure designed in 2013, the Gela Refinery will be able to generate profits through products more suited to market requirements (maximized production of diesel and interrupted production of gasoline and polyethylene), while at the same time restoring its reliability, flexibility and operational efficiency.

Smart Mobility

In December 2013, Eni launched in Milan the initiative Enjoy, a car sharing free floating with the objective of developing products and services for sustainable mobility. This service provided in partnership with major Italian players (Fiat, Trenitalia, Cartasì) allows the customers to pick up and release in any part of the covered area and represents a new and economic, sustainable and efficient alternative to owning car. The service is simple and completely online, the tariffs are all inclusive and competitive. The initiative will be launched in other major Italian cities and abroad, in order to develop and implement more innovative products and services related to mobility.

Supply and Trading

In 2013, a total of 65.96 mmtonnes of crude were purchased by the Refining & Marketing Division (62.21 mmtonnes in 2012), of which 26.15 mmtonnes from Eni s Exploration & Production Division, 25.27 mmtonnes on the spot market and 14.54 mmtonnes were purchased under long-term supply contracts with producing Countries. Approximately 26% of crude purchased in 2013 came from Russia, 19% from West Africa, 14% from the North Sea, 12% from North Africa, 6% from the Middle East, 6% from Italy and 17% from other areas. In 2013 some 43.96 mmtonnes of crude purchased were marketed, (up 7.40 mmtonnes from 2012, or 20.2%). In addition, 5.31 mmtonnes of intermediate products were purchased (4.53 mmtonnes in 2012) to be used as feedstock in conversion plants and 17.79 mmtonnes of refined products (20.52 mmtonnes in 2012) were purchased to be sold on markets outside Italy (13.73 mmtonnes) and on the domestic market (4.06 mmtonnes) as a complement to available production.

Purchases	(mmtonnes)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Equity crude oil						
Eni's production outside Italy		24.29	23.57	22.46	(1.11)	(4.7)
Eni's production in Italy		3.35	3.35	3.69	0.34	10.1
		27.64	**26.92**	**26.15**	**(0.77)**	**(2.9)**
Other crude oil						
Purchases on spot markets		20.44	24.95	25.27	0.32	1.3

Purchases under long-term contracts	10.94	10.34	14.54	4.20	40.6
	31.38	**35.29**	**39.81**	**4.52**	**12.8**
Total crude oil purchases	**59.02**	**62.21**	**65.96**	**3.75**	**6.0**
Purchases of intermediate products	4.26	4.53	5.31	0.78	17.2
Purchases of products	15.85	20.52	17.79	(2.73)	(13.3)
TOTAL PURCHASES	**79.13**	**87.26**	**89.06**	**1.80**	**2.1**
Consumption for power generation	(0.89)	(0.75)	(0.55)	0.20	26.7
Other changes [a]	(1.12)	(1.63)	(1.06)	0.57	35.0
	77.12	**84.88**	**87.45**	**2.57**	**3.0**

(a) Include change in inventories, decrease due to transportation, consumption and losses.

Refining

In 2013, refining throughputs were 27.38 mmtonnes, down by 2.63 mmtonnes, or 8.8% from 2012. In Italy, processed volumes decreased by 9.4% from 2012, due to the planned shutdown of the Venice Refinery following the Green Refinery project and in all the remaining plants due to a downsizing of productive assets in relation to declining refining margins. Outside Italy, Eni s refining throughputs (4.82 mmtonnes) decreased by 5.9% (down approximately 302 ktonnes) mainly reflecting the shutdown at the Kralupy Refinery in the Czech Republic for maintenance and lower throughputs in order to mitigate the negative impact of lower refining margins.
Total throughputs in wholly-owned refineries were 18.99 mmtonnes, down by 1.85 mmtonnes (down 8.9%) from 2012 determining a refinery utilization rate of 66%, declining by 6 percentage points from 2012, reflecting the unfavorable scenario. Approximately 23.7% of processed crude was supplied by Eni s Exploration & Production segment, representing a 0.9 percentage points increase from 2012 (22.8%).

Availability of refined products (mmtonnes)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
ITALY					
At wholly-owned refineries	22.75	20.84	18.99	(1.85)	(8.9)
Less input on account of third parties	(0.49)	(0.47)	(0.57)	(0.10)	(21.3)
At affiliated refineries	4.74	4.52	4.14	(0.38)	(8.4)
Refinery throughputs on own account	**27.00**	**24.89**	**22.56**	**(2.33)**	**(9.4)**
Consumption and losses	(1.55)	(1.34)	(1.23)	0.11	8.2
Products available for sale	**25.45**	**23.55**	**21.33**	**(2.22)**	**(9.4)**
Purchases of refined products and change in inventories	3.22	3.35	4.42	1.07	31.9
Products transferred to operations outside Italy	(1.77)	(2.36)	(1.85)	0.51	21.6
Consumption for power generation	(0.89)	(0.75)	(0.55)	0.20	26.7
Sales of products	**26.01**	**23.79**	**23.35**	**(0.44)**	**(1.8)**
OUTSIDE ITALY					
Refinery throughputs on own account	**4.96**	**5.12**	**4.82**	**(0.30)**	**(5.9)**
Consumption and losses	(0.23)	(0.23)	(0.22)	0.01	4.3
Products available for sale	**4.73**	**4.89**	**4.60**	**(0.29)**	**(5.9)**
Purchases of refined products and change in inventories	12.51	17.29	13.69	(3.60)	(20.8)
Products transferred from Italian operations	1.77	2.36	1.85	(0.51)	(21.6)
Sales of products	**19.01**	**24.54**	**20.14**	**(4.40)**	**(17.9)**
Refinery throughputs on own account	**31.96**	**30.01**	**27.38**	**(2.63)**	**(8.8)**
of which: refinery throughputs of equity crude on own account	*6.54*	*6.39*	*5.93*	*(0.46)*	*(7.2)*
Total sales of refined products	**45.02**	**48.33**	**43.49**	**(4.84)**	**(10.0)**
Crude oil sales	**32.10**	**36.56**	**43.96**	**7.40**	**20.2**
TOTAL SALES	**77.12**	**84.89**	**87.45**	**2.56**	**3.0**

In 2013, work continued at the Sannazzaro de Burgondi Refinery for the construction of the first industrial plant employing **EST (Eni Slurry Technology)**. As compared to available refining technologies, EST does not produce by-products but converts feedstock completely into distillates and allows to make valuable use of distillation residue of heavy and extra-heavy crude and non conventional resources. An evaluation process and for the exploitation of heavy crude of licensing out of this technology to a number of Oil companies for the application of EST in their productive processes is ongoing.

In addition, Eni is developing the conversion technology by means of **Slurry Dual Catalyst** (an evolution of EST) that is based on the combination of two different catalysts which could lead to a relevant breakthrough in the EST process, improving products quality and reducing operating costs.

In addition at the Sannazzaro Refinery the detailed design of a project for the production of hydrogen by means of the proprietary **Hydrogen SCT-CPO** (Short Contact Time-Catalytic Partial Oxidation) process is nearing completion. This reforming technology transforms gaseous and liquid hydrocarbons (also derived from biomass) into synthetic gas (carbon monoxide and hydrogen) at competitive costs.

In 2013 Eni commenced effectively the industrial project Green Refinery that will led the Venice Refinery to be the first example of conventional refinery converted in biorefinery. The related works started in September 2013 while their termination is expected within March 2014, with the start-up of the new biorefinery. The realization of this project is also supported by the industrial use of the technology **Ecofining** developed in partnership with the American company UOP.

In 2013 Eni continued the development of technologies aimed at reducing the environmental footprint of refining activities and producing more environmental sustainable products. Among the main activities were:
- the development of the proprietary catalytic system for hydrocracking and dearomatization of gasoil **T-Sand** for the production of high quality diesel, with low quantities of polyaromatics and reduced emissions of particulate;
- the studies on the technologies **Zero Waste**, a technology for reduction of industrial sludge through a pyrolisis/gasification and inertization process. Considering the relevance of the projects in the next months the first 2 t/h prototype will be realized in the Gela Refinery;
- the test on **Biodiesel** from microalgae performed on the pilot plant of Gela. During the experimental phase were tested and individuated types of microalgae providing good performance at high temperatures (summer periods), and low temperatures (winter period) as well as achieved relevant progresses on an innovative process of lipid extraction; the testing activity for the upgrading of the obtained lipids by this process aimed to produce oil to be treated in GreenDiesel technology plant is ongoing.

Product sales in Italy and outside Italy by market (mmtonnes)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Retail	8.36	7.83	6.64	(1.19)	(15.2)
Wholesale	9.36	8.62	8.37	(0.25)	(2.9)
Chemicals	1.71	1.26	1.32	0.06	4.8
Other sales	6.58	6.08	7.01	0.93	15.3
Sales in Italy	**26.01**	**23.79**	**23.34**	**(0.45)**	**(1.9)**
Retail rest of Europe	3.01	3.04	3.05	0.01	0.3
Wholesale Rest of Europe	3.84	3.96	4.23	0.27	6.8
Wholesale outside Italy	0.43	0.42	0.43	0.01	2.4
Other sales	11.73	17.12	12.44	(4.68)	(27.3)
Sales outside Italy	**19.01**	**24.54**	**20.15**	**(4.39)**	**(17.9)**
TOTAL SALES OF REFINED PRODUCTS	**45.02**	**48.33**	**43.49**	**(4.84)**	**(10.0)**

Marketing of refined products

In 2013, retail sales of refined products (43.49 mmtonnes) decreased by 4.84 mmtonnes from 2012, down 10%, due mainly to lower volumes sold to oil companies and traders outside Italy.

Retail sales in Italy

In 2013, retail sales in Italy of 6.64 mmtonnes decreased by approximately 1.19 mmtonnes, down 15.2%, from 2012 driven by lower consumption of gasoil and loyalty program for customers launched in February 2010 for a five year period, the cards that made at least one transaction in the period were approximately 2.8 million at December 31, 2013 of which one million was represented by consumer payment and loyalty cards. Volumes sold to customers cumulating points on their card were approximately 37% of total throughputs (net of iperself sales that do not allow to accumulate points).

In 2013 even sales of premium fuels (fuels of the Eni Blu+ line with high performance and lower environmental impact) were affected by the decline in gasoline, in particular in highway service station reflecting the decline in freight transportation and increasing competitive pressure. Average gasoline and gasoil throughput (1,657 kliters) decreased by approximately 318 kliters from 2012. Eni s retail market share for 2013 was 27.5%, down 3.7 percentage points from 2012 that benefited by the summer marketing campaigns performed.

At December 31, 2013, Eni s retail network in Italy consisted of 4,762 service stations, a decrease of 18 less stations from December 31, 2012 (4,780 service stations), resulting from the negative balance of the closing of service stations with low throughput (51 units), the release of one motorway concession, partially offset by the positive contribution of acquisitions/releases of lease concessions (34 units). With reference to the promotional initiative you&eni , the domestic consumption and high price levels and were lower than the previous year. In particular, sales of Eni BluDiesel+ amounted to approximately 231 mmtonnes (approximately 278 mmliters) with a decline of approximately 61 ktonnes from 2012 and represented 5.3% of volumes of gasoil marketed by Eni s retail network. At December 31, 2013, service stations marketing BluDiesel+ totaled 3,909 units (4,123 at year-end 2012) covering approximately 82% of Eni s network. Retail sales of BluSuper+ amounted to 30 ktonnes (approximately 41 mmliters), decreasing by 4 ktonnes from 2012, and covered 1.6% of gasoline sales on Eni s retail network (broadly in line with previous year). As of December 31, 2013, service stations marketing BluSuper+ totaled 2,171 units (2,505 at December 31, 2012), covering approximately 46% of Eni s network.

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In 2013 Eni continued the development of **innovative and biofuels with proprietary additives and detergents** that provide better gasoline and gasoil with a keep clean component.

Retail and wholesales sales of refined products (mmtonnes)	2011	2012	2013	Change	% Ch.
Italy	**17.72**	**16.45**	**15.01**	**(1.44)**	**(8.8)**
Retail sales	**8.36**	**7.83**	**6.64**	**(1.19)**	**(15.2)**
Gasoline	2.60	2.41	1.96	(0.45)	(18.7)
Gasoil	5.45	5.08	4.33	(0.75)	(14.8)
LPG	0.29	0.31	0.32	0.01	3.2
Others	0.02	0.03	0.03		
Wholesale sales	**9.36**	**8.62**	**8.37**	**(0.25)**	**(2.9)**
Gasoil	4.18	4.07	4.09	0.02	0.5
Fuel Oil	0.46	0.33	0.24	(0.09)	(27.3)
LPG	0.31	0.30	0.30		
Gasoline	0.19	0.20	0.25	0.05	25.0
Lubricants	0.10	0.09	0.09		
Bunker	1.26	1.19	1.00	(0.19)	(16.0)
Jet fuel	1.65	1.56	1.58	0.02	1.3
Other	1.21	0.88	0.82	(0.06)	(6.8)
Outside Italy (retail+wholesale)	**7.28**	**7.42**	**7.71**	**0.29**	**3.9**
Gasoline	1.79	1.81	1.73	(0.08)	(4.4)
Gasoil	3.82	3.96	4.23	0.27	6.8
Jet fuel	0.49	0.44	0.51	0.07	15.9
Fuel Oil	0.23	0.19	0.22	0.03	15.8
Lubricants	0.10	0.09	0.10	0.01	11.1
LPG	0.50	0.52	0.51	(0.01)	(1.9)
Other	0.35	0.41	0.41		
	25.00	**23.87**	**22.72**	**(1.15)**	**(4.8)**

Retail sales in the Rest of Europe

Retail sales in the Rest of Europe of 3.05 mmtonnes were basically stable (up 0.3% or 10 ktonnes). Volume additions in Germany and Austria were almost

particular in Germany and Austria; (iii) the purchase of 18 service stations, in particular in France and Germany; (iv) the opening of one new outlet.
Average throughput (2,322 kliters) was in line with 2012 (2,319 kliters).

Wholesale and other sales

Wholesale sales in Italy (8.37 mmtonnes) declined by approximately 253 ktonnes, down 2.9%, mainly due to lower sales of bunkering and bitumen reflecting a decline in demand, mostly completely offset by higher volumes sold of fuel oil and minor products. Average market share in 2013 was 28.8% (29.5% in 2012). Supplies of feedstock to the petrochemical industry completely offset by lower sales in the Czech Republic and Hungary.

At December 31, 2013 Eni s retail network in the Rest of Europe consisted of 1,624 service stations, an increase of 20 units from December 31, 2012 (1,604 service stations). The network evolution was as follows: (i) the closing of 25 low throughput service stations mainly in France; (ii) the positive balance of acquisitions/releases of lease concessions (26 units) in

(1.32 mmtonnes) slightly increased from 2012 (up 62 ktonnes) due to higher feedstock supplies.

Wholesale sales in the Rest of Europe of approximately 4.23 mmtonnes increased by 6.8% from 2012 due to increased sales in Slovenia and France. Sales declined in Austria.

Other sales (19.45 mmtonnes) decreased by 3.75 mmtonnes, or 16.2%, mainly due to lower sales to other oil companies.

As concerns the development of bitumen, in 2013 the activities mainly referred to the production of **bitumen that are suitable for** the production of **waterproof membranes**. This products will allow the company to enlarge its presence on premium markets.

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As to **modified bitumen**, the feasibility studies for the realization of a plant for the production of bitumen sheet-shaped (**RIGEBIT**), environmental friendly and with good commercial perspectives were concluded.
As far as **lubricants** are concerned, in 2013 Eni qualified three oils for gasoline engines and four oil for gasoil engines with high performances.

In the production of **industrial lubricants** Eni continued the cooperation with GE in particular on two lubricants for high-performance turbines with relevant energy saving characteristics.

Capital expenditure

In 2013, capital expenditure in the Refining & Marketing Division amounted to euro 619 million and regarded mainly: (i) refining, supply and logistics in Italy and outside Italy (euro 444 million), with projects designed to improve the conversion rate and flexibility of refineries, in particular the Sannazzaro Refinery, as well as expenditure on health, safety and environmental upgrades; (ii) upgrading and rebranding of the refined product retail network in Italy (euro 107 million) and in the Rest of Europe (euro 68 million). Overall in the year, expenditure in health, safety and environment amounted to euro 105 million.

Capital expenditure (euro million)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Refinery, supply and logistics	**638**	**622**	**444**	**(178)**	**(28.6)**
Italy	635	618	444	(174)	(28.2)
Outside Italy	3	4		(4)	..
Marketing	**228**	**220**	**175**	**(45)**	**(20.5)**
Italy	168	163	107	(56)	(34.4)
Outside Italy	60	57	68	11	19.3
	866	**842**	**619**	**(223)**	**(26.5)**

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Versalis

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	1.47	0.76	**0.76**
Contractors injury frequency rate		4.60	1.67	**0.30**
Net sales from operations [(a)]	(euro million)	6,491	6,418	**5,859**
Intermediates		*2,987*	*3,050*	***2,709***
Polymers		*3,299*	*3,188*	***2,933***
Other sales		*205*	*180*	***217***
Operating profit		(424)	(681)	**(725)**
Adjusted operating profit		(273)	(483)	**(386)**
Adjusted net profit		(206)	(395)	**(338)**
Capital expenditure		216	172	**314**
Production	(ktonnes)	6,245	6,090	**5,817**
Sales of petrochemical products		4,040	3,953	**3,785**
Average plant utilization rate	(%)	65.3	66.7	**65.3**
Employees at year end	(number)	5,804	5,668	**5,708**
Direct GHG emissions	(mmtonnes CO_2 eq)	4.12	3.69	**3.66**
NMVOC (Non-Methane Volatile Organic Compound) emissions	(ktonnes)	4.18	4.40	**3.93**
SO_x emissions (sulphur oxide)	(ktonnes SO_2 eq)	3.17	2.19	**1.53**
NO_x emissions (nitrogen oxide)	(ktonnes NO_2 eq)	4.14	3.43	**3.29**
Recycled/reused water	(%)	81.9	81.6	**86.2**

(a) Before elimination of intragroup sales.

Performance of the year

In 2013, contractors injury frequency rate continued to follow a positive trend (down by 81.9% from 2012). Employees injury frequency rate remained unchanged.

In 2013 emissions of greenhouse gas and other emissions in the atmosphere improved from 2012 following the interruption of production at the Porto Torres site in the conversion phase. Further reductions were registered, particularly at the Mantova site for NO_x, and NMVOC as well as at the Dunkerque site for SO_x and NMVOC. Recycled/reused water rate improved, up to 86.2%.

In 2013 adjusted net loss amounting euro 338 million declined by euro 57 million from 2012, due to a sharp decrease of cracker margins reported in the first half of 2012.

Sales of petrochemical products were 3,785 ktonnes, down by 168 ktonnes, or 4.2% from 2012, due to declining in consumptions.

Chemical production volumes were 5,817 ktonnes, decreasing by 273 ktonnes, or 4.5% from 2012, due to declining demand in all businesses. The steepest decline was reported in elastomers and polyethylene.

In 2013 overall expenditure in R&D amounted to approximately euro 39 million in line with the previous year. 10 patent applications were filed, one of which jointly with E&P.

Business development and sustainability initiatives

As part of the expansion strategy in bioplastic sector and diversification from the base chemistry, Versalis signed strategic partnerships with major operators in the field of biotechnology and rubber:
- with Genomatica, for the establishment of a technology joint venture for bio-based butadiene production from non-food biomass. The resulting process will be licensed across Europe, Asia and Africa by the newly-created joint venture. Versalis will invest over $20

million in the development of process technologies and aims to be the first to license the process and build commercial plants;
- with Pirelli, a Memorandum of Understanding for joint research project for the use of guayule-based natural rubber in tyre production;
- with Yulex Corporation, an agricultural-based biomaterials company, for a project of guayule-based biorubber production and a launch of industrial production complex in Southern Europe. The partnership will cover the entire manufacturing chain. Versalis will manufacture materials for various applications, with a final goal of the optimization of the productive process in the tyre industry;
- with South Korean company Lotte Chemical, Versalis established a 50:50 joint venture, while with Malaysian company Petronas, Versalis signed a shareholders agreement. The agreements concern the development of joint production of styrene and elastomers, as part of the expansion process in the growing South-East Asian markets;
- with Neville Venture, Versalis signed an agreement of strategic partnership for the production of hydrocarbon resins at the Priolo plant and finalized a license agreement related to the resins production for various applications such as adhesives, inks, coatings and rubber;
- with Elevance Renewable Sciences Inc, a United States chemical company, specialized in production of chemicals from vegetable oils, with a significant value added, Versalis signed a Memorandum of Understanding (MoU) for establishing a strategic partnership, in order to jointly develop and scale a new technology for a production from vegetable oils, aiming at developing and scaling of new catalysts. The market applications of the future production will be specialties with a significant added value such as personal care products, detergents and cleaners, bio-lubricants and oilfield chemicals.

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

In February 2014, Versalis reached an important agreement on the project of transformation and relaunch of the Porto Marghera site to redesign production facilities and regain competitiveness. Versalis expects to invest euro 200 million in Porto Marghera focused on the optimization and reorganization of cracker utilities, with significant energy savings, and on the new initiative of green chemistry.

In 2013, as part of the Product Stewardship, Versalis realized a specific database called Athos (Advanced Tool for the Handling Of Substances) which collects all the information necessary for the safe management, for employees and for the environment, of chemical products processed and utilized at Versalis sites.

Sales - production - prices

In 2013 **sales** of chemical products (3,785 ktonnes) decreased by 168 ktonnes from 2012 (down by 4.2%) against of backdrop of weakness demand reflecting the current economic downturn in the main reference markets. The steepest decline was registered in elastomers (down by 9.7%) and in intermediates (down by 4.2%). Lower reduction was reported in polyethylene (down by 3%) and in styrene (down by 2.9%).

decrease in elastomers (down 11%). Lower decreases were registered in styrenes (down 2.8%), in polyethylene (down 6%) and in intermediates (down 3.7%). The main decreases in production were registered at the Priolo plant (down 8.4%) due to the planned standstill of olefine cracking plant and the definitive shutdown of Ragusa polyethylene plant (down 12.5%) due to lower volumes of polyethylene and at Dunkerque

Average unit sales prices decreased by 3.2% from 2012, with different trends for the various businesses: olefines prices were affected by a sharp decline in butadiene quotations (down 23%) driven by consumption crisis in Europe, while average styrene prices reported an increase (up 7.5%). Less significant improvement were registered in derivatives (up 1.4%) and in polyethylene (up 1.1%).

Chemical **production** amounted to 5,817 ktonnes, with a decrease of 273 ktonnes, or 4.5% from 2012. This was mainly due to a (down 5.3%) driven by the weakness of polyethylene market as well as planned standstill in the second half of the year. These reductions were partly offset by higher production at Sarroch (up 11.6%), which in 2012 was impacted by the standstill for the planned upkeeping as well as higher levels of benzene and xylene production.

Nominal capacity of plants declined from the previous year due to rationalization measures, with an average plant utilization rate calculated on nominal capacity of 65.3% (66.7% in 2012).

Product availability (ktonnes)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Intermediates	4,101	3,595	3,462	(133)	(3.7)
Polymers	2,144	2,495	2,355	(140)	(5.6)
Production	**6,245**	**6,090**	**5,817**	**(273)**	**(4.5)**
Consumption and losses	(2,631)	(2,545)	(2,394)	151	(5.9)
Purchases and change in inventories	426	408	362	(46)	(11.3)
	4,040	**3,953**	**3,785**	**(168)**	**(4.2)**

Business trends

Intermediates

Intermediates revenues (euro 2,709 million) decreased by euro 341 million from 2012 (down by 11.2%) reflecting decreased volumes sold (down by 4.2%) and average unit prices (down by 1.9%), with different trends in each business: in the olefines sales volumes of ethylene decreased (down 4%) due to the planned standstill at the Priolo plant and lower consumption, with prices slightly decreasing compared to previous year, while butadiene volumes reported a sharp decrease (down by 38%) driven by the weakness of elastomers market and the reduced average prices by 23% reflecting the consumption crisis. In aromatics, benzene sales volumes registered a decline of 7.4%, while xylene volumes increased by 7.5%, with average prices in line with 2012. Revenues from derivatives declined mainly due to lower volumes of phenol/derivatives (down 3.6%) due to lower availability of product following planned downtime at the Mantova plant, partly offset by 1.4% increase in average sale prices.

Intermediates production (3,462 ktonnes) registered a decrease from the last year (down by 133 ktonnes, or 3.7%) due to reductions in olefines (down 5.7%) and in derivatives (down 2.4%) driven by lower utilization of Priolo cracking plant and lower production of butadiene (down 10.3%) affected by the planned facility downtimes at the Brindisi and Ravenna plants. These reductions were partly offset by higher aromatics production (up by 3% compared to the previous year) due to higher xylene production.

Polymers

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

Capital expenditure

In 2013 capital expenditure amounted to euro 314 million (euro 172 million in 2012) and related mainly: (i) improvement of plants efficiency (euro 170 million); (ii) upkeeping of plants (euro 66 million); (iii) environmental protection, safety and environmental regulation (euro 52 million); (iv) maintenance and savings (euro 14 million).

Contents

Engineering & Construction

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	0.44	0.54	**0.46**
Contractors injury frequency rate		0.21	0.17	**0.10**
Fatality index	(No. of fatalities per 100 million of worked hours)	1.82	0.93	**2.01**
Net sales from operations [(a)]	(euro million)	11,834	12,771	**11,611**
Operating profit		1,422	1,442	**(83)**
Adjusted operating profit		1,443	1,474	**(84)**
Adjusted net profit		1,098	1,111	**(253)**
Capital expenditure		1,090	1,011	**902**
Orders acquired	(euro million)	12,505	13,391	**10,653**
Order backlog		20,417	19,739	**17,514**
Employees at period end	(number)	38,561	43,387	**47,209**
Employees outside Italy	(%)	86.5	88.1	**89.1**
Local managers		41.3	41.3	**41.3**
Local procurement		56.4	51.8	**51.1**
Healthcare expenditure	(euro million)	32	21	**22**
Security expenditure		51	82	**85**
Direct GHG emissions	(mmtonnes CO_2 eq)	1.32	1.54	**1.54**

(a) Before elimination of intragroup sales.

Performance of the year

In 2013 the injury frequency rate for employees and contractors declined compared to 2012 (by 14.8% and 41.1%, respectively). In 2013, Eni continued its commitment in education and training for employees and contractors in the field of health and security, with the initiatives such as Leadership in Health and Safety , Working at height and Confined Space as well as the use of dedicated HSE training portal and individual protection equipment.

In 2013 procurement amounted to euro 9,066 million, 51.1% of which referred to local procurement.

Health and safety expenditure registered an increase (totally up by 4% from 2012). In particular, the expenditure for individual protection equipment increased by 30% and the expenditure for safety training increased by 10%.

In 2013, adjusted net loss amounted to euro 253 million (down by euro 1,264 million from the adjusted net profit of euro 1,111 million reported in 2012). This result reflected operating and marketing difficulties encountered in the first half of 2013, which led management to revise the profit margin estimates for important orders, in particular for the construction of onshore industrial complexes.

Orders acquired amounted to euro 10,653 million (euro 13,391 million in 2012), 94% of which relating to the works outside Italy, while 14% orders from Eni Companies.

Order backlog amounted to euro 17,514 million at December 31, 2013 (euro 19,739 million at December 31, 2012), of which euro 9,244 million to be fulfilled within 2014.

In 2013 overall expenditure in R&D amounted approximately to euro 15 million, in line with the previous year. 14 patent applications were filed.

Capital expenditure amounted to euro 902 million (euro 1,011 million in 2012), mainly regarded the upgrading of the drilling and construction fleet.

Development and sustainability initiatives

In November 2013 Saipem inaugurated a new fabrication yard in Edmonton, Canada. The facility will allow to accelerate the fulfillment of the projects by keeping the workforce active during adverse weather conditions as well. The yard will be used for the prefabrication of industrial components and pipes as well as for the assembly of modules for the different projects in the oil and gas market, including liquefied natural gas and power generation.

In 2013, in order to exploit value from competences, the Onshore EPC Projects, Construction Phase Enhancement project was launched, aiming at evaluating the qualitative and quantitative adequacy level of Saipem s employees in Critical Positions in the Construction area to optimize and centralize their planning and development.

In 2013, Saipem committed to strengthen relationships with local stakeholders through the direct involvement activity, studies and analyses. In the field of training and support for local hiring, the Memorandum of Mutual Agreement was signed in Brazil; in Congo, the training on-the-job for local engineers has been started; in Kazakhstan, some initiatives of professional training and technical support for local teaching institutions were fulfilled, in Nigeria, professional training aiming at development of local entrepreneurs was conducted. In the health area, programs for diseases prevention in West Africa, South America, Indonesia and Kazakhstan were completed.

In order to guarantee the spread of competences and to share Saipem s know-how, training activity was conducted in the Training Centre of Schiedam (the Netherlands), recognized as a well-advanced training centre in the HSE offshore area, where also the complex working conditions in the offshore have been simulated.

Activity areas

Engineering & Construction Offshore

In 2013 revenues amounted to euro 5,094 million, decreasing by 2.2% from 2012, due to lower levels of activity in the North Sea, Kazakhstan and Australia. Orders acquired in the year amounted to euro 5,777 million (euro 7,477 million in 2012), mainly related to: (i) EPCI contract on behalf of Total Upstream Nigeria Ltd, for the development of the Egina field in Nigeria that includes engineering, procurement, fabrication, installation and pre-commissioning of subsea pipelines for oil and gas production and gas export, flexible jumpers and umbilicals; (ii) contract on behalf of Burullus Gas Company for the development of the West Delta Deep Marine - Phase IXa Project, about 90 kilometers off the Mediterranean Coast of Egypt. The project is aimed to the installation of subsea facilities (in water depths up to 850 meters) in the West Delta Deep Marine Concession, where Saipem had already successfully performed some previous phases of subsea field development; (iii) EPCI contract on behalf of ExxonMobil pertaining to the engineering, procurement, fabrication and installation of subsea pipelines of production and water injection, rigid jumpers and other

In 2013 Saipem continued to pursue the development of state of the art technologies for working in deep and ultra-deep waters, the design of floating liquefaction facilities, the development of new techniques and equipment for the installation and grounding of underwater pipes in extreme conditions. In particular, the innovative **Subsea Processing** system and **floating liquefaction units (FLNG)** were developed. In the process of subsea pipeline construction, new equipment was applied successfully, which enhanced the process and the quality of steel pipes soldering with carbon and inoxidable materials.

Engineering & Construction Onshore

In 2013 revenues amounted to euro 4,619 million, registering a decrease of 24.4% from 2012, due to lower levels of activity in Northern and Western Africa and Middle East. Orders acquired during the year amounted to euro 2,566 million (euro 3,972 million in 2012). Among the main orders acquired were: (i) the EPC contract on behalf of Dangote Fertilizer for the realization of a new ammonia and urea production complex to be realized in Edo State, Nigeria. The

related subsea structures as part of Kizomba Satellites Phase 2 project, undertaken in the Angolan offshore.
As part of the Trunkline and Production Flowlines project committed by the North Caspian Sea Production Sharing Agreement Consortium in Kazakhstan (in which Eni retains an interest of 16.81%), which provided the engineering, laying and commissioning of pipelines and other facilities, following leakages that were detected in a section of the onshore pipelines, Saipem was requested by the clients to address the issue under the guarantee. Saipem, presuming not to be obliged to perform those works, has invited the client to investigate other possible causes of the issue identified. At present, no dispute is underway between Saipem and the Consortium.

contract encompasses the construction of two twin production streams and related utilities and off-site facilities; (ii) the EPC contract on behalf of Star Refinery AS, for the realization of Socar Refinery in Turkey, encompassing the engineering, procurement and construction of a refinery and three crude refinery jetties, to be built in the area adjacent to the Petkim Petrochemical facility; (iii) the EPC contract for Eni related to the improvements to the storage infrastructure for crude oil of Tempa Rossa field, in Italy.
R&D activities aiming at improving proprietary process technologies and increasing the company s environmental services portfolio concerned: (i) the study on the improvement of propriety technology for the production of urea, with the development of a new process Urea Zero Emission ; (ii) the launch of the innovative project in order to improve energy efficiency.

Offshore drilling

In 2013 revenues amounted to euro 1,177 million, with an increase of 8.1% from 2012. This was due to the entry in full activity of the semisubmersible rigs Scarabeo 8, Scarabeo 3 and Scarabeo 6 and the beginning of operations of Ocean Spur vessels. Orders acquired in the year amounted to euro 1,401 million (euro 1,025 million in 2012), mainly related to: (i) five-year contract extension with Eni for the charter of the drillship Saipem 10000 starting from the third quarter of 2014 for worldwide drilling activity operations; (ii) one-year contract extension on behalf of IEOC, for the utilization of the semi-submersible Scarabeo 4 in Egypt; (iii) two-year contract extension on behalf of Eni for the charter of the Saipem TAD for drilling activity offshore Congo.

Onshore drilling

In 2013 revenues amounted to euro 721 million, slightly decreasing from 2012. Lower levels of activities in Algeria were almost completely absorbed by higher levels of activities in Saudi Arabia, Kazakhstan and Mauritania. Orders acquired in the year amounted to euro 909 million (euro 917 million in 2012), mainly related to: (i) three-year contract extension on behalf of Eni Congo for the management of a client s plant; (ii) the extension of the drilling contracts with variable duration, on behalf of several clients, in South America; (iii) new contracts by several clients, signed under different terms ranging from six months to five years, for the utilization of 17 rigs in Middle East, the Caspian sea, South America, West Africa, Turkey and Ukraine. Among these newly contracted rigs, two will be working for Shell under a long term Global Framework, engaging Saipem in a call-off agreement to facilitate new Country entries and, for exploration purposes, provide onshore drilling services worldwide, at pre-agreed terms and conditions.

Orders acquired (euro million)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
	12,505	**13,391**	**10,653**	**(2,738)**	**(20.4)**
Engineering & Construction Offshore	6,131	7,477	5,777	(1,700)	(22.7)
Engineering & Construction Onshore	5,006	3,972	2,566	(1,406)	(35.4)
Offshore drilling	780	1,025	1,401	376	36.7
Onshore drilling	588	917	909	(8)	(0.9)
of which:					
- Eni	822	631	1,514	883	..
- Third parties	11,683	12,760	9,139	(3,621)	(28.4)
of which:					
- Italy	1,116	485	591	106	21.9
- Outside Italy	11,389	12,906	10,062	(2,844)	(22.0)

Order backlog (euro million)	**Dec. 31, 2011**	**Dec. 31, 2012**	**Dec. 31, 2013**	**Change**	**% Ch.**
	20,417	**19,739**	**17,514**	**(2,225)**	**(11.3)**
Engineering & Construction Offshore	6,600	8,721	8,447	(274)	(3.1)

Engineering & Construction Onshore	9,604	6,701	4,436	(2,265)	(33.8)
Offshore drilling	3,301	3,238	3,390	152	4.7
Onshore drilling	912	1,079	1,241	162	15.0
of which:					
- Eni	2,883	2,526	2,261	(265)	(10.5)
- Third parties	17,534	17,213	15,253	(1,960)	(11.4)
of which:					
- Italy	1,816	1,719	784	(935)	(54.4)
- Outside Italy	18,601	18,020	16,730	(1,290)	(7.2)

Capital expenditure

Capital expenditure of the Engineering & Construction Division amounted to euro 902 million and mainly related to: (i) the Engineering & Construction Offshore business unit for the completion of the preparation work for a new pipelayer, in continuation of the construction activity for a realization of a new base in Brazil, as well as maintenance and upgrading of already existing assets; (ii) the Engineering & Construction Onshore business unit for the acquisition of equipment and facilities for the base in Canada, as well as maintenance of the asset base; (iii) the Offshore Drilling business unit for the class reinstatement works on the semi-submersible rig Scarabeo 5 and Scarabeo 7 as well as jack-up Perro Negro 3, in addition to maintenance and upgrading of already existing assets; (iv) in the Onshore Drilling business unit, the preparation work for four new rigs intended to operate in Saudi Arabia and upgrading of the asset base.

Capital expenditure (euro million)	**2011**	**2012**	**2013**	**Change**	**% Ch.**
Engineering & Construction Offshore	400	505	373	(132)	(26.1)
Engineering & Construction Onshore	45	66	116	50	75.8
Offshore drilling	507	281	172	(109)	(38.8)
Onshore drilling	121	120	210	90	75.0
Other expenditure	17	39	31	(8)	(20.5)
	1,090	**1,011**	**902**	**(109)**	**(10.8)**

Financial review

Profit and loss account[1]

2011	(euro million)	2012	2013	Change	% Ch.
107,690	Net sales from operations	127,220	114,722	(12,498)	(9.8)
926	Other income and revenues	1,546	1,385	(161)	(10.4)
(83,199)	Operating expenses	(99,976)	(95,477)	4,499	4.5
(69)	*of which non-recurring items*				
171	Other operating income (expense)	(158)	(71)	87	55.1
(8,785)	Depreciation, depletion, amortization and impairments	(13,561)	(11,703)	1,858	13.7
16,803	**Operating profit**	**15,071**	**8,856**	**(6,215)**	**(41.2)**
(1,146)	Finance income (expense)	(1,347)	(991)	356	26.4
2,123	Net income from investments	2,881	6,115	3,234	..
17,780	**Profit before income taxes**	**16,605**	**13,980**	**(2,625)**	**(15.8)**
(9,903)	Income taxes	(11,661)	(9,008)	2,653	22.8
55.7	*Tax rate (%)*	*70.2*	*64.4*	*(5.8)*	
7,877	**Net profit - continuing operations**	**4,944**	**4,972**	**28**	**0.6**
(74)	**Net profit - discontinued operations**	**3,732**		**(3,732)**	**..**
7,803	**Net profit**	**8,676**	**4,972**	**(3,704)**	**(42.7)**
	Attributable to:				
6,860	**Eni's shareholders:**	**7,790**	**5,160**	**(2,630)**	**(33.8)**
6,902	**- continuing operations**	**4,200**	**5,160**	**960**	**22.9**
(42)	- discontinued operations	3,590		(3,590)	..
943	**Non-controlling interest:**	**886**	**(188)**	**(1,074)**	**..**
975	- continuing operations	744	(188)	(932)	..
(32)	- discontinued operations	142		(142)	..

Net profit

In 2013, **net profit attributable to Eni s shareholders** was euro 5,160 million. The result was achieved against the backdrop of tough market conditions which impacted all of Eni s business segments. The E&P recorded extraordinary disruptions to its producing activities related to geopolitical factors.
The mid-downstream businesses were hit by a continued deterioration in selling prices and margins due to the economic downturn and structural headwinds in the trading environment reflecting plunging demand for energy commodities, excess supplies/overcapacity and competitive pressure. Finally Saipem reported

Despite these extraordinary negatives, 2013 net profit increased by 22.9% (up euro 960 million) from 2012, driven by the portfolio rationalization permitted by the recent discoveries that has allowed an anticipated monetization of results and cash. Eni has thus monetized a 20% interest in the Mozambique discovery by divesting it to CNPC for a cash consideration of euro 3.4 billion and a net gain recorded in profit of approximately euro 3 billion. It has also divested its 60% stake in Artic Russia for a total consideration of euro 2.2 billion which was cashed-in in January 2014, with the profit for 2013 benefiting of a fair-value revaluation of euro 1.7 billion taken at the investee due to the loss of joint control at the balance sheet date.

extraordinary contract losses.

(1) Changes in the Group results are calculated with respect to results earned by the Group s continuing operations in 2012 considering that at the time Snam was consolidated in the Group accounts and reported as discontinued operations based on IFRS 5. In the circumstances of discontinued operations, the International Financial Reporting Standards require that the profits earned by continuing and discontinued operations are those deriving from transactions external to the Group.

Contents

Adjusted net profit

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

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

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

Special charges in operating profit of euro 3,046 million mainly related to:

i) impairment losses of euro 2,400 million recorded to write down the book values of property, plant and equipment, goodwill and other intangible assets to their lower values-in-use in the gas marketing (euro 1,685 million), electricity generation and refining businesses (euro 633 million). In performing the impairment review, management assumed a reduced profitability outlook in those businesses driven by structural headwinds in demand, excess capacity and oversupplies, rising competitive pressures and other cost disadvantages. Minor impairment losses were incurred at a number of oil & gas properties in the Exploration & Production Division (a net loss of euro 19 million) reflecting downward reserve revisions, almost completely offset by the reversal of assets impaired in previous years following positive revisions of reserves, (euro 44 million) due to lack of profitability perspectives;

ii) risk provisions (euro 334 million) related to onerous contracts, net of reversal;

iii) exchange rate differences and exchange rate derivative instruments reclassified as operating items, mainly related to derivative transactions entered into to manage exposure to the exchange rate risk implicit in commodity pricing formulas (gain of euro 195 million);

iv) provisions for redundancy incentives (euro 270 million in the year) and environmental provisions (euro 205 million);

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

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

Non-operating special items included:

i) the gain on the divestment of an interest to CNPC in the Mozambique project (euro 2,994 million net of the related tax effect), the divestment of an interest of 8.19% in the share capital of Galp amounting to euro 98 million, of which euro 67 million related to the reversal of the evaluation reserve and on the divestment of an interest of 11.69% of the share capital of Snam amounting to euro 75 million, of which euro 8 million related to the reversal of the evaluation reserve;

ii) the fair-value revaluation of 60% Eni s stake in the joint venture Artic Russia, based on the Sale and Purchase Agreement signed with Gazprom (euro 1,682 million);

iii) a write-off of deferred tax assets which were as well as marginal lines of business in the Chemical segment

assessed to be no more recoverable due to the projections of lower earnings before income taxes at Italian activities (euro 954 million);
iv) a write-off of deferred tax assets relating to the renegotiation of certain petroleum contracts (euro 490 million).

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

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

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

Group results were achieved in a trading environment characterized by lowering oil and gas realizations in dollar terms due to a slightly declining Brent price, down by 2.6% from 2012.
Refining margins in the Mediterranean area fell to an unprecedented level, down to less than one dollar per barrel (down by 45.3% from 2012) due to structural headwinds in the industry driven by overcapacity, lower demand and increasing competition from imported refined product streams.
Furthermore, Eni s results in the Refining & Marketing Division were affected by narrowing differentials between the heavy crudes processed by Eni s refineries and the marker Brent which reflected the lower availability of the former in the Mediterranean area.
Gas market was characterized by a weak demand, strong competitive pressures and oversupplies.
Price competition among operators has been stiff taking into account minimum off-take obligations provided by gas purchase take-or-pay contracts and reduced sales opportunities.
Spot prices in Europe increased by 12.2% from 2012, even if this was not reflected in gas margins because of higher oil-linked supply costs.
Eni s results were also impacted by sharply lower margins in the production and sale of electricity due to oversupply and increasing competition from more competitive sources.
Results of 2013 were affected by the appreciation of the euro against the dollar (up by 3.3% over the year).

2011		2012	2013	% Ch.
111.27	Average price of Brent dated crude oil [(a)]	111.58	108.66	(2.6)
1.392	Average EUR/USD exchange rate [(b)]	1.285	1.328	3.3
79.94	Average price in euro of Brent dated crude oil	86.83	81.82	(5.8)
2.06	Average European refining margin [(c)]	4.83	2.64	(45.3)
2.90	Average European refining margin Brent/Ural [(c)]	4.94	2.60	(47.4)
1.48	Average European refining margin in euro	3.76	1.99	(47.1)
9.03	Price of NBP gas [(d)]	9.48	10.64	12.2
1.4	Euribor - three-month euro rate (%)	0.6	0.2	(66.7)
0.3	Libor - three-month dollar rate (%)	0.4	0.3	(25.0)

(a) In USD dollars per barrel, Source: Platt s Oilgram.
(b) Source: ECB.
(c) In USD per barrel FOB Mediterranean Brent dated crude oil. Source: Eni calculations based on Platt s Oilgram data.

(d) In USD per million BTU (British Thermal Unit). Source: Platt s Oilgram.

Analysis of profit and loss account items

Net sales from operations

2011	(euro million)	2012	2013	Change	% Ch.
29,121	Exploration & Production	35,881	31,268	(4,613)	(12.9)
33,093	Gas & Power	36,200	32,124	(4,076)	(11.3)
51,219	Refining & Marketing	62,656	57,329	(5,327)	(8.5)
6,491	Versalis	6,418	5,859	(559)	(8.7)
11,834	Engineering & Construction	12,771	11,611	(1,160)	(9.1)
85	Other activities	119	80	(39)	(32.8)
1,365	Corporate and financial companies	1,369	1,453	84	6.1
(54)	Impact of unrealized intragroup profit elimination	(75)	18	93	
(25,464)	Consolidation adjustments	(28,119)	(25,020)	3,099	
107,690		**127,220**	**114,722**	**(12,498)**	**(9.8)**

In 2013, Eni s **net sales from operations** (euro 114,722 million) decreased by euro 12,498 million from 2012 (down by 9.8%) reflecting lower realizations on commodities in dollar terms, negative impact of the appreciation of the euro against the US dollar, lower production and sales, and a marked slowdown in the Engineering & Construction business activity.

Revenues generated by the Exploration & Production Division (euro 31,268 million) decreased by euro 4,613 million, or 12.9%, due to lower oil and gas realizations in dollar terms (down by 2.1%), the appreciation of the euro against the US dollar and the extraordinary disruptions in Libya and Nigeria.

Revenues generated by the Gas & Power Division (euro 32,124 million) decreased by euro 4,076 million, down by 11.3%, due to continued deterioration in selling prices to large customers in Italy reflecting a weak gas demand and increasing competitive pressure. In addition spot prices at Italian hubs which are the main benchmark for selling prices in short-term supplies to large Italian customers have aligned very rapidly to continental hubs, thus driving a large fall in average realizations. Finally, the segment recorded lower sales to European target markets (down by 7.2%).

Revenues generated by the Refining & Marketing Division (euro 57,329 million) decreased by euro 5,327 million, or 8.5%, mainly reflecting lower sales of refined products (down 4.84 mmtonnes; or 10%, from 2012) and the negative impact of the currency.

Revenues generated by Versalis (euro 5,859 million) decreased by euro 559 million, down by 8.7% from 2012 mainly due to a decline in volumes sold (down by 4.2%) against the backdrop of the continuing weak commodity demand, impacted by the economic downturn, declining average sales prices (down by 3.2%), mainly in olefin prices (down by 23%), as result of the fall in butadiene s unit margins.

Revenues generated by the Engineering & Construction business (euro 11,611 million) decreased by euro 1.160 million, or 9.1% due to marketing and operating difficulties, mainly in the first half of 2013 and the decline of business activity in onshore and offshore construction segments.

Operating expenses

2011	(euro million)	2012	2013	Change	% Ch.
78,795	Purchases. services and other	95,363	90,213	(5,150)	(5.4)

	of which:					
69	*- non-recurring items*					
265	*- other special items*	*1,154*	*539*			
4,404	Payroll and related costs	4,613	5,264	651	14.1
	of which:					
203	*- provision for redundancy incentives*	*64*	*270*			
83,199		**99,976**	**95,477**	**(4,499)**	**(4.5)**

In 2013 **operating expenses** (euro 95,477 million) decreased by euro 4,499 million, or 4.5%, from 2012. **Purchases, services and other costs** (euro 90,213 million) decreased by euro 5,150 million, or 5.4%, reflecting lower supply costs in euro terms of raw materials and the benefit of renegotiations of long-term gas supply contracts, some of which were retroactive to previous reporting periods. Purchases, services and other costs included **special charges** of euro 539 million (euro 1,154 million in 2012) mainly related to environmental and onerous contracts risk provisions, net of reversal deriving from renegotiations. In 2012 special charges mainly referred to the extraordinary expenses and risk provisions of euro 945 million incurred in connection with price revisions at long-term gas purchase contracts.

Payroll and related costs (euro 5,264 million) increased by euro 651 million from 2012, or 14.1%, due to an higher average number of employees outside Italy, particularly in the Engineering & Construction business and higher provision for redundancy incentives (euro 270 million), which included Eni s cost for 2013-2014 redundancy, pursuant to the provisions of Italian Law No. 223/1991.

Depreciation, depletion, amortization and impairments

2011	(euro million)	2012	2013	Change	% Ch.
6,251	Exploration & Production	7,988	7,812	(176)	(2.2)
413	Gas & Power	405	329	(76)	(18.8)
351	Refining & Marketing	331	309	(22)	(6.6)
90	Versalis	90	95	5	5.6
596	Engineering & Construction	683	721	38	5.6
2	Other activities	1	1		
75	Corporate and financial companies	65	61	(4)	(6.2)
(23)	Impact of unrealized intragroup profit elimination	(25)	(25)		
7,755	**Total depreciation. depletion and amortization**	**9,538**	**9,303**	**(235)**	**(2.5)**
1,030	Impairments	4,023	2,400	(1,623)	(40.3)
8,785		**13,561**	**11,703**	**(1,858)**	**(13.7)**

Depreciation, depletion and amortization (euro 9,303 million) decreased by euro 235 million, down by 2.5% from 2012, mainly in the Exploration & Production Division due to lower productions in particular in Libya and Nigeria and the appreciation of the euro against the US dollar. The increase recorded in the Engineering & Construction business (up euro 38 million, or 5.6%) was due to new vessels and rigs which were brought into operations.

Impairment charges of euro 2,400 million mainly regarded the goodwill and other intangible assets allocated to the gas Marketing activity and impairment losses of refining and electricity plants driven by a reduced profitability outlook on the back of the ongoing European downturn. 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 almost completely offset by the reversal of impairment charges made in previous reporting periods due to positive revisions of reserves, as well as marginal lines of business in the Chemical segment due to lack of profitability perspectives.

The breakdown of impairment charges by Division is shown in the table below:

2011	(euro million)	2012	2013	Change	% Ch.
189	Exploration & Production	547	19	(528)	(96.5)
154	Gas & Power	2,494	1,685	(809)	(32.4)
488	Refining & Marketing	843	633	(210)	(24.9)
160	Versalis	112	44	(68)	(60.7)
35	Engineering & Construction	25		(25)	..
4	Other activities	2	19	17	..
1,030		**4,023**	**2,400**	**(1,623)**	**(40.3)**

Operating profit

The breakdown of the reported operating profit by Division is provided below:

2011	(euro million)	2012	2013	Change	% Ch.
15,887	Exploration & Production	18,470	14,871	(3,599)	(19.5)
(326)	Gas & Power	(3,219)	(2,992)	227	7.1
(273)	Refining & Marketing	(1,296)	(1,517)	(221)	(17.1)
(424)	Versalis	(681)	(725)	(44)	(6.5)
1,422	Engineering & Construction	1,442	(83)	(1,525)	..
(427)	Other activities	(300)	(337)	(37)	(12.3)
(319)	Corporate and financial companies	(341)	(399)	(58)	(17.0)
1,263	Impact of unrealized intragroup profit elimination	996	38	(958)	
16,803	**Operating profit**	**15,071**	**8,856**	**(6,215)**	**(41.2)**

Adjusted operating profit

The breakdown of the adjusted operating profit by Division is provided below:

2011	(euro million)	2012	2013	Change	% Ch.
16,803	**Operating profit - continuing operations**	**15,071**	**8,856**	**(6,215)**	**(41.2)**
(1,113)	Exclusion of inventory holding (gains) losses	(17)	716		
1,540	Exclusion of special items	4,744	3,046		
	of which:				
69	*- non-recurring items*				
1,471	*- other special items*	*4,744*	*3,046*		
17,230	**Adjusted operating profit - continuing operations**	**19,798**	**12,618**	**(7,180)**	**(36.3)**
	Breakdown by Division				
16,075	Exploration & Production	18,537	14,646	(3,891)	(21.0)
(247)	Gas & Power	356	(663)	(1,019)	..
(539)	Refining & Marketing	(321)	(482)	(161)	(50.2)
(273)	Versalis	(483)	(386)	97	20.1
1,443	Engineering & Construction	1,474	(84)	(1,558)	..
(226)	Other activities	(222)	(210)	12	5.4
(266)	Corporate and financial companies	(325)	(332)	(7)	(2.2)
1,263	Impact of unrealized intragroup profit elimination and other consolidation adjustments	782	129	(653)	
17,230		**19,798**	**12,618**	**(7,180)**	**(36.3)**

Eni s adjusted operating profit, calculated by excluding an inventory holding loss which amounted to euro 716 million and special gains of euro 3,046 million, amounted to euro 12,618 million, a decrease of euro 7,180 million from the previous year (down by 36.3%), reflecting a lower operating performance recorded by the following Divisions:

- **Exploration & Production** (down euro 3,891 million, or 21%) driven by lower production sold impacted by geopolitical issues mainly in Libya and Nigeria and the appreciation of the euro against the US dollar (approximately euro 560 million);
- **Gas & Power** reported an adjusted operating loss at euro 663 million, down euro 1,019 million from an adjusted operating profit of euro 356 million in 2012. The decline was driven by the continued deterioration in selling prices to large customers in Italy against the backdrop of weak gas demand and increasing competitive pressure, as well as plunging margins on the production and sale of electricity;
- **Refining & Marketing** reported sharply higher adjusted operating losses (from euro 321 million in 2012 to euro 482 million in 2013), reflecting unprecedented decline in refining margins (the average Brent refining margin decreased to 2.64 $/bbl, or by 45.3% from 2012) driven by weak demand for refined products and overcapacity, the effects of which were exacerbated by shrinking price differentials between light and heavy crudes;
- **Engineering & Construction** reported an adjusted operating loss of euro 84 million (down euro 1,558 million from 2012) due to marketing and operating difficulties incurred in the first half of 2013 resulting in sharply lower revision of margin estimates at certain large contracts for the construction of onshore industrial complexes.

Finance income (expense)

2011	(euro million)	2012	2013	Change
(881)	**Finance income (expense) related to net borrowings**	**(929)**	**(828)**	**101**
(922)	- finance expense on short and long-term debt	(980)	(923)	57
22	- net interest due to banks	27	43	16
	- net income from financial activities held for trading		4	4
19	- net income from receivables and securities for non-financing operating activities	24	48	24
(112)	**Income (expense) on derivative financial instruments**	**(251)**	**(92)**	**159**
29	- derivatives on exchange rate	(137)	(91)	46
(141)	- derivatives on interest rate	(88)	40	128
	- derivates on securities	(26)	(41)	(15)
(111)	**Exchange differences, net**	**131**	**36**	**(95)**
(154)	**Other finance income (expense)**	**(448)**	**(277)**	**171**
75	- net income from receivables and securities for financing operating activities	69	74	5
(235)	- finance expense due to the passage of time (accretion discount)	(308)	(240)	68
6	- other finance income (expense)	(209)	(111)	98
(1,258)		**(1,497)**	**(1,161)**	**336**
112	**Finance expense capitalized**	**150**	**170**	**20**
(1,146)		**(1,347)**	**(991)**	**356**

Net finance expense decreased by euro 356 million to euro 991 million from 2012, reflecting lower financial expense on debt (down euro 57 million) due to favorable trends in key market benchmarks and gains recognized in fair value evaluation of certain derivative instruments on interest rates (up euro 128 million) which did not meet the formal criteria to be designated as hedges under IFRS. Negative exchange differences net (down euro 95 million) were partly offset by lower losses on exchange rate derivatives (up euro 46 million) recognized through profit as lacking the formal criteria for hedge accounting in accordance with IAS 39. Other financial expense decreased by euro 98 million from 2012 mainly due to the fact that the 2012 results reflected finance charges accrued on amounts due to certain gas suppliers following the definition of contractual price revisions.

Net income from investments

The table below sets forth the breakdown of net income from investments by Division:

2013 (euro million)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	Other segments	Group
Share of gains (losses) from equity-accounted investments	129	101	19	(12)	15	252
Dividends	235		49		116	400
Gains on disposal	3,359	(1)	67		173	3,598
Other income (expense), net	1,685	(10)	23		167	1,865
	5,408	**90**	**158**	**(12)**	**471**	**6,115**

Net income from investments amounted to euro 6,115 million and mainly related to gains on disposal of assets (euro 3,598 million) referred to the gain recorded on the Other income related to: (i) Eni s share of profit of entities accounted for under the equity-accounting method (euro 252 million), mainly in the Exploration &

sale of a 28.57% interest in Eni East Africa, which is the operator of Area 4 in Mozambique, to China National Petroleum Corporation (euro 3,359 million) and the fair-value revaluation of Eni s interest in Artic Russia (euro 1,682 million) due to the loss of joint control at the balance sheet date, following the occurrence of all conditions precedent of the SPA (Sale and Purchase Agreement) with Gazprom. In January 2014, the consideration of the disposal was cashed in. Minor gains were recorded on the divestment of the available-for-sale interests in Snam (euro 75 million of which euro 8 million related to the reversal of the evaluation reserve) and Galp (euro 98 million).

Production and Gas & Power Divisions; (ii) dividends received from entities accounted for at cost (euro 400 million), relating to Nigeria LNG Ltd (euro 224 million), Snam SpA (euro 72 million) and Galp Energia SGPS SA (euro 43 million).

These increases were partly absorbed by the fact that 2012 benefited from gains relating to the divestment of a 9% stake in Galp (euro 311 million) and the revaluation of the residual interest (euro 865 million), as well as a gain recorded on an equity transaction made by Galp s subsidiary (euro 835 million).

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The table below sets forth a breakdown of net income/loss from investments for 2013:

2011	(euro million)	2012	2013	Change
500	Share of gains (losses) from equity-accounted investments	278	252	(26)
659	Dividends	431	400	(31)
1,121	Gains on disposal	349	3,598	3,249
(157)	Other income (expense), net	1,823	1,865	42
2,123		**2,881**	**6,115**	**3,234**

Income taxes

2011	(euro million)	2012	2013	Change
	Profit before income taxes			
694	Italy	(723)	(3,848)	(3,125)
17,086	Outside Italy	17,328	17,828	500
17,780		**16,605**	**13,980**	**(2,625)**
	Income taxes			
227	Italy	945	313	(632)
9,676	Outside Italy	10,716	8,695	(2,021)
9,903		**11,661**	**9,008**	**(2,653)**
	Tax rate (%)			
32.7	Italy	..	(8.1)	..
56.6	Outside Italy	61.8	48.8	(13.0)
55.7		**70.2**	**64.4**	**(5.8)**

Income taxes were euro 9,008 million, down euro 2,653 million compared to the previous year, mainly reflecting lower income taxes currently payable which were incurred by subsidiaries in the Exploration & Production Division operating outside Italy due to a declining taxable profit.
The reported tax rate was 64.4%, compared to the statutory tax rate of 41.9%, calculated by applying the Italian statutory tax rate on corporate profit of 38% and 3.9% corporate tax rate applicable to net value of production as provided for by Italian laws.
The difference between the statutory and effective tax rate was due to: (i) the higher share of taxable profit reported outside Italy by the Exploration & Production Division; (ii) the write-off of deferred tax assets which were assessed to be no more recoverable due to the projections of lower earnings before income taxes at Italian activities for 8.9 percentage points; (iii) the partially non-taxable gains which were recorded on the sale of Eni s 28.57% interest in Eni East Africa SpA, the non-taxable gains registered on the sale of on the Galp SGPS and Snam SpA interests, as well as, with an opposite effect, the non-deductible charges relating to the goodwill impairment of the European Market cash generating unit and to intergroup dividend distribution.
Adjusted tax rate, calculated as ratio of income taxes to net profit before taxes on an adjusted basis, was 66.4% and it was higher than in 2012 (59.8%) reflecting the higher share of taxable profit reported by the Exploration & Production Division and the fact that the Company could not recognize any tax-loss carry-forward for Saipem losses.

Non-controlling interest

Non-controlling interest s share of loss was euro 188 million and related mainly to Saipem SpA.

Divisional performance[2]

Exploration & Production

2011		(euro million)	2012	2013	Change	% Ch.
15,887	**Operating profit**		**18,470**	**14,871**	**(3,599)**	**(19.5)**
188	Exclusion of special items:		67	(225)		
190	*- asset impairments*		*550*	*19*		
(63)	*- net gains on disposal of assets*		*(542)*	*(283)*		
	- risk provisions		*7*	*7*		
44	*- provision for redundancy incentives*		*6*	*52*		
1	*- commodity derivatives*		*1*	*(2)*		
(2)	*- exchange rate differences and derivatives*		*(9)*	*(2)*		
18	*- other*		*54*	*(16)*		
16,075	**Adjusted operating profit**		**18,537**	**14,646**	**(3,891)**	**(21.0)**
(231)	Net financial income (expense) (a)		(264)	(264)		
624	Net income (expense) from investments (a)		436	367	(69)	
(9,603)	Income taxes (a)		(11,283)	(8,797)	2,486	
58.3	*Tax rate*	(%)	*60.3*	*59.6*	*(0.7)*	
6,865	**Adjusted net profit**		**7,426**	**5,952**	**(1,474)**	**(19.8)**
	Results also include:					
6,440	- amortization and depreciation		8,535	7,831	(704)	(8.2)
	of which:					
1,165	exploration expenditures		1,835	1,736	(99)	(5.4)
820	*- amortization of exploratory drilling expenditures and other*		*1,457*	*1,362*	*(95)*	*(6.5)*
345	*- amortization of geological and geophysical exploration expenses*		*378*	*374*	*(4)*	*(1.1)*
	Average hydrocarbons realizations					
102.11	Liquids (b)	($/bbl)	102.58	99.44	(3.14)	(3.1)
6.48	Natural gas	($/mcf)	7.12	7.26	0.14	1.9
72.26	Hydrocarbons	($/boe)	73.39	71.87	(1.52)	(2.1)

(a) Excluding special items.
(b) Includes condensates.

In 2013, the Exploration & Production Division recorded an **adjusted operating profit** of euro 14,646 million, decreasing by euro 3,891 million from 2012, down by 21%, due to lower production sold, impacted by extraordinary disruptions mainly in Libya and Nigeria, the appreciation of the euro against the US dollar (approximately euro 560 million), as well as lower oil and gas realizations in dollar terms (down by 2.1%, on average).

Special charges excluded from adjusted operating profit amounted to euro 225 million and mainly related to net marginal assets (euro 283 million), partly offset by provision for redundancy incentives (euro 52 million) and by minor impairment losses incurred at a number of oil&gas properties reflecting downward reserve revisions, almost completely offset by the reversal of impairment charges made in previous reporting periods due positive revisions of reserves (net charge of euro 19 million).

Adjusted net profit decreased by euro 1,474 million to euro 5,952 million (down by 19.8%) from 2012, due to lower operating performance and lower income from gains on disposal of investments.

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

Gas & Power

2011	(euro million)	2012	2013	Change	% Ch.
(326)	**Operating profit**	**(3,219)**	**(2,992)**	**227**	**7.1**
(166)	Exclusion of inventory holding (gains) losses	163	191		
245	Exclusion of special items:	3,412	2,138		
154	*- asset impairments*	*2,494*	*1,685*		
	- net gains on disposal of assets	*(3)*	*1*		
77	*- risk provisions*	*831*	*292*		
	- environmental provisions	*(2)*	*(1)*		
34	*- provisions for redundancy incentives*	*5*	*10*		
45	*- commodity derivatives*		*314*		
(82)	*- exchange rate differences and derivatives*	*(51)*	*(186)*		
17	*- other*	*138*	*23*		
(247)	**Adjusted operating profit**	**356**	**(663)**	**(1,019)**	**..**
(657)	*Marketing*	*47*	*(837)*	*(884)*	..
410	*International transport*	*309*	*174*	*(135)*	*(43.7)*
43	Net finance income (expense) [(a)]	29	24	(5)	
363	Net income (expense) from investments [(a)]	261	100	(161)	
93	Income taxes [(a)]	(173)	293	466	
..	*Tax rate (%)*	*26.8*	..		
252	**Adjusted net profit**	**473**	**(246)**	**(719)**	**..**

(a) Excluding special items.

In 2013, the Gas & Power Division reported sharply lower **adjusted operating loss** of euro 663 million, compared to operating profit of euro 356 million registered in 2012.
The Marketing business reported a loss of euro 837 million, compared to break-even results achieved in the previous year (adjusted operating profit of euro 47 million). This negative trend reflected increasing competition, an ongoing demand downturn and oversupplies, the effects of which were exacerbated by minimum off-take obligations provided by long-term supply contracts. Based on these trends, Eni s gas business in Italy was impacted by plummeting prices realized on short-term selling contracts to large Italian clients because those prices are benchmarked to Italian spot prices which have been aligning to continental hubs determining negative margins in comparison with oil-linked supply costs. The decline in spot prices has been transferred to long-term selling contracts. Furthermore, Eni s results were impacted by sharply lower margins in the production and sale of gas-fired International transport activity also registered a decline in operating performance (down by 43.7%).

The **special charges** excluded from adjusted operating loss amounted to euro 2,138 million related to: (i) impairment losses of euro 1,685 million recorded mainly in the activity of electricity generation (euro 919 million) due to the projections of reduced cash flows, impacted by lower electricity demand and the pressures on margins determined by renewable energy and coal competition, as well as impairment losses recorded to write down the book values of goodwill and other intangible assets to their lower value-in-use mainly in the gas marketing business reflecting structural headwinds; (ii) expenses for fair-valued commodity derivatives of euro 314 million lacking formal prerequisites to be accounted as hedges; (iii) risk provisions of euro 292 million in 2013.

The Gas & Power Division reported an **adjusted net loss** of euro 246 million, representing a decrease of euro electricity due to oversupply and increasing competition from more competitive sources such as coal-fired electricity and renewables. The 719 million compared to 2012, also due to reduced results from equity-accounted entities.

Other performance indicators

Follows a breakdown of the pro-forma adjusted EBITDA by business:

2011	(euro million)	2012	2013	Change	% Ch.
949	**Pro-forma EBITDA adjusted**	**1,316**	**6**	**(1,310)**	**..**
257	Marketing	858	(311)	(1,169)	..
44	*of which: +/(-) adjustment on commodity derivatives*				
692	International transport	458	317	(141)	(30.8)

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

Refining & Marketing

2011	(euro million)	2012	2013	Change	% Ch.
(273)	**Operating profit**	**(1,296)**	**(1,517)**	**(221)**	**(17.1)**
(907)	Exclusion of inventory holding (gains) losses	(29)	221		
641	Exclusion of special items:	1,004	814		
488	*- asset impairments*	*846*	*633*		
10	*- net gains on disposal of assets*	*5*	*(9)*		
8	*- risk provisions*	*49*			
34	*- environmental provisions*	*40*	*93*		
81	*- provisions for redundancy incentives*	*19*	*91*		
(3)	*- commodity derivatives*		*5*		
(4)	*- exchange rate differences and derivatives*	*(8)*	*(2)*		
27	*- other*	*53*	*3*		
(539)	**Adjusted operating profit**	**(321)**	**(482)**	**(161)**	**(50.2)**
	Net finance income (expense) [(a)]	(11)	(4)	7	
99	Net income (expense) from investments [(a)]	63	70	7	
176	Income taxes [(a)]	90	184	94	
(264)	**Adjusted net profit**	**(179)**	**(232)**	**(53)**	**(29.6)**

(a) Excluding special items.

In 2013, the Refining & Marketing Division reported an **adjusted operating loss** amounting to euro 482 million, a decline of euro 161 million compared to the previous rates by reducing the throughput of less competitive plants.

Marketing results registered a decline compared to the year (down by 50.2%) due to plummeting refining margin in the Mediterranean area (the average Brent refining margin decreased to 2.64 $/bbl, down by 45.3% from 2012) reflecting weak demand for oil products, excess of capacity and growing competition from streams of products imported from Russia and Asia. Furthermore, Eni s realized margins were impacted by narrowing differentials between the light and heavy crudes that negatively impacted the profitability of complex cycles. The negative scenario was partly counteracted by efficiency initiatives, in particular those aimed at reducing energy and operating costs and optimizing refinery utilization previous year, due to lower consumption in retail sales.

Special charges excluded from adjusted operating loss amounted to euro 814 million, mainly related to impairment losses of refining plants due to the projection of unprofitable refining margins (euro 633 million), environmental charges (euro 93 million), and provisions for redundancy incentives (euro 91 million).

Adjusted net loss was euro 232 million, down euro 53 million from 2012 adjusted net loss of euro 179 million, mainly due to higher operating losses.

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Versalis

2011	(euro million)	2012	2013	Change	% Ch.
(424)	**Operating profit**	**(681)**	**(725)**	**(44)**	**(6.5)**
(40)	Exclusion of inventory holding (gains) losses	63	213		
191	Exclusion of special items	135	126		
	of which:				
10	Non-recurring items				
181	Other special items:	135	126		
160	*- asset impairments*	*112*	*44*		
	- net gains on disposal of assets	*1*			
	- risk provisions	*18*	*4*		
1	*- environmental provisions*		*61*		
17	*- provisions for redundancy incentives*	*14*	*23*		
	- commodity derivatives	*1*	*(1)*		
	- exchange rate differences and derivatives	*(11)*	*(5)*		
3	*- other*				
(273)	**Adjusted operating profit**	**(483)**	**(386)**	**97**	**20.1**
	Net finance income (expense) [(a)]	(3)	(2)	1	
	Net income (expense) from investments [(a)]	2		(2)	
67	Income taxes [(a)]	89	50	(39)	
(206)	**Adjusted net profit**	**(395)**	**(338)**	**57**	**14.4**

(a) Excluding special items.

In 2013 the **adjusted operating loss** of euro 386 million improved by euro 97 million, or 20.1%, as the benchmark margin on cracking recovered from the particularly depressed level reported in the first half of 2012. This trend was offset by lower volumes due to weakness in commodity demand pressured by the economic downturn and increasing competition from Asian producers which left product margins and sales volumes at depressed levels.

Special charges excluded from adjusted operating loss of euro 126 million, related mainly to environmental provisions (euro 61 million), impairment of marginal business lines due to lack of profitability perspectives (euro 44 million), as well as to provisions for redundancy incentives (euro 23 million).

Adjusted net loss of euro 338 million improved by euro 57 million from the previous year.

Engineering & Construction

2011	(euro million)	2012	2013	Change	% Ch.
1,422	**Operating profit**	**1,442**	**(83)**	**(1,525)**	**..**
21	Exclusion of special items:	32	(1)		
35	*- asset impairments*	*25*			
4	*- net gains on disposal of assets*	*3*	*107*		
10	*- provision for redundancy incentives*	*7*	*2*		
(28)	*- commodity derivatives*	*(3)*	*(1)*		
	- other		*(109)*		
1,443	**Adjusted operating profit**	**1,474**	**(84)**	**(1,558)**	**..**
	Net finance income (expense) [(a)]	(7)	(5)	2	
95	Net income (expense) from investments [(a)]	55	(12)	(67)	
(440)	Income taxes [(a)]	(411)	(152)	259	
28.6	*Tax rate (%)*	*27.0*	..		
1,098	**Adjusted net profit**	**1,111**	**(253)**	**(1,364)**	**..**

(a) Excluding special items.

In 2013, the Engineering & Construction segment registered a steep contraction in profitability with an **adjusted operating loss** of euro 84 million, compared to the operating profit of euro 1,474 million recorded in 2012. This negative trend was due to marketing and operating difficulties incurred in the first half of 2013 which led management to make sharply lower revision of margin estimates at certain large contracts for the construction of onshore industrial complexes and a slowdown in order acquisitions in Engineering & Construction Onshore and Offshore businesses.

The commercial arbitration with a Group s subsidiary is ongoing relating to a change order as part of a project to build a gas plant in Algeria. It is worth mentioning that this issue, whichever the outcome, will not produce any impact on Eni s consolidated results.

Special charges excluded from adjusted operating profit related mainly to the write-off of Saipem s Perro Negro 6 drilling rig, following the accident which occurred in July 2013 (euro 107 million), more than offset by relating insurance gain.

The **adjusted net loss** of 2013 amounting to euro 253 million (down euro 1,364 million from the euro 1,111 million profit reported in 2012) is driven by the above mentioned estimate revisions.

Other activities[3]

2011	(euro million)	2012	2013	Change	% Ch.
(427)	**Operating profit**	**(300)**	**(337)**	**(37)**	**(12.3)**
201	Exclusion of special items:	78	127		
	of which:				
59	Non-recurring items				
142	Other special items:	78	127		
4	*- asset impairments*	*2*	*19*		
(7)	*- net gains on disposal of assets*	*(12)*	*(3)*		
9	*- risk provisions*	*35*	*31*		
141	*- environmental provisions*	*25*	*52*		
8	*- provisions for redundancy incentives*	*2*	*20*		
(13)	*- other*	*26*	*8*		
(226)	**Adjusted operating profit**	**(222)**	**(210)**	**12**	**5.4**
5	Net finance income (expense) [(a)]	(24)	4	28	
(3)	Net income (expense) from investments [(a)]	(1)	1	2	
(1)	Income taxes [(a) (b)]				
(225)	**Adjusted net profit**	**(247)**	**(205)**	**42**	**17.0**

(a) Excluding special items.
(b) Deferred tax assets relating to Syndial losses are recognized by the parent company Eni SpA based on intercompany agreements which regulate the Italian consolidated accounts for tax purposes.

Corporate and financial companies

2011	(euro million)	2012	2013	Change	% Ch.
(319)	**Operating profit**	**(341)**	**(399)**	**(58)**	**(17.0)**
53	Exclusion of special items:	16	67		
(1)	*- net gains on disposal of assets*				
(6)	*- risk provisions*	*5*			
9	*- provisions for redundancy incentives*	*11*	*72*		
51	*- other*		*(5)*		
(266)	**Adjusted operating profit**	**(325)**	**(332)**	**(7)**	**(2.2)**
(876)	Net finance income (expense) [(a)]	(865)	(554)	311	
1	Net income (expense) from investments [(a)]	99	290	191	
388	Income taxes [(a)]	115	124	9	
(753)	**Adjusted net profit**	**(976)**	**(472)**	**504**	**51.6**

(a) Excluding special items.

(3) 2012 results do not include Snam contribution.

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 in order to manage exposure to movements in foreign currency exchange rates which impact industrial margins and the translation of commercial payables and receivables. Accordingly currency translation effects recorded through profit and loss are also 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 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. Furthermore, 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 derivative 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 charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones; 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.

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2013

(euro million)	Exploration & Production	Gas & Power	Refining & Marketing	Versalis	Engineering & Construction	Corporate and financial companies	Other activities	Impact of unrealized intragroup profit elimination	GROUP
Operating profit	**14,871**	**(2,992)**	**(1,517)**	**(725)**	**(83)**	**(399)**	**(337)**	**38**	**8,856**
Exclusion of inventory holding (gains) losses		191	221	213				91	716
Exclusion of special items:									
- asset impairments	19	1,685	633	44			19		2,400
- net gains on disposal of assets	(283)	1	(9)		107		(3)		(187)
- risk provisions	7	292		4			31		334
- environmental charges		(1)	93	61			52		205
- provision for redundancy incentives	52	10	91	23	2	72	20		270
- commodity derivatives	(2)	314	5	(1)	(1)				315
- exchange rate differences and derivatives	(2)	(186)	(2)	(5)					(195)
- other	(16)	23	3		(109)	(5)	8		(96)
Special items of operating profit	**(225)**	**2,138**	**814**	**126**	**(1)**	**67**	**127**		**3,046**
Adjusted operating profit	**14,646**	**(663)**	**(482)**	**(386)**	**(84)**	**(332)**	**(210)**	**129**	**12,618**
Net finance (expense) income [(a)]	(264)	24	(4)	(2)	(5)	(554)	4		(801)
Net income (expense) from investments [(a)]	367	100	70		(12)	290	1		816
Income taxes [(a)]	(8,797)	293	184	50	(152)	124		(90)	(8,388)
Tax rate (%)	*59.6*	..	..		..				*66.4*
Adjusted net profit	**5,952**	**(246)**	**(232)**	**(338)**	**(253)**	**(472)**	**(205)**	**39**	**4,245**
of which attributable to:									
- non-controlling interest									(188)
- Eni's shareholders									**4,433**
Net profit attributable to Eni's shareholders									**5,160**
Exclusion of inventory holding (gains) losses									438
Exclusion of special items									(1,165)
Adjusted net profit attributable to Eni's shareholders									**4,433**

(a) Excluding special items.

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2012						OTHER ACTIVITIES (a)				DISCONTINUED OPERATIONS				
(euro million)	Exploration & Production	Gas & Power (a)	Refining & Marketing	Versalis	Engineering & Construction	Corporate and financial companies	Snam	Other activities	Impact of unrealized intragroup profit elimination	GROUP	Snam	Conso adju		
Operating profit	**18,470**	**(3,219)**	**(1,296)**	**(681)**	**1,442**	**(341)**	**1,679**	**(300)**	**208**	**15,962**	**(1,679)**	**788**	**(891)**	**15,071**
Exclusion of inventory holding (gains) losses		163	(29)	63					(214)	(17)				(17)
Exclusion of special items:														
- asset impairments	550	2,494	846	112	25			2		4,029				4,029
- net gains on disposal of assets	(542)	(3)	5	1	3		(22)	(12)		(570)	22		22	(548)
- risk provisions	7	831	49	18		5		35		945				945
- 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
- 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	**18,537**	**356**	**(321)**	**(483)**	**1,474**	**(325)**	**1,730**	**(222)**	**(6)**	**20,740**	**(1,730)**	**788**	**(942)**	**19,798**
Net finance (expense) income (b)	(264)	29	(11)	(3)	(7)	(865)	(54)	(24)		(1,199)	54		54	(1,145)
Net income (expense) from investments (b)	436	261	63	2	55	99	38	(1)		953	(38)		(38)	915
Income taxes (b)	(11,283)	(173)	90	89	(411)	115	(712)		2	(12,283)	712	(123)	589	(11,694)
Tax rate (%)	*60.3*	*26.8*	*..*		*27.0*		*41.5*			*59.9*				*59.8*
Adjusted net profit	**7,426**	**473**	**(179)**	**(395)**	**1,111**	**(976)**	**1,002**	**(247)**	**(4)**	**8,211**	**(1,002)**	**665**	**(337)**	**7,874**
of which attributable to:														
- non-controlling interest										886			(142)	744
- Eni s shareholders										**7,325**			**(195)**	**7,130**
Net profit attributable to Eni s shareholders										**7,790**			**(3,590)**	**4,200**
Exclusion of inventory holding (gains) losses										(23)				(23)
Exclusion of special items										(442)			3,395	2,953
Adjusted net profit attributable to Eni s shareholders										**7,325**			**(195)**	**7,130**

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

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2011

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

Adjusted net profit attributable to Eni's shareholders	**6,969**	**(31)**	**6,938**

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

Breakdown of Group special items

2011	(euro million)	2012	2013
69	**Non-recurring charges (income)**		
69	*of which: settlement/payments on antitrust and other Authorities proceedings*		
1,498	**Other special items**	**4,795**	**3,046**
1,022	*- assets impairments*	*4,029*	*2,400*
(61)	*- net gains on disposal of assets*	*(570)*	*(187)*
88	*- risk provisions*	*945*	*334*
186	*- environmental charges*	*134*	*205*
209	*- provision for redundancy incentives*	*66*	*270*
15	*- commodity derivatives*	*(1)*	*315*
(85)	*- exchange rate differences and derivatives*	*(79)*	*(195)*
124	*- other*	*271*	*(96)*
1,567	**Special items of operating profit**	**4,795**	**3,046**
89	**Net finance (income) expense**	**202**	**190**
	of which:		
85	*- exchange rate differences and derivatives*	*79*	*195*
(883)	**Net income (expense) from investments**	**(5,408)**	**(5,299)**
	of which:		
(1,118)	- gains on disposal of assets	(2,354)	(3,599)
	of which:		
(1,044)	*- international transport*		
	- divestment of the 28.57% of Eni s interest in Eni East Africa		*(3,359)*
	- Galp	*(311)*	*(98)*
	- Snam	*(2,019)*	*(75)*
	- gains on investment revaluation	(3,151)	(1,682)
	of which:		
	- Galp	*(1,700)*	
	- Snam	*(1,451)*	
	- Artic Russia		*(1,682)*
191	impairments of equity investments	156	11
60	**Income taxes**	**(31)**	**898**
	of which:		
	- impairment of deferred tax assets of Italian subsidiaries	*803*	*954*
552	*- deferred tax adjustment on PSAs*		*490*
29	*- re-allocation of tax impact on intercompany dividends and other special items*	*147*	*64*
(521)	*- taxes on special items*	*(981)*	*(610)*
833	**Total special items of net profit**	**(442)**	**(1,165)**

Breakdown of impairments

2011	(euro million)	2012	2013	Change
893	Asset impairment	2,679	2,290	(389)
152	Goodwill impairment	1,347	333	(1,014)
(15)	Revaluations	(3)	(223)	(220)
1,030	**Sub total**	**4,023**	**2,400**	**(1,623)**
1	Impairment of losses on receivables related to non-recurring activities	6		(6)

1,031	**Impairments**	**4,029**	**2,400**	**(1,629)**

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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 return on capital employed (ROACE) and 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 [(a)]

(euro million)	December 31, 2012	December 31, 2013	Change
Fixed assets			
Property, plant and equipment	63,466	62,506	(960)
Inventories - Compulsory stock	2,538	2,571	33
Intangible assets	4,487	3,877	(610)
Equity-accounted investments and other investments	9,347	6,961	(2,386)
Receivables and securities held for operating purposes	1,457	1,607	150
Net payables related to capital expenditure	(1,142)	(1,256)	(114)
	80,153	**76,266**	**(3,887)**
Net working capital			
Inventories	8,496	7,883	(613)
Trade receivables	19,966	21,213	1,247
Trade payables	(14,993)	(15,529)	(536)
Tax payables and provisions for net deferred tax liabilities	(3,204)	(3,005)	199
Provisions	(13,603)	(13,167)	436
Other current assets and liabilities	2,473	2,030	(443)
	(865)	**(575)**	**290**
Provisions for employee post-retirement benefits	**(1,374)**	**(1,245)**	**129**
Assets held for sale including related liabilities	**155**	**2,156**	**2,001**
CAPITAL EMPLOYED, NET	**78,069**	**76,602**	**(1,467)**
Eni shareholders' equity	59,060	58,210	(850)
Non-controlling interest	3,498	2,964	(534)
Shareholders equity	**62,558**	**61,174**	**(1,384)**
Net borrowings	**15,511**	**15,428**	**(83)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**78,069**	**76,602**	**(1,467)**

(a) For a reconciliation to the statutory statement of cash flow see the paragraph Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes .

The appreciation of the euro vs. the US dollar as of December 31, 2013 from December 31, 2012 (the EUR/USD exchange rate was 1.379 as of December 31, 2013, as compared to 1.319 as of December 31, 2012, underlying the approximately euro 1,028 million exchangeable bond due in November 2015 and 8.15% subject to certain pre-emptive rights and options exercisable by Amorim Energia.

up by 4.5%) reduced net capital employed, net equity and net borrowings by euro 2,515 million, euro 1,871 million and euro 644 million, respectively, due to exchange rate translation differences.

Fixed assets amounted to euro 76,266 million, representing a decrease of euro 3,887 million from December 31, 2012. This reflected a reduction of the line-item Equity accounted investments and other investments following the disposal of the available-for sale interests in Snam and Galp (euro 2,289 million), while depreciation, depletion, amortization and impairment charges amounted to euro 11,703 million. These declines were partly offset by capital expenditure incurred in the year (euro 12,750 million). As of December 31, 2013 Eni holds 8.54% of the share capital of Snam underlying the euro 1,250 million convertible bond, due in January 2016. Eni also holds 16.15% of Galp s outstanding share capital, of which 8%

Assets held for sale including related liabilities related to Eni s interest in Artic Russia, which was stated at the fair value based on the Sale and Purchase Agreement with a Gazprom Group s subsidiary, for euro 2,131 million. The transaction closed in the first half of January 2014.

Net working capital amounted to a negative euro 575 million, representing an increase of euro 290 million from December 31, 2012 mainly due to (i) the net use of risk provisions (up euro 436 million); (ii) the increase in the balance between trade receivables and payables (up euro 711 million); (iii) reduced tax payables and provisions for net deferred tax liabilities (down euro 199 million) due to the recognition of lower net taxes accrued in the year than payments and the write-off of deferred tax assets. These effects were partly offset by lowering gas and petroleum products inventories (down euro 613 million).

Leverage and net borrowings

Leverage is a measure used by management to assess the Company s level of indebtedness. It is calculated as a ratio of net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt to shareholders equity, including minority 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 a benchmarking analysis with industry standards.

(euro million)	December 31, 2012	December 31, 2013	Change
Total debt:	24,463	25,879	1,416
- short-term debt	*5,184*	*4,891*	*(293)*
- long-term debt	*19,279*	*20,988*	*1,709*
Cash and cash equivalents	(7,765)	(5,288)	2,477
Securities held for trading and other securities held for non-operating purposes	(34)	(5,037)	(5,003)
Financing receivables for non-operating purposes	(1,153)	(126)	1,027
Net borrowings	**15,511**	**15,428**	**(83)**
Shareholders' equity including non-controlling interest	**62,558**	**61,174**	**(1,384)**
Leverage	**0.25**	**0.25**	

Net borrowings as of December 31, 2013, amounted to euro 15,428 million, substantially in line with 2012 (down euro 83 million).

Total debt amounted to euro 25,879 million, of which euro 4,891 million were short-term (including the portion of long-term debt due within 12 months equal to euro 2,149 million) and euro 20,988 million were long-term.

The ratio of net borrowings to shareholders equity including non-controlling interest **leverage** was 0.25 at December 31, 2013, in line with December 31, 2012.

Comprehensive income

(euro million)	2012	2013
Net profit	**8,676**	**4,972**
Other items of comprehensive income:		
Items not reclassifiable to profit and loss account		
Remeasurements of defined benefit plans	*(150)*	*65*
Share of "Other comprehensive income" on equity-accounted entities related to remeasurements of defined benefit plans	*1*	*(3)*
Taxation	*53*	*(40)*
	(96)	**22**
Items subsequently reclassifiable to profit and loss account		
Foreign currency translation differences	*(718)*	*(1,871)*
Fair value evaluation of Eni s interest in Galp and Snam	*141*	*(64)*
Change in the fair value of cash flow hedging derivatives	*(102)*	*(199)*

Change in the fair value of available-for-sale securities	*16*	*(1)*
Share of "Other comprehensive income" on equity-accounted entities	*7*	*1*
Taxation	*32*	*63*
	(624)	**(2,071)**
Total comprehensive income	**7,956**	**2,923**
Attributable to:		
- Eni's shareholders	**7,096**	**3,164**
- non-controlling interest	860	(241)

Changes in shareholders equity

(euro million)		
Shareholders equity at December 31, 2012		**62,558**
Total comprehensive income	2,923	
Dividends distributed to Eni s shareholders	(3,949)	
Dividends distributed by consolidated subsidiaries	(251)	
Stock options expired	(13)	
Effect of changes in consolidation on non-controlling interests	(23)	
Acquisition of non-controlling interest relating to Tigáz Zrt	(28)	
Other changes	(43)	
Total changes		**(1,384)**
Shareholders equity at December 31, 2013		**61,174**
Attributable to:		
- Eni's shareholders		**58,210**
- non-controlling interest		2,964

Shareholders equity including non-controlling interest was euro 61,174 million, representing a decrease of euro 1,384 million from December 31, 2012. This was due to comprehensive income for the year (euro 2,923 million) as a result of net profit (euro 4,972 million), which was partly offset by foreign currency translation differences (euro 1,871 million). This addition to equity was almost completely offset by dividend payments to Eni s shareholders and other changes for euro 4,307 million (dividend payments to Eni s shareholders of euro 3,949 million, including the 2013 interim dividend, and dividends paid to non-controlling interest of Saipem and other subsidiaries).

Reconciliation of net profit and shareholders equity of the parent company Eni SpA to consolidated net profit and shareholders equity

	Net profit		Shareholders equity	
(euro million)	2012	2013	December 31, 2012	December 31, 2013
As recorded in Eni SpA s financial statements	**9,078**	**4,410**	**40,537**	**40,733**
Excess the net equity stated in the separate accounts of consolidated subsidiaries over the corresponding carrying amounts in the statutory accounts of the parent company	261	1,457	21,576	21,546
Consolidation adjustment:				
- differences between purchase cost and underlying carrying amounts of net equity	(2,683)	(499)	1,503	324
- adjustments to comply with group account policies	1,222	(174)	711	605
- elimination of unrealized intercompany profits	638	219	(2,652)	(2,639)
- deferred taxation	160	(444)	873	323
- other adjustments		3	10	12
	8,676	**4,972**	**62,558**	**61,174**
Non-controlling interest	(886)	188	(3,498)	(2,964)
As recorded in the Consolidated Financial Statements	**7,790**	**5,160**	**59,060**	**58,210**

Summarized Group Cash Flow Statement

Eni s Summarized Group Cash Flow Statement derives from the statutory statement of cash flows. It enables investors to understand the connection 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 in the reporting period. The measure which links the two statements is represented by the free cash flow which is calculated as difference between the cash flow generated from operations and the net cash used in investing activities. 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 [(a)]

2011	(euro million)	2012	2013	Change
7,877	**Net profit - continuing operations**	**4,944**	**4,972**	**28**
	Adjustments to reconcile net profit to net cash provided by operating activities:			
8,606	- depreciation, depletion and amortization and other non-monetary items	11,349	9,578	(1,771)
(1,176)	- net gains on disposal of assets	(875)	(3,770)	(2,895)
9,918	- dividends, interests, taxes and other changes	11,925	9,162	(2,763)
(1,696)	Changes in working capital related to operations	(3,373)	486	3,859
(9,766)	Dividends received, taxes paid, interest (paid) received during the period	(11,614)	(9,459)	2,155
13,763	**Net cash provided by operating activities - continuing operations**	**12,356**	**10,969**	**(1,387)**
619	Net cash provided by operating activities - discontinued operations	15		(15)
14,382	**Net cash provided by operating activities**	**12,371**	**10,969**	**(1,402)**
(11,909)	**Capital expenditure - continuing operations**	**(12,761)**	**(12,750)**	**11**
(1,529)	Capital expenditure - discontinued operations	(756)		756
(13,438)	**Capital expenditure**	**(13,517)**	**(12,750)**	**767**
(360)	Investments and purchase of consolidated subsidiaries and businesses	(569)	(317)	252
1,912	Disposals	6,014	6,360	346
627	Other cash flow related to capital expenditure, investments and disposals	(136)	(253)	(117)
3,123	**Free cash flow**	**4,163**	**4,009**	**(154)**
41	Borrowings (repayment) of debt related to financing activities [(b)]	(83)	(3,983)	(3,900)
1,104	Changes in short and long-term financial debt	5,947	1,778	(4,169)
(4,327)	Dividends paid and changes in non-controlling interests and reserves	(3,746)	(4,231)	(485)
10	Effect of changes in consolidation and exchange differences	(16)	(50)	(34)
(49)	**NET CASH FLOW**	**6,265**	**(2,477)**	**(8,742)**

Changes in net borrowings

2011	(euro million)	2012	2013	Change
3,123	**Free cash flow**	**4,163**	**4,009**	**(154)**
	Net borrowings of acquired companies	(2)	(21)	(19)
(192)	Net borrowings of divested companies	12,446	(16)	(12,462)
(517)	Exchange differences on net borrowings and other changes	(340)	342	682

(4,327)	Dividends paid and changes in non-controlling interest and reserves	(3,746)	(4,231)	(485)
(1,913)	**CHANGE IN NET BORROWINGS**	**12,521**	**83**	**(12,438)**

(a) For a reconciliation to the statutory statement of cash flow see the paragraph Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flow to Statutory Schemes .

(b) This item includes investments in certain financial instruments not related to operations (securities, escrow accounts) to absorb temporary surpluses of cash or as a part of our ordinary management of financing activities. Due to their nature and the circumstance that they are very liquid, these financial instruments are netted against finance debt in determining net borrowings. Cash flows of such investments/disposals were as follows:

2011	(euro million)	**2012**	**2013**	**Change**
	Financing investments:			
(21)	- securities		(5,029)	(5,029)
(26)	- financing receivables	(1,131)	(104)	1,027
(47)		**(1,131)**	**(5,133)**	**(4,002)**
	Disposal of financing investments:			
71	- securities	4	25	21
17	- financing receivables	1,044	1,125	81
88		**1,048**	**1,150**	**102**
41	**Cash flows of financial investments not related to operation**	**(83)**	**(3,983)**	**(3,900)**

Net cash provided by operating activities (euro 10,969 million) and proceeds from disposals of euro 6,360 million funded cash outflows relating to capital expenditure totaling euro 12,750 million and investments (euro 317 million) and dividend payments and other changes amounting to euro 4,231 million (of which euro 1,993 million relating to 2013 interim dividend) also repaying down the Group net debt by euro 83 million from December 31, 2012. Net cash provided by operating activities was positively influenced by higher receivables due beyond the end of the reporting period, being transferred to financing institutions compared to the amount transferred at the end of the previous reporting period (up euro 552 million; from euro 2,203 million as of December 31, 2012 to euro 2,755 million as of December 31, 2013). Cash from disposals largely related to the sale of the 28.57% stake in Eni East Africa, currently retaining an interest of 70% in the Area 4 mineral property in Mozambique to China National Petroleum Corp (euro 3,386 million), the divestment of the 11.69% interest in the share capital of Snam (euro 1,459 million), the 8.19% interest in the share capital of Galp (euro 830 million) and marginal assets in the Exploration & Production Division.

Capital expenditure

2011	(euro million)	2012	2013	Change	% Ch.
9,435	Exploration & Production	10,307	10,475	168	1.6
754	*- acquisition of proved and unproved properties*	*43*	*109*		
1,210	*- exploration*	*1,850*	*1,669*		
7,357	*- development*	*8,304*	*8,580*		
114	*- other expenditure*	*110*	*117*		
192	Gas & Power	225	232	7	3.1
184	*- marketing*	*212*	*209*		
8	*- international transport*	*13*	*23*		
866	Refining & Marketing	842	619	(223)	(26.5)
638	*- refining, supply and logistics*	*622*	*444*		
228	*- marketing*	*220*	*175*		
216	Versalis	172	314	142	82.6
1,090	Engineering & Construction	1,011	902	(109)	(10.8)
10	Other activities	14	21	7	50.0
128	Corporate and financial companies	152	190	38	25.0
(28)	Impact of unrealized intragroup profit elimination	38	(3)	(41)	
11,909	**Capital expenditure - continuing operations**	**12,761**	**12,750**	**(11)**	**(0.1)**
1,529	Capital expenditure - discontinued operations	756		(756)	..
13,438	**Capital expenditure**	**13,517**	**12,750**	**(767)**	**(5.7)**

In 2013, **capital expenditure** amounted to euro 12,750 million (euro 12,761 million in 2012) relating mainly to:
- development activities deployed mainly in Norway, the United States, Angola, Congo, Italy, Nigeria, Kazakhstan, Egypt and the UK and exploratory activities of which 98% was spent outside Italy, primarily in Mozambique, Norway, Congo, Togo, Nigeria, the United States and Angola as well as acquisition of new licenses in the Republic of Cyprus and in Vietnam;
- upgrading of the fleet used in the Engineering & Construction Division (euro 902 million);
- refining, supply and logistics in Italy and outside Italy (euro 444 million) with projects designed to improve the conversion rate and flexibility of refineries, in particular at the Sannazzaro Refinery, as well as the upgrade of the refined product retail network in Italy and in the rest of Europe (euro 175 million);
- initiatives to improve flexibility of the combined cycle power plants (euro 121 million).

Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes

Summarized Group Balance Sheet

(euro million)		December 31, 2012		December 31, 2013	
Items of Summarized Group Balance Sheet (where not expressly indicated, the item derives directly from the statutory scheme)	Notes to the Consolidated Financial Statements	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Fixed assets					
Property, plant and equipment			63,466		62,506
Inventories - compulsory stock			2,538		2,571
Intangible assets			4,487		3,877
Equity-accounted investments and other investments			9,347		6,961
Receivables and securities held for operating activities	(see note 9 and note 19)		1,457		1,607
Net payables related to capital expenditure, made up of:			(1,142)		(1,256)
- receivables related to disposals	(see note 10)	209		88	
- receivables related to disposals	(see note 21)	752		702	
- payables related to capital expenditure	(see note 23)	(2,103)		(2,046)	
Total fixed assets			**80,153**		**76,266**
Net working capital					
Inventories			8,496		7,883
Trade receivables	(see note 10)		19,966		21,213
Trade payables	(see note 23)		(14,993)		(15,529)
Tax payables and provisions for net deferred tax liabilities, made up of:			(3,204)		(3,005)
- income tax payables		(1,622)		(742)	
- other tax payables		(2,162)		(2,268)	
- deferred tax liabilities		(6,740)		(6,723)	
- other tax liabilities	(see note 31)	(1)		(26)	
- current tax assets		771		802	
- other current tax assets		1,230		825	
- deferred tax assets		5,027		4,662	
- other tax assets	(see note 21)	293		465	
Provisions			(13,603)		(13,167)
Other current assets and liabilities:			2,473		2,030
- securities held for operating purposes	(see note 9)	201		202	
- receivables for operating purposes	(see note 10)	440		488	
- other receivables	(see note 10)	6,751		6,648	
- other (current) assets		1,624		1,325	
- other receivables and other assets	(see note 21)	3,355		2,516	
- advances, other payables	(see note 23)	(6,485)		(6,023)	
- other (current) liabilities		(1,437)		(1,448)	
- other payables and other liabilities	(see note 31)	(1,976)		(1,678)	
Total net working capital			**(865)**		**(575)**
Provisions for employee post-retirement benefits			**(1,374)**		**(1,245)**

Assets held for sale including related liabilities			**155**		**2,156**
made up of:					
- assets held for sale		516		2,296	
- liabilities related to assets held for sale		(361)		(140)	
CAPITAL EMPLOYED, NET			**78,069**		**76,602**
Shareholders' equity including non-controlling interest			**62,558**		**61,174**
Net borrowings					
Total debt, made up of:			24,463		25,879
- long-term debt		19,279		20,988	
- current portion of long-term debt		2,961		2,149	
- short-term financial liabilities		2,223		2,742	
less:					
Cash and cash equivalents			(7,765)		(5,288)
Securities held for trading and other securities held for non-operating purposes	(see note 9)		(34)		(5,037)
Financing receivables for non-operating purposes	(see note 10)		(1,153)		(126)
Total net borrowings [(a)]			**15,511**		**15,428**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**78,069**		**76,602**

(a) For details on net borrowings see also note No. 26 to the Consolidated Financial Statements.

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Summarized Group Cash Flow Statement

(euro million)	2012		2013	
Items of Summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Partial amounts from statutory scheme	Amounts of the Summarized Group scheme	Partial amounts from statutory scheme	Amounts of the Summarized Group scheme
Net profit - continuing operations		**4,944**		**4,972**
Adjustments to reconcile net profit to net cash provided by operating activities:				
Depreciation, depletion and amortization and other non-monetary items:		11,349		9,578
- depreciation, depletion and amortization	9,538		9,303	
- impairment of tangible and intangible assets, net	4,023		2,400	
- share of profit (loss) of equity-accounted investments	(278)		(252)	
- other net changes	(1,945)		(1,878)	
- net changes in the provisions for employee benefits	11		5	
Net gains on disposal of assets		(875)		(3,770)
Dividends, interest, income taxes and other changes:		11,925		9,162
- dividend income	(431)		(400)	
- interest income	(108)		(155)	
- interest expense	803		709	
- income taxes	11,661		9,008	
Changes in working capital related to operations:		(3,373)		486
- inventory	(1,395)		320	
- trade receivables	(3,184)		(1,363)	
- trade payables	2,029		706	
- provisions for contingencies	338		58	
- other assets and liabilities	(1,161)		765	
Dividends received, taxes paid, interest (paid) received during the period:		(11,614)		(9,459)
- dividend received	988		684	
- interest received	91		108	
- interest paid	(825)		(944)	
- income taxes paid, net of tax receivables received	(11,868)		(9,307)	
Net cash provided by operating activities - continuing operations		**12,356**		**10,969**
Net cash provided by operating activities - discontinued operations		**15**		
Net cash provided by operating activities		**12,371**		**10,969**
Capital expenditure:		(13,517)		(12,750)
- tangible assets	(11,222)		(10,864)	
- intangible assets	(2,295)		(1,886)	
Investments and purchase of consolidated subsidiaries and businesses:		(569)		(317)
- investments	(391)		(292)	
- consolidated subsidiaries and businesses	(178)		(25)	
Disposals:		6,014		6,360
- tangible assets	1,229		514	
- intangible assets	61		16	
- changes in consolidated subsidiaries and businesses	3,521		3,401	
- investments	1,203		2,429	
Other cash flow related to capital expenditure, investments and disposals:		(136)		(253)

- securities	(17)		(5,048)	
- financing receivables	(1,634)		(989)	
- change in payables and receivables relating to investments and capitalized depreciation	54		48	
reclassification: *purchase of securities and financing receivables for non-operating purposes*	1,131		5,133	
- disposal of securities	52		33	
- disposal of financing receivables	1,578		1,565	
- change in payables and receivables	(252)		155	
reclassification: *disposal of securities and financing receivables held for non-operating purposes*	(1,048)		(1,150)	
Free cash flow		**4,163**		**4,009**

continued Summarized Group Cash Flow Statement

(euro million)	2012		2013	
Items of Summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Free cash flow		**4,16**		**4,009**
Borrowings (repayment) of debt related to financing activities		(83)		(3,983)
reclassification: *purchase of securities and financing receivables held for non-operating purposes*	*(1,131)*		*(5,133)*	
reclassification: *disposal of securities and financing receivables held for non-operating purposes*	*1,048*		*1,150*	
Changes in short and long-term finance debt:		5,947		1,778
- proceeds from long-term finance debt	*10,484*		*5,418*	
- payments of long-term finance debt	(3,784)		(4,669)	
- increase (decreases) in short-term finance debt	(753)		1,029	
Dividends paid and changes in non-controlling interest and reserves:		(3,746)		(4,231)
- net capital contributions/payments by/to non-controlling interest			(4)	
- dividends paid by Eni to shareholders	(3,840)		(3,949)	
- dividends paid to non-controlling interest	(539)		(251)	
- disposal (acquisition) of interests in consolidated subsidiaries	604		(28)	
- treasury shares sold by consolidated subsidiaries	29		1	
Effect of exchange differences on cash and cash equivalents		(12)		(37)
Effect of changes in consolidation area (inclusion/exclusion of significant/insignificant subsidiaries)		(4)		(13)
Net cash flow for the period		**6,265**		**(2,477)**

Risk factors and uncertainties

Competition

There is strong competition worldwide, both within the oil industry and with other industries, to supply energy to the industrial, commercial and residential energy markets.

Eni faces strong competition in each of its business segments.

In the current uncertain financial and economic environment, Eni expects that prices of energy commodities, in particular oil and gas, will be very volatile, with average prices and margins influenced by changes in the global supply and demand for energy as well as in the market dynamics. This is likely to increase competition in all of Eni s businesses, which may impact costs and margins.
- In the Exploration & Production segment Eni faces competition from both international oil companies and state-owned oil companies for obtaining exploration and development rights, and developing and applying new technologies to maximize hydrocarbon recovery. Furthermore, Eni may face a competitive disadvantage because of its relatively smaller size compared to other international oil companies, particularly when bidding for large scale or capital intensive projects, and may be exposed to industry-wide cost increases to a greater extent compared to its larger competitors given its potentially smaller market power with respect to suppliers. If, as a result of those competitive pressures, Eni fails to obtain new exploration and development acreage, to apply and develop new technologies, and to control cost, its growth prospects and future results of operations and cash flows may be adversely affected.
- In the Gas & Power segment, Eni faces strong competition from gas and energy players to sell gas and electricity to the industrial segment and the retail market both in the Italian market and markets across Europe. Competition has been fuelled by ongoing weak trends in demand due to the downturn and macroeconomic uncertainties, oversupplied markets and inter-fuel Continent. Due to the economic and financial crisis and inter-fuel competition, those projected increases in gas demand failed to materialize resulting in a situation of oversupply and pricing pressure. The shale-gas revolution in the USA was another fundamental trend that added to the oversupply condition in the European marketplace. The discovery and development of large deposits of shale gas in the USA has progressively reduced till to zero the Country s dependence on LNG imports. As a result of this, upstream producers were forced to redirect large LNG supplies to markets elsewhere in the world, including Europe. Large gas availability on the marketplace in Europe fuelled by take-or-pay contracts and worldwide LNG streams has driven the development of very liquid continental hubs to trade spot gas. Shortly spot prices at continental hubs have become the main benchmarks to which selling prices are indexed in supplies to large industrial customers and thermoelectric utilities. The profitability of gas operators was negatively impacted by falling sales prices at those hubs, where prices have been pressured by intense competition among gas operators in the face of weak demand, oversupplies and the constraint to dispose of minimum annual volumes of gas to be purchased under long-tem supply contracts. These negative trends were exacerbated by the fact that spot prices have ceased to track the oil prices to which Eni s long-term supply contracts are linked, resulting in a decoupling between trends in prices and in costs. Due to those fundamental shifts in market dynamics and a current demand downturn, the Company s Gas & Power segment incurred operating losses in each of the latest three years. The outlook in our gas marketing business will remain weak for the foreseeable future as management believes that the ongoing negative trends of poor demand, continuing competition and oversupplies have become structural headwinds. These developments may adversely affect the Company s future results of operations and cash flows in its gas business, also taking into account the Company s contractual obligations to off-take minimum annual volumes of gas in accordance to its long-term gas supply contracts with take or-pay

competition due to the rising use of coal in firing power plants and a dramatic grow in renewable sources of energy (photovoltaic and solar) which have materially impacted the use of gas in the production of electricity and hence sales of gas to the thermoelectric industry. These market imbalances owes to the fact that a few years ago, based on certain long-term projections about gas demand growth, European operators committed to purchase large amounts of gas under long-term supply contracts with take-or-pay clauses from the main producing Countries bordering Europe (namely Russia and Algeria) and built large upgrades at existing pipelines and new infrastructures along several European routes to expand gas import capacity to the clauses and until the Company manages to re-negotiate new pricing terms of such contracts which better tracks market prices than the original oil-linked indexation. See the sector-specific risk section below.

- Eni is also facing competition from large, well-established European utilities and other international oil and gas companies in growing its market share and acquiring or retaining clients. A number of large clients, particularly electricity producers and large industrial buyers have entered the wholesale market of gas by directly purchasing gas from producers or sourcing it at the continental spot markets adding further pressures on the economics of gas operators, including Eni. Management believes that this trend will continue in the future. At the same time, a number of national gas producers belonging to Countries with large gas reserves have started to sell natural gas directly to final clients, entering in direct competition with players like Eni which resell gas purchased from producing Countries to final customers. These developments may increase the level of competition and reduce Eni s expected operating profit and cash flows in the gas business. Finally, gas prices in the residential market have historically been established by independent, governmental authorities in Italy and elsewhere in Europe. The indexation mechanisms used by those authorities have generally tracked a basket of petroleum products, mirroring the oil-indexed purchase prices of gas resellers like Eni, thus enabling resellers to pass a large part of cost increases of the raw material on to final customers in the retail market. In recent years, the Italian authority has introduced a number of adjustments to the oil-linked formula to take into account the public goal of containing the impact of energy inflation on households and other public services (hospitals, schools, etc.). Finally, following enactment in Italy of a new regulatory regime which went effective October 1, 2013, management expects that the Company s selling margins in the residential segment are likely to come under pressure due to the implementation of a less favorable indexation mechanism of the raw material cost in supplies to such customers than in the past. Such new mechanism establishes that the cost of the raw material be indexed to market benchmarks recorded at spot markets, as such replacing the previous oil-linked mechanism which mirrored a basket of long-term supply contracts. The Company expects that similar measures will be introduced by other market regulators in European Countries where Eni engages in selling gas to residential clients (see sector-specific risk factors below). Management believes these developments will negatively impact future results of operations and cash flow.

- In its Gas & Power segment, Eni is vertically integrated in the production of electricity via its gas-fired power plants which currently use the combined-cycle technology. In the electricity business, Eni competes with other producers and traders from Italy or outside of Italy who sell electricity in the Italian market. Going forward, the Company expects the projections of negative future cash flows, we decided to recognize an impairment charge of our power plants in the amount of approximately euro 1 billion in the 2013 consolidated accounts.

- In the retail marketing of refined products both in Italy and abroad, Eni competes with oil companies and non-oil operators (such as supermarket chains and other commercial operators) to obtain concessions to establish and operate service stations. Eni s service stations compete primarily on the basis of pricing, services and availability of non-petroleum products. In Italy, the latest administrative measure in this field have targeted to enhance the level of competition in the retail market of fuels, for example by easing the commercial ties between independent and other non-oil operators of service stations and oil companies, enlarging options to build and operate fully-automated service stations, and opening up the merchandising of various kinds of goods and services at service stations. These developments have boosted the level of competition in the marketplace adding further pressure on selling prices and reducing opportunities of increasing the market share in Italy. We expect that competitive pressures will continue in the foreseeable future due to anticipated weak trends in the domestic demand for fuels, oversupplies of refined products due to existing excess refining capacity in Europe and growing competition of products streams coming from Russia, the Middle East, East Asia and the United States. Finally, Eni s margins on refined products have been affected by production cost disadvantages due to unfavorable geographic location and lack of scale of Eni s Refineries, and narrowing price differentials between the Brent benchmark and heavy crude qualities. This latter trend has reflected ongoing reduced supplies of heavy crudes in the Mediterranean area, reversing the pattern observed historically whereby heavy crude qualities trade at a discount vs. the Brent benchmark due to their relatively smaller yield of valuable products. This negative trend has particularly hit Eni s profitability of complex cycles which depends upon the availability of cheaper crude qualities than the Brent crude in order to remunerate the higher operating costs of complex plants. This segment reported losses at the operating level in each of the latest three years driven by the structural headwinds in the industry described above. Based on those trends we believe that the profitability outlook in our Refining & Marketing segment will continuing competition due to the projections of weak economic growth in Italy and Europe over the foreseeable future, also causing outside players to place excess production on the Italian market. The economics of the gas-fired electricity business have dramatically changed over the latest few years due to ongoing competitive trends. As a matter of fact, spot prices of electricity in the wholesale market across Europe have decreased due to excess supplies driven by the growing production of electricity from renewable sources, which also benefit of governmental subsides, and a recovery in the production of coal-fired electricity generation which has been helped by a substantial reduction in the price of this fuel on the back of a massive oversupply of coal which occurred on a global scale. As a result of falling electricity prices, margins on the production of gas-fired electricity went into negative territory. We believe that the profitability outlook in this business will remain weak in the foreseeable future. Due to remain negative over the foreseeable future.

- In the Chemical segment, Eni faces strong competition from well-established international players and state-owned petrochemical companies, particularly in the most commoditized market segments such as the production of basic petrochemicals products and plastics. Many of those competitors based in the Far East and Middle East are able to benefit from cost advantages due to larger scale, looser environmental regulations, availability of cheaper feedstock, and more favorable location and proximity to end-markets. Excess capacity and sluggish economic growth may exacerbate competitive pressures. Furthermore, Eni expects that petrochemicals producers based in the US will regain market share in the future, leveraging on a competitive cost structure due to the increasing availability of cheap feedstock deriving from the production of domestic shale gas. The Company expects continuing margin pressures in the foreseeable future as a result of those trends. This segment reported operating losses in each of the latest three years including significant amounts of asset impairment losses, driven by the structural headwinds in the industry described above.

- Competition in the oil field services, construction and engineering industries is primarily based on technical expertise, quality and number of services and availability of technologically advanced facilities (for example, vessels for offshore construction). Lower oil prices could result in lower margins and lower demand for oil services. In 2013 a soft demand environment, intense competition among oilfield service providers coupled with Company-specific issues at certain projects drove a substantial reversal in the profitability at Eni s Engineering & Construction business segment which reported an operating loss for the full year 2013. The Company s failure or inability to respond effectively to competition could adversely impact the Company s growth prospects, future results of operations and cash flows.

Safety, security, environmental and other operational risk

The Group engages in the exploration and production of oil and natural gas, processing, transportation, and refining of crude oil, transport of natural gas, storage and distribution of petroleum products, production of base chemicals, plastics and elastomers. By their nature the Group s operations expose Eni to a wide range of significant health, safety, security and environmental risks. The magnitude of these risks is influenced by the geographic range, operational diversity and technical complexity of our activities. Eni s future results from operations and liquidity depend on its ability to identify and mitigate the risks and hazards inherent to operating in those industries.

In exploration and production, Eni faces natural hazards and other operational risks including those relating to the physical characteristics of oil and natural gas fields. risks of various forms of pollution and contamination of the soil and the groundwater), their use, emissions and discharges resulting from their manufacturing process, and from recycling or disposing of materials and wastes at the end of their useful life.

As to transportation activities related to all Eni s segments of operations, the type of risk depends not only on the hazardous nature of the products transported, but also on the transportation methods used (mainly pipelines, maritime, river-maritime, rail, road, gas distribution networks), the volumes involved and the sensitivity of the regions through which the transport passes (quality of infrastructure, population density, environmental considerations). All modes of transportation of hydrocarbons are particularly susceptible to a loss of containment of hydrocarbons and other hazardous materials, and, given the high volumes involved, could present a significant risk to people and the environment.

The Company invests significant amounts of resources in order to upgrade methods and systems for safeguarding safety and health of employers, contractors and communities, and the environment; to prevent risks; to comply with applicable laws and policies; and to respond to and learn from unexpected incidents. Eni seeks to minimize these operational risks by carefully designing and building facilities, including wells, industrial complexes, plants and equipment, pipelines, storage sites and distribution networks, and managing its operations in a safe, compliant and reliable manner. Failure to manage these risks effectively could result in unexpected incidents, including releases or oil spills, blowouts, fire, mechanical failures and other incidents resulting in personal injury, loss of life, environmental damage, legal liabilities and/or damage claims, destruction of crude oil or natural gas wells as well as damage to equipment and other property, all of which could lead to a disruption in operations. Eni s operations are often conducted in difficult and/or environmentally sensitive locations such as the Gulf of Mexico, the Caspian Sea and the Arctic, in which the consequences of any incident could be greater than in other locations. Eni also faces risks once production is discontinued, because our activities require environmental site remediation.

Furthermore, in certain situations where Eni is not the operator, the Company may have limited influence and

These include the risks of eruptions of crude oil or of natural gas, discovery of hydrocarbon pockets with abnormal pressure, crumbling of well openings, leaks that can harm the environment and the security of our personnel and risks of blow-out, fire or explosion. Accidents at a single well can lead to loss of life, damage or destruction to property, environmental damage and consequently potential economic losses that could have a material and adverse effect on the business, results of operation, liquidity, reputation and prospects of the Group.

Eni s activities in the Refining & Marketing and Chemical segments also entail health, safety and environmental risks related to the overall life cycle of the products manufactured, and to raw materials used in the manufacturing process, such as oil-based feedstock, catalysts, additives and monomer feedstock. These risks can arise from the intrinsic characteristics of the products involved (flammability, toxicity, or long-term environmental impacts such as greenhouse gas emissions and control over third parties, which may limit our ability to manage and control such risks. Eni maintains insurance coverage that includes coverage for physical damage to its assets, third party liability, workers compensation, pollution and other damage to the environment and other coverage. Eni s insurance is subject to caps, exclusion and limitation, and there is no assurance that such coverage will adequately protect it against liabilities from all potential consequences and damages. In particular, in the case of oil spills and other environmental damage, current insurance policies cover costs of cleaning up and remediating polluted sites, damage to third parties and containment of physical damage up to $1.1 billion for offshore events and $1.5 billion for onshore plants (refineries). These are complemented by insurance policies that cover owners, operators and renters of vessels with the following maximum amounts: $1 billion for the fleet owned by the subsidiary LNG Shipping in the Gas & Power segment and FPSOs used by the Exploration & Production segment for developing offshore fields; $500 million for time charters.

The occurrence of the above mentioned events could have a material adverse impact on the Group business, competitive position, cash flow, results of operations, liquidity, future growth prospects, shareholders return and damage to the Group reputation.

Risks associated with the exploration and production of oil and natural gas

The exploration and production of oil and natural gas requires high levels of capital expenditures and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of oil and gas fields. A description of the main risks facing the Company s business in the exploration and production of oil and gas is provided below.

Eni s oil and natural gas offshore operations are particularly exposed to health, safety, security and environmental risks

Eni has material operations relating to the exploration and production of hydrocarbons located offshore. In 2013, approximately 55% of our total oil and gas production for the year derived from offshore fields, mainly in Egypt, Libya, Norway, Italy, Angola, the Gulf of Mexico, Congo, UK and Nigeria. Offshore operations in the oil and gas industry are inherently riskier than onshore activities. As the Macondo accident occurred in the Gulf of Mexico has shown, the potential impacts of offshore accidents and spills to health, safety, security and the environment can be catastrophic due to the objective difficulties in handling hydrocarbons containment and other factors. Also offshore operations are subject to marine perils, including severe storms and other adverse weather conditions and vessel collisions, as well as interruptions or termination by governmental authorities based on safety, environmental and other considerations. Failure to manage these risks could result in injury or loss of life, damage to property, could have an adverse impact on Eni s future growth prospects, results of operations and liquidity. Because Eni plans to make significant investments in executing high-risk exploration projects, it is likely that Eni will incur significant exploration and dry hole expenses in future years. These high-risk projects generally involve offshore plays located in deep and ultra-deep waters or at deep drilling depths, where operations are more challenging and costly than in other areas. Furthermore, deep and ultra deep water operations may require significant time before commercial production of reserves can commence, increasing both the operational and financial risks associated with these activities. The Company plans to conduct exploration projects offshore West Africa (Angola, Nigeria, Congo, Ghana, Liberia and Gabon), East Africa (Mozambique and Kenya), the South-East Asia (Indonesia, Vietnam and other locations), Australia, the Barents Sea and the Black Sea. In 2012, the Company spent approximately euro 1.8 billion to conduct exploration projects and it plans to spend approximately euro 1.4 billion on average in the next four-year plan on exploration activities. Unsuccessful exploration activities and failure to find additional commercial reserves could reduce future production of oil and natural gas which is highly dependent on the rate of success of exploratory activity.

Development projects bear significant operational risks which may adversely affect actual returns

Eni is executing several development projects to produce and market hydrocarbon reserves. Certain projects target the development of reserves in high-risk areas, particularly offshore and in remote and hostile environments or environmentally sensitive locations. Eni s future results of operations and liquidity depend heavily on its ability to implement, develop and operate major projects as planned. Key factors that may affect the economics of these projects include:

- the outcome of negotiations with co-venturers, governments and state-owned companies, suppliers, customers or others, including, for example, Eni s ability to negotiate favorable long term contracts to market gas reserves;
- the development of reliable spot markets that may be necessary to support the development of particular

environmental damage, and could result in regulatory action, legal liability, loss of revenues and damage to our reputation and could have a material adverse effect on our operations or financial condition.

Exploratory drilling efforts may be unsuccessful

Exploration drilling for oil and gas involves numerous risks including the risk of dry holes or failure to find commercial quantities of hydrocarbons. The costs of drilling, completing and operating wells have margins of uncertainty, and drilling operations may be unsuccessful as a result of a variety of factors, including unexpected drilling conditions, pressure or heterogeneities in formations, equipment failures, blowouts and other forms of accidents, and shortages or delays in the delivery of equipment. The Company engages in large exploration drilling activities offshore, particularly in deep and ultra-deep waters, and in remote areas, in environmentally-sensitive locations and other challenging contexts (e.g. the Barents Sea). In these locations we generally experience more challenging and riskier conditions and incur higher exploration costs than onshore.

Failure to discover commercial quantities of oil and natural gas

production projects, or commercial arrangements for pipelines and related equipment to transport and market hydrocarbons;

- timely issuance of permits and licenses by government agencies;
- the Company s relative size compared to its main competitors which may prevent it from participating in large-scale projects or affect its ability to reap benefits associated with economies of scale, for example by obtaining more favorable contractual terms by suppliers of equipment and services;
- the ability to carefully carry out front-end design engineering at any development projects so as to prevent the occurrence of technical inconvenience during the execution phase;
- delays in manufacturing and delivery of critical equipment, or shortages in the availability of such equipment, causing cost overruns and delays;
- risks associated with the use of new technologies and the inability to develop advanced technologies to maximize the recoverability rate of hydrocarbons or gain access to

previously inaccessible reservoirs;
- poor performance in project execution on the part of international contractors who are awarded project construction activities generally based on the EPC (engineering, procurement, construction) turn key contractual scheme. We believe this kind of risk may be due to lack of contractual flexibility, poor quality of front end design engineering and commissioning delays;
- changes in operating conditions and cost overruns. In recent years, the industry has been impacted by escalating costs of certain critical productive factors including specialized workforce, procurement costs and costs for leasing third party equipment or purchase services such as drilling rigs as a result of industry-wide cost inflation, bottlenecks and other constraints in the worldwide production capacity available to build critical equipment and facilities and growing complexity and scale of projects, including environmental and safety costs. Furthermore, there has been an evolution in the location of our projects, as Eni has been discovering increasingly important volumes of reserves in remote and harsh locations or environmentally sensitive locations (i.e. the Barents Sea, Alaska, the Gulf of Mexico, the Caspian Sea) where Eni is experiencing significantly higher operating costs and environmental, safety and other costs than in other locations. The Company expects that costs in its upstream operations will continue to rise in the foreseeable future;
- the actual performance of the reservoir and natural field decline; and
- the ability and time necessary to build suitable transport infrastructures to export production to final markets.

Poor project execution, inadequate front end engineering, delays in the achievement of critical events and production start up, and differences between scheduled and actual timing, as well as cost overruns may adversely affect the economic returns of our development projects. Failure to successfully deliver major projects could negatively impact results of operations, cash flow and the achievement of short-term targets of production growth. Finally, developing and marketing hydrocarbons reserves typically requires several years after a discovery is made. This is because a development project involves an array of complex and lengthy activities, including appraising a discovery in order to evaluate its commercial potential, sanctioning a delivery of critical equipment reflecting capacity constraints. These events have impacted the timing profile of our planned production growth in the short term.

In case the Company is unable to develop and operate major projects as planned, particularly if the Company fails to accomplish budgeted costs and time schedules, it could incur significant impairment charges associated with reduced future cash flows of those projects on capitalized costs.

Inability to replace oil and natural gas reserves could adversely impact results of operations and financial condition

Eni s results of operations and financial condition are substantially dependent on its ability to develop and sell oil and natural gas. Unless the Company is able to replace produced oil and natural gas, its reserves will decline. In addition to being a function of production, revisions and new discoveries, the Company s reserve replacement is also affected by the entitlement mechanism in its Production Sharing Agreements (PSAs) and similar contractual schemes. In accordance with such contracts, Eni is entitled to a portion of a field s reserves, the sale of which is intended to cover expenditures incurred by the Company to develop and operate the field. The higher the reference prices for Brent crude oil used to estimate Eni s proved reserves, the lower the number of barrels necessary to recover the same amount of expenditures. Future oil and gas production is dependent on the Company s ability to access new reserves through new discoveries, application of improved techniques, success in development activity, negotiation with Countries and other owners of known reserves and acquisitions. In a number of reserve-rich Countries, national oil companies control a large portion of oil and gas reserves that remain to be developed. To the extent that national oil companies decide to develop those reserves without the participation of international oil companies or if the Company fails to establish partnership with national oil companies, Eni s ability to access or develop additional reserves will be limited.

An inability to replace produced reserves by finding, acquiring and developing additional reserves could adversely impact future production levels and growth development project and building and commissioning related facilities. As a consequence, rates of return for such long-lead-time projects are exposed to the volatility of oil and gas prices and costs which may be substantially different from the prices and costs assumed when the investment decision was actually made, leading to lower rates of return. In addition, projects executed with partners and co-venturers reduce the ability of the Company to manage risks and costs, and Eni could have limited influence over and control of the operations, behaviors and performance of its partners. Furthermore, Eni may not have full operation control of the joint ventures in which it participates and may have exposure to counterparty credit risk and disruption of operation and strategic objectives due to the nature of its relationships.

We have experienced a few delays at a number of development projects located mainly in Algeria, the UK, Angola and Norway. Those delays were attributable to execution issues and prospects. If Eni is unsuccessful, it may not meet its long-term targets of production growth and reserve replacement, and Eni s future total proved reserves and production will decline, negatively affecting Eni s future results of operations and financial condition.

Changes in crude oil and natural gas prices may adversely affect Eni s results of operations

The exploration and production of oil and gas is a commodity business with a history of price volatility. The single largest variable that affects the Company s results of operations and financial condition is crude oil prices. Lower crude oil prices have an adverse impact on Eni s results of operations and cash flows. Eni generally does not hedge exposure of the future expected cash flows of the Group reserves to movements in crude oil price. As a consequence, Eni s profitability depends heavily on crude oil and natural gas prices. Crude oil and natural gas prices are subject to international supply and demand and other factors that are beyond Eni s control, including among other things:

(i) the control on production exerted by the Organization of the Petroleum Exporting Countries (OPEC) member Countries which control a significant portion of the world s supply of oil and can exercise substantial influence on price levels;
(ii) global geopolitical and economic developments, including sanctions imposed on certain oil-producing Countries on the basis of resolutions of the United Nations or bilateral sanctions or disruptions due to local instability. We believe that crude oil prices were supported in 2013 by a number of interruptions in the output flows that occurred in Countries like Libya, Nigeria and Syria due to local issues driven by political and social instability;
(iii) global and regional dynamics of demand and supply of oil and gas. We believes that global oil demand will grow at a moderate pace in the foreseeable future due to sluggish economic activity in Europe and other macroeconomic uncertainties, and more efficient use of fuels and energy in OECD Countries;
(iv) prices and availability of alternative sources of energy.
Eni believes that gas demand in Europe has been significantly impacted by a shift to the use of coal in firing power plants due to cost advantages compared to gas, as well as the rising contribution of renewable energies in satisfying energy requirements. Eni expects those trends to continue in the future;
(v) governmental and intergovernmental regulations, including the implementation of national or international laws or regulations intended to limit greenhouse gas emissions, which could impact the prices of hydrocarbons; and
(vi) success in developing and applying new technology.
All these factors can affect the global balance between demand and supply for oil and prices of oil.
We estimate that movements in oil prices impact approximately 50% of our current production as the remaining portion which derives from Production Sharing Contracts is practically unaffected by crude oil price movements which instead impact the Company s volume entitlements (see our disclosure under the paragraph Inability to replace oil and natural gas reserves could adversely impact results of operations and financial condition above). In addition, we expect that the Company results of operations from 2014 onwards will reflect our decision late in 2013 to fully planned or being implemented, leading the Company to reschedule, postpone or cancel development projects, or accept a lower rate of return on such projects; (ii) reducing the Group s liquidity, entailing lower resources to fund expansion projects, further dampening the Company s ability to grow future production and revenues; and (iii) triggering a review of future recoverability of the Company s carrying amounts of oil and gas properties, which could lead to the recognition of significant impairment charges.
The Company, like other players in the industry, assesses its oil&gas projects based on long-term scenarios for oil prices, which reflect management s best assumptions about the underlying fundamentals of global demand and supply. This approach supports the achievement of the expected returns on capital projects through the swings of the oil&gas cycle. For the 2014-2017 period Eni assumed a long-term price of $90 a barrel (real terms 2017). In this context the Company approved a capital expenditure plan amounting to euro 54 billion, 82% relating to exploration and development of oil and gas reserves, with a decrease of 5% in comparison with previous plan due to a higher degree of capital selection through a different schedule of project phases.
Volatile oil prices represent an uncertainty factor in view of achieving the Company s operating targets of production growth and reserve replacement due to the relevant amount of Production Sharing Agreements in Eni s portfolio. Under such contracts, the Company is entitled to receive a portion of the production, the sale of which should cover expenditures incurred and earn the Company a share of profit. Accordingly, the higher the reference prices for crude oil used to determine production and reserve entitlements, the lower the number of barrels to cover the same dollar amounts hence the amounts of booked production and reserves; and vice versa. The Company currently estimates that production entitlements in its PSAs decreases on average by approximately 1,000 bbl/d for a $1 increase in oil prices. The impact of price effects on the Company s production was immaterial in 2013. This sensitivity analysis relates to the existing Eni portfolio and might vary in the future.

Eni expects that tightening regulation in oil and gas activities following the

exploit the benefits of the natural hedging occurring between our Exploration & Production and Gas & Power segments. As a matter of fact, we estimate that the exposure to changes in crude oil prices of approximately 8-10% of our production is offset by equivalent and contrarian movements of the procurement costs of gas in our long-term supply contracts which index the cost of gas to crude oil prices. In previous reporting periods we entered into commodity derivatives to protect margins on gas sales in our Gas & Power business from exposure to crude oil changes and late in 2013 we discontinued this policy with a view to exploit the natural hedge provided by our equity production of crude oil. See the risk factors exposure to financial risks below.

Lower oil and gas prices over prolonged periods may also adversely affect Eni s results of operations and cash flows by:

(i) reducing rates of return of development projects either

Macondo accident will lead to rising compliance costs and other restrictions

The production of oil and natural gas is highly regulated and is subject to conditions imposed by governments throughout the world in matters such as the award of exploration and production interests, the imposition of specific drilling and other work obligations, income taxes and taxes on production, environmental protection measures, control over the development and abandonment of fields and installations, and restrictions on production. Following the Macondo accident in the Gulf of Mexico, Eni expects that governments throughout the world will implement stricter regulation on environmental protection, risk prevention and other forms of restrictions to drilling and other well operations. These new regulations and legislation, as well as evolving practices, could increase the cost of compliance and may also require changes to our drilling operations and exploration and development plans and may lead to higher royalties and taxes.

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Eni Annual Report / **Financial review and other information**

Uncertainties in estimates of oil and natural gas reserves

Several uncertainties are inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables, among which the most important are the following:
- the quality of available geological, technical and economic data and their interpretation and judgment;
- projections regarding future rates of production and costs and timing of development expenditures;
- changes in the prevailing tax rules, other government regulations and contractual conditions;
- results of drilling, testing and the actual production performance of Eni s reservoirs after the date of the estimates which may drive substantial upward or downward revisions;

and changes in oil and natural gas prices which could affect the quantities of Eni s proved reserves since the estimates of reserves are based on prices and costs existing as of the date when these estimates are made. Lower oil prices or the projections of higher operating and development costs may impair the ability of the Company to economically produce reserves leading to downward reserve revisions.
In particular the reserve estimates are subject to revisions as prices fluctuate due to the cost recovery mechanism under the Company s PSAs and similar contractual schemes.
Many of these factors, assumptions and variables involved in estimating proved reserves are subject to change over time therefore impacting the estimates of oil and natural gas reserves. Accordingly, the estimated reserves reported as of the end of the period covered by this filing could be significantly different from the quantities of oil and natural gas that will ultimately be recovered. Any downward revision in Eni s estimated quantities of proved reserves would indicate lower future production volumes, which could adversely impact Eni s results of operations and financial condition.

Oil and gas activity may be subject to increasingly high levels of income taxes

operations and cash flows.
In the current uncertain financial and economic environment, governments are facing greater pressure on public finances, which may increase their motivation to intervene in the fiscal framework for the oil and gas industry, including the risk of increased taxation, nationalization and expropriations.
Eni s results depend on its ability to identify and mitigate the above mentioned risks and hazards which are inherent to Eni s operation.

Political considerations

A substantial portion of Eni s oil and gas reserves and gas supplies are located in Countries which are politically, socially and economically less stable than OECD Countries. Therefore Eni is exposed to risks of material disruptions to its operations in those less stable Countries. As of December 31, 2013, approximately 78% of Eni s proved hydrocarbon reserves were located in such Countries and 62% of Eni s supplies of natural gas came from Countries outside OECD Countries.

Adverse political, social and economic developments in any of those less stable Countries may negatively affect Eni s ability to continue operating in an economic way, either temporarily or permanently, and Eni s ability to access oil and gas reserves. In particular, Eni faces risks in connection with the following issues:
(i) lack of well-established and reliable legal systems and uncertainties surrounding enforcement of contractual rights;
(ii) unfavorable developments in laws, regulations and contractual arrangements leading, for example, to expropriations or forced divestitures of assets and unilateral cancellation or modification of contractual terms.
Eni is facing increasing competition from state-owned oil companies who are partnering Eni in a number of oil and gas projects and properties in the host Countries where Eni conducts its upstream operations. These state-owned oil companies can change contractual terms and other conditions of oil and gas projects in order to obtain a larger profit share from a given project, thereby reducing Eni s profit share. Furthermore, as of the

The oil and gas industry is subject to the payment of royalties and income taxes which tend to be higher than those payable in many other commercial activities. In addition, in recent years, Eni has experienced adverse changes in the tax regimes applicable to oil and gas operations in a number of Countries where the Company conducts its upstream operations. As a result of these trends, management estimates that the tax rate applicable to the Company s oil and gas operations is materially higher than the Italian statutory tax rate for corporate profit which currently stands at 38%. The tax rate of the Company s Exploration & Production segment for the fiscal year 2013 was approximately 60%. Management believes that the marginal tax rate in the oil and gas industry tends to increase in correlation with higher oil prices which could make it more difficult for Eni to translate higher oil prices into increased net profit. However, the Company does not expect that the marginal tax rate will decrease in response to falling oil prices. Adverse changes in the tax rate applicable to the Group profit before income taxes in its oil and gas operations would have a negative impact on Eni s future results of

balance sheet date receivables for euro 575 million relating to cost recovery under certain petroleum contracts in a non-OECD Country were the subject of an arbitration proceeding;
(iii) restrictions on exploration, production, imports and exports;
(iv) tax or royalty increases (including retroactive claims); and
(v) civil and social unrest, internal conflicts and other forms of political instability sabotages, strikes, acts of violence and incidents. These risks could result in disruptions in the economic activity, loss of output, plant closure, project delays, the loss of our personnel or assets, cause us to evacuate our personnel from certain Countries, cause us to increase spending on security worldwide, disrupt financial and commercial markets, including the supply of and pricing for oil and natural gas, and generate greater political and economic instability in some of the geographic areas in which we operate. Areas

where we operate that have significant risk include, but are not limited to: the Middle East, Libya, Egypt, Algeria, Nigeria, Angola, Indonesia, Kazakhstan, Nigeria, Russia, and Venezuela. In addition, any possible reprisals as a consequence of military or other action, such as acts of terrorism in the United States or elsewhere, could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition. In 2013 our expected production levels in Nigeria and Libya were negatively impacted by continuing social unrest, protests, strikes, acts of sabotage and theft which forced us to disrupt or reduce our producing activities with an estimated cumulative loss of output of 110 boe/d for the year, negatively affecting our results of operations and cash flow. Looking forward, we expect that those risks will continue to affect our operations in those Countries and we do not plan for any meaningful recovery in our production plateau in both Countries over the next couple of years. In 2013 our production in Libya was 228 kboe/d, down by 12% from 2012; in Nigeria its was 125 kboe/d down by 19% from 2012. For more information about the status of our operations in Libya see the paragraph below.

While the occurrence of those events is unpredictable, it is likely that the occurrence of such events could cause Eni to incur material production losses or facility disruptions, by this way adversely impacting Eni s results of operations and cash flow.

Risks associated with continuing political instability in North Africa and the Middle East

As of end of 2013, approximately 30% of the Company s proved oil and gas reserves were located in North Africa and the Middle East. In 2011, several North African and Middle Eastern oil producing Countries experienced an extreme level of political instability that has resulted in changes in governments, unrest and violence and consequential economic disruptions. The instability of the socio-political framework in those Countries still represents an area of concern involving risks and uncertainties for the foreseeable future; particularly the internal situation in Libya continues to represent an issue for Eni s management. Throughout the course of Country. However, the Company has not experienced any disruption at its producing activities in the Country to date.

The Company believes that the political outlook in North Africa and the Middle East remains an area of risk for the Company s operations, results and strategic development.

Risks in the Company s Gas & Power business

Risks associated with the trading environment and competition in the industry

2013 marked the third consecutive year of operating losses at our Gas & Power segment which was driven by a prolonged demand downturn, strong competitive pressures and gas oversupplies. The Company expects those structural headwinds to continue to adversely impact results of operations and liquidity for the foreseeable future.

Gas demand has been severely hit by the economic slowdown in Europe and, more importantly, a steep fall of gas consumption in the thermoelectric sector. The latter trend was affected by an ongoing expansion of renewable sources of electricity which have benefited of governmental subsides across Europe, whilst coal has displaced gas on a large scale in firing power plants due to cost advantages and lowering rates for obtaining emission allowances in Europe due to the downturn. Coal prices have seen a dramatic fall in recent years due to a massive glut of coal on a global scale. In the face of weak demand, supplies on the European marketplace have continued to increase due to a number of factors. First of all, before the beginning of the downturn gas wholesaler operators in Europe grossly overestimated the projected growth rates in demand and committed to purchase large amounts of gas under long-tem supply contracts with producing Countries also bearing the volume risk as a result of the take-or-pay clause of those contracts. They also build large pipeline upgrade to import gas to Europe. Secondly, several LNG projects

2013, Eni s production performance in Libya was negatively impacted due to force majeure events reflecting ongoing instability in the socio-political context of the Country. It is worth mentioning that Eni is currently engaged in the recovery of the full production plateau at its producing assets in the Country, following the internal conflict of 2011 that forced the Company to shutdown almost all its producing facilities including gas exports for a period of about 8 months with a material impact on production volumes and operating results of that year. Due to the complexity of the transition period which the Country is currently undergoing, Eni is still in the process of restoring the full production plateau at its Libyan fields. For the full year 2013 Eni s facilities in Libya produced a level of 228 kboe/d, which was significantly lower than the pre-crisis production plateau of 273 kboe/d attained in 2010.

The internal situation in Egypt too seems to be complex as political unrest and civil clashes have been escalating throughout the course of 2013 jeopardizing any economic activity in the came on stream, which improved the liquidity of spot markets. Finally, the fact that the US has reduced their dependence on LNG imports due to large increases in the domestic production of shale gas. This latter development has further added to global LNG supplies. Those trends have driven the expansion of very liquid continental hubs where spot prices have become the prevailing benchmark of sale contracts, particularly in the industrial and thermoelectric segments. Spot prices have been on a downtrend over the last few years reflecting oversupplies and weak demand. This trend has hit the profitability at European gas marketing operators, including Eni. Particularly, our results of operations for 2013 were adversely impacted by a faster than anticipated alignment between continental benchmarks and spot prices at Italian hubs leading to sharply lower price realizations in the Italian wholesale market. In addition trends in sales prices have not been reflected in the procurement costs of gas supplies as European gas operators procure their gas supplies under long-term contracts with producing Countries whereby the cost of gas is generally indexed to the price of crude oil and other derivatives which have diverged from trends in gas spot prices. Therefore wholesale margins on gas were squeezed due to this decoupling which has occurred between spot prices and the oil-linked costs of purchased gas. Adding to the pressure, reduced sales opportunities due to weak demand forced operators to compete even more aggressively on pricing to limit the financial risks associated with the take-or-pay clause provided by the long term supply contracts. On their part, large clients adopted opportunistic supply patterns, in order to take advantage of the large availability of spot gas. Finally governmental administrations in several European Countries have started to review the indexation mechanism of supply tariffs in the retail sector in order to make residential customers benefit from the ongoing trend in gas spot markets. In Italy, administrative bodies have already enacted effective October 1, 2013 a new indexation mechanism of the cost of the raw material in pricing formulas of the safeguarded retail market whereby the cost of gas in currently indexed to spot prices thus replacing the previous oil-linked indexation. This development will reduce our margins in the residential sector. See Regulation of the natural gas market in Italy below.

We forecast that market conditions will remain unfavorable in the gas sector in Italy and Europe for the foreseeable future due to the structural headwinds described above, volatile commodity prices and lack of visibility. We anticipate a number of risk factors to the profitability outlook of the Company s gas marketing business over the next two to three years. Those include weak demand growth due to a projected slow recovery in the Euro zone and macroeconomic uncertainties, declining thermoelectric consumption due to inter-fuel competition, continuing oversupplies and strong competition. Eni believes that those trends will negatively impact the gas marketing business future results of operations and cash flows by reducing gas selling prices and margins, also considering Eni s obligations under its take-or-pay supply contracts (see below).

The Company is seeking to improve its cost competitiveness by renegotiating more favorable contractual terms with

to large one-off price adjustments recorded in the reporting period when the new terms are agreed upon. In addition, in case the parties fail to arrange renewed contractual terms, both of them may seek an arbitration ruling, which would increase the uncertainty regarding the final outcome of the renegotiation process. A number of clients, to whom Eni supply on long-term basis, have already requested, and may request in the future, price revisions and other contractual changes.

The Company expects that current imbalances between demand and supply in the European gas market will persist for sometime

In 2013 gas demand fell remarkably, down by 7% and 1% in Italy and Europe, respectively, driven by the economic downturn and sharply lower gas consumption in the thermoelectric sector. While there are signs that demand may have finally bottomed by end of 2013, there is still little visibility on the evolution of gas demand due to the risks and uncertainties associated with a number of ongoing trends:

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

Against these ongoing trends, management has revised downward its estimates for gas demand: it is now assumed an almost flat demand environment in Italy and Europe up to 2017 compared to previous years

our long-term suppliers. If we fail to achieve this our profitability could be adversely affected

The Company s long-term supply contracts provide clauses whereby the parties are entitled to renegotiate pricing terms and other contractual conditions from time to time to reflect in a changed market environment. The Company is currently seeking to renegotiate better terms and pricing of our long-term supply contracts to align its cost structure to prices prevailing in the marketplace in order to preserve the profitability of its gas operations and to reduce the annual minim take of its contracts dictated by the take-or-pay clause in order to be more flexible in the current weak demand environment. If Eni fails to obtain the planned benefits, future results and cash flow could be adversely affected. Furthermore, management believes that the results of the Gas & Power segment will become more volatile and unpredictable in future years as contractual renegotiations take time to define, possibly leading

assumptions made in the industrial plan 2013-2016 of a growth rate of 1.7-1.8%. It is worth mentioning that the projected levels of European gas demand in 2017 are significantly lower than the pre-crisis levels registered in 2008 as a result of weak fundamentals.

The projected moderate dynamics in demand might not be enough to balance the current situation of oversupply in the marketplace over the next two to three years according to management s estimates. Gas supplies have been built up in recent years as new, large investments to upgrade import pipelines to Europe have come online from Russia and Algeria and gas wholesalers have contracted important volume of supplies under long-tem arrangement in past years, forecasting certain trends in demand which actually failed to materialize.

Furthermore, in the near future management expects the start-up of new infrastructures in various European entry points which will add large amounts of new import capacity

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over the next few years. Those include a new line of the North Stream pipeline connecting Russia to Germany through the Baltic Sea as well as new LNG facilities. In Italy, the gas offered will increase moderately in the future as a new LNG plant is expected to start operations at Livorno with a 4 bcm treatment capacity and effects are in place of Law Decree No. 130/2010 about storage capacity which is expected to increase by 4 bcm by 2015. Those negatives will be partially tempered by a declining availability of LNG on a worldwide scale which has been absorbed by growing energy requirements from East Asian economies. In addition Europe s internal production is maturing. However, in the long-term management expects the start-up of an array of global LNG projects which are expected to materially add to global LNG supplies as well as it is likely that the United States will support the development of gas export from the domestic production. Overall we see a well supplied global gas market.

Those trends represent risks to the Company s future results of operations and cash flows in its gas business.

Current, negative trends in gas demands and supplies may impair the Company s ability to fulfill its minimum off take obligations in connection with its take-or-pay, long-term gas supply contracts

In order to secure long-term access to gas availability, particularly with a view of supplying the Italian gas market and anticipating certain trends in gas demand which actually failed to materialize, Eni has signed a number of long-term gas supply contracts with national operators of key producing Countries that supply the European gas markets. These contracts have been ensuring approximately 80 bcm of gas availability from 2010 (including the Distrigas portfolio of supplies and excluding Eni s other subsidiaries and affiliates) with a residual life of approximately 14 years and a pricing mechanism that indexes the cost of gas to the price of crude oil and its products (gasoil, fuel oil, etc.). These contracts include take-or-pay clauses whereby the Company is required to off-take minimum, preset volumes of gas in each year of the contractual term or, in case of failure, to pay the whole price, or a fraction of based on the arithmetical average of monthly base prices current in the year of the off-take. Similar considerations apply to ship-or-pay contractual obligations.

Management believes that the current market outlook pointing to weak gas demand growth and large gas availability, the possible evolution of sector-specific regulation, as well as strong competitive pressures in the marketplace represent risk factors to the Company s ability to fulfill its minimum take obligations associated with its long-term supply contracts.

Since the beginning of the downturn in the European gas market late in 2009 to the balance sheet date, Eni has incurred the take-or-pay clause as the Company collected lower volumes than its minimum take obligations in each of those years accumulating deferred costs amounting to euro 1.9 billion and has paid the relevant cash advances.

Considering ongoing market trends and the Company s outlook for its sales volumes which are anticipated to remain flat or to decrease slightly in 2014 and in the subsequent years, management believes that the Company s ability to fulfill its minimum take obligations under current take-or-pay contracts might be at risk. In order to reduce the financial risk the Company may decide to dispose of its gas availability deriving from its minimum take obligations by selling that gas at lower prices thus negatively impacting the results of operations.

In addition to the financial risk, failure to off-take the contractual minimum amounts exposes the Company to a price risk, because the purchase price Eni will ultimately be required to pay is based on future energy prices which may be higher than the energy prices prevailing when the off-take obligation arose. In addition, Eni is subject to the risk of not being able to dispose of pre-paid volumes should the total addressable market be smaller than the Company s gas availability in the relevant period. Finally, the Company expects to incur financing costs considering the cash advances already paid to its suppliers.

As a result of those risks, the Company s selling margins, results of operations and cash flow may be negatively affected.

As to the deferred costs stated in the balance sheet, based on management s outlook for gas demand and offer in Europe, and projections for sales volumes and unit margins in future years, the Company believes that

that price, up to the minimum contractual quantity. The take-or-pay clause entitles the Company to off-take pre-paid volumes of gas in later years during the period of contract execution. Amounts of cash prepayments and time schedules for off-taking pre-paid gas vary from contract to contract. Generally, cash prepayments are calculated on the basis of the energy prices current in the year when the Company is scheduled to purchase the gas, with the balance due in the year when the gas is actually purchased. Amounts of pre-payments range from 10 to 100%. of the full price.

The right to off-take pre-paid gas expires within a ten-year term in some contracts or remains in place until contract expiration in other arrangements. In addition, the right to off-take the pre-paid gas can be exercised in future years provided that the Company has fulfilled its minimum take obligation in a given year and within the limit of the maximum annual quantity. In this case, Eni will pay the residual price calculating it as the percentage that complements 100%, the pre-paid volumes of gas due to the incurrence of the take-or-pay clause will be off-taken in the long-term in accordance to current contractual terms thus recovering the cash advances paid to suppliers.

Management plans to use all available options to mitigate the take-or-pay risk and the associated financial risks, particularly with a view to obtain a better balance in the Italian market where the total addressable market is projected to be lower than the total amount of take-or-pay obligations retained by Italian wholesalers. The planned initiatives include the renegotiations of better pricing term in order to align the cost of supplies to the selling benchmarks prevailing in the marketplace in order to regain competitiveness. Also the Company plans to renegotiate the contractual flexibility in order to reduce its minimum take obligations or to gain higher commercial flexibility, and finally it plans to use commercial and other initiatives involving its suppliers in order to restructure its contract portfolio.

Risks associated with sector-specific regulations in Italy

Risks associated with the regulatory powers entrusted to the Italian Authority for Electricity and Gas in the matter of pricing to residential customers

The Authority for Electricity and Gas is entrusted with certain powers in the matters of natural gas pricing. Specifically, the Authority for Electricity and Gas holds a general surveillance power on pricing in the natural gas market in Italy and the power to establish selling tariffs for the supply of natural gas to residential and commercial users consuming less than 50,000 cm/y (as provided for by Resolution ARG/gas No. 64/2009) taking into account the public goal of containing the inflationary pressure due to rising energy costs.
Accordingly, decisions of the Authority for Electricity and Gas on these matters may limit the ability of Eni to pass an increase in the cost of the raw material onto final consumers of natural gas. Historically, the indexation mechanism set by the Authority for Electricity and Gas basically provided that the cost of the raw material in the pricing formula to the residential sector was indexed to crude oil prices. This allowed Eni to maintain profitable operations in the retail market since selling prices mirrored supply costs.
However, following a wave of governmental measures intended to spur competition in the domestic markets, the AEEG with resolution No. 196 effective October 1, 2013, reformulated the pricing mechanism of gas supplies to retail customers by introducing a full indexation of the raw material cost component of the tariff to spot prices. The new tariff regime intends to partially offset the negative impact to be born by wholesalers by introducing certain tariff components, applicable for the next two thermal years, in order to provide a gradual transition from oil-linked prices to spot market determined prices, to cover the costs of the transition to the new supply formula and to favor an effective renegotiation of long-term contracts for importing gas. Management believes that this development is likely to negatively affect the commence, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with exploration, drilling and production activities, as well as refining, petrochemicals and other Group operations, limit or prohibit drilling activities in certain protected areas, require to remove and dismantle drilling platforms and other equipment and well plug-in once oil and gas operations have terminated, provide for measures to be taken to protect the safety of the workplace and health of communities involved by the Company s activities, and impose criminal or civil liabilities for polluting the environment or harming employees or communities health and safety resulting from oil, natural gas, refining, petrochemical and other Group s operations.
These laws and regulations also discipline emissions of substances and pollutants, handling of hazardous materials and discharges to surface and subsurface of water resulting from the operation of oil and natural gas extraction and processing plants, petrochemical plants, refineries, service stations, vessels, oil carriers, pipeline systems and other facilities owned by Eni. In addition, Eni s operations are subject to laws and regulations relating to the production, handling, transportation, storage, disposal and treatment of waste materials.
Breach of environmental, health and safety laws exposes the Company s employees to criminal and civil liability and the Company to the incurrence of liabilities associated with compensation for environmental, health or safety damage as well as damage to its reputation.
Additionally, in the case of violation of certain rules regarding the safeguard of the environment and safety in the workplace, the Company can be liable due to negligent or willful conduct on part of its employees as per Law Decree No. 231/2001.
Environmental, health and safety laws and regulations have a substantial impact on Eni s operations.
Management expects that the Group will continue to incur significant amounts of operating expenses and expenditures to comply with laws and regulations addressing the safeguard of the environment, safety on the workplace, health of employees, contractors and communities involved by the Company operations, including:
- costs to prevent, control, eliminate or reduce certain types of air and water emissions and handle waste and other hazardous materials, including the costs incurred

profitability of the Company sales in the residential market in Italy because it is expected that trends in spot prices will be less favorable than the oil-linked cost of gas supplies to the Group, thus limiting the ability to pass cost increases to clients. This is likely to adversely affect the Company s future results and cash flow.

Environmental, health and safety regulation

Eni has incurred in the past and expects to incur significant operating expenses and expenditures in relation to compliance with applicable environmental, health and safety regulations in future years

Eni is subject to numerous EU, international, national, regional and local environmental, health and safety laws and regulations concerning its oil and gas operations, products and other activities. Generally, these laws and regulations require the acquisition of a permit before drilling for hydrocarbons may

in connection with government action to address climate change;

- remedial and clean-up measures related to environmental contamination or accidents at various sites, including those owned by third parties (see discussion below);
- damage compensation claimed by individuals and entities, including local, regional or state administrations, caused by our activities or accidents; and
- costs in connection with the decommissioning and removal of drilling platforms and other facilities, and well plugging.

Furthermore, in the Countries where Eni operates or expects to operate in the near future, new laws and regulations, the imposition of tougher license requirements, increasingly strict enforcement or new interpretations of existing laws and regulations or the discovery of previously unknown contamination may also cause us to incur material costs resulting from actions taken to comply with such laws and

regulations, including:
- modifying operations;
- installing pollution control equipment;
- implementing additional safety measures; and
- performing site clean-ups.

As a further result of any new laws and regulations or other factors, Eni may also have to curtail, modify or cease certain operations or implement temporary shutdowns of facilities, which could diminish our productivity and materially and adversely impact our results of operations, including profits.

Security threats require continuous assessment and response measures. Acts of terrorism against our plants and offices, pipelines, transportation or computer systems could severely disrupt businesses and operations and could cause harm to people.

Existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change could have a negative impact on our business and may result in additional compliance obligations with respect to the release, capture, and use of carbon dioxide that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition

Changes in environmental requirements related to greenhouse gases and climate change may negatively impact demand for oil and natural gas exploration and production may decline as a result of environmental requirements (including land use policies responsive to environmental concerns). State, national, and international governments and agencies have been evaluating climate-related legislation and other regulatory initiatives that would restrict emissions of greenhouse gases in areas in which we conduct business. Because our business depends on the global demand for oil and natural gas, existing or future laws, regulations, treaties, or international agreements related to greenhouse gases and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if would result in damage to the environment, employees and communities. The occurrence of any such events could have a material adverse impact on the Group business, competitive position, cash flow, results of operations, liquidity, future growth prospects, shareholders return and damage to the Group reputation.

We are exposed to claims under environmental requirements and, from time-to-time, such claims have been made against us. In Italy, environmental requirements and regulations typically impose strict liability. Strict liability means that in some situations we could be exposed to liability for cleanup and remediation costs, natural resource damages, and other damages as a result of our conduct that was lawful at the time it occurred or the conduct of prior operators or other third parties.

We are periodically notified of potential liabilities at Italian sites. These potential liabilities may arise from both historical Eni operations and the historical operations of companies that we have acquired, including a number of industrial sites that the Company disposed of, liquidated, closed or shut down in prior years where Group products have been produced, processed, stored, distributed or sold, such as chemical plants, mineral-metallurgic plants, refineries and other facilities. At those industrial locations Eni has commenced a number of initiatives to restore and cleanup proprietary or concession areas that were allegedly contaminated and polluted by the Group s industrial activities. Notwithstanding the Group claimed that it cannot be held liable for such past contaminations as permitted by applicable regulations in case of declaration rendered by a guiltless owner i.e. as a result of our conduct that was lawful at the time it occurred, several public administrations have been acting against Eni to claim both the environmental damage and measures to perform additional cleanup and remediation projects in a number of civil and administrative proceedings. We also could be subject to third-party claims, including punitive damages, with respect to environmental matters for which we have been named as a potentially responsible party. Our exposure at these sites may be materially impacted by unforeseen adverse developments both in the final remediation costs and with respect to the final allocation among the various parties involved at the sites.

We expect remedial and cleanup activities at our sites to such laws, regulations, treaties, or international agreements reduce the worldwide demand for oil and natural gas. Likewise, such restrictions may result in additional compliance obligations with respect to the release, capture, sequestration, and use of carbon dioxide that could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Eni has incurred in the past and may incur in the future material environmental liabilities in connection with the environmental impact of its past and present industrial activities. Also plaintiffs may seek to obtain compensation for damage resulting from events of contamination and pollution

Risks of environmental, health and safety incidences and liabilities are inherent in many of Eni s operations and products. Notwithstanding management s belief that Eni adopts high operational standards to ensure safety of its operations and to protect the environment and health of people and employees, it is possible that incidents like blow outs, oil spills, contaminations and similar events could occur that continue the foreseeable future impacting Eni s liquidity, as with reference to the balance sheet date the Group has accrued risk provisions to cope with all existing environmental liabilities whereby both a legal or constructive obligation to perform a clean-up or other remedial actions is in place and the associated costs can be reasonably estimated. The accrued amounts represent the management s best estimates of the Company s liability.

Management believes that it is possible that in the future Eni may incur significant environmental expenses and liabilities in addition to the amounts already accrued due to: (i) the likelihood of as yet unknown contamination; (ii) the results of ongoing surveys or surveys to be carried out on the environmental status of certain Eni s industrial sites as required by the applicable regulations on contaminated sites; (iii) unfavorable developments in ongoing litigation on the environmental status of certain Company s site where

a number of public administrations and the Italian Ministry for the Environment act as plaintiffs; (iv) the possibility that new litigation might arise; (v) the probability that new and stricter environmental laws might be implemented; and (vi) the circumstance that the extent and cost of environmental restoration and remediation programs are often inherently difficult to estimate leading to underestimation of the future costs of remediation and restoration.
As a result of those risks, liability for damages arising as a result of environmental laws could be substantial and could have a material adverse effect on our liquidity, consolidated results of operations, and consolidated financial condition.

Risks related to changes in the price of oil, natural gas, refined products and chemicals

Operating results in Eni s Exploration & Production, Refining & Marketing and Chemical segments are affected by changes in the price of crude oil and by the impacts of movements in crude oil prices on margins of refined and petrochemical products.

Eni s results of operations are affected by changes in international oil prices

Overall, lower oil prices have a net adverse impact on Eni s results of operations. The effect of lower oil prices on Eni s average realizations for produced oil is generally immediate. Furthermore, Eni s average realizations for produced oil differ from the price of Brent crude marker primarily due to the circumstance that Eni s production list, which also includes heavy crude qualities, has a lower American Petroleum Institute (API) gravity compared with Brent crude (when processed the latter allows for higher yields of valuable products compared to heavy crude qualities, hence higher market price).

small businesses as spot prices are progressively replacing oil prices in the indexation mechanism of the raw material cost in selling formulas to those customers. See the paragraph Risks in the Company s gas business above for more information.
In the Refining & Marketing and Chemicals businesses a time lag exists between movements in oil prices and in prices of finished products.

Eni s results of operations are affected by changes in European refining margins

Results of operations of Eni s Refining & Marketing segment are substantially affected by changes in European refining margins which reflect changes in relative prices of crude oil and refined products. The prices of refined products depend on global and regional supply/demand balances, inventory levels, refinery operations, import/export balances and weather.
Furthermore, Eni s realized margins are also affected by relative price movements of heavy or sour crude qualities versus light or sweet crude qualities, taking into account the ability of Eni s refineries to process complex crudes that represent a cost advantage when market prices of heavy crudes are relatively cheaper than the marker Brent price.
In each of the latest three fiscal years, Eni s refining margins were largely unprofitable as the high cost of oil was only partially transferred to final prices of fuels pressured by weak demand, high worldwide and regional inventory levels and excess refining capacity particularly in the Mediterranean area. Furthermore, the profitability of complex cycles was impaired due to shrinking price differentials between heavy crudes versus light ones. Management does not expect any significant recovery in industry fundamentals over the short to medium term. The sector as a whole will continue to suffer from weak demand and excess capacity, while the cost of oil feedstock may continue rising and price differentials may remain compressed.
In this context, management expects that the Company s refining margins will remain at unprofitable levels in 2014 and possibly beyond.

Eni s results of operations are affected by changes in petrochemical margins

The favorable impact of higher oil prices on Eni s results of operations may be offset in part by opposite trends in margins for Eni s downstream businesses

The impact of changes in crude oil prices on Eni s downstream businesses, including the Gas & Power, the Refining & Marketing and the Chemicals businesses, depends upon the speed at which the prices of gas and products adjust to reflect movements in oil prices.

In the Gas & Power segment, increases in oil price represent a risk to the profitability of the Company sales as gas supplies are mainly indexed to the cost of oil and certain refined products, while selling prices are mainly benchmarked to gas spot prices quoted at continental hubs. In the current trading environment, spot prices at those hubs have ceased to track the oil prices to which Eni s long-term supply contracts are indexed.

In addition, the Italian Authority for Electricity and Gas and other European regulatory Authorities may limit the ability of the Company to pass cost increases linked to higher oil prices onto selling prices in supplies to residential customers and

Eni s margins on petrochemical products are affected by trends in demand for petrochemical products and movements in crude oil prices to which purchase costs of petroleum-based feedstock are indexed. Given the commoditized nature of Eni petrochemical products, it is difficult for the Company to transfer higher purchase costs for oil-based feedstock to selling prices to customers. In each of the latest three fiscal years, Eni s petrochemicals business reported operating losses due to unprofitable margins on basic petrochemicals products, mainly the margin on cracker, reflecting high oil-based feedstock costs and as demand for petrochemicals commodities plunged due to the economic downturn. A weak demand outlook and rising oil-based feedstock costs are expected to continue to adversely affect Eni s results of operations and liquidity in this business segment in 2014 and possibly beyond.

Outlook

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

Management expects the key production and sales trends of Eni businesses to be as follows:
- **Production of liquids and natural gas:** production is expected to remain substantially in line to 2013, excluding the impact of the divestment of Eni s interest in the Russian gas assets of Artic Russia;
- **Gas sales:** natural gas sales are expected to be slightly lower than 2013. Management plans to strengthen marketing efforts and innovation to fend off competitive pressures both in the large customers segment and in the retail segment considering an ongoing demand downturn and oversupplies, particularly in Italy;
- **Refining throughputs on Eni s account:** volumes are expected to be slightly lower than those processed in 2013, due to capacity reductions only partially offset by higher output at the new EST technology conversion plant at the Sannazzaro Refinery;
- **Retail sales of refined products in Italy and the Rest of Europe:** retail sales are expected to be slightly lower than in 2013 due to an ongoing demand downturn in Italy and the expected impact of network reorganization in Italy and in Europe;
- **Engineering & Construction:** 2014 will be a transitional year with a recovery in profitability, the dimension of which relies upon the effective execution of operational and commercial activities at low-margin contracts still present in the current portfolio,
in addition to the speed at which bids underway will be awarded.

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

Other information

Consob proceedings

On January 29, 2013 Saipem SpA issued a press release announcing a new estimate of earnings for the full year 2012 and issued an earnings guidance for 2013. In connection with that press release, on January 31, 2013 Saipem received a communication from Consob, the Italian market authority, asking the company to describe the process of evaluation and the considerations that led to the decision to issue such a press release and to report to Consob the information and data used to revise the previous earning guidance.

On June 14, 2013, Saipem SpA issued a press release further revising its guidance for 2013 operating profit and net profit, Consob sent a new request for information on June 19, 2013, regarding: (i) Saipem s contractual relationships with the customer Sonatrach starting from January 2013; (ii) the contracts for which the expected margins have been revised downwards and the relevant reasons. On July 1, 2013 Saipem responded to the above requests.

On July 19, 2013 Consob communicated to Saipem the commencement of a proceeding to review potential issues of non-compliance of Saipem s 2012 separate and consolidated financial statements with the accounting standard IAS 11 (Construction contracts). According to Consob s communication, Saipem should have recognized in the 2012 financial statements the estimate revisions relating to certain contracts which were in progress at December 31, 2012. These estimate revisions were included in the profit warning issued on June 14, 2013 and recognized in the accounts of the first half of 2013. Furthermore, Consob alleged that an increase of costs/losses related to 2012 should have been recorded in the 2012 financial statements, which Saipem did not recognize in either its 2012 Financial Statements or in its 2013 Interim financial statements. In the report on the third quarter of 2013, Saipem announced that it would recognize errors in the separate and consolidated questioned by Consob. On December 5, 2013, Consob, after obtaining additional clarifications and information from Saipem, informed Saipem that it would dismiss the proceeding without requesting Saipem to disclose further accounting information or further challenging the 2012 accounts.

On March 14, 2014, the Saipem Board of Directors approved the separate and consolidated financial statements for 2013, which were prepared in accordance with the announcement made in the report on the third quarter of 2013. Specifically, the adjustment made to the 2012 accounts, which were presented as comparative information in the 2013 financial statements, determined a reduction of euro 245 million in the 2012 net profit and in the net equity as of December 31, 2012, without any tax effect, therefore determining a corresponding increase in the 2013 full year result. On August 2, 2013 Consob requested Eni to state its point of view about: (i) the non-compliance issue of Saipem s 2012 separate and consolidated financial statements with IFRSs; (ii) the impact that such issues may have on the Eni s financial statements. Eni replied to Consob, with reference to the first item that it was specifically addressed by Saipem; with reference to the possible effect of a restatement of the Saipem s financial statements on the Eni s consolidated financial statements, Eni submitted to Consob that, in accordance with IAS 8, any adjustment should be made only if the misstatement can be deemed to be material. Eni believes that the restatement made by Saipem of its accounts cannot be considered material within Eni s consolidated financial statements, taking into account the size of the restated amount in the context of the Eni s consolidated results, assets and total equity. Accordingly, Eni s consolidated accounts for the year 2013 did not reflect the restatement made by Saipem, and Eni s 2012 comparative financial statements are consistent with those included in the annual report for the year 2012. Therefore, Eni s consolidated results for the full year 2013 reflect the euro 245 million lower financial statements as of December 31, 2013, in accordance with IAS 8, paragraph 42. Therefore, in the 2013 Annual Report, the comparative financial statements for 2012 were restated to recognize euro 245 million of lower contract revenues relating to the projects whose accounting was contract revenues (before elimination of an immaterial amount of intercompany profit), which instead were recognized by Saipem in the 2012 restated comparative financial data.

The effects of the restatement that was made by Saipem and not by Eni are disclosed below.

SUMMARIZED GROUP BALANCE SHEET

(euro million)	Dec. 31, 2012	Saipem s adjustment (*)	Dec. 31, 2012 restated
Net capital employed	**78,069**	**(245)**	**77,824**
Total Eni s shareholders equity	**62,558**	**(245)**	**62,313**
Non-controlling interest	*59,060*	*(106)*	*58,954*
Eni s shareholders equity	*3,498*	*(139)*	*3,359*
Net borrowings	**15,511**		**15,511**
Total liabilities and shareholders equity	**78,069**	**(245)**	**77,824**

GROUP BALANCE SHEET

(euro million)	Dec. 31, 2012	Saipem s adjustment (*)	Dec. 31, 2012 restated
Total assets	**139,878**	**(245)**	**139,633**
Total liabilities	**77,320**		**77,320**
Total Eni s shareholders equity	**62,558**	**(245)**	**62,313**
Non-controlling interest	*3,498*	*(139)*	*3,359*
Eni s shareholders equity	*59,060*	*(106)*	*58,954*
Total liabilities and shareholders equity	**139,878**	**(245)**	**139,633**

PROFIT AND LOSS

(euro million)	2012	Saipem s adjustment (*)	2012 restated
Net profit	**8,676**	**(245)**	**8,431**
Eni s shareholders	*7,790*	*(106)*	*7,684*
Non-controlling interest	*886*	*(139)*	*747*

PROFIT AND LOSS

(euro million)	2013	Saipem s adjustment (*)	2013 restated
Net profit	**4,972**	**245**	**5,217**
Eni s shareholders	*5,160*	*106*	*5,266*
Non-controlling interest	*(188)*	*139*	*(49)*

(*) Before elimination of immaterial intersegment profit.

Treasury shares

As of December 31, 2013, Eni s treasury shares in portfolio amounted to No. 11,388,287, corresponding to 0.31% of share capital of Eni, represented by No. 3,634,185,330 ordinary shares, for a total book value of euro 201 million. Compared to December 31, 2012, there was no variation regarding the number of Eni s treasury shares in portfolio.

On May 10, 2013, the Ordinary Shareholders meeting prior to each individual transaction, increased by 5% and in any case up to a total amount of euro 6,000 million, according to the operational procedures established by the rules that govern the organization and management of Borsa Italiana SpA.

As of February 28, 2014 Eni repurchased 6,620,916 treasury shares for a total amount of euro 113 million at an average price of euro 17.0865 per share.

revoked, for the part that had not been accomplished by the date of meeting, the authorization to purchase ordinary Eni shares, resolved on July 16, 2012 by the Board of Directors. Besides that, the Ordinary Shareholders meeting resolved to authorize the Board of Directors to purchase Eni s shares on the Mercato Telematico Azionario in one or more transactions and in any case within 18 months from the date of the resolution up to a maximum number of 363,000,000 ordinary Eni s shares, for a total amount not less than euro 1.102 and not more than the official price, recorded for the security in the Stock Exchange session

Continuing listing standards provided by Article No. 36 of Italian exchanges regulation (adopted with Consob Decision No. 16191/2007 as amended) about issuers that control subsidiaries incorporated or regulated in accordance with laws of extra-EU Countries

Certain provisions have been enacted regulating continuing Italian listing standards of issuers controlling subsidiaries that are incorporated or regulated in accordance with laws of extra-EU Countries, also having a material impact on the Consolidated Financial Statements of the parent company.

Regarding the aforementioned provisions, the Company discloses that:
- as of December 31, 2013, ten of Eni s subsidiaries: Burren Energy (Bermuda) Ltd, Eni Congo SA, Eni Norge AS, Eni Petroleum Co Inc, NAOC-Nigerian Agip Oil Co Ltd, Nigerian Agip Exploration Ltd, Burren Energy (Congo) Ltd, Eni Finance USA Inc, Eni Trading & Shipping Inc and Eni Canada Holding Ltd, fall within the scope of the new continuing listing standards. Eni has already adopted adequate procedures to ensure full compliance with the new regulations;
- the Company has already adopted adequate procedures to ensure full compliance with the regulation.

Branches

In accordance with Article No. 2428 of the Italian Civil Code, it is hereby stated that Eni has the following branches:

San Donato Milanese (MI) - Via Emilia, 1;
San Donato Milanese (MI) - Piazza Vanoni, 1.

Subsequent events

On March 28, 2014, through an accelerated book-building procedure aimed at institutional investors, Eni sold approximately 7% of the share capital of Galp Energia SGPS SA at the price of euro 12.10 per share, for a total consideration of euro 702.4 million. Following this transaction, Eni retains a 9% interest in Galp, of which 8% underlying the approximately euro 1,028 million exchangeable bond due on November 30, 2015.

Other subsequent business developments are described in the operating review of each of Eni s business segments.

Glossary

The glossary of oil and gas terms is available on Eni s web page at the address eni.com. Below is a selection of the most frequently used terms.

Financial terms

- **Dividend Yield** Measures the return on a share based on dividends for the year. Calculated as the ratio of dividends per share of the year and the average reference price of shares in the last month of the year. Generally, companies tend to keep a constant dividend yield, as shareholders compare this indicator with the yield of other shares or other financial instruments (e.g. bonds).

- **Leverage** Is a measure of a company s debt, calculated as the ratio between net financial debt and shareholders equity, including minority interests.

- **ROACE** Return On Average Capital Employed Is the return on average capital invested, calculated as the ratio between net income before minority interests, plus net financial charges on net financial debt, less the related tax effect and net average capital employed.

- **Coverage** Financial discipline ratio, calculated as the ratio between operating profit and net finance charges.

- **Current ratio** Measures the capability of the company to repay short-term debt, calculated as the ratio between current assets and current liabilities.

- **Debt coverage** Rating companies use the debt coverage ratio to evaluate debt sustainability. It is calculated as the ratio between net cash provided by operating activities and net borrowings, less cash and cash-equivalents, Securities held for non-operating purposes and financing receivables for non operating purposes.

- **Profit per boe** Measures the return per oil and natural gas barrel produced. It is calculated as the ratio between Results of operations from E&P activities (as defined by FASB Extractive Activities - Oil & Gas Topic 932) and impairment and exploration expenses (as defined by FASB Extractive Activities - Oil & Gas Topic 932) and volumes of oil and gas produced.

- **Finding & Development cost per boe** Represents Finding & Development cost per boe of new proved or possible reserves. It is calculated as the overall amount of exploration and development expenditure, the consideration for the acquisition of possible and probable reserves as well as additions of proved reserves deriving from improved recovery, extensions, discoveries and revisions of previous estimates (as defined by FASB Extractive Activities - Oil & Gas Topic 932).

Oil and natural gas activities

- **Average reserve life index** Ratio between the amount of reserves at the end of the year and total production for the year.

- **Barrel** Volume unit corresponding to 159 liters. A barrel of oil corresponds to about 0.137 metric tons.

- **Boe (Barrel of Oil Equivalent)** Is used as a standard unit measure for oil and natural gas. From July 1, 2012, Eni has updated the conversion rate of gas to 5,492 cubic feet of gas equals 1 barrel of oil (it was 5, 550 cubic feet of gas per barrel in previous reporting periods).

- **Carbon Capture and Storage (CCS)** Technique of CO_2 capture and storage through an integrated process that involves: (i) capture of CO_2 associated with large combustion plants, power generation plants, industrial point sources, as well as natural gas fields; (ii) transport to the storage sites, generally via pipeline; and (iii) sequestration in geological sites on land or under the sea floor.

- **Concession contracts** Contracts currently applied mainly in Western Countries regulating relationships between States and oil companies with regards to production sold.

- **Opex per boe** Measures efficiency in the oil&gas development activities, calculated as the ratio between operating costs (as defined by FASB Extractive Activities - Oil & Gas Topic 932) and production sold.

- **Cash flow per boe** Represents cash flow per each boe of hydrocarbon produced, less non-monetary items. Calculated as the ratio between Results of operations from E&P activities, net of depreciation, depletion, amortization and

hydrocarbon exploration and production. The company holding the mining concession has an exclusive on mining activities and for this reason it acquires a right on hydrocarbons extracted, against the payment of royalties to the State on production and taxes on oil revenues.

- **Condensates** These are light hydrocarbons produced along with gas, that condense to a liquid state at normal temperature and pressure for surface production facilities.

- **Contingent resources** Amounts of oil and gas estimated at a given date that are potentially recoverable by means of development projects that are not considered commercially recoverable due to one or more contingency.

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Eni Annual Report / **Glossary**

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

- **Deep waters** Waters deeper than 200 meters.

- **Development** Drilling and other post-exploration activities aimed at the production of oil and gas.

- **Elastomers** (or Rubber) Polymers, either natural or synthetic, which, unlike plastic, when stress is applied, return, to a certain degree, to their original shape, once the stress ceases to be applied. The main synthetic elastomers are polybutadiene (BR), styrene-butadiene rubber (SBR), ethylenepropylene rubber (EPR), thermoplastic rubber (TPR) and nitrylic rubber (NBR).

- **Emissions of NMVOC (Non Methane Volatile Organic Compounds)** Total direct emissions of hydrocarbons, hydrocarbons substitutes (e.g. mercaptans) and oxygenated hydrocarbons (e.g. MTBE) that evaporate at normal temperature. They include LPG and exclude methane. Main sources are fugitive emissions from storage tanks and pipelines in industrial plants and deposits, distribution networks, flaring (often incomplete), venting, etc.

- **Emissions of NO_x (Nitrogen Oxides)** Total direct emissions of nitrogen oxides deriving from combustion processes in air. They include NO_x emissions from flaring activities, sulphur recovery processes, FCC regeneration, etc. They include NO and NO_2 emissions and exclude N_2O emissions.

- **Emissions of SO_x (Sulfur Oxides)** Total direct emissions of sulfur oxides including SO_2 and SO_3 emissions. Main sources are combustion plants, diesel engines (including maritime engines), gas flaring (if the gas contains H_2S), sulphur recovery processes, FCC regeneration, etc.

- **FPSO vessel** Floating, Production, Storage and Offloading system made-up of a large capacity oil tanker including a large hydrocarbon treatment plant. This system, moored at the bow in order to maintain a geostationary position, is in fact a temporary fixed platform linking the underwater wellheads to the treatment, storage and offloading systems onboard by means of risers from the seabed.

- **Green House Gases (GHG)** Gases in the atmosphere, transparent to solar radiation, can consistently trap infrared radiation emitted by the earth s surface, atmosphere and clouds. The six relevant greenhouse gases covered by the Kyoto Protocol are carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs) and sulfur hexafluoride (SF_6). GHGs absorb and emit radiation at specific wavelengths within the range of infrared radiation determining the so called greenhouse phenomenon and the related increase of earth s average temperature.

- **Infilling wells** Infilling wells are wells drilled in a producing area in order to improve the recovery of hydrocarbons from the field and to maintain and/or increase production levels.

- **LNG** Liquefied Natural Gas obtained through the cooling of natural gas to minus 160 °C at normal pressure. The gas is liquefied to allow transportation from the place of extraction to the sites at which it is transformed and consumed. One ton of LNG corresponds to 1,400 cubic meters of gas.

- **LPG** Liquefied Petroleum Gas, a mix of light petroleum fractions, gaseous at normal pressure and easily liquefied at room temperature through limited compression.

- **Mineral Potential (Potentially recoverable hydrocarbon volumes)** Estimated recoverable volumes which cannot be defined as reserves due to a number of reasons, such as the temporary lack of viable markets, a possible commercial recovery dependent on the development of new technologies, or for their location in accumulations yet to be developed or where evaluation of known accumulations is still at an early stage.

- **Enhanced recovery** Techniques used to increase or stretch over time the production of wells.

- **EPC (Engineering, Procurement, Construction)** A contract typical of onshore construction of large plants in which the contractor supplies engineering, procurement and construction of the plant. The contract is defined "turnkey" when the plant is supplied for start-up.

- **EPCI (Engineering, Procurement, Commissioning, Installation)** A contract typical of offshore construction of complex projects (such as the installation of production platforms or FPSO systems) in which the global or main contractor, usually a company or a consortium of companies, supplies engineering, procurement, construction of plant and infrastructure, transport to the site and all preparatory activities for the start-up of plants.

- **Exploration** Oil and natural gas exploration that includes land surveys, geological and geophysical studies, seismic data gathering and analysis, and well drilling.

- **Mineral Storage** Volumes of natural gas required for allowing optimal operation of natural gas fields in Italy for technical and economic reasons.

- **Modulation Storage** Volumes of natural gas required for meeting hourly, daily and seasonal swings of demand.

- **Natural gas liquids** Liquid or liquefied hydrocarbons recovered from natural gas through separation equipment or natural gas treatment plants. Propane, normal-butane and isobutane, isopentane and pentane plus, that used to be defined natural gasoline, are natural gas liquids.

- **Network Code** A code containing norms and regulations for access to, management and operation of natural gas pipelines.

- **Offshore/onshore** The term offshore indicates a portion of open sea and, by induction, the activities carried out in such area, while onshore refers to land operations.

- Oil spills Discharge of oil or oil products from refining or oil waste occurring in the normal course of operations (when accidental) or deriving from actions intended to hinder operations of business units or from sabotage by organized groups (when due to sabotage or terrorism).

- **Olefins (or Alkenes)** Hydrocarbons that are particularly active chemically, used for this reason as raw materials in the synthesis of intermediate products and of polymers.

- **Over/underlifting** Agreements stipulated between partners regulate the right of each to its share in the production of a set period of time. Amounts different from the agreed ones determine temporary over/underlifting situations.

- **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.

- **Production Sharing Agreement** 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.

- **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

(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.

- **Ship-or-pay** Clause included in natural gas transportation contracts according to which the customer for which the transportation is carried out is bound to pay for the transportation of the gas also in case the gas is not transported.

- **Strategic Storage** Volumes of natural gas required for covering lack or reduction of supplies from extra-European sources or crises in the natural gas system.

- **Swap** In the gas sector, the term is referred to a buy/sell contract between some counterparties and is generally aimed to the optimization of transport costs and respective commitments in purchasing and supplying.

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

reasonable certainty to be economically producible from a given date forward, from know reservoirs, and under existing economic conditions. 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.

- **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;

- **Upstream/mid-downstream** The term upstream refers to all hydrocarbon exploration and production activities. The term mid-downstream includes all activities inherent to process crude oil and oil-based feedstock for the production of fuels, lubricants and chemicals, as well as the supply, trading and transportation of energy commodities. It also includes the marketing business of refined and chemicals products.

- **Wholesale sales** Domestic sales of refined products to wholesalers/distributors (mainly gasoil), public administrations and end consumers, such as industrial plants, power stations (fuel oil), airlines (jet fuel), transport companies, big buildings and households. They do not include distribution through the service station network, marine bunkering, sales to oil and petrochemical companies, importers and international organizations.

- **Workover** Intervention on a well for performing significant maintenance and substitution of basic equipment for the collection and transport to the surface of liquids contained in a field.

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Balance sheet

(euro million)	Note	December 31, 2012 Total amount	December 31, 2012 *of which with related parties*	December 31, 2013 Total amount	December 31, 2013 *of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(7)	7,765		5,288	
Financial assets held for trading	(8)			5,004	
Financial assets available for sale	(9)	235		235	
Trade and other receivables	(10)	28,747	*2,714*	29,073	*2,072*
Inventories	(11)	8,496		7,883	
Current tax assets	(12)	771		802	
Other current tax assets	(13)	1,230		825	
Other current assets	(14)	1,624	*8*	1,325	*15*
		48,868		**50,435**	
Non-current assets					
Property, plant and equipment	(15)	63,466		62,506	
Inventory - compulsory stock	(16)	2,538		2,571	
Intangible assets	(17)	4,487		3,877	
Equity-accounted investments	(18)	4,262		3,934	
Other investments	(18)	5,085		3,027	
Other financial assets	(19)	1,229	*642*	1,097	*560*
Deferred tax assets	(20)	5,027		4,662	
Other non-current receivables	(21)	4,400	*43*	3,683	*42*
		90,494		**85,357**	
Assets held for sale	(32)	**516**		**2,296**	
TOTAL ASSETS		**139,878**		**138,088**	
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities					
Short-term debt	(22)	2,223	*403*	2,742	*502*
Current portion of long-term debt	(27)	2,961		2,149	
Trade and other payables	(23)	23,581	*1,616*	23,598	*2,164*
Income taxes payable	(24)	1,622		742	
Other taxes payable	(25)	2,162		2,268	
Other current liabilities	(26)	1,437	*6*	1,448	*17*
		33,986		**32,947**	
Non-current liabilities					
Long-term debt	(27)	19,279		20,988	
Provisions for contingencies	(28)	13,603		13,167	
Provisions for employee benefits	(29)	1,374		1,245	
Deferred tax liabilities	(30)	6,740		6,723	
Other non-current liabilities	(31)	1,977	*16*	1,704	

		42,973	**43,827**
Liabilities directly associated with assets held for sale	(32)	**361**	**140**
TOTAL LIABILITIES		**77,320**	**76,914**
SHAREHOLDERS EQUITY	(33)		
Non-controlling interest		**3,498**	**2,964**
Eni shareholders equity			
Share capital		4,005	4,005
Reserve related to the fair value of cash flow hedging derivatives net of tax effect		(16)	(154)
Other reserves		49,438	51,393
Treasury shares		(201)	(201)
Interim dividend		(1,956)	(1,993)
Net profit		7,790	5,160
Total Eni shareholders equity		**59,060**	**58,210**
TOTAL SHAREHOLDERS EQUITY		**62,558**	**61,174**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**139,878**	**138,088**

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Profit and loss account

(euro million)	Note	2011 Total amount	2011 *of which with related parties*	2012 Total amount	2012 *of which with related parties*	2013 Total amount	2013 *of which with related parties*
REVENUES							
Net sales from operations	(36)	107,690	*3,477*	127,220	*3,783*	114,722	*3,386*
Other income and revenues		926	*41*	1,546	*56*	1,385	*30*
		108,616		**128,766**		**116,107**	
OPERATING EXPENSES	(37)						
Purchases, services and other		78,795	*5,880*	95,363	*6,604*	90,213	*8,506*
- of which non-recurring charge (income)	(44)	*69*					
Payroll and related costs		4,404	*33*	4,613	*21*	5,264	*41*
OTHER OPERATING (EXPENSE) INCOME	(37)	**171**	*32*	**(158)**	*10*	**(71)**	*68*
DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS	(37)	**8,785**		**13,561**		**11,703**	
OPERATING PROFIT		**16,803**		**15,071**		**8,856**	
FINANCE INCOME (EXPENSE)	(38)						
Finance income		6,376	*49*	7,218	*53*	5,746	*56*
Finance expense		(7,410)	*(1)*	(8,314)	*(4)*	(6,649)	*(87)*
Financial instruments held for trading						4	
Derivative financial instruments		(112)		(251)		(92)	
		(1,146)		**(1,347)**		**(991)**	
INCOME (EXPENSE) FROM INVESTMENTS	(39)						
Share of profit (loss) of equity-accounted investments		500		278		252	
Other gain (loss) from investments		1,623	*338*	2,603		5,863	
- of which gain on disposals of the 28.57% of Eni East Africa BV						*3,359*	
		2,123		**2,881**		**6,115**	
PROFIT BEFORE INCOME TAXES		**17,780**		**16,605**		**13,980**	
Income taxes	(40)	(9,903)		(11,661)		(9,008)	
Net profit for the year - Continuing operations		**7,877**		**4,944**		**4,972**	
Net profit (loss) for the year - Discontinued operations		**(74)**	*400*	**3,732**	*2,234*		
Net profit for the year - Continuing operations		**7,803**		**8,676**		**4,972**	
Attributable to Eni							
Continuing operations		6,902		4,200		5,160	
Discontinued operations		(42)		3,590			
		6,860		**7,790**		**5,160**	
Attributable to non-controlling interest	(33)						
Continuing operations		975		744		(188)	
Discontinued operations		(32)		142			
		943		**886**		**(188)**	

Earnings per share attributable to Eni (euro per share)	(41)			
Basic		1.89	2.15	1.42
Diluted		1.89	2.15	1.42
Earnings per share attributable to Eni - Continuing operations (euro per share)	(41)			
Basic		1.90	1.16	1.42
Diluted		1.90	1.16	1.42

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Statement of comprehensive income

(euro million)	Note	2011	2012	2013
Net profit		**7,803**	**8,676**	**4,972**
Other items of comprehensive income				
Items not to be reclassified to profit or loss in subsequent periods				
Revaluations of defined benefit plans	(33)		(150)	65
Share of other comprehensive income on equity accounted entities in relation to revaluations of defined benefit plans	(33)		1	(3)
Tax effect	(33)		53	(40)
			(96)	**22**
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Foreign currency translation differences	(33)	1,031	(718)	(1,871)
Change in the fair value of investments	(33)		141	(64)
Change in the fair value of other available-for-sale financial instruments	(33)	(6)	16	(1)
Change in the fair value of cash flow hedging derivatives	(33)	352	(102)	(199)
Share of other comprehensive income on equity-accounted entities	(33)	(13)	7	1
Tax effect	(33)	(128)	32	63
		1,236	**(624)**	**(2,071)**
Total other items of comprehensive income		**1,236**	**(720)**	**(2,049)**
Total comprehensive income		**9,039**	**7,956**	**2,923**
Attributable to				
Eni		8,097	7,096	3,164
Non-controlling interest		942	860	(241)
		9,039	**7,956**	**2,923**

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Statements of changes in shareholders equity

	Eni shareholders equity														
(euro million)	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Reserve related to the fair value of cash flow hedging derivatives net of tax effect	Reserve related to the fair value of available-for-sale financial instruments net of tax effect	Reserve for defined benefit plans net of tax effect	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Non-controlling interest	To sharel eq
Balance at December 31, 2010	**4,005**	**959**	**6,756**	**(174)**	**(3)**		**1,518**	**539**	**(6,756)**	**39,855**	**(1,811)**	**6,318**	**51,206**	**4,522**	**55,728**
Net profit of the year												**6,860**	**6,860**	**943**	**7,803**
Other items of comprehensive income															
Other comprehensive income to be reclassified to profit or loss in subsequent periods															
Foreign currency translation differences								1,000		31			1,031		1,031
Change in the fair value of other available-for-sale financial instruments net of tax effect					(5)								(5)		(5)
Change in the fair value of cash flow hedge derivatives net of tax effect				223									223		223
Share of "Other comprehensive income" on equity-accounted entities							(12)						(12)	(1)	(13)
				223	**(5)**		**(12)**	**1,000**		**31**			**1,237**	**(1)**	**1,236**
Total comprehensive income of the year				**223**	**(5)**		**(12)**	**1,000**		**31**		**6,860**	**8,097**	**942**	**9,039**
Transactions with shareholders															
Dividend distribution of Eni SpA (euro 0.50 per share in settlement of 2010 interim dividend of euro 0.50 per share)											1,811	(3,622)	(1,811)		(1,811)
Interim dividend distribution of Eni SpA (euro 0.52 per share)											(1,884)		(1,884)		(1,884)
Dividend distribution of other companies														(571)	(571)
Allocation of 2010 net profit										2,696		(2,696)			
Payments by minority shareholders														26	26
Acquisition of non-controlling interest relating to Altergaz SA and Tigáz Zrt							(94)			(25)			(119)	(7)	(126)
Effect related to the purchase of Italgas SpA							(5)						(5)	5	

by Snam SpA														
Treasury shares sold following the exercise of stock options exercised by Eni managers			(3)					3	3			3		3
Treasury shares sold following the exercise of stock options by Saipem and Snam managers						14			(10)			4	13	17
Non-controlling interest excluded following the sale of Acqua Campania SpA and the divestment of the control stake in the share capital of Petromar Lda													(10)	(10)
			(3)			**(85)**		**3**	**2,664**	**(73)**	**(6,318)**	**(3,812)**	**(544)**	**(4,356)**
Other changes in shareholders equity														
Cost related to stock options									2			2		2
Stock options expired									(7)			(7)		(7)
Other changes									(14)			(14)	1	(13)
									(19)			**(19)**	**1**	**(18)**
Balance at December 31, 2011	**4,005**	**959**	**6,753**	**49**	**(8)**	**1,421**	**1,539**	**(6,753)**	**42,531**	**(1,884)**	**6,860**	**55,472**	**4,921**	**60,393**

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continued # Statements of changes in shareholders equity

(euro million)	Note	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Reserve related to the fair value of cash flow hedging derivatives net of tax effect	Reserve related to the fair value of available-for-sale financial instruments net of tax effect	Reserve for defined benefit plans net of tax effect	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Non-controlling interest	sh
		Eni shareholders equity														
Balance at December 31, 2011		**4,005**	**959**	**6,753**	**49**	**(8)**		**1,421**	**1,539**	**(6,753)**	**42,531**	**(1,884)**	**6,860**	**55,472**	**4,921**	**60,393**
Changes in accounting principles (IAS 19)											(52)			(52)	(9)	(61)
Balance at January 1, 2012		**4,005**	**959**	**6,753**	**49**	**(8)**		**1,421**	**1,539**	**(6,753)**	**42,479**	**(1,884)**	**6,860**	**55,420**	**4,912**	**60,332**
Net profit of the year													**7,790**	**7,790**	**886**	**8,676**
Other items of comprehensive income																
Items not to be reclassified to profit or loss in subsequent periods																
Revaluations of defined benefit plans net of tax effect	(33)						(87)							(87)	(10)	(97)
Share of "Other comprehensive income" on equity-accounted entities in relation to revaluations of defined benefit plans net of tax effect	(33)						(1)							(1)	2	1
							(88)							**(88)**	**(8)**	**(96)**
Other comprehensive income to be reclassified to profit or loss in subsequent periods																
Foreign currency translation differences	(33)								(597)		(104)			(701)	(17)	(718)
Change in the fair value of investments net of tax effect	(33)					138								138		138
Change in the fair value of other available-for-sale financial instruments net of tax effect	(33)					14								14		14
Change in the fair value of cash flow hedge derivatives net	(33)				(65)									(65)		(65)

of tax effect																
Share of "Other comprehensive income" on equity-accounted entities	(33)							8						8	(1)	7
					(65)	**152**		**8**	**(597)**		**(104)**			**(606)**	**(18)**	**(624)**
Total comprehensive income of the year					**(65)**	**152**	**(88)**	**8**	**(597)**		**(104)**		**7,790**	**7,096**	**860**	**7,956**
Transactions with shareholders																
Dividend distribution of Eni SpA (euro 0.52 per share in settlement of 2011 interim dividend of euro 0.52 per share)												1,884	(3,768)	(1,884)		(1,884)
Interim dividend distribution of Eni SpA (euro 0.54 per share)	(33)											(1,956)		(1,956)		(1,956)
Dividend distribution of other companies															(686)	(686)
Allocation of 2011 net profit											3,092		(3,092)			
Effect related to the sale of Snam SpA											371			371	(1,602)	(1,231)
Acquisition of non-controlling interest relating to Altergaz SA and Tigáz Zrt	(33)							(4)						(4)	(3)	(7)
Treasury shares sold following the exercise of stock options exercised by Eni managers	(33)			(1)						1	1			1		1
Treasury shares sold following the exercise of stock options by Saipem managers	(33)							7						7	22	29
				(1)				**3**		**1**	**3,464**	**(72)**	**(6,860)**	**(3,465)**	**(2,269)**	**(5,734)**
Other changes in shareholders equity																
Elimination of treasury shares				(6,551)						6,551						
Reconstitution of the reserve for treasury share				6,000							(6,000)					
Stock options expired											(7)			(7)		(7)
Other changes								(1,140)			1,156			16	(5)	11
				(551)				**(1,140)**		**6,551**	**(4,851)**			**9**	**(5)**	**4**
Balance at December 31, 2012	(33)	**4,005**	**959**	**6,201**	**(16)**	**144**	**(88)**	**292**	**942**	**(201)**	**40,988**	**(1,956)**	**7,790**	**59,060**	**3,498**	**62,558**

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continued Statements of changes in shareholders equity

(euro million)	Note	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Reserve related to the fair value of cash flow hedging derivatives net of tax effect	Reserve related to the fair value of available-for-sale financial instruments net of tax effect	Reserve for defined benefit plans net of tax effect	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Non-controlling interest	sh
		Eni shareholders equity														
Balance at December 31, 2012	(33)	**4,005**	**959**	**6,201**	**(16)**	**144**	**(88)**	**292**	**942**	**(201)**	**40,988**	**(1,956)**	**7,790**	**59,060**	**3,498**	**62,558**
Net profit of the year													**5,160**	**5,160**	**(188)**	**4,972**
Other items of comprehensive income																
Items not to be reclassified to profit or loss in subsequent periods																
Revaluations of defined benefit plans net of tax effect	(33)						18							18	7	25
Share of "Other comprehensive income" on equity-accounted entities in relation to revaluations of defined benefit plans net of tax effect	(33)						(1)							(1)	(2)	(3)
							17							**17**	**5**	**22**
Other comprehensive income to be reclassified to profit or loss in subsequent periods																
Foreign currency translation differences	(33)						(1)		(1,640)		(171)			(1,812)	(59)	(1,871)
Change in the fair value of investments net of tax effect	(33)					(62)								(62)		(62)
Change in the fair value of other available-for-sale financial instruments net of tax effect	(33)					(1)								(1)		(1)
Change in the fair value of cash flow hedge derivatives net of tax effect	(33)				(138)									(138)		(138)
Share of "Other comprehensive income" on equity-accounted entities	(33)														1	1

					(138)	**(63)**	**(1)**		**(1,640)**		**(171)**			**(2,013)**	**(58)**	**(2,071)**
Total comprehensive income of the year					**(138)**	**(63)**	**16**		**(1,640)**		**(171)**		**5,160**	**3,164**	**(241)**	**2,923**
Transactions with shareholders																
Dividend distribution of Eni SpA (euro 0.54 per share in settlement of 2012 interim dividend of euro 0.54 per share)	(33)										(829)	1,956	(3,083)	(1,956)		(1,956)
Interim dividend distribution of Eni SpA (euro 0.55 per share)	(33)											(1,993)		(1,993)		(1,993)
Dividend distribution of other companies															(251)	(251)
Allocation of 2012 net profit											4,707		(4,707)			
Acquisition of non-controlling interest relating to Tigáz Zrt	(33)							4						4	(32)	(28)
Payments and reimbursements by/to minority shareholders	(33)														(4)	(4)
Treasury shares sold following the exercise of stock options by Saipem managers	(33)														1	1
								4			**3,878**	**(37)**	**(7,790)**	**(3,945)**	**(286)**	**(4,231)**
Other changes in shareholders equity																
Exclusion from the consolidation of Distribudora de Gas de Cuyana SA and Inversora de Gas de Cuyana SA following loss of control and Finpipe GIE following the divestment															(23)	(23)
Elimination of intercompany profit between companies with different Group interest											(32)			(32)	32	
Stock options expired											(13)			(13)		(13)
Other changes											(24)			(24)	(16)	(40)
											(69)			**(69)**	**(7)**	**(76)**
Balance at December 31, 2013	(33)	**4,005**	**959**	**6,201**	**(154)**	**81**	**(72)**	**296**	**(698)**	**(201)**	**44,626**	**(1,993)**	**5,160**	**58,210**	**2,964**	**61,174**

Contents

Statement of cash flows

(euro million)	Note	2011	2012	2013
Net profit of the year - Continuing operation		7,877	4,944	4,972
Adjustments to reconcile net profit to net cash provided by operating activities				
Depreciation and amortization	(37)	7,755	9,538	9,303
Impairments of tangible and intangible assets, net	(37)	1,030	4,023	2,400
Share of (profit) loss of equity-accounted investments	(39)	(500)	(278)	(252)
Gain on disposal of assets, net		(1,176)	(875)	(3,770)
Dividend income	(39)	(659)	(431)	(400)
Interest income		(99)	(108)	(155)
Interest expense		773	803	709
Income taxes	(40)	9,903	11,661	9,008
Other changes		331	(1,945)	(1,878)
Changes in working capital:				
- inventories		*(1,400)*	*(1,395)*	*320*
- trade receivables		*218*	*(3,184)*	*(1,363)*
- trade payables		*34*	*2,029*	*706*
- provisions for contingencies		*109*	*338*	*58*
- other assets and liabilities		*(657)*	*(1,161)*	*765*
Cash flow from changes in working capital		(1,696)	(3,373)	486
Net change in the provisions for employee benefits		(10)	11	5
Dividends received		955	988	684
Interest received		99	91	108
Interest paid		(927)	(825)	(944)
Income taxes paid, net of tax receivables received		(9,893)	(11,868)	(9,307)
Net cash provided by operating activities - Continuing operations		**13,763**	**12,356**	**10,969**
Net cash provided by operating activities - Discontinued operations		**619**	**15**	
Net cash provided by operating activities		**14,382**	**12,371**	**10,969**
- of which with related parties	(43)	***(639)***	***(1,542)***	***(3,354)***
Investing activities:				
- tangible assets	(15)	*(11,658)*	*(11,222)*	*(10,864)*
- intangible assets	(17)	*(1,780)*	*(2,295)*	*(1,886)*
- consolidated subsidiaries and businesses	(34)	*(115)*	*(178)*	*(25)*
- investments	(18)	*(245)*	*(391)*	*(292)*
- securities		*(62)*	*(17)*	*(5,048)*
- financing receivables		*(715)*	*(1,634)*	*(989)*
- change in payables and receivables in relation to investing activities and capitalized depreciation		*379*	*54*	*48*
Cash flow from investing activities		(14,196)	(15,683)	(19,056)
Disposals:				
- tangible assets		*154*	*1,229*	*514*

- intangible assets		*41*	*61*	*16*
- consolidated subsidiaries and businesses	(34)	*1,006*	*3,521*	*3,401*
- investments		*711*	*1,203*	*2,429*
- securities		*128*	*52*	*33*
- financing receivables		*695*	*1,578*	*1,565*
- change in payables and receivables in relation to disposals		*243*	*(252)*	*155*
Cash flow from disposals		2,978	7,392	8,113
Net cash used in investing activities		**(11,218)**	**(8,291)**	**(10,943)**
- of which with related parties	(43)	***(800)***	***1,535***	***(398)***

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continued # Statement of cash flows

(euro million)	Note	2011	2012	2013
Proceeds from long-term debt	(27)	4,474	10,484	5,418
Repayments of long-term debt	(27)	(889)	(3,784)	(4,669)
Increase (decrease) in short-term debt	(22)	(2,481)	(753)	1,029
		1,104	**5,947**	**1,778**
Net capital contributions by non-controlling interest		26		(4)
Sale of treasury shares		3		
Net acquisition of treasury shares different from Eni SpA		17	29	1
Acquisition of additional interests in consolidated subsidiaries		(126)	604	(28)
Dividends paid to Eni s shareholders		(3,695)	(3,840)	(3,949)
Dividends paid to non-controlling interest		(552)	(539)	(251)
Net cash used in financing activities		**(3,223)**	**2,201**	**(2,453)**
- of which with related parties	(43)	***348***	***(94)***	***118***
Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)		(7)	(4)	(13)
Effect of exchange rate changes on cash and cash equivalents and other changes		17	(12)	(37)
Net cash flow of the year		**(49)**	**6,265**	**(2,477)**
Cash and cash equivalents - beginning of the year	(7)	**1,549**	**1,500**	**7,765**
Cash and cash equivalents - end of the year	(7)	**1,500**	**7,765**	**5,288**

Notes to the Consolidated Financial Statements

1 Basis of presentation

The Consolidated Financial Statements of Eni Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to Article 6 of the EC Regulation No. 1606/2002, of the European Parliament and of the Council of July 19, 2002 and in accordance with Article 9 of Legislative Decree No. 38/2005[1]. Oil and natural gas exploration and production activity is accounted for in conformity with internationally accepted accounting standards. Specifically, this concerns the determination of the amortization expenses using the unit-of-production method and the recognition of the production sharing agreement and buyback contracts. The Consolidated Financial Statements have been prepared on a historical cost basis, taking into account where appropriate of any value adjustments, except for certain items that under IFRS must be recognized at fair value as described in the summary of significant accounting policies paragraph.

The 2013 Consolidated Financial Statements approved by Eni s Board of Directors on March 17, 2014, were audited by the independent auditor Reconta Ernst & Young SpA. The independent auditor of Eni SpA, as the main auditor, is wholly in charge of the auditing activities of the Consolidated Financial Statements; when there are other independent auditors, it takes the responsibility of their work.

Amounts in the financial statements and in the notes are expressed in millions of euros (euro million).

2 Principles of consolidation

Subsidiaries

as described below under the item Non-current financial assets .

The income and expense of a subsidiary are included in the consolidated financial statements from the acquisition date until the date when the parent ceases to control the subsidiary. Assets and liabilities, revenues and expenses related to fully consolidated subsidiaries are wholly incorporated in the Consolidated Financial Statements; the book value of these subsidiaries is eliminated against the corresponding share of the shareholders equity. Equity and net profit of non-controlling interests are included in specific lines of equity and profit and loss account.

The purchase of additional equity interests in subsidiaries from non-controlling interests is recognized in the Group shareholders equity and represents the excess of the amount paid over the carrying value of the non-controlling interests acquired; similarly, the effects of the sale of non-controlling interests in subsidiaries without loss of control are recognized in equity. Conversely, the sale of equity interests with loss of control determines the recognition in the profit and loss account of: (i) any gain/loss calculated as the difference between the consideration received and the corresponding transferred share of equity; (ii) any gain or loss recognized as a result of remeasuring to fair value any investment retained in the former subsidiary; (iii) any amount related to the former subsidiary previously recognized in other comprehensive income which can be reclassified subsequently to profit and loss account[3]. Any investment retained in the former subsidiary is recognized at its fair value at the date when control is lost and shall be accounted for in accordance with the applicable measurement criteria. Subsidiaries financial statements are audited by external auditors who audit also the information required for the preparation of the Consolidated Financial Statements.

Business combinations

Business combination transactions are recognized by applying the acquisition method. The consideration transferred in a business combination is measured at the acquisition date and is the sum of the fair value of the assets transferred, the liabilities incurred, as well as any

The Consolidated Financial Statements include the financial statements of Eni SpA and those of its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
For entities acting as sole-operator in the management of oil and gas contracts on behalf of companies participating in a joint project, the activities are financed proportionally based on a budget approved by the participating companies upon presentation of periodical reports of proceeds and expenses. Costs and revenues and other operating data (production, reserves, etc.) of the project, as well as the related obligations arising from the project, are recognized proportionally directly in the financial statements of the companies involved.
Some subsidiaries are not consolidated because they are immaterial, either individually or overall; this exclusion has not produced significant[2] effects on the Consolidated Financial Statements. These investments are accounted for

equity instruments issued by the acquirer.
Acquisition-related costs are recognized in profit and loss account when they are incurred.
At the acquisition date, the acquirer shall measure the identifiable assets acquired and liabilities assumed at their acquisition-date fair values[4], unless IFRSs provide exceptions to this measurement principle.
The surplus of the cost of investment over the Group s share of the net fair value of the identifiable assets and liabilities is recognized as goodwill; a gain from a bargain purchase is recognized in the profit and loss account. Any non-controlling interest is measured as the proportionate share in the recognized amounts of the acquiree s identifiable net assets at the acquisition date (partial goodwill method); as an alternative, it is allowed the recognition of the entire amount of goodwill deriving from the acquisition, including also the goodwill attributable to non-controlling interests (full goodwill method). In the last case, non-controlling interests are measured at their fair value which therefore includes the goodwill attributable to them[5]. The choice of measurement

(1) The Consolidated Financial Statements are compliant with IFRSs as issued by the IASB and effective for the year 2013, except for IFRS 10 Consolidated Financial Statements , IAS 27 Separate Financial Statements , IFRS 11 Joint arrangements , IAS 28 Investments in Associates and Joint Ventures and IFRS 12 Disclosure of Interests in Other Entities (see also Recent accounting standards). Therefore, the above mentioned standards are effective for 2013 Annual Report on Form 20-F, because, starting from 2007 Eni has been applying the SEC provisions which allow foreign private issuers that prepare their financial statements according to IFRS as issued by the IASB (even if not yet endorsed) to eliminate of the US GAAP reconciliation of net income and equity.
(2) According to the requirements of the Framework of international accounting standards, information is material if its omission or misstatement could influence the economic decisions that users make on the basis of the financial statements.
(3) Conversely, any component related to the former subsidiary previously recognized in other comprehensive income, which can not be reclassified subsequently to profit and loss account, are reclassified within retained earnings.
(4) Fair value measurement principles are described below under the item Fair value measurements .
(5) The choice between partial goodwill and full goodwill method is made also for business combinations resulting in the recognition of a gain on bargain purchase in profit and loss account.

basis of goodwill (partial goodwill method vs. full goodwill method) is made on a transaction-by-transaction basis.
In a business combination achieved in stages, the purchase price is determined by summing the fair value of previously held equity interest in the acquiree and the consideration transferred for the acquisition of control; the previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit and loss account. Furthermore, on acquisition of control, any amount of the acquiree previously recognized in other comprehensive income is charged to profit and loss account or in another item of equity, when the amount cannot be reclassified to profit and loss account.
If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the provisional amounts recognized at the acquisition date shall be retrospectively adjusted within one year from the acquisition date, to reflect new information obtained about facts and circumstances that existed as of the acquisition date.

Intercompany transactions

Intercompany transactions and balances, including unrealized profits arising from intragroup transactions have been eliminated.
Unrealized profits on transactions between the Group and its equity-accounted entities are eliminated to the extent of the Group s interest in the equity-accounted entity. In both cases, unrealized losses are not eliminated as evidence of an impairment of the asset transferred.

Foreign currency translation

Financial statements of foreign companies having a functional currency other than the euro, that represents the Group s functional currency, are translated into euro using the rates of exchange ruling at the balance sheet date for assets and liabilities, historical exchange rates for equity and average exchange rates for the profit and loss account (source: Bank of Italy). The cumulative amount of exchange rate differences is presented in the separate component of the Group shareholders equity Cumulative currency translation differences . Where the foreign subsidiary is not wholly-owned, the accumulated exchange differences that are attributable to non-controlling interests are allocated to, and recognized as part of, Non-controlling interest . Cumulative exchange rate differences are charged to the profit and loss account when the entity disposes the entire interest in a foreign operation or at the loss of control of a foreign subsidiary. In these cases, cumulative exchange rate differences are recognized in the profit and loss account s item Other gain (loss) from investments . On a partial disposal that does not involve loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative exchange rate differences is reattributed to the non-controlling interests in that foreign operation.
Financial statements of foreign subsidiaries which are translated into euro are denominated in the functional currencies of the Countries where the entities operate. The US dollar is the prevalent functional currency for the entities that do not use the euro.
The main foreign exchange rates used to translate the financial statements adopting a different functional currency are indicated below:

(currency amount for euro 1)	US Dollar	Pound Sterling	Norwegian Krone	Australian Dollar	Hungarian Forint
2011					
Annual average exchange rate	1.39	0.87	7.79	1.35	279.37
Exchange rate at year end	1.29	0.84	7.75	1.27	314.58
2012					
Annual average exchange rate	1.28	0.81	7.48	1.24	289.25
Exchange rate at year end	1.32	0.82	7.35	1.27	292.30

2013					
Annual average exchange rate	1.33	0.85	7.81	1.38	296.87
Exchange rate at year end	1.38	0.83	8.36	1.54	297.04

3 Summary of significant accounting policies

The most significant accounting policies used in the preparation of the Consolidated Financial Statements are described below.

Current assets

Cash and cash equivalents include cash on hand, demand deposits, as well as financial assets originally due within 90 days, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.
Available-for-sale financial assets include financial assets other than derivative financial instruments, loans and receivables, held for trading financial assets and held-to-maturity financial assets.
Held for trading financial assets and available-for-sale financial assets are measured at fair value with gains or losses recognized in the profit and loss account under Finance income (expense) and to the equity reserve[6] related to other comprehensive income, respectively. Changes in fair value of available-for-sale financial assets recognized in equity are charged to the profit and loss account when the assets are

(6) Changes in the carrying amount of available-for-sale financial assets relating to changes in a foreign exchange rates are recognized in the profit and loss account.

derecognized or impaired. The objective evidence that an impairment loss has occurred is verified considering, interalia, significant breaches of contracts, serious financial difficulties or the risk of bankruptcy and other financial reorganization of the counterparty; impairment losses of available-for-sale financial assets are included in the carrying amount. Interest and dividends on financial assets measured at fair value are accounted for on an accrual basis in Finance income (expense)[7] and Other gain (loss) from investments , respectively. When the purchase or sale of a financial asset is under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned, the transaction is accounted for on the settlement date. Receivables are measured at amortized cost (see item Non-current financial assets below). Transferred financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets are transferred together with the risks and rewards of the ownership. Inventories, including compulsory stocks and excluding construction contracts, are stated at the lower of purchase or production cost and net realizable value. Net realizable value is the net amount expected to be realized from the sale of inventories in the normal course of business, or, with reference to inventories of crude oil and petroleum products already included in binding sale contracts, the contractual sale price. Inventories which are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price are measured at fair value less costs to sell. The cost for inventories of hydrocarbons (crude oil, condensates and natural gas) and petroleum products is determined by applying the weighted-average cost method on a three-month basis, or monthly, when it is justified by the use and the turnover of inventories of crude oil and petroleum products; the cost for inventories of the Versalis segment is determined by applying the weighted average cost on an annual basis.
Construction contracts are measured using the cost-to-cost method, whereby contract revenue is recognized by reference to the stage of completion of the contract matching it with the contract costs incurred in reaching that stage of completion. Advances are (ii) for the portion which is not recoverable, when it is not possible to collect gas that was previously uncollected within the contractually defined deadlines. Furthermore, the allocated deferred costs are tested for economic recoverability by comparing the related carrying amount and their net realizable value, determined adopting the same criteria described for inventories. Hedging instruments are described in the item Derivatives .

Non-current assets

Property, plant and equipment[8]

Tangible assets, including investment properties, are recognized using the cost model and stated at their purchase or construction cost including any costs directly attributable to bringing the asset into operation. In addition, when a substantial period of time is required to make the asset ready for use, the purchase price or construction cost includes the borrowing costs incurred that could have otherwise been avoided if the expenditure had not been made. In the case of a present obligation for the dismantling and removal of assets and the restoration of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be incurred at the moment the asset is retired. Changes in estimate of the carrying amounts of provisions due to the passage of time and changes in discount rates are recognized under Provisions for contingencies[9] . Property, plant and equipment are not revalued for financial reporting purposes. Assets carried under financial leasing or concerning arrangements that do not take the legal form of a finance lease but substantially transfer all the risks and rewards of ownership of the leased asset are recognized at fair value, net of grants attributable to the lessee or, if lower, at the present value of the minimum lease payments. Leased assets are included within property, plant and equipment. A corresponding financial debt payable to the lessor is recognized as a financial liability. These assets are depreciated using the criteria described below. When the renewal is not reasonably certain, leased assets are depreciated over the shorter of the lease term or the estimated useful life of the asset. Expenditures on renewals, improvements and deducted from inventories within the limits of accrued contractual considerations; any excess of such advances over the value of the inventories is recorded as a liability. Losses related to construction contracts are recognized immediately as an expense when it is probable that total contract costs will exceed total contract revenues.

Construction contract not yet invoiced, whose payment will be made in a foreign currency, is translated into euro using the rates of exchange ruling at the balance sheet date and the effect of rate changes is reflected in the profit and loss account.

When take-or-pay clauses are included in long-term natural gas purchase contracts, uncollected gas volumes which imply the pay clause, measured using the price formulas contractually defined, are recognized under Other assets as Deferred costs as a contra to Other payables or, after the settlement, to Cash and cash equivalents .

The allocated deferred costs are charged to the profit and loss account: (i) when natural gas is actually delivered, the related cost is included in the determination of the weighted-average cost of inventories; and transformations which provide additional economic benefits are recognized as items of property, plant and equipment when it is probable that they will increase the expected future economic benefits of the asset. Tangible assets, from the moment they begin or should begin to be used, are depreciated systematically using a straight-line method over their useful life which is an estimate of the period over which the assets will be used by the Company. When tangible assets are composed of more than one significant element with different useful lives, each component is depreciated separately. The amount to be depreciated is the book value less the residual value at the end of the useful life, if it is significant and can be reasonably determined. Land is not depreciated, even when purchased with a building. Tangible assets held for sale are not depreciated (see item Assets held for sale and discontinued operations below). A change in the depreciation method, deriving from changes in the asset s useful life, in its residual value or in the pattern of consumption of the economic

(7) Interests accrued on financial assets held for trading impact the total fair value measurement of the instrument and are recognized, within the item Finance income (expense) , in the sub-item
Net finance income on financial assets held for trading . Conversely, interests accrued on financial assets available-for-sale are recognized, within the item Finance income (expense) , in the sub-item Finance income .

(8) Recognition and evaluation criteria of exploration and production activities are described in the section Exploration and production activities below.

(9) The Company recognizes material provisions for the retirement of assets in the Exploration & Production segment. 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 undetermined settlement dates for asset retirements do not allow a reasonable estimate of the fair value of the associated retirement obligation. The Company performs periodic reviews of its downstream and chemical long-lived assets for any changes in facts and circumstances that might require recognition of a retirement obligation.

benefits embodied in the asset, shall be recognized prospectively. Assets that can be used free of charge by third parties are depreciated over the shorter term of the duration of the concession or the asset s useful life. Replacement costs of identifiable components in complex assets are capitalized and depreciated over their useful life; the residual book value of the component that has been substituted is charged to the profit and loss account. Expenditures for ordinary maintenance and repairs are expensed as incurred. The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable. The recoverability of an asset is assessed by comparing its carrying value with the recoverable amount, which is the higher of fair value less costs to sell or its value in use. Value in use is the present value of the future cash flows expected to be derived from the use of the asset and, if significant and reasonably determinable, the cash flows deriving from its disposal at the end of its useful life, net of disposal costs. Expected cash flows are determined on the basis of reasonable and supportable assumptions that represent management s best estimate of the range of economic conditions that will exist over the remaining useful life of the asset, giving greater weight to external evidence. Oil, natural gas and petroleum products prices (and to prices for products which derive there from) used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years and management s long-term planning assumptions thereafter. Discounting is carried out at a rate that reflects a current market valuation of the time value of money and of those specific risks of the asset that are not reflected in the estimate of the future cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for the specific Country risk of the activity. The evaluation of the specific Country risk to be included in the discount rate is provided by external parties. WACC differs considering the risk associated with each operating segments; in particular for the assets belonging to the Gas & Power and Engineering & Construction segments, taking into account their different risk compared with Eni as a whole, specific WACC rates have been defined (for Gas exists, a reversal of the impairment loss is recognized in the profit and loss account. The reversal cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Intangible assets

Intangible assets are identifiable assets without physical substance, controlled by the Company and able to produce future economic benefits, and goodwill acquired in business combinations. An asset is classified as intangible when management is able to distinguish it clearly from goodwill. This condition is normally met when: (i) the intangible asset arises from contractual or legal rights; or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged, either individually or together with other assets. An entity controls an asset if it has the power to obtain the future economic benefits flowing from the underlying asset and to restrict the access of others to those benefits. Intangible assets are initially stated at cost as determined by the criteria used for tangible assets and they are not revalued for financial reporting purposes. Intangible assets with a definite useful life are amortized systematically over their useful life estimated as the period over which the assets will be used by the Company; the amount to be amortized and the recoverability of the carrying amount are determined in accordance with the criteria described in the section Property, plant and equipment . Goodwill and other intangible assets with an indefinite useful life are not amortized. Their carrying values are reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is tested for impairment at the lowest level within the entity at which it is monitored for internal management purposes. When the carrying amount of the cash generating unit, including goodwill allocated thereto, calculated considering any impairment loss of the non-current assets belonging to the cash generating unit, exceeds its recoverable amount[10], the excess is recognized as an impairment loss. The impairment loss is first allocated to reduce the carrying amount of goodwill; any remaining excess to be allocated to the assets of the unit is applied pro-rata

& Power segment on the basis of a sample of companies operating in the same segment; for Engineering & Construction segment on the basis of the market quotation); WACC used for impairment reviews in the Gas & Power segment is adjusted to take into consideration the risk premium of the specific Country of the activity while WACC used for impairment reviews in the Engineering & Construction segment is not adjusted for Country risk as most of the assets are not located in a specific Country. For the other segments, a single WACC is used considering that the risk is the same to that of Eni as a whole. Value in use is calculated net of the tax effect as this method results in values similar to those resulting from discounting pre-tax cash flows at a pre-tax discount rate deriving, through an iteration process, from a post-tax valuation. Valuation is carried out for each single asset or, if the recoverable amount of a single asset cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, the so-called cash generating unit . When an impairment loss no longer on the basis of the carrying amount of each asset in the unit. Impairment charges against goodwill are not reversed[11]. Costs of technological development activities are capitalized when: (i) the cost attributable to the development activity can be reliably determined; (ii) there is the intention, availability of financial and technical resources to make the asset available for use or sale; and (iii) it can be demonstrated that the asset is able to generate future economic benefits. Intangible assets also include public to private service concession arrangements concerning the development, financing, operation and maintenance of infrastructures under concession, in which the grantor: (i) controls or regulates what services the operator must provide with the infrastructure, and at what price; and (ii) controls by the ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the concession arrangement. According to the agreements, the operator has the right to operate the infrastructure, controlled by the grantor, in order to provide the public service[12].

(10) For the definition of recoverable amount see item Property, plant and equipment .
(11) Impairment charges recognized in an interim period are not reversed also when, considering conditions existing in a subsequent interim period, they would have been recognized in a smaller amount or would not have been recognized.
(12) When the operator has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor, considerations received or receivable by the operator for construction or upgrade of infrastructure are recognized as a financial asset.

Exploration and production activities[13]

Acquisition of mineral rights

Costs associated with the acquisition of mineral rights are capitalized in connection with the assets acquired (such as exploratory potential, probable and possible reserves and proved reserves). When the acquisition is related to a set of exploratory potential and reserves, the cost is allocated to the different assets acquired on the basis of the value of the expected discounted cash flows. Expenditure for the exploratory potential, represented by the costs for the acquisition of the exploration permits and for the extension of existing permits, is recognized under Intangible assets and is amortized on a straight-line basis over the period of the exploration as contractually established. If the exploration is abandoned, the residual expenditure is charged to the profit and loss account. Acquisition costs for proved reserves and for possible and probable reserves are recognized in the balance sheet as assets. Costs associated with proved reserves are amortized on a UOP basis, as detailed in the section Development , considering both developed and undeveloped reserves. Expenditures associated with possible and probable reserves are not amortized until classified as proved reserves; in case of a negative result, the costs are charged to the profit and loss account.

Exploration

Costs associated with exploratory activities for oil and gas producing properties incurred both before and after the acquisition of mineral rights (such as acquisition of seismic data from third parties, test wells and geophysical surveys) are initially capitalized in order to reflect their nature as an investment and subsequently amortized in full when incurred.

Development

Development expenditures are those costs incurred to obtain access to proved reserves and to provide facilities for extracting, gathering and storing oil and gas. They are then capitalized within property, plant and equipment and amortized generally on a UOP basis, as their useful life is closely related to the availability of economically producible reserves. This method provides

Production-sharing agreements and buyback contracts

Oil and gas reserves related to production-sharing agreements and buyback contracts are determined on the basis of contractual clauses related to the repayment of costs incurred for the exploration, development and production activities executed through the use of Company s technologies and financing (Cost Oil) and the Company s share of production volumes not destined to cost recovery (Profit Oil). Revenues from the sale of the production entitlements against both Cost Oil and Profit Oil are accounted for on an accrual basis whilst exploration, development and production costs are accounted for according to the policies mentioned above. The Company s share of production volumes and reserves representing the Profit Oil includes the share of hydrocarbons which corresponds to the taxes to be paid, according to the contractual agreement, by the national government on behalf of the Company. As a consequence, the Company has to recognize at the same time an increase in the taxable profit, through the increase of the revenues, and a tax expense.

Retirement

Costs expected to be incurred with respect to the retirement of a well, including costs associated with removal of production facilities, dismantlement and site restoration, are capitalized, consistently with the policy described under Property, plant and equipment , and then amortized on a UOP basis.

Grants

Grants related to assets are recognized as a reduction of purchase price or production cost of the related assets when there is reasonable assurance that the conditions attaching to them, agreed upon with the grantor government, have been fulfilled. Grants not related to capital expenditure are recognized in the profit and loss account on an accrual basis matching the related costs when incurred.

Non-current financial assets

Investments

for residual costs at the end of each quarter to be amortized at a rate representing the ratio between the volumes extracted during the quarter and the proved developed reserves existing at the end of the quarter, increased by the volumes extracted during the quarter. This method is applied with reference to the smallest aggregate representing a direct correlation between development expenditures and proved developed reserves. Costs related to unsuccessful development wells or damaged wells are expensed immediately as losses on disposal. Development costs are tested for impairment in accordance with the criteria described in the section Property, plant and equipment .

Production

Production costs are those costs incurred to operate and maintain wells and field equipment and are expensed as incurred.

Investments in subsidiaries excluded from consolidation, jointly controlled entities and associates are accounted for using the equity method[14]. Jointly controlled entities are those entities over which Eni governs, jointly with other venturers, the financial and operating decisions relating to the activity so as to obtain benefits from it. Associates are entities over which Eni has significant influence, that is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Under the equity method, investments are initially recognized at cost, allocating any difference between the cost of the investment and the investor s share of the net fair value of the investee s identifiable net assets analogously to the recognition principles of business combination. Subsequently the carrying amount is adjusted to reflect: (i) the investor s share of the post-acquisition profit or loss of the investee; and (ii) the investor s share of the investee s other comprehensive income. The changes in the equity of investees

(13) IFRS does not have specific criteria for hydrocarbon exploration and production activities. Eni continues to use existing accounting policies for exploration and evaluation of assets previously applied before the introduction of IFRS 6 Exploration for and evaluation of mineral resources .

(14) In the case of step acquisition of a significant influence (or joint control), the investment is recognized, at the acquisition date of significant influence (joint control), at the amount deriving from the use of the equity method assuming the adoption of this method since initial acquisition; the step-up of the carrying amount of interests owned before the acquisition of significant influence (joint control) is taken to equity.

accounted for using the equity method, not arising from the profit or loss or from the other comprehensive income, are recognized in the investor s profit and loss account, as they represent, basically, a gain or loss from a disposal of an interest of the investee s equity. Distributions received from an investee are recorded as a reduction of the carrying amount of the investment. In applying the equity method, consolidations adjustments are considered (see also Principles of consolidation paragraph). When there is objective evidence of impairment (see also section Current assets), the recoverability is tested by comparing the carrying amount and the related recoverable amount determined by adopting the criteria indicated in the item Property, plant and equipment . Subsidiaries excluded from consolidation, jointly controlled entities and associates are accounted for at cost, net of impairment losses if this does not result in a misrepresentation of the Company s financial condition. When an impairment loss no longer exists, a reversal of the impairment loss is recognized in profit and loss account within Other gain (loss) from investments . The reversal cannot exceed the previously recognized impairment losses.

The sale of equity interests with loss of joint control and significant influence over the investee determines the recognition in the profit and loss account of: (i) any gain/loss calculated as the difference between the consideration received and the corresponding transferred share; (ii) any gain or loss recognized as a result of remeasuring to fair value any investment retained in the former joint venture/associate; (iii) any amount related to the former joint venture/associate previously recognized in other comprehensive income which can be reclassified subsequently to profit and loss account[15]. Any investment retained in the former joint venture/associate is recognized at its fair value at the date when joint control or significant influence are lost and shall be accounted for in accordance with the applicable measurement criteria. Other investments, included in non-current assets, are recognized at their fair value and their effects are included in the equity reserve related to other comprehensive income; the changes in fair value recognized in equity are charged to the profit and loss account when it is impaired or realized. Galp and Snam shares related to convertible for impairment or uncollectibility and amortization of any difference between the maturity amount and the initial amount. Amortization is carried out on the basis of the effective interest rate represented by the rate that equalizes, at the moment of the initial recognition, the present value of expected cash flows to the initial carrying amount (so called amortized cost method). Receivables for finance leases are recognized at an amount equal to the present value of the lease payments and the purchase option price or any residual value; the amount is discounted at the interest rate implicit in the lease. If there is objective evidence that an impairment loss has been incurred (see also point Current assets), the impairment loss is measured by comparing the carrying value with the present value of the expected cash flows discounted at the effective interest rate as defined at initial recognition, or at the moment of its updating to reflect re-pricings contractually established. Receivables and financial assets to be held to maturity are presented net of the allowance for impairment losses; when the impairment loss is definite the allowance for impairment losses is reversed for charges, otherwise for excess. Changes to the carrying amount of receivables or financial assets in accordance with the amortized cost method are recognized as Finance income (expense) .

Assets held for sale and discontinued operations

Non-current assets and current and non-current assets included within disposal groups, are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through their continuing use. For this to be the case, the sale must be highly probable and the asset or the disposal group must be available for immediate sale in its present condition. Non-current assets held for sale, current and non-current assets included within disposal groups that have been classified as held for sale and the liabilities directly associated with them are recognized in the balance sheet separately from the entity s other assets and liabilities. Non-current assets held for sale are not depreciated and they are measured at the lower of the fair value less costs to sell and their carrying amount. The classification as held for sale of equity-accounted investments determines the interruption of equity bonds are measured at fair value through profit and loss account, under the fair value option, in order to significantly reduce the accounting mismatch with the recognition of the option embedded in the convertible bond, measured at fair value through profit and loss account. When investments are not traded in a public market and their fair value cannot be reasonably determined, they are accounted for at cost, net of impairment losses; impairment losses shall not be reversed[16]. The investor s share of losses of an investee, that exceeds its interest in the investee, is recognized in a specific provision only to the extent the investor is required to fulfill legal or constructive obligations of the investee or to cover its losses.

Receivables and financial assets to be held to maturity

Receivables and financial assets to be held to maturity are stated at cost represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees of agents or consultants, etc.). The initial carrying value is then adjusted to take into account principal repayments, reductions

method accounting; therefore, in this case, the book value of the investment in accordance with the equity method represents the carrying amount for the measurement as non-current assets held-for sale. Any difference between the carrying amount and the fair value less costs to sell is taken to the profit and loss account as an impairment loss; any subsequent reversal is recognized up to the cumulative impairment losses, including those recognized prior to qualification of the asset as held for sale. Non-current assets and current and non-current assets included within disposal groups, classified as held for sale, are considered a discontinued operation if, alternatively: (i) represent a separate major line of business or geographical area of operations; (ii) are part of a disposal program of a separate major line of business or geographical area of operations; or (iii) are a subsidiary acquired exclusively with a view to resale. The results of discontinued operations, as well as any gain or loss recognized on the disposal, are indicated in a separate profit and loss account item, net of the related tax effects; the economic figures of discontinued operations are indicated also for prior periods presented in the financial statements. When there is a sale plan involving loss of

(15) Conversely, any component related to the former joint venture/associate previously recognized in other comprehensive income, which can not be reclassified subsequently to profit and loss account, are reclassified within retained earnings.
(16) Impairment charges recognized in an interim period are not reversed also when, considering conditions existing in a subsequent interim period, they would have been recognized in a smaller amount or would not have been recognized.

control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling interest in its former subsidiary will be retain after the sale.

Financial liabilities

Debt is measured at amortized cost (see item Non-current financial assets above). Financial liabilities are derecognized when they are extinguished, or when the obligation specified in the contract is discharged or cancelled or expires.

Provisions for contingencies

Provisions for contingencies are liabilities for expenses and charges of a definite nature and whose existence is certain or probable but for which at year-end the timing or amount of future expenditure is uncertain. Provisions are recognized when: (i) there is a present obligation, legal or constructive, as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time. The amount recognized for onerous contracts is the lower of the cost necessary to fulfill the obligations, net of expected economic benefits deriving from the contracts, and any indemnity or penalty arising from failure to fulfill these obligations. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expenditures expected to be required to settle the obligation at a discount rate that reflects the Company s average borrowing rate taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized as Finance income (expense) . When the liability regards a tangible asset (e.g. site dismantling and restoration), the provision is stated with a corresponding entry to the asset to which it refers. Charges to the profit and loss account are made with the

Provisions for employee benefits

Post-employment benefit plans, including informal arrangements, are classified as either defined contribution plans or defined benefit plans depending on the economic substance of the plan as derived from its principal terms and conditions. In the first case, the Company s obligation, which consists of making payments to the State or a trust or a fund,
is determined on the basis of contributions due. The liabilities related to defined benefit plans, net of any plan assets, are determined on the basis of actuarial assumptions and charged on an accrual basis during the employment period required to obtain the benefits. Net interest includes the return on plan assets and the interests cost to be recognized in the profit and loss account. Net interest is measured by applying to the liability, net of any plan assets, the discount rate used to calculate the present value of the liability; net interest of defined benefit plans is recognized in Finance income (expense) . Remeasurements of the net defined benefit liability, comprising actuarial gains and losses, resulting from changes in the actuarial assumptions used or from changes arising from experience adjustments, and the return on plan assets excluding amounts included in net interest, are recognized within statement of comprehensive income. Furthermore, in presence of net assets, changes in their value different from those included in net interest are recognized within statement of comprehensive income. Obligations for long-term benefits are determined by adopting actuarial assumptions. The effects of remeasurements are taken to profit and loss account in their entirety.

Treasury shares

Treasury shares are recognized as deductions from equity at cost.
Gains or losses resulting from subsequent sales are recognized in equity.

Revenues and costs

Revenues associated with sales of products and services are recognized when significant risks and rewards of amortization process. Costs that the Company expects to bear in order to carry out restructuring plans are recognized when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in the affected parties that it will carry out the restructuring. Provisions are periodically reviewed and adjusted to reflect changes in the estimates of costs, timing and discount rates. Changes in provisions are recognized in the same profit and loss account item that had previously held the provision, or, when the liability regards tangible assets (i.e. site dismantling and restoration), changes in the provision are recognized with a corresponding entry to the assets to which they refer, to the extent of the assets carrying amounts; any excess amount is recognized to the profit and loss account. In Note 28 - Provisions for contingencies, the following contingent liabilities are described: (i) possible, but not probable obligations arising from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the Company s control; and (ii) present obligations arising from past events whose amount cannot be reliably measured or whose settlement will probably not result in an outflow of resources embodying economic benefits.

ownership have passed to the customer or when the transaction can be considered settled and the associated revenue can be reliably measured. In particular, revenues are recognized for the sale of:
- crude oil, generally upon shipment;
- natural gas, upon delivery to the customer;
- petroleum products sold to retail distribution networks, generally upon delivery to the service stations, whereas all other sales of petroleum products are generally recognized upon shipment;
- chemical products and other products, generally upon shipment.

Revenues are recognized upon shipment when, at that date, significant risks are transferred to the buyer. Revenues from crude oil and natural gas production from properties in which Eni has an interest together with other producers are recognized on the basis of Eni s net working interest in those properties (entitlement method). Differences between Eni s net working interest volume and actual production volumes are recognized at current prices at year end. Revenues related to partially rendered services are recognized by reference to the stage of completion, provided that: (i) the amount of revenues can be measured reliably; (ii) it is probable that the economic benefits associated with the transaction will flow to the entity; (iii) the stage of completion of the transaction at the end of the reporting period can be measured reliably; and (iv) the related costs can be measured reliably. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable. Revenues accrued during the year related to construction contracts are recognized on the basis of contractual revenues with reference to the stage of completion of a contract measured on the cost-to-cost basis. For service concession arrangements (see item Intangible assets above) in which customers fees do not provide a reliable distinction between the compensation for construction/update of the infrastructure and the compensation for operating it and in the absence of external benchmarks, revenues recognized during the construction/update phase are limited to the amount of the costs incurred. Additional revenues, derived from a change in the scope of work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the related amount. Claims deriving from additional costs incurred for reasons attributable to the customer are included in the total amount of revenues when it is probable that the counterparty will accept them. Tangible assets, different from an infrastructure used in service concession arrangements, transferred from customers (or constructed using cash transferred from customers) and used to connect them to a network to supply goods and services, are recognized at their fair value as an offset to revenues. When more than one separately identifiable service is provided (for example, connection to a network and supply of goods) the entity shall assess for which one service it receives the transferred asset from the customer and it shall consistently recognize a revenue when the connection is delivered or over the lesser period between the length of the supply and the useful life of the transferred asset. Revenues are measured at the fair value of the consideration received or receivable net of returns, discounts, rebates, bonuses and related taxation. Award credits, related to customer loyalty programs, are recognized as a separate component of the sales transaction which grants the right to customers. Therefore, the portion of revenues related to the fair value of award credits granted is consistent with their actual remunerative nature. The instruments granted are recorded at fair value on the vesting date and are not subject to subsequent adjustments; the current portion is calculated pro-rata over the vesting period[17]. The fair value of stock options is determined using valuation techniques which consider conditions related to the exercise of options, current share prices, expected volatility and the risk-free interest rate. The fair value of stock options is recognized as a contra to the equity item Other reserves . The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs incurred for other scientific research activities or technological development, which cannot be capitalized (see item Intangible assets above), are included in the profit and loss account when they are incurred.

Exchange rate differences

Revenues and costs associated with transactions in currencies other than the functional currency are translated into the functional currency by applying the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in currencies other than functional currency are converted by applying the year end exchange rate and the effect is stated in the profit and loss account. Non-monetary assets and liabilities denominated in currencies other than the functional currency valued at cost are translated at the initial exchange rate. Non-monetary items that are measured at fair value, recoverable amount or net realizable value are translated using the exchange rate at the date when the value is determined.

Dividends

Dividends are recognized at the date of the general shareholders meeting in which they were declared, except when the sale of shares before the ex-dividend date is certain.

Income taxes

recognized as an offset to the item Other liabilities . The liability is charged to the profit and loss account in the period in which the award credits are redeemed by customers or the related right is lost. The exchange of goods and services of a similar nature and value do not give rise to revenues and costs as they do not represent sale transactions. Costs are recognized when the related goods and services are sold or consumed during the year, they are systematically allocated or when their future economic benefits cannot be identified. Costs associated with emission quotas, determined on the basis of the market prices, are recognized in relation to the amount of the carbon dioxide emissions that exceed free allowances. Costs related to the purchase of the emission rights are recognized as intangible assets net of any negative difference between the amount of emissions and the free allowances. Revenues related to emission quotas are recognized when they are sold. In case of sale, if applicable, the acquired emission rights are considered as the first to be sold. Monetary receivables granted as a substitution of emission rights awarded free of charge are recognized as a contra to item Other income and revenues of the profit and loss account. Operating lease payments are recognized in the profit and loss account over the length of the contract. Payroll costs include stock options granted to managers,

Current income taxes are determined on the basis of estimated taxable income. The estimated liability is included in Income taxes payable . Current income tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax Authorities, using tax rates and the tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets or liabilities are recognized for temporary differences arising between the carrying amounts of the assets and liabilities and their tax bases, based on tax rates and tax laws that have been enacted or substantively enacted for future years. Deferred tax assets are recognized when their recoverability is considered probable; in particular, deferred tax assets are recoverable when it is probable that taxable income will be available in the same year as the reversal of the deductible temporary difference. Similarly, deferred tax assets for the carryforward of unused tax credits and unused tax losses are recognized to the extent that the recoverability is probable. Relating to the temporary differences associated with investments in subsidiaries, jointly controlled entities and associates, the related deferred tax liabilities are not recognized

(17) Conversely, any component related to the former joint venture/associate previously recognized in other comprehensive income, which can not be reclassified subsequently to profit and loss account, are reclassified within retained earnings.

if the investor is able to control the timing of reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets and liabilities are included in non-current assets and liabilities and are offset at a single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognized in the item Deferred tax assets ; if negative, in the item Deferred tax liabilities . When the results of transactions are recognized directly in shareholders equity, the related current and deferred taxes are also charged to the shareholders equity.

Derivatives

Derivatives, including embedded derivatives which are separated from the host contract, are assets and liabilities measured at their fair value. Derivatives are designated as hedging instruments when the relationship between the derivative and the hedged item is formally documented and the hedge is highly effective and regularly reviewed. When hedging instruments hedge the risk of changes of the fair value of the hedged item (fair value hedge, e.g. hedging of the variability on the fair value of fixed interest rate assets/liabilities), the derivatives are measured at fair value through profit and loss account. Hedged items are consistently adjusted to reflect, in the profit and loss account, the changes of fair value associated with the hedged risk; this applies even if the hedged item should be otherwise measured. When derivatives hedge the cash flow variability risk of the hedged item (cash flow hedge, e.g. hedging the variability on the cash flows of assets/liabilities as a result of the fluctuations of exchange rate), the changes in the fair value of the derivatives, considered an effective hedge, are initially recognized in the equity reserve related to other comprehensive income and then reclassifies to profit and loss account in the same period during which the hedged transaction affects the profit and loss account.
The changes in the fair value of derivatives that do not meet the conditions required to qualify for hedge accounting are recognized in the profit and loss account. In particular, the changes in the fair value of non-hedging derivatives on interest rates and exchange takes place in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market to which the entity has access, independently from the entity s intention to sell the asset or transfer the liability to be measured.
A fair value measurement of a non-financial asset takes into account a market participant s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use; an entity s current use of a non-financial asset is presumed to be its highest and best use, unless market or other factors suggest that a different use by market participants would maximize the value of the asset.
The fair value of a liability, both financial and non-financial, or of an equity instrument, in the absence of a quoted price, is measured from the perspective of a market participant that holds the identical item as an asset at the measurement date. The fair value of a liability reflects the effect of a non-performance risk. Non-performance risk includes, but may not be limited to, an entity s own credit risk.
In the absence of available market quotation, fair value is measured by using valuation techniques that are appropriate in the circumstances, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

4 Financial statements and changes in accounting policies

Financial statements[18]

Assets and liabilities on the balance sheet are classified as current and non-current. Items on the profit and loss account are presented by nature[19]. The statement of comprehensive income shows net profit integrated with income and expenses that are recognized directly in equity according to IFRS. The statement of changes in rates are recognized in the profit and loss account item Finance income (expense) ; conversely, the changes in the fair value of non-hedging derivatives on commodities are recognized in the profit and loss account item Other operating (expense) income . Economic effects of transactions to buy or sell commodities entered into to meet the entity s normal operating requirements and for which the settlement is provided with the delivery of the underlying, are recognized on an accrual basis (the so-called normal sale and normal purchase exemption or own use exemption).

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (not in a forced liquidation or a distress sale) at the measurement date (exit price). Fair value measurement is based on the market conditions existing at the measurement date and on the assumptions of market participants (market-based measurement). A fair value measurement assumes that the transaction to sell the asset or transfer the liability

shareholders equity includes the comprehensive income for the year, transactions with shareholders in their capacity as shareholders and other changes in shareholders equity. The statement of cash flows is presented using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions.

Changes in accounting policies

By Commission Regulation (EU) No. 475/2012 of June 5, 2012, the revised IAS 19 Employee Benefits (hereinafter IAS 19) has been endorsed. The new provisions of IAS 19 are applied retrospectively by adjusting the opening balance sheet as of January 1, 2012 and the 2012 profit and loss account. In the consolidated financial statements, the application of the new provisions of IAS 19 leads a pre-tax and post-tax effect amounting to, respectively: (i) a decrease of equity as of January 1, 2012 of euro 123 million and euro 61 million; (ii) a decrease of equity as of December 31, 2012 of euro 269 million and euro 155 million, whose euro 149 million and euro 96 million related to the 2012 actuarial

(18) The financial statements are the same reported in the Annual Report 2012, except for: (i) the statement of comprehensive income where, based on the amendments of IAS 1 Presentation of Financial Statements , other comprehensive income are grouped on the basis of their possibility to be reclassified subsequently to profit and loss account in accordance with the applicable IFRSs (reclassification adjustments); and (ii) the adoption of the new provisions of IAS 19, whose effects are described in the item Changes in accounting policies .

(19) Further information on financial instruments as classified in accordance with IFRS is provided in Note 35 - Guarantees, commitments and risks - Other information about financial instruments.

gains and losses recognized within other comprehensive income. The effect on the 2012 profit and loss account is not material. The presentation of net interest on defined benefit plans within the item Finance income (expense) , previously presented within the payroll costs, determined an increase of 2012 operating profit of euro 45 million.
Furthermore, starting from January 1, 2013, IFRS 13 Fair value measurement is effective (endorsed by Commission Regulation (EU) No. 1255/2012 of December 11, 2012) which provides a framework for fair value measurements, required or permitted by other IFRSs, and for the disclosures about fair value measurements. The effect of adoption of IFRS 13 is not material.

5 Use of accounting estimates

The preparation of the Consolidated Financial Statements requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgments and past experience of 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 the 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 oilfield services construction and engineering businesses. Although the Company uses its best estimates and judgments, actual results could differ from the estimates and assumptions used. A summary of significant estimates follows.

acquisition and divestment activity and additional reservoir development activity. In particular, changes in oil and natural gas prices could impact the amount of Eni s proved reserves in regards to the initial estimate and, in the case of production-sharing agreements and buyback contracts, the share of production and reserves to which Eni is entitled. Accordingly, the estimated reserves could be materially different from the quantities of oil and natural as that ultimately will be recovered.
Oil and natural gas reserves have a direct impact on certain amounts reported in the Consolidated Financial Statements. Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense. Depreciation and depletion rates on oil and gas assets using the UOP basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter. Assuming all other variables are held constant, an increase in estimated proved developed reserves for each field decreases depreciation and depletion expense. Conversely, a decrease in estimated proved developed reserves increases depreciation and depletion expense. In addition, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which are used to assess any impairment loss. The larger is the volume of estimated reserves, the lower is the likelihood of asset impairment.

Impairment of assets
Assets are impaired when there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. Such impairment indicators include changes in the Group s business plans, changes in commodity prices leading to unprofitable performance, a reduced utilization of the plants and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities or significant increase of the estimated development costs. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain and complex matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses,

Oil and gas activities

Engineering estimates of the Company s oil and gas reserves are inherently uncertain. Proved reserves are the estimated volumes of crude oil, natural gas and gas condensates, liquids and associated substances which geological and engineering data demonstrate that can be economically producible with reasonable certainty from known reservoirs under existing economic conditions and operating methods. Although there are authoritative guidelines regarding the engineering and geological criteria that must be met before estimated oil and gas reserves can be designated as proved , the accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Field reserves will only be categorized as proved when all the criteria for attribution of proved status have been met. At this stage, all booked reserves are classified as proved undeveloped. Volumes are subsequently reclassified from proved undeveloped to proved developed as a consequence of development activity. The first proved developed bookings occur at the point of first oil or gas production. Major development projects typically take one to four years from the time of initial booking to the start of production. Eni reassesses its estimate of proved reserves periodically. The estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revision may be made to the initial booking of reserves due to production, reservoir performance, commercial factors, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products. Similar remarks are valid for the physical recoverability of assets recognized in the balance sheet (deferred costs - see also item Current assets) related to natural gas volumes not collected under long-term purchase contracts with take-or-pay clauses as well as for the recoverability of deferred tax assets. The amount of an impairment loss is determined by comparing the book value of an asset with its recoverable amount. The recoverable amount is the greater of fair value net of disposal cost or the value in use.

The estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment analyses are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate which considers the risks specific to the asset. For oil and natural gas properties, the expected future cash flows are estimated principally based on developed and non-developed proved reserves including, among other elements, production taxes and the costs to be incurred for the reserves yet to be developed. Oil, natural gas and petroleum product prices (and prices from products which are derived there from) used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years and management s long-term planning assumptions thereafter. The estimate of the future amount of production is based on assumptions related to the commodity future prices, lifting and development costs, field decline rates, market demand and other factors. The discount rate reflects the current market valuation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows. Goodwill and other intangible assets with an indefinite useful life are not subject to amortization. The Company tests for impairment such assets at the cash-generating unit level on an annual basis and whenever there is an indication that they may be impaired In particular, goodwill impairment is based on the lowest level (cash generating unit) to which goodwill can be allocated on a reasonable and consistent basis. A cash generating unit is the smallest aggregate on which the Company, directly or indirectly, evaluates the return on the capital expenditure. If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is lower than the amount of the impairment loss, the assets of the cash generating unit are impaired pro-rata on the basis of their carrying amount for the residual difference.

Asset retirement obligations

Obligations to remove tangible equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded presently in the Consolidated Financial Statements. Estimating future asset retirement obligations is complex. It requires management to make estimates and judgments with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the Countries where Eni operates, as do political, environmental, safety and public expectations. The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the fair value of a liability for an asset retirement obligation in the period when it is incurred (typically, at a liability will be incurred and a reliable estimate can be made of the amount of the obligation. Management, considering the actions already taken, insurance policies obtained to cover environmental risks and provision for risks accrued, does not expect any material adverse effect on Eni s consolidated results of operations and financial position as a result of such laws and regulations. However, there can be no assurance that there will not be a material adverse impact on Eni s consolidated results of operations and financial position due to: (i) the possibility of an unknown contamination; (ii) the results of the ongoing surveys and other possible effects of statements required by applicable laws; (iii) the possible effects of future environmental legislations and rules; (iv) the effects of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining Eni s liability, if any, against other potentially responsible parties with respect to such litigations and the possible reimbursements.

Provisions for employee benefits

Defined benefit plans are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of salary increases, medical cost trends, estimated retirement dates and mortality rates. The significant assumptions used to account for defined benefit plans are determined as follows: (i) discount and inflation rates reflect the rates at which benefits could be effectively settled, taking into account the duration of the obligation. Indicators used in selecting the discount rate include market yields on high quality corporate bonds (or, in the absence of a deep market of these bonds, on the market yields on government bonds). The inflation rates reflect market conditions observed Country by Country; (ii) the future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and promotion; (iii) healthcare cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends including the time the asset is installed at the production location). When provisions are initially recognized, the related fixed assets are increased by an equal corresponding amount. Then the carrying amount of provisions is adjusted to reflect the passage of time and any change in the estimates following the modification of future cash flows and discount rates adopted. The discount rate used to determine the provision is based on managerial judgments.

Business combinations

Accounting for business combinations requires the allocation of the purchase price to the identifiable assets and liabilities of the acquired business at their fair values. Any positive residual difference is recognized as Goodwill . Any negative residual difference is recognized in the profit and loss account. Management uses all available information to make these fair value measurements and, for major business combinations, engages independent external advisors.

Environmental liabilities

As other oil and gas companies, Eni is subject to numerous EU, national, regional and local environmental laws and regulations concerning its oil and gas operations, production and other activities. They include legislations that implement international conventions or protocols. Environmental costs are recognized when it becomes probable that

healthcare inflation, changes in healthcare utilization and changes in health status of the participants; (iv) demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for individual employees involved. Differences in the amount of the net defined benefit liability (asset), deriving from the remeasurements comprising, among others, changes in the current actuarial assumptions, differences in the previous actuarial assumptions and what has actually occurred and differences in the return on plan assets excluding amounts included in net interest, usually occur. Remeasurements are recognized within statement of comprehensive income for defined benefit plans and within profit and loss account for long-term plans.

Provisions for contingencies

In addition to environmental liabilities, asset retirement obligation and employee benefits, Eni recognizes provisions primarily related to litigations and tax issues. The estimate of these provisions is based on managerial judgments.

Revenue recognition

Revenue recognition in the Engineering & Construction segment is based on the stage of completion of a contract as measured on the cost-to-cost basis applied to contractual revenues. Use of the stage of completion method requires estimates of future gross profit on a contract by contract

basis. The future gross profit represents the profit remaining after deducting costs attributable to the contract from revenues provided for in the contract. The estimate of future gross profit is based on a complex estimation process that includes identification of risks related to the geographical region where the activity is carried out, market conditions in that region and any assessment that is necessary to estimate with sufficient precision the total future costs as well as the expected timetable to the end of the contract. Additional revenues, derived from a change in the scope of work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the related amount. Claims deriving from additional costs incurred for reasons attributable to the customer are included in the total amount of revenues when it is probable that the counterparty will accept them.
Revenues from the sale of electricity and gas to retail customers include allocations for the supplies, occurred between the date of the last meters reading and the year end, not yet billed. These estimates are based on the difference between the volumes allocated by the grid managers and the billed volumes, as well as on other factors, considered by the management, which can impact on them.

6 Recent accounting standards

Accounting standards and interpretations issued by the IASB/IFRIC and endorsed by the EU
By Commission Regulation (EU) No. 1254/2012 of December 11, 2012, IFRS 10 Consolidated Financial Statements (hereinafter IFRS 10) and the revised IAS 27 Separate Financial Statements (hereinafter revised IAS 27) have been endorsed. The documents state, respectively, the provisions for the presentation and the preparation of consolidated and separate financial statements. IFRS 10 provides, interalia, a new definition of control to be consistently applied to all entities (included vehicles). According to this definition, an entity controls an investee when it is exposed, or has rights, to its (positive and negative) returns from its involvement and has the ability to affect those returns accounts for assets/liabilities and expenses/revenues relating to the joint operation on the basis of its rights and obligations determined and specified in the contractual arrangements, rather than basing on its ownership interest in the joint operation. The revised IAS 28 defines, interalia, the accounting treatment to be adopted on disposal of an equity interest, or a portion of an equity interest, in a joint venture or an associate.
IFRS 11 and the revised IAS 28 shall be applied for annual periods beginning on or after January 1, 2014.
By Commission Regulation (EU) No. 1254/2012 of December 11, 2012, IFRS 12 Disclosure of Interests in Other Entities (hereinafter IFRS 12) has been endorsed. The standard combines all the disclosures to be provided in financial statements regarding subsidiaries, joint arrangements, associates and unconsolidated structured entities. IFRS 12 shall be applied for annual periods beginning on or after January 1, 2014.
By Commission Regulation (EU) No. 313/2013 of April 4, 2013, the document Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to International Financial Reporting Standards 10, 11, and 12) has been endorsed. It provides some clarifications and relieves on the transition requirements of IFRS 10, IFRS 11 and IFRS 12.
The provisions shall be applied for annual periods beginning on or after January 1, 2014[20].
By Commission Regulation (EU) No. 1256/2012 of December 13, 2012, the amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (hereinafter amendments to IAS 32) have been endorsed, which state that: (i) in order to set off financial assets and liabilities, the right of set-off must be legally enforceable in all circumstances, such as in the normal course of business, in the event of default or in the event of insolvency or bankruptcy, of one or all of the counterparties; and (ii) in presence of specific characteristics, the gross simultaneous settlement of financial assets and liabilities, that eliminate or result in insignificant credit and liquidity risk, may be considered equivalent to net settlement.
The amendments to IAS 32 shall be applied for annual periods beginning on or after January 1, 2014.

through its power over the investee. The standard provides some indicators to be considered in assessing control which include, interalia, potential voting rights, protective rights, the presence of agency relationships and franchise agreements. Furthermore, the new provisions acknowledge the existence of control of an investee even if the investor holds less than majority of voting rights due to shareholding dispersion or passive attitude of other shareholders. IFRS 10 and the revised IAS 27 shall be applied for annual periods beginning on or after January 1, 2014.

By Commission Regulation (EU) No. 1254/2012 of December 11, 2012, IFRS 11 Joint Arrangements (hereinafter IFRS 11) and the revised IAS 28 Investments in Associates and Joint Ventures (hereinafter revised IAS 28) have been endorsed. Depending on the rights and obligations of the parties arising from arrangements, IFRS 11 classifies joint arrangements into two types joint operations and joint ventures and states the required accounting treatment. With reference to joint ventures, the new provisions require to account for them using the equity method, eliminating proportionate consolidation. A joint operator

By Commission Regulation (EU) No. 1374/2013 of December 19, 2013, the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets have been endorsed (hereinafter amendments to IAS 36), which supplements the disclosure of information requiring: (i) the recoverable amount of individual assets or cash-generating units for which an impairment loss has been recognized or reversed during the period; and (ii) additional disclosures if recoverable amount is based on fair value less costs of disposal. The amendments to IAS 36 shall be applied for annual periods beginning on or after January 1, 2014.

By Commission Regulation (EU) No. 1375/2013 of December 19, 2013, the amendments to IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting have been endorsed (hereinafter amendments to IAS 39). According to these amendments, an entity shall not discontinue hedge accounting in case of novation of the derivative, as a consequence of laws or regulations, which implies that an original counterparty is replaced by a central counterparty. The amendments to IAS 39 shall be applied for annual periods beginning on or after January 1, 2014.

(20) Under the transition requirements of IFRS 10 and IFRS 11, the new provisions shall be applied in the consolidated financial statements retrospectively starting from January 1, 2014, by adjusting the opening balance sheet as of January 1, 2013 and the 2013 profit and loss account. The application of the new provisions in the consolidated financial statements leads: (i) as of January 1, 2013, an increase in total assets of euro 313 million, an increase in total liabilities of euro 454 million and a decrease in non-controlling interests of euro 141 million; (ii) in the 2013 profit and loss account, an increase in total revenues of euro 23 million, an increase in operating profit of euro 32 million and a decrease in net profit attributable to non-controlling interests of euro 13 million; (iii) as of December 31, 2013, an increase in total assets of euro 253 million, an increase in total liabilities of euro 378 million and a decrease in non-controlling interests of euro 125 million.

Accounting standards and interpretations issued by the IASB/IFRIC and not yet endorsed by the EU

On November 12, 2009, the IASB issued IFRS 9 Financial Instruments (hereinafter IFRS 9) which changes recognition and measurement criteria of financial assets and their classification in the financial statements. In particular, the new provisions require, interalia, a classification and measurement model of financial assets based exclusively on the following categories: (i) financial assets measured at amortized cost; and (ii) financial assets measured at fair value. The new provisions also require that investments in equity instruments, other than subsidiaries, joint ventures or associates, shall be measured at fair value with effects taken to the profit and loss account. If these investments are not held for trading purposes, subsequent changes in the fair value can be recognized in other comprehensive income, even if dividends are taken to the profit and loss account. Amounts taken to other comprehensive income shall not be subsequently transferred to the profit and loss account even at disposal. In addition, on October 28, 2010, the IASB updated IFRS 9 by incorporating the recognition and measurement criteria of financial liabilities. In particular, the new provisions require, interalia, that if a financial liability is measured at fair value through profit or loss, subsequent changes in the fair value attributable to changes in the own credit risk shall be presented in other comprehensive income; the component related to own credit risk is recognized in profit and loss account if the treatment of the changes in own credit risk would create or enlarge an accounting mismatch. On November 19, 2013, the IASB integrated IFRS 9 with the revised guidance for hedge accounting. The new provisions aim to align hedge accounting more closely with risk management activities and to establish a more principles-based approach to hedge accounting.

In particular, the main changes concern: (i) the forward-looking hedge effectiveness assessment rather than bright lines; (ii) the possibility to rebalance the hedging relationship if the risk management objective for that designating hedging relationship remains the same; (iii) the possibility to designate as an hedged item a risk component of a non-financial item, net positions or layer components of items, if specific conditions are (v) the accounting of time value of purchased options or the forward elements of forward contracts, excluded from the hedge effectiveness assessment, which shall be consistent with the features of the hedged item.

Furthermore, in November 2013, the IASB also removed the effective date from IFRS 9 and will decide on the effective date when the entire IFRS 9 project is closer to completion (the previous effective date was January 1, 2015).

On May 20, 2013, the IFRIC issued the interpretation IFRIC 21 Levies (hereinafter IFRIC 21), which defines the accounting for outflows imposed by governments (e.g. contributions required to operate in a specific market), other than income taxes, fines or penalties. IFRIC 21 sets out criteria for the recognition of the liability, stating that the obligating event that gives rise to the liability, and therefore to its recognition, is the activity that triggers the payment, as identified by the legislation. The provisions of IFRIC 21 shall be applied for annual periods beginning on or after January 1, 2014.

On November 21, 2013, the IASB issued the amendments to IAS 19 Defined Benefit Plans: Employee Contributions , which allow the recognition of contributions to defined benefit plans from employees or third parties as a reduction of service cost in the period in which the related service is received, provided that the contributions: (i) are set out in the formal conditions of the plan; (ii) are linked to service; and (iii) are independent of number of years of service (e.g. the contributions are a fixed percentage of the employee s salary or a fixed amount throughout the service period or dependent on the employee s age). The amendments shall be applied for annual periods beginning on or after July 1, 2014 (for Eni: 2015 financial statements).

On December 12, 2013 the IASB issued the documents Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle , which include, basically, technical and editorial changes to existing standards. The amendments to the standards shall be applied for annual periods beginning on or after July 1, 2014 (for Eni: 2015 financial statements).

Eni is currently reviewing these new IFRS to determine the likely impact on the Group s results.

met; (iv) the possibility to hedge aggregated exposures, i.e. a combination of a non-derivative exposure and a derivative; and

Current assets

7 Cash and cash equivalents

Cash and cash equivalents of euro 5,288 million (euro 7,765 million at December 31, 2012) included financing receivables originally due within 90 days amounting to euro 3,086 million (euro 5,861 million at December 31, 2012) relating to time deposit with financial institutions having notice greater than a 48-hour period.
Cash amounting to euro 90 million (euro 84 million at December 31, 2012) was restricted due to judicial investigations and commercial proceedings in the E&C segment. More information about the judicial investigations is disclosed in Note 35 - Guarantees, commitments and risks - Corruption investigations. The average maturity of financing receivables due within 90 days was 9 days and the average interest rate amounted to 0.3% (0.5% at December 31, 2012).

8 Financial assets held for trading

The breakdown by currency of financial assets held for trading or available for sale is presented below:

	Nominal value (euro million)	**Fair value** (euro million)	**Rating - Moody s**	**Rating - S&P**
Quoted bonds issued by sovereign states				
Fixed rate bonds				
Netherlands	150	153	Aaa	AA+
France	140	144	Aa1	AA
Italy	115	116	Baa2	BBB
Belgium	95	99	Aa3	AA
Spain	55	57	Baa3	BBB-
Austria	25	26	Aaa	AA+
Germany	17	17	Aaa	AAA
Denmark	13	13	Aaa	AAA
Poland	10	8	A2	A-
Slovakia	6	7	A2	A
Sweden	5	5	Aaa	AAA
Europe (Supranational Institutions)	99	100	from Aaa to Aa1	from AAA to AA
	730	**745**		
Floating rate bonds				
Italy	667	667	Baa2	BBB
France	100	100	Aa1	AA
Spain	100	100	Baa3	BBB-
Netherlands	56	56	Aaa	AA+
Germany	50	50	Aaa	AAA
Slovakia	1	1	A2	A

Europe (Supranational Institutions)	242	242	from Aaa to Aa1	from AAA to AA
	1,216	**1,216**		
Total quoted bonds issued by sovereign states	**1,946**	**1,961**		
Other bonds				
Fixed rate bonds				
Quoted bonds issued by industrial companies	1,494	1,574	from Aaa to Baa3	from AAA to BBB-
Non-quoted bonds issued by industrial companies	325	325	from P-1 to P-2	from A-1 to A-2
Quoted bonds issued by financial and insurance companies	377	396	from Aaa to Baa3	from AAA to BBB-
Non-quoted bonds issued by financial and insurance companies	218	218	from P-1 to P-2	from A-1 to A-2
	2,414	**2,513**		
Floating rate bonds				
Bonds issued by industrial companies	133	133	from Aaa to Baa3	from AAA to BBB-
Bonds issued by financial companies	397	397	from Aaa to Baa3	from AAA to BBB-
	530	**530**		
Total other bonds	**2,944**	**3,043**		
Total other financial assets held for trading	**4,890**	**5,004**		

The breakdown by currency is provided below:

(euro million)	December 31, 2013
Euro	4,954
British pound	37
Swiss franc	13
	5,004

The fair value was estimated on the basis of market quotations for quoted securities and on the basis of appropriate financial valuation methods commonly used for non-quoted securities. More information is disclosed in Note 35 - Guarantees, commitments and risks.

9 Financial assets available for sale

(euro million)	December 31, 2012	December 31, 2013
Securities held for operating purposes		
Quoted bonds issued by sovereign states	174	165
Quoted securities issued by financial institutions	22	37
Non-quoted securities	5	
	201	**202**
Securities held for non-operating purposes		
Quoted bonds issued by sovereign states	13	
Quoted securities issued by financial institutions	21	7
Non-quoted securities		26
	34	**33**
Total	**235**	**235**

The breakdown by currency is provided below:

(euro million)	December 31, 2012	December 31, 2013
Euro	179	173
US Dollar	38	58
Indian Rupee	18	4
	235	**235**

At December 31, 2013, bonds issued by sovereign states amounted to euro 165 million (euro 187 million at December 31, 2012). A breakdown by Country is presented below:

	Nominal value (euro million)	**Fair value** (euro million)	**Nominal rate of return** (%)	**Maturity date**	**Rating - Moody s**	**Rating - S&P**
Sovereign states						

Fixed rate bonds						
Belgium	27	30	from 2.88 to 4.25	from 2014 to 2021	Aa3	AA
Portugal	22	22	from 3.35 to 4.75	from 2015 to 2019	Ba3	BB
Italy	15	15	from 2.50 to 4.25	2015	Baa2	BBB
Slovakia	14	15	from 3.50 to 4.90	from 2014 to 2017	A2	A
Spain	14	14	from 3.15 to 4.10	from 2014 to 2018	Baa3	BBB-
Ireland	13	14	from 4.40 to 4.50	from 2019 to 2020	Baa3	BBB+
Austria	12	13	from 3.40 to 3.50	from 2014 to 2015	Aaa	AA+
United States of America	11	11	from 1.75 to 3.13	from 2014 to 2019	Aaa	AA+
Germany	10	10	from 3.25 to 4.25	from 2014 to 2015	Aaa	AAA
Netherlands	6	7	4.00	from 2016 to 2018	Aaa	AA+
France	5	5	4.00	2014	Aa1	AA
Slovenija	5	5	4.38	2014	Ba1	A-
Finland	4	4	from 1.13 to 1.25	from 2015 to 2017	Aaa	AAA
Total	**158**	**165**				

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Securities amounting to euro 44 million were issued by financial institutions with a rating ranging from Aaa to B2 (Moody s) and from AAA to BB- (S&P); other quoted securities amounted to euro 26 million with a rating of B1 (Moody s) and B- (S&P).

Securities held for operating purposes of euro 202 million (euro 201 million at December 31, 2012) were designated to hedge the loss provisions of the Group s insurance company Eni Insurance Ltd (euro 196 million at December 31, 2012).

The effects of fair value evaluation of securities are set out below:

(euro million)	Carrying amount at December 31, 2012	Changes recognized in equity	Carrying amount at December 31, 2013
Fair value	7	(1)	6
Deferred tax liabilities	(1)		(1)
Other reserves of shareholders equity	**6**	**(1)**	**5**

The fair value was estimated on the basis of market quotations for quoted securities and on the basis of appropriate financial valuation methods commonly used for non-quoted securities.

10 Trade and other receivables

(euro million)	December 31, 2012	December 31, 2013
Trade receivables	**19,966**	**21,213**
Financing receivables:		
- for operating purposes - short term	440	488
- for operating purposes - current portion of long-term receivables	228	510
- for non-operating purposes	1,153	126
	1,821	**1,124**
Other receivables:		
- from disposals	209	88
- other	6,751	6,648
	6,960	**6,736**
	28,747	**29,073**

The increase in trade and other receivables of euro 1,247 million primarily related to the Refining & Marketing segment (euro 657 million) and to the Gas & Power segment (euro 424 million).

Receivables are stated net of the valuation allowance for doubtful accounts of euro 1,877 million (euro 1,636 million at December 31, 2012):

(euro million)	Carrying amount at December 31, 2012	Additions	Deductions	Other changes	Carrying amount at December 31, 2013
Trade receivables	1,056	384	(158)	9	1,291
Financing receivables	6	54		(8)	52
Other receivables	574	36	(54)	(22)	534
	1,636	**474**	**(212)**	**(21)**	**1,877**

Additions to the allowance reserve for doubtful trade receivable accounts amounted to euro 384 million (euro 164 million in 2012) and primarily related to the Gas & Power segment (euro 289 million).
Deductions amounted to euro 158 and related to the Gas & Power segment for euro 98 million.
At the balance sheet date, Eni had in place transactions to transfer to factoring institutions certain trade receivables without recourse for euro 2,533 million, due in 2014 (euro 2,054 million at December 31, 2012, due in 2013). Transferred receivables related to the Refining & Marketing segment (euro 1,389 million), the Gas & Power segment (euro 1,057 million), Versalis (euro 75 million) and Engineering & Construction (euro 12 million). Furthermore, Engineering & Construction transferred certain trade receivables without recourse due in 2014 for euro 222 million through Eni s subsidiary Serfactoring SpA (euro 149 million at December 31, 2012, due in 2013).
Trade receivables amounting to euro 659 million were due in the Exploration & Production segment and related to hydrocarbons supplies to Egyptian State-owned companies. In order to reduce the outstanding amounts, negotiations and contacts are ongoing with the State companies top management and the Ministerial Authorities, in a context of stable relationships with the counterparties.

The ageing of trade and other receivables is presented below:

	December 31, 2012			December 31, 2013		
(euro million)	Trade receivables	Other receivables	Total	Trade receivables	Other receivables	Total
Neither impaired nor past due	**16,859**	**5,840**	**22,699**	**16,630**	**5,505**	**22,135**
Impaired (net of the valuation allowance)	**1,257**	**204**	**1,461**	**1,056**	**170**	**1,226**
Not impaired and past due in the following periods:						
- within 90 days	1,295	84	1,379	1,699	325	2,024
- 3 to 6 months	216	22	238	709	50	759
- 6 to 12 months	159	239	398	604	185	789
- over 12 months	180	571	751	515	501	1,016
	1,850	**916**	**2,766**	**3,527**	**1,061**	**4,588**
	19,966	**6,960**	**26,926**	**21,213**	**6,736**	**27,949**

Trade receivables not impaired and past due primarily pertained to high-credit-rating public administrations, state-owned companies and other highly-reliable counterparties for oil, natural gas and chemical products supplies and to retail customers of the Gas & Power segment. The Gas & Power segment recorded a noticeable increase in the amounts past due by retail customers, as a consequence of the financial difficulties and the economic slowdown.
Trade receivables included amounts withheld to guarantee certain contract work in progress for euro 209 million (euro 178 million at December 31, 2012).
Trade receivables in currencies other than euro amounted to euro 7,600 million (euro 7,236 million at December 31, 2012).
Financing receivables associated with operating purposes of euro 998 million (euro 668 million at December 31, 2012) included loans granted to unconsolidated subsidiaries, joint ventures and associates to cover capital expenditure requirements for euro 595 million for executing industrial projects (euro 351 million at December 31, 2012) and cash deposits to hedge the loss provision made by Eni Insurance Ltd for euro 321 million (euro 280 million at December 31, 2012). Receivables for financial leasing amounting to euro 26 million at December 31, 2012 were set to zero as a result of the divestment of Finpipe GIE.
Financing receivables not associated with operating activities amounted to euro 126 million (euro 1,153 million at December 31, 2012) and related to: (i) restricted deposits in escrow for euro 92 million of Eni Trading & Shipping SpA (euro 93 million at December 31, 2012) of which euro 82 million with Citigroup Global Markets Ltd and euro 8 million with BNP Paribas and euro 2 million with ABN AMRO relating to derivatives; (ii) restricted deposits in escrow of receivables of the Engineering & Construction segment for euro 25 million (same amount as of December 31, 2012). The decrease in financing receivables not associated with operating activities of euro 1,027 million related to: (i) the collection from Cassa Depositi e Prestiti for euro 883 million as final installment of the total consideration of euro 3,517 million relating to the divestment of 1,013,619,522 ordinary shares of Snam SpA; (ii) the collection from Snam SpA of residual receivables for intercompany transactions for euro 141 million as of December 31, 2013.
Financing receivables in currencies other than euro amounted to euro 598 million as of December 31, 2013 (euro 331 million as of December 31, 2012).
Receivables related to divesting activities of euro 88 million (euro 209 million at December 31, 2012) related to the divestment of a 3.25% interest in the Karachaganak project (equal to Eni s 10% interest) to the Kazakh partner KazMunaiGas for euro 79 million. A description of the transaction is reported in Note 21 - Other non-current receivables.
Other receivables of euro 6,648 million (euro 6,751 million at December 31, 2012) included receivables of euro 575 million relating to the recovery of costs incurred by the Exploration & Production segment undergoing arbitration procedure (euro 481 million at December 31, 2012). Receivables for euro 333 million as of December 31, 2012 were fully collected during 2013 and they related to amounts of gas to be delivered to gas customers who pre-paid the

underlying gas volumes in previous years upon activation of the take-or-pay clause.
Other receivables were as follows:

(euro million)	December 31, 2012	December 31, 2013
Receivables originated from divestments	**209**	**88**
Accounts receivable from:		
- joint venture partners in exploration and production	4,343	4,771
- non-financial government entities	33	34
- insurance companies	176	170
- prepayments for services	616	611
- from factoring arrangements	130	121
- other receivables	1,453	941
	6,751	**6,648**
	6,960	**6,736**

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Receivables from joint venture partners in exploration and production activities included the share of the liability for defined-benefit plans of euro 264 million (euro 308 million at December 31, 2012), whereby Eni recognized the 100% liability of all employees of the operated joint ventures (see Note 29 - Provisions for employee benefits).
Receivables from factoring arrangements of euro 121 million (euro 130 million at December 31, 2012) related to Serfactoring SpA and consisted of advances for factoring arrangements with recourse and receivables for factoring arrangements without recourse.
Other receivables in currencies other than euro amounted to euro 5,672 million (euro 5,737 million at December 31, 2012).
Because of the short-term maturity and conditions of remuneration of trade receivables, the fair value approximated the carrying amount.
Receivables with related parties are described in Note 43 - Transactions with related parties.

11 Inventories

	December 31, 2012					December 31, 2013				
(euro million)	Crude oil, gas and petroleum products	Chemical products	Work in progress	Other	Total	Crude oil, gas and petroleum products	Chemical products	Work in progress	Other	Total
Raw and auxiliary materials and consumables	948	190		1,748	2,886	714	192		1,843	2,749
Products being processed and semi-finished products	133	15		1	149	114	14		1	129
Work in progress			1,595		1,595			1,627		1,627
Finished products and goods	2,912	891		44	3,847	2,495	801		60	3,356
Certificates and emission rights				19	19				22	22
	3,993	**1,096**	**1,595**	**1,812**	**8,496**	**3,323**	**1,007**	**1,627**	**1,926**	**7,883**

Contract works in progress for euro 1,627 million (euro 1,595 million at December 31, 2012) are stated net of prepayments for euro 6 million (euro 7 million at December 31, 2012) which corresponded to the amount of the works executed and accepted by customers.
Inventories of euro 105 million were pledged as a guarantee for the payment of storage services.
Changes in inventories and in the loss provision were as follows:

(euro million)	**Carrying amount at the beginning of the year**	**Changes**	**New or increased provisions**	**Deductions**	**Changes in the scope of consolidation**	**Currency translation differences**	**Other changes**	**Carrying amount at the end of the year**
December 31, 2012								
Gross carrying amount	7,761	1,158			(226)	(18)	(9)	8,666
Loss provision	(186)		(58)	64	10	1	(1)	(170)
Net carrying amount	**7,575**	**1,158**	**(58)**	**64**	**(216)**	**(17)**	**(10)**	**8,496**
December 31, 2013								
Gross carrying amount	8,666	(343)			(3)	(180)	(71)	8,069
Loss provision	(170)		(168)	149		3		(186)
Net carrying amount	**8,496**	**(343)**	**(168)**	**149**	**(3)**	**(177)**	**(71)**	**7,883**

Changes of the year amounting to euro 343 million included the decrease of euro 679 million of the Refining & Marketing segment, partially offset by the increase of euro 190 million of the Exploration & Production segment. Additions of euro 168 million and deductions of euro 149 million of the loss provision related to the Refining & Marketing segment for euro 112 million and euro 118 million, respectively.

12 Current tax assets

(euro million)	December 31, 2012	December 31, 2013
Italian subsidiaries	487	556
Foreign subsidiaries	284	246
	771	**802**

Income taxes are described in Note 40 - Income tax expense.

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13 Other current tax assets

(euro million)	December 31, 2012	December 31, 2013
VAT	862	595
Excise and customs duties	197	87
Other taxes and duties	171	143
	1,230	**825**

14 Other current assets

(euro million)	December 31, 2012	December 31, 2013
Fair value of cash flow hedge derivatives	31	14
Fair value of other derivatives	916	718
Other current assets	677	593
	1,624	**1,325**

Derivative fair values were estimated on the basis of market quotations provided by primary info-provider, or alternatively, appropriate valuation methods commonly used in the marketplace.

Fair value of cash flow hedge derivatives of euro 14 million (euro 31 million at December 31, 2012) of the hedges entered by the Gas & Power segment. These derivatives were entered into to hedge variability in future cash flows associated to highly probable future sale transactions of gas or electricity or on already contracted sales due to different indexation mechanism of supply costs versus selling prices. A similar scheme applies to exchange rate hedging derivatives. Negative fair value of contracts expiring by 2014 is disclosed in Note 26 - Other current liabilities; positive and negative fair value of contracts expiring beyond 2014 is disclosed in Note 21 - Other non-current receivables and in Note 31 - Other non-current liabilities. The effects of the evaluation at fair value of cash flow hedge derivatives are given in Note 33 - Shareholders equity and in Note 37 - Operating expenses. Sale commitments of cash flow hedge derivatives amounted to euro 505 million (purchase and sale commitments of euro 31 million and euro 510 million, respectively, at December 31, 2012). Information on hedged risks and hedging policies is disclosed in Note 35 - Guarantees, commitments and risks - Risk factors.

The fair value of other derivative contracts is presented below:

	December 31, 2012			December 31, 2013		
(euro million)	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Derivatives on exchange rate						
Interest currency swap	8	44		6	35	
Currency swap	158	3,349	4,597	250	2,320	6,426
Other	3	215	8	1	68	73
	169	**3,608**	**4,605**	**257**	**2,423**	**6,499**
Derivatives on interest rate						
Interest rate swap	1	23		2	36	
	1	**23**		**2**	**36**	
Derivatives on commodities						
Over the counter	713	3,648	9,505	395	6,558	9,231
Future	26	825	9	64	7,666	6,340

Other	7	30	1			
	746	**4,503**	**9,515**	**459**	**14,224**	**15,571**
	916	**8,134**	**14,120**	**718**	**16,683**	**22,070**

Fair value of other derivatives of euro 718 million (euro 916 million at December 31, 2012) consisted of: (i) euro 369 million (euro 564 million at December 31, 2012) of derivatives that failed to meet the formal criteria to be designated as hedges under IFRS because they were entered into in order to manage net exposures to movements in foreign currencies, interest rates or commodity prices. Therefore, such derivatives were not related to specific trade or financing transactions; (ii) euro 344 million (euro 352 million at December 31, 2012) related to commodity derivatives entered by the Gas & Power segment for trading purposes and proprietary trading; (iii) euro 5 million of derivatives related to net settlement agreements, of which euro 7 million of negative fair value hedge derivatives.

Other assets amounted to euro 593 million (euro 677 million at December 31, 2012) and included: (i) prepayments and accrued income for euro 108 million (euro 146 million at December 31, 2012); (ii) prepaid rentals for euro 63 million (euro 51 million at December 31, 2012); and (iii) prepaid insurance premiums for euro 53 million (euro 49 million at December 31, 2012). Prepayments that were made to gas suppliers upon triggering the take-or-pay clause provided by the relevant long-term supply arrangements and amounting to euro 129 million as of December 31, 2012 were fully recovered during 2013 through collection of gas.

Transactions with related parties are described in Note 43 - Transactions with related parties.

Non-current assets

15 Property, plant and equipment

(euro million)	Net book value at the beginning of the year	Additions	Depreciation	Impairment losses	Changes in the scope of consolidation	Currency translation differences	Reclassification to assets held for sale	Other changes	Net book value at the end of the year	Gross book value at the end of the year	Provisions for depreciation and impairments
December 31, 2012											
Land	771	5			(109)	(8)	(8)	4	655	678	23
Buildings	1,427	61	(108)	(45)	(316)	(2)	(7)	148	1,158	3,150	1,992
Plant and machinery	47,494	1,546	(7,012)	(1,079)	(9,719)	(313)	(304)	8,283	38,896	112,170	73,274
Industrial and commercial equipment	459	74	(112)	(3)	(62)	3		3	362	1,660	1,298
Other assets	829	89	(103)	(75)	(12)	(7)		5	726	2,239	1,513
Tangible assets in progress and advances	22,598	9,447		(407)	(2,207)	(187)	(130)	(7,445)	21,669	23,400	1,731
	73,578	**11,222**	**(7,335)**	**(1,609)**	**(12,425)**	**(514)**	**(449)**	**998**	**63,466**	**143,297**	**79,831**
December 31, 2013											
Land	655	10		(8)		(19)	(3)	9	644	670	26
Buildings	1,158	72	(115)	(37)	18	(29)	(7)	194	1,254	3,369	2,115
Plant and machinery	38,896	3,820	(6,995)	(1,847)		(1,523)	(145)	8,263	40,469	119,335	78,866
Industrial and commercial equipment	362	141	(116)	(4)		(17)		31	397	1,758	1,361
Other assets	726	80	(110)	(1)	1	(10)		(315)	371	1,908	1,537
Tangible assets in progress and advances	21,669	6,741		(219)		(996)		(7,824)	19,371	21,355	1,984
	63,466	**10,864**	**(7,336)**	**(2,116)**	**19**	**(2,594)**	**(155)**	**358**	**62,506**	**148,395**	**85,889**

Capital expenditures by segment were the following:

(euro million)	**2012**	**2013**
Capital expenditures		
Exploration & Production	8,407	8,754
Gas & Power	156	152
Refining & Marketing	836	612
Versalis	163	311
Engineering & Construction	998	887
Corporate and financial companies	71	130
Other activities - Snam	539	
Other activities	14	21
Elimination of intra-group profits	38	(3)
	11,222	**10,864**

Capital expenditures included capitalized finance expenses of euro 167 million (euro 173 million in 2012, of which euro 26 million relating to discontinued operations) and related to the Exploration & Production segment (euro 124 million), the Refining & Marketing segment (euro 39 million) and the Versalis segment (euro 4 million). The interest

rates used for capitalizing finance expense ranged from 2.6% to 5.3% (2.1% and 5.1% at December 31, 2012).
The main depreciation rates used were substantially unchanged from the previous year and ranged as follows:

(%)	
Buildings	2 - 10
Plant and machinery	2 - 10
Industrial and commercial equipment	4 - 33
Other assets	6 - 33

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A breakdown of impairments losses recorded in 2013 and the associated tax effect is provided below:

(euro million)	2012	2013
Impairment losses		
Exploration & Production	547	209
Gas & Power	80	1,200
Refining & Marketing	843	633
Versalis	112	55
Other segments	27	19
	1,609	**2,116**
Tax effects		
Exploration & Production	154	71
Gas & Power	21	355
Refining & Marketing	96	223
Versalis	33	15
Other segments	2	5
	306	**669**
Impairments net of the relevant tax effects		
Exploration & Production	393	138
Gas & Power	59	845
Refining & Marketing	747	410
Versalis	79	40
Other segments	25	14
	1,303	**1,447**

In assessing whether impairment is required, the carrying amounts of property, plant and equipment are compared with their recoverable amounts. The recoverable amount is the higher of an asset s fair value less costs to sell and its value-in-use. Given the nature of Eni s activities, information on asset fair value is usually difficult to obtain unless negotiations with a potential buyer are ongoing. Therefore, the recoverability is verified by using the value-in-use which is calculated by discounting the estimated cash flows arising from the continuing use of an asset. The valuation is carried out for individual asset or for the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating unit - CGU). The Group has identified its CGUs: (i) in the Exploration & Production segment, individual oilfields or pools of oilfields whereby technical, economic or contractual features make underlying cash flows interdependent; (ii) in the Gas & Power segment, in addition to the CGUs to which the goodwill arisen from acquisitions was allocated (see Note 17 - Intangible assets), any of the plants for electricity production have been identified as being individual cash generating units; (iii) in the Refining & Marketing segment, refining plants, Country-specific facilities, retail networks and other distribution channels by Country (ordinary network, high-ways network, and wholesale activities); (iv) in the Versalis segment, production plants by business/plant and related facilities; and (v) in the Engineering & Construction segment, the business units Offshore E&C, Onshore E&C and related facilities and individual rigs for offshore operations.

Recoverable amounts are calculated by discounting the estimated cash flows deriving from the continuing use of the CGUs and, if significant and reasonably determinable, the cash flows deriving from disposal at the end of their useful lives. Cash flows are determined on the basis of the best information available at the moment of the assessment deriving: (i) for the first four years of each projection, from the Company s four year plan adopted by the top management which provides information on expected oil and gas production volumes, sales volumes, capital expenditures, operating costs and margins and industrial and marketing set-up, as well as trends on the main macroeconomic variables, including inflation, nominal interest rates and exchange rates; (ii) beyond the four-year plan horizon, cash flow projections are estimated based on management s long-term assumptions regarding the main macroeconomic variables (inflation rates, commodity prices, etc.) and along a time horizon which considers the following factors: (a) for the oil&gas CGUs, the residual life of the reserves and the associated projections of operating costs and development expenditures; (b) for the CGUs of the Refining & Marketing segment, Versalis and the power plants, the economical and technical life of the plants and the associated projections of operating costs, expenditures to support plant efficiency, refining and selling margins and, in the case of chemical plants, operating results before depreciation, interest and taxes, with the adoption of normalization assumptions when judged to be necessary; and (c) for the CGUs of the gas market and the Engineering & Construction segment, the perpetuity method of the last-year-plan by using a nominal growth rate ranging from 0% to 2% considering a normalization driver of the perpetuity to reflect any cyclicality observed in the business; (iii) commodity prices are estimated on the basis of the forward prices prevailing in the marketplace as of the balance sheet date for the first four years of the cash flow projections and the long-term price assumptions adopted by the Company s management for strategic planning purposes and capital budget allocation, considering the supply and demand fundamentals of the main commodities (see Note 3 - Summary of significant accounting policies). In particular, the long-term price of oil adopted for assessing the future cash flows of the oil&gas CGUs was $90 per barrel which is adjusted to take into account the expected inflationary rate from 2017 onwards.

Values-in-use are estimated by discounting post-tax cash flows at a rate which corresponds for the Exploration & Production, Refining & Marketing and Versalis to the Company s weighted average cost of capital net of the risk factors attributable to Saipem and the G&P segment which are assessed on a stand alone basis. Then the discount rates are adjusted to factor in risks specific to each Country of activity (adjusted post-tax WACC). In 2013, the adjusted post-tax WACC of Eni, which is the driver for calculating each business segment WACC to assess the value in use of their respective CGUs, decreased by 40 basis points compared to 2012, primarily as a consequence of the reduced sovereign risk premium incorporated into the yields of ten-year Italian bonds. The other drivers used in determining the cost of capital cost of borrowings to Eni, equity risk, average premium for Country risk, debt-to-equity ratio were assessed to record only marginal variations. In 2013, the adjusted WACC rates used for impairment test purposes ranged from 6.4% to 12.2%. Post-tax cash flows and discount rates were adopted as they resulted in an assessment that substantially approximated a pre-tax assessment.

Impairment losses recognized in the Gas & Power segment of euro 1,200 million were mainly recorded at the electric power plants due to the substantial deterioration in the competitive scenario reflecting structural weakness in demand and as gas-fired cycles were at disadvantage compared to coal-fired production and electricity from renewable sources as a consequence of cyclical reasons (plunging supply costs of coal and abundance of emission certificates) or structural reasons (growth of renewable sources favored by government subsidies). On the basis of these drivers and the relevant projections of unprofitable margins for the production and sale of electricity from combined-cycle power plants, management has impaired the book value of the electric power plants to their lower values-in-use. Other impairments related to gas networks in Hungary due to revisions in the tariff framework and uncertainties concerning the possible future evolution.

Impairment losses recognized in the Refining & Marketing segment of euro 633 million related to refining plants as a consequence of projections of unprofitable margins due to the structural headwinds in the business due to weak demand, excess capacity, increased competitive pressure from product streams coming from Russia, Asia and North America resulting in continuing pressure on selling prices and, in addition, to narrowing differential between the prices of heavy crude qualities vs. the market benchmark Brent causing a substantial reduction in the conversion premium. Other minor impairments were recorded to write-off expenditures incurred for safety and plant upgrades at assets which were fully impaired in previous reporting periods. The largest impairment loss was recorded to write-off the book value of a refinery which was tested for impairment using a post-tax discount rate of 7.1%, corresponding to a pre-tax discount rate of 8.8%.

Small impairments were recorded at oil&gas properties in the Exploration & Production segment as a consequence of downward reserve revisions for euro 209 million, substantially offset by reversal of previous years write-off amounting to euro 208 million. The largest impairment losses were recorded at two assets located in Italy which were tested for impairment using a post-tax discount rate of 6.7%, corresponding to a pre-tax discount rate of 4.0% and 6.6%, respectively.

In the Versalis segment impairment losses amounted to euro 55 million and mainly related to the write-off of the book value of marginal production lines which were shut down and to write-off expenditures incurred for safety and plant upgrades at assets which were fully impaired in previous reporting periods.

Foreign currency translation differences of euro 2,594 million primarily related to translations of entities accounts denominated in US dollar (euro 1,676 million), partially offset by translations of entities accounts denominated in Norwegian krone (euro 620 million).

The reclassification to assets held for sale of euro 155 million comprised certain non-strategic assets of the Exploration & Production segment (euro 143 million).

Other changes of euro 358 million related to: (i) the recognition of mineral property in the Exploration & Production segment for euro 276 million in relation to the renegotiation of the contractual terms and the duration extension of some development licenses as a compensation of the renounce to the deferred tax assets recoverability related to cost incurred and not yet recovered for tax purposes; (ii) asset reversal of impairment for euro 223 million, of which euro 208 million were recorded by the Exploration & Production segment in relation to a gas and condensate field located in Australia due to positive reserve revisions (euro 145 million) and an oil assets in the United States due to improved future production costs (euro 45 million); (iii) as decrease, the initial recognition of assets and change in estimates of costs for dismantling and site restoration amounting to euro 190 million.

Unproved mineral interests included in tangible assets in progress and advances are presented below:

(euro million)	Book value at the	Acquisitions	Impairment losses	Reclassification to Proved	Other changes and	Book value at the end

	beginning of the year			Mineral Interest	currency translation differences	of the year
December 31, 2012						
Congo	1,280			(2)	(24)	1,254
Nigeria	758				(15)	743
Turkmenistan	635		(109)	(1)	(9)	516
Algeria	485			(124)	(6)	355
USA	217		(62)	(51)	42	146
India	48		(26)			22
Other Countries	73			(44)		29
	3,496		**(197)**	**(222)**	**(12)**	**3,065**
December 31, 2013						
Congo	1,254			(84)	(51)	1,119
Nigeria	743				(32)	711
Turkmenistan	516			(4)	(22)	490
Algeria	355			(9)	(15)	331
USA	146			(3)	(6)	137
Egypt		45			(1)	44
India	22				(2)	20
Other Countries	29		(7)	(6)	(1)	15
	3,065	**45**	**(7)**	**(106)**	**(130)**	**2,867**

Accumulated provisions for impairments amounted to euro 9,882 million (euro 8,058 million at December 31, 2012).
At December 31, 2013, Eni pledged property, plant and equipment for euro 21 million primarily as collateral against certain borrowings (the same amount as of December 31, 2012).
Government grants recorded as a decrease of property, plant and equipment amounted to euro 114 million (euro 132 million at December 31, 2012).
Assets acquired under financial lease agreements amounted to euro 30 million (euro 39 million at December 31, 2012) for service stations of the Refining & Marketing segment.
Contractual commitments related to the purchase of property, plant and equipment are disclosed in Note 35 - Guarantees, commitments and risks - Liquidity risk.
Property, plant and equipment under concession arrangements are described in Note 35 - Guarantees, commitments and risks - Asset under concession arrangements.

Property, plant and equipment by segment

(euro million)	December 31, 2012	December 31, 2013
Property, plant and equipment, gross		
Exploration & Production	103,369	107,380
Gas & Power	4,373	4,438
Refining & Marketing	15,744	16,284
Versalis	5,589	5,898
Engineering & Construction	12,621	12,774
Corporate and financial companies	470	589
Other activities	1,617	1,522
Elimination of intra-group profits	(486)	(490)
	143,297	**148,395**
Accumulated depreciation, amortization and impairment losses		
Exploration & Production	55,836	59,223
Gas & Power	1,961	3,301
Refining & Marketing	11,305	12,157
Versalis	4,661	4,793
Engineering & Construction	4,408	4,846
Corporate and financial companies	243	267
Other activities	1,541	1,450
Elimination of intra-group profits	(124)	(148)
	79,831	**85,889**
Property, plant and equipment, net		
Exploration & Production	47,533	48,157
Gas & Power	2,412	1,137
Refining & Marketing	4,439	4,127
Versalis	928	1,105
Engineering & Construction	8,213	7,928
Corporate and financial companies	227	322
Other activities	76	72
Elimination of intra-group profits	(362)	(342)
	63,466	**62,506**

16 Inventory - compulsory stock

Compulsory inventories of euro 2,571 million (euro 2,538 million at December 31, 2012) were primarily held by Italian subsidiaries for euro 2,550 million (euro 2,525 million at December 31, 2012) in accordance with minimum stock requirements of oil and petroleum products set forth by applicable laws.

17 Intangible assets

(euro million)	Net book value at the beginning of the year	Additions	Amortization	Impairment losses	Changes in the scope of consolidation	Currency translation differences	Other changes	Net book value at the end of the year	Gross book value at the end of the year	Provisions for depreciation and impairments
December 31, 2012										
Intangible assets with finite useful lives										
Exploration expenditures	564	1,871	(1,886)			(10)	9	548	2,653	2,105
Industrial patents and intellectual property rights	156	59	(58)	(1)	(74)	1	55	138	1,197	1,059
Concessions, licenses, trademarks and similar items	847	18	(134)	(1)	(46)		(1)	683	2,516	1,833
Service concession arrangements	3,690	170	(3)	(37)	(3,716)	(2)	(70)	32	101	69
Intangible assets in progress and advances	248	159		(1)	(57)		(86)	263	269	6
Other intangible assets	1,422	18	(127)	(1,030)	40	7	32	362	2,144	1,782
	6,927	**2,295**	**(2,208)**	**(1,070)**	**(3,853)**	**(4)**	**(61)**	**2,026**	**8,880**	**6,854**
Intangible assets with indefinite useful lives										
Goodwill	4,023			(1,347)	(216)	2	(1)	2,461		
	10,950	**2,295**	**(2,208)**	**(2,417)**	**(4,069)**	**(2)**	**(62)**	**4,487**		
December 31, 2013										
Intangible assets with finite useful lives										
Exploration expenditures	548	1,697	(1,764)			(19)		462	2,712	2,250
Industrial patents and intellectual property rights	138	30	(55)	(2)		(1)	20	130	1,239	1,109
Concessions, licenses, trademarks and similar items	683	17	(115)	(15)			6	576	2,491	1,915
Service concession arrangements	32		(2)				2	32	48	16
Intangible assets in progress and advances	263	124					(25)	362	367	5
Other intangible assets	362	18	(40)	(157)		(1)	(13)	169	2,111	1,942
	2,026	**1,886**	**(1,976)**	**(174)**		**(21)**	**(10)**	**1,731**	**8,968**	**7,237**
Intangible assets with indefinite useful lives										
Goodwill	2,461			(333)	34	(17)	1	2,146		
	4,487	**1,886**	**(1,976)**	**(507)**	**34**	**(38)**	**(9)**	**3,877**		

Capitalized exploration expenditures of euro 462 million (euro 548 million at December 31, 2012) mainly related to the residual book value of license acquisition costs that are amortized on a straight-line basis over the contractual term of the exploration lease or fully written off against profit and loss upon expiration of terms or management s decision to cease any exploration activities. Additions for the year of euro 1,697 million (euro 1,871 million in 2012) included exploration drilling expenditures which are fully capitalized to reflect their investment nature and then entirely amortized for euro 1,509 million (euro 1,650 million in 2012) and license acquisition costs of euro 188 million (euro 221 million in 2012) primarily related to the acquisition of new exploration acreage in Cyprus and Vietnam. Amortizations of euro 1,764 million (euro 1,886 million in 2012) included amortizations of license acquisition costs for euro 255 million (euro 206 million in 2012).

Industrial patents and intellectual property rights of euro 130 million (euro 138 million at December 31, 2012) related to Eni SpA for euro 86 million (euro 89 million at December 31, 2012) and essentially concerned costs for the acquisition and internal development of software and rights for the use of production processes and software.
Concessions, licenses, trademarks and similar items for euro 576 million (euro 683 million at December 31, 2012) primarily comprised transmission rights for natural gas imported from Algeria of euro 523 million (euro 614 million at December 31, 2012) and concessions for mineral exploration of euro 20 million (euro 47 million at December 31, 2012).
Service concession arrangements of euro 32 million primarily pertained to gas distribution activities outside Italy (same amount as of December 31, 2012).
Intangible assets in progress and advances of euro 362 million (euro 263 million at December 31, 2012) related to Eni SpA for euro 267 million (euro 189 million at December 31, 2012) and primarily concerned cost for software development.
Other intangible assets with finite useful lives of euro 169 million (euro 362 million at December 31, 2012) comprised: (i) royalties for the use of licenses by Versalis SpA amounting to euro 52 million (euro 56 million at December 31, 2012); and (ii) the estimated costs of Eni s social responsibility projects in relation to oil development programs in Val d Agri and in the North Adriatic area connected to mineral rights under concession for euro 35 million (euro 44 million at December 31, 2012) following commitments made with the Basilicata Region, the Emilia Romagna Region and the Province and Municipality of Ravenna. Impairments regarded a loss of euro 157 million recorded on the customer relationship (euro 774 million in 2012) which was recognized upon the business combination of Distrigas NV (now Eni Gas & Power NV) and allocated to the European Market CGU. The driver of the

impairments was the continuing competitive pressure in Benelux considering the reduced profitability outlook of the European Market CGU in the light of the structural headwinds of the European gas sector, as described below in the disclosure about goodwill impairments.
Furthermore, in 2012, an impairment loss of euro 256 million was recorded to write off the book value of an option to develop an offshore storage facility for commercial modulation of gas in the British North Sea, which was recognized upon the acquisition of Eni Hewett Ltd, driven by continuing weakness in the European gas scenario.

The main depreciation rates used were substantially unchanged from the previous year and ranged as follows:

(%)			
Exploration expenditures	14	-	33
Industrial patents and intellectual property rights	20	-	33
Concessions, licenses, trademarks and similar items	3	-	33
Service concession arrangements	2	-	4
Other intangible assets	4	-	25

Impairment losses of intangible assets with indefinite useful lives (goodwill) amounted to euro 333 million (euro 1,347 million in 2012) and primarily pertained to the Gas & Power segment for euro 329 million (euro 1,347 million in 2012).
Changes in the scope of consolidation of intangible assets with indefinite useful lives (goodwill) of euro 34 million comprised the goodwill recognition made on the purchase price allocation in the business combination of ASA Trade SpA, a company marketing gas in Tuscany, following the 100% acquisition (euro 24 million) and of Est Più SpA, a company marketing gas and electricity in Friuli Venezia Giulia, following the acquisition of a 30% control stake (euro 10 million). In 2012, changes in the scope of consolidation of intangible assets with indefinite useful lives (goodwill) of euro 216 million comprised the deconsolidation of Gruppo Snam following the loss of control (euro 314 million) and the inclusion of Nuon Belgium NV (now merged in Eni Gas & Power NV) and Nuon Power Generation Walloon NV (now Eni Power Generation NV) following the 100% acquisition (euro 98 million).
The carrying amount of goodwill at the end of the year was euro 2,146 million (euro 2,461 million at December 31, 2012) net of cumulative impairments amounting to euro 2,396 million (euro 2,075 million at December 31, 2012). The breakdown of goodwill by operating segment is as follows:

(euro million)	**December 31, 2012**	**December 31, 2013**
Gas & Power	1,286	991
Engineering & Construction	750	748
Exploration & Production	265	250
Refining & Marketing	160	157
	2,461	**2,146**

Goodwill acquired through business combinations has been allocated to the cash generating units (CGUs) that are expected to benefit from the synergies of the acquisition. The CGUs of the Gas & Power segment are represented by such commercial business units which cash flows are largely interdependent and therefore benefit from acquisition synergies. The recoverable amounts of the CGUs are determined by discounting the future cash flows derived from the continuing use of the CGUs by applying the perpetuity method to assess the terminal value. For the determination of the cash flows see Note 15 - Property, plant and equipment. In the Gas & Power segment the adjusted WACC discount rates ranged from 6.4% to 10.2% as the WACC of the segment was adjusted to take into account the specific risks of the countries in which the activity takes place. For the Engineering & Construction segment, the rate used was 7.6% and was not adjusted to a specific country risk as the invested capital of the company mainly refers to movable properties. Both the segments registered a reduction of 50-20 basis points due to the lower risk premium for Italy.
Post-tax cash flows and discount rates were adopted as they resulted in an assessment that substantially approximated

a pre-tax assessment.
In the Gas & Power segment goodwill has been allocated to the following CGUs.

Gas & Power segment

(euro million)	**December 31, 2012**	**December 31, 2013**
Domestic gas market	767	801
Foreign gas market	519	190
- of which European market	*511*	*188*
	1,286	**991**

Goodwill allocated to the CGU Domestic Gas market was recognized upon the buy-out of Italgas SpA minorities in 2003 through a public offering (euro 706 million). This CGU engages in supplying gas to residential customers and small businesses. The increase from 2012 of euro 34 million

comprised the acquisition of local companies engaged in retail sale activities. The impairment review performed at the balance sheet date confirmed the recoverability of the carrying amount of the goodwill.
At December 31, 2013, the residual amounts of goodwill allocated to the European Gas Market CGUs related to the business combinations Altergaz SA (now Eni Gas & Power France SA) in France, Nuon Belgium NV (now merged in Eni Gas & Power NV) in Belgium which is operating in retail sale activities. At December 31, 2012, these CGUs also comprised the goodwill related to gas wholesale and LNG activities acquired through Distrigas NV (now Eni Gas & Power NV) in Belgium and gas wholesale and LNG activities managed directly by the Gas & Power Division of Eni SpA involving large customers (North-West Europe area - France, Germany, Benelux, United Kingdom, Switzerland and Austria). Those wholesale activities benefited of the synergies from the business combination of Distrigas.
In performing the impairment review of the recoverability of the carrying amount of these activities, management recognized an impairment loss of goodwill amounting to euro 323 million, thus completely writing off the goodwill allocated to these CGUs, considering a reduced profitability outlook due to the structural changes in the economics of the gas business.
The key assumptions adopted in assessing future cash flow projections of the CGUs included marketing margins, forecast sales volumes, the discount rate and the growth rates adopted to determine the terminal value. Information on these drivers was derived from the four-year plan approved by the Company s management which reduced with respect to past reviews the projected returns and cash flows particularly for the assets subject to impairment, driven by expectations of a weak recovery in gas demand due to slow dynamics of European economies and competition from other resources, persistent oversupply and high competitive pressure. These drivers will continue to weigh on spot prices of gas, to which selling prices in the European markets are benchmarked. Management expects that spot prices of gas in the next four-year period will show negative spreads towards the oil-linked costs of gas supplies. In the light of the expected trends in the gas market, management plans to renegotiate the economic terms and flexibility conditions at the Company s main long-term supply contracts. The expected results of these renegotiations are factored in the economic and financial projections of the four-year plan adopted by the management for the gas business. For the assets subject to impairment, management is now assuming in the updated plan with respect to the previous plan: (i) a significant reduction in the long-term average unit marketing margins; (ii) a reduction in sales volumes; (iii) a slightly lower discount rate; and (iv) to assess the terminal value, the long-term growth rate of the perpetuity was set to zero, unchanged from the previous reporting period.
The value in use of the CGU European Gas Market which led to an impairment of the goodwill was assessed by discounting the associated post-tax cash flows at a post-tax rate of 6.6% corresponding to a pre-tax rate of 11.4% (7.3% and 12%, respectively in 2012).
The excess of the recoverable amount of the CGU Domestic Gas Market over its carrying amount including the allocated portion of goodwill (headroom) amounting to euro 650 million would be reduced to zero under each of the following alternative hypothesis: (i) a decrease of 35% on average in the projected commercial margins; (ii) a decrease of 35% on average in the projected sales volumes; (iii) an increase of 7 percentage points in the discount rate; and (iv) a negative nominal growth rate of 12%. The recoverable amount of the CGU domestic gas market and the relevant sensitivity analysis were calculated solely on the basis of retail margins.

Engineering & Construction segment

(euro million)	December 31, 2012	December 31, 2013
Offshore E&C	415	415
Onshore E&C	316	314
Other	19	19
	750	**748**

The segment goodwill of euro 748 million was mainly recognized following the acquisition of Bouygues Offshore SA, now Saipem SA (euro 710 million) and allocated to the CGUs Offshore E&C and Onshore E&C. The impairment

review performed at the balance sheet date confirmed the recoverability of the carrying amounts of both those CGUs, including the allocated portions of goodwill.
The key assumptions adopted for assessing the recoverable amounts of those two CGUs which exceeded their respective carrying amounts related to operating results, the discount rate and the growth rates of the perpetuity adopted to determine the terminal value. Information on those drivers were collected from the four-year-plan approved by the Company s management, while the terminal value was estimated by using a perpetual nominal growth rate of 2% applied to the normalized cash flow of the last year in the four-year plan. Value in use of both CGUs was assessed by discounting the associated post-tax cash flows at a post-tax rate of 7.6% (7.8% in 2012) which corresponds to pre-tax rates of 10.0% and 11.0% for the Offshore E&C business unit and the Onshore E&C business unit, respectively (9.9% and 10.7%, respectively in 2012). The headroom of the Offshore E&C business unit of euro 3,471 million would be reduced to zero under each of the following alternative changes in the above mentioned assumptions: (i) a linear decrease of 49% in the operating result over all the years of the plan and the terminal value; (ii) an increase of 5 percentage points in the discount rate; and (iii) negative real growth rate. Changes in each of the assumptions that would cause the headroom of the Onshore E&C business unit to be reduced to zero are greater than those applicable to the Offshore E&C construction CGU described above.
The Exploration & Production and the Refining & Marketing segments tested their goodwill, yielding the following results: (i) in the Exploration & Production segment with goodwill amounting to euro 250 million, management believes that there are no reasonably possible changes in the pricing environment and production/cost profiles that would cause the headroom of the relevant CGUs to be reduced to zero. Goodwill mainly refers to the portion of the purchase price that was not allocated to proved or unproved properties in the business combinations Lasmo, Burren Energy (Congo) and First Calgary. During 2013, goodwill attributed to minor activities in Italy was impaired for an amount of euro 4 million; and (ii) in the

Refining & Marketing segment goodwill amounted to euro 157 million at the balance sheet date. Goodwill amounting to euro 137 million pertained to retail networks acquired in previous years in Austria, Czech Republic, Hungary and Slovakia for which profitability expectations have remained unchanged from the previous-year impairment review.

18 Investments

Investments accounted for using the equity method

(euro million)	Book value at the beginning of the year	Additions	Divestments and reimbursements	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Changes in the scope of consolidation	Currency translation differences	Other changes	Book value at the end of the year
December 31, 2012										
Investments in unconsolidated entities controlled by Eni	222	6	(11)	37	(4)	(36)	29	(2)	(26)	215
Joint ventures	2,598	185	(1)	319	(78)	(265)	(473)	(23)	(26)	2,246
Associates	3,019	139	(321)	170	(151)	(129)	(48)	(32)	(846)	1,801
	5,839	**330**	**(333)**	**526**	**(233)**	**(430)**	**(492)**	**(57)**	**(888)**	**4,262**
December 31, 2013										
Investments in unconsolidated entities controlled by Eni	215	9		37	(9)	(24)	(19)	(6)	(2)	201
Joint ventures	2,246	50	(11)	198	(43)	(116)	7	(119)	(397)	1,815
Associates	1,801	230	(1)	134	(65)	(195)		(73)	87	1,918
	4,262	**289**	**(12)**	**369**	**(117)**	**(335)**	**(12)**	**(198)**	**(312)**	**3,934**

In 2013, additions of euro 289 million mainly related to capital contributions to joint ventures and associates engaged in the realization of projects in the interest of Eni: Angola LNG Ltd (euro 98 million) which is currently building a liquefaction plant in order to monetize Eni s gas reserves in that Country (Eni s interest in the project being 13.6%); South Stream Transport BV (euro 44 million) which is engaged in the study of feasibility of the South Stream pipeline; PetroJunin SA (euro 43 million) which is developing gas and crude oil fields in Venezuela, and; Novamont SpA (euro 41 million) which is engaged in the green chemistry project at the Porto Torres plant.

Divestments and reimbursements of euro 12 million related to the sale of Est Reti Elettriche SpA.

Eni s share of profit of equity-accounted investments and dividend decrease pertained to the following entities:

(euro million)	**December 31, 2012**			**December 31, 2013**		
	Share of profit of equity-accounted investments	Deduction for dividends	Eni s interest (%)	Share of profit of equity-accounted investments	Deduction for dividends	Eni s interest (%)
United Gas Derivatives Co	68	60	33.33	56	60	33.33
PetroSucre SA	3		26.00	44	105	26.00
Unión Fenosa Gas SA	149	108	50.00	38		50.00
Blue Stream Pipeline Co BV	39	44	50.00	35	54	50.00
Unimar Llc	38	78	50.00	30	19	50.00
Eni BTC Ltd	30	31	100.00	25	22	100.00

CARDÓN IV SA	1		50.00	21		50.00
Supermetanol CA	18	15	34.51	10	15	34.51
Galp Energia SGPS SA [(a)]	80	55	24.34			
Other investments	100	39		110	60	
	526	**430**		**369**	**335**	

(a) The investment was accounted for under the equity method until the date of loss of significant influence.

Eni s share of losses of equity-accounted investments related to the following entities:

(euro million)	December 31, 2012		December 31, 2013	
	Share of loss of equity-accounted investments	Eni s interest (%)	Share of loss of equity-accounted investments	Eni s interest (%)
Angola LNG Ltd	35	13.60	42	13.60
Petromar Lda			18	70.00
Société Centrale Electrique du Congo SA			14	20.00
Zagoryanska Petroleum BV	50	60.00	5	60.00
Distribuidora de Gas del Centro SA	12	31.35		
EnBW Eni Verwaltungsgesellschaft mbH	82	50.00		
Other investments	54		38	
	233		**117**	

Losses at the equity-accounted investments in Angola LNG Ltd (euro 42 million) related to pre-production expenses and operating costs for commissioning a re-gasification plant.
Other changes of euro 312 million comprised the reclassification to assets held for sale of Artic Russia BV for euro 449 million and, as increase, the reclassification from other investments of Novamont SpA for euro 35 million and the revaluation of Ceska Rafinerska AS for euro 21 million. At the balance sheet date, Eni s interest in Artic Russia was classified as an asset held for sale and measured at fair value due to the loss of joint control over the investee following the satisfaction, before year end, of all conditions precedent to the Sale Purchase Agreement signed with Gazprom in November 2013. The re-measurement at fair value recorded to profit amounted to euro 1,682 million. The consideration for the disposal was cashed in on January 15, 2014.

List of equity-accounted investments:

(euro million)	December 31, 2012			December 31, 2013		
	Net carrying value	Number of shares held	Eni s interest (%)	Net carrying value	Number of shares held	Eni s interest (%)
Investments in unconsolidated entities controlled by Eni						
Eni BTC Ltd	97	34,000,000	100.00	96	34,000,000	100.00
Other investments (*)	118			105		
	215			**201**		
Joint ventures						
Unión Fenosa Gas SA	507	273,100	50.00	547	273,100	50.00
Blue Stream Pipeline Co BV	461	1,000	50.00	424	1,000	50.00
Eteria Parohis Aeriou Thessalonikis AE	131	116,546,500	49.00	130	116,546,500	49.00
Raffineria di Milazzo ScpA	131	175,000	50.00	130	175,000	50.00
GreenStream BV	125	100,000,000	50.00	107	100,000,000	50.00
CARDÓN IV SA	73	6,455	50.00	102	8,605	50.00
Unimar Llc	70	50	50.00	76	50	50.00
Supermetanol CA	62	49,000,000	34.51	55	49,000,000	34.51
Eteria Parohis Aeriou Thessalias AE	46	38,445,008	49.00	45	38,445,008	49.00
Transmediterranean Pipeline Co Ltd	24	515,500	50.00	30	515,500	50.00
Petromar Lda	44	1	70.00	22	1	70.00
Artic Russia BV	436	12,000	60.00			

Other investments (*)	136			147		
	2,246			**1,815**		
Associates						
Angola LNG Ltd	1,060	1,279,887,652	13.60	1,067	1,410,127,664	13.60
EnBW Eni Verwaltungsgesellschaft mbH	162	1	50.00	179	1	50.00
PetroSucre SA	242	5,727,800	26.00	173	5,727,800	26.00
United Gas Derivatives Co	106	950,000	33.33	96	950,000	33.33
Novamont SpA				77	6,667	25.00
Fertilizantes Nitrogenados de Oriente CEC	68	1,933,662,121	20.00	68	1,933,565,443	20.00
PetroJunin SA	10	8,640,000	40.00	51	44,424,000	40.00
South Stream Transport BV	14	82,396	20.00	51	82,396	20.00
Bayernoil Raffineriegesellschaft mbH	8	1	20.00	35	1	20.00
Rosetti Marino SpA	29	800,000	20.00	32	800,000	20.00
Other investments (*)	102			89		
	1,801			**1,918**		
	4,262			**3,934**		

(*) Each individual amount included herein was lower than euro 25 million.

Carrying amounts of equity-accounted investments included differences between the purchase price of the interest acquired and the book value of the corresponding fraction of net equity amounting to euro 334 million, of which euro 195 million pertained to Unión Fenosa Gas SA (goodwill), euro 78 million to EnBW Eni Verwaltungsgesellschaft mbH (of which goodwill euro 16 million) and euro 43 million to Novamont SpA (goodwill).
The table below sets out the provisions for losses included in the provisions for contingencies of euro 165 million (euro 176 million at December 31, 2012), primarily related to the following equity-accounted investments:

(euro million)	December 31, 2012	December 31, 2013
Industria Siciliana Acido Fosforico - ISAF - SpA (under liquidation)	102	92
VIC CBM Ltd	13	18
Saipon Snc		14
Société Centrale Electrique du Congo SA	19	9
Other investments	42	32
	176	**165**

Other investments

(euro million)	Net book value at the beginning of the year	Additions	Divestments	Valuation at fair value	Currency translation differences	Other changes	Net book value at the end of the year	Gross book value at the end of the year	Accumulated impairment charges
December 31, 2012									
Investments in unconsolidated entities controlled by Eni	3	12					15	16	1
Associates	13		(13)			12	12	12	
Other investments:									
- valued at fair value			(358)	2,528		2,612	4,782	4,782	
- valued at cost	383	49	(145)		(3)	(8)	276	277	1
	399	**61**	**(516)**	**2,528**	**(3)**	**2,616**	**5,085**	**5,087**	**2**
December 31, 2013									
Investments in unconsolidated entities controlled by Eni	15					(1)	14	15	1
Associates	12					1	13	13	
Other investments:									
- valued at fair value	4,782		(2,191)	179			2,770	2,770	
- valued at cost	276	3	(5)		(8)	(36)	230	233	3
	5,085	**3**	**(2,196)**	**179**	**(8)**	**(36)**	**3,027**	**3,031**	**4**

Investments in unconsolidated entities controlled by Eni and associates are stated at cost net of impairment losses. Other investments, for which fair value cannot be reliably determined, were recognized at cost and adjusted for impairment losses.
In 2013, divestments and reimbursements of other investments valued at fair value for euro 2,191 million are stated net of gains on disposals (euro 98 million) and related to the sale of an 11.69% in the share capital of Snam SpA for euro 1,392 million and an 8.19% in the share capital of Galp Energia SGPS SA for euro 799 million.
On May 9, 2013, Eni completed the sale of 395,253,345 shares equal to 11.69% of the share capital of Snam SpA. The offering, carried out through an accelerated bookbuilding aimed at qualified institutional investors, was priced at euro 3.69 per share for a total consideration amounting to euro 1,459 million. The gain amounted to euro 67 million. Following the placement, Eni holds 288,683,602 shares equal to 8.54% of the share capital of Snam which are underlying the euro 1,250 million convertible bond, issued on January 18, 2013, due on January 18, 2016. At December 31, 2013, the retained interest in Snam was stated at fair value for euro 1,174 million, which was

determined at a market price of euro 4.07 per share.

On May 31, 2013, Eni completed the placement of 55,452,341 ordinary shares, corresponding to approximately 6.69% of the share capital of Galp Energia SGPS SA. The Offering, carried out through an accelerated bookbuilding procedure aimed at qualified institutional investors, was priced at euro 12.22 per share for a total consideration amounting to euro 678 million. The gain amounted to euro 26 million. Furthermore, during 2013, Eni executed private placements and spot sales of Galp s shares equal to 1.50% of the share capital, for a total consideration of euro 152 million, at an average price of euro 12.21 per share, and a gain amounting to euro 5 million. At December 31, 2013, Eni holds 133,945,630 shares equal to 16.15% of Galp s outstanding share capital, of which 8% underlies the exchangeable (approximately euro 1,028 million) bond issued on November 30, 2012 to be due on November 30, 2015 and 8.15% are subject to pre-emptive rights or options exercisable by Amorim Energia.

At December 31, 2013, the retained interest in Galp was stated at fair value for euro 1,596 million determined at a market price of euro 11.92 per share.

Fair value adjustment of euro 179 million related to Snam SpA and Galp Energia SGPS SA, of which euro 168 million were reported through profit as income from investments in application of the fair value option provided by IAS 39 in order to eliminate an accounting mismatch derived from the measurement at fair value through profit as a result of the options embedded in the convertible bonds.

In 2012, divestments of euro 516 million related for euro 358 million to the sale through an accelerated book-building procedure with institutional investors of 4% of the share capital of Galp Energia SGPS SA for a total consideration of euro 381 million and a gain on divestment of euro 23 million and to the sale of Interconnector (UK) Ltd for euro 136 million.

In 2012, adjustment at fair value of euro 2,528 million related to the initial recognition and subsequent measurement at market prices of the interests in Snam SpA (euro 1,465 million, of which euro 1,457 million recognized in the profit and loss account and euro 8 million in other comprehensive income) and Galp Energia SGPS SA (euro 1,063 million of which euro 930 million recognized in the profit and loss account and euro 133 million in other comprehensive income) that, as a consequence of the loss of control on Snam following the transaction with Cassa Depositi e Prestiti and the loss of significant influence on Galp following Eni s exit from the shareholders pact, were stated as financial investment in the item Other investments .

The fair values were estimated on the basis of market quotations.

The net carrying amount of other investments of euro 3,027 million (euro 5,085 million at December 31, 2012) was related to the following entities:

(euro million)	December 31, 2012			December 31, 2013		
	Net carrying amount	Number of shares held	Eni s interest (%)	Net carrying amount	Number of shares held	Eni s interest (%)
Investments in unconsolidated entities controlled by Eni	**15**			**14**		
Associates	**12**			**13**		
Other investments:						
- Galp Energia SGPS SA	2,374	201,839,604	24.34	1,596	133,945,630	16.15
- Snam SpA	2,408	683,936,947	20.23	1,174	288,683,602	8.54
- Nigeria LNG Ltd	90	118,373	10.40	86	118,373	10.40
- Darwin LNG Pty Ltd	65	213,995,164	10.99	58	213,995,164	10.99
- Novamont SpA	35	3,530	15.00			
- other (*)	86			86		
	5,058			**3,000**		
	5,085			**3,027**		

(*) Each individual amount included herein was lower than euro 25 million.

Provisions for losses related to other investments, included within the provisions for contingencies, amounted to euro 12 million (euro 18 million at December 31, 2012).

Other information about investments

The following table summarizes key financial data, net to Eni, as disclosed in the latest available financial statements of unconsolidated entities controlled by Eni, joint ventures and associates:

(euro million)	December 31, 2012			December 31, 2013		
	Unconsolidated entities controlled by Eni	Joint ventures	Associates	Unconsolidated entities controlled by Eni	Joint ventures	Associates
Total assets	1,604	5,032	3,223	1,633	5,068	3,080

Total liabilities	1,497	2,827	1,429	1,533	3,285	1,146
Net sales from operations	97	2,971	1,889	101	2,476	1,752
Operating profit	5	475	259	(4)	87	114
Net profit	39	237	170	21	130	81

Total assets and liabilities of unconsolidated controlled entities of euro 1,633 million and euro 1,533 million, respectively (euro 1,604 million and euro 1,497 million at December 31, 2012) pertained to entities acting as sole-operator in the management of oil and gas contracts for euro 1,283 million and euro 1,283 million (euro 1,249 million and euro 1,249 million at December 31, 2012). The residual amount pertained to not significant entities that were excluded from the scope of consolidation for the reasons described in Note 2 - Principles of consolidation.

19 Other financial assets

(euro million)	December 31, 2012	December 31, 2013
Financing receivables for operating purposes	1,160	1,017
Securities held for operating purposes	69	80
	1,229	**1,097**

Financing receivables for operating purposes are stated net of the valuation allowance for doubtful accounts of euro 66 million (euro 30 million at December 31, 2012).

Financing receivables for operating purposes of euro 1,017 million (euro 1,160 million at December 31, 2012) primarily pertained to loans granted by the Exploration & Production segment (euro 569 million), the Gas & Power segment (euro 312 million) and the Refining & Marketing segment (euro 88 million). Receivables for financial leasing of euro 21 million at December 31, 2012 were nil at December 31, 2013, as a result of the sale of Finpipe GIE.

Financing receivables granted to unconsolidated subsidiaries, joint ventures and associates amounted to euro 559 million.

Financing receivables for operating purposes in currencies other than euro amounted to euro 884 million (euro 999 million at December 31, 2012).

Financing receivables for operating purposes due beyond five years amounted to euro 551 million (euro 624 million at December 31, 2012).

The valuation at fair value of financing receivables of euro 1,067 million has been estimated based on the present value of expected future cash flows discounted at rates ranging from 0.5% to 4.2% (0.4% and 3.3% at December 31, 2012). The fair value hierarchy is level 2.

Securities of euro 80 million (euro 69 million at December 31, 2012) were designated as held-to-maturity. The following table analyses securities per issuing entity:

	Amortized cost (euro million)	**Nominal value** (euro million)	**Fair value** (euro million)	**Nominal rate of return** (%)	**Maturity date**	**Rating - Moody s**	**Rating - S&P**
Sovereign states							
Fixed rate bonds							
Italy	20	21	22	from 3.50 to 4.75	from 2014 to 2021	Baa2	BBB
Slovenija	8	8	8	from 4.38 to 4.88	2014	Ba1	A-
Spain	3	3	3	3.00	2015	Baa3	BBB-
Belgium	2	2	2	1.25	2018	Aa3	AA
Floating rate bonds							
Italy	15	15	15		from 2014 to 2016	Baa2	BBB
Belgium	7	7	7		2016	Aa3	AA
Spain	7	7	7		2015	Baa3	BBB-
France	5	5	5		2014	Aa1	AA
Slovakia	2	2	2		2015	A2	A
Total sovereign states	**69**	**70**	**71**				
Floating rate bonds							
European Investment Bank	**8**	**8**	**8**		from 2016 to 2018	Aaa	AAA
Other securities issued by Financial Institutions	**3**	**3**	**3**		2014	Baa3	BBB-
	80	**81**	**82**				

Securities with a maturity beyond five years amounted to euro 5 million.

The fair value of securities was derived from market prices.

Receivables with related parties are described in Note 43 - Transactions with related parties.

20 Deferred tax assets

Deferred tax assets are stated net of amounts of deferred tax liabilities that can be offset for euro 3,558 million (euro 3,630 million at December 31, 2012).

(euro million)	Amount at December 31, 2012	Additions	Deductions	Currency translation differences	Other changes	Amount at December 31, 2013
	5,027	2,070	(2,292)	(237)	94	**4,662**

Net decrease of euro 365 million included: (i) a write-down of euro 954 million that was recognized on deferred tax assets recorded by the parent company Eni SpA and other Italian subsidiaries which were part of the consolidated accounts for Italian tax purposes. Management recorded a write-down on those deferred tax assets to reflect a lower likelihood that those deferred tax assets can be recovered in future periods due to an expected reduction in taxable income generated in Italy; (ii) a decrease of euro 766 million of deferred tax assets in relation to the renegotiation of the contractual terms and the duration extension of some exploration and development licenses as a compensation of the renounce to the deferred tax assets recoverability related to cost incurred and not yet recovered for tax purposes.
Deferred tax assets are further described in Note 30 - Deferred tax liabilities.
Income taxes are described in Note 40 - Income tax expense.

21 Other non-current receivables

(euro million)	December 31, 2012	December 31, 2013
Tax receivables from:		
- Italian tax Authorities		
- income tax	*113*	*133*
- interest on tax credits	*62*	*65*
	175	198
- foreign tax Authorities	118	267
	293	**465**
Other receivables:		
- related to divestments	752	702
- other non-current	361	148
	1,113	**850**
Fair value of non-hedging derivatives	**429**	**256**
Fair value of cash flow hedge derivative instruments	**2**	**6**
Other asset	**2,563**	**2,106**
	4,400	**3,683**

Receivables originated from divestments amounted to euro 702 million (euro 752 million at December 31, 2012) and included: (i) the residual outstanding amount of euro 166 million recognized following the compensation agreed with the Republic of Venezuela for the expropriated Dación oilfield in 2006. The receivable accrues interests at market conditions as the collection has been fractionated in installments. In 2013, reimbursements amounted to euro 68 million (US $90 million). Negotiations for further compensations are ongoing; (ii) the long-term portion of a receivable of euro 341 million related to the divestment of the 1.71% interest in the Kashagan project to the local partner KazMunaiGas on the basis of the agreements defined with the international partners of the North Caspian Sea PSA and the Kazakh government, which became effective from January 1, 2008. The reimbursement of the receivable is provided for in three annual installments starting from the date when the production will reach a commercial level. The receivable accrues interest income at market rates; (iii) the long-term portion of a receivable of euro 46 million related to the divestment of the 3.25% interest in the Karachaganak project (equal to the Eni s 10% interest) to the Kazakh partner KazMunaiGas as part of an agreement reached in December 2011 between the Contracting Companies of the Final Production Sharing Agreement (FPSA) and Kazakh Authorities which settled disputes on the recovery of the costs incurred by the International Consortium to develop the field, as well as a certain tax claims. The agreement, effective from June 28, 2012, entailed a net cash consideration to Eni, to be paid in cash in three years through monthly installments starting in July 2012. The receivable accrues interest income at market rates. In 2013, reimbursements amounted to euro 82 million. The short-term portion is disclosed in Note 10 - Trade and other receivables.

Receivables with related parties are described in Note 43 - Transactions with related parties.

The fair value of non-hedging derivative contracts was as follows:

	December 31, 2012			December 31, 2013		
(euro million)	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Derivatives on exchange rate						
Interest currency swap	235	868	284	138	754	271
Currency swap	29	714	645	47	194	509
	264	**1,582**	**929**	**185**	**948**	**780**
Derivatives on interest rate						
Interest rate swap	80	736	2	58	642	6
	80	**736**	**2**	**58**	**642**	**6**
Derivatives on commodities						
Over the counter	80	581	547	13	94	46
Future	5	147	4			
	85	**728**	**551**	**13**	**94**	**46**
	429	**3,046**	**1,482**	**256**	**1,684**	**832**

Derivative fair values are calculated basing on market quotations provided by primary info-provider, or in the absence of market information, appropriate valuation techniques generally adopted in the marketplace.

Fair values of non-hedging derivatives of euro 256 million (euro 429 million at December 31, 2012) consisted of derivatives that did not meet the formal criteria to be designated as hedges under IFRS because they were entered into in order to manage net exposures to foreign currency exchange rates, interest rates and commodity prices. Therefore, such derivatives did not relate to specific trade or financing transactions.

Fair value of cash flow hedge derivatives of euro 6 million (euro 2 million at December 31, 2012) related to hedges entered by the Gas & Power segment. Further information is disclosed in Note 14 - Other current assets. Fair value related to the contracts expiring beyond 2014 is disclosed in Note 31 - Other non-current liabilities; fair value related to the contracts expiring in 2014 is disclosed in Note 14 - Other current assets and in Note 26 - Other current liabilities. The effects of fair value evaluation of cash flow hedges are disclosed in Note 33 - Shareholders equity and Note 37 - Operating expenses.

Nominal values of cash flow hedge derivatives for sale commitments were euro 132 million (purchase and sale commitments of euro 21 million and euro 60 million at December 31, 2012, respectively).

Information on the hedged risks and the hedging policies is disclosed in Note 35 - Guarantees, commitments and risks - Risk factors.

Other non-current asset amounted to euro 2,106 million (euro 2,563 million at December 31, 2012), of which euro 1,892 million (euro 2,367 million at December 31, 2012) were deferred costs relating to the obligation to pay in advance the contractual price of the volumes which the Company failed to collect up to the minimum contractual take in order to fulfill the take-or-pay clause provided by the relevant long-term supply contracts (see Other payables of Note 23 - Trade and other payables). The reduction from the previous year is due to the collection of a part of the prepaid volumes as a consequence of the benefits deriving from the renegotiations that ensured improved flexibility. Those prepayments were classified as non-current assets, as the Company plans to collect the prepaid quantities beyond the term of 12 months. In accordance with those arrangements, the Company is contractually required to collect minimum annual quantities of gas, or in case of failure, is contractually obliged to pay the whole price or a fraction of it for the uncollected volumes up to the minimum annual quantity. The Company is entitled to collect the prepaid volumes in future years alongside contract execution, up to contract expiration or in a shorter term as the case may be. Those deferred costs, which are equivalent to a receivable in-kind, are stated at the purchase cost or the net realizable value, whichever is lower. Prior-years impairment losses are reversed up to the purchase cost, whenever market conditions indicate that impairment no longer exits or may have decreased. The amount of pre-paid volumes reflects ongoing weak market conditions in the European gas sector due to declining demand and strong competitive pressures fuelled by oversupplies. Those trends prevented Eni from fulfilling its minimum take obligations associated with its gas supply contracts. Management plans to recover those pre-paid volumes over the long-term by leveraging on a projected sales expansion in target European Markets and in Italy supported by the Company s strengthening market leadership and improved competitiveness of the Company s cost position considering the expected benefits of ongoing and planned contract renegotiations and the expected benefits associated with the reduction of minimum take quantities in future years and other operating flexibilities (i.e. changes in delivery points and LNG supplies in place of those by pipeline) which the Company plans to achieve as a result of ongoing and planned contract renegotiations, including the non renewing of expiring contracts.

Current liabilities

22 Short-term debt

(euro million)	December 31, 2012	December 31, 2013
Banks	253	258
Commercial papers	1,481	1,767
Other financial institutions	489	717
	2,223	**2,742**

The increase in short-term debt of euro 519 million included net assumptions for euro 1,029 million, partially offset by foreign currency translation differences of euro 570 million. Commercial papers of euro 1,767 million (euro 1,481 million at December 31, 2012) were issued by the Group s financial subsidiaries Eni Finance USA Inc (euro 1,587 million) and Eni Finance International SA (euro 180 million).
The breakdown by currency of short-term debt is provided below:

(euro million)	December 31, 2012	December 31, 2013
Euro	219	465
US dollar	1,815	2,056
Other currencies	189	221
	2,223	**2,742**

At December 31, 2013, the weighted average interest rate on short-term debt was 1.1% (1.5% at December 31, 2012).
At December 31, 2013, Eni had undrawn committed and uncommitted borrowing facilities amounting to euro 2,141 million and euro 12,187 million, respectively (euro 1,241 million and euro 10,932 million at December 31, 2012). Those facilities bore interest rates reflecting prevailing conditions in the marketplace. Charges for unutilized facilities were immaterial.
At December 31, 2013, Eni was in compliance with covenants and other contractual provisions in relation to borrowing facilities.
The fair value of short-term debt and loans matched their respective carrying amounts considering the short-term maturity.
Payables due to related parties are described in Note 43 - Transactions with related parties.

23 Trade and other payables

(euro million)	December 31, 2012	December 31, 2013
Trade payables	14,993	15,529
Down payments and advances	2,247	2,450
Other payables:		
- related to capital expenditures	2,103	2,046

- others	4,238	3,573
	6,341	**5,619**
	23,581	**23,598**

The increase in trade receivables amounting to euro 536 million primarily related to the increase in the Gas & Power segment (euro 613 million) and in the Exploration & Production segment (euro 279 million), partially offset by the decrease in the Refining & Marketing segment (euro 253 million).
Down payments and advances[21] for euro 2,450 million (euro 2,247 million at December 31, 2012) related to contract work in progress in the Engineering & Construction segment for euro 1,223 million and euro 822 million (euro 814 million and euro 865 million at December 31, 2012, respectively).

(21) Down payments received for long-term contracts in progress correspond to the amounts invoiced to customers in excess of the work accrued at the end of the reporting period based on the percentage of completion. Advances on long-term contracts in progress include advanced payments made by customers and contractually agreed; these advanced payments are used during the contract execution in connection with the invoicing of the works performed.

Other payables were as follows:

(euro million)	December 31, 2012	December 31, 2013
Payables related to capital expenditures due to		
- suppliers in relation to investing activities	1,626	1,480
- joint venture operators in exploration and production activities	440	479
- other	37	87
	2,103	**2,046**
Other payables		
- joint venture operators in exploration and production activities	2,375	2,160
- employees	372	391
- social security entities	223	179
- non-financial government entities	243	229
- other	1,025	614
	4,238	**3,573**
	6,341	**5,619**

The decrease in other payables of euro 665 million included the amounts paid to the Company s gas suppliers relating to the triggering of the take-or-pay clause of the relevant long-term supply contracts (euro 542 million). For further information see Note 21 - Other non-current receivables.

The fair value of trade and other payables matched their respective carrying amounts considering the short-term maturity of trade payables.

Payables to related parties are described in Note 43 - Transactions with related parties.

24 Income taxes payable

(euro million)	December 31, 2012	December 31, 2013
Italian subsidiaries	156	71
Foreign subsidiaries	1,466	671
	1,622	**742**

The decrease in income taxes payable by foreign subsidiaries for euro 795 million primarily related to the foreign companies of the Exploration & Production segment (euro 677 million).

Income tax expenses are described in Note 40 - Income taxes.

25 Other taxes payable

(euro million)	December 31, 2012	December 31, 2013
Excise and customs duties	1,286	1,244
Other taxes and duties	876	1,024
	2,162	**2,268**

26 Other current liabilities

(euro million)	December 31, 2012	December 31, 2013
Fair value of cash flow hedge derivatives	32	213
Fair value of other derivatives	893	783
Other liabilities	512	452
	1,437	**1,448**

Derivative fair values were estimated on the basis of market quotations provided by primary info-provider, or alternatively, appropriate valuation techniques commonly used on the marketplace.

The fair value of cash flow hedge derivatives amounted to euro 213 million (euro 32 million at December 31, 2012) and essentially pertained to hedges entered by the Gas & Power segment. Those derivatives were designated to hedge exchange rate and commodity risk exposures as described in Note 14 - Other current assets. Fair value of contracts expiring by end of 2014 is disclosed in Note 14 - Other current assets; fair value of contracts expiring beyond 2014 is disclosed in Note 31 - Other non-current liabilities and in Note 21 - Other non-current receivables. The effects of the evaluation at fair value of cash flow hedge derivatives are disclosed in Note 33 - Shareholders equity and in Note 37 - Operating expenses. The nominal value of cash flow hedge derivatives referred to purchase and sale commitments for euro 3,689 million and euro 1,393 million, respectively (euro 341 million and euro 271 million at December 31, 2012, respectively).

The fair value of other derivative contracts is presented below:

	December 31, 2012			December 31, 2013		
(euro million)	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Derivatives on exchange rate						
Currency swap	180	7,531	1,291	177	6,963	893
Outright	1	102		102	1,983	
	181	**7,633**	**1,291**	**279**	**8,946**	**893**
Derivatives on interest rate						
Interest rate swap	1		88	1		121
	1		**88**	**1**		**121**
Derivatives on commodities						
Over the counter	688	8,311	2,969	489	6,187	995
Future	12	382	67	12	181	37
Other	11		2	2		2
	711	**8,693**	**3,038**	**503**	**6,368**	**1,034**
	893	**16,326**	**4,417**	**783**	**15,314**	**2,048**

Fair values of other derivatives of euro 783 million (euro 893 million at December 31, 2012) consisted of: (i) euro 377 million (euro 538 million at December 31, 2012) of derivatives that lacked the formal criteria to be designated as hedges under IFRS because they were entered into in order to manage net exposures to movements in foreign currencies, interest rates or commodity prices; (ii) euro 405 million (euro 349 million at December 31, 2012), of commodity derivatives entered for trading purposes and proprietary trading; (iii) euro 1 million (euro 5 million at December 31, 2012) related to fair value hedge derivatives; and (iv) euro 1 million as of December 31, 2012 of derivatives embedded in the pricing formulas of certain long-term supply contracts of gas in the Exploration & Production segment.

Information on hedged risks and hedging policies is disclosed in Note 35 - Guarantees, commitments and risks - Risk factors.

The decrease in other current liabilities of euro 60 million included advances recovered from gas customers who off-took lower volumes than the contractual minimum take provided by the relevant long-term supply contract (euro 142 million).
Transactions with related parties are described in Note 43 - Transactions with related parties.

Contents

Non-current liabilities

27 Long-term debt and current maturities of long-term debt

(euro million)		At December 31,			Long-term maturity					
	Maturity range	**2012**	**2013**	**Current maturity 2014**	**2015**	**2016**	**2017**	**2018**	**After**	**Total**
Banks	**2014-2027**	4,016	2,390	397	418	420	223	174	758	1,993
Ordinary bonds	**2014-2043**	16,824	18,151	1,698	2,203	1,496	2,655	1,176	8,923	16,453
Convertible bonds	**2015-2016**	990	2,240	8	1,003	1,229				2,232
Other financial institutions	**2014-2027**	410	356	46	46	47	49	50	118	310
		22,240	**23,137**	**2,149**	**3,670**	**3,192**	**2,927**	**1,400**	**9,799**	**20,988**

Long-term debt and current maturities of long-term debt of euro 23,137 million (euro 22,240 million at December 31, 2012) increased by euro 897 million. The increase comprised new issuance of euro 5,418 million net of repayments made for euro 4,669 million and currency translation differences relating foreign subsidiaries and debt denominated in foreign currency recorded by euro-reporting subsidiaries for euro 36 million.

Debt due to banks of euro 2,390 million (euro 4,016 million at December 31, 2012) included amounts against committed borrowing facilities for euro 3 million.

Debt due to other financial institutions of euro 356 million (euro 410 million at December 31, 2012) included euro 31 million of finance lease transactions (same amount as of December 31, 2012).

Eni entered into long-term borrowing facilities with the European Investment Bank. These borrowing facilities are subject to the maintenance of certain financial ratios based on Eni s Consolidated Financial Statements or a minimum level of credit rating. According to the agreements, should the Company lose the minimum credit rating, new guarantees would be required to be agreed upon with the European Investment Bank. In addition, Eni entered into long and medium-term facilities with Citibank Europe Plc providing for conditions similar to those applied by the European Investment Bank. At December 31, 2013 and 2012, debts subjected to restrictive covenants amounted to euro 1,782 million and euro 1,994 million, respectively. A possible non-compliance with those covenants would be immaterial to the Company s ability to finance its operations.

As of the balance sheet date, Eni was in compliance with those covenants.

Ordinary bonds of euro 18,151 million (euro 16,824 million at December 31, 2012) consisted of bonds issued within the Euro Medium Term Notes Program for a total of euro 13,945 million and other bonds for a total of euro 4,206 million.

The following table provides a breakdown of bonds by issuing entity, maturity date, interest rate and currency as of December 31, 2013:

	Amount	Discount on bond issue and accrued expense	Total	Currency	Maturity		Rate %	
(euro million)					from	to	from	to
Issuing entity								
Euro Medium Term Notes								
Eni SpA	1,500	65	1,565	EUR		2016		5.000
Eni SpA	1,500	11	1,511	EUR		2019		4.125
Eni SpA	1,250	69	1,319	EUR		2014		5.875
Eni SpA	1,250	1	1,251	EUR		2017		4.750
Eni SpA	1,200	18	1,218	EUR		2025		3.750
Eni SpA	1,000	34	1,034	EUR		2020		4.250
Eni SpA	1,000	29	1,029	EUR		2018		3.500
Eni SpA	1,000	18	1,018	EUR		2020		4.000
Eni SpA	1,000	3	1,003	EUR		2023		3.250
Eni SpA	800	1	801	EUR		2021		2.625
Eni SpA	750	10	760	EUR		2019		3.750
Eni Finance International SA	540	12	552	GBP	2018	2021	4.750	6.125
Eni Finance International SA	445	7	452	EUR	2017	2043	3.750	5.600
Eni Finance International SA	248	2	250	YEN	2014	2037	1.530	2.810
Eni Finance International SA	163	3	166	USD	2014	2015	4.450	4.800
Eni Finance International SA	16		16	EUR		2015		variable
	13,662	**283**	**13,945**					
Other bonds								
Eni SpA	1,109		1,109	EUR		2017		4.875
Eni SpA	1,000	16	1,016	EUR		2015		4.000
Eni SpA	1,000	(4)	996	EUR		2015		variable
Eni SpA	326	2	328	USD		2020		4.150
Eni SpA	254		254	USD		2040		5.700
Eni SpA	215		215	EUR		2017		variable
Eni USA Inc	290	(2)	288	USD		2027		7.300
	4,194	**12**	**4,206**					
	17,856	**295**	**18,151**					

As of December 31, 2013, ordinary bonds maturing within 18 months (euro 3,493 million) were issued by Eni SpA (euro 3,331 million) and Eni Finance International SA (euro 162 million). During 2013, new bonds for euro 3,096 million were issued by Eni SpA and Eni Finance International (euro 3,022 million and euro 74 million, respectively). The following table provides a breakdown of convertible bonds by issuing entity, maturity date, interest rate and currency as of December 31, 2013:

(euro million)	Amount	Discount on bond issue and accrued expense	Total	Currency	Maturity	Rate %

Issuing entity						
Eni SpA	1,250	(13)	1,237	EUR	2016	0.625
Eni SpA	1,028	(25)	1,003	EUR	2015	0.250
	2,278	**(38)**	**2,240**			

A bond amounting to euro 1,237 million (nominal value of euro 1,250 million) is convertible into ordinary shares of Snam SpA. The underlying shares are euro 288.7 million ordinary shares, corresponding to approximately 8.54% of the current outstanding share capital of Snam at a strike price of approximately euro 4.33 a share, representing a 20% premium to market prices current at the date of the issuance.

A bond amounting to euro 1,003 million (nominal value of euro 1,028 million) is convertible into ordinary shares of Galp Energia SGPS SA. The underlying share are approximately 66.3 million ordinary shares of Galp, corresponding to approximately 8% of the current outstanding share capital of Galp at a strike price of approximately euro 15.50 a share, representing a 35% premium to market prices current at the date of the issuance.

Those convertible bonds are stated at amortized cost, while the call option embedded in the bonds is measured at fair value through profit. Changes in fair value of the shares underlying the bonds were reported through profit as opposed to equity based on the fair value option provided by IAS 39 from inception.

The following table provides a breakdown by currency of long-term debt and its current portion and the related weighted average interest rates.

	December 31, 2012 (euro million)	Average rate (%)	December 31, 2013 (euro million)	Average rate (%)
Euro	19,413	3.6	20,667	3.4
US dollar	1,899	5.3	1,668	5.4
British pound	564	5.3	552	5.3
Japanese yen	363	2.1	250	2.2
Other currencies	1	6.7		
	22,240		**23,137**	

As of December 31, 2013, Eni had undrawn long-term committed borrowing facilities of euro 4,719 million (euro 6,928 million at December 31, 2012).

Those facilities bore interest rates and charges for unutilized facilities reflecting prevailing conditions on the marketplace.

Eni has in place a program for the issuance of Euro Medium Term Notes up to euro 15 billion, of which euro 13.7 billion were drawn as of December 31, 2013. 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 for long and short-term debt assigned by Moody s. The outlook is negative in both ratings. Eni s credit rating is linked in addition to the Company s industrial fundamentals and trends in the trading environment to the sovereign credit rating of Italy. On the basis of the methodologies used by Standard & Poor s and Moody s, a potential downgrade of Italy s credit rating may trigger a potential knock-on effect on the credit rating of Italian issuers such as Eni and make it more likely that the credit rating of the notes or other debt instruments issued by the Company could be downgraded.

Fair value of long-term debt, including the current portion of long-term debt amounted to euro 23,022 million (euro 24,937 million at December 31, 2012):

(euro million)	December 31, 2012	December 31, 2013
Ordinary bonds	19,239	18,071
Convertible bonds	1,059	2,188
Banks	4,171	2,382
Other financial institutions	468	381
	24,937	**23,022**

Fair value was estimated by discounting the expected future cash flows at discount rates ranging from 0.5% to 4.2% (0.4% and 3.3% at December 31, 2012). The fair value of convertible bonds was determined based on market prices. The fair value hierarchy is level 2.

At December 31, 2013, Eni did not pledge restricted deposits as collateral against its borrowings.

Analysis of net borrowings

The analysis of net borrowings, as defined in the Financial review , was as follows:

(euro million)	December 31, 2012			December 31, 2013		
	Current	Non-current	Total	Current	Non-current	Total

A. Cash and cash equivalents	7,765		7,765	5,288		5,288
B. Held-for-trading financial assets				5,004		5,004
C. Available-for-sale financial assets	34		34	33		33
D. Liquidity (A+B)	**7,799**		**7,799**	**10,325**		**10,325**
E. Financing receivables	**1,153**		**1,153**	**126**		**126**
F. Short-term debt towards banks	253		253	258		258
G. Long-term debt towards banks	913	3,103	4,016	397	1,993	2,390
H. Bonds	2,006	15,808	17,814	1,706	18,685	20,391
I. Short-term debt towards related parties	403		403	502		502
L. Other short-term liabilities	1,567		1,567	1,982		1,982
M. Other long-term liabilities	42	368	410	46	310	356
N. Total borrowings (F+G+H+I+L+M)	**5,184**	**19,279**	**24,463**	**4,891**	**20,988**	**25,879**
0. Net borrowings (N-D-E)	**(3,768)**	**19,279**	**15,511**	**(5,560)**	**20,988**	**15,428**

Financial assets held for trading of euro 5,004 million were maintained by Eni SpA. For further information see Note 8 - Financial assets held for trading.

Available-for-sale securities of euro 33 million (euro 34 million at December 31, 2012) were held for non-operating purposes. The Company held at the reporting date certain held-to-maturity and available-for-sale securities which were destined to operating purposes amounting to euro 282 million (euro 270 million at December 31, 2012), of which euro 202 million (euro 196 million at December 31, 2012) were held to hedge the loss reserve of Eni Insurance Ltd. Those securities are excluded from the calculation above.

Financing receivables of euro 126 million (euro 1,153 million at December 31, 2012) were held for non-operating purposes. The Company held at the reporting date certain financing receivables which were destined to operating purposes amounting to euro 998 million (euro 668 million at December 31, 2012), of which euro 595 million (euro 351 million at December 31, 2012) were in respect of financing granted to unconsolidated subsidiaries, joint ventures and affiliates which executed capital projects and investments on behalf of Eni s Group companies and a euro 321 million cash deposit (euro 280 million at December 31, 2012) to hedge the loss reserve of Eni Insurance Ltd. Those financing receivables are excluded from the calculation above.

28 Provisions for contingencies

(euro million)	Carrying amount at December 31, 2012	New or increased provisions	Initial recognition and changes in estimates	Accretion discount	Reversal of utilized provisions	Reversal of unutilized provisions	Currency translation differences	Other changes	Carrying amount at December 31, 2013
Provision for site restoration, abandonment and social projects	7,407		(191)	241	(300)	(2)	(298)	45	6,902
Provision for environmental risks	2,928	158		(3)	(182)	(31)	(2)	(6)	2,862
Provision for legal and other proceedings	1,419	431			(781)	(209)	(13)	13	860
Provision for taxes	395	130			(18)		(16)	(14)	477
Provision for redundancy incentives	202	251		2	(51)	(2)		5	407
Provision for onerous contracts	54	381			(39)	(13)	(11)		372
Loss adjustments and actuarial provisions for Eni s insurance companies	343	156			(130)			(11)	358
Provision for green certificates	241	108			(63)	(11)			275
Provision for losses on investments	194	28				(32)	(3)	(10)	177
Provision for disposal and restructuring	39	62			(3)	(3)	1		96
Provision for OIL insurance cover	106	1				(5)	(1)	(8)	93
Provision for long-term construction contracts	52	69			(36)		(2)		83
Provision for the supply of goods	24				(24)				
Other (*)	199	85			(19)	(4)	(2)	(54)	205
	13,603	**1,860**	**(191)**	**240**	**(1,646)**	**(312)**	**(347)**	**(40)**	**13,167**

(*) Each individual amount included herein was lower than euro 50 million.

Provisions for site restoration, abandonment and social projects amounted to euro 6,902 million. Those provisions comprised the discounted estimated costs that the Company expects to incur for decommissioning oil and natural gas production facilities at the end of the producing lives of fields, well-plugging, abandonment and site restoration (euro 6,534 million). Initial recognition and changes in estimates amounted to euro 191 million and were primarily due to estimates revisions of decommissioning costs, changes in discount rates and new liabilities of the year in the

Exploration & Production segment. The accretion discount recognized in the profit and loss account for euro 241 million was determined by adopting discount rates ranging from 0.7% to 9.4% (from 1.4% to 9.3% at December 31, 2012). Main expenditures associated with site restoration and decommissioning operations are expected to be incurred over a 30-year period starting from 2017.

Provisions for environmental risks amounted to euro 2,862 million. Those provisions comprised the estimated costs for environmental clean-up and restoration of certain industrial sites which were owned or held in concession by the Company, and subsequently divested, shut-down or liquidated. Those environmental provisions are recognized when an environmental project is approved by or filed with the relevant administrative authorities or a constructive obligation has arisen whereby the Company commits itself to perform certain cleaning-up and restoration projects and a reliable cost estimation is available. At December 31, 2013, provisions for environmental risks primarily related to Syndial SpA (euro 2,353 million) and the Refining & Marketing segment (euro 381 million). Additions of euro 158 million primarily related to the Refining & Marketing segment (euro 75 million) and Syndial SpA (euro 62 million). Utilizations of euro 182 million primarily related to Syndial SpA (euro 96 million) and the Refining & Marketing segment (euro 66 million).

Provisions for legal and other proceedings of euro 860 million comprised the expected liabilities due to failure to perform certain contractual obligations and estimated future losses on pending litigation including legal risks of liability, antitrust proceedings, administrative matters and commercial arbitration proceedings. These provisions represented the Company s best estimate of the expected probable liabilities associated with pending litigation and commercial proceedings and primarily related to the Gas & Power segment (euro 440 million) and Syndial SpA (euro 157 million). Additions and utilizations of euro 431 million and euro 781 million, respectively, mainly related to the Gas & Power segment and were recognized to take account of gas price revisions at both long-term supply and sale contracts, including the settlement of certain arbitrations. Reversals of unutilized provision of euro 209 million were primarily made by the Gas & Power segment.

Provisions for taxes of euro 477 million included the estimated charges that the Company expects to incur for unsettled tax claims in connection with uncertainties in the application of tax rules at certain Italian and foreign subsidiaries in the Exploration & Production segment (euro 396 million) and the Engineering & Construction segment (euro 55 million).

Provisions for redundancy incentives of euro 407 million were recognized due to a restructuring program involving the Italian personnel for the period 2010-2011 and 2013-2014 in compliance with Law No. 223/1991. Additions of euro 251 million related to the restructuring program for the period 2013-2014.

Provisions for onerous contracts of euro 372 million related to the execution of contracts where the expected costs exceed the relevant benefits. In particular, the provision comprised the estimated expected losses on a re-gasification project in the United States and on an unutilized infrastructure for gas transportation.

Loss adjustments and actuarial provisions of Eni s insurance company Eni Insurance Ltd of euro 358 million represented the estimated liabilities accrued on the basis for third parties claims. Against such liability was recorded a receivable of euro 152 million recognized towards insurance companies for reinsurance contracts.

Provisions for green certificates of euro 275 million included additional charges that electric power producers must sustain for using non-renewable sources of energy.

Provisions for losses on investments of euro 177 million were made with respect to certain investees for which expected or incurred losses exceeded carrying amounts.

Provisions for disposal and restructuring of euro 96 million essentially related to the Versalis segment (euro 56 million) and Syndial SpA (euro 28 million).

Provisions for the Oil mutual insurance scheme of euro 93 million included the estimated future increase of insurance premiums which will be charged to Eni in the next five years and that accrued at the reporting date because of the effective accident rate occurred in past reporting periods.

Provisions for long-term construction contracts of euro 83 million related to the Engineering & Construction segment.

29 Provisions for employee benefits

(euro million)	December 31, 2012	December 31, 2013
TFR	354	347
Foreign defined benefit plans	671	585
Supplementary medical reserve for Eni managers (FISDE) and other foreign medical plans	143	136
Other foreign long-term benefit plans	206	177
	1,374	**1,245**

Provisions for benefits upon termination of employment primarily related to a provisions accrued by Italian companies for employee retirement, determined using actuarial techniques and regulated by Article 2120 of the Italian Civil Code. The benefit is paid upon retirement as a lump sum, the amount of which corresponds to the total of the provisions accrued during the employees service period based on payroll costs as revalued until retirement. Following the changes in the law regime, from January 1, 2007 accruing benefits have been contributing to a pension fund or a treasury fund held by the Italian administration for post-retirement benefits (INPS). For companies with less than 50 employees, it will be possible to continue the scheme as in previous years. Therefore, contributions of future TFR

provisions to pension funds or the INPS treasury fund determines that these amounts will be treated in accordance to a defined contribution scheme. Amounts already accrued before January 1, 2007 continue to be accounted for as defined benefits to be assessed based on actuarial assumptions.
Pension funds are defined benefit plans provided by foreign subsidiaries located mainly in Nigeria, Germany and United Kingdom. Benefits under these plans consist of payments based on seniority and the salary paid in the last year of service, or alternatively, the average annual salary over a defined period prior to the retirement.
Group companies provide healthcare benefits. Liability to these plans (FISDE and other foreign healthcare plans) and the current cost are limited to the contributions made by the Company for retired managers.
Other benefits primarily consisted of monetary and long-term incentive schemes to Group managers and Jubilee awards. Provisions for the monetary incentive scheme are assessed based on the estimated bonuses which will be granted to those managers who will achieve certain individual performance goals weighted with the likelihood that the Company delivers the planned profitability targets. Provisions for the long-term incentive scheme are assessed on the basis of the estimated trends of a performance indicator as benchmarked against a Group of international oil companies. Both of these incentive schemes normally vest over a three-year period. Jubilee awards are benefits due following the attainment of a minimum period of service and, for the Italian companies, consist of an in-kind remuneration.

Present value of employee benefits, estimated by applying actuarial techniques, consisted of the following:

	December 31, 2012					December 31, 2013				
(euro million)	TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Other foreign long-term benefit plans	Total	TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Other foreign long-term benefit plans	Total
Present value of benefit liabilities at beginning of year	**391**	**1,105**	**124**	**211**	**1,831**	**354**	**1,290**	**143**	**206**	**1,993**
Current cost		42	1	54	97		58	3	48	109
Interest cost	15	41	6	5	67	11	45	4	3	63
Remeasurements:	63	66	24	4	157	(5)	(51)	(7)	(25)	(88)
- actuarial (gains) losses due to changes in demographic assumptions						*(3)*	*6*	*(4)*	*1*	
- actuarial (gains) losses due to changes in financial assumptions	*60*	*38*	*27*		*125*		*(45)*	*(2)*	*(21)*	*(68)*
- experience (gains) losses	*3*	*28*	*(3)*	*4*	*32*	*(2)*	*(12)*	*(1)*	*(5)*	*(20)*
Past service cost and settlements		(3)			(3)		5		(2)	3
Plan contributions:							*1*			*1*
- employee contributions							1			1
Benefits paid	(34)	(33)	(7)	(49)	(123)	(14)	(33)	(7)	(48)	(102)
Changes in the scope of consolidation	(84)		(6)	(23)	(113)	1				1
Currency translation differences and other changes	3	72	1	4	80		(88)		(5)	(93)
Present value of benefit liabilities at end of year (a)	**354**	**1,290**	**143**	**206**	**1,993**	**347**	**1,227**	**136**	**177**	**1,887**
Plan assets at beginning of year		**570**			**570**		**619**			**619**
Interest income		22			22		22			22
Return on plan assets		3			3		2			2
Past service cost and settlements							(1)			(1)
Administration expenses paid							(1)			(1)
Plan contributions:		27			27		39			39
- employee contributions							*1*			*1*
- employer contributions		*27*			*27*		*38*			*38*
Benefits paid		(20)			(20)		(16)			(16)
Currency translation differences and other changes		17			17		(22)			(22)
Plan assets at end of year (b)		**619**			**619**		**642**			**642**
Net liability recognized at end of year (a-b)	**354**	**671**	**143**	**206**	**1,374**	**347**	**585**	**136**	**177**	**1,245**

Foreign defined-benefit plans amounting to euro 585 million (euro 671 million at December 31, 2012) primarily related to pension plans for euro 395 million (euro 487 million at December 31, 2012).

Net liability relating to foreign defined-benefit plans included the liability attributable to joint venture partners operating in exploration and production activities of euro 264 million (euro 308 million at December 31, 2012). Eni recorded a receivable for an amount equivalent to such liability.

Other long-term employee benefit plans of euro 177 million (euro 206 million at December 31, 2012) primarily related to deferred monetary incentive plans for euro 86 million (euro 107 million at December 31, 2012), Jubilee awards for euro 48 million (euro 56 million at December 31, 2012), the long-term incentive plan for euro 8 million (euro 11 million at December 31, 2012) and other foreign long-term plans for euro 35 million (euro 32 million at December 31, 2012).

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Costs charged to the profit and loss account consisted of the following:

(euro million)	TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Other foreign long-term benefit plans	Total
2012					
Current cost		42	1	54	97
Past service cost and settlements		(3)			(3)
Interest cost (income), net:					
- interest cost on liabilities	*15*	*41*	*6*	*5*	*67*
- interest income on plan assets		*(22)*			*(22)*
Total interest cost (income), net:	15	19	6	5	45
- of which recognized in payroll and related cost				*5*	*5*
- of which recognized in financial income (expense)	*15*	*19*	*6*		*40*
Remeasurements for long-term plans				4	4
Other costs/Administration expenses paid					
Total	**15**	**58**	**7**	**63**	**143**
- of which recognized in payroll and related cost		*39*	*1*	*63*	*103*
- of which recognized in financial income (expense)	*15*	*19*	*6*		*40*
2013					
Current cost		58	3	48	109
Past service cost and settlements		6		(2)	4
Interest cost (income), net:					
- interest cost on liabilities	*11*	*45*	*4*	*3*	*63*
- interest income on plan assets		*(22)*			*(22)*
Total interest cost (income), net:	11	23	4	3	41
- of which recognized in payroll and related cost				*3*	*3*
- of which recognized in financial income (expense)	*11*	*23*	*4*		*38*
Remeasurements for long-term plans				(25)	(25)
Other costs/Administration expenses paid		1			1
Total	**11**	**88**	**7**	**24**	**130**
- of which recognized in payroll and related cost		*65*	*3*	*24*	*92*
- of which recognized in financial income (expense)	*11*	*23*	*4*		*38*

Costs recognized in other comprehensive income consisted of the following:

	2012				2013			
(euro million)	TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Total	TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Total
Remeasurements								
Actuarial (gains)/losses due to changes in demographic assumptions					(3)	6	(4)	(1)
Actuarial (gains)/losses due to changes in financial assumptions	60	38	27	125		(45)	(2)	(47)
Experience (gains) losses	3	28	(3)	28	(2)	(12)	(1)	(15)
Return on plan assets		(3)		(3)		(2)		(2)

	63	**63**	**24**	**150**	**(5)**	**(53)**	**(7)**	**(65)**

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Plan assets consisted of the following:

(euro million)	Cash and cash equivalents	Equity securities	Debt securities	Real estate	Derivatives	Investment funds	Assets held by insurance company	Other	Total
Plan assets with a quoted market price	20	88	412	9	5	2	1	85	622
Plan assets without a quoted market price	2		7	2		1	5	3	20
	22	**88**	**419**	**11**	**5**	**3**	**6**	**88**	**642**

Plan assets are generally managed by external asset managers pursuing investment strategies, defined by Eni s companies, with the aim of ensuring that assets are sufficient to pay the benefits. For this purpose, the investments are aimed at maximizing the expected return and limit the risk level through proper diversification.

The main actuarial assumptions used in the evaluation of the liabilities at year end and in the estimate of costs expected for 2014 consisted of the following:

		TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Other foreign long-term benefit plans
2012					
Discount rate	(%)	3.0	1.9-15.5	3.0	1.2-3.0
Rate of compensation increase	(%)	3.0	2.0-14.0		
Rate of price inflation	(%)	2.0	0.5-13.8	2.0	2.0
Life expectations on retirement at age 65	(years)		15-24	24	
2013					
Discount rate	(%)	3.0	2.1-13.5	3.0	1.1-3.0
Rate of compensation increase	(%)	3.0	2.0-14.0		
Rate of price inflation	(%)	2.0	0.6-11.0	2.0	2.0
Life expectations on retirement at age 65	(years)		15-24	24	

The following is an analysis by geographic area of the main actuarial assumptions used in the evaluation of the principal foreign defined-benefit plans:

		European Union	Rest of Europe	Africa	Other areas	Foreign defined benefit plans
2013						
Discount rate	(%)	2.9-3.3	2.1-4.4	3.5-13.5	2.5-7.8	**2.1-13.5**
Rate of compensation increase	(%)	2.0-3.1	2.5-4.9	5.0-14.0	5.0-10.0	**2.0-14.0**
Rate of price inflation	(%)	2.0	0.6-3.4	3.5-11.0	3.0-5.5	**0.6-11.0**
Life expectations on retirement at age 65	(years)	21	22-24	15		**15-24**

The discount rate used was determined on the base of corporate bond yields (rating AA) in Countries with a significant market, or in the absence, of government bond yields. The demographic tables adopted are those used by each Country for the assessments of IAS 19. The inflation rate was determined by considering the long-term forecasts issued by national or international banks.

The effects of a possible change in the main actuarial assumptions at the end of the year are listed below:

(euro million)	Discount rate	Rate of price inflation	Rate of increases in pensionable salaries	Healthcare cost trend rate	Rate of increases to pensions in payment

	0.5% Increase	0.5% Decrease	0.5% Increase	0.5% Increase	0.5% Increase	0.5% Increase
Effect on DBO						
TFR	(20)	23	15	..		
Foreign defined benefit plans	(77)	77	36	26		28
FISDE and other foreign medical plans	(8)	9			9	
Other foreign long-term benefit plans	(3)	3	1			

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The sensitivity analysis was performed on the basis of the results for each plan through assessments calculated considering modified parameters.
The amount of contributions expected to be paid for employee benefit plans in the next year amounted to euro 109 million, of which euro 65 million related to defined-benefit plans.

The following is an analysis by maturity date of the liabilities for employee benefits:

(euro million)	TFR	Foreign defined benefit plans	FISDE and other foreign medical plans	Other long-term benefits
2014				