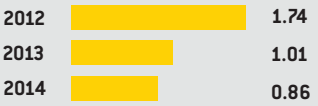
Refining & Marketing

Adjusted operating profit
(€ million)

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



Refinery throughputs on own account
(mmtonnes)

Direct GHG emissions
(mmtonnes CO_2eq)

Retail sales of petroleum products in Europe
(mmtonnes)

Customer satisfaction index
(likert scale)

-30% vs 2012
refining capacity due to reconversion in biofuel plants

0.3 million tonnes/year
Venice Green Refinery production capacity

78%
refinery utilization rate with a $6/barrel breakeven margin

Defined an **agreement** for the conversion of **Gela Refinery** in bio-refinery

+2.09 million tonnes
of biofuels marketed

+32.1% vs 2013
Standard Eni Refining Margin notwithstanding industry structural headwinds

Performance of the year

> In 2014 continued the positive trend in injury frequency rate for employees and contractors (down 14.9%).

> Greenhouse gas emissions reported an increase of 2.7% due to the inclusion of Taranto thermoelectric plant (former Enipower) in Refining & Marketing consolidation area, since October 2013.

> In 2014, the Refining & Marketing segment reduced the adjusted net loss to €147 million (€232 million in 2013) driven by improved refining margins, particularly in the last part of the year reflecting a fall in oil prices and restructuring initiatives, including the start-up of the green refinery project in Venice, as well as cost efficiency initiatives, particularly with respect to energy and overhead costs. Marketing results were much higher compared to the previous year, due to a relevant decline of oil prices and despite the weak demand and rising competitive pressure.

> In 2014 refining throughputs were 25.03 mmtonnes, down by 8.6% from 2013. In Italy, processed volumes decreased by 11.7% mainly due to the unfavourable refinery scenario registered in the first part of the year as well as the shutdown of the Gela and Venice refineries. At the Milazzo plant, throughputs reported a slight increase (up 3%), in particular due to favourable scenario in the last quarter. Outside Italy, Eni's refining throughputs increased by 6% compared to the previous year, mainly in the Czech Republic following the shutdown of Kralupy refinery in 2013.

> In 2014 the production of biofuels amounted to 12.93 mmtonnes, up by 19.3% compared to a year ago following the start-up of the bio-refinery in Porto Marghera.

>Retail sales in Italy amounted to 6.14 mmtonnes, down by 7.5% from 2013 due to strong competitive pressure. In 2014 Eni's average retail market share was 25.5%, down by 2 percentage points from 2013.

> Retail sales in the rest of Europe of 3.07 mmtonnes were substantially stable compared to 2013 (up 0.7%). Higher volumes marketed in Germany and Austria were offset by lower sales of the other subsidiaries.

> Capital expenditure amounting to €537 million mainly related to refining, supply and logistics (€362 million), in particular for the reconversion of the Venice site to bio-refinery as well as maintenance and improvement of flexibility and yields of the other plants, in particular at Sannazzaro refinery and marketing activities for the rebranding of the retail distribution network (€175 million).

> In 2014, the total expenditure in R&D in the Refining & Marketing segment amounted to approximately €18 million. During the year 15 patent applications were filed.

Portfolio rationalization

In line with the Eni's strategy focused on selectively growing in high profitable markets, Eni signed a preliminary agreement for the divestment of its marketing activities of fuels located in Czech Republic, Slovakia and Romania to the Hungarian Company MOL. The agreement also comprises the refinery capacity to supply the marketing network through a 32.445% interest in the joint refining asset Ceská Rafinérská as (CRC). All these agreements are subject to the approval of the relevant European Antitrust Authorities. Eni will continue the marketing of lubricants in the wholesale segment in Czech Republic, Slovakia and Romania.

Development plan of the Gela site

In November 2014 Eni defined with the Ministry for Economic Development, the Region of Sicily and interested stakeholders a plan to restore the profitability of the Gela refinery. The key point of the agreement is the reconversion of the Gela site to a bio-refinery. The reconversion will follow the model adopted for the Venice green refinery, where green diesel is produced from raw vegetable materials by using the proprietary Ecofining™ technology. The agreement also defines terms for building a modern logistic hub and new initiatives in the upstream sector in Sicily, including offshore. Eni will also perform environmental remediation and cleanup activities and institute the Safety Competence Center (SCC), a center of excellence in the security field. The investment plan for such initiatives amounts to €2.2 billion, mainly relating to upstream projects in the Sicily region.

Start-up of Venice bio-refinery

In June 2014, the start-up of the bio-refinery of Porto Marghera was achieved, with a green diesel capacity of 300 ktonnes/year. The green diesel is produced from refined vegetable oil utilizing the proprietary Ecofining™ technology. The production will fulfil half of the Eni's annual requirement of green diesel, thus ensuring new perspectives for the industrial site of Venice and allowing economic and environmental benefits.

Strategy

For the next four years, the priority for the Refining & Marketing segment is the return to profitability in the context of weak fundamentals of the European refining market, affected by structural overcapacity. Eni intends to reduce refining exposure, through the reconversion of productive processes by the achievement of the breakeven level of adjusted operating profit and of cash flow from 2015 leveraging on (i) rationalization of refining capacity and reconversion of industrial plants in Italy and abroad, reducing capacity by a further 20% in addition to the 30% capacity downsizing reached up to 2014; (ii) continuous efficiency improvement; (iii) marketing activities development and rationalization of our portfolio in Italy and abroad.

Supply and Trading

In 2014, a total of 70.14 mmtonnes of crude were purchased by the Refining & Marketing segment (65.96 mmtonnes in 2013), of which 27.47 mmtonnes from Eni's Exploration & Production segment, 25.60 mmtonnes on the spot market and 17.07 mmtonnes were purchased under long-term supply contracts with producing Countries. The subdivision by geographic area was as follows: approximately 35% of crude purchased in 2014 came from Russia, 18% from West Africa, 11% from the North Sea, 8% from the Middle East, 7% from North Africa, 6% from Italy and 15% from other areas.

In 2014 a total of 49.99 mmtonnes of crude purchased were marketed, up by 6.03 mmtonnes or 13.7% from 2013. In addition, 4.94 mmtonnes of intermediate products were purchased (5.31 mmtonnes in 2013) to be used as feedstock in conversion plants and 20.87 mmtonnes of refined products (17.79 mmtonnes in 2013) were purchased to be sold on markets outside Italy (16.13 mmtonnes) and on the Italian market (4.74 mmtonnes) as a complement to available production.

Purchases (mmtonnes)	2012	2013	2014	Change	% Ch.
Equity crude oil					
Eni's production outside Italy	23.57	22.46	23.66	1.20	5.3
Eni's production in Italy	3.35	3.69	3.81	0.12	3.3
	26.92	**26.15**	**27.47**	**1.32**	**5.0**
Other crude oil					
Purchases on spot markets	24.95	25.27	25.6	0.33	1.3
Purchases under long-term contracts	10.34	14.54	17.07	2.53	17.4
	35.29	**39.81**	**42.67**	**2.86**	**7.2**
Total crude oil purchases	**62.21**	**65.96**	**70.14**	**4.18**	**6.3**
Purchases of intermediate products	4.53	5.31	4.94	(0.37)	(7.0)
Purchases of products	20.52	17.79	20.87	3.08	17.3
TOTAL PURCHASES	**87.26**	**89.06**	**95.95**	**6.89**	**7.7**
Consumption for power generation	(0.75)	(0.55)	(0.57)	(0.02)	(3.6)
Other changes[a]	(1.63)	(1.06)	(0.99)	0.07	6.6
	84.88	**87.45**	**94.39**	**6.94**	**7.9**

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

Refining

In 2014, refining throughputs were 25.03 mmtonnes, down by 2.35 mmtonnes, or 8.6% from 2013. In Italy, processed volumes decreased by 11.7% from 2013, mainly due to the unfavourable refinery scenario registered in the first part of the year as well as the shutdown of the Gela and Venice refineries. A slight increase was registered in processed volumes at Milazzo plant (up 3%). Outside Italy, Eni's refining throughputs (5.11 mmtonnes) increased by 6% (up approximately 300 ktonnes) mainly in the Czech Republic at Kralupy refinery, which in 2013 was object of to the planned shutdown.
Total throughputs in wholly-owned refineries were 16.24 mmtonnes, down by 2.75 mmtonnes (down 14.5%) from 2013 determining a refinery utilization rate of 78%. Approximately 25.2% of processed crude was supplied by Eni's Exploration & Production segment, representing a 1.6 percentage point increase from 2013 (23.7%).

Availability of refined products (mmtonnes)	2012	2013	2014	Change	% Ch.
ITALY					
At wholly-owned refineries	20.84	18.99	16.24	(2.75)	(14.5)
Less input on account of third parties	(0.47)	(0.57)	(0.58)	(0.01)	(1.8)
At affiliated refineries	4.52	4.14	4.26	0.12	2.9
Refinery throughputs on own account	**24.89**	**22.56**	**19.92**	**(2.64)**	**(11.7)**
Consumption and losses	(1.34)	(1.23)	(1.33)	(0.10)	(8.1)
Products available for sale	**23.55**	**21.33**	**18.59**	**(2.74)**	**(12.8)**
Purchases of refined products and change in inventories	3.35	4.42	5.38	0.96	21.7
Products transferred to operations outside Italy	(2.36)	(1.85)	(0.64)	1.21	65.4
Consumption for power generation	(0.75)	(0.55)	(0.57)	(0.02)	(3.6)
Sales of products	**23.79**	**23.35**	**22.76**	**(0.59)**	**(2.5)**
OUTSIDE ITALY					
Refinery throughputs on own account	**5.12**	**4.82**	**5.11**	**0.29**	**6.0**
Consumption and losses	(0.23)	(0.22)	(0.21)	0.01	4.5
Products available for sale	**4.89**	**4.60**	**4.90**	**0.30**	**6.5**
Purchases of refined products and change in inventories	17.29	13.69	16.11	2.42	17.7
Products transferred from Italian operations	2.36	1.85	0.64	(1.21)	(65.4)
Sales of products	**24.54**	**20.14**	**21.65**	**1.51**	**7.5**
Refinery throughputs on own account	**30.01**	**27.38**	**25.03**	**(2.35)**	**(8.6)**
of which: refinery throughputs of equity crude on own account	*6.39*	*5.93*	*5.81*	*(0.12)*	*(2.0)*
Total sales of refined products	**48.33**	**43.49**	**44.41**	**0.92**	**2.1**
Crude oil sales	**36.56**	**43.96**	**49.99**	**6.03**	**13.7**
TOTAL SALES	**84.89**	**87.45**	**94.40**	**6.95**	**7.9**

In 2014, the industrial plant conversion **EST (Eni Slurry Technology)** started the activity in Sannazzaro de' Burgondi with stable performance in line with expectations. 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 unconventional resources.
An evaluation process of licensing out of this technology to a number of oil companies for the application of EST their productive processes is ongoing.

During 2014 was consolidated the formulation of the proprietary catalyst **T-Sand**, a technology which permits the generation of high quality products, more environmentally sustainable. In particular the catalyst T-Sand is an hydrotreating and dearomatization system which allows to obtain diesel with low content of polyaromatics and reduced emissions of particulate.

In 2014 Eni continued the commitment to improvement and innovation in bio-fuels field, which allows the filing of numerous patents. The development of new bio-component for fuels, leveraged on green diesel production in Venice green refinery, which permits to market distinctive high quality products deriving from renewable sources.

During the year Eni successfully applied the proprietary technology **e-vpms**™ (eni vibroacoustic pipeline monitoring system), installed at the end of 2013 on the 113 km pipeline Gaeta-Pomezia, which allowed to locate in real time fraudulent attacks, which it is subjected, significantly reducing the oil spill.

Marketing of refined products

In 2014, retail sales of refined products (44.41 mmtonnes) increased by 0.92 mmtonnes from 2013, up 2.1%, due mainly to higher volumes sold to oil companies and traders outside Italy.

Product sales in Italy and outside Italy by market (mmtonnes)	**2012**	**2013**	**2014**	**Change**	**% Ch.**
Retail	7.83	6.64	6.14	(0.50)	(7.5)
Wholesale	8.62	8.37	7.57	(0.80)	(9.6)
Chemicals	1.26	1.32	0.97	(0.35)	(26.5)
Other sales	6.08	7.01	8.08	1.07	15.3
Sales in Italy	**23.79**	**23.34**	**22.76**	**(0.58)**	**(2.5)**
Retail rest of Europe	3.04	3.05	3.07	0.02	0.7
Wholesale rest of Europe	3.96	4.23	4.6	0.37	8.7
Wholesale outside Italy	0.42	0.43	0.43		
Other sales	17.12	12.44	13.55	1.11	8.9
Sales outside Italy	**24.54**	**20.15**	**21.65**	**1.50**	**7.4**
TOTAL SALES OF REFINED PRODUCTS	**48.33**	**43.49**	**44.41**	**0.92**	**2.1**

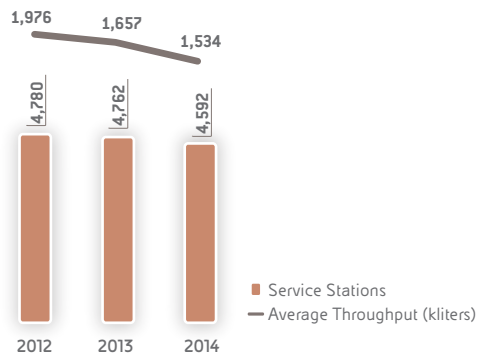
Retail sales in Italy

In 2014, retail sales in Italy of 6.14 mmtonnes decreased by approximately 0.50 mmtonnes or 7.5% compared to 2013, driven by lower consumption of all products. Average gasoline and gasoil throughput (1,534 kliters) decreased by approximately 124 kliters from 2013. Eni's retail market share for 2014 was 25.5%, down by two percentage points from 2013.
At December 31, 2014, Eni's retail network in Italy consisted of 4,592 service stations, 170 stations less compared to December 31, 2013 (4,762 service stations), resulting from the negative balance of the closing of service stations with low throughput (97 units), lack of renewal of two motorway concessions and the negative contribution of acquisitions/releases of lease concessions (71 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 1.9 million at December 31, 2014 of which approximately 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).

Retail and wholesale sales of refined products (mmtonnes)	2012	2013	2014	Change	% Ch.
Italy	**16.45**	**15.01**	**13.71**	**(1.30)**	**(8.7)**
Retail sales	**7.83**	**6.64**	**6.14**	**(0.50)**	**(7.5)**
Gasoline	2.41	1.96	1.71	(0.25)	(12.8)
Gasoil	5.08	4.33	4.07	(0.26)	(6.0)
LPG	0.31	0.32	0.32		
Others	0.03	0.03	0.04	0.01	33.3
Wholesale sales	**8.62**	**8.37**	**7.57**	**(0.80)**	**(9.6)**
Gasoil	4.07	4.09	3.54	(0.55)	(13.4)
Fuel Oil	0.33	0.24	0.12	(0.12)	(50.0)
LPG	0.30	0.30	0.28	(0.02)	(6.7)
Gasoline	0.20	0.25	0.30	0.05	20.0
Lubricants	0.09	0.09	0.09		
Bunker	1.19	1.00	0.91	(0.09)	(9.0)
Jet fuel	1.56	1.58	1.59	0.01	0.6
Other	0.88	0.82	0.74	(0.08)	(9.8)
Outside Italy (retail+wholesale)	**7.42**	**7.71**	**8.10**	**0.39**	**5.1**
Gasoline	1.81	1.73	1.80	0.07	4.0
Gasoil	3.96	4.23	4.48	0.25	5.9
Jet fuel	0.44	0.51	0.56	0.05	9.8
Fuel Oil	0.19	0.22	0.18	(0.04)	(18.2)
Lubricants	0.09	0.10	0.10		
LPG	0.52	0.51	0.55	0.04	7.8
Other	0.41	0.41	0.43	0.02	4.9
	23.87	**22.72**	**21.81**	**(0.91)**	**(4.0)**

Service Stations in Italy and Average Throughput
(no. of service stations)



Retail sales in the Rest of Europe

Retail sales in the Rest of Europe of 3.07 mmtonnes were basically in line compared to 2013 (up 0.7%). Higher volumes marketed in Germany and Austria were offset by lower sales in France and in the Czech Republic.
At December 31, 2014 Eni's retail network in the rest of Europe consisted of 1,628 service stations, with an increase of 4 units from December 31, 2013 (1,624 service stations).
The network evolution was as follows: (i) the closing of 15 low throughput service stations mainly in France; (ii) the positive balance of acquisitions/releases of lease concessions (10 units), in particular in Germany and Switzerland; (iii) the purchase of 8 service stations, mainly in Switzerland; (iv) the opening of 1 new outlet.
Average throughput (2,258 kliters) decreased by 64 kliters compared to a year ago (2,322 kliters in 2013).

Wholesale and other sales

Wholesale sales in Italy (7.57 mmtonnes) declined by approximately 800 ktonnes or 9.6% compared to the previous year, due to lower sales of all products, in particular gasoil for heating reflecting the mild climate registered in the period as well as fuel oil and bunkering due to declining demand. Average market share in 2014 was 26.7% (28.8% in 2013). Supplies to the petrochemical industry (0.97 mmtonnes) decreased from 2013 (down 350 ktonnes) due to lower feedstock supplies.

Wholesale sales in the Rest of Europe of approximately 4.60 mmtonnes increased by 8.7% from 2013 due to increased sales in Czech Republic, Hungary and France. Other sales in Italy and the rest of Europe (21.63 mmtonnes) increased by 2.18 mmtonnes or 11.2%, mainly due to higher sales to the other oil companies.

During the 2014, Eni has developed and prepared for the commercialization on the global scale certain series of **additive packages** for the production of both automotive and heavy traction **lubricants**. In this field, Eni also achieved the start-up of the commercialization of engine oils with high fuel economy, containing bio components, in the market of Northern Europe.

In 2014, in the field of the products for **vessels** Eni has developed: i) an high concentration (50%) **diesel fuel** with green origin for use on ships of the Italian Marina Militare and NATO, as well as the use of various concentrations of the Green diesel produced by Venice Refinery in regular diesel and

top quality for light duty; and ii) a **line of detergents** in the field of products for marine lubricants and traction " low SAPS " (with a low content of sulphated ash, phosphorus and sulphur) compatible with the systems of post-treatment of exhaust gases.

In collaboration with Versalis, Eni has been carrying out the activity that aims to develop in the medium term a **line of lubricants** with high environmental sustainability, formulated with components derived from sustainable biomass synthesized in the green chemistry plants of Porto Torres and Porto Marghera.

Capital Expenditure

In 2014, capital expenditure in the Refining & Marketing segment amounted to €537 million, regarded mainly: (i) refining, supply and logistics in Italy (€357) and outside Italy (€5 million), for the reconversion of Venice site to bio-refinery, with projects designed primarily to maintain and improve the conversion rate and flexibility of refineries, as well as expenditure on health, safety and environmental upgrades; (ii) upgrading and rebranding of the refined product retail network in Italy (€109 million) and in the rest of Europe (€66 million).

Capital expenditure (€ million)	2012	2013	2014	Change	% Ch.
Refinery, supply and logistics	**675**	**497**	**362**	**(135)**	**(27.2)**
Italy	671	491	357	(134)	(27.3)
Outside Italy	4	6	5	(1)	(16.7)
Marketing	**223**	**175**	**175**		
Italy	163	107	109	2	1.9
Outside Italy	60	68	66	(2)	(2.9)
	898	**672**	**537**	**(135)**	**(20.1)**