Refining & Marketing and Chemicals

Adjusted operating profit
(€ million)

2014	(412)
2015	695
2016	**583**

Total recordable injury rate (TRIR)
(Total recordable injuries per mln worked hours)

2014	1.51
2015	1.07
2016	**0.38**

Refinery throughputs on own account
(mmtonnes)

2014	25.03
2015	26.41
2016	**24.52**

Direct GHG emissions
(mmtonnes CO_2eq)

2014	6.84
2015	6.17
2016	**4.35**

Retail sales of refined products in Europe
(mmtonnes)

2014	9.21
2015	8.89
2016	**8.59**

Production of petrochemical products
(mmtonnes)

2014	5.3
2015	5.7
2016	**5.6**

about **4.2 $/bbl**
break-even refining margin

€305 million adjusted
operating profit of Chemical segment
benefiting from the finalization
of the restructuring plan

Progress on the integrated project
for the **reconversion**
of **Gela Refinery**

24.3%
Retail market share in Italy

89.5%
refinery utilization rate

down by **69%** oil spills
due to operations

Performance of the year

- In 2016 continued the positive trend in total recordable injury rate, down by 64% due to both employees (down by 54%) and contractors (down by 73%) contribution.
- Greenhouse gas emissions reported a decrease of 29.5% compared to 2015 driven by a different mix of processed fuels at Livorno, Taranto and Sannazzaro refineries; the trend was influenced by the shutdown of the Dunkerque plant (Versalis) in the second part of the year.
- In 2016 the Refining & Marketing and Chemicals segment reported an adjusted operating profit of €583 million, down by €112 million, or 16,1% from the previous year.
  In 2016, the Refining & Marketing business reported an adjusted operating profit of €278 million, down by 28% from 2015. This reflected negative impact of an unfavourable refining margin scenario (Eni's standard refining margin – SERM – in 2016 worsened to 4.2 $/bbl, compared to 8.3 $/bbl in 2015, down by 49.4%), the lower availability of domestic crude oil from the Val d'Agri field and higher incidence of scheduled standstills in 2016. These negatives were partly offset by improved plant efficiency and optimization. The refining break-even margin improved to 4.2 $/bbl yearly average from the 2016 target of 4.5 $/bbl. Results of the Marketing activity declined mainly due to lower margins reflecting the increasing competitive pressure and the assets disposals in Slovenia and Hungary.
  The Chemical business reported an adjusted operating profit of €305 million, barely unchanged from the full year 2015 with an adjusted operating profit of €308 million. The unfavourable trading environment with worsening margins of crackers, polyethylenes and styrenes was partially offset by steady sale volumes and efficiency and optimization actions.

- In 2016 Eni's refining throughputs amounted to 24.52 mmtonnes, lower y-o-y (down by 7.2%) due to unavailability of domestic crude oil of the Val d'Agri field at the Taranto plant and planned shutdowns at Livorno and Milazzo refineries. These negatives were partially offset by higher throughputs at the Sannazzaro refinery, despite the incident occurred at the EST plant in December 2016. On a homogeneous basis, when excluding the impact of the disposal of CRC refinery in the Czech Republic finalized on April 30, 2015, refining throughputs were down by 4.5%.
- In 2016 biofuels produced from vegetable oil at the Venice Green Refinery amounted to 0.21 mmtonnes, up by 5% compared to a year earlier.
- Retail sales in Italy were 5.93 mmtonnes slightly decreasing from 2015 (down by approximately 30 ktonnes, or 0.5%).
- Retail sales in the Rest of Europe (2.66 mmtonnes) were down by 9.2% compared to the previous year, mainly due to assets disposals in the Czech Republic and Slovakia finalized in July 2015 as well as in Slovenia and Hungary in the second half of 2016. These negatives were partially offset by higher volumes traded in France, Austria and Germany.
- Sales of petrochemical products in Europe amounted to 3.76 mmtonnes, recording a slight reduction of 1.1% y-o-y, due to a slow recovery in consumptions. Higher intermediates sales were partially offset by lower sale volumes in the other businesses.
- Capital expenditure amounting to €664 million mainly related to: (i) refining activities in Italy and outside of Italy (€298 million), aiming mainly at maintain plants' integrity, as well as initiatives in health, security and environmental issues; (ii) marketing activity, mainly regulation compliance and stay in business initiatives in the refined product retail network in Italy and in the Rest of Europe (€123 million).

Integrated project for Gela reconversion

In 2016 Eni's activities progressed in line with the commitments foreseen in the Memorandum of Understanding, signed in 2014, with the Ministry for the Economic development and Local Authorities.
In April 2016, following the fulfilment of certain conditions, Eni launched the construction activities at the Green Refinery project, being one of the pillar of the agreement. The refinery will have a capacity of 750 ktonnes/y. The conversion will leverage on the application of ecofining proprietary technology, developed and patented by Eni, to convert unconventional and second generation raw materials into green diesel, a high sustainable biofuel.
Gela reconversion represents the first integrated and cross businesses' project which Eni is developing in Italy to combine the needs of the business and those of the communities living in the area.
The agreement foresees also: i) the launch of new hydrocarbon exploration and production activities in the Region of Sicily and the offshore area; ii) the realization of a modern hub for shipping locally produced crude oil and green fuel produced on the site; a feasibility study, to identify LNG and CNG storage and transport infrastructure in Gela, as well as the realization of a project for the production of natural latex from natural products with the relative development of the agricultural supply chain; iii) the set-up of a competence centre focused on safety issues; iv) a plan for the environmental remediation of plants and areas that will gradually lose their industrial destination.

Green Chemical Project

Confirmed another step into the conversion process of the bio-refinery of Porto Marghera, with the development of an integrated technology platform fed with renewables sources. The project is based on an agreement signed in 2015 with the US-based company Elevance Renewable Science Inc., including research, technological development and engineering for new plants processes.
At these new plants, Versalis will produce bio-additives additives for chemicals used in the oil industry and green diesel for Eni bio-refinery, as well as applications such as detergents and bio-lubricants.

Strategy

The priority of the Refining & Marketing and Chemicals segment will be the consolidation of business profitability, in a context of weak fundamentals of the European refining market, affected by structural overcapacity, as well as the increasing competitive pressure from streams of oil products imported from the Middle East, Russia and Asia.
For the next four years, management priority is the achievement of a stable positive operating profit and free cash flow, leveraging on: (i) the maximization of the reconversion capacity of the heavy fractions of crude oil into light products also ensured by the EST technology at Sannazzaro Refinery, to reach the high sulphur fuels "zero production target" within 2020; (ii) the second step of the ongoing reconversion of Venice industrial plant in bio-refinery and the integrated project for Gela reconversion among the development of renewable fuels in the automotive sector; (iii) the efficiency actions, the optimization of production processes and logistic rationalization; (iv) the marketing profitability growth through a strategy focused on products and services innovation; (v) the valorization of proprietary technologies.
In the Chemical business the plan foresees: (i) the completion of the restructuring process at unprofitable sites; (ii) the downstream businesses integration to increase the co-products value; (iii) the portfolio diversification developing products with higher value added (so called "specialties"); (iv) the "Green Chemical" projects development; (v) international strategic alliances with leading companies and licensing activities.

Refining & Marketing

Supply and Trading

In 2016, were purchased 23.35 mmtonnes of crude oil (compared to 24.80 mmtonnes in 2015), of which 3.43 mmtonnes by equity crude oil, 18.04 mmtonnes on the spot market and 1.88 mmtonnes by producer countries with term contracts. The breakdown by geographic area was as follows: approximately 43% of purchased crude came from the Russian Commonwealth, 30% from the Middle East, 12% from Italy, 11% from North Africa, 1% from West Africa, 1% from North Sea and 2% from other areas.

Purchases (mmtonnes)	2014	2015	2016	Change	% Ch.
Equity crude oil	5.81	5.04	3.43	(1.61)	(31.9)
Other crude oil	17.21	19.76	19.92	0.16	0.8
Total crude oil purchases	**23.02**	**24.80**	**23.35**	**(1.45)**	**(5.8)**
Purchases of intermediate products	2.02	1.66	1.35	(0.31)	(18.7)
Purchases of products	11.07	10.68	11.20	0.52	4.9
TOTAL PURCHASES	**36.11**	**37.14**	**35.90**	**(1.24)**	**(3.3)**
Consumption for power generation	(0.57)	(0.41)	(0.37)	0.04	9.8
Other changes[a]	(0.62)	(1.22)	(1.92)	(0.70)	(57.4)
	34.92	**35.51**	**33.61**	**(1.90)**	**(5.4)**

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

Refining

In 2016, Eni's refining throughputs in Europe were 24.52 mmtonnes, down by 7.2 % from 2015 due to lower availability of domestic crude oil driven by the shutdown of the Val d'Agri field at the Taranto plant, as well as other planned maintenance turnarounds (Livorno and Milazzo), partially offset by higher volumes processed at Sannazzaro despite the incident occurred in December 2016.
On a homogeneous basis, when excluding the impact of the disposal of CRC refinery in the Czech Republic finalized on April 30, 2015, refining throughputs reported a decrease of 4.5% compared to 2015.

In Italy, the decreasing of refinery throughputs (down by 4.9%) was caused by the same drivers mentioned above.

In the full year 2016, volumes of biofuels produced from vegetable oil at the Venice Green Refinery increased by 5% from 2015.

Outside Italy, Eni's refining throughputs were 2.91 mmtonnes, down by 0.78 mmtonnes or 21.1% from the previous year, mainly due to the above mentioned divestment in the Czech Republic finalized in the second quarter of 2015.

Total throughputs in wholly-owned refineries were 17.37 mmtonnes, down by 1 mmtonnes or 5.4% compared with 2015.

The refinery utilization rate, ratio between throughputs and refinery capacity, is 89.5%. Approximately 14.8% of processed crude was supplied by Eni's Exploration & Production segment, down by 6 percentage points from 2015 (20.4%).

Availability of refined products (mmtonnes)	**2014**	**2015**	**2016**	**Change**	**% Ch.**
ITALIA					
At wholly-owned refineries	16.24	18.37	17.37	(1.00)	(5.4)
Less input on account of third parties	(0.58)	(0.38)	(0.27)	0.11	28.9
At affiliated refineries	4.26	4.73	4.51	(0.22)	(4.7)
Refinery throughputs on own account	**19.92**	**22.72**	**21.61**	**(1.11)**	**(4.9)**
Consumption and losses	(1.33)	(1.52)	(1.53)	(0.01)	(0.7)
Products available for sale	**18.59**	**21.20**	**20.08**	**(1.12)**	**(5.3)**
Purchases of refined products and change in inventories	7.19	6.22	6.28	0.06	1.0
Products transferred to operations outside Italy	(0.72)	(0.48)	(0.39)	0.09	18.8
Consumption for power generation	(0.57)	(0.41)	(0.37)	0.04	9.8
Sales of products	**24.49**	**26.53**	**25.60**	**(0.93)**	**(3.5)**
Green refinery throughputs	**0.13**	**0.20**	**0.21**	**0.01**	**5.0**
OUTSIDE ITALY					
Refinery throughputs on own account	**5.11**	**3.69**	**2.91**	**(0.78)**	**(21.1)**
Consumption and losses	(0.21)	(0.23)	(0.22)	0.01	4.3
Products available for sale	**4.90**	**3.46**	**2.69**	**(0.77)**	**(22.3)**
Purchases of refined products and change in inventories	4.48	4.77	4.72	(0.05)	(1.0)
Products transferred from Italian operations	0.72	0.48	0.40	(0.08)	(16.7)
Sales of products	**10.10**	**8.71**	**7.81**	**(0.90)**	**(10.3)**
Refinery throughputs on own account	**25.03**	**26.41**	**24.52**	**(1.89)**	**(7.2)**
of which: refinery throughputs of equity crude on own account	*5.81*	*5.04*	*3.43*	*(1.61)*	*(31.9)*
Total sales of refined products	**34.59**	**35.24**	**33.41**	**(1.83)**	**(5.2)**
Crude oil sales	**0.33**	**0.27**	**0.20**	**(0.07)**	**(25.9)**
TOTAL SALES	**34.92**	**35.51**	**33.61**	**(1.90)**	**(5.4)**

Marketing of refined products

In 2016, sales of refined products (33.41 mmtonnes) were down by 1.83 mmtonnes or by 5.2% from 2015, mainly due to the assets disposals in the Czech Republic and Slovakia, finalized in July 2015 as well as in Slovenia and Hungary in the second half of 2016.

Product sales in Italy and outside Italy by market (mmtonnes)	**2014**	**2015**	**2016**	**Change**	**% Ch.**
Retail	6.14	5.96	5.93	(0.03)	(0.5)
Wholesale	7.57	7.84	8.16	0.32	4.1
Chemicals	0.89	1.17	1.02	(0.15)	(12.8)
Other sales	9.89	11.56	10.49	(1.07)	(9.3)
Sales in Italy	**24.49**	**26.53**	**25.60**	**(0.93)**	**(3.5)**
Retail rest of Europe	3.07	2.93	2.66	(0.27)	(9.2)
Wholesale rest of Europe	4.60	3.83	3.18	(0.65)	(17.0)
Wholesale outside Italy	0.43	0.43	0.43		
Other sales	2.00	1.52	1.54	0.02	1.3
Sales outside Italy	**10.10**	**8.71**	**7.81**	**(0.90)**	**(10.3)**
TOTAL SALES OF REFINED PRODUCTS	**34.59**	**35.24**	**33.41**	**(1.83)**	**(5.2)**

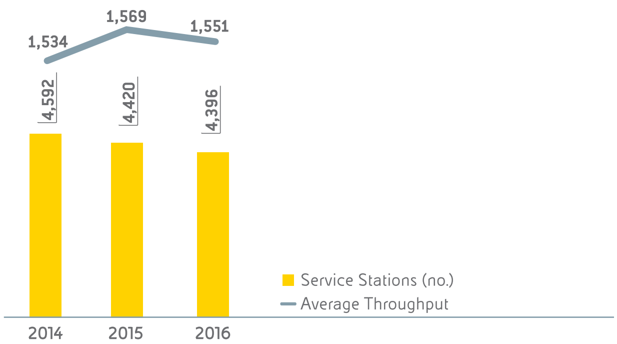
Retail sales in Italy

In 2016, retail sales in Italy were 5.93 mmtonnes, with a slight decrease compared to 2015 (about 30 ktonnes from 2015 or 0.5%) due to a reduction in volumes marketed in Eni's highway segment, partially offset by a slight increase in volumes marketed in Eni's owned stations. Average gasoline and gasoil throughputs (1,551 kliters) decreased by approximately 20 kliters from 2015. Eni's 2016 retail market share was 24.3%, down by 0.2 percentage points from 2015 (24.5%).

As of December 31, 2016, Eni's retail network in Italy consisted of 4,396 service stations, lower by 24 units from December 31, 2015 (4,420 service stations), resulting from the release of low throughput stations (27 units), offset by positive balance of acquisitions/releases of lease concessions (3 units).

Retail and wholesales sales of refined products (mmtonnes)	2014	2015	2016	Change	% Ch.
Italy	**13.71**	**13.80**	**14.09**	**0.29**	**2.1**
Retail sales	**6.14**	**5.96**	**5.93**	**(0.03)**	**(0.5)**
Gasoline	1.71	1.60	1.53	(0.07)	(4.1)
Gasoil	4.07	3.96	3.99	0.03	0.8
LPG	0.32	0.36	0.36		
Others	0.04	0.04	0.04		
Wholesale sales	**7.57**	**7.84**	**8.16**	**0.32**	**4.1**
Gasoil	3.54	3.69	3.70	0.01	0.3
Fuel Oil	0.12	0.12	0.14	0.02	16.7
LPG	0.28	0.22	0.22		
Gasoline	0.30	0.38	0.49	0.11	28.9
Lubricants	0.09	0.07	0.08	0.01	14.3
Bunker	0.91	1.07	1.01	(0.06)	(5.6)
Jet fuel	1.59	1.60	1.82	0.22	13.8
Other	0.74	0.69	0.70	0.01	1.4
Outside Italy (retail+wholesale)	**8.10**	**7.19**	**6.27**	**(0.92)**	**(12.8)**
Gasoline	1.80	1.51	1.27	(0.24)	(15.9)
Gasoil	4.48	3.98	3.44	(0.54)	(13.6)
Jet fuel	0.56	0.65	0.62	(0.03)	(4.6)
Fuel Oil	0.18	0.17	0.13	(0.04)	(23.5)
Lubricants	0.10	0.10	0.10		
LPG	0.55	0.51	0.49	(0.02)	(3.9)
Other	0.43	0.27	0.22	(0.05)	(18.5)
	21.81	**20.99**	**20.36**	**(0.63)**	**(3.0)**

Service stations in Italy and average throughput



Retail sales in the Rest of Europe

Retail sales in the Rest of Europe were approximately 2.66 mmtonnes, recorded a slight reduction from 2015 (down by 9.2%). This result reflected mainly the asset disposals in the Czech Republic and Slovakia finalized in July 2015 as well as in Slovenia and Hungary in the second half of 2016. These negatives were partially offset by higher volumes traded in France, Austria and Germany. On a homogeneous basis, when excluding the impact of the asset disposal in Eastern Europe, sales slightly increased by 1%. At December 31, 2016, Eni's retail network in the Rest of Europe consisted of 1,226 units, decreasing by 200 units from December 31, 2015, due to the service stations disposal above mentioned. Average throughput (2,340 kliters) increased by 68 kliters compared to 2015 (2,272 kliters).

Wholesale and other sales

Wholesale sales in Italy amounted to 8.16 mmtonnes, up by approximately 0.32 mmtonnes or 4.1% from the previous year, mainly due to higher volumes marketed of jet fuel, gasoil and fuel oil partly offset by lower sales of bunkering.
Wholesale sales in the Rest of Europe were 3.18 mmtonnes, down by 17% from 2015, net of the above-mentioned asset disposals. On a homogeneous basis, sales are barely unchanged from 2015. Supplies of feedstock to the petrochemical industry (1.02 mmtonnes) decreased by 12.8%.
Other sales in Italy and outside Italy (12.03 mmtonnes) decreased by approximately 1.05 mmtonnes or 8%, mainly due to lower sales volumes to oil companies.

Chemicals

Product availability (ktonnes)	2014	2015	2016	Change	% Ch.
Intermediates	2,972	3,334	3,417	83	2.5
Polymers	2,311	2,366	2,229	(137)	(5.8)
Production	**5,283**	**5,700**	**5,646**	**(54.0)**	**(0.9)**
Consumption and losses	(2,292)	(1,908)	(2,166)	(258)	13.5
Purchases and change in inventories	472	9	279	270	..
	3,463	**3,801**	**3,759**	**(42)**	**(1.1)**

Petrochemical sales of 3,759 ktonnes slightly decreased from 2015 (down by 42 ktonnes, or 1.1%) mainly due to the stagnation of demand in Europe. The sharpest declines were registered in polyethylene (down by 9.8%) and styrene (down by 9.1%) following the shutdown of Ragusa and Mantova plants, partly offset by higher volumes in derivatives among intermediates (up by 14.8%) and elastomers (up by 6.7%), driven by demand increase in the Tyre sector.
Average unit sales prices were 10% lower than in 2015. Monomers prices, particularly of butadiene (down by 2%) and benzene (down by 6%), reflected the weakness of the market and overcapacity. In the polymers business styrene prices were down by 6.3%, negatively affected by a decline in feedstock, and elastomers average prices decreased by 6.7% due to price competition from Asian producers. Also polyethylene prices decreased (down by 3.2%).
Petrochemical production of 5,646 ktonnes decreased by 54 ktonnes (down by 0.9%) due to declines in polyethylene (down by 8.6%) affected by weak demand and in styrene (down by 7.2%) due to planned and unplanned standstills at the Mantova plant. Derivatives productions increased (up by 10.2%) as well as elastomers (up by 7.1%) due to the recovery in sales volumes compared to 2015.
The main decreases in production were registered at the Ragusa site (down by 45%), due to a shutdown occurred at the plant, as well as at Ravenna and Dunkerque (olefins), Ferrara (elastomers) and Mantova sites (styrene) due to planned shutdowns. Productions at Brindisi plant increased (up by 15.7%) as well as Grangemouth site (up by 20.7%), due to the start-up of the new butadiene-based rubber production line.
Nominal capacity of plants was barely unchanged from the previous year. The average plant utilization rate calculated on nominal capacity was 71.4% reporting a slight decrease from 2015 (72.7%).

Business trends

Intermediates

Intermediates revenues (€1,688 million) decreased by €211 million from 2015 (down by 11.1%) reflecting the lower commodity prices scenario that influences average intermediates prices. Sales increased by 4.6%, in particular in the ethylene segment (up by 19.3%). Derivatives sales increased by 14.8% driven by the combined effect of a recovery in demand and higher product availability.
Average unit prices decreased by 11.1%, with aromatics down by 7% (benzene), derivatives down by 7.7% and olefins down by 17.8% driven by the weakness of the market and overcapacity in Europe.
Intermediates production (3,417 ktonnes) registered an increase of 2.5% from 2015 mainly in aromatics (up by 2.7%) and derivatives (up by 10.2%). Olefins production was barely unchanged (up by 0.8%).

Polymers

Polymers revenues (€2,380 million) decreased by €310 million or 11.5% from 2015 due to average unit prices (down by 5.5%) and sold volumes decrease (down by 6.7%), driven by continuing weak demand in the automotive segment and price competition from Asian producers. These negatives were further exacerbated by the decrease of average styrenics prices (down by 6.3%) and sold volumes down by 9.1%, also due to lower production availability following the Mantova plant shutdown.
Reductions were recorded both at volumes (down by 9.8%) and average prices (down by 3.2%) in polyethylene. The recovery in elastomers sales was registered in all the segments: commodities rubbers (BR up by 12.6%), SBR (up by 7.8%), thermoplastic rubbers (up by 5.9%), special rubbers EPDM (up by 3.6%) and lattices (up by 2%). Lower sales of styrene is attributable to lower volumes sold of compact polystyrene (down by 13.8%), due to demand food packaging, single-use products and building industry and lower sales of expandable polystyrene (down by 14.4%) partly offset by higher sales of ABS/SAN (up by 11.4%) driven by demand recovery and higher sales of styrol (up by 5.9%). The sales volumes of polyethylene reported a decrease (down by 9.8%) due to lower sales of EVA (down by 10.6%) and LDPE (down by 24.4%). HDPE sales increased (up by 7.8%).
Polymers production (2,229 ktonnes) decreased by 5.8% from 2015. Styrene productions decreased (down by 7.2%) due to planned standstill at Mantova plant with lower production of styrol (down by 6.4%) and compact polystyrene (down by 11.2%) partly offset by higher productions of ABS/SAN (up by 9.9%).
Polyethylene productions decreased (down by 8.6%) driven by scheduled standstills at Ragusa, Ferrara and Dunkerque plants partly offset by higher productions of HDPE (up by 9.4%). Elastomers productions increased (up by 7.1%), mainly in BR segment (up by 15.2%), driven by higher volumes sold compared to 2015.

Capital expenditure

In 2016, capital expenditure in the Refining & Marketing and Chemicals segment amounted to €664 million and mainly related to: (i) refining activity in Italy and outside Italy (€298 million) aiming at maintain plants' integrity, as well as initiatives in health, security and environment; (ii) marketing activity, mainly regulation compliance and stay in business initiatives in the refined product retail network in Italy and in the Rest of Europe (€123 million); (iii) upgrading activities (€87 million); upkeeping of plants (€75 milioni); maintenance (€38 milioni), as well as environmental protection, safety and environmental regulation (€37 milioni) in the Chemical business.

Capital expenditure (€ million)	**2014**	**2015**	**2016**	**Change**	**% Ch.**
Refining	362	282	298	16	5.7
Marketing	175	126	123	(3)	(2.4)
	537	**408**	**421**	**13**	**3.2**
Chemicals	282	220	243	23	10.5
	819	**628**	**664**	**36**	**5.7**