Refining & Marketing

Key performance indicators

		2011	2012	2013
Employees injury frequency rate	(No. of accidents per million of worked hours)	1.96	1.08	**0.31**
Contractors injury frequency rate		3.21	2.32	**1.68**
Net sales from operations [a]	(€ million)	51,219	62,656	**57,329**
Operating profit		(273)	(1,296)	**(1,517)**
Adjusted operating profit		(539)	(321)	**(482)**
Adjusted net profit		(264)	(179)	**(232)**
Capital expenditure		866	842	**619**
Refinery throughputs on own account	(mmtonnes)	31.96	30.01	**27.38**
Conversion index	(%)	61	61	**62**
Balanced capacity of refineries	(kbbl/d)	767	767	**787**
Retail sales of petroleum products in Europe	(mmtonnes)	11.37	10.87	**9.69**
Service stations in Europe at year end	(units)	6,287	6,384	**6,386**
Average throughput per service station in Europe	(kliters)	2,206	2,064	**1,828**
Retail efficiency index	(%)	1.50	1.48	**1.28**
Employees at period end	(number)	7,591	7,125	**6,942**
Direct GHG emissions	(mmtonnes CO_2eq)	7.24	6.03	**5.18**
SO_x emissions (sulphur oxide)	(ktonnes SO_2eq)	23.07	16.99	**10.80**
NO_x emissions (nitrogen oxide)	(ktonnes NO_2eq)	6.74	5.87	**4.51**
Water consumption rate (refineries)/refinery throughputs	(cm/tonnes)	31.03	25.43	**19.98**
Biofuels marketed	(mmtonnes)	13.26	14.83	**10.84**
Customer satisfaction index	(likert scale)	7.74	7.90	**8.10**

(a) Before elimination of intragroup sales.

Performance of the year

› In 2013, the injury frequency rates decreased from 2012 (down 71.4% for employees and 27.5% for contractors).
› In 2013, the declining trend of Greenhouse gas, SO_x and NO_x emissions continued, benefiting from lower production, energy saving measures and increasing use of natural gas to replace fuel oil.
› The water consumption rate of Refining & Marketing Division declined by more than 21%.
› In the 2013, the Refining & Marketing Division reported sharply lower adjusted net loss amounting to €232 million (€179 million in 2012). This decrease reflected plunging refining margins driven by weak demand for refined products and overcapacity, the effects of which were exacerbated by shrinking price differentials between light and heavy crudes due to lower heavy crudes supplies in the Mediterranean area. The negative trading environment was partly counteracted by efficiency and optimization gains. Marketing results declined due to lower sales related to the declining demand for fuels and mounting competitive pressure.
› 2013 refining throughputs were 27.38 mmtonnes, down 8.8% from 2012. In Italy, processed volumes decreased (down 9.4%) due to the planned shutdown of the Venice Refinery following the Green Refinery project and in all the remaining plants due to their downsizing on the back of declining refining margins. Outside Italy, Eni's refining throughputs decreased by 5.9% in particular in the Czech Republic.
› In 2013, retail sales in Italy of 6.64 mmtonnes decreased by 15.2% from 2012. This decline was driven by the current economic downturn and increased competitive pressure. In 2013 Eni's average retail market share was 27.5% decreasing by 3.7 percentage points from 2012 when sales volumes benefitted from the effect of a promotional campaign made during the summer weekends.
› Retail sales in the Rest of Europe of 3.05 mmtonnes are substantially unchanged from 2012 (up 0.3%) due to higher volumes marketed in Germany and Austria, almost completely offset by lower sales in the Czech Republic and Hungary.

> Capital expenditure amounting to €619 million related mainly refining, supply and logistics (€444 million) to improve flexibility and yields, in particular at the Sannazzaro Refinery, and marketing activities for the streamlining of the retail distribution network (€175 million).
> In 2013 total expenditure in R&D in the Refining & Marketing Division amounted to approximately €33 million, net of general and administrative costs. In the year 6 patent applications were filed.

Renovation and recovery of Gela Refinery

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

Smart Mobility

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

Supply and Trading

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

Purchases (mmtonnes)	2011	2012	2013	Change	% Ch.
Equity crude oil					
Eni's production outside Italy	24.29	23.57	22.46	(1.11)	(4.7)
Eni's production in Italy	3.35	3.35	3.69	0.34	10.1
	27.64	**26.92**	**26.15**	**(0.77)**	**(2.9)**
Other crude oil					
Purchases on spot markets	20.44	24.95	25.27	0.32	1.3
Purchases under long-term contracts	10.94	10.34	14.54	4.20	40.6
	31.38	**35.29**	**39.81**	**4.52**	**12.8**
Total crude oil purchases	**59.02**	**62.21**	**65.96**	**3.75**	**6.0**
Purchases of intermediate products	4.26	4.53	5.31	0.78	17.2
Purchases of products	15.85	20.52	17.79	(2.73)	(13.3)
TOTAL PURCHASES	**79.13**	**87.26**	**89.06**	**1.80**	**2.1**
Consumption for power generation	(0.89)	(0.75)	(0.55)	0.20	26.7
Other changes [a]	(1.12)	(1.63)	(1.06)	0.57	35.0
	77.12	**84.88**	**87.45**	**2.57**	**3.0**

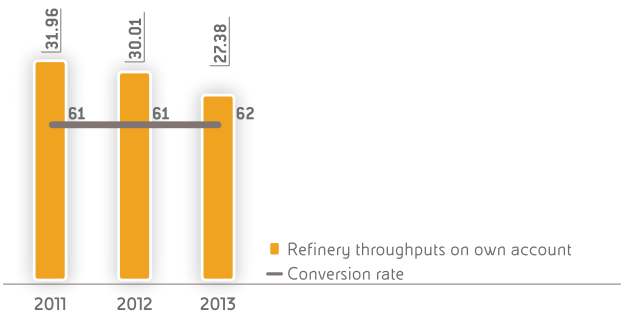
(a) Include change in inventories, decrease due to transportation, consumption and losses.

Refining

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

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

Refinery throughputs on own account and conversion rate
(mmtonnes)



In 2013, work continued at the Sannazzaro de' Burgondi Refinery for the construction of the first industrial plant employing **EST (Eni Slurry Technology)**. As compared to available refining technologies, EST does not produce by-products but converts feedstock completely into distillates and allows to make valuable use of distillation residue of heavy and extra-heavy crude and non conventional resources. An evaluation process and for the exploitation of heavy crude of licensing out of this technology to a number of Oil companies for the application of EST in their productive processes is ongoing.
In addition, Eni is developing the conversion technology by means of **Slurry Dual Catalyst** (an evolution of EST) that is based on the combination of two different catalysts which could lead to a relevant breakthrough in the EST process, improving products quality and reducing operating costs.
In addition at the Sannazzaro Refinery the detailed design of a project for the production of hydrogen by means of the proprietary **Hydrogen SCT-CPO** (Short Contact Time-Catalytic Partial Oxidation) process is nearing completion. This reforming technology transforms gaseous and liquid hydrocarbons (also derived from biomass) into synthetic gas (carbon monoxide and hydrogen) at competitive costs.

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

In 2013 Eni continued the development of technlogies aimed at reducing the environmental footprint of refining activities and producing more environmental sustainable products. Among the main activities were:

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

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

Marketing of refined products

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

Retail sales in Italy

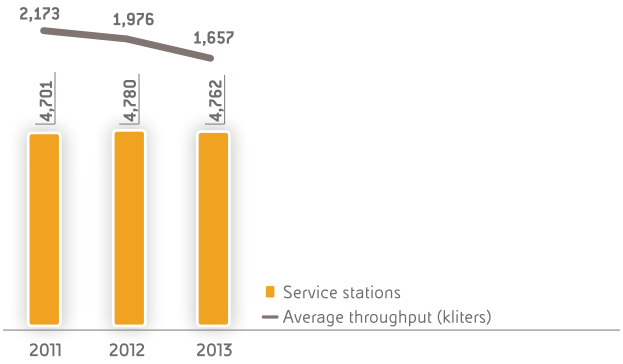
In 2013, retail sales in Italy of 6.64 mmtonnes decreased by approximately 1.19 mmtonnes, down 15.2%, from 2012 driven by lower consumption of gasoil and gasoline, in particular in highway service station reflecting the decline in freight transportation and increasing competitive pressure. Average gasoline and gasoil throughput (1,657 kliters) decreased by approximately 318 kliters from 2012. Eni's retail market share for 2013 was 27.5%, down 3.7 percentage points from 2012 that benefitted by the summer marketing campaigns performed.
At December 31, 2013, Eni's retail network in Italy consisted of 4,762 service stations, a decrease of 18 less stations from December 31, 2012 (4,780 service stations), resulting from the negative balance of the closing of service stations with low throughput (51 units), the release of one motorway concession, partially offset by the positive contribution of acquisitions/ releases of lease concessions (34 units).
With reference to the promotional initiative "you&eni", the loyalty program for customers launched in February 2010 for a five year period, the cards that made at least one transaction in the period were approximately 2.8 million at December 31, 2013 of which one million was represented by consumer payment and loyalty cards. Volumes sold to customers cumulating points on their card were approximately 37% of total throughputs (net of "iperself" sales that do not allow to accumulate points).

In 2013 even sales of premium fuels (fuels of the "Eni Blu+" line with high performance and lower environmental impact) were affected by the decline in domestic consumption and high price levels and were lower than the previous year. In particular, sales of Eni BluDiesel+ amounted to approximately 231 mmtonnes (approximately 278 mmliters) with a decline of approximately 61 ktonnes from 2012 and represented 5.3% of volumes of gasoil marketed by Eni's retail network. At December 31, 2013, service stations marketing BluDiesel+ totaled 3,909 units (4,123 at year-end 2012) covering approximately 82% of Eni's network. Retail sales of BluSuper+ amounted to 30 ktonnes (approximately 41 mmliters), decreasing by 4 ktonnes from 2012, and covered 1.6% of gasoline sales on Eni's retail network (broadly in line with previous year). As of December 31, 2013, service stations marketing BluSuper+ totaled 2,171 units (2,505 at December 31, 2012), covering approximately 46% of Eni's network.

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

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

Service stations in Italy and average throughput
(number)



Retail sales in the Rest of Europe

Retail sales in the Rest of Europe of 3.05 mmtonnes were basically stable (up 0.3% or 10 ktonnes). Volume additions in Germany and Austria were almost completely offset by lower sales in the Czech Republic and Hungary.
At December 31, 2013 Eni's retail network in the Rest of Europe consisted of 1,624 service stations, an increase of 20 units from December 31, 2012 (1,604 service stations). The network evolution was as follows: (i) the closing of 25 low throughput service stations mainly in France; (ii) the positive balance of acquisitions/releases of lease concessions (26 units) in particular in Germany and Austria; (iii) the purchase of 18 service stations, in particular in France and Germany; (iv) the opening of one new outlet.
Average throughput (2,322 kliters) was in line with 2012 (2, 319 kliters).

Wholesale and other sales

Wholesale sales in Italy (8.37 mmtonnes) declined by approximately 253 ktonnes, down 2.9%, mainly due to lower sales of bunkering and bitumen reflecting a decline in demand, mostly completely offset by higher volumes sold of fuel oil and minor products. Average market share in 2013 was 28.8% (29.5% in 2012).
Supplies of feedstock to the petrochemical industry (1.32 mmtonnes) slightly increased from 2012 (up 62 ktonnes) due to higher feedstock supplies.
Wholesale sales in the Rest of Europe of approximately 4.23 mmtonnes increased by 6.8% from 2012 due to increased sales in Slovenia and France. Sales declined in Austria.
Other sales (19.45 mmtonnes) decreased by 3.75 mmtonnes, or 16.2%, mainly due to lower sales to other oil companies.

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

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

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

Capital Expenditure

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

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