Letter to shareholders

More focused and financially stronger: this is Eni at the end of 2012.
Our resource base and growth prospects are more promising than ever before. The deconsolidation and well-devised divestment of Snam and the commencement of Galp disposition have enabled us to nearly cut in half the debt-to-equity ratio. Leveraging on those solid premises we are ready to tackle our two major future challenges: to grow our oil&gas production and drive our mid-downstream businesses back to profitability. Exploration has achieved record results for the year. We have added 3.6 billion boe of new resources, or almost six times our 2012 production, while finding costs have declined below $1 USD per boe. These exceptional achievements owe to our strategic approach in selecting geological plays, proprietary technologies and in-depth knowledge of core basins. The quality leap we have made in exploration provides us with a competitive edge and strengthens our growth prospects.

Africa is our first great frontier. The Rovuma basin in Mozambique confirmed to be a world-class play due to the Mamba discovery in late 2011. Appraisal activities performed in 2012 allowed to estimate the potential of the Eni-operated area up to 75 TCF of gas in place, making Mamba the largest finding in our history. The geology of the discovered reservoirs is excellent and we expect to tap these huge resources by drilling few wells to the benefit of the project's profitability.
We acquired three exploration leases offshore the Luma basin in Kenya which shows great affinity with the Mozambican areas.
In West Africa we have made the large Sankofa oil discovery offshore Ghana and we have enhanced our position in the emerging pre-saline plays of the African continental shelf in Angola, Congo, Gabon, and with our entry in Liberia. This exploration targets very interesting potential that can be rapidly put in production at competitive costs.

The Norwegian section of the Barents Sea is one of our most successful emerging areas, particularly the Havis and Skurgard twin discoveries have found an oil potential of approximately 500 million barrels. New important prospects are opening up in the Russian section of this sea where, in cooperation with Rosneft, we are engineering exploration of a block extending for about 55,000 square kilometers where we have high expectations for giant oil&gas discoveries.
The Pacific Region is one of our major growth drivers. We are targeting high potential gas plays in Indonesia and Australia, currently in an advanced appraisal and pre-development phase, and for the future Vietnam, where we acquired three offshore licences covering an area of 21,000 square kilometers, and one block in China. The area can count on fast-increasing demand for energy and the availability of gas infrastructures which reduce the time-to-market of our discoveries. We are progressing in our unconventional plays in North Africa, Eastern Europe, China, Pakistan and Indonesia that provide synergies with existing operations. We increased our presence in Ukraine by purchasing rights on an area of approximately 3,800 square kilometers containing shale gas.

Activities for the year have featured the almost complete recovery of our pre-crisis production plateau in Libya thanks to the strong cooperation

Paolo Scaroni
Chief Executive Officer and General Manager

Giuseppe Recchi
Chairman

with the local State Company NOC, in spite of the complex transition phase the Country is undergoing. We have achieved many important steps both technical and commercial at several ongoing projects: the giant Kashagan field in Kazakhstan, whose commercial first production is expected within contractual date of June 2013; MLE in Algeria started-up at the beginning of 2013; the hubs of Block 15/06 in Angola; gas projects in Siberia; Goliat in the Barents Sea; and the sanctioning of Perla and the start-up of Junin phase 1 in Venezuela. Following our framework agreement with Anadarko, we laid the foundation for commencing the Mozambique project, where we expect a FID in 2014. We are well aware of the challenges that face our industry in putting reserves to production due to capacity constraints for critical facilities and equipment and lack of flexibility of EPC contractual schemes. Nonetheless, we are striving to improve our ability of delivering projects on time and on budget. Our approach to managing upstream activities, driven by operational excellence, asset selection and the cooperation model with host Countries, underpins our capability to handle at best the major risks inherent in the oil world. Overall 2012 has been an excellent year for our Exploration & Production Division.

The Gas & Power, Refining & Marketing and Chemical Divisions suffered from the weaknesses in their respective markets: plunging demand, strong competition and excess supply in the light of the continuing escalating costs of oil-linked supplies.

In the Gas & Power Division we have opened renegotiations regarding around 80% of our supply base. We have launched a reorganization to integrate the supply activities of the Gas & Power and Refining & Marketing Divisions together with our trading, risk management and the wholesale activities of gas and LNG. This integration will allow us to capture opportunities from market trends and synergies in commodity risk management. In refining, we have intensified efficiency efforts delivering savings of around €150 million and in fuel distribution we have launched promotional campaigns that delighted our customers and helped mitigate the impact of the downturn on our retail sales, as witnessed by an increased market share (from 30.1 to 31.2%). In Chemicals we are working to reduce our exposure to commodity chemicals. A common element to all our mid and downstream businesses is an ongoing strategy to internationalize operations by gaining higher exposure to the growing Asian markets. In this framework are included the agreements for the supply of LNG to Korean and Japanese operators, the establishment of joint ventures in the field of elastomers with South Korean and Malaysian operators and the beginning of lubricants distribution in China.
We have stepped up hiring by 7%, accompanied by our constant focus on the protection of safety, enhancement of individual skills and full involvement of all our employees in the corporation life. The responsible use of resources was another feature of our 2012 performance where we have achieved an all time low in gas flaring and a record amount of re-injected water in field. In the area of cooperation with producing countries we have been awarded a leading role in coordinating and implementing the UN initiative "Energy for All in Sub-Saharan Africa".

Results of the year

In 2012 Eni reported net profit of continuing operations at €4.2 billion (€7.79 billion including Eni's share of Snam results). Driven by the excellent Exploration & Production, adjusted net profit increased by 2.7% to €7.13 billion, and when excluding Snam's contribution to continuing operations, the underlying result was up by 7.6%. Ratio of net borrowings to total equity almost halved from 2011, declining to 0.25 thanks to the proceeds from the disposal of significant stakes in Snam and Galp and the deconsolidation of Snam's finance debt.
Net cash generated by operating activities from continuing operations amounted to €12.36 billion and the divestment of non strategic assets yielded €1.5 billion. Those inflows enabled the Company to finance capital expenditure and other investments of €13.33 billion and to pay dividends to Eni's shareholders for €3.84 billion and to minorities for €0.54 billion. Adjusted return on invested capital was 10.1%.
On the basis of the Company's strong results and in line with our progressive dividend policy, the Board of Directors intends to submit to the Annual Shareholders' Meeting a dividend proposal of €1.08 per share, up 4% from 2011.

Adjusted operating profit in the **Exploration & Production Division** was a record at €18.52 billion, with an increase of 15.2% from 2011 driven by an ongoing production recovery in Libya and operating efficiency. Liquids and gas production was 1.7 million boe/d, a growth rate of 7%. Eni's net proved oil and gas reserves at period end amounted to 7.17 billion boe, the highest in eight years. The organic reserve replacement ratio was 147% at a reference oil price of $111 per barrel. The reserve life index is 11.5 years.

Adjusted operating profit in the **Gas & Power Division** was €354 million, driven by the contribution of the international transport business. The Marketing business, after the sharp losses reported in 2011, ended the year in positive territory (improving by €702 million) benefiting from the renegotiations of long-term supply contracts and the resumption of Libyan supplies. Sales of natural gas, excluding

Galp's share, were resilient thanks to a strong presence in the Italian residential market, an ongoing expansion in the strategic markets of France and Germany/Austria and increasing international sales in the LNG global market. Eni's customer portfolio at year end increased to 7.45 million.

The **Refining & Marketing Division** reported a remarkable improvement, cutting operating losses by 39% (reporting an operating loss of €328 million in 2012) thanks to efficiency in energy consumption, maintenance and fixed costs and optimization of refinery setup and yields. Retail sales of fuels in Italy declined less than demand (down 6.3%), while in Europe they saw a progress of 1%.

The **Chemical** segment was affected by sharply lower margins at commodity chemicals pressured by high costs for oil-based feedstock driving a loss of €485 million, down significantly from 2011 (down 77.7%).

Capital expenditure plan and strategy to boost growth and returns

The 2013 outlook features the uncertainties that surround the global economic recovery, particularly in the Eurozone, and restraint shown by businesses and households in investments and consumption decisions. A number of factors will contribute to support the price of oil including ongoing geopolitical risk as well as improved balance between world demand and supplies of crude oil and oil products. For investment evaluation purposes, we assume a full-year average price of $90 a barrel for the Brent crude benchmark. In our mid and downstream businesses, we expect the persistence of weak trends in demand, volatile margins and the risks of new increases in the costs of oil-based supplies. Competitive pressures and excess capacity will continue to dampen recovery prospects.

Against this backdrop, we confirm our growth strategy in the upstream business and of consolidating and optimizing our mid and downstream businesses. Our capital expenditure plans for the 2013-2016 four year period reflects these guidelines with an outlay of €56.8 billion (up 6% from 2011) that will be directed for 83% to exploration and development of oil and gas while being selective in the expenditure projects at the other businesses.
In Exploration & Production we target an organic average growth rate of over 4% per year.
In the Gas & Power Division the main drivers will be the renegotiation of gas supply costs, sales maximization and supply and logistics optimizations to reduce the take-or-pay risk.

For the downstream oil and Chemicals Divisions we target cost efficiencies and a reduction in the exposure to loss-making activities leveraging on growth in innovative and sustainable niches (biofuels and green chemistry).
Despite a reduced profitability outlook for 2013, we are confident that Saipem's medium and long-term prospects remain excellent thanks to its strong competitive position, underpinned by the availability of technologies and skills, and the quality of its equipment.

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

March 14, 2013

In representation of the Board of Directors

Giuseppe Recchi
Chairman

Paolo Scaroni
Chief Executive Officer and General Manager