

ENI SPA
Form 20-F
April 06, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F
(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report _____

Commission file number: 1-14090

Eni SpA
(Exact name of Registrant as specified in its charter)

Republic of Italy
(Jurisdiction of incorporation or organization)

1, piazzale Enrico Mattei - 00144 Roma - Italy
(Address of principal executive offices)

Massimo Mondazzi

Eni SpA

1, piazza Ezio Vanoni
20097 San Donato Milanese (Milano) - Italy

Tel +39 02 52041730 - Fax +39 02 52041765

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class Name of each exchange on which registered

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Shares New York Stock Exchange*

American Depositary Shares New York Stock Exchange

(Which represent the right to receive two Shares) * Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares 3,634,185,330

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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Certain disclosures contained herein including, without limitation, information appearing in “Item 4 – Information on the Company”, and in particular “Item 4 – Exploration & Production”, “Item 5 – Operating and Financial Review and Prospects” and “Item 11 – Quantitative and Qualitative Disclosures about Market Risk” contain forward-looking statements regarding future events and the future results of Eni that are based on current expectations, estimates, forecasts, and projections about the industries in which Eni operates and the beliefs and assumptions of the management of Eni. Eni may also make forward-looking statements in other written materials, including other documents filed with or furnished to the U.S. Securities and Exchange Commission (the “SEC”). In addition, Eni’s senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on capital, risk management and competition are forward looking in nature. Words such as ‘expects’, ‘anticipates’, ‘targets’, ‘goals’, ‘projects’, ‘intends’, ‘plans’, ‘believes’, ‘seeks’, ‘estimates’, variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, Eni’s actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 20-F under the section entitled “Risk factors” and elsewhere. Any forward-looking statements made by or on behalf of Eni speak only as of the date they are made. Eni does not undertake to update forward-looking statements to reflect any changes in Eni’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any further disclosures Eni may make in documents it files with the SEC.

CERTAIN DEFINED TERMS

In this Form 20-F, the terms “Eni”, the “Group”, or the “Company” refer to the parent company Eni SpA and its consolidated subsidiaries and, unless the context otherwise requires, their respective predecessor companies. All references to “Italy” or the “State” are references to the Republic of Italy, all references to the “Government” are references to the government of the Republic of Italy. For definitions of certain oil and gas terms used herein and certain conversions, see “Glossary” and “Conversion Table”.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Consolidated Financial Statements of Eni, included in this Annual Report, have been prepared in accordance with International Financial Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Unless otherwise indicated, any reference herein to “Consolidated Financial Statements” is to the Consolidated Financial Statements of Eni (including the Notes thereto) included herein.

Unless otherwise specified or the context otherwise requires, references herein to “dollars”, “\$”, “U.S. dollars”, “US\$” and “USD” are to the currency of the United States, and references to “euro”, “EUR” and “€” are to the currency of the European Monetary Union.

Unless otherwise specified or the context otherwise requires, references herein to “Division” and “segment” are to any of the following Eni’s business activities: Exploration & Production, Gas & Power, Refining & Marketing and Chemicals, Corporate and Other activities.

References to Versalis or Chemical are to Eni’s chemical activities engaged through its fully-owned subsidiary Versalis and Versalis’ controlled entities.

STATEMENTS REGARDING COMPETITIVE POSITION

Statements made in “Item 4 – Information on the Company” referring to Eni’s competitive position are based on the Company’s belief, and in some cases rely on a range of sources, including investment analysts’ reports, independent market studies and Eni’s internal assessment of market share based on publicly available information about the financial results and performance of market participants. Market share estimates contained in this document are based on management estimates unless otherwise indicated.

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GLOSSARY

A glossary of oil and gas terms is available on Eni’s web page at the address eni.com. Below is a selection of the most frequently used terms. Any reference herein to a non-GAAP measure and to its most directly comparable GAAP measure shall be intended as a reference to a non-IFRS measure and the comparable IFRS measure.

Financial terms

Leverage A non-GAAP measure of the Company’s financial condition, calculated as the ratio between net borrowings and shareholders’ equity, including non-controlling interest. For a discussion of management’s view of the usefulness of this measure and its reconciliation with the most directly comparable GAAP measure, “Ratio of total debt to total shareholders’s equity (including non-controlling interest)” see “Item 5 – Financial Condition”.

Net borrowings Eni evaluates its financial condition by reference to “net borrowings”, which is a non-GAAP measure. Eni calculates net borrowings as total finance debt less: cash, cash equivalents and certain very liquid investments not related to operations, including among others non-operating financing receivables and securities not related to operations. Non-operating financing receivables consist of amounts due to Eni’s financing subsidiaries from banks and other financing institutions and amounts due to other subsidiaries from banks for investing purposes and deposits in escrow. Securities not related to operations consist primarily of government and corporate securities. For a discussion of management’s view of the usefulness of this measure and its reconciliation with the most directly comparable GAAP measure, “Total debt” see “Item 5 – Financial condition”.

TSR (Total Shareholder Return) Management uses this measure to assess the total return on Eni’s shares. It is calculated on a yearly basis, keeping account of the change in market price of Eni’s shares (at the beginning and at end of year) and dividends distributed and reinvested at the ex-dividend date.

Business terms

ARERA (Italian Regulatory Authority for Energy, Networks and Environment) formerly AEEGSI (Authority for Electricity Gas and Water) The Italian Regulatory Authority for Energy, Networks and Environment is the Italian independent body which regulates, controls and monitors the electricity, gas and water sectors and markets in Italy. The Authority’s role and purpose is to protect the interests of users and consumers, promote competition and ensure efficient, cost-effective and profitable nationwide services with satisfactory quality levels. Furthermore, since December 2017 the Authority has also regulatory and control functions over the waste cycle, including sorted, urban and related waste.

Associated gas Associated gas is a natural gas found in contact with or dissolved in crude oil in the reservoir. It can be further categorized as Gas-Cap Gas or Solution Gas.

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

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

BOE Barrel of Oil Equivalent. It is used as a standard unit measure for oil and natural gas. The latter is converted from standard cubic meters into barrels of oil equivalent using a certain coefficient (see “Conversion Table”).

Concession contracts Contracts currently applied mainly in Western countries regulating relationships between states and oil companies with regards to hydrocarbon exploration and production. The company holding the mining concession has an exclusive right on exploration, development and production activities and for this reason it acquires a right

to hydrocarbons extracted against the payment of royalties on production and taxes on oil revenues to the state.

Condensates

Condensates is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.

Consob

The Italian National Commission for listed companies and the stock exchange.

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Contingent resources	Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.
Conversion capacity	Maximum amount of feedstock that can be processed in certain dedicated facilities of a refinery to obtain finished products. Conversion facilities include catalytic crackers, hydrocrackers, visbreaking units, and coking units.
Conversion index	Ratio of capacity of conversion facilities to primary distillation capacity. The higher the ratio, the higher is the capacity of a refinery to obtain high value products from the heavy residue of primary distillation.
Deep waters	Waters deeper than 200 meters.
Development	Drilling and other post-exploration activities aimed at the production of oil and gas.
Enhanced recovery	Techniques used to increase or stretch over time the production of wells.
EPC	Engineering, Procurement and Construction.
EPCI	Engineering, Procurement, Construction and Installation.
Exploration	Oil and natural gas exploration that includes land surveys, geological and geophysical studies, seismic data gathering and analysis and well drilling.
FPSO	Floating Production Storage and Offloading System.
FSO	Floating Storage and Offloading System.
Infilling wells	Infilling wells are wells drilled in a producing area in order to improve the recovery of hydrocarbons from the field and to maintain and/or increase production levels.
LNG	Liquefied Natural Gas obtained through the cooling of natural gas to minus 160 °C at normal pressure. The gas is liquefied to allow transportation from the place of extraction to the sites at which it is transformed back into its natural gaseous state and consumed. One tonne of LNG corresponds to 1,400 cubic meters of gas.
LPG	Liquefied Petroleum Gas, a mix of light petroleum fractions, gaseous at normal pressure and easily liquefied at room temperature through limited compression.
Margin	The difference between the average selling price and direct acquisition cost of a finished product or raw material excluding other production costs (e.g. refining margin, margin on distribution of natural gas and petroleum products or margin of petrochemical products). Margin trends reflect the trading environment and are, to a certain extent, a gauge of industry profitability.
Mineral Potential	(Potentially recoverable hydrocarbon volumes) Estimated recoverable volumes which cannot be defined as reserves due to a number of reasons, such as the temporary lack of viable markets, a possible commercial recovery dependent on the development of new technologies, or for their location in accumulations yet to be developed or where evaluation of known accumulations is still at an early stage.
Natural gas liquids (NGL)	Liquid or liquefied hydrocarbons recovered from natural gas through separation equipment or natural gas treatment plants. Propane, normal-butane and isobutane, isopentane and pentane plus, that were previously defined as natural gasoline, are natural gas liquids.
Over/Under lifting	Agreements stipulated between partners which regulate the right of each to its share in the production for a set period of time. Amounts lifted by a partner different from the agreed amounts determine temporary Over/Under lifting situations.
Possible reserves	Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

Probable
reserves

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

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Primary balanced refining capacity	<p>Maximum amount of feedstock that can be processed in a refinery to obtain finished products measured in BBL/d.</p> <p>Contract in use in African, Middle Eastern, Far Eastern and Latin American countries, among others, regulating relationships between states and oil companies with regard to the exploration and production of hydrocarbons. The mineral right is awarded to the national oil company jointly with the foreign oil company that has an exclusive right to perform exploration, development and production activities and can enter into agreements with other local or international entities. In this type of contract the national oil company assigns to the international contractor the task of performing exploration and production with the contractor's equipment and financial resources. Exploration risks are borne by the contractor and production is divided into two portions: "Cost Oil" is used to recover costs borne by the contractor and "Profit Oil" is divided between the contractor and the national company according to variable schemes and represents the profit deriving from exploration and production. Further terms and conditions of these contracts may vary from country to country.</p>
Production Sharing Agreement (PSA)	<p>Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. Reserves are classified as either developed and undeveloped. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well, and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well. Proved undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.</p>
Proved reserves	<p>Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.</p>
Reserves	<p>Ratio between the amount of proved reserves at the end of the year and total production for the year.</p>
Reserve life index	<p>Measure of the reserves produced replaced by proved reserves. Indicates the company's ability to add new reserves through exploration and purchase of property. A rate higher than 100% indicates that more reserves were added than produced in the period. The ratio should be averaged on a three-year period in order to reduce the distortion deriving from the purchase of proved property,</p>
Reserve replacement ratio	

the revision of previous estimates, enhanced recovery, improvement in recovery rates and changes in the amount of reserves – in PSAs – due to changes in international oil prices.

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Ship-or-pay	Clause included in natural gas transportation contracts according to which the customer is requested to pay for the transportation of gas whether or not the gas is actually transported.
Take-or-pay	Clause included in natural gas supply contracts according to which the purchaser is bound to pay the contractual price or a fraction of such price for a minimum quantity of gas set in the contract whether or not the gas is collected by the purchaser. The purchaser has the option of collecting the gas paid for and not delivered at a price equal to the residual fraction of the price set in the contract in subsequent contract years.
Title Transfer Facility	The Title Transfer Facility, more commonly known as TTF, is a virtual trading point for natural gas in the Netherlands. TTF Price is quoted in euro per megawatt hour and, for business day, is quoted day-ahead, i.e. delivered next working day after assessment.
Upstream/Downstream	The term upstream refers to all hydrocarbon exploration and production activities. The term downstream includes all activities inherent to the oil and gas sector that are downstream of exploration and production activities.

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ABBREVIATIONS

mmCF	=	million cubic feet
BCF	=	billion cubic feet
mmCM	=	million cubic meters
BCM	=	billion cubic meters
BOE	=	barrel of oil equivalent
KBOE	=	thousand barrel of oil equivalent
mmBOE	=	million barrel of oil equivalent
BBOE	=	billion barrel of oil equivalent
BBL	=	barrels
KBBL	=	thousand barrels
mmBBL	=	million barrels
BBBL	=	billion barrels
ktonnes	=	thousand tonnes
mtonnes	=	million tonnes
MW	=	megawatt
GWh	=	gigawatthour
TWh	=	terawatthour
/d	=	per day
/y	=	per year
E&P	=	the Exploration & Production segment
G&P	=	the Gas & Power segment
R&M & C	=	the Refining & Marketing and Chemicals segment
E&C	=	the Engineering & Construction segment

CONVERSION TABLE

1 acre	= 0.405 hectares	
1 barrel	= 42 U.S. gallons	
1 BOE	= 1 barrel of crude oil	= 5,458 cubic feet of natural gas
1 barrel of crude oil per day	= approximately 50 tonnes of crude oil per year	
1 cubic meter of natural gas	= 35.3147 cubic feet of natural gas	
1 cubic meter of natural gas	= approximately 0.00647 barrels of oil equivalent	
1 kilometer	= approximately 0.62 miles	
1 short ton	= 0.907 tonnes	= 2,000 pounds
1 long ton	= 1.016 tonnes	= 2,240 pounds
1 tonne	= 1 metric ton	= 1,000 kilograms = approximately 2,205 pounds
1 tonne of crude oil	= 1 metric ton of crude oil	

= approximately
7.3 barrels of
crude oil
(assuming an API
gravity of 34
degrees)

TABLE OF CONTENTS**PART I****Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

NOT APPLICABLE

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

NOT APPLICABLE

Item 3. KEY INFORMATION**Selected Financial Information**

The Consolidated Financial Statements of Eni have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The tables below present Eni selected historical financial data prepared in accordance with IFRS as of and for the years ended December 31, 2013, 2014, 2015, 2016 and 2017. In 2015, the business segment Engineering & Construction, operated by Eni's subsidiary Saipem, was classified as discontinued operations based on the guidelines of IFRS 5. Eni's interest in Saipem was divested on January 26, 2016; financial data for 2014 and 2013 have been restated accordingly.

All such data should be read in connection with the Consolidated Financial Statements and the related notes thereto included in Item 18.

	Year ended December 31,				
	2017	2016	2015	2014	2013
	(€ million except data per share and per ADR)				
CONSOLIDATED PROFIT STATEMENT DATA					
Net sales from continuing operations	66,919	55,762	72,286	98,218	104,117
Operating profit (loss) by segment from continuing operations					
Exploration & Production	7,651	2,567	(959)	10,727	15,349
Gas & Power	75	(391)	(1,258)	64	(2,923)
Refining & Marketing and Chemicals	981	723	(1,567)	(2,811)	(2,261)
Corporate and Other activities	(668)	(681)	(497)	(518)	(736)
Impact of unrealized intragroup profit elimination and other consolidation adjustments(1)	(27)	(61)	1,205	1,503	928
Operating profit (loss) from continuing operations	8,012	2,157	(3,076)	8,965	10,357
Net profit (loss) attributable to Eni from continuing operations	3,374	(1,051)	(7,952)	1,720	5,808
Net profit (loss) attributable to Eni from discontinued operations	0	(413)	(826)	(417)	(488)
Net profit (loss) attributable to Eni	3,374	(1,464)	(8,778)	1,303	5,320
Data per ordinary share (euro)(2)					
Operating profit (loss):					
– basic	2.22	0.60	(0.85)	2.48	2.86
– diluted	2.22	0.60	(0.85)	2.48	2.86
Net profit (loss) attributable to Eni basic and diluted from continuing operations	0.94	(0.29)	(2.21)	0.48	1.60
Net profit (loss) attributable to Eni basic and diluted from discontinued operations	0.00	(0.12)	(0.23)	(0.12)	(0.13)
Net profit (loss) attributable to Eni basic and diluted	0.94	(0.41)	(2.44)	0.36	1.47

Data per ADR (\$) (2)(3)

Operating profit (loss):

– basic	5.03	1.33	(1.90)	6.59	7.59
– diluted	5.03	1.33	(1.90)	6.59	7.59
Net profit (loss) attributable to Eni basic and diluted from continuing operations	2.12	(0.65)	(4.90)	1.27	4.26
Net profit (loss) attributable to Eni basic and diluted from discontinued operations	0.00	(0.25)	(0.51)	(0.31)	(0.36)
Net profit (loss) attributable to Eni basic and diluted	2.12	(0.90)	(5.41)	0.96	3.90

(1)

This item pertains to intragroup sales of commodities and capital goods recorded in the assets of the purchasing business segment as of the end of the reporting period.

(2)

Euro per share or U.S. dollars per American Depositary Receipt (ADR), as the case may be. One ADR represents two Eni shares. The dividend amount for 2017 is based on the proposal of Eni's management which is submitted for approval at the Annual General Shareholders' Meeting scheduled on May 10, 2018.

(3)

Eni's financial statements are reported in euro. The translations of certain euro amounts into U.S. dollars are included solely for the convenience of the reader. The convenient translations should not be construed as representations that the amounts in euro have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Data per ADR, with the exception of dividends, were translated at the EUR/U.S.\$ average exchange rate as recorded by in the Federal Reserve Board official statistics for each year presented (see the table on page 5). Dividends per ADR for the years 2013 through 2016 were translated into U.S. dollars for each year presented using the Noon Buying Rate on payment dates, as recorded on the payment date of the interim dividend and of the balance to the full-year dividend, respectively. The dividend for 2017 based on the management's proposal to the General Shareholders' Meeting and subject to approval was translated as per the portion related to the interim dividend (€0.80 per ADR) at the Noon Buying Rate recorded on the payment date on September 20, 2017, while the balance of €0.80 per ADR was translated at the Noon Buying Rate as recorded on December 31, 2017. The balance dividend for 2017 once the full-year dividend is approved by the Annual General Shareholders' Meeting is payable on May 23, 2018 to holders of Eni shares, being the ex-dividend date May 21, 2018 while ADRs holders will be paid on June 7, 2018.

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	As of December 31,				
	2017	2016	2015	2014	2013
	(€ million except data per share and per ADR)				
CONSOLIDATED BALANCE SHEET DATA					
Total assets	114,928	124,545	139,001	150,366	142,426
Short-term and long-term debt	24,707	27,239	27,793	25,891	25,560
Capital stock issued	4,005	4,005	4,005	4,005	4,005
Non-controlling interest	49	49	1,916	2,455	2,842
Shareholders' equity – Eni share	48,030	53,037	55,493	63,186	61,211
Capital expenditures from continuing operations	8,681	9,180	10,741	11,178	11,221
Weighted average number of ordinary shares outstanding (fully diluted – shares million)	3,601	3,601	3,601	3,610	3,623
Dividend per share (euro)(1)	0.80	0.80	0.80	1.12	1.10
Dividend per ADR (\$) (1)(2)	1.81	1.77	1.77	2.65	2.99

(1)

Euro per share or U.S. dollars per American Depositary Receipt (ADR), as the case may be. One ADR represents two Eni shares. The dividend amount for 2017 is based on the proposal of Eni's management which is submitted for approval at the Annual General Shareholders' Meeting scheduled on May 10, 2018.

(2)

Eni's financial statements are reported in euro. The translations of certain euro amounts into U.S. dollars are included solely for the convenience of the reader. The convenient translations should not be construed as representations that the amounts in euro have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Data per ADR, with the exception of dividends, were translated at the EUR/U.S.\$ average exchange rate as recorded by in the Federal Reserve Board official statistics for each year presented (see the table on page 5). Dividends per ADR for the years 2013 through 2016 were translated into U.S. dollars for each year presented using the Noon Buying Rate on payment dates, as recorded on the payment date of the interim dividend and of the balance to the full-year dividend, respectively. The dividend for 2017 based on the management's proposal to the General Shareholders' Meeting and subject to approval was translated as per the portion related to the interim dividend (€0.80 per ADR) at the Noon Buying Rate recorded on the payment date on September 20, 2017, while the balance of €0.80 per ADR was translated at the Noon Buying Rate as recorded on December 31, 2017. The balance dividend for 2017 once the full-year dividend has been approved by the Annual General Shareholders' Meeting is payable on May 23, 2018 to holders of Eni shares, being the ex-dividend date May 21, 2018 while ADRs holders will be paid on June 7, 2018.

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Selected Operating Information

The tables below set forth selected operating information with respect to Eni's proved reserves, developed and undeveloped, of crude oil (including condensates and natural gas liquids) and natural gas, as well as other data as of and for the years ended December 31, 2013, 2014, 2015, 2016 and 2017.

	Year ended December 31,				
	2017	2016	2015	2014	2013
Proved reserves of liquids of consolidated subsidiaries at period end (mmBBL)	3,262	3,230	3,372	3,077	3,079
of which developed	2,220	2,190	2,100	1,847	1,831
Proved reserves of liquids of equity-accounted entities at period end (mmBBL)	160	168	187	149	148
of which developed	43	43	48	46	35
Proved reserves of natural gas of consolidated subsidiaries at period end (BCF)	17,290	18,462	14,302	14,808	14,442
of which developed	9,535	9,244	8,899	8,342	8,542
Proved reserves of natural gas of equity-accounted entities at period end (BCF)	2,182	3,871	3,993	3,737	3,726
of which developed	1,916	1,905	1,402	120	34
Proved reserves of hydrocarbons of consolidated subsidiaries in mmBOE at period end	6,430	6,613	5,975	5,772	5,708
of which developed	3,967	3,884	3,720	3,366	3,387
Proved reserves of hydrocarbons of equity-accounted entities in mmBOE at period end	560	877	915	830	827
of which developed	394	391	303	67	40
Average daily production of liquids (KBBL/d)(1)	852	878	908	828	833
Average daily production of natural gas available for sale (mmCF/d)(1)	4,734	4,329	4,284	3,782	3,868
Average daily production of hydrocarbons available for sale (KBOE/d)(1)	1,719	1,671	1,688	1,517	1,537
Hydrocarbon production sold (mmBOE)	622.3	608.6	614.1	549.5	555.3
Oil and gas production costs per BOE(2)	8.45	7.79	9.18	12.00	12.19
Profit per barrel of oil equivalent(3)	8.72	1.98	(3.83)	9.86	16.19

(1)

Referred to Eni's subsidiaries and its equity-accounted entities. Natural gas production volumes exclude gas consumed in operations (451, 442, 397, 478 and 527 mmCF/d in 2013, 2014, 2015, 2016 and 2017 respectively).

(2)

Expressed in U.S. dollars. Consists of production costs of consolidated subsidiaries (costs incurred to operate and maintain wells and field equipment including also royalties) prepared in accordance with IFRS divided by production on an available-for-sale basis, expressed in barrels of oil equivalent. See the unaudited supplemental oil and gas information in "Item 18 – Notes to the Consolidated Financial Statements".

(3)

Expressed in U.S. dollars. Results of operations from oil and gas producing activities of consolidated subsidiaries, divided by actual sold production, in each case prepared in accordance with IFRS to meet ongoing U.S. reporting obligations under Topic 932. See the unaudited supplemental oil and gas information in “Item 18 – Notes to the Consolidated Financial Statements” for a calculation of results of operations from oil and gas producing activities.

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Selected Operating Information continued

	Year ended December 31,				
	2017	2016	2015	2014	2013
Sales of natural gas to third parties(1)	71.34	77.24	79.06	76.11	77.67
Natural gas consumed by Eni(1)	6.18	6.10	5.88	5.62	5.93
Sales of natural gas of affiliates (Eni's share)(1)	3.31	2.97	2.78	4.38	6.96
Worldwide natural gas sales(1)	80.83	86.31	87.72	86.11	90.56
Electricity sold(2)	35.33	37.05	34.88	33.58	35.05
Refinery throughputs(3)	24.02	24.52	26.41	25.03	27.38
Balanced capacity of wholly-owned refineries(4)	388	388	388	404	574
Retail sales (in Italy and rest of Europe)(3)	8.54	8.59	8.89	9.21	9.69
Number of service stations at period end (in Italy and rest of Europe)	5,544	5,622	5,846	6,220	6,386
Chemical production(3)	5.82	5.65	5.70	5.28	5.82
Average throughput per service station (in Italy and rest of Europe)(5)	1,783	1,742	1,754	1,725	1,828
Employees at period end (number)	32,934	33,536	34,196	34,846	36,678

(1)
Expressed in BCM.

(2)
Expressed in TWh.

(3)
Expressed in mmt tonnes.

(4)
Expressed in KBBL/d.

(5)
Expressed in thousand liters per day.

Exchange Rates

The following tables set forth, for the periods indicated, certain information regarding the Noon Buying Rate in U.S. dollars per euro, rounded to the second decimal (Source: The Federal Reserve Board).

Year ended December 31,	High	Low	Average(1)	At period end
	(U.S. dollars per €)			
2013	1.38	1.28	1.33	1.38
2014	1.39	1.21	1.33	1.21
2015	1.20	1.05	1.11	1.09

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2016	1.15	1.04	1.10	1.06
2017	1.20	1.04	1.13	1.20

(1)

Average of the Noon Buying Rates for the last business day of each month in the period.

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	High	Low	At period end
	(U.S. dollars per €)		
October 2017	1.18	1.16	1.16
November 2017	1.19	1.16	1.19
December 2017	1.20	1.17	1.20
January 2018	1.25	1.19	1.24
February 2018	1.25	1.22	1.22
March 2018	1.24	1.22	1.23

Fluctuations in the exchange rate between the euro and the dollar affect the dollar equivalent of the euro price of the Shares on the electronic stock exchange and the dollar price of the ADRs on the NYSE. Exchange rate fluctuations also affect the dollar amounts received by owners of ADRs upon conversion by the Depository of cash dividends paid in euro on the underlying Shares. The Noon Buying Rate on March 30, 2018 was \$1.232 per €1.00.

Risk factors

The risks described below may have a material effect on our operational and financial performance. We invite our investors to consider these risks carefully.

Eni's operating results, cash flow and rates of growth are affected by volatile prices of crude oil, natural gas, oil products and chemicals

Prices of oil and natural gas have a history of volatility due to many factors that are beyond Eni's control. These factors include among other things:

- global and regional dynamics of oil and gas supply and demand and global level of inventories. In 2017 crude oil prices were volatile, with the first half of the year characterized by market uncertainties about a rebalancing between global demand and supplies and the overhang of high global inventories. From the second part of the year, the recovery in crude oil prices progressively gained steam with prices reaching levels unseen in recent years, at around 70 \$/BBL in early 2018. This upward trend was driven by better market fundamentals and full effectiveness of production cuts agreed by OPEC Countries at the end of November 2016 to reduce the output of the cartel, joined also by certain non-OPEC countries (among which Russia). The average price for the Brent crude oil benchmark increased by 24% y-o-y at about 54 \$/BBL;
- global political developments, including sanctions imposed on certain producing countries and conflict situations;
- global economic and financial market conditions;
- the ability of the OPEC cartel to control world supply and therefore oil prices;
- prices and availability of alternative sources of energy (e.g., nuclear, coal and renewables);
- weather conditions;
-

operational issues;

- governmental regulations and actions;
- success in the development and deployment of new technologies for the recovery of crude oil and natural gas reserves and technological advances affecting energy consumption;
- competition from alternative energy sources like solar energy, photovoltaic and other renewables; and
- growing sensibility among the public and the commitment of the world nations to addressing the issue of global warming and climate change by reducing the release in the atmosphere of greenhouse gases (“GHG”) produced by the consumption of hydrocarbons in human activities.

All these factors can affect the global balance between demand and supply for oil and prices of crude oil, natural gas, and other energy commodities.

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Management believes that current market dynamics are supportive of the ongoing recovery in crude oil prices. Going forward, we foresee a better balance between demand and supply driven by an improving macroeconomic outlook and the effects of the reduced investments made by international oil companies during the downturn. The production cuts agreed by OPEC with the cooperation of other countries (principally Russia) will provide further support in the short term. However, management has also evaluated the continuing risks and uncertainties inherent in such forecasts, including actual implementation of the production cuts announced by the OPEC, structural changes that have been affecting the oil industry – e.g. the increase in oil supply following the U.S. tight oil revolution – the unpredictable impact of geopolitical crisis and the greater role played by renewable energy sources, as well as risks associated with internationally-agreed measures intended to reduce GHG. Based on this outlook, management basically confirmed its long-term assumption for the benchmark Brent price to 72 \$/BBL in 2021 real terms (under the previous plan it was 71.4 \$/BBL) in elaborating the Group’s financial projections of the 2018 – 2021 industrial plan and the estimations of recoverability of the carrying amounts of the Group’s oil and gas assets as of December 31, 2017.

Fluctuations in oil and natural gas prices have had and may in the future have a material effect on the Group’s results of operations and cash flow. Lower prices from one year to another negatively affect the Group’s consolidated results of operations and cash flow. This is because lower prices translate into lower revenues recognized in the Company’s Exploration & Production segment at the time of the price change, whereas expenses in this segment are either fixed or less sensitive to changes in crude oil prices than revenues. Based on the current portfolio of oil and gas assets, Eni’s management estimates that the Company’s consolidated net profit would vary by approximately euro 200 million for each one dollar change in the price of the Brent crude oil benchmark with respect to the price case assumed in Eni’s financial projections for 2018 at 60 \$/BBL. Net cash provided by operating activities is expected to vary by a similar amount.

In addition to the adverse effect on revenues, profitability and cash flow, lower oil and gas prices could result in debooking of proved reserves, if they become uneconomic in this type of environment, and asset impairments. Depending on the significance and speed of a decrease in crude oil prices, Eni may also need to review investment decisions and the viability of development projects. The effect of lower oil and gas prices over prolonged periods on Eni’s results of operations and cash flow may adversely affect the funds available to finance expansion projects, further reducing the Company’s ability to grow future production and revenues. In addition, such lower price may reduce returns from development projects, either planned or in progress, forcing the Company to reschedule, postpone or cancel development projects.

In response to weakened oil and gas industry conditions and resulting revisions made to rating agency commodity price assumptions, lower commodity prices may also reduce the Group’s access to capital and lead to a downgrade or other negative rating action with respect to the Group’s credit rating by rating agencies, including Standard & Poor’s Ratings Services (“S&P”) and Moody’s Investor Services Inc (“Moody’s”). These downgrades may negatively affect the Group’s cost of capital, increase the Group’s financial expenses, and may limit the Group’s ability to access capital markets and execute aspects of the Group’s business plans.

Eni estimates that movements in oil prices impact pricing for approximately 50 per cent. of its current production. The remaining portion of Eni’s current production is largely unaffected by crude oil price movements considering that the Company’s property portfolio is characterized by a sizeable presence of production sharing contracts, whereby, due to the cost recovery mechanism, the Company is entitled to a larger number of barrels in the event of a fall in crude oil prices. (See the specific risks of the Exploration & Production segment in “Risks associated with the exploration and production of oil and natural gas” below).

The Group’s results from its Refining & Marketing and Chemicals businesses are primarily dependent upon the supply and demand for refined and chemical products and the associated margins on refined product and chemical products sales, with the impact of changes in oil prices on results of these segments being dependent upon the speed at which the prices of products adjust to reflect movements in oil prices.

Because of the above mentioned risks, a prolonged decline in commodity prices would materially and adversely affect the Group’s business prospects, financial condition, results of operations, cash flows, ability to finance planned capital expenditures and commitments and may impact shareholder returns, including dividends and the share price.

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Competition

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

Eni faces strong competition in each of its business segments.

The current competitive environment in which Eni operates is characterized by volatile prices and margins of energy commodities, limited product differentiation and complex relationships with state-owned companies and national agencies of the countries where hydrocarbons reserves are located to obtain mineral rights. As commodity prices are beyond the Company's control, Eni's ability to remain competitive and profitable in this environment requires continuous focus on technological innovation, the achievement of efficiencies in operating cost and efficient management of capital resources. It also depends on Eni's ability to gain access to new investment opportunities, both in Europe and worldwide.

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In the Exploration & Production segment, Eni faces competition from both international and state-owned oil companies for obtaining exploration and development rights, and developing and applying new technologies to maximize hydrocarbon recovery. Furthermore, Eni may face a competitive disadvantage because of its smaller size relative to other international oil companies, particularly when bidding for large scale or capital intensive projects, and it may be exposed to the risk of obtaining lower cost savings in a deflationary environment compared to its larger competitors given its potentially smaller market power with respect to suppliers. If, because of those competitive pressures, Eni fails to obtain new exploration and development acreage, to apply and develop new technologies, and to control costs, its growth prospects and future results of operations and cash flow may be adversely affected.

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Throughout 2016, the Gas & Power segment experienced a history of operating losses due to a difficult market environment in the European gas sector. Eni is facing strong competition from gas and energy players to sell gas to the industrial segment, the thermoelectric sector and the retail customers both in the Italian market and in markets across Europe. Competition has been driven by ongoing weak demand, oversupplies and use of alternative energy sources for the production of electricity (renewables or coal). The production of gas-fired electricity is one of the major outlet for gas. In recent years the use of gas in gas-fired power plants has been negatively affected by an increased use of coal in firing power plants due to cost advantages and a dramatic growth in the adoption of renewable sources of energy (photovoltaic, wind and solar). The large-scale development of shale gas in the United States has been another fundamental trend that aggravated the oversupply situation in Europe because many LNG projects worldwide that originally targeted the U.S. market, were redirected to an already saturated European market. Furthermore, many LNG terminals in the US are undergoing upgrading projects designed to convert them into gas liquefaction facilities with the aim of exporting the large gas surplus out of the US. This development will further increase global gas supplies. In recent years, large gas availability in Europe led to the development of liquid spot markets where gas is traded daily. Prices at these hubs have become the benchmark to selling prices and have been on a downtrend in recent years. These trends have negatively affected the profitability of our Gas & Power business, because the Company is part of long-term gas supply contracts with take-or-pay clauses, which exposed us to a volume risk, as we are contractually required to purchase minimum annual amounts of gas or, if we fail to do so, to pay the corresponding price. Additionally, we have booked the transportation rights along the main gas backbones across Europe to deliver our contracted gas volumes to end-markets. In a weak market, the need to dispose of the minimum off-take of gas have negatively affected our margins. Looking forward, we believe that the competitive landscape in our Gas & Power business will remain challenging due to expected weak growth in demand, also reflecting political uncertainty in the EU about the role of gas in the energy mix, the continuing build of oversupplies and inter-fuel competition. Eni believes that these ongoing negative trends may adversely affect the Company's future results of operations and cash flows.

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In its Gas & Power segment, Eni is vertically integrated in the production of electricity via its gas-fired power plants, which are currently utilizing the combined-cycle technology. In the electricity business, Eni competes with other

producers and traders from Italy or outside Italy who sell electricity in the Italian market. The Company expects continuing competition due to the projections of moderate economic growth in Italy and Europe over the foreseeable future, also causing outside players to place excess production on the Italian market. The economics of the gas-fired electricity business have dramatically changed over the latest few years due to ongoing

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competitive trends. Spot prices of electricity in the wholesale market throughout Europe decreased due to excess supplies driven by the growing production of electricity from renewable sources, that also benefit from governmental subsidies, and a recovery in the production of coal-fired electricity which was helped by a substantial reduction in the price of this fuel on the back of a massive oversupply of coal occurring on a global scale. As a result of falling electricity prices, margins on the production of gas-fired electricity have been negatively affected. Eni believes that the competitive scenario in this business will remain challenging in the foreseeable future, negatively affecting results of operations and cash flow.

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In the Refining & Marketing segment, Eni faces strong competition in both industrial and commercial activities. European refining margins remain lower than other areas due to higher energy costs, weak trends in demand for fuels and competitive pressure from cheaper productions mainly coming from Middle East and Asia and tighter compliance constraints. We believe that the competitive environment will remain challenging in the foreseeable future, also considering refining overcapacity in the European area. In marketing, Eni faces competition from other oil companies and new participants such as un-branded operators and large retailers, that leverage on the price awareness of final consumers to increase their market share. All these operators compete with each other primarily in terms of pricing and, to a lesser extent, service quality.

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In the Chemical business, Eni faces strong competition from well-established international players and state-owned petrochemical companies, particularly in the most commoditized segments such as the production of basic petrochemical products and plastics. Many of those competitors based in the Far East and the Middle East are able to benefit from cost advantages due to scale, favourable environmental regulations, availability of cheap feedstock and proximity to end-markets. Excess capacity across Europe is also fuelling competition in this business. Furthermore, petrochemical producers based in the United States have regained market share, as their cost structure has become competitive due to the availability of cheap feedstock deriving from the production of domestic shale gas. Competition exacerbates the impact of any macroeconomic downturn on the business' results of operations and cash flow; additionally, the business results are exposed to fluctuation in the relative prices of oil-based feedstock and final