Letter to shareholders

Since the beginning of the oil downturn in 2014, Eni's strategy has been refocused on three pillars: a successful exploration with low unit costs and a fast time to market; the deployment of the dual exploration model through the disposal of these successes anticipating the conversion in cash of resources as to reconcile organic growth and a robust balance sheet; a continuous focus on the cost base to adapt the business model to a low commodity price scenario both in upstream and in downstream businesses.

The outstanding industrial and financial results delivered in 2016 and strengthened growth and value prospects have proven the effectiveness of this strategy, launched in 2014, anticipating the extraordinary declining trend in Brent prices.
First of all, in delivering our strategy, we strengthened the E&P segment, the main driver for growth and value generation.
In the last three years, hydrocarbon production increased by 15% (up by 240 kboe/d) exclusively organically, notwithstanding capex reduction. In 2017, Eni will continue to grow, reaching an all-time high output of about 1.84 million barrels of oil equivalent per day, adopting an even stricter capital discipline.
In 2016 once again, Eni reaffirmed its exploration leadership in the industry with 1.1 bln boe of additional resources, discovered mainly in Egypt.
Additions to the Company's resources backlog were 3.4 bln boe in the last three years, at a cost of 1 $/boe.
Against the backdrop a weak commodity environment, we have redefined the role of exploration on near-field plays, to ensure fast production support and quick conversion of resources into economic returns.
We achieved extraordinary results with the gas discoveries of the Great Nooros area onshore and of Zohr, offshore Egypt, made in 2015-2016 and in 2015 respectively, as well as the oil discoveries of the Block Marine XII in Congo (2014-2015). These accomplishments owed to the application of our distinctive technologies to mature prospects, also in some cases relinquished by other operators.
All of these discoveries are characterized by an excellent time-to-market, due to their proximity to our existing facilities: (i) the Nooros field was started-up just 13 months after the discovery; (ii) the super- giant Zohr gas field is expected to start-up in less than 30 months; (iii) the first of the Congo discoveries, Nenè Marine, achieved first oil in less than 15 months.
These results reflect Eni's priority to convert exploration successes rapidly into economic value by starting production quickly whilst looking to sell down stakes (dual exploration model) with a view of anticipating reserves monetization.
The effectiveness of our dual exploration model has been proved by the sale of a 40% stake in Zohr with expected cash in of approximately €2 billion, net of the reimbursement of expenditures incurred by Eni in 2016 and a reduced capex exposure while retaining a high growth rate. In the last three years, we significantly reduced the break-even of our project portfolio, this achievement was driven by competitive discovery costs, a design to cost approach in exploration which has focused conventional prospects in proximity of existing producing facilities leading to fast time-to-market and cost synergies, as well as efficient development activities and field operations.
Our new model to develop reserves foresees a strong integration between exploration phases and field start-ups, leveraging on technology and phased approach to minimize technical and economic risks. We will leverage on insourcing and solid monitoring of critical phases, such as engineering, commissioning and hook-up.
In 2016 we reached the best ever performance in Eni's history in terms of reserve replacement ratio at 193%, with an average rate of 150% in the 2014-2016 three-year period due to exploration success, progresses in the development activities and accelerated final investment decisions.
Also considering the 40% sale of Zohr, in 2016 the pro-forma reserve replacement ratio remains very robust at 139%, confirming the value of Eni's dual exploration model, which does not jeopardize our future growth plans.
In the context of sluggish gas consumption in Europe, 100 billion

Emma Marcegaglia
Chairman

Claudio Descalzi
Chief Executive Officer and General Manager

cubic meters lower than the pre-crisis level and weak refining margins, we have substantially completed the restructuring of the R&M and Chemicals segment and in the G&P segment we have launched all the actions to achieve the structural break-even by 2017. In 2016, these segments generated approximately €3 billion of operating cash flow compared to a deficit of €0.4 billion in 2013, funding cash outflows for capex and mitigating lower Brent prices. This turnaround leveraged on gas contract renegotiations, with approximately 70% of our supply portfolio indexed to hub, plant optimizations, widespread efficiency actions, as well as the de-risking of the portfolio exposure to the commodity volatility through trading activities and the reduction of the relative weight of basic commodities at the benefit of green production and value-added products.

In the 2013-2016 period, we disposed a number of interests in exploration licenses, our shareholdings in Snam and Galp and other non-core assets. Furthermore, we reduced Eni's interest in Saipem, which has been deconsolidated. All these disposals, contributed proceeds of €20 billion, including also the pro-forma effects of the Zohr disposal.

Finally, the transformation of our model from a divisional organization to a fully-integrated company, resulted in more streamlined decision making processes and cost savings of €770 million on an annual basis compared to the 2014 budgeted level. Since 2014, Eni reduced capex by 37%, opex by 25% and G&A costs by 37%. These savings coupled with a 15% increase in production and the results of the restructuring at our mid-downstream businesses have lowered the Brent price at which we achieve cash neutrality for capex from $127 to less than $50. These actions help explain how in the three-year period 2014-2016 we generated cash flows of €35 billion, substantially in line with the 2011-2013 level (€37 billion), despite a plunge of more than 50% in crude oil prices.

At the end of 2016, leverage was 0.28, lower than the threshold of 0.3, decreasing by further 4 points when factoring the pro-forma effect of Zohr disposal. In 2016, leverage benefitted from the robust cash flow from operations of €7.7 billion and the disposals, mainly the closing of Saipem transaction with net proceeds of €5.2 billion, determining a reduction in net borrowings of €2 billion, funding €9.2 billion of capex and €2.88 billion of dividend payments.

A normalized measure of the cash flow from operating activities was €8.3 billion, calculated by excluding the negative effect of the Val d'Agri shutdown (€0.2 billion), a reclassification of certain receivables for investing activities to trading receivables (€0.3 billion), while including changes in working capital due to the sale of a 40% interest in Zohr (€0.1 billion).

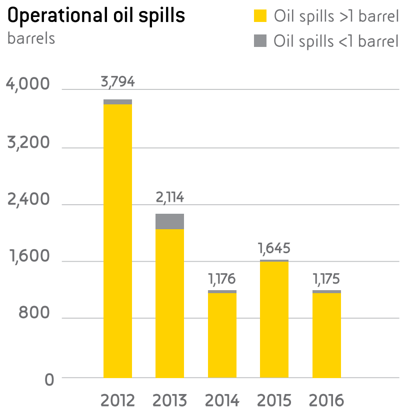
This normalized cash flow funded approximatly 95% of 2016 capex, which reduced from €9.2 billion to €8.7 billion when deducting the expected reimbursement of past capex related to the divestment of a 40% interest in the Zohr project (€0.5 billion), despite a weak price scenario.

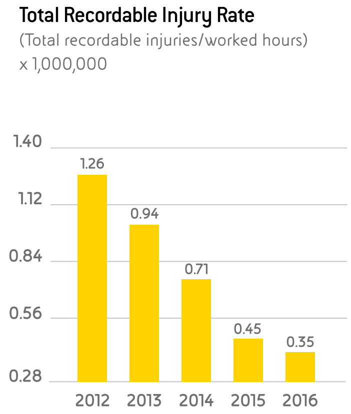
Eni's performance in terms of corporate social responsibility fit with the excellent operating and financial results.

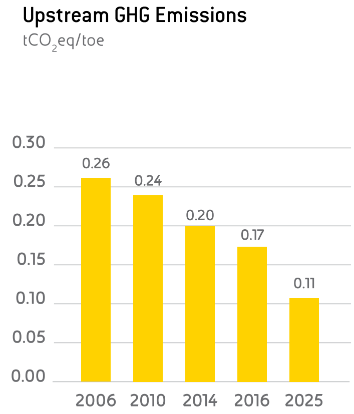
Our way of doing business, based on operating excellence, the constant focus on health and safety of people working in Eni, on local communities development, on climate and environmental issues as well as well's risk management, are distinctive drivers of our business model.

Among 2016 milestones, is worth mentioning the agreement on the Gela industrial reconversion, proving our capability to combine economically sustainable business initiatives with local communities development and the safeguard of the environment, as well as continuing progress on HSE performances, at the top of the industry.

In safety, we continued to report excellent performances. In 2016, total recordable injury rate was 0.35, down by 21% from 2015 confirming our commitment to target a zero level of injuries.
GHG emissions further reduced by 3.6% from 2015 and most importantly emissions relating to upstream activities.
The unitary emission of CO_2 per ton of oil equivalent produced, declined by 8.8%, in line with the targeted 43% reduction to 2025 compared to 2014. This will be recordable by leveraging on already selected flaring down projects, reduction of emissions from methane and energy efficiency projects.
Compared to 2015, the use of fresh water declined by 16% and oil-spills prevention activities enabled oil spills due to operations reduction (down by 27%) as well as due to sabotages (down by 20%). Furthermore, our zero blow-out and well accidents track record continued for a thirteenth consecutive year.







Looking ahead, to the prospects of the oil industry, we expect a gradual rebalancing in the oil market and a consequent recovery in the long-term Brent price to $70, also supported by the recent OPEC agreement e the cooperation of certain non-OPEC countries. The future of the energy sector will depend also on the ability of the oil majors to contribute to the no longer deferrable need to reduce GHG emissions.
Thus, the strategy was defined taking into account two time horizons: i) in the short-term, we expect a robust recovery in profitability and in cash flow generation, by solidifying the achievements of the last three years and by implementing the actions defined in the plan period; ii) in the long-term, we expect our business model to get ready for the low-carbon scenario, ratified by the Paris agreements.
The impact of launched and planned actions for the short to medium term, aiming to reduce operations' carbon footprint and renewable energies development, will ensure Eni's sustainability in the current scenario. This has been confirmed by the awards made to Eni by independent institutes, among which the inclusion of Eni in the A list of CDP, the only example among oil majors.
For the 2017-2020 period, we are planning €31.6 billion of capital expenditure, net of the capex reimbursement associated with the disposal program as part of our dual exploration model.
The planned capex will be directed for 86% to the upstream and will be 8% lower than the previous plan.
The reduction in capex is reflective of our capital discipline and the higher scale of the portfolio management.
While lowering capital expenditure, the average annual growth rate of hydrocarbon production is expected at 3%, post portfolio, higher than the 2.3% rate projected in the previous plan.
The planned start-ups of the four-year plan – mainly Zohr in Egypt, OCTP in Ghana, Jangrik in Indonesia, the East Hub field of Block 15/06 in Angola, already started up on February 8, 2017, five months earlier than scheduled – and a number of upgradings in core areas, ramp-ups and production optimizations will deliver an overall contribution of about 850 kboe/d by the end of the plan period.
The exploration will continue to be focused on near-field projects and on the appraisal of the last discoveries, while confirming our interest for conventional plays with high equity/materiality for the implementation of the dual exploration model. Our target is to discover 2 to 3 billion boe of new resources in the plan period.
Planned actions in the E&P segment, together with opex control and optimization of the financial exposure to National Oil Companies, will drive profitable growth leveraging on the start-up of high quality projects and cash flow maximization.
In the Gas&Power segment, on the back of a complex scenario, a new round of realignment of long-term gas supply contracts to the market, reduction of logistic costs as well as the focus on high added-value segments (LNG, trading and retail markets) will underpin profitability and cash generation.
Our target is to reach the structural break-even by 2017, with a cumulative cash flow from operations for the four years 2017-2020 of approximately €2.6 billion.
In the Refining&Marketing segment, we expect to finalize plants optimization and green reconversions especially with the start-up of the Gela plant, to further improve efficiency in logistic and to

enhance conversion capacity in order to target a break-even margin of approximately 3 $/bl within 2018. In Marketing activity, profitability will be underpinned by product and service innovation, service quality and efficiencies.
We confirm the target of a cumulative cash flow from operations in the plan period of €3.3 billion, in spite of a weaker refinery environment compared to the previous plan.
In the Chemicals segment, we intend to develop valuable products (specialties and green chemistry) and to increase the international presence of Versalis through the start-up of joint ventures in Asia and by entering new markets leveraging on technology.
We aim to stabilize profitability ensuring the full coverage of capex with funds from operations.
Overall, planned actions on the base of results reached in the 2014-2016 three-year plan, will allow a strong cash generation and to confirm our Brent price target to cover capex and dividends. In 2017 we confirm cash neutrality at 60 $/bbl and below 60 $/bbl in the three years 2018-2020.
The execution of a robust disposal programme of €5-7 billion, excluding the Zohr deal already defined in 2016, concentrated in the first year of the plan period and relating mainly to the dilution of Eni's interests in exploration assets, will make available further financial resources.
Beyond the plan period, Eni acknowledges that the main challenge the energy sector is facing is represented by the balance between the maximization of access to energy and the fight against climate change that necessarily involves changing the energy mix, reducing the carbon footprint.
Eni's response to this challenge is the integrated strategy combining financial strength with social and environmental sustainability, structured in:
i) a cooperation and development model of Eni's countries of operations, by which Eni is committed to produce power for the local market, to spread access to energy and diversify the energy mix;
ii) the operational model aiming at minimizing risks and social and environmental impacts of activities; in particular, Eni reduced in last ten years by 75% gas flared in its upstream activities and targets to zero gas flaring by 2025;
iii) a clear and defined strategy for decarbonization.
This strategy targets a 43% reduction of CO_2 emission per ton of oil equivalent produced by 2025 and a portfolio of projects with a low potential of CO_2 emissions. In particular, gas projects represent 58% of Eni's assets portfolio; gas is expected to be the transition fuel for power generation and transport supply. Eni aims also to develop renewable sources in its countries of operations.
The plan 2017-2020 includes investments in renewables, mainly in photovoltaic sources, of more than €0.55 billion, targeting an installed capacity by 2020 of 463 MWp in Italy and other partner Countries.
Considering the incidence of gas in Eni's reserves portfolio and the break-even reduction in development projects, we believe that by adopting strict price scenarios for GHG emissions, the company is not exposed to the risk of stranded reserves.
All in all, we believe that the Company has accomplished a solid competitive position leveraging on competences and exploration successes, a reduction in the full-cycle cost of the barrel produced consistently with a weakened trading environment, mid-downstream sustainability and, in the long-term, the ability to adapt to decarbonization.
At the end of our mandate, we are returning to you a company with a renewed strategy, more efficient and capable of structurally creating value in the emerging energy scenario.
In light of these results, the Board of Directors will propose to the Annual Shareholders' Meeting the distribution of final dividend of €0.80 per share, of which €0.40 already paid as interim dividend in September 2016.
Going forward, we remain committed to a progressive distribution policy in line with our plans of underlying earnings and cash flow growth and the scenario evolution.
These goals and achievements owe greatly to the commitment, motivation and the capacity to adapt shown by Eni's women and men in this three-year period, during which the Company has faced and won big challenges laying the foundation for future growth.

February 28, 2017

In representation of the Board of Directors

Emma Marcegaglia
Chairman

Claudio Descalzi
Chief Executive Officer and General Manager