

ENI SPA
Form 6-K
June 05, 2018

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 May 2018

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 ☒ Form 40-F ☐

(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 ☐ No ☒

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

Table of contents

- Integrated Annual Report 2017;**
- Press release dated May 10, 2018;**
- Ordinary Shareholders' Meeting Resolutions;**
- Report on payments to governments 2017.**

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.

/s/ Vanessa Siscaro

Name: Vanessa Siscaro

Title: Head of Corporate

Secretary's Staff Office

Date: May 31, 2018

We are an energy company.

We are working to build a future where everyone can access energy resources efficiently and sustainably.

Our work is based on passion and innovation, on our unique strengths and skills, on the quality of our people and in recognising that diversity across all aspects of our operations and organisation is something to be cherished. We believe in the value of long term partnerships with the countries and communities where we operate.

MISSION

Integrated Annual Report **2017**

INTEGRATED

ANNUAL REPORT

<u>Eni's activities</u>	<u>4</u>
<u>Letter to shareholders</u>	<u>6</u>
<u>Profile of the year</u>	<u>10</u>
<u>Key sustainability issues and stakeholders' perspective</u>	<u>15</u>
<u>Business model</u>	<u>18</u>
<u>Scenario and Strategy</u>	<u>20</u>
<u>Integrated risk management</u>	<u>24</u>
<u>Governance</u>	<u>28</u>
Operating review	
<u>Exploration & Production</u>	<u>32</u>
<u>Gas & Power</u>	<u>50</u>
<u>Refining & Marketing and Chemicals</u>	<u>55</u>
Financial review and other information	
<u>Financial review</u>	<u>61</u>
<u>Risk factors and uncertainties</u>	<u>75</u>
<u>Outlook</u>	<u>90</u>
<u>Consolidated disclosure of non-financial information (NFI)</u>	<u>91</u>
<u>Other information</u>	<u>114</u>
<u>Glossary</u>	<u>115</u>

CONSOLIDATED DISCLOSURE OF NON-FINANCIAL INFORMATION

The consolidated disclosure of non-financial information (NFI) is prepared in accordance with Legislative Decree n. 254/2016 and is included in this Integrated Annual Report.

INTEGRATED ANNUAL REPORT

Eni's 2017 Integrated Annual Report is prepared in accordance with principles included in the "International Framework", published by International Integrated Reporting Council [IIRC]. It is aimed at representing financial and sustainability performance, underlining the existing connections between competitive environment, group strategy, business model, integrated risk management and a stringent corporate governance system. Since 2011, Eni takes part in the IIRC Pilot Program, whose aim is to define an international framework for integrated reporting.

DISCLAIMER

This annual report contains certain forward-looking statements in particular under the section “Outlook” regarding capital expenditures, development and management of oil and gas resources, dividends, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management’s ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document. “Eni” means the parent company Eni SpA and its consolidated subsidiaries.

Ordinary Shareholders’ Meeting of May 10, 2018.

The extract of the notice convening the meeting was published on April 6, 2018.

ENI'S ACTIVITIES

Eni's portfolio of conventional oil assets with a low break-even price reference as well as the quality of the resource base with options for anticipated monetization represent the competitive advantages of Eni's upstream business. The large presence in the gas and LNG markets and know how in the refining business enable the company to catch joint opportunities and projects in the hydrocarbon value chain. Eni's fundamentals, such as the high portion of gas reserves and the opportunity to grow in the renewable sources segment leveraging on synergies with Eni's industrial plants, will sustain the path of the business model to a low carbon scenario.

|Value chain

UPSTREAM MID-DOWNSTREAM

Eni engages in oil and natural gas exploration, field development and production, mainly in Italy, Algeria, Angola, Congo, Egypt, Ghana, Libya, Mozambique, Nigeria, Norway, Kazakhstan, the UK, the United States and Venezuela, overall in 46 countries.

Eni sells gas, electricity, LNG and oil products in the European and extra-European markets, also leveraging on trading activities. Products availability is ensured by oil and gas production in the upstream business, long-term gas supply contracts, CCGT

power plants, Eni's refinery system as well by Versalis' chemical plants. The supply of commodities is optimized through trading activity. Integrated business units enable the company to capture synergies in operations and reach cost efficiencies.

Eni Integrated Annual Report 2017 ENI'S ACTIVITIES 5

Eni's strategies, resource allocation processes and conduct of day-by-day operations underpin the delivery of sustainable value to our shareholders and, more generally, to all of our stakeholders, respecting the countries where the company operates and the people who work for and with Eni.

Our way of doing business, based on operating excellence, focus on health, safety and environment, is committed to preventing and mitigating operational risks.

LETTER

TO SHAREHOLDERS

In 2017 Eni delivered outstanding results proving the effectiveness of our deep transformation process started in 2014. As a result of this, the Company is now on a strong footing and is able to create value even in the most difficult market conditions, such as the last price downturn that was among the most severe ever affecting the oil&gas industry.

In the last three years, we have grown our core upstream business and have substantially completed the turnaround process of our mid-downstream businesses, which in the past were unprofitable and cash-negative, while retaining a strong focus on the robustness of the financial structure.

These results helped us reduce our target Brent price of cash neutrality target to 57 \$/bbl, 50% lower than the price that allowed us achieve in 2014 full coverage of capex and cash dividend with funds from operations. Therefore, Eni is currently much more resilient in case of depressed market conditions, while it would be able to generate substantially greater results and cash flows should the commodity environment strengthen.

UPSTREAM

The upstream segment was boosted by exploration successes, which for the 10th year in a row, delivered outstanding results, once again reaffirming our distinctive skills and know-how.

We added 1 billion boe of equity resources to our portfolio, of which 800 million boe from exploration, at a competitive unitary cost of 1 \$/boe.

Since 2014, additions to the Company's resource backlog were approximately 4 bboe, almost doubling production level of the full period.

Our exploration effort has been equally split between near-field initiatives aiming at quickly supporting production and cash flows leveraging on the proximity to our existing producing facilities and the higher-risk exploration of material resources in new areas or in unexplored geological layers. The results were extraordinary, which underpinned the execution of our Dual Exploration strategy intended to dilute the high working interests retained in exploration assets, with a view of anticipating reserves monetization.

The effectiveness of this strategy has been proved by the sale of a 25% stake in natural gas-rich Area 4 offshore Mozambique to ExxonMobil and a 50% stake of the Zohr gas field offshore Egypt. This latter deal included three separate transaction with BP for the sale of a 10% stake, with the Russian company Rosneft for the sale of a 30% stake and, recently, with Mubadala Petroleum for the sale of a 10% stake. In the last four years, the dual exploration model allowed Eni to early monetize reserves for a total of \$10.3 billion.

Eni's strong leadership in exploration and leading project execution capabilities allowed us to put into production, in less

than three years, seven giant fields, anticipating expected schedules and reducing capex, at a time when the oil&gas industry was mostly concentrated on the postponement of development initiatives.

In 2017, Eni started up four deep-water giant fields: East Hub in Angola, OCTP in Ghana, Jangkrik in Indonesia and Zohr in Egypt, the biggest gas field located in the Mediterranean Sea, in record time for the industry, in less than two years from the FID and only twenty-eight months from discovery.

These outstanding achievements leverage on our integrated model of exploration and development, which enabled us to accelerate the time-to-market of our projects at the same time ensuring control on execution and capex on budget.

The main drivers of this model are: (i) the parallelization of activities; (ii) the modular approach to project spending as to minimize financial exposure; (iii) the insourcing of critical project phases, such as commissioning and hook-up; (iv) the design-to-cost approach whereby exploration areas are selected targeting competitive development costs going forward; (v) the strict control on costs, schedules and project risks; as well as (vi) the retention of the operatorship in most initiatives.

Exploration successes at low unit costs, the reduction in reserves time-to-market and efficiency in operating costs determined the steady downtrend in the full-cycle cost of the barrel produced, which today is well below 30 \$/bbl for new projects under execution.

The average hydrocarbon production for the year was 1.82 million barrel/day, marking an all-time high for Eni. This was an increase of 5.3% y-o-y, net of price effects in PSAs and OPEC cuts,

Eni Integrated Annual Report 2017 LETTER TO SHAREHOLDERS 7

leveraging on start-ups and ramp-ups which added 243 kboe/d on average over the FY. Hydrocarbon production increased by 14% compared to 2014, even reducing capex by 40%.

Exploration successes and time-to-market acceleration, as in the case of the final investment decision for the Coral project in Area 4 in Mozambique in 2017, boosted also this year the reserve replacement ratio at 151%. When considering the reclassification of the Venezuelan reserves to the unproved category following the US SEC rules, the reserve replacement ratio is re-determined in 103%.

In the three-year period 2015-2017, reserve replacement ratio was 120% among the highest in the industry. This, also when considering the assets disposed of under the dual exploration model. The implementation of our dual exploration model with the early monetization of part of our reserves does not jeopardize our future plans in terms of further production growth.

In 2017, leveraging on these drivers, the E&P segment reported an adjusted operating profit of €5.2 billion, more than doubling the 2016 level, and a 38% increase in cash generation to €8.3 billion, even on the backdrop of a 22% reduction in Brent prices in euro terms.

MID-DOWNSTREAM

Progresses in the mid-downstream business restructuring plan enabled us to get record operating profits of the last ten years and to continue in the improvement of cash generation to €7.9 billion in the last three years, compared to an outflow of €3.7 billion in the three-year period 2012-2014.

The G&P segment reported a structurally positive EBIT at €214 million, a year ahead of expectations thanks to progresses

in the renegotiation of long-term gas contracts, logistic optimizations, as well as improved performance in LNG and retail businesses.

The Refining & Marketing and Chemicals businesses reported an operating profit of approximately €1 billion, thanks to the ability to fully capture scenario's upside, leveraging on the optimization of plants set-up, continuous cost efficiencies and changes in products mix, focusing on high-value product segments.

A further driver of growth and profitability was the value of proprietary technologies such as the recent agreement for the licensing of the heavy crudes refining technology

(EST – Eni Slurry Technology) to the first chemical company, the Chinese Sinopec, as well as the start-up of premium elastomers production applying Versalis' technology in the Lotte Chemicals JV in South Korea.

SUSTAINABILITY AND HSE

The strong boost to the long-term sustainability of Eni's business is a key element in the definition and implementation of our strategies.

Eni is investing to improve safety of its people in the workplace, maintaining the leadership in the industry. We delivered solid results in safety with a reduction of 7% to 0.33 in the Total Recordable Injury Rate (TRIR) compared to 2016 and by maintaining best-in-class operational standards, reporting zero blow-out for the fourteenth consecutive year. The second pillar of the sustainable footprint of the Company is our commitment to fighting the climate change. The energy efficiency of our plants (for example upstream GHG

8 LETTER TO SHAREHOLDERS Eni Integrated Annual Report 2017

emissions per barrel produced were reduced by almost 3% and routine gas flaring was on an improving trend), adoption of low-emission solutions and the presence of significant gas reserves in our portfolio (among which reserves in Mozambique, Egypt and Indonesia) confirm Eni's commitment in this direction.

Eni is also engaged in promoting to a significant extent the economic and social development of the communities where we operate, and the Ghana project is one of the most representative of our partnership strategy with producing countries.

In this country, we combine oil production for the international market with gas production entirely addressed to the local market for the development of power generation capacity, thus contributing to a sustainable development.

GROUP RESULTS

In 2017, adjusted operating profit more than doubled to €5.8 billion, with a net profit of €2.4 billion reverting the loss incurred in 2016, thanks to better performances from all business segments.

Cash flow from operating activities was robust at €10 billion, a 25% increase from 2016, when netted of advances cashed in by Egyptian State-owned partners with the aim of financing their capex share in the Zohr project.

These inflows, after funding net capex of €7.6 billion, yielded a surplus of approximately €2.4 billion. This surplus funded approximately 80% of the total amount of the cash dividend (€2.9 billion), at a Brent price scenario of 54 \$/bbl.

The organic cash neutrality for funding FY capex and the floor dividend is achieved at 57 \$/bbl, better than management's expectations at 60 \$/bbl.

2017 disposals net of the share of the transaction price relating to capex reimbursements amounted to €3.8 billion. When considering this cash inflow, the Brent level at which cash neutrality was achieved in 2017 reduced to 39 \$/bbl. As of December 31, 2017, leverage was 0.23, well below the 0.30 threshold notwithstanding price downturn in the last three years and a half and over €11 billion of cash dividend paid in the same period.

OUTLOOK

Looking forward, we expect an ongoing rebalancing of fundamentals in the oil market to consolidate in the next years, due to the sharp slowdown in capex for new initiatives during the downturn and steady growth in demand. Our strategy in the medium-long term is designed to strengthen Eni's competitive position and cash generation, leveraging on disciplined growth, synergies from businesses integration all along the value chain and technological innovation, pursuing sustainability in all our industrial projects. Operating, economic and financial targets

disclosed below, move towards growth and laid their foundation on the achievements of the last three-year period and on the high level of maturity and robustness of the initiatives in place. For example production rump-ups at fields

recently started up, renegotiation of gas supply contracts, a reduced break-even margin in the refining activity, Chemical's integration and specialization as well as the first projects on renewable sources developed on the basis of a distinctive model.

In the four-year period 2018-2021 we are projecting our capex to be flat versus the previous plan and lower than €32 billion for the development of new hydrocarbon reserves, exploration projects, selective growth initiatives in the mid-downstream businesses and the speed-up of the renewables expansion plan.

This capital budget will be driven by financial discipline, through selective FIDs and a phased approach in the development of giant projects in the upstream business.

In Upstream we intend to maintain strong hydrocarbon production growth, targeting a 3.5% average rate in the four-year plan. Production growth will be fostered by fast ramp-up of projects started up in 2017, mainly Zohr, and new start-ups planned in the next four years, where we have a good level of visibility considering that in many cases we are planning for additional developments at fields already into production.

We can mention the upgrading of the Bahr Essalam and Wafa fields in Libya, the OCTP gas phase, the satellite fields of our producing hubs in Angola, additional development at the Baltim/ Melehia fields in Egypt and Nenè field in Congo, the strengthening of Karachaganak and the start-up of producing activities in Mexico and Merakes in Indonesia. We plan that these initiatives will deliver an overall contribution of about 700 kboe/d in 2021.

In Exploration, we confirm the actions hitherto pursued, by balancing near fields themes with a low risk profile and high risk – high rewards themes, mainly in offshore Mexico, East and West Africa, east of Mediterranean Sea and Middle and Far East. Our target is to discover approximately 2 billion boe of new resources in the plan period.

In the Gas&Power segment, on the back of a challenging scenario, we intend to underpin profitability and cash generation through the strengthening of the core business gas and the development in the integration with the upstream business. Industrial actions will aim at valuing flexibility of our asset portfolio (contracts, infrastructures, delivery options, etc.), reducing logistic costs and obtaining a fair distribution of price/volume risks with long-term suppliers through a new round of renegotiations.

Expected results will be fuelled by a relevant contribution from growth in LNG and trading businesses, by seizing synergies from the availability of equity production in strategic areas

Eni Integrated Annual Report 2017 LETTER TO SHAREHOLDERS 9

and long-term relationships with producing countries in the upstream business.

Furthermore, the strategic plan foresees a further improvement in the retail segment of the Gas & Power business, to be achieved through the development of customer portfolio and offering value-added services.

In the R&M and Chemical businesses, main targets related to the improvement in the resilience to the volatility of scenario and the selective international growth.

The strategic levers will be the growth in the bio-fuels, with the completion of the green refinery in Gela by the end of 2018 and the upgrade of the green refinery in Venice, as well as the further development of “differentiated products” and the biochemical in Versalis.

Results will be sustained by plant set-up optimization and the supply of feedstocks, also in terms of higher sustainable actions (for example the substitution of palm oil), new efficiency actions and the steady attention to assets reliability and integrity.

In the refining activity, we intend to reduce the break-even margin to approximately 3 \$/barrel by the end of 2018, and in marketing, we plan to consolidate our position in our main geographies. All the mentioned targets and actions have been tested to prove their medium to long-term sustainability in line with Eni’s low carbon strategy.

In the upstream business, we have designed initiatives

to achieve the ambitious 2025 targets of zero flaring gas, corresponding to a reduction of 43% from 2014 baseline of the emissions per barrel produced and 80% of the fugitive emissions of methane.

We expect to speed up the development of renewable sources business, planning 2018-2021 capex for more than €1.8 billion, including the R&D expenditure, to reach an installed capacity of 1 GW at the end of the plan period.

The industrial projects in the R&M and Chemicals segments are all targeting to reach a higher level of energy efficiency and strengthen the green platform. These actions, together with the increasing role played by natural gas in Eni’s portfolio and the steady reduction in the average price break-even price of upstream projects, will confirm the resiliency of our portfolio even in more conservative energy scenarios.

All in all, the actions identified in the industrial plan will underpin a strong cash generation and a reduction in the Brent price for the organic cash neutrality, after paying capex and dividend. In light of these results, the Board of directors will propose to the Annual Shareholders’ meeting the distribution of a final dividend of €0.80 per share, of which €0.40 already paid as interim dividend in September 2017. Going forward leveraging the results achieved and the company’s growth prospects, we plan to increase our 2018 dividend to €0.83 per share, in line with our commitment to a progressive remuneration policy linked to our underlying results and free cash flow growth.

March 15, 2018

In representation of the Board of Directors

Emma Marcegaglia Claudio Descalzi

Chairman

Chief Executive Officer and General Manager

10

PROFILE

OF THE YEAR

Adjusted results

Adjusted operating profit more than doubled to €5.80 billion (up by €3.49 billion vs. 2016), adjusted net profit of €2.38 billion compared to the loss reported 2016. This recovery in profitability was underpinned by the implementation of strategic drivers focused on upstream profitable growth, the turnaround and cost efficiency initiatives in the mid-downstream business, leveraging on the scenario recovery.

Upstream

Adjusted operating profit doubled vs. 2016 to €5.2 billion.

Turnaround in the mid-downstream

Adjusted operating profit increasing by €1 billion in 2017:

- G&P: operating profit structurally positive a year ahead of plans;
- R&M: break-even refining margin below of 4 \$/bbl and operating profit at record level from last eight years;
- Versalis: all-time best operating performance.

Net capital expenditure

€7.6 billion, reducing by 18% vs. 2016. Self-financing ratio of net capex at approximately 130%.

Cash neutrality

Organic cash neutrality covering capex and dividend at a Brent price of 57\$/bbl; 39\$/bbl, factoring in proceeds from disposals.

Gearing and Leverage

Eni confirms a solid financial structure with a gearing of 18%, the lower end of the European peer group and a leverage of 23%, leveraging on the excellence in operating cash flow generation, capex optimization and gains from disposals.

Dividend

The Company's robust results and strong fundamentals underpin a dividend distribution of €0.80 per share of which €0.40 per share paid as interim dividend in September 2017.

Dual Exploration Model

Closed the 40% disposal of the super-giant Zohr gas field in Egypt offshore – through two different transactions with BP (10%) and Rosneft (30%) – and the 25% disposal of Area 4 in Mozambique to ExxonMobil. In March 2018, signed an agreement with Mubadala Petroleum for the divestment of a further 10% interest in Zohr.

Hydrocarbon production at record level

1.82 million boe/d, the highest ever level, with a 5.3% growth vs. 2016. Start-ups and ramp-ups additions of 243 kboe/d leveraged on Eni's exploration and development integrated model, designed to optimize new projects' time-to-market (Zohr in Egypt, East-Hub in Angola, OCTP in Ghana, Jangkrik in Indonesia, all in 2017) and on accelerate fields ramp-ups (Noroos).

Zohr development

Achieved production start-up at the super-giant Zohr gas field in record time-to-market: in less than two years from the FID and two and a half years from discovery.

Exploration resources

In 2017 added 1 bln boe of new resources, of which 0.8 bln boe from in house exploration with a discovery cost of approximately 1 \$/bbl.

Mexico

Successfully completed the exploration campaign offshore Area 1, thanks to the appraisal of Tecoalli discovery which followed that of Amoca and Miztòn, resulting in a rise in estimated hydrocarbons in place of the Area to 2 bln boe, of which approximately 90% oil. Scheduled a fast-track development plan.

Exploration portfolio

Reloading of approximately 97,000 square kilometers of new acreage:

- awarded 50% of the mineral rights of the Isatay Block in the Kazakh Caspian Sea;
- signed an Exploration and Production Sharing Agreement (EPSA) of Block 52, offshore Oman;
- acquired new exploration licenses in Morocco, Mexico, Cyprus and Ivory Coast.

Eni Integrated Annual Report 2017 PROFILE OF THE YEAR 11

Proved hydrocarbon reserves

7 billion boe with an organic replacement ratio of 103%. The ratio increases to 151% when excluding the reclassification of PUD reserves to the unproved category in Venezuela in accordance with the applicable US SEC regulation.

Coral project

Sanctioned by the partners the development project for the exclusive reserves in Area 4 in Mozambique amounting to 16 TCF in place. The Floating LNG facilities construction will be realized through a multi-source project financing of \$4.7 billion.

International development in the Chemical business

Completed, in South Korea, the construction of the industrial complex for production of premium elastomers, leveraging on Versalis technology and through the 50:50 joint venture Versalis – Lotte Chemical, local operator.

Licensing EST technology

Enhanced the refining know-how through two licensing agreements with the Chinese companies Sinopec and Zhejiang Petrochemicals for the use of the Eni Slurry Technology (EST) conversion proprietary technology.

Renewable energies

Eni's commitment for renewable energies was implemented by the start-up of operations for the set-up of plants in Italy and Algeria and the development of other initiatives in Italy and abroad. Signed the collaboration agreement with General Electric and with the Kazakh Ministry of Energy; finalized a Memorandum of Understanding with the Egyptian Ministry of Electricity to jointly realize new renewable plants.

Safety of Eni's people

Total recordable injury rate (TRIR) reported a decrease of 6.8% vs. 2016. The reduction for the employees (down by 17.2%) and the contractors (down by 2%) was driven by specific program of education and awareness addressed to Eni's people. In 2017, was launched the new Safety Training Center in Gela for training in health, safety and environmental issues.

Climate change

Accordingly to Eni's carbon footprint reduction strategy, the development program on renewables was implemented by 20 projects on an executive phase or near to FID, which will contribute to increase Eni's generation capacity by around 250 MW. Furthermore, Eni is part of the TCFD (Task Force on Climate-related Financial Disclosures) of the Financial Stability Board, targeted to a more transparent disclosure about risks and opportunities relating to the climate change.

Commitment to flaring reduction

Eni joins the Global Gas Flaring Reduction Partnership (GGFR), sponsored by the World Bank, a public-private initiative involving international oil companies, governments and international institutions. Eni reduced gas flaring of approximately 68% in the last ten years and promoted access to energy for over 18 million people in the Sub-Saharan Africa.

GHG emissions

GHG emissions increased by 2.5% vs. 2016 due to the production growth. GHG emission index per barrel produced was down by approximately 3% vs. 2016 and by 19% vs. 2014 in accordance with the long-term target of a 43% reduction by 2025.

Oil spills due to operations

Oil spills due to operations (higher than one barrel), 94% of which relating to the E&P segment, more than doubled from 2016. This was mainly due to the spill from a tank located in COVA in Val d'Agri where the Company implemented all the remediation actions to reduce the environmental damage and to prevent any future accident through infrastructure upgrading.

Human rights

Started in 2017 the working group on Human Rights in the business supported by the Danish Institute for Human Rights. The comparison between Company's processes and the International Standards (UN Guiding Principles on Business and Human Rights) allowed the definition of a roadmap aimed at further improvement of Eni's performance on Human Rights.

12 PROFILE OF THE YEAR Eni Integrated Annual Report 2017**FINANCIAL HIGHLIGHTS**

	2017	2016	2015
Net sales from operations	(€ million) 66,919	55,762	72,286
Operating profit (loss)	8,012	2,157	(3,076)
Adjusted operating profit (loss) ^(a)	5,803	2,315	4,486
Adjusted net profit (loss) ^{(a)(b)}	2,379	(340)	803
Net profit (loss) ^(b)	3,374	(1,051)	(7,952)
Net profit (loss) - discontinued operations ^(b)		(413)	(826)
Group net profit (loss) ^(b) (continuing and discontinued operations)	3,374	(1,464)	(8,778)
Net cash flow from operating activities	10,117	7,673	12,155
Net cash provided from operating activities before changes in working capital at replacement cost ^(a)	8,458	5,386	8,510
Capital expenditure	8,681	9,180	10,741
<i>of which: exploration</i>	442	417	566
<i>development of hydrocarbons reserves</i>	7,236	7,770	9,341
Dividend to Eni's shareholders pertaining to the year ^(c)	2,881	2,881	2,880
Cash dividend to Eni's shareholders	2,880	2,881	3,457
Total assets at year end	114,928	124,545	139,001
Shareholders' equity including non-controlling interests at year end	48,079	53,086	57,409
Net borrowings at year end	10,916	14,776	16,871
Net capital employed at year end	58,995	67,862	74,280
<i>of which: Exploration & Production</i>	49,801	57,910	53,968
<i>Gas & Power</i>	3,394	4,100	5,803
<i>Refining & Marketing and Chemicals</i>	7,440	6,981	6,986
Share price at year end	(€) 13.8	15.5	13.8
Weighted average number of shares outstanding	(million) 3,601.1	3,601.1	3,601.1
Market capitalization ^(d)	(€ billion) 50	56	50

(a) Non-GAAP measures.

(b) Attributable to Eni's shareholders.

(c) The amount of dividend for the year 2017 is based on the Board's proposal.

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

SUMMARY FINANCIAL DATA

	2017	2016	2015
Net profit (loss)			

Edgar Filing: ENI SPA - Form 6-K

- per share ^(a)	(€)	0.94	(0.29)	(2.21)
- per ADR ^{(a)(b)}	(\$)	2.12	(0.65)	(4.90)
Adjusted net profit (loss)				
- per share ^(a)	(€)	0.66	(0.09)	0.37
- per ADR ^{(a)(b)}	(\$)	1.49	(0.20)	0.82
Cash flow				
- per share ^(a)	(€)	2.81	2.13	3.58
- per ADR ^{(a)(b)}	(\$)	6.35	4.72	7.95
Adjusted Return on average capital employed (ROACE)	(%)	4.7	0.2	1.8
Leverage		23	28	29
Gearing		18	22	23
Coverage		6.5	2.4	(2.4)
Current ratio		1.5	1.4	1.4
Debt coverage		92.7	51.9	76.3
Dividend pertaining to the year	(€ per share)	0.80	0.80	0.80
Total Share Return (TSR)	(%)	(5.6)	19.2	1.1
Pay-out		85	(197)	(33)
Dividend yield ^(c)		5.7	5.4	5.7

(a) Fully diluted. Ratio of net profit/cash flow 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 Reuters (WMR) for the period presented.

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

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

Eni Integrated Annual Report 2017 **PROFILE OF THE YEAR 13****KEY PERFORMANCE INDICATORS**

		2017	2016	2015
Employees at year end	(number)	32,934	33,536	34,196
TRIR (Total Recordable Injury Rate)	(total recordable injuries/worked hours) x 1,000,000	0.33	0.35	0.45
<i>of which: employees</i>		<i>0.30</i>	<i>0.36</i>	<i>0.41</i>
<i>contractors</i>		<i>0.34</i>	<i>0.35</i>	<i>0.47</i>
Total volume of oil spills (> 1 barrel)	(barrel)	6,464	5,913	16,481
<i>of which: due to sabotage and terrorism</i>		<i>3,236</i>	<i>4,682</i>	<i>14,847</i>
<i>operational</i>		<i>3,228</i>	<i>1,231</i>	<i>1,634</i>
Direct GHG emissions	(mmtonnes CO ₂ eq)	42.52	41.46	42.32
<i>of which: CO₂ equivalent from combustion and process</i>		<i>32.65</i>	<i>31.99</i>	<i>32.22</i>
<i>CO₂ equivalent from flaring</i>		<i>6.83</i>	<i>5.40</i>	<i>5.51</i>
<i>CO₂ equivalent from non-combusted methane and fugitive emissions</i>		<i>1.46</i>	<i>2.40</i>	<i>2.79</i>
<i>CO₂ equivalent from venting</i>		<i>1.58</i>	<i>1.67</i>	<i>1.80</i>
Exploration & Production		2017	2016	2015
Employees at year end	(number)	11,970	12,494	12,821
TRIR (Total Recordable Injury Rate)	(total recordable injuries/worked hours) x 1,000,000	0.28	0.34	0.34
Net proved reserves of hydrocarbons	(mmboe)	6,990	7,490	6,890
Average reserve life index	(years)	10.5	11.6	10.7
Hydrocarbons production ^(a)	(kboe/d)	1,816	1,759	1,760
Organic reserves replacement ratio	(%)	103	193	148
Profit per boe ^(b)	(\$/boe)	8.7	2.0	(3.8)
Opex per boe ^(a)		6.6	6.2	7.2
Cash flow per boe ^(a)		20.2	12.9	20.9
Finding & Development cost per boe ^(c)		10.4	13.2	19.3
Direct GHG emissions	(mmtonnes CO ₂ eq)	23.45	21.78	23.54
CO ₂ emissions/100% operated hydrocarbon gross production ^(d)	(tonnes CO ₂ eq/toe)	0.162	0.166	0.177
% produced water re-injected	(%)	59	58	56

Edgar Filing: ENI SPA - Form 6-K

Volumes of hydrocarbon sent to flaring	(mmcm)	2,283	1,950	1,989
<i>of which: sent to flaring process</i>		<i>1,556</i>	<i>1,530</i>	<i>1,564</i>
Oil spills due to operations (> 1 barrel)	(barrel)	3,022	1,097	1,177

(a) Includes Eni's share in joint ventures and equity-accounted entities.

(b) Related to consolidated subsidiaries.

(c) Three-year average.

(d) Hydrocarbon production from fields fully operated by Eni (Eni's interest 100%) amounting to 137 mln toe, 122 mln toe and 125 mln toe in 2017, 2016 and 2015, respectively.

14PROFILE OF THE YEAR Eni Integrated Annual Report 2017**Gas & Power**

		2017	2016	2015
Employees at year end	(number)	4,313	4,261	4,484
TRIR (Total Recordable Injury Rate)	(total recordable injuries/worked hours) x 1,000,000	0.37	0.29	0.89
Worldwide gas sales	(bcm)	80.83	86.31	87.72
<i>of which: Italy</i>		<i>37.43</i>	<i>38.43</i>	<i>38.44</i>
<i>outside Italy</i>		<i>43.40</i>	<i>47.88</i>	<i>49.28</i>
Customers in Italy	(million)	7.7	7.8	7.9
Direct GHG emissions	(mmtonnes CO ₂ eq)	11.23	11.17	10.57
GHG emissions/kWheq (Eni Power)	(gCO ₂ eq/kWheq)	395	398	409
Installed capacity power plants	(GW)	4.7	4.7	4.9
Electricity produced	(TWh)	22.42	21.78	20.69
Electricity sold		35.33	37.05	34.88
Customer satisfaction rate	(scale from 0 to 100)	86.7	86.2	85.6

Refining & Marketing and Chemicals

		2017	2016	2015
Employees at year end	(number)	10,916	10,858	10,995
TRIR (Total Recordable Injury Rate)	(total recordable injuries/worked hours) x 1,000,000	0.62	0.38	1.07
Oil spills due to operations (> 1 barrel)	(barrels)	194	134	427
Direct GHG emissions	(mmtonnes CO ₂ eq)	7.82	8.50	8.19
SO _x emissions (sulphur oxide)	(ktonnes SO ₂ eq)	5.18	4.35	6.17
Refinery throughputs on own account	(mmtonnes)	24.02	24.52	26.41
Retail market share in Italy	(%)	25.0	24.3	24.5
Retail sales of petroleum products in Europe	(mmtonnes)	8.54	8.59	8.89
Service stations in Europe at year end	(number)	5,544	5,622	5,846
Average throughput of service stations in Europe	(kliters)	1,783	1,742	1,754
Balanced capacity of refineries	(kbbbl/d)	548	548	548
Capacity of biorefineries	(ktonnes/year)	360	360	360
Production of biofuels	(ktonnes)	206	181	179
GHG emissions/products (crude oil and semifinished) processed in refineries	(tonnes CO ₂ eq/kt)	258	278	253
Production of petrochemical products	(ktonnes)	5,818	5,646	5,700
Sales of petrochemical products		3,712	3,759	3,801
Average petrochemical plant utilization rate	(%)	73	72	73

KEY SUSTAINABILITY ISSUES AND STAKEHOLDERS' PERSPECTIVE

| Eni's key sustainability issues: definition process

Eni defines and reports annually on key sustainability issues for the Company and stakeholders. The definition of these topics is based on a process of identification and prioritization which includes:

ANALYSIS OF SUSTAINABILITY SCENARIO

Analysis of the context in which Eni operates, highlighting the emerging issues of sustainability, the relevant issues and the progress compared to the targets set. This scenario analysis is presented and examined in the Sustainability and Scenarios Committee and approved by Eni's Board of Directors.

RISK ASSESSMENT RESULTS

Identify the main Eni's risks including those with potential impacts on environment, health and safety, social and reputational aspects.

STAKEHOLDERS' PERSPECTIVE

This process identifies key issues for different stakeholders designed in accordance to the international standards such as the Global Reporting Initiative, (GRI), Accountability AA1000 and the IFC guidelines "Stakeholder Engagement: A Good Practice Handbook for Companies Doing Business in Emerging Markets" which considers the potential impacts on stakeholders referring to environmental, social and governance issues (ESG).

The topics arisen from the analysis and evaluations are the basis to define **Eni's strategic sustainability Guidelines**, issued by the Chief Executive Officer for all business segments. These Guidelines are deployed in the four-year

strategic plan and the managerial targets are defined. These also identify key and material sustainability issues , which **able the company to create value in the short, medium and long-term**. These topics are represented below according to the three levers of Eni's business model (Path to Decarbonization, Operating Model, Cooperation Model).

16 KEY SUSTAINABILITY ISSUES AND STAKEHOLDERS' PERSPECTIVE Eni Integrated Annual Report **2017**

(1) Global Framework Agreement on Industrial Relations and on International level and on Company's Social Responsibility, subscribed by Eni in 2016 with IndustriALL Global Union and with the Italian Union Labour Organizations of Industry.

Eni Integrated Annual Report 2017 KEY SUSTAINABILITY ISSUES AND STAKEHOLDERS' PERSPECTIVE 17

(2) Italian National Council of Consumers and Users.

(3) Oil and Gas Climate Initiative.

(4) Oil&gas association active in environmental and social issues.

(5) World Business Council for Sustainable Development.

(6) Interministerial Committee on Human Rights.

(7) Extractive Industries Transparency Initiative.

BUSINESS

MODEL

Eni's business model is focused on creating long-term value, for both the company and its stakeholders, through the achievement of goals relating to profitability and growth, efficiency, operational excellence and prevention of business risks. Eni recognizes that the main challenge in the energy sector is providing access to energy resources for all efficiently and sustainably, while combating climate change.

To meet this challenge, Eni has adopted an integrated strategy to pursue its operating objectives, combining financial robustness with social and environmental sustainability, based on:

- a path to decarbonization;
 - an operating model that reduces business risks as well as social and environmental impacts;
 - a host country cooperation model based on long-lasting partnerships.
- Accordingly, support for countries'

development in order to promote efficient and sustainable access to energy resources for all, valuing people, environmental protection, combating climate change, safeguarding health and safety, respect for human rights, ethics

and transparency are fundamental values integrated within the Eni business model. The Eni Board of Directors has always played a central role in the definition of sustainability policies and strategies, and also in the validation of relative results.

While carrying out the related duties, the Board is supported by the Sustainability and Scenarios Committee, established by the Board of Directors in 2014. The importance that Eni places on this area is demonstrated

by the fact that, once again in 2017, the CEO's variable Incentive Plan and those for all managers with strategic responsibilities include sustainability objectives. In order to pursue these objectives, Eni has

set-up organizational and management models, operating tools and cross-functional working groups for the various sustainability areas, as set out in the table on the following page.

Eni Integrated Annual Report 2017 BUSINESS MODEL 19

**PATH TO
DECARBONIZATION**

DIMENSION ORGANIZATIONAL AND MANAGEMENT MODELS

- **Centralized function dedicated to climate change**
- **Climate Change Program** cross-functional working group whose Steering Committee is chaired by the CEO: aims to gradually reduce GHG emissions in line with the 2 °C target
- **Energy Transition Research and Development Program:** aims to develop technologies to promote the rapid spread of natural gas usage, decarbonizing the supply chain
- **Energy Solutions:** business development for energy production from renewable sources and management of relevant assets by dedicated companies

OPERATING MODEL DIMENSION

**ORGANIZATIONAL
AND
MANAGEMENT
MODELS**

- **Human resources management and development tools,** aimed at professional growth and involvement, inter-generational exchange of experiences, building of cross-cutting managerial development courses in line with the company's strategic opportunities, professional development in core technical areas and valuing diversity

- **Knowledge management system**
for integrating and sharing know-how and professional experiences
- **National and international industrial relations management system:**
participative model and platform of operating tools to motivate and engage employees in the business, in the implementation of the standards envisaged by the International Labour Organization agreements and the indications given by the Institute for Human Rights and Business
- **Health management system** based on an operating platform of qualified health providers and partnerships with university research centers and national and international governmental institutions
- **Security management system**
aimed at guaranteeing protection for Eni people in high risk countries
- **Welfare system** for the achievement of work-life balance and the enhancement of services for employees and their families

- **Health and safety management system**
for workers according to the **BS OHSAS 18001 standard**, used in a standardized manner for all operating activities
- **Process safety management system**
aimed at preventing major accidents by applying high technical and managerial standards (application of best practices for asset planning and design, operation and management, maintenance and decommissioning)
- **Emergency preparation and response** with plans that put protection of people and the environment first
- **Integrated health, safety and environment management system:**
adopted in all plants and production units in accordance with the ISO 14001 environmental management standard
- **Application of the Environmental, Social & Health Impact Assessment (ESHIA) process** to all projects
- **Green Sourcing Working Group:** for the definition of a

structured model to identify methods and technical requirements that must be adopted for the selection of products and suppliers able to guarantee better environmental performances

- **Biomasses Working Group:**

implementation of the commitments in Eni's Position on biomass and palm oil

- **Human rights management process** regulated by a Management System Guideline

- **Business and Human Rights Working Group:** to further align company processes with the main international standards and best practices

- **Application of the ESHIA process** to all projects, integrated with analysis of human rights impact

- **Specific analyses of human rights impacts known as HRIA (Human Rights Impact Assessment)**

- **“Anti-Corruption Compliance” organizational structure** reporting directly to the Chief Executive Officer

- **Anti-Corruption Compliance**

Program: system of rules and controls to prevent corruption crimes

- **Anti-Corruption management system** certified in accordance with the ISO 37001:2016 guideline

- **Model 231:** defines responsibilities, sensitive activities and control protocols for crimes of corruption under the Italian Legislative Decree 231/01 (including environmental crimes and crimes relating to workers' health and safety)

- **Procurement Process** designed to check, through qualification, selection, management and monitoring of suppliers, as well as assessment using parameters from the Social Accountability Standard (SA8000), the compliance with Eni's requirements in relation to ethical conduct and trustworthiness, health, safety, environmental protection and human rights

- **Centralized Research & Development**
Function for optimal sharing and best use of

know-how

- **Management of Technological Innovation projects** in line with R&D best practices (planning and control for the steps following the development of the technology)
- **Continuous updating of procedures** relating to the protection of intellectual property and the identification of professional R&D suppliers/services

COOPERATION MODEL

DIMENSION ORGANIZATIONAL AND MANAGEMENT MODELS

- **Sustainability focal point at the local level**, who interfaces with the central office to define **local community development programs** in line with national development plans and business processes
- **Application of the ESHIA process** to all projects
- **Stakeholder management system platform** for management and monitoring of the relations with local and other **stakeholders** and **grievances**. Formal process for collecting, managing and identifying grievance cases for analysis at a central level
- **Local Content Working Group**: definition of a model for local content assessment based on a methodology for measuring the direct, indirect and induced effects of operations in a specific geographical area
- **Risk identification, mitigation and monitoring system** linked to relations with local stakeholders

SCENARIO

AND STRATEGY

| The reference market and the competitive environment

Transition towards a low-carbon energy mix

Companies operating in the energy sector face with two challenges: satisfy growing energy needs, working to build a future in which everyone can access to the energy sources in an efficient and sustainable way and limit their emissions in the atmosphere, contributing to the gradual path to decarbonization, in accordance with the decision taken in COP, starting from Paris 2015.

In 2040 the world population is expected to grow from 7 million to 9 million and the energy demand will increase by approximately

30%. There will be also a geographical shift in consumption and 70% of energy demand will come from non-OECD countries, representing approximately 85% of worldwide population.

In this context, natural gas represents an opportunity for a strategic repositioning of the oil companies thanks to lower carbon intensity and the possible integration with renewable sources in the electricity production. There is a growing awareness on the needs to promote policies aimed at replace coal in electricity generation.

| Industrial plan

The 2018-2021 industrial plan includes a gradual increase in Brent price scenario up to the balance long-term value of 72 \$/bbl, in line with the market fundamentals trend.

Our deep transformation process of Eni's business model was implemented in the 2014-2017 period. As a result of this, we have set a company strongly integrated in the oil&gas value chain, strengthened and constantly growing in the upstream business, completed the turnaround in the mid-downstream business and more focused on the robustness of the financial structure. This process has been supported by organizational initiatives aimed at a more effective integration in the different company's function.

Operating, economic and financial goals of the 2018-2021 plan target the development and the value growth in all businesses by leveraging the high level of maturity and soundness due to the advanced actions planned, such as: production ramp-ups of the fields lately started up, progress of planned project sanction to support production start-up, renegotiation of long-term supply

contracts, LNG contracted volumes, reduced break-even level of refining activities, integration and specialties growth in the chemical business as well as our path to decarbonization and development of the green businesses based on a distinctive model.

Another key driver of our plan is the dissemination of digital technology to catch development, efficiency and work-safety opportunities.

The low break-even of capex in execution phase, economic, financial and technical discipline as well as the decrease in activity of environmental impacts together with the improving Eni's portfolio integration, will allow to catch addition value and allowed the Company Eni to be more financial resilient and robust. In the 2018-2021 period, our cash neutrality (capex and dividend) targets are improving than the previous plan; in particular, in 2018, we plan a cash neutrality at a Brent price of approximately 55 \$/bbl and decline to 50 \$/bbl at the end of the plan period due to a growth in all businesses and the ongoing capex discipline.

2018-2021 TARGETS

Eni Integrated Annual Report 2017 SCENARIO AND STRATEGY 21

2017, the year of rebalancing

In 2017, after three years of oversupply, OPEC and non-OPEC cuts in production and the strong demand led to rebalancing. At the end of 2017, OECD total stocks were near to the last 5 year average volumes, in line with the OPEC target. Geopolitical crises came back to play upward. In contrast, the growth of tight oil in the USA fuelled high volatility phases: notwithstanding a growth rate lower than the ones recorded during the boom years, the short-cycle nature of tight oil and the international export of crudes from the USA are the main volatility drivers for the market. 2017 average Brent price was 54.3 \$/bbl (up 10 \$/bbl vs. 2016), exceeding the 65 \$/bbl threshold at the end of the year.

OPEC strategy addressing 2018 scenario

Expected cuts in 2018 and subsequent market control strategy by OPEC will support in 2018, driven also by widespread geopolitical crisis, primarily in Venezuela where production levels reached thirty years ago level. Capital expenditure discipline of

Capital expenditure discipline of the last two years will allow to maintain high prices, determining a gap from expected demand.

A better context in the mid-downstream industry

In Europe the rationalization process started in 2008 until the end of 2014, with margins and commodity demand recovery.

In 2017, in a trading scenario characterised by high margins, there were no reductions of capacity, despite the increase in Brent price. In the next years, European refining industry is expected to continue benefitting from demand growth and the IMO impact at 2020, which would foster the profitability of complex refineries in place of simple ones subject at risk of shut-down. However, European refiners will be less penalized because of already achieved capacity reduction. In the refinery business, Europe is expected to remain a marginal refiner in a global market of high competition from operators located in the Middle East, the USA, Russia and Asia, which leverage on competitive advantages in terms of supply cost and efficiency.

| Upstream

Valorization and growth of the exploration portfolio, with the target to discover 2 billion boe and improve the geographical diversification.

Exploration activity in operated conventional assets with high-equity themes in line with the Dual Exploration Model.

Renewal of the portfolio of exploration leases by focusing on liquids and high materiality play.

Focus on near-field initiatives with reduced time-to-market and instant cash flow in the countries with operated facilities.

Build-up of exploration activities in "high risk-high reward" areas.

Drilling of approximately 115 wells located over 25 countries.

Growing generation with a cumulated free cash flow of approximately €22 billion in the 2018-2021 period.

Production growth at an average annual rate of 3.5% in 2018-2021 focusing on value leveraging on the ramp-ups at fields started up in 2017 and new planned production in the next four year with a level of cash flow per boe higher than the portfolio average; to 2025 expected further growth of production at the average annual rate of 3%.

Start-up and strengthening of integration with the Gas & Power segment to monetize gas equity.

Strengthened project execution modularization and design-to cost which will enable the Company to reduce financial exposure and execution risks.

Optimizing efficiency by means of several initiatives to reduce operating costs and non-productive time also with processes digitalization.

2018-2021 UPSTREAM TARGETS

22SCENARIO AND STRATEGY Eni Integrated Annual Report 2017

| Mid-downstream

GAS & POWER

Economic and financial results in the four-year plan: the adjusted operating profit expected at €0.8 billion in 2021; cumulated free cash flow at €2.4 billion in 2018-2021.

Growth in LNG business benefitting from the integration with upstream business for the enhancement and monetization of the latest Eni's discoveries; LNG contracted volumes expected to increase to 12 MTPA in 2021 and 14 MTPA in 2025.

Ongoing restructuring of Eni supply portfolio, through renegotiation of gas contracts and reduction of logistic costs.

Enhancement and growth of the retail business' customer base by developing of new products/services and implementing transformation initiatives leveraging on accelerating channels and digitalization. In 2021 customers will increase to 11 million, up by 25% vs. 2017.

REFINING & MARKETING

Economic and financial results in the four-year plan: the adjusted operating profit expected at €0.9 billion in 2021; cumulated free cash flow at €2.1 billion in 2018-2021.

Reducing refining break-even margin at approximately 3 \$/barrel by the end of 2018.

Completion of the Gela conversion in biorefinery and the development of the second phase of the Venice biorefinery.

Strengthening of marketing activities in countries of presence.

Focus on digitalization to optimize operations and enhance efficiencies.

CHEMICALS

Adjusted operating profit increasing to €0.4 billion in 2021; cumulated free cash flow expected at €0.3 billion in the four-year plan.

Consolidation of industrial footprint by enhancing business integration, efficiency, optimization of existing assets and new plants.

Portfolio upgrade with the differentiated products, the development of new products from R&D activities, as well as the acquisition of new technologies.

International development strengthening Versalis commercial network in Americas and the Far East.

Consolidation of “green” initiatives consistent with decarbonization strategy, through the use of natural feedstock and developing “bio-tech” solutions.

2018-2021 MID-DOWNSTREAM TARGETS

Eni Integrated Annual Report 2017 SCENARIO AND STRATEGY 23

| Dividend policy

In light of the progress in all businesses and the expected growth in the next four-year plan, Eni intends to increase the cash dividend to €0.83 per share. Eni is committed to a progressive remuneration policy linked to our underlying earnings and free cash flow growth. Share buy-back remains a flexible way to return to shareholders the cash in excess of the leverage target (0.20-0.25).

| Focus on decarbonization

Eni defined a path to decarbonization and implemented a clear and defined climate strategy, integrated with its own business model. It is based on the following pillars:

reduction of direct GHG emissions: by 2025 we target to reduce upstream direct GHG emissions by 43% compared to 2014 realizing projects to eliminate process flaring, reduce fugitive emissions of methane (by 80% vs. 2014) and energy efficiency projects; capex planned in order to reach these targets amounts

to €0.6 billion in 2018-2021 at 100% and with relate only to upstream operated activities;

“low carbon” oil&gas portfolio characterized by conventional projects developed through a phased approach and with low CO₂ intensity. The total break-even of the new projects in execution is below 30 \$/bbl and are therefore resilient even in low carbon scenarios. Generally, Eni’s portfolio has a higher share of gas, a bridge towards a reduced emissions future;

green business development through: (i) a growing commitment to renewable energy (approximately 1,000 MW installed power in 2021); (ii) development of the second phase of the Venice biorefinery and the completion, by the end of 2018, of the Gela biorefinery; (iii) strengthening of green chemistry, with production of bio-intermediates from vegetable oil at Porto Torres, studies and partnerships with other operators. Eni's capex for the 2018-2021 four-year period amount to more than €1.8 billion, including R&D costs to support path to decarbonization. commitment to research and development (R&D), which will play a key role in achieving maximum efficiency in the decarbonization process.

2025 TARGETS

INTEGRATED

RISK MANAGEMENT

The integrated risk management (IRM) process is aimed at ensuring that management takes risk-informed decisions, with adequate consideration of actual and prospective risks¹, including medium and long-term ones, within the framework of an organic and comprehensive vision.

IRM Model also aims to strengthen the organization awareness, at any level, that suitable management and evaluation risk may impact the delivery of corporate targets and value.

| Integrated Risk Management Model

The IRM Model is characterized by a structured approach, based on international best practices and considering the guidelines of the Internal Control and Risk Management System (see page XX), that is structured on three control levels. Risk Governance attributes a central role to the Board of Directors (BoD) which defines the nature and level of risk in line with strategic targets, including in evaluation process all those risks that could be consistent for the sustainability of the

business in the medium-long term.

The BoD, 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.

For this purpose, Eni's CEO, through the IRM process, presents every three months a review of the Eni's 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 IRM process.

inteGrated risK manaGement model

(*) Including Integrated Risk Management function.

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

Eni Integrated Annual Report 2017 INTEGRATED RISK MANAGEMENT 25

| Integrated Risk Management Process

The IRM Model is implemented through a process of integrated management which is both continuous and dynamic and leverages on the risk management systems already adopted by each business unit and corporate processes, promoting harmonization with methodologies and specific tools of the IRM Model.

The process, regulated by the “Management System Guideline (MSG) Integrated Risk Management” published on July 2016, has been revised to strengthen the integration with the decision-making process. The IRM process includes six sub-processes: (i) risk management guidelines, (ii) risk strategy, (iii) risk assessment & treatment, (iv) risk monitoring, (v) risk reporting, and (vi) risk culture.

It takes a top-down and risk-based approach, starting from the definition of Eni’s Strategic Plan (risk strategy), by identifying specific de-risking targets, the analysis of the underlying risk profile of the Plan, also through stress test for economic-financial resiliency vs. strategic targets, as well as the identification of strategic treatment actions. These activities performed coherently and integrated with the strategic planning process, support

the Board's assessments regarding the acceptability of the risk profile of the strategic plan subject to his attention.

The process continues with the periodic cycles of risk assessment & treatment and monitoring, the profile analysis on specific risks of the relevant transactions, as well as the integrated analysis on the risks in common with certain business and/ or functions. The risk evaluation is carried out through metrics considering both potential quantitative (financial-economic or operations) and qualitative (like environment, health and safety, social, reputation, etc.) aspects. The prioritization is based on a multi-dimensional matrices that allows to obtain the risk level as combination of probability cluster and impact cluster.

All risks are evaluated and expressed following an inherent and a residual level (taking into account the implemented actions of mitigation). Eni’s top risks portfolio consists of 20 risks classified in: (i) external risks, (ii) strategic risks and, finally, (iii) operational risks (see Objectives, risks and treatment actions on the following pages). In 2017, two-assessment session were performed: the Annual Risk Profile Assessment performed

in the first half of the year, involving 81 subsidiaries in 28 countries and the Interim Top Risk Assessment performed in the second half of the year, relating to the update of the evaluation and treatment of Eni’s top risks and main business risks. The second assessment also revaluated certain main risks to the business level. The two-assessment results were submitted to Eni’s management and control bodies in July and December 2017.

In addition, three monitoring processes were performed on top risks. The monitoring of such risks and the relevant treatment plans allow to analyze the risks evolution (through update of appropriate indicators) and the progress in the implementation of specific treatment measures decided by management.

The monitoring results were submitted to the management and control bodies in March, July and October 2017.

In the second half of 2017, IRM function provides the identification of specific de-risking objectives of the main corporate and business risks, issued as part of the 2018-2021 Guidelines by CEO, and identifies the chapters of the Strategic Plan 2018-2021 related to risk factors (business and consolidated risks), including mitigation actions.

INTEGRATED RISK MANAGEMENT PROCESS

The risk culture develops a common language and spread an appropriate risk management culture across all organizational levels to build awareness that suitably identifying, assessing and managing various types of risk can affect the achievement of objectives and the value of the company. Risk culture, moreover, promotes a greater inclusion of risk management in the company's processes to ensure consistency in methodology, and in general, in management tools and in risk control.

26 INTEGRATED RISK MANAGEMENT Eni Integrated Annual Report 2017

| Targets, risks and treatment measures

EXTERNAL MAIN RISK	RISK EVENTS	COUNTRY	Political and social instability in the countries of operations may lead to acts of internal conflicts, civil unrests, violence, sabotage and attacks, with consequent production interruptions and losses as well as interruptions in gas supplies via pipe and people and assets damages.	COUNTRY/COUNTERPARTY	Upstream Credit and Financing risk partner related to the credit proceeds delay or cost recovery.
	TREATMENT MEASURES		<ul style="list-style-type: none"> • Geographic diversification of portfolio assets since the exploration phase and business diversification; • Reduction of the exposure through the Dual Exploration Model; • Keeping efficient and long-lasting relationships with producing countries and local stakeholders even throughout local social development and sustainability projects; • Implementation of the security management system with the analysis of the preventive measures specific for site. 	UPSTREAM	<ul style="list-style-type: none"> • Finalization of specific agreements on repayment plans of third parties receivables; • Securitization package with in-kind withdrawals negotiating and/or utilization of dedicated escrow account; • Mitigation collaterals (sovereign guarantees, parent company guarantees, credit letters); • Carry agreement negotiations.
		Rif. pages 81-82		Rif. page 88	
STRATEGIC MAIN RISK	RISK EVENTS	CLIMATE CHANGE	Climate change mainly referred to drivers of energy transition (market scenario, legislative and technologic evolution and reputation) and to the physical drivers (extreme/chronical climatic events).	COMMODITY PRICE	Oil global demand and supply imbalance risk.
	TREATMENT				

MEASURES	<ul style="list-style-type: none"> • GHG action plan to 2025 approved by the Board of Directors and strengthening the Climate Change issue in the strategic plan, with medium-term targets and investments in line with the action plan to 2025. Commitment to the definition of a long-term decarbonization roadmap; • Participation in the Preparer Forum for oil&gas, as part of the Task Force on Climate-related Financial Disclosures (TCFD), finalized to supporting the progressive and correct transposition of recommendations issued by TCFD; • Strengthening the role of gas as pillar of the transition to low carbon, also through a concrete commitment in the reduction of methane emissions into the entire value chain; • Sustainable development of green refinery business and targeted initiatives based on bio-chemistry, as well as business integration with renewable energy; • Inclusion of a sensitivity on “Carbon Pricing” in the evaluation process for main investments and resilience analysis of portfolio applying the low carbon IEA scenario; • Commitment to low carbon research through Energy Transition Program and participation in OGCI Climate Investments Fund. 	<ul style="list-style-type: none"> • Reduction of new projects break-even price; widespread efficiency initiatives and disposal plan. <p>Rif. pages 75-76</p>
-----------------	---	--

Rif. pages 85-86

OPERATIONAL MAIN RISK EVENTS	ACCIDENTS	PROCEEDINGS ON CORRUPTION
	<p>Blow-out risks and other relevant accidents affecting the upstream assets, refineries and petrochemical plants, as well as the transportation of hydrocarbons by sea and land (i.e. fires/ explosions, etc.) with impact on people and assets damages, company profitability and reputation.</p>	<p>Negative impact on the Company reputation, profitability and business perspectives due to the lack in compliance (real or perceived) with the laws and rules, in particular on anti-corruption themes, on behalf of management, employees and contractors.</p>
TREATMENT MEASURES	<ul style="list-style-type: none"> • New methodology to classify complex wells and geologic “Real time monitoring” of well drilling phases; 	<p>Presence of the Code of Ethics and Model 231 and control of the correct application of the model (Watch Structure);</p>

Edgar Filing: ENI SPA - Form 6-K

- Development of innovative digital instruments and big data analyzers to improve operative performances and to support the preventive maintenance (i.e. real-time monitoring central room for productive assets);
- Asset Integrity Management;
- Specific technological development and emergency management plans; specific HSE audit and plants monitoring;
- Management and continuous monitoring of shipping operation and third operators, vetting activities.
- Presence of the Integrated Compliance Department directly reporting to the CEO;
- Continuous monitoring of regulatory developments and a corresponding adaptation of the MSG and the Anti-Corruption Compliance Program;
- Continuing training for compliance/anti-corruption and higher management awareness on the culture of company ethic and integrity;
- Process of analysis and notices treatment, audit activity, continuing control on the management of legal proceedings performed by dedicated organizational structures.

Rif. page 86

Rif. pages 77-80

Eni Integrated Annual Report 2017 INTEGRATED RISK MANAGEMENT 27

COUNTRY/COUNTERPARTY

Mid-downstream business credit risk.

MID-DOWNSTREAM

- Stricter selection for Retail and Business customers (credit line with a minimal rating threshold in the acquisition of customers);
- Mitigation collaterals (advance payment, credit letters, bank guarantees and/or Parent Company Guarantees);
- Receivables sold to financing institutions;
- Time to bill reduction and captive insurance.

Rif. page 88

EVOLUTION IN G&P LEGISLATION

Potential deteriorating legislative/regulatory, national and international environment, in the Gas & Power segment with impacts to corporate profitability.

- Institutional actions on regulatory initiatives and potentially critical policies (i.e. further advocacy of Eni to European strategy to climate/ energy 2030 and 2050, also following the adoption of National Energy Strategy - NES);
- Constant dialogue with institutions and regulatory Authorities, also by category associations;
- Possibility of appeal against legislative and regulatory initiatives of Authorities in order to protect Eni's interests.

Rif. page 83

STAKEHOLDER

Relationships with local and international stakeholders on oil&gas industry activities, with impacts also in the media.

- Integration of targets and sustainability projects (i.e. Community Investment) within the Strategic Plan and incentive program;
- Targeted communication plan and communication initiatives aimed at spreading Eni's strategy and activities, also through social media with a mainly institutional target;
- Meeting and dialogue with stakeholders initiatives and strengthening of presence in the critical areas in order to intensify the relationship management with local authorities;

GAS CONTRACTS

Potential differences between the cost of supply and the minimum off take obligations in take-or-pay long-term gas supply contracts compared to current market conditions and management of arbitrations/negotiations with gas suppliers.

- Prolonged supply portfolio restructuring process through the renegotiation of price-volume conditions;
- Portfolio balancing by the sale of volumes not intended to commercial segments to the financial markets (physical and liquid financial hub) both in Italy and in Northern Europe;
- Continuous control of management of arbitrations and negotiations by dedicated units.

Rif. pages 82-83

- Development of measurement instruments and monitoring of corporate reputation (RepLab) for all stakeholders categories.

Rif. pages 81-82

ENVIRONMENTAL AND HEALTH PROCEEDINGS

Environmental and health proceedings as well as evolution in HSE legislation may trigger contingent liabilities, impact on company profitability (costs for remediation activities) and on corporate reputation.

- Integrated System of HSEQ Management;
- Transversal organizational unit dedicated to legal assistance to HSE matters;
- Definition of paths with Public Authorities (program agreements, transactions, etc.);
- Monitoring of authorization processes of the remediation projects through a continuous dialogue with the stakeholders and the competent Authorities for the remediation activities;
- Technological development activities with international universities and partnerships with environmental engineering company.

Rif. pages 77-78

CYBER SECURITY

Cyber Security and industrial Espionage.

- Centralized governance model of Cyber Security, with units dedicated to cyber intelligence and prevention, monitoring and management of cyber attacks;
- Rules dedicated to IT security management and information protection;
- Operating plans aimed at increasing security of industrial sites, training and awareness initiatives dedicated to Eni's employees;
- Developing a methodology aimed at quantitative evaluation of residual Cyber Security risk.

Rif. pages 87-88

**Eni's target
development**

Company profitability

Corporate Reputation

Relationship with Stakeholders, Local

GOVERNANCE

Integrity and transparency are the principles that have inspired Eni in designing its corporate governance system¹, a key pillar of the Company's business model. The governance system, flanking our business strategy, is intended to support the relationship of trust between Eni and its stakeholders and to help achieve business goals, creating sustainable value for the long-term. Eni is committed to building a corporate governance system founded on excellence in our open dialogue with the market and all stakeholders.

Ongoing, transparent communication with stakeholders is an essential tool for better

understanding their needs. It is part of our efforts to ensure the effective exercise of shareholder rights.

With this in mind, recognising the need for a deeper dialogue with the market, in 2017 Eni organised a new cycle of "corporate governance roadshows" involving the Chairman of the Eni Board of Directors with the main institutional investors of Eni to present the Company's governance system and main initiatives in the fields of sustainability and corporate social responsibility.

The initiative was much appreciated by the investors, who welcomed the open and constructive dialogue forged with the Company. In particular, the investors applauded the composition of the Board of Directors, including its diversity, the governance measures adopted and the completeness and transparency of the information provided to shareholders and the market as a whole. In addition, during the meetings the investors displayed considerable interest in developments in the governance of risks and the control system, including compliance, the associated organisational arrangements and the leading role reserved for the Board and the Chairman in the system. Additional events were held in early 2018.

| The Eni Corporate Governance structure

Eni's Corporate Governance structure is based on the traditional Italian model, which – without prejudice to the role of the Shareholders' Meeting – assigns the management of the Company to the Board of Directors, supervisory functions to the Board of Statutory Auditors and statutory auditing to the Audit Firm.

Eni's Board of Directors and Board of Statutory Auditors, and their respective Chairmen, are elected 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 elected by non-controlling shareholders, thereby giving minority shareholders a larger number of representatives than that provided for under law. The number of independent directors provided for in the Eni By-laws is also greater than the number required by law.

In April 2017, the Shareholders' Meeting re-elected 8 of the 9 directors from the previous term. With regard to the Board

of Statutory Auditors, 2 of the 5 previous statutory auditors were reappointed.

As with the appointments made in 2014, in deciding the composition of the Board of Directors, the Shareholders' Meeting was able to take account of the guidance provided to investors by the previous Board with regard to diversity, professionalism, management experience and international representation. The outcome was a balanced and diversified Board of Directors.

The composition of the Board of Directors and of the Board of Statutory Auditors is also more diversified in gender terms, in accordance with the provisions of applicable law and the By-laws.

Moreover, the number of independent directors on the Board of Directors (7² of the 9 serving directors, of whom 8 are non-executive directors) remains greater than the number provided for in the By-laws and in the Corporate Governance Code.

The Board of Directors appointed a Chief

Executive Officer and established four internal committees with advisory and recommendation functions: the Control and Risk Committee³, the Compensation Committee⁴, the Nomination Committee and the Sustainability and Scenarios Committee. The Committees report, through their Chairmen, on the main issues they address at each meeting of the Board of Directors.

The Sustainability and Scenarios Committee, which was retained by the Board of Directors for the new term as well, has a key role in addressing sustainability issues, which are considered an integral part of the decisions of the Board, incorporated in the Company's business model.

In addition, at its meeting of July 27, 2017, the Eni Board of Directors established an Advisory Board⁵, charged with analysing major geopolitical, technological and economic trends, including issues associated with decarbonization, in support of the Board itself and of the Chief Executive Office.

(1) For more detailed information on the Eni Corporate Governance system, please see the Corporate Governance and Shareholding Structure Report, which is published on the Company's website in the Governance section.

(2) Independence as defined by applicable law, to which the Eni By-laws refer. Under the Corporate Governance Code, 6 of the 9 serving directors are independent.

(3) As regards the composition of the Control and Risk Committee, Eni requires that at least two members shall have appropriate experience with accounting, financial or risk management issues, exceeding the requirements of the Corporate Governance Code, which recommends only one such member. In this regard, on April 13, 2017 the Eni Board of Directors determined that 3 of the 4 members of the Committee, including the Chairman, have the appropriate experience. The level of experience of the Committee members therefore exceeds that provided for in the Committee Rules.

(4) The Rules of the Compensation Committee require that at least one member shall have adequate expertise and experience in finance or compensation policies. These qualifications are assessed by the Board of Directors at the time of appointment. In this regard, on April 13, 2017 the Eni Board of Directors determined that 3 of the 4 members of the Committee have the appropriate expertise and experience. The level of expertise and experience of the Committee

members therefore exceeds that provided for in the Committee Rules.

(5) The Advisory Board is chaired by the director Fabrizio Pagani. The other members are: i) Ian Bremmer; ii) Christiana Figueres; iii) Philip Lambert; iv) Davide Tabarelli. More information is available on the Eni website, in the Governance section.

Eni Integrated Annual Report 2017 **GOVERNANCE**²⁹

The Board of Directors also retained the Chairman's major role in internal controls, with specific regard to the Internal Audit unit. The Chairman proposes the appointment and remuneration of its Head and the resources available to it, and also directly manages relations with the unit on behalf of the Board of Directors (without prejudice to the unit's functional reporting to the Control and Risk Committee and the Chief Executive Officer, as the director in charge of the internal control and risk management system). The Chairman is also involved in the appointment of the primary Eni officers responsible for internal controls and risk management, including the officer in charge of preparing financial reports, the

members of the Watch Structure, the Head of Integrated Risk Management and the Head of Integrated Compliance, which report directly to the Chief Executive Officer, including in his capacity as the director in charge of the internal control and risk management system of Eni. Finally, the Board of Directors, acting on a recommendation of the Chairman, reappointed the Secretary, keeping his role as Corporate Governance Counsel, charged with providing assistance and advice to the Chairman, the Board of Directors and the individual directors, reporting periodically to the Board of Directors on the functioning of Eni's corporate governance system.

This report enables the periodic monitoring

of the governance model adopted by the Company, designed on the basis of the most prominent studies in this field, the choices of our peers and the corporate governance innovations incorporated in the corporate governance codes of other countries and in the principles issued by leading international bodies, identifying any strengths and areas for additional improvement in the Eni system. In view of this role, the Secretary, who reports to the Board of Directors itself and, on its behalf, to the Chairman, must also meet appropriate independence and other requirements⁶. The following chart summarises the Company's corporate governance structure at December 31, 2017:

(6) The Charter of the Board Secretary and Corporate Governance Counsel (Company Secretary) is available on the Eni website, in the Governance section.

30 GOVERNANCE Eni Integrated Annual Report 2017

| Decision making

The Board of Directors entrusts the management of the Company to the Chief Executive Officer, while retaining key strategic, operational and organizational powers for itself, especially as regards governance, sustainability⁷, internal control and risk management.

In recent years, the Board of Directors has devoted special attention to the Company's organizational arrangements, with a number of important measures being taken with regard to the internal control and risk management system. More specifically, the Board decided that the Integrated Risk Management function reports directly to the Chief Executive Officer and created an Integrated Compliance Department, also reporting to the Chief Executive Officer, separate from the Legal Department.

Among the Board of Directors' most important duties is the appointment of people to key management and control positions in the Company, such as the officer in charge of preparing financial reports, the Head of Internal Audit, the members of the Watch Structure and the Guarantor of the Eni Code of Ethics. In performing these duties, the Board of Directors may draw on the support of the Nomination Committee.

In order for the Board of Directors to perform its duties as effectively as possible, the directors must be in a position to assess the decisions they are called upon to make, possessing appropriate expertise and information. The current members of the Board of Directors, who have a diversified

range of skills and experience, including on the international stage, are well qualified to conduct comprehensive assessments of the variety of issues they face from multiple perspectives. The directors also receive timely, complete briefings on the issues on the agenda of the meetings of the Board of Directors.

To ensure this operates smoothly, Board meetings are governed by specific procedures that establish deadlines for providing members with documentation, and the Chairman ensures that each director can contribute effectively to Board discussions. The same documentation is provided to the Statutory Auditors.

In addition to meeting to perform the duties assigned to the Board of Statutory Auditors by Italian law, including in its capacity as the "Internal Control and Audit Committee", and by US law in its capacity as the "Audit Committee", the Statutory Auditors also participate in the meetings of the Board of Directors and the Control and Risk Committee to ensure the timely exchange of key information for the performance of their respective duties within the Company's internal control and risk management system.

On an annual basis, the Board of Directors, with the support of an external advisor and the oversight of the Nomination Committee, conducts a self-assessment (the Board Review)⁸, for which benchmarking against national and international best practices and an examination of Board dynamics are essential elements. Following the

Board Review, the Board of Directors develops an action plan, if necessary, to improve the operation of the Board and its Committees. On the basis of the experience of the Board of Directors, the Board of Statutory Auditors also elected to conduct its own self-assessment. In addition, in determining the procedures for the performance of the Board

Review, the Eni Board also assesses whether to perform a “Peer Review” of the Directors, in which each director expresses his or her view of the contribution made by the other Directors to the work of the Board. The Peer Review, which has been conducted four times in recent years, most recently in February 2018 in conjunction with the Board Review, is an important innovation among Italian listed companies.

In addition, as noted previously, bearing in mind the outcome of the self-assessment, the Board, subject to assessment by the Nomination Committee and prior to election of the Board itself, provided the shareholders with guidance on the managerial and professional profiles it felt should be present on the Board.

For a number of years now, Eni has supported the Board of Directors and the Board of Statutory Auditors with an induction programme, which involves the presentation of the activities and organization of Eni by top management. More specifically, with the start of the new term, in continuity with previous initiatives, additional training sessions were held on corporate topics and business issues, sessions that included visits to operational sites.

(7) More specifically, the Board of Directors has reserved for itself decisions concerning the establishment of sustainability policies, the results of which are reported together with financial results in an integrated manner in the Annual Report, as well as the examination and approval of reports covering areas not included in the integrated reporting framework. For more information concerning non-financial disclosures, please see the section of the Report on the Consolidated disclosure of Non-Financial Information (NFI), pursuant to Legislative Decree No. 254/2016.

(8) For more information on the Board Review process, see the section devoted to that process in the Corporate Governance and Shareholding Structure Report 2017.

Eni Integrated Annual Report 2017 **GOVERNANCE**³¹

| Remuneration Policy

Eni's Remuneration Policy for its Directors and top management is established in accordance with the Governance model adopted by the Company and the recommendations of the Corporate Governance Code. 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.

Under Eni Remuneration Policy relating to executive roles, considerable importance is given to the variable component, also on a per-share basis, 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. 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. In particular, 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, driven by proper deferral periods and/or at least three-year vesting period to reflect the long-term nature of the business and the related risk profiles.

With regard to sustainability issues, the

CEO objectives set for the year 2018, are focused on environmental matters as well as on human capital aspects.

The objectives of the Chief Officers of Eni business segments and other Managers with strategic responsibilities are assigned on the base of those assigned to top management focused on stakeholders' perspectives, as well as on individual objectives assigned in relation to the responsibilities inherent the single managerial position, under the provisions of Company's Strategic Plan.

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 Meeting⁹.

| The internal control and risk management system¹⁰

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 top management of the Company and its subsidiaries. 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 an essential 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.

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.

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.

A central role in the Company's internal control and risk management system is played by the Board of Statutory Auditors, which in addition to the supervisory and control functions provided for in the Consolidated Law on Financial Intermediation, also monitors the financial reporting process and the effectiveness of the internal control and risk management systems, consistent with the provisions of the Corporate Governance Code, including in its capacity as the "Internal Control and Audit Committee" pursuant to Italian law and as the "Audit Committee" under US law.

(9) In particular, in 2017, 96.33% of voting shareholders, expressed a favorable vote on Eni's remuneration policies, this confirming the large consent registered in 2016.

(10) For more information, please see the Corporate Governance and Shareholding Structure Report 2017.

32 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017

EXPLORATION & PRODUCTION

| Performance of the year

In 2017, safety performance continued on a positive trend, with a total recordable injury rate of 0.28, down by 18% from 2016. New training and continuing education initiatives as well as HSE awareness programs have been developed. Eni is engaged in maintaining a high safety standard in each of its operations.

Upstream GHG intensity index was positive with a reduction of approximately 3% from 2016 leveraging on the continuous improvements in energy efficiency and planned initiatives to contain fugitive emissions due to ongoing maintenance of production sites and programs to improve plant set-up. These results confirm that we are well on track on our long-term targets of a reduction of 43% in 2025 vs. 2014.

Water re-injection was 59% in 2017, leveraging on the ongoing programs in certain operational plants, in particular in Congo, Egypt and Ecuador as well as restart of certain production plants in Libya.

In 2017 the E&P segment reported more than double of adjusted operating profit and more than four-fold increase of adjusted net profit compared to 2016. This performance was driven by the recovery in crude oil prices (with the Brent price up by 24%), production growth and significant reduction of tax rate.

2017 oil and natural gas production was a record level of 1.82 million boe/d, up by 3.2% compared to the previous year. In December 2017, production reached 1.92 million boe/d, marking an all-time high for Eni. Start-ups and ramp-ups added 243 kboe/d to the production level of 2017. Expected a 4% growth rate in 2018 full-year production.

Net proved reserves at December 31, 2017 amounted to 7 bboe based on a

Eni Integrated Annual Report 2017 OPERATING REVIEW | EXPLORATION & PRODUCTION 33

reference Brent price of \$54 per barrel. The organic reserves replacement ratio was 103%. The ratio increased to 151%

when excluding the reclassification of proved undeveloped reserves in Venezuela to the unproved category in accordance with the applicable US SEC regulation. The reserves life index was 10.5 years (11.6 years in 2016).

| The Zohr project start-up

Eni achieved production start-up of the super-giant Zohr gas field in a record time-to-market, in less than two years from the FID and two and a half years from discovery. The Zohr project is one of Eni's seven record-breaking project that were

performed by means of the achievement of integrated model of exploration and development implemented over the last few years. Leveraging on parallelizing exploration, appraisal and development phases, we achieve a faster time-to-market

and a lower cost to production start-up of discoveries. The Zohr discovery is located in the Shorouk offshore block (Eni operator with a 60% interest) in Egypt offshore with estimated resources of over 30 TCF gas in place (approximately 5.5 billion boe).

| Dual Exploration Model

The Dual Exploration Model is a pillar of Eni's strategy which aims to create cash flow in advance of exploration successes by means of the partial dilution of the stakes in exploration leases where Eni retains the operatorship and control of the asset. During the year the following

disposals were closed with this approach:

an overall 50% stake of the Zohr giant discovery. In particular, in 2017, closed the disposal of 10% stake to BP and 30% stake to Rosneft. In March 2018 signed an agreement with Mubadala Petroleum for the divestment of an additional 10%

interest. The transaction is subject to the fulfillment of certain conditions and all necessary authorizations from Egypt's Authorities;

- a 25% indirect interest in the Area 4 block, offshore Mozambique, to ExxonMobil.

| Exploration activity

Exploration activity is also a distinctive approach of Eni's upstream model, ensuring a large amount of resources at low costs, flexibility in the short-term and fueling growth over the long-term. In 2017 additions to the Company's reserve backlog were 1 billion boe of new resources, of which 800 million boe from in-house exploration with a discovery cost of approximately \$1 per barrel. From 2014, we discovered over 4 billion boe, approximately double of equity production in the same period.

In February 2018, exploration activities yielded positive results with the Calypso 1 gas discovery in the Block 6 (Eni operator with a 50% interest) in the offshore of Cyprus. The first data collection marks a promising gas discovery and confirms the extension of the Zohr like play.

In February 2018, signed two Exploration and Production Agreements with the Republic of Lebanon covering Blocks 4 and 9, located in the deep offshore Lebanon. Eni holds a 40% interest in both blocks.

In Oman, signed with the Government of the Sultanate and the state oil company OOCOP an Exploration and Production Sharing Agreement for the Block 52, located offshore Oman. In addition, at the same time, Eni signed an agreement to assign interest in the block to the Qatar Petroleum oil company. The agreement is subject to approval by the relevant Authorities of the country. Following approval of these agreements, Eni will retain the operatorship of the block with a 55% interest.

In Kazakhstan, signed an agreement with the Ministry of Energy of the Republic of Kazakhstan and the state oil company KMG for the transfer to Eni of the 50% stake for exploration and production activities in the Isatay block located in the Kazakh sector of the Caspian Sea. The block will be operated by a joint operating company established by KMG and Eni on a 50/50 basis. Eni will leverage on its proprietary technologies, significant experience in exploration activities and an extensive know-how in challenging technical and environmental areas such as the Caspian basin.

Finalized in March 2017, a farm-in agreement to acquire a 50% interest of Block 11, offshore Cyprus, which will be operated by Total. The exploration area covers 2,215 square kilometers, nearby the Zohr discovery.

Successfully completed the exploration campaign in Area 1, offshore Mexico. Exploration successes and the modelling reservoir revision resulted in a rise

in estimated hydrocarbons in place of the block to 2 billion boe, of which approximately 90% oil. Eni submitted an integrated development plan of all the three discoveries to the relevant Authorities. Production start-up is expected in 2019.

The exploration portfolio was renewed by means of new exploration acreage covering over 97,000 square kilometers net to Eni in Cyprus, Ivory Coast, Morocco and Mexico as well as Kazakhstan and Oman, as mentioned above.

34 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017

- In 2017, exploration expenditure amounted to €442 million, and mainly concerned Cyprus, Norway, Mexico, Egypt, Libya and Ivory Coast as well as related to the completion of the 25 new exploratory wells (15.9 net to Eni).

In addition, 78 exploratory drilled wells are in progress at year-end (41.2 net to Eni).

| Sustainability and portfolio developments

Production start-up was achieved earlier than scheduled at the operated project of East Hub in Angola, Offshore Cape Three Points (OCTP) in Ghana, Jangkrik in Indonesia and Zohr giant field, as mentioned above. The success of Eni's model is mainly due to the high number of operated projects with a production of over 3.6 million boe/day, which is necessary for planning a fast-track approach in all the design phases, from appraisal, engineering and finally development and achieving high control of project costs, time and risks.

In March 2018, Eni signed two Concession Agreements related to the acquisition of a 5% interest in the Lower Zakum oil field and a 10% interest in the Umm Shaif and Nasr oil, condensates and natural gas fields, in the offshore of Abu Dhabi, for a consideration of \$875 million with duration of 40 years.

Acquired a 32.5% interest of the Evans Shoal gas field in the NT/RL7 offshore license in the north of Australia, nearby the Darwin liquefaction gas plant, where Eni holds interests. Mineral potential is estimated in approximately 8 TCF of gas in place. The agreement received all necessary approvals. Following this acquisition Eni retains the operatorship with a 65% interest.

Signed with the Sonangol state oil company an agreement to the transfer to Eni a 48% interest of the Cabinda North onshore block in Angola, where Eni held a 15% interest. Following the agreement, Eni retains the operatorship of the block. The block is located in an oil basin few explored in the north of the country, where Eni will leverage on the mining knowledge acquired in exploration and development activities progressed in nearby areas of the Republic of Congo. In case of exploration success, the block will benefit from the existing infrastructures. In addition, Eni and Sonangol signed a Memorandum of Understanding to define joint projects throughout the value chain of the energy sector.

- Sanctioned the development program of the Johan Castberg field (Eni's interest 30%) in the Norwegian offshore, with estimated resources of approximately 450-650 million boe. Start-up is expected in 2022.

-

Achieved the financial close of project financing for the construction of a floating unit for the liquefaction of natural gas (FLNG) at the Coral South discovery. The Coral South FLNG is the first project sanctioned by Eni and its partner of the Area 4 block for the development of the large amount of gas discovery in the Rovuma basin, in offshore Mozambique.

Eni's integrated long-term strategy to perform its path to the decarbonization is leveraging on the reduction of direct CO₂ emissions and further increase in the operating activities efficiency; sustaining projects portfolio with low CO₂ emissions, supporting the development of natural gas as a transition source for power generation as well as the integration of the traditional business with the generation of energy from renewable sources leveraging all the industrial, logistic, contractual and commercial synergies. Eni's commitment to achieve these targets is confirmed by the recent agreements in Algeria, Angola and Ghana as well as by ongoing projects in particular in Mozambique, Egypt and Indonesia.

The business sustainability over the medium-long-term is a pillar in Eni's growth strategy with programs to support local development further increasingly integrated into business activity. In particular, Eni is committed to the development of access to efficient and sustainable energy also by means of support for local power generation capacity and to sustainable industrial and economic development with know-how and technology sharing program as well as health, education and professional training initiatives. The key factor in the long-term strategy is linking our business development to the growth of the countries in which we operate.

Development expenditure was €7,236 million to fuel the growth of major projects and to maintain production plateau particularly in Egypt, Ghana, Angola, Congo, Algeria, Iraq and Norway. Capex for the full year 2017 was netted of the disposals agreement of the Dual Exploration Model to €6 billion, down by 16% from 2016, on homogenous basis.

In 2017, overall R&D expenditure of the Exploration & Production segment amounted to €83 million (€62 million in 2016).

Eni Integrated Annual Report 2017 **OPERATING REVIEW | EXPLORATION & PRODUCTION** 35

STRATEGY

Upstream growth model will continue to focus on conventional assets, which will be organically developed, with a large resource base and a competitive cost structure, which make them profitable even in a low price environment.

The sizeable exploration successes of the last years have increased the Company's resource base, contributing to the Company's value generation through the early monetization of the discovered resources in excess of the target replacement ratio ("Dual Exploration Model").

In the 2018-2021 plan period Eni's top priorities are the increase and valorization of discovered resources and a growing cash generation.

The drivers to target the increase and valorization of discovered resources are: (i) exploration activity in operated conventional assets with high-equity themes in line with the "Dual Exploration Model"; (ii) renewal of the portfolio of exploration leases by focusing on liquids and high materiality play; (iii) focusing on near-field initiatives (Egypt and Pakistan) and incremental activities (Norway, Ghana and Mexico) with a short time-to-market and instant cash flow in countries with operated facilities; (iv) build-up of exploration activities in "high risk-high reward" areas; (v) drilling of 115 wells in more than 25 countries. In the 2018-2021 plan period we expect to deliver 2 billion boe of discovered resources at a cost of approximately \$2 per boe, continuing on excellent industry performance.

Cash generation will be driven by: (i) production growth at an average annual rate of 3.5% focusing on value production and leveraging on the ramp-ups at fields started up in 2017 and new planned production in the next four year with a level of cash flow per boe higher than the portfolio average; to 2025 expected further growth of production at the average annual rate of 3%. Planned start-ups and the ramp-ups at fields started up in 2017, in particular Zohr project in Egypt, together with production optimization will add approximately 900 kboe/d in 2021. Main start-ups are the Area 1 project (Eni operator with a 100% interest) in Mexico, the Merakes project (Eni operator with an 85% interest) in Indonesia, the gas development of the Offshore

Cape Three Points license (Eni operator with a 44.44% interest) in Ghana, as well as phased start-up of the discoveries in the Great Nooros Area in Egypt and in the Block 15/06 (Eni's operator with a 36.84% interest) in Angola; (ii) start-up and strengthening of integration with the G&P segment to monetize gas equity; (iii) strengthened project execution modularization and design-to-cost which will enable the Company to reduce financial exposure and execution risks; and (iv) optimizing efficiency by means of several initiatives to reduce operating costs and non-productive time also with processes digitalization.

Eni acknowledges that the upstream performance could be adversely impacted in the short-to-medium term by a number of risks: (i) the commodity risk related to trend in crude oil prices. Eni is planning to mitigate this risk by

focusing on financial discipline. In 2018-2021 plan period, Eni plans capital expenditure net of exchange rate effects substantially in line versus the previous four-year plan due to the re-phasing of projects yet to be sanctioned with a lower production contribution and

cash flow over the four-year plan period, and a reduction in the commitment to non-operated projects. In addition, to maintain suitable financial flexibility, the plan provides for a significant amount of uncommitted capex; (ii) the political risk due to social and political instability in certain countries of operations. Eni is planning to mitigate this risk by growth mainly in countries with low-mid political risk (85% of the capital expenditure of the four-year plan); (iii) risk related to the growing complexity of certain projects due to technological and logistic issues. Eni plans to counteract those risks by strict selection of adequate contractors, tight control and reduction of the time-to market and the retaining of the operatorship in a large number of projects (approximately 80% of production related to operated projects portfolio in 2021) as well as the digital transformation to support asset integrity; and (iv) the technical risk related to the execution of the complex drilling activities defined by the WCER (Well Complexity & Economic Risk) risk indicator that includes the operated and non-operated wells and is based on the technical complexity of the wells and on the potential economic exposure in case of blow-out (for further information see “Risk factors and uncertainties” - “Risks associated with the exploration and production of oil and natural gas”). In 2018-2021 plan period, Eni plans to drill those WCER wells as a 26% of overall scheduled drilling activities and to increase operatorship of gross production by 42% from current level ensuring better direct control and deploying its high operational standards.

The business sustainability in the short-to-long-term remains a key factor to achieve the strategic goals also through the increasing stakeholders engagement and continuous relations with local Authorities and including: (i) a decrease of 43% of intensity GHG index in 2025 vs. 2014, in line with target of zero routine flaring in 2025; (ii) the water re-injection program with the completion of relevant projects in the four-year plan to achieve target of 84% in 2021; and (ii) the carbon footprint reduction focusing on gas initiatives, energy savings and the development of renewable energies projects.

TARGETS

Hydrocarbons production up by 3.5% in the four-year plan

Discovered resources	2 bboe in the four-year plan
Cumulated free cash flow	~€22 bln in the four-year plan
Organic capex cash neutrality	~40 \$/boe in the four-year plan

36 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017

RESERVES

OVERVIEW¹

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 geo-science 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 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 service contracts.

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 segment is in charge 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 regulations².

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 others 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 and the operations unit at the head office verify the production profiles of such properties where significant changes have occurred and operating expenses, respectively; (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; and (v) the Reserves Department, through the Headquarter Reserves Evaluators (HRE), provides independent reviews of 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 "Università degli Studi di Milano" and received a Physics Degree in 1988. He 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 by the role and complies with the required 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.

RESERVES INDEPENDENT EVALUATION

Since 1991, Eni has requested qualified independent oil engineering companies to carry out an independent evaluation³ 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 report⁴. In the preparation of their reports, independent evaluators rely, upon information furnished by Eni without independent verification, 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 net present value of Eni's equity

(1) In accordance with the applicable US Security and Exchange Commission (SEC) regulations, the company is required to disclose the oil&gas information by material country/field. The US SEC defines material properties adopting the threshold of 15% of the proved reserves attributable to the country/field on the total of the company's proved reserves. With respect of these criteria, Eni revised its geographic area information showing also the Egypt for the 2017 and 2016 full-years.

(2) The reports of independent engineers are available on Eni website eni.com section Publications/Integrated Annual Report 2016.

(3) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott.

(4) The reports of independent engineers are available on Eni website eni.com section Publications/Integrated Annual Report 2017.

Eni Integrated Annual Report 2017 OPERATING REVIEW | EXPLORATION & PRODUCTION 37

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 2017⁵, Ryder Scott Company and DeGolyer and MacNaughton confirmed, as in previous years, the fairness of Eni internal evaluation.

In particular, in 2017 approximately 29% of Eni's total proved reserves were subject to independent evaluation at December 31, 2017⁶. In the 2015-2017 three-year period, 96% of Eni total proved

reserves were subject to independent evaluation. As of December 31, 2017, the principal Eni property, which did not undergo an independent evaluation in the last three years, was Blacktip (Australia).

MOVEMENTS IN NET PROVED RESERVES

Eni's net proved reserves were determined taking into account Eni's share of proved reserves of equity-accounted entities. Movements in Eni's 2017 proved reserves were as follows:

	(mmboe)	
Net proved reserves as of December 31, 2016		7,490
40% sale of Zohr reserves signed in 2016		(348)
Adjusted net proved reserves as of December 31, 2016		7,142
<i>Organic additions</i>	999	
<i>Reclassification of the Perla Phase 2 project reserves</i>	(315)	
Net organic additions		684
Portfolio: 25% sale of Area 4 in Mozambique and other		(173)
Production		(663)
Net proved reserves as of December 31, 2017		6,990
Adjusted reserves replacement ratio	(%)	151
Reserves replacement ratio, organic		103
Adjusted reserves replacement ratio, all sources		77
Reserves replacement ratio, all sources		25

Net proved reserves as of December 31, 2017 were 6,990 mmboe, of which 6,430 mmboe of consolidated subsidiaries. Organic additions to proved reserves were 999 mmboe. These additions were partly offset by the reclassification of 315 million boe of proved undeveloped reserves at the Perla gas project in Venezuela to the unproved category in accordance with the applicable US SEC regulation. Net organic additions in 2017 were 684 mmboe and derived from: (i) extensions and discoveries were up by 483 mmboe mainly due to the final investment decisions made for the Coral project offshore Mozambique and the Johan Castberg project offshore Norway; (ii) revisions of previous estimates were up by 181 mmboe and derived from progress in development activities at the following projects such as Zohr in Egypt, Jangkrik in Indonesia and Kashagan in Kazakhstan partly offset by the

reclassification of PUD in Venezuela, as above-mentioned; and (iii) improved recovery were 20 mmboe mainly reported in Iraq and Egypt.

All sources additions were marginally impacted by unfavourable price effect, leading to a downward revision of 7 mmboe, due to an increased

Brent price used in the reserves estimation process up to \$54.4 per barrel in 2017 compared to \$42.8 per barrel in 2016.

The organic reserves replacement ratio⁷ was 103%. The ratio increased to 151% when excluding the reclassification of PUD in Venezuela. Adjusted all-sources replacement ratio was 77% considering the disposal of a 25% interest in Area 4 offshore Mozambique, while the divestment of a 40% stake in Zohr, substantially finalized in 2016, is considered in reduction of the reserves opening balance. The reserves life index was 10.5 years (11.6 years in 2016).

PROVED UNDEVELOPED RESERVES

Proved undeveloped reserves as of December 31, 2017 totalled 2,629 mmboe, of which 1,159 mmbbl of liquids mainly concentrated in Africa and Asia and 8,021 bcf of natural gas mainly located in Africa. Proved undeveloped reserves of consolidated subsidiaries amounted to 1,042 mmbbl of liquids and 7,755 bcf of natural gas. Movements in Eni's 2017 proved undeveloped reserves were as follows:

	(mmboe)
Proved undeveloped reserves as of December 31, 2016	3,215
Reclassification to proved developed reserves	(489)
Reclassification of the Perla Phase 2 project reserves	(315)
Extensions and discoveries	483
Revisions of previous estimates	240
Improved recovery	18
Sales of minerals in place	(523)
Proved undeveloped reserves as of December 31, 2017	2,629

(5) The reports of independent engineers are available on Eni website eni.com section Publications/Integrated Annual Report 2017.

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

(7) 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.

38 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017

In 2017, total proved undeveloped reserves decreased by 586 mmboe mainly due to: (i) progress in maturing PUD to proved developed (down by 489 mmboe); (ii) extensions and discoveries (up by 483 mmboe) due to the FID made for the Coral project offshore Mozambique and the Johan Castberg project offshore Norway; (iii) reclassification of 315 million boe of proved undeveloped reserves at the Perla gas project in Venezuela to the unproved category in accordance with the applicable US SEC regulation; (iv) revisions of previous estimates (up by 240 mmboe) mainly reported in Egypt due to the development activity of the Zohr project; (v) improved recovery (up 18 mmboe) in particular Iraq and Egypt; and (vi) divestments (down by 523 mmboe) related to Mozambique and Egypt disposals, as mentioned above.

During 2017, Eni converted 489 mmboe of proved undeveloped reserves to proved developed reserves due to the progress of the development activities, production start-ups and project revisions. The main reclassifications to proved developed reserves are related to the following fields/projects: Zohr (Egypt), Jangkrik (Indonesia); Cabaca South East (Angola), Sankofa (Ghana) and Nené (Congo).

In 2017, capital expenditure amounted to approximately €7.1 billion.

Most proved undeveloped reserves are converted to proved developed reserves within five years. 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 1 bboe of proved undeveloped reserves have remained undeveloped for five years or more at the balance sheet date, mainly related to: (i) the Kashagan project in Kazakhstan (0.2 bboe), related to forthcoming development phases (for further information see Main exploration and development projects - Kashagan); (ii) the Zubair field in Iraq (0.2 bboe).

Zubair is an infrastructure-driven large scale project, where the development of PUDs has been conditioned by the completion of such infrastructures. The large part of the planned expenditures for such project have already been made by Eni and the installation of the production facilities required to achieve and maintain the full field production plateau of 700 kbbl/d is almost complete. Eni's planned conversion activities contemplate the drilling of additional production and injection wells to be linked to the facilities currently in place; (iii) the Junin 5 field in Venezuela (0.1 bboe) where the development activities concerned several optimization activities which are not expected to involve high technical complexities; and (iv) certain Libyan gas fields (0.5 bboe) where development completion and production start-ups are planned according to the delivery obligations set forth in a long-term gas supply agreement currently in force.

DELIVERY COMMITMENTS

Eni, through consolidated subsidiaries and equity-accounted entities, 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 534 mmboe from producing assets located mainly in Algeria, Australia, Egypt, Indonesia, Libya, Nigeria, Norway and Venezuela.

The sales contracts contain a mix of fixed and variable pricing formulas that are generally indexed 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 88% of delivery commitments. Eni has met all contractual delivery commitments as of December 31, 2017.

Eni Integrated Annual Report 2017 OPERATING REVIEW | EXPLORATION & PRODUCTION 39

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	2017			2016			2015		
Italy	215	1,131	422	176	977	354	228	1,304	465
Developed	169	987	350	132	845	287	171	1,051	362
Undeveloped	46	144	72	44	132	67	57	253	103
Rest of Europe	360	896	525	264	878	426	305	1,044	495
Developed	219	771	360	228	801	374	237	919	404
Undeveloped	141	125	165	36	77	52	68	125	91
North Africa	476	3,145	1,052	454	3,738	1,139	821	4,798	1,694
Developed	306	1,233	532	287	1,732	605	542	2,566	1,010
Undeveloped	170	1,912	520	167	2,006	534	279	2,232	684
Egypt	280	4,351	1,078	281	5,520	1,293			
Developed	203	1,421	463	205	799	352			
Undeveloped	77	2,930	615	76	4,721	941			
Sub-Saharan Africa	764	3,660	1,436	809	2,767	1,317	787	2,714	1,282
Developed	546	1,693	856	507	1,651	809	511	1,390	764
Undeveloped	218	1,967	580	302	1,116	508	276	1,324	518
Kazakhstan	766	2,108	1,150	767	2,485	1,221	771	2,354	1,198
Developed	547	1,878	891	556	2,239	966	355	1,830	689
Undeveloped	219	230	259	211	246	255	416	524	509
Rest of Asia	232	1,065	427	307	1,003	491	262	878	422
Developed	81	862	238	124	280	175	126	185	159
Undeveloped	151	203	189	183	723	316	136	693	263
Americas	162	225	203	163	353	227	189	439	269
Developed	144	171	176	143	338	205	149	373	217
Undeveloped	18	54	27	20	15	22	40	66	52
Australia and Oceania	7	709	137	9	741	145	9	771	150
Developed	5	519	101	8	559	111	9	585	115
Undeveloped	2	190	36	1	182	34		186	35
Total consolidated subsidiaries	3,262	17,290	6,430	3,230	18,462	6,613	3,372	14,302	5,975
Developed	2,220	9,535	3,967	2,190	9,244	3,884	2,100	8,899	3,720
Undeveloped	1,042	7,755	2,463	1,040	9,218	2,729	1,272	5,403	2,255
Equity-accounted entities									
North Africa	12	14	14	13	15	14	13	13	14
Developed	12	14	14	13	15	14	13	13	14
Undeveloped									
Sub-Saharan Africa	12	349	75	15	368	82	16	387	87

Edgar Filing: ENI SPA - Form 6-K

Developed	6	83	20	8	104	26	6	85	22
Undeveloped	6	266	55	7	264	56	10	302	65
Rest of Asia			1		4	2		12	4
Developed			1		4	2		9	2
Undeveloped								3	2
Americas	136	1,819	470	140	3,484	779	158	3,581	810
Developed	25	1,819	359	22	1,782	349	29	1,295	265
Undeveloped	111		111	118	1,702	430	129	2,286	545
Total equity-accounted entities	160	2,182	560	168	3,871	877	187	3,993	915
Developed	43	1,916	394	43	1,905	391	48	1,402	303
Undeveloped	117	266	166	125	1,966	486	139	2,591	612
Total including equity-accounted entities	3,422	19,472	6,990	3,398	22,333	7,490	3,559	18,295	6,890
Developed	2,263	11,451	4,361	2,233	11,149	4,275	2,148	10,301	4,023
Undeveloped	1,159	8,021	2,629	1,165	11,184	3,215	1,411	7,994	2,867

40 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017**OIL AND NATURAL GAS PRODUCTION**

In 2017, oil and natural gas production averaged a record level of 1,816 kboe/d, up by 3.2%. This performance was driven by new project start-ups and the ramp-ups at fields started up in 2016, mainly in Angola, Egypt, Ghana, Indonesia and Kazakhstan as well as by restarting production at certain Libyan fields thanks to better safety conditions. These positive results were partly offset by OPEC production cuts, negative price effects at PSAs contracts and lower production as a result of planned and unplanned shutdowns in Norway, the United Kingdom and the Gulf of Mexico, as well as declines from mature fields. When excluding price effects at PSAs contracts and OPEC cuts (overall 35 kboe/d), hydrocarbons production increased by 5.3%. The share of oil and natural gas produced outside Italy was 93% (92% in 2016).

Liquids production (852 kbbbl/d) decreased by 26 kbbbl/d, or 3% from the full year of 2016. Price effect, OPEC cuts and shutdowns

in Norway, the United Kingdom and the Gulf of Mexico were partly offset by start-ups and ramp-ups of the year mainly in Angola, Ghana and Kazakhstan as well as higher production in Libya. Natural gas production (5,261 mmcf/d) increased by 454 mmcf/d, or 9.6% compared to the full year of 2016. Start-ups and ramp-ups of producing assets in Indonesia and Egypt and the increasing production in Libya were partly offset by shutdowns, mature fields decline and price effect.

Oil and gas production sold amounted to 622.3 mmboe. The 40.4 mmboe difference over production (662.7 mmboe in 2017) mainly reflected volumes of natural gas consumed in operations (35.2 mmboe), changes in inventory levels and other variations. Approximately 70% of liquids production sold (308.3 mmbbl) was destined to Eni's mid-downstream business. About 20% of natural gas production sold (1,713 bcf) was destined to Eni's Gas & Power segment.

Oil and natural gas production^{(a)(b)}

	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)
Consolidated subsidiaries 2017				2016			2015		
Italy	19	161	49	17	172	49	25	200	62
Rest of Europe	37	174	69	40	184	73	31	201	68
North Africa	58	640	175	60	584	167	63	594	171
Egypt	26	315	84	28	218	68	35	186	69
Sub-Saharan Africa	90	162	119	91	170	122	93	171	124
Kazakhstan	30	96	48	24	93	41	20	80	35
Rest of Asia	20	126	43	28	90	45	28	106	47

Edgar Filing: ENI SPA - Form 6-K

Americas	23	71	36	25	94	43	28	94	45
Australia and Oceania	1	38	8	1	42	8	2	41	9
	304	1,783	631	314	1,647	616	325	1,673	630
Equity-accounted entities									
North Africa	1	2	1	1	2	2	1	2	1
Sub-Saharan Africa	1	32	8		11	2			
Rest of Asia	1	4	1	1	7	2	1	9	2
Americas	4	99	22	5	93	22	4	25	9
	7	137	32	7	113	28	6	36	12
Total	311	1,920	663	321	1,760	644	331	1,709	642

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

(b) Includes volumes of gas consumed in operations (35.2, 32.1 and 26.4 mmboe in 2017, 2016 and 2015, respectively).

Eni Integrated Annual Report 2017 OPERATING REVIEW | EXPLORATION & PRODUCTION 41

Oil and natural gas production^{(a)(b)}

	Liquids (kbbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)
Consolidated subsidiaries	2017			2016			2015		
Italy	53	441.6	134	47	471.2	133	69	546.6	169
Rest of Europe	102	476.4	189	109	501.8	201	85	551.8	185
Croatia		16.9	3		26.5	5		21.2	4
Norway	81	265.4	129	86	258.3	133	57	264.6	105
United Kingdom	21	194.1	57	23	217.0	63	28	266.0	76
North Africa	158	1,753.0	479	165	1,594.8	458	172	1,627.9	469
Algeria	68	117.2	90	77	115.5	98	79	94.1	96
Libya	87	1,623.1	384	84	1,464.8	353	89	1,517.3	365
Tunisia	3	12.7	5	4	14.5	7	4	16.5	8
Egypt	72	862.7	230	76	597.4	185	96	510.1	189
Sub-Saharan Africa	247	444.3	327	247	464.3	333	256	468.3	341
Angola	119	45.9	126	108	49.0	118	96	31.6	101
Congo	63	112.6	83	71	148.5	98	78	136.8	103
Ghana	8	2.7	9						
Nigeria	57	283.1	109	68	266.8	117	82	299.9	137
Kazakhstan	83	263.7	132	65	254.0	111	56	218.3	95
Rest of Asia	53	345.9	116	78	245.8	123	77	289.8	130
China	2	0.1	2	2		2	3		3
India								2.6	1
Indonesia	3	188.8	38	3	48.5	12	2	54.8	12
Iran							22		22
Iraq	40	19.6	43	64	19.2	67	40		40
Pakistan		131.5	24		172.1	32		226.4	41
Turkmenistan	8	5.9	9	9	6.0	10	10	6.0	11
Americas	63	194.0	99	69	256.4	116	75	257.1	122
Ecuador	12		12	10		10	11		11
Trinidad & Tobago		55.4	10		69.7	13		70.4	13
United States	51	138.6	77	59	186.7	93	64	186.7	98
Australia and Oceania	2	105.0	22	3	113.9	24	5	111.8	26
Australia	2	105.0	22	3	113.9	24	5	111.8	26
	833	4,886.6	1,728	859	4,499.6	1,684	891	4,581.7	1,726
Equity-accounted entities									
Angola	3	89.0	20	1	29.1	6		0.9	
Indonesia	1	11.0	3	1	18.8	4	1	24.1	5
Tunisia	3	4.1	4	3	4.9	4	4	5.2	4

Edgar Filing: ENI SPA - Form 6-K

Venezuela	12	270.5	61	14	254.8	61	12	68.9	25
	19	374.6	88	19	307.6	75	17	99.1	34
Total	852	5,261.2	1,816	878	4,807.2	1,759	908	4,680.8	1,760

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

(b) Includes volumes of gas consumed in operations (527, 478 and 397 mmcf/d in 2017, 2016 and 2015, respectively).

42 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017**PRODUCTIVE WELLS**

In 2017, oil and gas productive wells were 9,147 (3,725.5 of which represented Eni's share). In particular, oil productive wells were 6,492 (2,520.3 of which represented Eni's share); natural gas productive wells amounted to 2,655 (1,205.2 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)

(units)	2017			
	Oil wells		Natural gas wells	
	gross	net	gross	net
Italy	231.0	184.7	573.0	495.7
Rest of Europe	378.0	65.0	177.0	92.2
North Africa	687.0	284.5	90.0	48.9
Egypt	1,186.0	729.4	139.0	46.8
Sub-Saharan Africa	2,786.0	585.7	330.0	29.1
Kazakhstan	205.0	55.6		
Rest of Asia	739.0	477.5	1,032.0	402.0
Americas	273.0	134.1	296.0	86.7
Australia and Oceania	7.0	3.8	18.0	3.8
	6,492.0	2,520.3	2,655.0	1,205.2

(a) Includes 1,960 gross (716.2 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.

DRILLING ACTIVITIES

EXPLORATION

In 2017, a total of 25 new exploratory wells were drilled (15.9 of which represented Eni's share), as compared to 16 exploratory wells drilled in 2016 (10.2 of which represent Eni's share) and 29 exploratory wells drilled in 2015 (19.1 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 60% (52% net to Eni) as compared to 50% (50% net to Eni) in 2016 and 16.7% (25.1% net to Eni) in 2015.

Exploratory Well Activity

	Net wells completed ^(a)				Wells in progress at Dec. 31 ^(b)			
	2017	2016		2015	2017			
(units)	productive dry ^(c)		productive dry ^(c)		productive dry ^(c)		gross	net
Italy				1.0		4.0		2.3
Rest of Europe	1.2	1.3	0.1	0.4	2.2	9.0		2.5
North Africa	0.5		0.5	1.0	1.0	7.0		6.5
Egypt	2.5	5.4	5.5	0.8	3.3	4.8	7.0	4.9
Sub-Saharan Africa	2.9	0.3	0.1	1.1	0.6	2.9	28.0	14.1
Kazakhstan						6.0		1.1
Rest of Asia				0.9		3.4	11.0	5.0
Americas	0.5			1.0	1.0	0.3	5.0	4.5
Australia and Oceania						1.0		0.3
	7.6	7.0	6.2	6.2	4.9	14.6	78.0	41.2

(a) Includes number of wells in Eni's share.

(b) Includes temporary suspended wells pending further evaluation.

(c) 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.

Eni Integrated Annual Report 2017 **OPERATING REVIEW | EXPLORATION & PRODUCTION 43****DEVELOPMENT**

In 2017, a total of 178 development wells were drilled (90.7 of which represented Eni's share) as compared to 296 development wells drilled in 2016 (118.7 of which represented Eni's share) and 335 development wells drilled in 2015 (132.4 of which represented Eni's share).

The decrease in the number of development wells year-on-year reflects the finalization of certain large projects in 2016, which

started production in 2017.

The drilling of 49 development wells (22.9 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).

Development Well Activity

	Net wells completed ^(a)			Wells in progress at Dec. 31		
	2017	2016	2015	2017		
(units)	productive	dry ^(b)	productive	dry ^(b)	productive	dry ^(b)
Italy	2.6		4.0		6.0	1.0
Rest of Europe	2.7	0.2	5.6		10.2	0.1
North Africa	5.1		6.2	0.7	4.5	10.0
Egypt	49.7	2.3	32.4	0.5	26.0	2.8
Sub-Saharan Africa	8.6		21.2	0.2	22.0	2.5
Kazakhstan	1.2		4.6		4.7	2.0
Rest of Asia	15.0	0.2	31.6	0.5	29.7	5.9
Americas	3.1		9.9	1.3	17.4	0.1
Australia and Oceania				0.5		
	88.0	2.7	115.5	3.2	121.0	11.4
					49.0	22.9

(a) Includes number of wells in Eni's share.

(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

In 2017, Eni performed its operations in 46 countries located in five continents. As of December 31, 2017, Eni's mineral right portfolio consisted of 756 exclusive or shared rights of exploration and development activities for a total acreage of 414,918 square kilometers net to Eni (323,896 square kilometers net to Eni as of December 31, 2016). Developed acreage was 31,038 square kilometers and undeveloped acreage was 383,880 square kilometers net to Eni.

In 2017, changes in total net acreage mainly derived from:

(i) new leases mainly in Cyprus, Ivory Coast, Kazakhstan,

Morocco, Mexico and Oman for a total acreage of approximately 97,200 square kilometers; (ii) the total relinquishment of licences mainly in Kenya, Pakistan, Ukraine, Norway, the United Kingdom, Egypt and the United States covering an acreage of approximately 6,700 square kilometers; (iii) interest increase mainly in Kenya and Australia for a total acreage of approximately 6,800 square kilometers; and (iv) partial relinquishment in Indonesia, Gabon, Egypt and Pakistan or interest reduction mainly in Mozambique and Egypt for approximately 6,300 square kilometers.

44 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017**Oil and natural gas interests**

	December 31, 2016	December 31, 2017						
	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	45,380	280	15,232	59,373	74,605	10,414	40,792	51,206
Italy	16,767	144	10,011	10,321	20,332	8,351	8,029	16,380
Rest of Europe	28,613	136	5,221	49,052	54,273	2,063	32,763	34,826
Cyprus	10,018	6		23,858	23,858		17,967	17,967
Croatia	987	2	1,975		1,975	987		987
Greenland	1,909	2		4,890	4,890		1,909	1,909
Montenegro	614	1		1,228	1,228		614	614
Norway	2,608	54	2,337	4,403	6,740	462	1,655	2,117
Portugal	3,182	3		4,547	4,547		3,182	3,182
United Kingdom	6,328	60	909	5,298	6,207	614	5,191	5,805
Other countries	2,967	8		4,828	4,828		2,245	2,245
AFRICA	152,676	264	46,319	260,611	306,930	11,723	150,258	161,981
North Africa	18,727	65	8,735	38,707	47,442	3,626	22,171	25,797
Algeria	1,179	42	3,172	187	3,359	1,110	31	1,141
Libya	13,294	11	1,963	24,673	26,636	958	12,336	13,294
Morocco	2,696	2		13,847	13,847		9,804	9,804
Tunisia	1,558	10	3,600		3,600	1,558		1,558
Egypt	10,665	54	5,692	19,683	25,375	2,131	7,061	9,192
Sub-Saharan Africa	123,284	145	31,892	202,221	234,113	5,966	121,026	126,992
Angola	4,367	58	8,098	12,953	21,051	1,027	3,340	4,367
Congo	1,168	25	1,430	1,320	2,750	843	628	1,471
Gabon	6,217	4		5,283	5,283		5,283	5,283
Ghana	579	3	226	1,127	1,353	100	479	579
Ivory Coast	286	3		4,010	4,010		2,905	2,905
Kenya	41,173	6		50,677	50,677		43,948	43,948
Liberia	585	1		2,341	2,341		585	585
Mozambique	1,956	6		3,911	3,911		978	978
Nigeria	7,370	34	22,138	8,631	30,769	3,996	3,374	7,370
South Africa	26,279	1		65,505	65,505		26,202	26,202
Other countries	33,304	4		46,463	46,463		33,304	33,304
ASIA	109,761	60	14,560	286,866	301,426	5,058	178,971	184,029

Edgar Filing: ENI SPA - Form 6-K

Kazakhstan	869	7	2,391	3,890	6,281	442	1,101	1,543
Rest of Asia	108,892	53	12,169	282,976	295,145	4,616	177,870	182,486
China	7,069	8	77	7,141	7,218	13	7,141	7,154
India	5,244	1		13,110	13,110		5,244	5,244
Indonesia	25,181	14	4,949	26,892	31,841	1,990	20,899	22,889
Iraq	446	1	1,074		1,074	446		446
Myanmar	13,558	4		24,080	24,080		13,558	13,558
Oman		1		90,760	90,760		77,146	77,146
Pakistan	8,746	13	5,869	11,486	17,355	1,987	5,414	7,401
Russia	20,862	3		62,592	62,592		20,862	20,862
Timor Leste	1,230	1		1,538	1,538		1,230	1,230
Turkmenistan	180	1	200		200	180		180
Vietnam	23,132	5		30,777	30,777		23,132	23,132
Other countries	3,244	1		14,600	14,600		3,244	3,244
AMERICAS	5,696	139	4,854	9,626	14,480	3,134	3,507	6,641
Ecuador	1,985	1	1,985		1,985	1,985		1,985
Mexico	67	6		1,657	1,657		1,146	1,146
Trinidad & Tobago	66	1	382		382	66		66
United States	1,186	117	1,226	879	2,105	586	466	1,052
Venezuela	1,066	6	1,261	1,543	2,804	497	569	1,066
Other countries	1,326	8		5,547	5,547		1,326	1,326
AUSTRALIA AND OCEANIA	10,383	13	1,140	15,567	16,707	709	10,352	11,061
Australia	10,383	13	1,140	15,567	16,707	709	10,352	11,061
Total	323,896	756	82,105	632,043	714,148	31,038	383,880	414,918

(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

On July 18, 2017, Eni has restarted operations at the Val d'Agri Oil Center ("COVA") following approval from the Regional Council of the Basilicata Region. The resumption of the plant's operational activities follows approval from the relevant Authorities confirming the functionality of the plant and the presence of all necessary safety conditions. The shutdown of the plant occurred on April 18, 2017. For further information, see also Note No. 38 "Guarantees, commitments and risks" to Consolidated Financial Statements of the Annual Report on form 20-F 2017.

During the year, ten projects of the 35 projects launched as part of the 2014 Addendum to the agreement memorandum with the Basilicata Region were completed, with environmental and social initiatives as well as programs for sustainable development. In addition, school-work alternation projects and first-level apprenticeship were launched. Activities defined by the Gas Agreement progressed with a grant to support the gas consumption in the Municipalities of Val d'Agri and for energy efficiency programs.

Development activities in the Adriatic offshore concerned: (i) maintenance and production optimization, mainly at the Barbara and Porto Garibaldi-Agostino fields; (ii) start-up of the Poseidon project in collaboration with national scientific Authorities and Institutes to transform certain platforms into scientific stations for marine environment research; and (iii) within the agreement with the Municipality of Ravenna, activities progressed with environmental protection projects and training initiatives to support youth employment by means of school-work alternation projects and first-level apprenticeship.

Following the Memorandum of Understanding for the Gela area, signed with the Ministry of Economic Development in November 2014, the Argo and Cassiopea offshore development projects progressed. Projects were submitted to the relevant Authorities and planned an optimization activities aiming to reduce environmental impact. The plan provides significant synergies with the Gela Refinery leveraging on the recovery of certain areas already reclaimed for the construction of gas treatment plants. This program is subject to the authorization of the relevant Authorities. In addition, within the framework of sustainable local development programs defined by Memorandum of Understanding and in agreement with the Municipality of Gela and the Sicily Region were: (i) signed an implementation agreements for the local upgrading and to boost economic activities; and (ii) school-work alternation projects, first-level apprenticeship, programs to reduce school drop-out as well as university scholarship progressed.

REST OF EUROPE

Norway Exploration activities yielded positive results with: (i) the Cape Vulture oil and gas discovery in the PL128/128D license (Eni's interest 11.5%) in the Norwegian Sea, nearby to the production facilities of the Norne field (Eni's interest 6.9%). Eni estimates the resources in place of oil and gas to be approximately 130 million boe; and (ii) the Kayak oil discovery in the PL532 license (Eni's interest 30%) in the Barents Sea. The well is located nearby to the Johan Castberg developing project in the area. The Kayak discovery is expected to retain 220 million boe in place.

These discoveries represent a significant achievement of the Eni's near-field strategy for a fast-track development of exploration successes leveraging on existing production facilities.

The final investment decision (FID) of the Johan Castberg field (Eni's interest 30%) was sanctioned. The project is located in the Barents Sea and is expected to retain approximately 450-650 million boe in place. Start-up is expected in 2022.

Development activities mainly concerned: (i) the drilling and production start-up of two new injection wells and an additional production well of the Goliat field (Eni operator with a 65% interest); and (ii) infilling activities to support production of the Ekofisk and Eldfisk fields (Eni's interest 12.39%) in the North Sea and Heidrun (Eni's interest 5.17%), Asgard (Eni's interest 14.82%) and Norne fields in the Norwegian Sea.

NORTH AFRICA

Algeria In June 2017, Eni signed with the relevant Authorities a 15-year extension agreement of the Block 403 fields (Eni's interest 50%), and a possible further 10-year extension. The agreement includes the option for the gas potential resources' development in the area also by means of the existing treatment facilities of the MLE project in the Block 405b (Eni's interest 75%). The agreement received all the necessary authorizations required by the country.

In December 2017, Eni and Sonatrach the State oil company signed a Memorandum of Understanding for the development project in the renewables sector. The agreement includes the feasibility studies to build solar power production units in the selected production areas operated by the state company. The MoU confirms Eni's commitment in promoting a sustainable development in the countries where Eni performs its activities, as an integral part of energy transition strategy aimed also at increasing the use of energy from renewable sources. In addition, during the year the development activities started for the construction of a 10 MW photovoltaic plant to supply power generation to the Bir Rebaa North field in the Block 403 as defined by the agreement.

Development activities concerned: (i) infilling activities and production optimization at the Zea field in the Blocks 403 a/d (Eni's interest from 55% to 100%) and at the ROD and the SF/SFNE fields in the Blocks 401a/402a (Eni's interest 55%); (ii) workover activities at the BRN, BRW and BRSW fields in the Block 403 and HBNS, HBNN and Ourhoud fields in the Block 404 (Eni's interest 12.25%); (iii) in the Block 405b the completion of the treatment plant with a capacity of 32 kbbl/d of the CAFC oil project, the ongoing drilling planned activities in the area as well as infilling activities at the MLE project; and (iv) the ongoing development activities of the El Merk field in the Block 208 (Eni's interest 12.25%) with the drilling of production and water injection wells.

Libya Exploration activity yielded positive results with a new gas and condensates discovery in the contractual area D (Eni's interest 50%). The discovery is located nearby to the Bouri (Eni's interest 50%) and Bahr Essalam (Eni's interest 50%) production fields. The exploration success is in line with Eni's exploration strategy of focusing on near-field incremental activities, leveraging on the synergies with existing facilities, reducing the time-to-market and providing for additional gas to the local market and export. In April 2017, the country's Authorities extended the exploration license period until 2019.

Development activities concerned: (i) the installation, commissioning and production start-up of a new FSO at the Bouri field; (ii) the second development phase of the Bahr Essalam field with the installation of

46 OPERATING REVIEW | EXPLORATION & PRODUCTION Eni Integrated Annual Report 2017

the offshore facilities and the completion of wells. The development plan foresees drilling and completion of ten production wells. Start-up is expected in 2018; and (iii) the drilling and linkage of two additional production wells at the Wafa field (Eni's interest 50%). The upgrading activities of the compression capacity of Wafa plant progressed to support natural gas production. Start-up is expected in 2018.

In March 2017, Eni signed a Memorandum of Understanding to promote health and education initiatives of local communities. In particular, two starting programs were defined: (i) hospital renovation in the Jalo area; and (ii) the construction of a pipeline for the desalination plant to provide drinking water to communities in the area. In addition, Eni is committed in other programs to support local communities in the country: (i) initiatives in the health, water and energy access at the Bu Attifel and El Feel production areas; and (ii) training programs of medical field and oil&gas sector.

EGYPT

Exploration activity yielded positive results with the near-field Meleiha South 1X, Aman East 1X and Karnak Deep 1X oil wells in the Meleiha concession (Eni's interest 76%). The discoveries were already linked to the existing production facilities in the area.

Eni closed two agreements with major international players in the oil&gas business for the disposal of a 40% interest in the giant Zohr field, with the approval by Egyptian government. These transactions are a part of Eni's "Dual Exploration Model" which is targeting simultaneously the fast-track development of discovered resources and the partial dilution of the high stakes retained in exploration leases to monetize in advance part of discovered volumes. The agreements concerned the sale of: (i) a 10% interest to BP for a consideration amount of \$375 million and the pro-quota reimbursement of past expenditures, which amount so far at approximately \$150 million; and (ii) a 30% interest to Rosneft for a consideration amount of \$1,125 million and the pro-quota reimbursement of past expenditures, which amount so far at approximately \$450 million.

In March 2018, Eni signed an agreement with Mubadala Petroleum for the divestment of an additional 10% interest in the Zohr gas field for a consideration of \$934 million. The transaction is subject to the fulfillment of certain conditions and all necessary authorizations from Egypt's Authorities.

In December 2017, production start-up was achieved by means of offshore wells and subsea facility at the Zohr field (Eni operator with a 60% interest) in a record time-to-market, in less than two and a half years from discovery. The natural gas production is carried by sea-line to the first treatment train of onshore plant with a capacity of approximately 350 mmcf/d. The development plan of the Zohr field includes the construction of additional seven treatment trains that will support production ramp-up to achieve a production plateau of approximately 2.7 bcf/d. Development activities progressed with drilling activities to start-up 20 planned production wells, of which 6 wells already drilled, and the construction of treatment facilities. The field is estimated to have over 30 tcf gas in place (approximately 5.5 billion boe).

As of December 31, 2017, the aggregate development costs incurred by Eni for the Zohr project capitalized in the financial statements amounted to \$3 billion (€2.5 billion at the EUR/USD exchange rate of December 31, 2017). The

capital expenditure of the four-year plan for the production ramp-up of the Zohr field will be financed with the operating cash-flow at the Eni Brent marker scenario.

As of December 31, 2017, Eni's proved reserves booked for the Zohr field amounted to 695 mmbbl.

Within the social responsibility initiatives, the renovation of the El Garabaa hospital and the supply of necessary medical equipment were completed. The hospital is located nearby Zohr onshore production facilities.

In March 2017, Eni signed a Memorandum of Understanding with the local relevant Authorities. The agreement, which integrates the development activities, is aimed at implementing certain socio-economic and health programs of local communities in the next four years, in particular in the Zohr and Port Said areas. The programs will be fully financed by Eni and its partners in the Zohr project with an overall expense of \$20 million. The defined initiatives concern three main areas: (i) aquaculture and fisheries; (ii) health projects; and (iii) programs to support youth. In 2018, a hospital and a youth center will be built in the south-western area of Port Said; the start-up of activities to build an aquaculture center nearby to the Zohr onshore plants.

The Baltim South West offshore project (Eni operator with a 50% interest) was sanctioned. The project is located in the Nile Delta and provides to put into production six wells through the installation of a production platform and linkage facilities to the existing gas treatment plant in the Nooros area (Eni's interest 75%).

Other development activities concerned: (i) infilling activities and production optimization at the Gulf of Suez (Eni's interest 100%), North Port Said (Eni's interest 50%) and Meleiha (Eni's interest 76%) concessions; and (ii) start-up of three additional wells and the completion of the second and third treatment unit of the Nooros field to achieve a production of approximately 1 bcf/d.

SUB-SAHARAN AFRICA

Angola In November 2017, Eni signed with Sonangol an agreement to award a 48% interest and the operatorship of the onshore Cabinda North block, which was previously participated by Eni with a 15% interest. The block is located in an oil basin few explored in the north of the country, where Eni will leverage on the mining knowledge acquired in exploration and development activities progressed in nearby areas of the Republic of Congo. In case of exploration success, the block will benefit from the existing infrastructures. In addition, Eni and Sonangol signed a Memorandum of Understanding to define joint projects throughout the value chain of the energy sector. In particular, the MoU includes programs in the downstream business, exploration activities, development of associated and non-associated gas and renewable energy sector.

In February 2017, production start-up was achieved at the East Hub project in the operated Block 15/06 (Eni's interest 36.84%), five months earlier than scheduled and with a time-to-market among the best in the industry, by means of the linkage of Cabaça South East field to the FPSO Olombendo. The development plan includes water and gas injection wells in line with the zero flaring policy and zero water discharge. Eni started production in the Block 15/06 at the end of 2014 with the West Hub Development Project. In November 2017, Eni signed extension exploration rights of the block until 2020. This agreement will grant to Eni to exploit the full near-field exploration potential in a fruitful area. Development activities carried out in 2017 are: (i) the completion of project activities of the Ochigufu oil field, within the West Hub development project in the Block 15/06, with production start-up achieved in March 2018, in one and a half year from the FID; (ii) the Vandumbu project in the Block 15/06 with production start-up expected in 2019; (iii) the drilling of development wells of the Mafumeira Sul

Eni Integrated Annual Report 2017 OPERATING REVIEW | EXPLORATION & PRODUCTION 47

project in the Block 0 (Eni's interest 9.8%); and (iv) the completion of development activities of the Kizomba Satellites Phase 2 project and infilling activities in the Block 15 (Eni's interest 20%). Eni also continues its commitment to support socio-economic development in the southern region of the country. In particular, the ongoing initiatives, defined with the Ministry of Energy and W