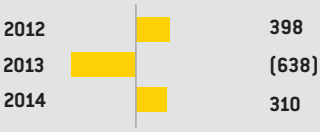
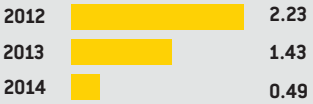
Gas & Power

Adjusted operating profit
(€ million)



Injury frequency rate
(No. of accidents per million of worked hours)



Worldwide gas sales
(bcm)

Customers in Italy
(million)

LNG sales
(bcm)

Direct GHG emissions
(mmtonnes CO_2eq)

approximately 70%
of the long-term gas supply portfolio hub indexed

€0.66 billion
cash benefits from contract renegotiations

93.4%
customer satisfaction score

Approximately **10 million**
customers including households, professionals, small and medium sized enterprises, and public bodies in Italy and the rest of Europe

Development and growth in the **value added** segments

33.58 TWh
electricity sold

Performance of the year

> In 2014 the positive trend in employees' and contractors' injury frequency rates was confirmed, with a reduction of 66%.

> Greenhouse gas emissions decreased by 10.2% from 2013 reflecting lower power production (down 9%) as well as lower volumes of gas transported (down 44.5%).

> The water consumption rate of EniPower's plants decreased in absolute terms (down by 5.9% from 2013), while the same index per KWh produced was substantially stable. The decrease was due to lower use of sea water in cooling operations at Brindisi site and lower production of electricity at Livorno site, due to an unfavourable trading environment, with steam and water consumption almost unchanged from 2013.

> In 2014, adjusted net profit of the Gas&Power segment amounted to €190 million, up by €443 million from 2013. This reflected the benefits from the renegotiation of a substantial portion of the long-term gas supply portfolio, including one-off effects related to the purchase costs of volumes supplied in previous reporting periods, to a greater extent than in the full year 2013. These positive effects were partially offset by declining gas and power prices against the backdrop of continuing weak demand and competitive pressure.

> Renegotiation of long-term supply contracts and take-or-pay reductions: during the year, following the renegotiation of a number of the main long-term supply contracts, gas prices and related trends were better aligned to market conditions. Approximately 70% of long-term gas supply portfolio is now indexed to hub prices. Furthermore, the cash advances paid to suppliers due to the take-or-pay clause in those long-term supply contracts were reduced by €0.66 billion thanks to contract renegotiation and sales optimization.

> Eni gas sales (89.17 bcm) were down by 4.3% compared to 2013. Eni's sales in the domestic market of 34.04 bcm decreased by 5.1% driven by lower sales in all the business segments partially offset by higher spot sales. Barely unchanged volumes marketed in the main European markets (42.21 bcm; down 1.1%).

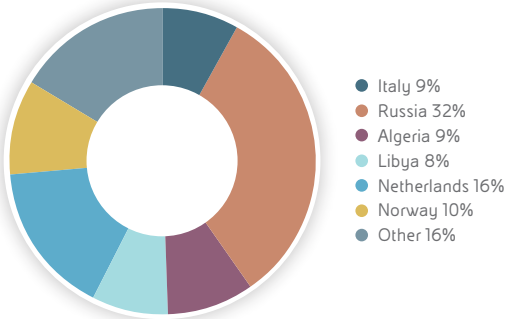
> Electricity sales of 33.58 TWh decreased by 1.47 TWh or 4.2% compared to the previous year.

> Capital expenditure of €172 million mainly concerned the flexibility and upgrading of combined cycle power stations (€98 million) as well as gas marketing initiatives (€66 million).

Strategy

In the Gas & Power segment, it is forecasted a structural decline in demand due to lower consumption driven by the macroeconomic crisis, competition of other sources as well as a general oversupply situation in Europe, in the context of an increasing liquidity at hubs.
Main target is the focus on profitability and sustainable cash flow, according the following guidelines: (i) complete alignment of supply portfolio to market conditions and substantial recovery of the residual amounts of gas paid in advance; (ii) simplification of operations and optimization of logistic costs with a saving of €300 million by 2018; (iii) development and growth in the value added segments, in particular in the retail segment, developing the client base also through the sale of extracommodity products, trading as well as in the LNG segment, leveraging on the marketing opportunities in premium markets and upstream integration.
Cash flow from operations is expected to contribute for €3 billion cumulatively over the four-year plan.

Supplies of Eni's consolidated subsidiaries
(**82.91** bcm)



Marketing

Eni operates in a liberalized market where energy customers are allowed to choose the gas supplier and, according to their specific needs, to evaluate the quality of services and offers. Overall Eni supplies approximately 2,400 customers including large companies, power generation companies, wholesalers and distributors of natural gas for automotive use. Residential users are approximately 7,93 million amid households, professionals, small and medium sized enterprises and public bodies located all over Italy, and approximately 2.2 customers in European countries.
In a trading environment characterized by a 12% drop of demand in the Italian market compared to the previous year (a similar decline was registered in the European Union) due to declining consumption in all the reference segments and raising competitive pressure, Eni carried out a number of initiatives, - such as renegotiation of supply contracts, efficiency and optimization actions - in order to mitigate the negative impact of the scenario (for further information on the European scenario, see chapter on "Risk factors" below).

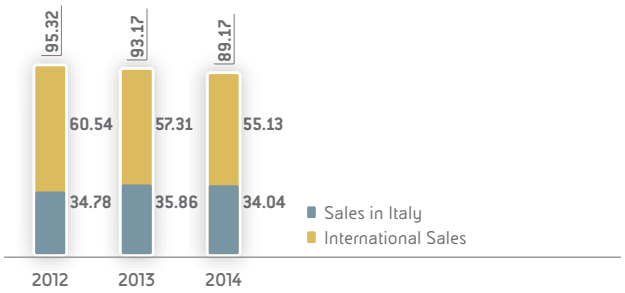
Natural Gas

Supply of natural gas

In 2014 Eni's consolidated subsidiaries supplied 82.91 bcm of natural gas, down by 2.76 bcm or 3.2% from 2013.
Gas volumes supplied outside Italy (75.99 bcm from consolidated companies), imported in Italy or sold outside Italy, represented approximately 92% of total supplies, down by 2.53 bcm or 3.2% compared to the previous year, due to lower

Supply of natural gas (bcm)	2012	2013	2014	Change	% Ch.
Italy	**7.55**	**7.15**	**6.92**	**(0.23)**	**(3.2)**
Russia	19.83	29.59	26.68	(2.91)	(9.8)
Algeria (including LNG)	14.45	9.31	7.51	(1.80)	(19.3)
Libya	6.55	5.78	6.66	0.88	15.2
Netherlands	11.97	13.06	13.46	0.40	3.1
Norway	12.13	9.16	8.43	(0.73)	(8.0)
United Kingdom	3.20	3.04	2.64	(0.40)	(13.2)
Hungary	0.61	0.48	0.38	(0.10)	(20.8)
Qatar (LNG)	2.88	2.89	2.98	0.09	3.1
Other supplies of natural gas	5.43	3.63	5.56	1.93	53.2
Other supplies of LNG	2.09	1.58	1.69	0.11	7.0
Outside Italy	**79.14**	**78.52**	**75.99**	**(2.53)**	**(3.2)**
TOTAL SUPPLIES OF ENI'S CONSOLIDATED SUBSIDIARIES	**86.69**	**85.67**	**82.91**	**(2.76)**	**(3.2)**
Offtake from (input to) storage	(1.35)	(0.58)	(0.20)	0.38	65.5
Network losses, measurement differences and other changes	(0.28)	(0.31)	(0.25)	0.06	19.4
AVAILABLE FOR SALE BY ENI'S CONSOLIDATED SUBSIDIARIES	**85.06**	**84.78**	**82.46**	**(2.32)**	**(2.7)**
Available for sale by Eni's affiliates	**7.53**	**5.78**	**3.65**	**(2.13)**	**(36.9)**
E&P volumes	**2.73**	**2.61**	**3.06**	**0.45**	**17.2**
TOTAL AVAILABLE FOR SALE	**95.32**	**93.17**	**89.17**	**(4.00)**	**(4.3)**

Worldwide gas sales
(bcm)



volumes purchased in Russia (down 2.91 bcm), Algeria (down 1.80 bcm), Norway (down 0.73 bcm) and the United Kingdom (down 0.40 bcm), partly offset by higher volumes purchased in Libya (up 0.88 bcm) and the Netherlands (up 0.40 bcm).

Supplies in Italy (6.92 bcm) registered a slight decrease from 2013 (down 0.23 bcm) due to mature fields' decline.
In 2014, main gas volumes from equity production derived from: (i) Italian gas fields (5.6 bcm); (ii) certain Eni fields located in the British and Norwegian sections of the North Sea (2.1 bcm); (iii) Libyan fields (2 bcm); (iv) the United States (0.5 bcm); (v) other European areas (Croatia with 0.3 bcm). Considering also direct sales of the Exploration & Production Division and LNG supplied from the Bonny liquefaction plant in Nigeria, supplied gas volumes from equity production were approximately 16 bcm representing 18% of total volumes available for sale.

Gas sales by entity (bcm)	2012	2013	2014	Change	% Ch.
Total sales of subsidiaries	**84.30**	**83.60**	**81.73**	**(1.87)**	**(2.2)**
Italy (including own consumption)	34.66	35.76	34.04	(1.72)	(4.8)
Rest of Europe	44.57	42.30	43.07	0.77	1.8
Outside Europe	5.07	5.54	4.62	(0.92)	(16.6)
Total sales of Eni's affiliates (net to Eni)	**8.29**	**6.96**	**4.38**	**(2.58)**	**(37.1)**
Italy	0.12	0.10		(0.10)	
Rest of Europe	6.45	5.05	3.15	(1.90)	(37.6)
Outside Europe	1.72	1.81	1.23	(0.58)	(32.0)
E&P in Europe and in the Gulf of Mexico	**2.73**	**2.61**	**3.06**	**0.45**	**17.2**
WORLDWIDE GAS SALES	**95.32**	**93.17**	**89.17**	**(4.00)**	**(4.3)**

Gas sales by market (bcm)	2012	2013	2014	Change	% Ch.
ITALY	**34.78**	**35.86**	**34.04**	**(1.82)**	**(5.1)**
Wholesalers	4.65	4.58	4.05	(0.53)	(11.6)
Italian gas exchange and spot markets	7.52	10.68	11.96	1.28	12.0
Industries	6.93	6.07	4.93	(1.14)	(18.8)
Medium-sized enterprises and services	0.81	1.12	1.60	0.48	42.9
Power generation	2.55	2.11	1.42	(0.69)	(32.7)
Residential	5.89	5.37	4.46	(0.91)	(16.9)
Own consumption	6.43	5.93	5.62	(0.31)	(5.2)
INTERNATIONAL SALES	**60.54**	**57.31**	**55.13**	**(2.18)**	**(3.8)**
Rest of Europe	**51.02**	**47.35**	**46.22**	**(1.13)**	**(2.4)**
Importers in Italy	2.73	4.67	4.01	(0.66)	(14.1)
European markets	48.29	42.68	42.21	(0.47)	(1.1)
Iberian Peninsula	*6.29*	*4.90*	*5.31*	*0.41*	*8.4*
Germany/Austria	*7.78*	*8.31*	*7.44*	*(0.87)*	*(10.5)*
Benelux	*10.31*	*8.68*	*10.36*	*1.68*	*19.4*
Hungary	*2.02*	*1.84*	*1.55*	*(0.29)*	*(15.8)*
UK/Northern Europe	*4.75*	*3.51*	*2.94*	*(0.57)*	*(16.2)*
Turkey	*7.22*	*6.73*	*7.12*	*0.39*	*5.8*
France	*8.36*	*7.73*	*7.05*	*(0.68)*	*(8.8)*
Other	*1.56*	*0.98*	*0.44*	*(0.54)*	*(55.1)*
Extra European markets	**6.79**	**7.35**	**5.85**	**(1.50)**	**(20.4)**
E&P in Europe and in the Gulf of Mexico	**2.73**	**2.61**	**3.06**	**0.45**	**17.2**
WORLDWIDE GAS SALES	**95.32**	**93.17**	**89.17**	**(4.00)**	**(4.3)**

Sales of natural gas

In 2014, natural gas sales amounted to 89.17 bcm (including Eni's own consumption, Eni's share of sales made by equity-accounted entities and upstream sales in Europe and in the Gulf of Mexico), representing a decrease of 4 bcm or 4.3% from the previous year.
Sales in Italy decreased to 34.04 bcm, down by 5.1%. Lower sales were reported in the industrial, residential and thermoelectric segments due to decreased consumption, unusual winter weather conditions and a further deterioration of the trading environment for electricity sales reflecting higher use of hydroelectric and renewable sources, as well as lower demand. These negative trends were partially offset by higher spot volumes. Sales in Europe of 42.21 bcm decreased by 1.1% driven mainly by lower volumes marketed in Germany/Austria, France and the United Kingdom due to competitive pressure, partially offset by higher sales in Benelux and the Iberian Peninsula.

Direct sales of Exploration & Production in Northern Europe and the United State (3.06 bcm) increased by 0.45 bcm due to higher volumes sold in the North Sea.
Sales to importers to Italy decreased by 14.1% compared to the previous year, due to lower availability of Libyan output and lower sales to Extra European markets (down 20.4%) driven by lower volumes marketed in the United States and Argentina.

LNG

In 2014, LNG sales (13.3 bcm) increased by 0.9 bcm from 2013. In particular, LNG sales of the Gas & Power segment (8.9 bcm, included in worldwide gas sales) mainly concerned LNG from Qatar, Algeria and Nigeria marketed in Europe, South America and the Far East.

LNG sales (bcm)	2012	2013	2014	Change	%Ch.
G&P sales	**10.5**	**8.4**	**8.9**	**0.5**	**6.0**
Rest of Europe	7.6	4.6	5.0	0.4	8.7
Outside Europe	2.9	3.8	3.9	0.1	2.6
E&P sales	**4.1**	**4.0**	**4.4**	**0.4**	**10.0**
Terminals:					
Soyo (Angola)		0.1	0.1		
Bontang (Indonesia)	0.6	0.5	0.5		
Point Fortin (Trinidad & Tobago)	0.5	0.6	0.6		
Bonny (Nigeria)	2.7	2.4	2.8	0.4	16.7
Darwin (Australia)	0.3	0.4	0.4		
	14.6	**12.4**	**13.3**	**0.9**	**7.3**

Power

Availability of electricity

Eni's power generation sites are located in Ferrera Erbognone, Ravenna, Livorno, Mantova, Brindisi, Ferrara and Bolgiano. In 2014, power generation was 19.55 TWh, down by 1.83 TWh or 8.6% from 2013, mainly due to lower production at Ravenna and Brindisi plants due to decreasing demand.
As of December 31, 2014, installed operational capacity was 4.9 GW (4.8 GW as of December 31, 2013). Electricity trading reported a slight increase (up 2.6% to 14.03 TWh) due to higher purchases on the spot market.

Power sales

In 2014 power sales (33.58 TWh) were directed to the free market (74%), the Italian power Exchange (14%), industrial sites (9%) and others (3%).
Compared with 2013, electricity sales were down by 4.2%, due to lower sales to large clients and wholesalers partially offset by higher volumes traded on the Italian power Exchange.

		2012	2013	2014	Change	%Ch.
Purchases of natural gas	(mmcm)	4,792	4,295	4,074	(221)	(5.1)
Purchases of other fuels	(ktoe)	462	449	338	(111)	(24.7)
Power generation	(TWh)	23.58	21.38	19.55	(1.83)	(8.6)
Steam	(ktonnes)	12,603	9,907	9,010	(897)	(9.1)

Availability of electricity	(TWh)	2012	2013	2014	Change	% Ch.
Power generation		23.58	21.38	19.55	(1.83)	(8.6)
Trading of electricity[a]		19.00	13.67	14.03	0.36	2.6
		42.58	**35.05**	**33.58**	**(1.47)**	**(4.2)**
Free market		31.84	28.73	24.86	(3.87)	(13.5)
Italian Exchange for electricity		6.10	1.96	4.71	2.75	..
Industrial plants		3.30	3.31	3.17	(0.14)	(4.2)
Other [a]		1.34	1.05	0.84	(0.21)	(20.0)
Power sales		**42.58**	**35.05**	**33.58**	**(1.47)**	**(4.2)**

(a) Includes positive and negative imbalances.

Capital expenditure

In 2014 capital expenditure amounted to €172 million, mainly related to initiatives aimed to improve flexibility and upgrade the combined cycle power plants (€98 million) and gas marketing initiatives (€66 million).

Capital expenditure	(€ million)	2012	2013	2014	Change	% Ch.
Marketing		**200**	**206**	**164**	**(42)**	**(20.4)**
Marketing		77	87	66	(21)	(24.1)
Italy		*43*	*42*	*30*	*(12)*	*(28.6)*
Outside Italy		*34*	*45*	*36*	*(9)*	*(20.0)*
Power generation		123	119	98	(21)	(17.6)
International transport		**13**	**23**	**8**	**(15)**	**(65.2)**
Capital Expenditure		**213**	**229**	**172**	**(57)**	**(24.9)**
of which:						
Italy		166	161	128	(33)	(20.5)
Outside Italy		47	68	44	(24)	(35.3)