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Eni: second quarter and first half of 2016 results

Yesterday, Eni's Board of Directors approved group results for the second quarter and the first half of 2016 (unaudited).

Highlights and outlook

- **Hydrocarbon production at 1.734 million boe/d in the first half, up by 0.5% (down by 2.2% in the quarter); excluding the impact of the production shutdown at Val d'Agri, production rose by 2.4% (up by 1.5% in the quarter)**
- **Eni reaffirms guidance of stable production y-o-y, despite the Val d'Agri shutdown**
- **Achieved 5 out of the 6 main start-ups scheduled for 2016, among which was the Goliat oilfield in the Barents Sea. Confirmed contribution from new start-ups and ramp-ups of approximately 290 kboe/d for FY2016, including production of the Nooros project in Egypt, which started-up with record time-to-market**
- **Confirmed schedules and costs of ongoing development projects which will fuel future production growth higher than 5% in 2017 and will add 500 kboe/d of new production in the plan period**
- **Exploration: 550 mmboe of resources mainly near-field. Upped to 600 million boe of new resources the initial guidance of 400 million boe for the FY**
- **Capex optimization: confirmed 20% y-o-y reduction at constant exchange rates**
- **In the first half 2016, all mid-downstream segments reported positive adjusted EBIT**
- **Cash flow[1]: €3.1 billion (down by 51% from 1H 2015). Organic cash coverage of capex confirmed at a Brent scenario of approximately 50$/bl in 2016**
- **GHG emissions: the emission index per barrel produced down by 9%, in line with targets**

Results

- **Continuing operations:**
  - **adjusted operating profit: €0.77 billion in the first half 2016, down €2.3 billion y-o-y (or 75%) due to a negative trading environment (down €2.8 billion), partly offset by an improved performance; €0.19 billion in the quarter (down by 88% from the second quarter of 2015)**
  - **adjusted net earnings: loss of €0.27 billion in the first half 2016; loss of €0.29 billion in the quarter**
  - **reported net earnings: loss of €0.83 billion in the first half 2016; loss of €0.45 billion in the quarter**
- **Group net earnings: loss of €1.24 billion in the first half**
- **Net borrowings: €13.81 billion at period-end; leverage at 0.26**
- **Interim dividend proposal of €0.40 per share**

Claudio Descalzi, Eni's Chief Executive Officer, commented:
"Eni has achieved significant results in the first half of 2016, despite the weak but slowly improving market environment. Hydrocarbon production beat expectations, offsetting the suspension of activity in Val d'Agri and the disruptions in Nigeria. Our main developments are proceeding on time and on budget, allowing us to confirm our expected production growth of more than 5% in 2017. Our exploration, which is focused on near field activity, has allowed us to revise upwards our expectations for new discoveries in just six months. In mid and downstream, we have achieved positive results across all of our operations due to restructuring and efficiency measures which will continue as planned. Our strategy, including the optimization initiatives and a reduced cost base, has allowed us to absorb part of the impact of a low oil price scenario with a positive contribution of €1 billion to EBIT. We are maintaining our strong balance sheet, funding capex with our cash flow at a Brent price of 50$/bl. On this basis I will propose an interim dividend of €0.40 per share to the Board."

At the same time as reviewing this press release, the Board has approved the interim consolidated report as of June 30, 2016, which has been prepared in accordance to Italian listing standards as per article 154-ter of the Code for securities and exchanges (Testo Unico della Finanza). The document was immediately submitted to the Company's external auditor. Publication of the interim consolidated report is scheduled within the terms of law alongside completion of the auditor's review.

[1] Net cash provided by operating activities of continuing operations on a standalone basis.

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15	SUMMARY GROUP RESULTS [a]	(€ million)	First Half 2015	2016	% Ch.
1,554	**583**	**188**	**(87.9)**	**Adjusted operating profit (loss)** [b]		**3,086**	**771**	**(75.0)**
505	**23**	**(290)**	**..**	**Adjusted net profit (loss)** [b]		**1,231**	**(267)**	**..**
3,565	**1,370**	**1,730**	**(51.5)**	**Net cash provided by operating activities** [b]		**6,397**	**3,100**	**(51.5)**
498	**(383)**	**(446)**	**..**	**Net profit (loss) from continuing operations**		**1,285**	**(829)**	**..**
0.14	(0.11)	(0.12)	..	- per share (€) [c]		0.35	(0.23)	..
0.31	(0.24)	(0.27)	..	- per ADR ($) [c] [d]		0.78	(0.51)	..
(97)	**(796)**	**(446)**	**..**	**Group net profit (loss)**		**735**	**(1,242)**	**..**
(0.03)	(0.22)	(0.12)	..	- per share (€) [c]		0.20	(0.34)	..
(0.07)	(0.48)	(0.27)	..	- per ADR ($) [c] [d]		0.45	(0.76)	..

(a) Attributable to Eni's shareholders.
(b) From continuing operations. The comparative reporting period are calculated on a standalone basis. They reinstate the effects relating to the elimination of gains and losses on intercompany transactions with E&C sector, with the closing of the divestment transaction in January 2016, which is represented as discontinued operations under the IFRS 5.
(c) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.
(d) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.

Continuing and discontinued operations

Due to termination of negotiations with US-based SK hedge fund, to divest a 70% interest in Versalis SpA, as disclosed in the press release dated June 21, 2016, Eni's chemical business is no longer qualified as a disposal group held for sale. Therefore, Eni's consolidated accounts as of and for the six months ended June 30, 2016, have been prepared accounting this business as part of the continuing operations.
Based on IFRS 5 provisions, in case a disposal group ceases to be classified as held for sale, management is required to amend financial statements retrospectively as if the disposal group has never been qualified as held for sale. Accordingly, the opening balance of the interim consolidated accounts 2016 has been amended to reinstate the criteria of the continuing use to evaluate Versalis. This adjustment to the Versalis evaluation increased the opening balance of Eni's consolidated net assets by €294 million and was neutral on the Group's net financial position. In presenting the Group's consolidated results, Versalis assets and liabilities and revenues and expenses have been recorded line-by-line in the Group accounts. Results of the comparative periods have been reclassified accordingly. In the Group segment information, Versalis results have been reported as part of the R&M and Chemicals segment because a single manager is accountable for the performance at both operating segments.

In this press release adjusted results from continuing operations of the comparative periods of 2015 are reported on a standalone basis, thus excluding Saipem's results. A corresponding alternative performance measure has been presented for the net cash flow from operating activities. The net result of discontinued operations for the first quarter of 2016 and the first half of 2016 only comprised a loss recognized to align the book value of the Eni's residual interest in Saipem to its share price at January 22, 2016. This date marked the loss of control of Eni over Saipem, following the sale of a 12.503% interest to CDP Equity and the concurrent entering into force of the shareholder agreement between the parties. For further information, see the reconciliations and the explanatory notes furnished from page 22 onward.

Adjusted results

In the **second quarter of 2016** Eni reported an adjusted operating profit of €0.19 billion, down 88% y-o-y. This decline reflected a lower contribution from the E&P segment (down by €1.23 billion, or 78%) driven by a prolonged downturn in commodity prices (the Brent benchmark was down by 26% and gas prices in Italy were down) and the production shutdown at the Val d'Agri profit centre for the whole second quarter. These negatives were partly offset by production growth in other areas, cost efficiencies and lower amortization charges. The G&P segment reported a negative performance (worsening by €260 million) due to lower one-offs associated with gas contract renegotiations, lower LNG margins and other non-recurring items. These negatives were partly offset by efficiency and optimization gains. In spite of a less favourable refining trading environment y-o-y, the Refining & Marketing and Chemicals segment recorded an increase in operating performance of 49% y-o-y due to cost efficiencies and optimization. The main headwinds faced by the Group operating results were lower commodity prices and margins with a negative effect of €1.4 billion, the Val d'Agri shutdown and non-recurring items in G&P down by €0.4 billion, partly offset by production growth in other areas, cost efficiencies and a reduced cost base for €0.4 billion, mainly in the E&P segment.

In the second quarter of 2016, Eni reported an adjusted net loss of €0.29 billion, compared to adjusted net profit from continuing operations on a standalone basis of €0.51 billion reported in the second quarter of 2015. This result was due to lower operating performance and a lower than proportional reduction in the tax expense, mainly in the E&P segment, driven by the concentration of taxable profit in PSA contracts, which, although more resilient in a low-price environment, bear higher-than average rates of tax.

In the **first half of 2016** adjusted operating profit of €0.77 billion was a €2.32 billion reduction y-o-y (down by 75%) due to the same headwinds described in the quarterly disclosure. Adjusted net loss for the period was €0.27 billion. The main y-o-y headwinds faced by the Group operating results were lower commodity prices and margins with a negative effect of €2.8 billion, the Val d'Agri shutdown and non-recurring items in the G&P segment (down by €0.5 billion), partly offset by production growth in other areas, cost efficiencies and a reduced cost base for €1 billion, mainly in the E&P segment.

Net borrowings and cash flow

As of June 30, 2016, net borrowings[2] were €13.81 billion, €3.06 billion lower than December 31, 2015, due to the closing of the Saipem transaction. This comprised the reimbursement of intercompany financing receivables owed by Saipem to Eni (€5.8 billion), the proceeds from the divestment of the 12.503% of Eni's interest in Saipem to the Italy-based CDP Equity SpA (€0.46 billion), net of the amount cashed out to subscribe pro-quota the Saipem share capital increase (€1.07 billion). In the first half of 2016, **cash flow from operating activities** was at €3.1 billion. Proceeds from disposals were €0.95 billion and comprised the available-for-sale shareholding in Snam due to the exercise of the conversion right from bondholders (€0.33 billion), in addition to the sale of the 12.503% of Eni's interest in Saipem. These inflows funded a share of the payment of the final dividend 2015 (€1.44 billion), capital expenditure of the period for €4.88 billion and the amount cashed out to subscribe the share capital increase of Saipem.

Compared to March 31, 2016, net borrowings increased by €1.59 billion. Cash flow from operating activities in the quarter was €1.73 billion and funded a share of the final dividend 2015 and capital expenditure of €2.42 billion.

As of June 30, 2016, the ratio of net borrowings to shareholders' equity including non-controlling interest – leverage[3] – decreased to 0.26, compared to 0.29 as of December 31, 2015. This decrease was due to lower net borrowings, due to the deconsolidation of Saipem finance debt partly offset by a reduction in total equity impacted by the negative result of the period, the de-recognition of the Saipem non-controlling interest and the balance dividend payment (€1.44 billion).

Interim dividend 2016

In light of the financial results achieved for the first half of 2016 and management's expectations for the four-year plan, the interim dividend proposal to the Board of Directors on September 15, 2016, will amount to €0.40 per share[4] (€0.40 per share in 2015). The interim dividend is payable on September 21, 2016, with September 19, 2016 being the ex-dividend date.

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[2] Details on net borrowings are furnished on page 30.

[3] Non-GAAP financial measures and other alternative performance indicators disclosed throughout this press release are accompanied by explanatory notes and tables in line with guidance provided by ESMA guidelines on alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For further information see the section "non-GAAP measures" of this press release. See pages 22 and subsequent.

[4] Dividends are not entitled to tax credit and, depending on the receiver, are subject to a withholding tax on distribution or are partially cumulated to the receivers' taxable income.

Sustainability performances and climate change

Sustainability performances		First half 2015	2016	% Ch.
Total recordable injury rate (TRIR)	(total recordable injury rate/worked hours) x 1000.000	0.45	0.40	(11.1)
Direct GHG emissions	(mmtonnes CO_2 eq.)	20.78	19.58	(5.8)
- of which CO_2 from combustion and process		*15.69*	*14.68*	*(6.4)*
- of which CO_2 eq from methane		*1.38*	*1.18*	*(14.5)*
- of which CO_2 eq from flaring		*2.84*	*2.85*	*0.4*
- of which CO_2 eq from venting		*0.87*	*0.87*	
Direct GHG emissions upstream/production	(tonnes CO_2 eq./kboe)	25.14	22.91	(8.9)
Oil spills due to operations	(barrels)	601	584	(2.8)
Water reinjection	(%)	55.5	56.7	..

Performance

Eni reported positive performances when comparing to the corresponding period of 2015:

- GHG emissions recorded in the first half of 2016 declined by 5.8% compared to the first half of 2015. This trend reflected lower emissions from combustion (down 1 mmtonne), reduced methane emissions (down 0.2 mmtonnes) leveraging on initiatives concluded in the second half of 2015 to contain fugitive emissions as well as energy efficiency projects.
- The trend of GHG emission index compared to operated gross hydrocarbon production of the upstream segment remain positive with a reduction of 8.9%. This is in line with the 2016 full year target.
- In the first half of 2016 the trend in safety improvement continued, reporting a recordable injury frequency rate lower by 11.1% from the same period of 2015. There was a 27.5% improvement for employees while for contractors it was 4.2%. This positive performance leveraged on inspections on sites, roadshow on safety issues, activities carried out at the Safety Competence Center in Gela as well as specific training projects and programs to raise awareness of HSEQ issues.
- Oil spills due to operations (97% related to E&P segment) declined by 2.8% from the first half of 2015 and the Refining & Marketing and Chemicals segment reported a significant improvement with the overall volume spilled reducing to 19 barrels in the first half of 2016 from 100 barrels in the first half of 2015. In Nigeria activities are underway to replace certain cases covering holes caused by sabotages which are a potential weakness.

Climate change

In May 2016, Eni launched a unique model of integration between its traditional business and power from renewable sources. The model envisages fulfilment of power generation projects with zero emissions, located near Eni’s plants and areas of operation, in order to leverage on logistic, contractual and commercial synergies with the company's traditional activities. They will also enable to revive and enhance abandoned industrial areas. The identified industrial areas are located in Italy, Egypt and Pakistan. In Italy in particular the model envisages the development of five projects (Assemini, Porto Torres, Manfredonia, Priolo and Augusta) with a total installed capacity of 70 megawatts; the second phase is based on the development of other projects to obtain a further installed power of about 150 megawatts. Most of the initiatives will be photovoltaic, but there will also be room for other technologies such as biomass and concentrated solar power. Overall, Project Italy will involve the installation, by 2022, of over 220 megawatts of new capacity for an investment in the range of €200-250 million. From an environmental point of view, Project Italy will reduce CO_2 emissions by about 180,000 tonnes per year.

These projects represent the third pillar of Eni's strategy aiming at energy transition towards a low-carbon future, based not only on the promotion of renewable energy, but also on the reduction of CO_2 emissions occurring from the production of hydrocarbons and on maximizing the utilization of gas, the cleanest fossil fuel which produces the least emissions.

Business developments

E&P initiatives:

- June 2016: new significant gas discovery in the Baltim South West exploration prospect, in the conventional waters of the Nile Delta, off Egypt. The discovery enhanced the potential of the so-called "Great Nooros Area" by up to 70-80 billion cubic meters of gas in place, which is currently producing from the Nooros field. Baltim South West is a new success of Eni's near field exploration strategy, focused on high-value opportunities, enabling the company to achieve a fast development of the new discoveries leveraging the synergies granted by existing infrastructures. Production start-up at the Nidoco North 1-X exploratory well, which together with the development well Nidoco North West 4 increased the Nooros field plateau up to 65 kboe/d (33 kboe/d net to Eni) in just ten months from the declaration of commercial discovery of July 2015;
- March 2016: production start-up at the Goliat oilfield, off the Norwegian Barents Sea in the license PL229. Goliat is the first producing oilfield in the Barents Sea and is operated through the largest and most sophisticated floating cylindrical production and storage vessel (FPSO) in the world. Production has achieved the full-field plateau at 100 kbbl/d (65 kbbl/d net to Eni). The field is estimated to contain reserves amounting to about 180 million barrels of oil;
- March 2016: awarded the exploration license of Cape Three Points Block 4, off Ghana. The new block covers an area of approximately 1,000 square kilometers in water depths ranging from 100 to 1,200 meters and is located near the OCTP block operated by Eni. In case of exploration success, the block will benefit from the OCTP project infrastructures, under development;
- March 2016: signed a Farm-Out Agreement with Chariot Oil & Gas to enter the Rabat Deep Offshore exploration permits I-VI, deep offshore Morocco. Eni will retain operatorship and a working interest of 40%, as well as exploration rights over an area of approximately 11,000 square kilometers. The completion of this FOA is subject to the approval of the relevant authorities and other conditions precedent;
- February 2016: sanctioned by the Egyptian authorities the development plan of the Zohr discovery, where production start-up is expected by the end of 2017. In March 2016, Eni completed the drilling of the Zohr 2X well and successfully performed the production test, which confirmed the mineral potential of discovery. Drilled also the delineation well Zohr 3X and the development well Zohr 4X, which confirmed the potential of the Northern area;
- February 2016: Mozambique authorities approved the development of the first development phase of Coral, targeting production of 5 Tcf of gas;
- In the first half of 2016 Eni increased its exploration rights portfolio by 6,100 square kilometers mainly in Ghana, Ireland, Norway and the United Kingdom.

Val d'Agri

As part of a penal proceeding about alleged environmental crimes[5] in running operations at the Viggiano oil center in the Val d'Agri complex, on March 31, 2016, an Italian public prosecutor resolved to put under seizure certain plants and facilities functional to the production activity which, as a consequence, has been shut down. The shutdown has been affecting around 60 kboe/d net to Eni.

On June 1, 2016, the Italian jurisdictional authorities granted Eni a temporary repeal of the seizure in order to allow the Company perform certain plant upgrading. Those corrective measures, which do not alter the plant set up, are intended to address the claims made by the public prosecutor. The in-charge department of the Italian Ministry of Economic Development has duly authorized Eni to perform the works. Eni has executed the plant upgrade and completed it on July 8, 2016. Once the public prosecutor verifies the correct execution of the plant upgrading, it is expected to definitively repeal the plant seizure.

[5] See the section "Legal proceedings" of the Annual report on form 20-F 2015 (see page F-86).

Outlook

Management's forecasts for the Group's 2016 production and sale metrics are explained below:

- **Hydrocarbon production**: management expects production stable y-o-y due to planned ramp-ups and start-ups of new fields particularly in Norway, Egypt, Angola, Venezuela and Congo. These increases will absorb a four-month production shutdown in the Val d'Agri profit centre, mature fields decline and a lower expected contribution from production one-offs;
- **Natural gas sales**: against a backdrop of continuing oversupply and strong competition, management expects gas sales to be in line with an expected reduction of the contractual minimum take of supply contracts. Management plans to retain its market share in the large customers and retail segments, also increasing the value of the existing customer base by developing innovative commercial initiatives, by integrating services to the supply of the commodity and by optimizing operations and commercial activities;
- **Refinery intake on own account:** refinery intakes are expected to slightly decrease y-o-y, excluding the effect of the disposal of Eni's refining capacity in CRC refinery in the Czech Republic finalized in April 2015. This will reflect the disoptimization of the processing schedule following lower availability of feedstock from the Val d'Agri oilfield and planned maintenance shutdowns;
- **Refined products sales in Italy and in the rest of Europe**: against a backdrop of slight recovery in demand and strong competition, management expects to consolidate volume and market share in the Italian retail market while also increasing the value of the existing customer base. This will be achieved by leveraging on the competitive differentiation, the innovation of products and services as well as efficiency in logistics and commercial activities. In the rest of Europe, sales are expected to remain stable, excluding the effects of asset disposals in Eastern Europe;
- **Chemical products scenario:** scenario is expected mildly positive with the recover in polyethylene margins when compared to 2015, although declining since June 2016. Cracker and styrenics margins are foreseen slightly lower while the elastomer business is expected to be weak, but improving from 2015. Sales volumes expected to be barely unchanged.

In 2016 management expects to carry out a number of initiatives intended to reduce capital spending by 20% y-o-y on a constant exchange rate basis by re-phasing and rescheduling capital projects, being increasingly selective with exploration plays and renegotiating contracts for the supply of capital goods in order to cope with the slump in crude oil prices. This capex optimization is not expected to negatively affect production growth, which is confirmed at an average growth rate of above 3% across the plan period. The Group's leverage is projected to remain within the 0.30 threshold thanks to the closing of the Saipem transaction, optimization of the underlying performance and assuming to finalize by year-end the planned portfolio management deals.

This press release has been prepared on a voluntary basis in line with Eni's policy to provide the market and investors with regular information about the Company's financial and operating performances and business prospects considering the disclosure policy followed by oil&gas peers who reports results on quarterly basis. Results and cash flow are presented for the second and the first quarter of 2016 and the first half of 2016, for the second quarter and the first half of 2015. Information on liquidity and capital resources relates to end of the periods as of June 30, March 31, 2016, and December 31, 2015. Results of the first half of the year and the main business trends are a summary of the Interim Consolidated Report which has been prepared in accordance to Italian listing standards as per article 154-ter of the Code for securities and exchanges (Testo Unico della Finanza). The document approved yesterday by Eni's Board of Directors was immediately submitted to the Company's external auditor. Publication of the interim consolidated report is scheduled within the terms of law alongside completion of the auditor's review.
Accounts set forth herein have been prepared in accordance with the evaluation and recognition criteria set by the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002. These criteria are unchanged from the 2015 Annual report on form 20-F filed with the US SEC on April 12, 2016, which investors are urged to read.

Discontinued operations

Due to termination of the negotiations with US-based SK hedge fund, who had shown an interest in acquiring a majority stake in Versalis SpA, Eni's chemical business no longer qualifies as a disposal group held for sale. Therefore, Eni's consolidated accounts as of and for the six months ended June 30, 2016 have been prepared accounting this business as part of the continuing operations.
Based on IFRS 5 provisions in case a disposal group ceases to be classified as held for sale, management is required to amend financial statements retrospectively as though the disposal group never qualified as held for sale. Accordingly, the opening balance of the interim consolidated accounts 2016 has been amended to reinstate the criteria of the continuing use to evaluate Versalis by aligning its book value to the recoverable amount, given by the higher of fair value less cost to sell and value-in-use. Under IFRS 5, Versalis was measured at the lower of its carrying amount and fair value less cost to sell. Management estimated the value-in-use of Versalis by identifying a single Cash Generating Unit, which comprised all of Versalis' business units. This assumption is consistent with Eni's industrial plan for the four-year period 2016-2019 that considered the whole Versalis and its subsidiaries to be a single disposal group with a view to disposing or monetizing it. The value-in-use was estimated by discounting the future expected cash flows of the industrial plan of a standalone Versalis at a rate of 10%, which factored in the earnings volatility of a pool of chemical peers of Versalis, thus determining a beta parameter independent form Eni. This amendment in Versalis evaluation marginally affected the opening balance of Eni's consolidated net assets (an increase of €294 million) and was neutral on the Group's net financial position. In presenting the Group's consolidated results, Versalis profit and loss accounts and balances have been recognized as part of the Group's assets and liabilities and revenues and expenses. Results of the comparative periods have been reclassified accordingly. In the Group segment information, Versalis results have been reported as part of the R&M and Chemical segment because a single manager is accountable of the performance at both operating segments.

In relation to the Engineering & Construction disposal group, on January 22, 2016 Eni closed the sale of a 12.503% stake in the entity to CDP Equity SpA for a consideration of €463 million. Concurrently, a shareholder agreement between Eni and CDP Equity SpA entered into force, which established the joint control of the two parties over the target entity. Those transactions triggered loss of control of Eni over Saipem. Therefore, from the transaction date, Eni has derecognized the assets and liabilities, revenues and expenses of the former subsidiary from the consolidated accounts. The retained interest of 30.55% in the former subsidiary has been recognized as an investment in an equity-accounted joint venture with an initial carrying amount aligned to the share price at the closing date of the transaction (€4.2 per share, equal to €564 million) recognizing a loss through profit of €441 million. This loss has been recognized in the Group consolidated accounts for the first half 2016 as part of gains and losses of the discontinued operations. Considering the share capital increase of Saipem, which was subscribed pro-quota (€1,050) by Eni at the same time as the aforementioned transactions, the initial carrying amount of the interest retained amounts to €1,614 million, which becomes the cost on initial recognition of the investment in Saipem for the subsequent application of equity accounting. At the end of February 2016, Saipem reimbursed intercompany loans owed to Eni (€5,818 million as of December 31, 2015) by using the proceeds from the share capital increase and new credit facilities from third-party financing institutions.

Successful effort method (SEM)

Effective January 1, 2016, management modified on voluntary basis, the criterion to recognize exploration expenses adopting the accounting of the successful-effort-method (SEM). The successful-effort method is largely adopted by oil&gas companies, to which Eni is increasingly comparable given the recent re-focalization of the Group activities on its core upstream business.
Under the SEM, geological and geophysical exploration costs are recognized as an expense as incurred. Costs directly associated with an exploration well are initially capitalized as an unproved tangible asset until the drilling of the well is complete and the results have been evaluated. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an unproved asset. If it is determined that development will not occur then the costs are expensed. Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons are initially capitalized as an unproved tangible asset. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to proved property.
In accordance to IAS 8 "Accounting policies, Changes in accounting estimates and Errors", the SEM application is a voluntary change in accounting policy explained by the alignment with an accounting standard largely adopted by oil&gas companies and as such it has been applied retrospectively.
The retrospective application of the SEM has required adjustment of the opening balance of the retained earnings and other comparative amounts as of January 1, 2014. Specifically, the opening balance of the carrying amount of property, plant and equipment was increased by €3,524 million, intangible assets by €860 million and the retained earnings by €3,001 million. Other adjustments related to deferred tax liabilities and other minor line items.

The table below sets forth the amounts of the comparative periods 2015 which have been restated following the adoption of the SEM and the accounting of Versalis as part of the continuing operations.

(€ milioni)	REPORTED			RESTATED		
	II quarter 2015	*First half 2015*	*Full year 2015*	*II quarter 2015*	*First half 2015*	*Full year 2015*
Operating profit (loss) - continuing operations	1,164	2,648	**(2,781)**	1,605	3,375	**(3,076)**
Operating profit (loss) E&P	1,471	2,769	**(144)**	1,461	2,874	**(959)**
Adjusted operating profit (loss) - continuing operations on a standalone basis	1,436	2,814	**4,104**	1,554	3,086	**4,486**
Adjusted operating profit (loss) - E&P	1,533	2,488	**4,108**	1,585	2,665	**4,182**
Net profit (loss) attributable to Eni's shareholders - continuing operations	34	523	**(7,680)**	498	1,285	**(7,952)**
Adjusted net profit (loss) attributable to Eni's shareholders - continuing operations on a standalone basis	390	965	**334**	505	1,231	**803**
Total assets			**134,792**			**139,001**
Eni's shareholders equity			**51,753**			**55,493**
Cash flow from operations from continuing operations on a standalone basis	3,511	5,798	**11,181**	3,918	6,554	**12,875**
Net cash flow	(1,804)	(1,148)	**(1,414)**	(1,804)	(1,148)	**(1,405)**

Non-GAAP financial measures and other alternative performance indicators disclosed throughout this press release are accompanied by explanatory notes and tables in line with guidance provided by ESMA guidelines on alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For further information see the section “Alternative performance measures (Non-GAAP measures)” of this press release.

Eni’s Chief Financial and Risk Management Officer, Massimo Mondazzi, in his position as manager responsible for the preparation of the Company’s financial reports, certifies that data and information disclosed in this press release correspond to the Company’s evidence and accounting books and records, pursuant to rule 154-bis paragraph 2 of Legislative Decree No. 58/1998.

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Disclaimer

This press release, in particular the statements under the section “Outlook”, contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, allocation of future cash flow from operations, gearing, future operating performance, targets of production and sales growth, new markets and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management’s ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational issues; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document. Due to the seasonality in demand for natural gas and certain refined products and the changes in a number of external factors affecting Eni’s operations, such as prices and margins of hydrocarbons and refined products, Eni’s results from operations and changes in net borrowings for the second quarter of the year cannot be extrapolated on an annual basis.

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Eni

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This press release for the second quarter and the first half of 2016 (unaudited) is also available on Eni’s website **eni.com**.

Quarterly consolidated report

Summary results[6] for the second quarter and the first half of 2016

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
20,279	**13,344**	**13,416**	**Net sales from operations - continuing operations**	**41,317**	**26,760**
1,605	**105**	**220**	**Operating profit (loss) - continuing operations**	**3,375**	**325**
(66)	329	(180)	Exclusion of inventory holding (gains) losses	59	149
284	149	148	Exclusion of special items [(a)]	184	297
1,823	**583**	**188**	**Adjusted operating profit (loss) - continuing operations**	**3,618**	**771**
			Breakdown by segment:		
1,585	*95*	*355*	*Exploration & Production*	*2,665*	*450*
31	*285*	*(229)*	*Gas & Power*	*325*	*56*
105	*177*	*156*	*Refining & Marketing and Chemicals*	*226*	*333*
(123)	*(90)*	*(126)*	*Corporate and other activities*	*(212)*	*(216)*
225	*116*	*32*	*Impact of unrealized intragroup profit elimination and other consolidation adjustments (b)*	*614*	*148*
1,823	**583**	**188**	**Adjusted operating profit (loss) - continuing operations**	**3,618**	**771**
(269)			Reinstatement of intercompany transactions vs. discontinued operations	(532)	
1,554	**583**	**188**	**Adjusted operating profit (loss) - continuing operations on standalone basis**	**3,086**	**771**
498	**(383)**	**(446)**	**Net profit (loss) attributable to Eni's shareholders - continuing operations**	**1,285**	**(829)**
(46)	224	(123)	Exclusion of inventory holding (gains) losses	41	101
174	182	279	Exclusion of special items [(a)]	129	461
626	**23**	**(290)**	**Adjusted net profit (loss) attributable to Eni's shareholders - continuing operations**	**1,455**	**(267)**
(121)			Reinstatement of intercompany transactions vs. discontinued operations	(224)	
505	**23**	**(290)**	**Adjusted net profit (loss) attributable to Eni's shareholders on standalone basis**	**1,231**	**(267)**
(97)	**(796)**	**(446)**	**Net profit (loss) attributable to Eni's shareholders**	**735**	**(1,242)**
498	**(383)**	**(446)**	**Net profit (loss) attributable to Eni's shareholders - continuing operations**	**1,285**	**(829)**
(595)	(413)		Net profit (loss) attributable to Eni's shareholders - discontinued operations	(550)	(413)
3,918	**1,370**	**1,730**	**Net cash provided by operating activities - continuing operations**	**6,554**	**3,100**
(614)			Net cash provided by operating activities - discontinued operations	(1,011)	
3,304	**1,370**	**1,730**	**Net cash provided by operating activities**	**5,543**	**3,100**
3,565	**1,370**	**1,730**	**Net cash provided by operating activities on standalone basis**	**6,397**	**3,100**
3,150	**2,455**	**2,424**	**Capital expenditure - continuing operations**	**5,834**	**4,879**

(a) For further information see "Breakdown of special items".

(b) Unrealized intragroup profit elimination mainly pertained to intra-group sales of commodities and services recorded in the assets of the purchasing business segmen

Trading environment indicators

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
61.92	33.89	45.57	(26.4)	Average price of Brent dated crude oil [(a)]	57.95	39.73	(31.4)
1.105	1.102	1.129	2.2	Average EUR/USD exchange rate [(b)]	1.116	1.116	
56.04	30.75	40.36	(28.0)	Average price in euro of Brent dated crude oil	51.93	35.60	(31.4)
9.1	4.2	4.6	(49.4)	Standard Eni Refining Margin (SERM) [(c)]	8.3	4.4	(47.2)
6.84	4.35	4.50	(34.2)	Price of NBP gas [(d)]	7.05	4.43	(37.2)
(0.01)	(0.19)	(0.25)	..	Euribor - three-month euro rate (%)	0.02	(0.22)	..
0.28	0.62	0.63	..	Libor - three-month dollar rate (%)	0.27	0.63	..

(a) In USD dollars per barrel. Source: Platt's Oilgram.

(b) Source: ECB.

(c) In USD per barrel. Source: Eni calculations. It gauges the profitability of Eni's refineries against the typical raw material slate and yields.

(d) In USD per million BTU (British Thermal Unit). Source: Platt's Oilgram.

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[6] As provided by IFRS, in case of “discontinued operations” gains and losses pertaining to activities in disposal phase and consequently to “continuing operations” are those deriving from transaction with third parties. Because of this, the above mentioned representation of Saipem (insofar as 2015 comparative periods are concerned) and continuing operations as standalone entities do not fully illustrate their results, mainly when relevant intercompany transactions occur in the reporting period disclosed in this press release as well as in future reporting periods. Further information on Saipem (insofar as 2015 comparative periods are concerned) and continuing operations results with detailed intercompany transaction see segment information at page 22 and subsequent.

Financial review

Adjusted results

In the **second quarter of 2016** adjusted operating profit was €188 million, down by €1,366 million, or 87.9% compared to the second quarter of 2015. This trend was attributable to lower commodity prices and margins (down by €1.4 billion), the Val d'Agri shutdown and non-recurring items in G&P down by €0.4 billion, partly offset by production growth in other areas, cost efficiencies and a reduced cost base for €0.4 billion, mainly in the E&P segment.

Adjusted net loss pertaining to Eni's shareholders was €290 million, down by €795 million compared to the second quarter of 2015, due to declining operating performance and a lower than proportional reduction in tax expense of the Exploration & Production segment.

In the **first half of 2016** adjusted operating profit was €771 million, decreasing by €2,315 million, or 75% from the first half of 2015, for the same drivers described in the disclosure of the quarterly results. The main y-o-y headwinds faced by the Group operating results were lower commodity prices and margins with a negative effect of €2.8 billion, the Val d'Agri shutdown and non-recurring items in the G&P segment (down by €0.5 billion), partly offset by production growth in other areas, cost efficiencies and a reduced cost base for €1 billion, mainly in the E&P segment.

Special charges of the operating profit amounted to €148 million in the quarter (€297 million in the first half), and mainly related to: (i) impairment losses on gas properties in the upstream segment (€105 million in both the reporting periods) driven by the impact of a lower price environment in Europe; (ii) environmental provisions (€78 million in the quarter and €101 million in the first half); (iii) the effects of the fair-value evaluation of certain commodity derivatives lacking the formal criteria to be accounted as hedges under IFRS (gains of €248 million and €115 million in the second quarter and the first half of 2016, respectively); (iv) exchange rate differences and derivatives (charge of €24 million in the quarter; gain of €18 million in the first half).

Non-operating special items referred to income taxes including related to tax effects of special gains/charges in operating profit as well as the write-off of certain deferred tax assets (€149 million) due to projections of lower future taxable profit at Italian subsidiaries.

Reported results

In the **second quarter of 2016** Eni reported a **net loss from continuing operations** of €446 million, down from €498 million net profit reported in the second quarter of 2015. The structural weakness of the oil market, oversupply and overcapacity headwinds in the European gas and refining sectors have negatively affected the Group's performance, eroding results from operations and cash flow.
The operating performance was lower by €1,385 million to €220 million and reflected sharply lower revenues of the E&P segment due to a prolonged downturn in commodity prices (the Brent benchmark was down by 26%, also Italian prices fell), the Val d'Agri production shutdown and declining performance in the G&P segment. The negative impact of the trading environment on profitability and cash generation was partly offset by cost efficiencies, optimization gains and better performances across all business segments and production growth in other areas
Net loss for the quarter was negatively impacted by the recognition of a net tax expense amounting to €569 million which reduction y-o-y was proportionally much lower than the reduction in pre-tax earnings. This circumstance reflected the impact of a deteriorating price scenario in the upstream segment, which resulted in a large portion of the segment's taxable profit being earned in PSA contracts, which, although more resilient in a low-price environment, nonetheless bear higher-than-average rates of tax and a reduced capacity to recognize deferred tax assets on losses incurred in the quarter.

In the **first half of 2016** net loss from continuing operations amounted to €829 million, worsening by €2,114 million from the first half of 2015, due to the same drivers described in the disclosure of the quarter.

Group net loss pertaining to Eni's shareholders amounted to €1,242 million, which included a loss in the discontinued operations of €413 million taken to align the book value of the residual Eni's interest in Saipem to its fair value at the date of loss of control (January 22, 2016).

Summarized Group Balance Sheet[7]

(€ million)

	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Change vs. Dec. 31, 2015	Change vs. Mar. 31, 2016
Fixed assets					
Property, plant and equipment	68,005	66,426	67,826	(179)	1,400
Inventories - Compulsory stock	909	871	1,037	128	166
Intangible assets	3,034	2,961	2,882	(152)	(79)
Equity-accounted investments and other investments	3,513	4,782	4,727	1,214	(55)
Receivables and securities held for operating purposes	2,273	2,233	2,339	66	106
Net payables related to capital expenditure	(1,284)	(1,406)	(1,555)	(271)	(149)
	76,450	**75,867**	**77,256**	**806**	**1,389**
Net working capital					
Inventories	4,579	4,013	4,413	(166)	400
Trade receivables	12,616	12,771	10,865	(1,751)	(1,906)
Trade payables	(9,605)	(9,697)	(9,770)	(165)	(73)
Tax payables and provisions for net deferred tax liabilities	(4,137)	(4,347)	(4,048)	89	299
Provisions	(15,375)	(13,966)	(13,952)	1,423	14
Other current assets and liabilities	1,827	1,493	2,308	481	815
	(10,095)	**(9,733)**	**(10,184)**	**(89)**	**(451)**
Provisions for employee post-retirement benefits	**(1,123)**	**(1,122)**	**(1,030)**	**93**	**92**
Discontinued operations and assets held for sale including related liabilities	**9,048**	**89**	**75**	**(8,973)**	**(14)**
CAPITAL EMPLOYED, NET	**74,280**	**65,101**	**66,117**	**(8,163)**	**1,016**
Eni shareholders' equity	55,493	52,832	52,257	(3,236)	(575)
Non-controlling interest	1,916	47	46	(1,870)	(1)
Shareholders' equity	**57,409**	**52,879**	**52,303**	**(5,106)**	**(576)**
Net borrowings	**16,871**	**12,222**	**13,814**	**(3,057)**	**1,592**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**74,280**	**65,101**	**66,117**	**(8,163)**	**1,016**
Leverage	**0.29**	**0.23**	**0.26**	**(0.03)**	**0.03**

The Summarized Group Balance Sheet was affected by the movement in the EUR/USD exchange rate which determined a decrease in net capital employed, total equity and net borrowings by €950 million, €875 million and €75 million, respectively. This was due to translation into euros of the financial statements of US-denominated subsidiaries reflecting a 1.9% appreciation of the euro against the US dollar (1 EUR= 1.1102 USD at June 30, 2016 compared to 1.089 at December 31, 2015).

Fixed assets (€77,256 million) increased by €806 million from December 31, 2015. The item "Property, plant and equipment" slightly decreased mainly due to the appreciation of the euro and DD&A and write-offs (€3,974 million) partly offset by capital expenditure for the period (€4,879 million). Finally the line item "Equity-accounted investments and other investments" increased by €1,214 million due to the recognition as an equity-accounted investment of the residual 30.55% stake in Saipem and the pro-quota amount cashed out to subscribe Saipem share capital increase for an overall amount of €1,614 million, as well as the entity result for the period attributable to Eni.

[7] The summarized Group balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria, which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing. Management believes that this summarized Group balance sheet is useful information in assisting investors to assess Eni's capital structure and to analyze its sources of funds and investments in fixed assets and working capital. Management uses the summarized Group balance sheet to calculate key ratios such as the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Eni's financing structure is sound and well-balanced.

Net working capital was in negative territory at minus €10,184 million, barely unchanged compared to December 31, 2015. Reduced trade receivables, mainly in the G&P segment, were offset by lower risk provisions as well as higher receivables due by joint-venture partners in the E&P segment.

Discontinued operations, asset held for sale including related liabilities (€75 million) decreased by €8,973 million due to the closing of Saipem transaction. The residual amount mainly referred to fuel distribution activities in Eastern Europe in disposal phase.

Shareholders' equity including non-controlling interest was €52,303 million, down by €5,106 million from December 31, 2015. This was due to net loss in comprehensive income (€1,756 million) given by net loss of €1,237 million and negative foreign currency translation differences (€875 million). Also affecting the total equity was the de-recognition of Saipem non-controlling interest (€1,872 million), dividend distribution and other changes of €1,444 million (€1,440 million being the 2015 balance dividend paid to Eni's shareholders and dividends to non-controlling interests). These effects partially offset by the positive change in the cash flow hedge reserve (€428 million).

Summarized Group Cash Flow Statement[8]

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016	Change
855	**(380)**	**(444)**	**Net profit (loss) - continuing operations**	**1,499**	**(824)**	**(2,323)**
			Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
2,863	1,892	1,960	- depreciation, depletion and amortization and other non monetary items	4,918	3,852	(1,066)
(28)	(18)	(9)	- net gains on disposal of assets	(342)	(27)	315
949	440	643	- dividends, interest, taxes and other changes	1,795	1,083	(712)
449	226	546	Changes in working capital related to operations	1,273	772	(501)
(1,170)	(790)	(966)	Dividends received, taxes paid, interest (paid) received	(2,589)	(1,756)	833
3,918	**1,370**	**1,730**	**Net cash provided by operating activities - continuing operations**	**6,554**	**3,100**	**(3,454)**
(614)			Net cash provided by operating activities - discontinued operations	(1,011)		1,011
3,304	**1,370**	**1,730**	**Net cash provided by operating activities**	**5,543**	**3,100**	**(2,443)**
(3,150)	**(2,455)**	**(2,424)**	**Capital expenditure - continuing operations**	**(5,834)**	**(4,879)**	**955**
(118)			Capital expenditure - discontinued operations	(268)		268
(3,268)	**(2,455)**	**(2,424)**	**Capital expenditure**	**(6,102)**	**(4,879)**	**1,223**
(47)	(1,124)	(28)	Investments and purchase of consolidated subsidiaries and businesses	(108)	(1,152)	(1,044)
97	805	146	Disposals	644	951	307
220	(39)	(4)	Other cash flow related to capital expenditure, investments and disposals	(376)	(43)	333
306	**(1,443)**	**(580)**	**Free cash flow**	**(399)**	**(2,023)**	**(1,624)**
197	5,987	(788)	Borrowings (repayment) of debt related to financing activities	25	5,199	5,174
(267)	(3,702)	1,880	Changes in short and long-term financial debt	1,163	(1,822)	(2,985)
(2,019)		(1,444)	Dividends paid and changes in non-controlling interest and reserves	(2,019)	(1,444)	575
(21)	(22)	2	Effect of changes in consolidation and exchange differences	82	(20)	(102)
(1,804)	**820**	**(930)**	**NET CASH FLOW**	**(1,148)**	**(110)**	**1,038**
3,565	**1,370**	**1,730**	**Net cash provided by operating activities on standalone basis**	**6,397**	**3,100**	**(3,297)**

Change in net borrowings

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First half 2015	First half 2016	Change
306	**(1,443)**	**(580)**	**Free cash flow**	**(399)**	**(2,023)**	**(1,624)**
			Net borrowings of acquired companies			
	5,818	2	Net borrowings of divested companies	18	5,820	5,802
376	274	430	Exchange differences on net borrowings and other changes	(392)	704	1,096
(2,019)		(1,444)	Dividends paid and changes in non-controlling interest and reserves	(2,019)	(1,444)	575
(1,337)	**4,649**	**(1,592)**	**CHANGE IN NET BORROWINGS**	**(2,792)**	**3,057**	**5,849**

In the first half 2016, **net cash provided by operating activities** amounted to €3,100 million. Proceeds from disposals were €951 million and mainly related to the 12.503% interest in Saipem (€463 million) and an interest in Snam due to exercise of the conversion right by bondholders (€332 million). These inflows funded part of the financial requirements for the payment of Eni's balance dividend of 2015 (€1,440 million), capital expenditure (€4,879 million) and the amount cashed out to subscribe the share capital increase of Saipem.

When considering the cash flow associated to the reimbursement of intercompany financing receivables amounting to €5,818 million, as part of the closing of the Saipem deal, the Group's net debt decreased by €3,057 million.

From January 1, 2016, Eni's captive insurance subsidiary is required to meet certain capital and solvency ratios as minimum requirements to continue performing the insurance activity based on the provisions of EU Solvency II Directive (the so called Minimum Capital Requirement - MCR - and Solvency Capital Requirement -

[8] Eni's summarized Group cash flow statement derives from the statutory statement of cash flows. It enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flows statement) and in net borrowings (deriving from the summarized cash flow statement) that occurred from the beginning of the period to the end of period. The measure enabling such a link is represented by the free cash flow which is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences. The free cash flow is a non-GAAP measure of financial performance.

SCR). Therefore, it is no longer necessary to commit the financial assets of the insurance company to funding the loss provisions. Accordingly, those assets, which mainly comprise available-for-sale securities and bank deposits, have ceased to be classified as held for operating purposes and have been netted against finance debt in determining the Group net borrowing at June 30, 2016 with a positive impact of €569 million.

Other information

Article No. 36 of Italian regulatory exchanges (Consob Resolution No. 16191/2007 and subsequent amendments). Continuing listing standards about issuers that control subsidiaries incorporated or regulated in accordance with laws of extra-EU Countries.

Certain provisions have been enacted to regulate continuing Italian listing standards of issuers controlling subsidiaries that are incorporated or regulated in accordance with laws of extra-EU Countries, also having a material impact on the consolidated financial statements of the parent company. Regarding the aforementioned provisions, as of June 30, 2016, Eni's subsidiaries - Eni Congo SA, Eni Norge AS, Eni Petroleum Co Inc, Nigerian Agip Oil Co Ltd, Nigerian Agip Exploration Ltd, Eni Finance USA Inc, Eni Trading & Shipping Inc, Eni Canada Holding Ltd, Eni Turkmenistan Ltd, Eni Ghana Exploration and Production Ltd and Eni Suisse SA – fall within the scope of the new continuing listing standards. Eni has already adopted adequate procedures to ensure full compliance with the new regulations.

Financial and operating information by segment for the second quarter and the first half of 2016 is provided in the following pages.

Exploration & Production

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15	RESULTS	(€ million)	First Half 2015	First Half 2016	% Ch.
6,200	**3,356**	**3,887**	**(37.3)**	**Net sales from operations**		**11,412**	**7,243**	**(36.5)**
1,461	**94**	**194**	**(86.7)**	**Operating profit (loss)**		**2,874**	**288**	**(90.0)**
124	1	161		Exclusion of special items:		(209)	162	
111		*105*		*- asset impairments*		*111*	*105*	
	7			*- impairment of exploration projects*			*7*	
(4)		*1*		*- net gains on disposal of assets*		*(329)*	*1*	
9	*1*	*3*		*- provision for redundancy incentives*		*10*	*4*	
20	*4*	*11*		*- commodity derivatives*		*31*	*15*	
(3)		*25*		*- exchange rate differences and derivatives*		*(20)*	*25*	
(9)	*(11)*	*16*		*- other*		*(12)*	*5*	
1,585	**95**	**355**	**(77.6)**	**Adjusted operating profit (loss)**		**2,665**	**450**	**(83.1)**
(66)	(58)	(57)		Net financial income (expense) [a]		(130)	(115)	
125	25	60		Net income (expense) from investments [a]		148	85	
(1,016)	(307)	(403)		Income taxes [a]		(1,811)	(710)	
61.8	*..*	*..*		*Tax rate (%)*		*67.5*	*..*	
628	**(245)**	**(45)**	**..**	**Adjusted net profit (loss)**		**872**	**(290)**	**..**
				Results also include:				
183	87	153	(16.4)	exploration expense:		305	240	(21.3)
70	*55*	*59*	*(15.7)*	*- prospecting, geological and geophysical expenses*		*135*	*114*	*(15.6)*
113	*32*	*94*	*(16.8)*	*- write-off of unsuccessful wells* [b]		*170*	*126*	*(25.9)*
3,124	**2,242**	**2,267**	**(27.4)**	**Capital expenditure**		**5,660**	**4,509**	**(20.3)**
				Production [c] [d]				
903	890	852	(5.6)	Liquids [e]	(kbbl/d)	882	871	(1.2)
4,676	4,718	4,709	0.8	Natural gas	(mmcf/d)	4,636	4,713	1.5
1,754	**1,754**	**1,715**	**(2.2)**	**Total hydrocarbons**	(kboe/d)	**1,726**	**1,734**	**0.5**
				Average realizations				
55.60	29.69	40.58	(27.0)	Liquids [e]	($/bbl)	52.28	35.14	(32.8)
4.63	3.31	3.11	(32.8)	Natural gas	($/kcf)	4.86	3.21	(34.1)
41.96	**24.09**	**29.30**	**(30.2)**	**Total hydrocarbons**	($/boe)	**40.22**	**26.69**	**(33.6)**
				Average oil market prices				
61.92	33.89	45.57	(26.4)	Brent dated	($/bbl)	57.95	39.73	(31.4)
56.04	30.75	40.36	(28.0)	Brent dated	(€/bbl)	51.93	35.60	(31.4)
57.84	33.27	45.48	(21.4)	West Texas Intermediate	($/bbl)	53.20	39.38	(26.0)
2.73	1.96	2.14	(21.6)	Gas Henry Hub	($/mmbtu)	2.80	2.05	(26.8)

(a) Excluding special items

(b) Also includes write-off of unproved exploration rights, if any, related to projects with negative outcome.

(c) Supplementary operating data is provided on page 37.

(d) Includes Eni's share of production of equity-accounted entities.

(e) Includes condensates.

Results

In the **second quarter of 2016**, the Exploration & Production segment reported an adjusted operating profit of €355 million, down by €1,230 million or 77.6% compared to the second quarter of 2015. This result was driven by lower oil and gas realizations in dollar terms (down by 27% and 32.8%, respectively), reflecting trends in the marker Brent (down by 26.4%), weak gas prices in Europe and in the United States, as well as the production shutdown at the Val d'Agri profit centre for the whole Q2. These effects were only partially offset by higher production in other areas, cost efficiencies (lower opex) and decreasing DD&A.

Adjusted operating profit for the second quarter of 2016 excluded a positive adjustment of €161 million (€162 million in the first half of 2016). This was due to impairment losses relating to gas properties (€105 million) driven by the impact of a lower price environment in Europe and special gains of €25 million relating to exchange differences and derivatives related to exchange rate exposure in commodity pricing formulas and exposure on trade payables that are reclassified to adjusted operating profit as well as losses on fair-valued derivatives (€11 million) embedded in the pricing formulas of long-term gas supply agreements.

In the second quarter of 2016, the Exploration & Production segment reported an adjusted net loss of €45 million, worsening by €673 million compared to €628 million net profit reported in the same period of the previous year. This was due to lower operating performance and a lower than proportional reduction in the tax expense, driven by a deteriorating price scenario, which resulted in the concentration of taxable profit in PSA contracts, which, although more resilient in a low-price environment, bear higher-than average rates of tax and a reduced capacity to recognize deferred tax assets on losses incurred in the quarter.

In the **first half of 2016**, adjusted operating profit amounted to €450 million, declining by €2,215 million, or 83.1%, from the same period of the previous year, due to the same drivers disclosed in the quarterly results.

Adjusted net loss of €290 million was due to worsening operating performance and increasing tax rate as disclosed in the quarterly results.

In the first half of 2016, taxes paid represented approximately 37% of the cash flow from operating activities of the E&P segment before changes in working capital and income taxes paid.

Operating review

In the **second quarter of 2016**, Eni's hydrocarbon production[9] was 1.715 million boe/d (1.734 million boe/d in the first half of 2016), 2.2% lower compared to the second quarter of 2015 (a slight increase of 0.5% compared to the first half of 2015). Excluding the price effects reported in Production Sharing Agreements and other factors, as well as production shutdown in the Val d'Agri district (down 65 kboe/d in the quarter; down 33 kboe/d in the first half), production increased by 0.6% from the second quarter of 2015 (up by 1.3% in the first half). New fields' start-ups and production ramp-up at fields started in 2015 mainly in Venezuela, Norway and Angola, as well as increased production in Iraq were partly offset by planned facilities downtime, mainly in the United Kingdom, Kazakhstan and Libya and the decline in mature fields. The share of oil and natural gas produced outside Italy was 94% and 93%, in the quarter and in the first half, respectively (compared to 90% in the corresponding periods a year ago).

Liquids production (852 kbbl/d) decreased by 51 kbbl/d or 5.6% from the second quarter of 2015 due to production shutdown in the Val d'Agri district and planned facilities downtime. These negatives were partly offset by start-ups/production ramp-up in Norway and Angola as well as higher production in Iraq.

Natural gas production in the second quarter (4,709 mmcf/d) slightly increased from the corresponding period a year ago (up by 0.8%). Increased production in Venezuela was partly offset by planned facilities downtime and mature fields decline.

In the **first half of 2016**, liquids production (871 kbbl/d) decreased by 11 kbbl/d or 1.2% from the first half of 2015.

Natural gas production (4,713 mmcf/d) increased by 77 mmcf/d or 1.5% from the corresponding period a year ago.

[9] From January 1, 2016, as part of a regular reviewing procedure, Eni has updated the conversion rate of gas to 5,458 cubic feet of gas equals 1 barrel of oil (it was 5,492 cubic feet of gas per barrel in previous reporting periods). This update reflected changes in Eni's gas properties that took place in the last three years and was assessed by collecting data on the heating power of gas in all Eni's gas fields currently on stream. The effect of this update on production expressed in boe for the second quarter and first half of 2016 was 5 kboe/d. Other per-boe indicators were only marginally affected by the update (e.g. realization prices, costs per boe) and negligible was the impact on depletion charges. Other oil companies may use different conversion rates.

Gas & Power

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15	RESULTS	€ million)	First Half 2015	First Half 2016	% Ch.
14,263	**10,030**	**9,734**	**(31.8)**	**Net sales from operations**		**30,636**	**19,764**	**(35.5)**
27	**83**	**(154)**	**..**	**Operating profit (loss)**		**213**	**(71)**	**..**
48	128	30		Exclusion of inventory holding (gains) losses		79	158	
(44)	74	(105)		Exclusion of special items:		33	(31)	
17				*- asset impairments*		*17*		
		(1)		*- net gains on disposal of assets*			*(1)*	
3		*1*		*- provision for redundancy incentives*		*3*	*1*	
6	*103*	*(247)*		*- commodity derivatives*		*14*	*(144)*	
(94)	*(39)*	*(1)*		*- exchange rate differences and derivatives*		*(25)*	*(40)*	
24	*10*	*143*		*- other*		*24*	*153*	
31	**285**	**(229)**	**..**	**Adjusted operating profit (loss)**		**325**	**56**	**(82.8)**
3	2	2		Net finance income (expense) [(a)]		5	4	
	5	(7)		Net income (expense) from investments [(a)]		3	(2)	
(30)	(128)	73		Income taxes [(a)]		(111)	(55)	
88.2	*43.8*	*31.2*		*Tax rate (%)*		*33.3*	*94.8*	
4	**164**	**(161)**	**..**	**Adjusted net profit (loss)**		**222**	**3**	**(98.6)**
26	**22**	**22**	**(15.4)**	**Capital expenditure**		**44**	**44**	
				Natural gas sales [(b)]	(bcm)			
10.58	10.79	8.63	(18.4)	Italy		21.11	19.42	(8.0)
11.81	13.31	12.52	6.0	International sales		26.90	25.83	(4.0)
9.48	*11.30*	*10.64*	*12.2*	*- Rest of Europe*		*22.45*	*21.94*	*(2.3)*
1.51	*1.20*	*1.21*	*(19.9)*	*- Extra European markets*		*2.85*	*2.41*	*(15.4)*
0.82	*0.81*	*0.67*	*(18.3)*	*- E&P sales in Europe and in the Gulf of Mexico*		*1.60*	*1.48*	*(7.5)*
22.39	**24.10**	**21.15**	**(5.5)**	**Worldwide gas sales**		**48.01**	**45.25**	**(5.7)**
				of which:				
20.84	*22.54*	*19.82*	*(4.9)*	*- Sales of consolidated subsidiaries*		*45.07*	*42.36*	*(6.0)*
0.73	*0.75*	*0.66*	*(9.6)*	*- Eni's share of sales of natural gas of affiliates*		*1.34*	*1.41*	*5.2*
0.82	*0.81*	*0.67*	*(18.3)*	*- E&P sales in Europe and in the Gulf of Mexico*		*1.60*	*1.48*	*(7.5)*
8.35	**9.45**	**8.64**	**3.5**	**Electricity sales**	(TWh)	**16.82**	**18.09**	**7.6**

(a) Excluding special items.

(b) Supplementary operating data is provided on page 38.

Results

In the **second quarter of 2016**, the Gas & Power segment reported an adjusted operating loss of €229 million, down by €260 million from the second quarter of 2015. This reflected lower one-off benefits associated to contract renegotiations and other non-recurring events, lower margins on commodity sales due to an unfavorable trading environment and competitive pressure, partially offset by optimization initiatives and reduced logistic costs.

Adjusted operating profit for the quarter excluded a loss on stock of €30 million in the quarter (€158 million in the first half) and net special gains of €105 million in the quarter (€31 million in the first half) which comprised the effects of the fair-value evaluation of certain commodity derivatives lacking the formal criteria to be accounted as hedges under IFRS (gains of €247 million and €144 million in the two reporting periods) net of other extraordinary charges of €143 million in the quarter (€153 million in the first half). Adjusted operating result of the period include the negative balance of €40 million of the exchange rate differences and derivatives.

In the quarter, adjusted net loss amounted to €161 million, €165 million less compared to the same period of the previous year that registered a substantial break-even result. This was due to the same drivers described on the adjusted operating profit disclosure partly offset by certain tax items.

In the **first half of 2016**, the Gas & Power segment reported an adjusted operating profit of €56 million, down by €269 million from the corresponding period of 2015. This reflected the circumstance that the first half of 2015 benefitted from one-off benefits associated to contract renegotiations of supply contracts retroactive to previous reporting periods. These negatives were partly offset by optimization initiatives and reduced logistics costs. The retail segment reported lower results due to unusual winter weather conditions.

In the first half, the Gas & Power segment reported an adjusted net profit of €3 million due to the increase of adjusted tax rate.

Operating review

In the **second quarter of 2016**, Eni's natural gas sales were 21.15 bcm, down by 1.24 bcm, or 5.5% compared to the second quarter of 2015. Sales in Italy decreased by 18.4% to 8.63 bcm driven by lower spot sales to hub (PSV). Sales in the European markets amounted to 9.65 bcm, up by 15.3%, reflecting higher spot sales in Germany/Austria and in Benelux, partially offset by lower volumes in Turkey, driven by lower sales to Botas, and decreased volumes sold in the Iberian Peninsula due to competitive pressure. In the quarter, sales to Extra European markets decreased by 19.9% reflecting lower LNG volumes marketed in the Far East, due to the lack of contracts renewal.

Sales of natural gas in the **first half of 2016** amounted to 45.25 bcm (included Eni's own consumption, Eni's share of sales made by equity-accounted entities and Exploration & Production sales in Europe and in the Gulf of Mexico) reporting a decrease of 2.76 bcm or 5.7% from the first half of 2015. Sales in Italy decreased to 19.42 bcm, down by 8% from the first half of 2015, due to the same drivers described in the quarter as well as to lower volumes sold to residential segment due to unfavourable weather conditions. Sales in the European markets amounted to 19.82 bcm, down by 1.9% driven by the reduction of sales in Turkey, the lower volumes marketed in France and in the United Kingdom due to increasing competitive pressure, as well as lower spot sales in Benelux. These negatives were only partially offset by higher spot volumes sold in Germany/Austria.

Electricity sales were 8.64 TWh in the second quarter of 2016, up by 3.5%, from the corresponding period of 2015 (18.09 Twh, up by 7.6% in the first half of 2016) mainly due to higher volumes traded on the large and middle segments.

Refining & Marketing and Chemicals

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15	RESULTS	(€ million)	First Half 2015	First Half 2016	Var. %
6,695	**3,869**	**4,829**	**(27.9)**	**Net sales from operations**		**12,051**	**8,698**	**(27.8)**
120	**48**	**315**	..	**Operating profit (loss)**		**219**	**363**	**65.8**
(151)	63	(215)		Exclusion of inventory holding (gains) losses		(284)	(152)	
136	66	56		Exclusion of special items:		291	122	
60	*23*	*44*		*- environmental charges*		*80*	*67*	
43	*13*	*21*		*- asset impairments*		*70*	*34*	
(4)		*(4)*		*- net gains on disposal of assets*		*(5)*	*(4)*	
7				*- risk provisions*		*7*		
(4)	*4*			*- provision for redundancy incentives*			*4*	
27	*26*	*(12)*		*- commodity derivatives*		*117*	*14*	
(2)	*(3)*			*- exchange rate differences and derivatives*		*12*	*(3)*	
9	3	7		*- other*		*10*	*10*	
105	**177**	**156**	**48.6**	**Adjusted operating profit (loss)**		**226**	**333**	**47.3**
39	*66*	*44*	*12.8*	*- Refining & Marketing*		*131*	*110*	*(16.0)*
66	*111*	*112*	*69.7*	*- Chemicals*		*95*	*223*	..
(3)	1	(1)		Net finance income (expense) [a]		(4)		
3	20			Net income (expense) from investments [a]		38	20	
(26)	(54)	(51)		Income taxes [a]		(85)	(105)	
24.8	*27.3*	*32.9*		*Tax rate (%)*		*32.7*	*29.7*	
79	**144**	**104**	**31.6**	**Adjusted net profit (loss)**		**175**	**248**	**41.7**
152	**85**	**127**	**(16.4)**	**Capital expenditure**		**255**	**212**	**(16.9)**
				Global indicator refining margin				
9.1	4.2	4.6	(49.4)	Standard Eni Refining Margin (SERM) [b]	($/bbl)	8.3	4.4	(47.2)
				REFINING THROUGHPUTS AND SALES	(mmtonnes)			
5.77	**5.26**	**5.48**	**(5.0)**	**Refining throughputs in Italy**		**11.55**	**10.74**	**(7.0)**
6.59	**5.90**	**6.19**	**(6.1)**	**Refining throughputs on own account**		**13.50**	**12.09**	**(10.4)**
5.64	5.20	5.48	(2.8)	- Italy		11.32	10.68	(5.7)
0.95	0.70	0.71	(25.3)	- Rest of Europe		2.18	1.41	(35.3)
0.05	**0.04**	**0.05**		**Green refining throughputs**		**0.09**	**0.09**	
2.30	**2.00**	**2.21**	**(3.9)**	**Retail sales in Europe**		**4.35**	**4.21**	**(3.2)**
1.51	1.37	1.50	(0.7)	- Italy		2.87	2.87	
0.79	0.63	0.71	(10.1)	- Rest of Europe		1.48	1.34	(9.5)
2.98	**2.55**	**2.81**	**(5.7)**	**Wholesale sales in Europe**		**5.75**	**5.36**	**(6.8)**
2.00	1.84	2.01	0.5	- Italy		3.69	3.85	4.3
0.98	0.71	0.80	(18.4)	- Rest of Europe		2.06	1.51	(26.7)
0.11	**0.10**	**0.10**	**(9.1)**	**Wholesale sales outside Europe**		**0.21**	**0.20**	**(4.8)**
1,327	**1,438**	**1,460**	**10.0**	**Production of petrochemical products**	(mmtonnes)	**2,745**	**2,898**	**5.6**
1,275	**1,019**	**1,083**	**(15.1)**	**Sales of petrochemical products**	(€ million)	**2,370**	**2,102**	**(11.3)**

(a) Excluding special items.
(b) In USD per barrel. Source: Eni calculations. It gauges the profitability of Eni's refineries against the typical raw material slate and yields.

Results

In the **second quarter of 2016**, the Refining & Marketing and Chemicals segment reported adjusted operating profit of €156 million, up by €51 million or 48.6% compared to the second quarter of 2015.

Notwithstanding a weak scenario, Refining & Marketing business reported an adjusted operating profit of €44 million increasing by €5 million from the second quarter of 2015 (up 12.8%) driven by increasing results of Refining due to optimization and efficiency initiatives as well as higher availability of processing plants.

The Chemical business registered adjusted operating profit of €112 million increasing by €46 million from the second quarter of 2015, in a non-completely favourable trading environment, benefitting from the efficiency initiatives performed in previous reporting periods and increasing margins in polyethylene, while cracker margins resulted substantially stable.

Special charges excluded from adjusted operating profit of the second quarter of 2016 amounted to a net positive of €56 million (€122 million in the first half of 2016). This included impairment losses to write down capital expenditure of the period at assets impaired in previous reporting periods (€21 million and €34 million in the second quarter and the first half, respectively), environmental charges (€44 million and €67 million in the two reporting periods, respectively) as well as fair-value evaluation of certain commodity derivatives (gains of €12 million in the quarter and charges of €14 million in the first half) lacking the formal criteria to be accounted as hedges under IFRS.

Adjusted net profit in the quarter amounted to €104 million, up by €25 million from the corresponding period of the previous year due to increasing operating performance.

In the **first half of 2016** the Refining & Marketing and Chemicals segment reported adjusted operating profit of €333 million, increasing by €107 million from the corresponding period of 2015. Adjusted net profit of €248 million increased by €73 million. The drivers of the above-mentioned results were the same described in the quarterly disclosure.

Operating review

In the second quarter of 2016, the Standard Eni Refining Margin (SERM) has halved its value to 4.6 $/bl, compared to 9.1 $/bl reported in the same quarter of 2015 (down by 47.2%, compared to 8.3 $/bl reported in the first half of 2015), reflecting weaker products prices (mainly gasoil).

In this context, **Eni refining throughputs** amounted to 6.19 mmtonnes, down by 6.1% (12.09 mmtonnes in the first half; down by 10.4%). 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 in the second quarter reported a decrease of 3% (down 5.3% compared to the first half of 2015). Volumes processed in Italy were down 2.8% in the quarter; down 5.7% in the first half, due to lower availability of domestic crude oil following the shutdown of the Val d'Agri field, as well as other planned maintenance turnarounds. On a homogeneous basis, the second quarter volumes processed outside Italy decreased by 4.5%, (down 3% on a half-year basis).

Barely unchanged the volumes of **biofuels produced from vegetable oil** at the Venice Green Refinery compared to the corresponding periods of the previous year.

Retail sales in Italy of 1.50 mmtonnes in the quarter (2.87 mmtonnes in the first half) were barely unchanged from both the comparative periods. Eni's retail market share was 24.2%, down 0.3 percentage points from the second quarter of 2015. This decrease refers mainly to sales in highway stations and dealer owned stations; volumes marketed at company owned stations increased by 2% in line with national fuel consumption trends.

Wholesale sales in Italy amounted to 2.01 mmtonnes in the second quarter of 2016, substantially stable compared to the corresponding period of 2015 (3.85 mmtonnes in the first half of 2016, up by 4.3% compared to the first half of 2015). Lower sales of gasoil and bunker were almost offset by higher volumes of jet fuels and minor products.

Retail and wholesale sales in the rest of Europe decreased in both the reporting periods compared to the same periods of the previous year mainly due to the assets disposal in the Czech Republic and Slovakia finalized in July 2015. These negatives were partially offset by higher volumes traded in France in both the businesses segments.

Petrochemical production of 1.46 mmtonnes (2.90 mmtonnes in the first half, up by 5.6%) increased by 10% reflecting higher sales of olefins in the intermediates segment.

Summarized Group profit and loss account

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
20,279	13,344	13,416	(33.8)	Net sales from operations	41,317	26,760	(35.2)
118	207	295	..	Other income and revenues	669	502	(25.0)
(15,795)	(11,459)	(11,505)	27.2	Operating expenses	(33,290)	(22,964)	31.0
(276)	(117)	118	..	Other operating income (expense)	(298)	1	..
(2,602)	(1,835)	(2,018)	22.4	Depreciation, depletion, amortization and impairments	(4,834)	(3,853)	20.3
(119)	(35)	(86)	(27.7)	Write-off	(189)	(121)	36.0
1,605	**105**	**220**	**(86.3)**	**Operating profit (loss)**	**3,375**	**325**	**(90.4)**
81	(135)	(153)	..	Finance income (expense)	(563)	(288)	48.8
176	20	58	(67.0)	Income (expense) from investments	452	78	(82.7)
1,862	**(10)**	**125**	**(93.3)**	**Profit (loss) before income taxes**	**3,264**	**115**	**(96.5)**
(1,007)	(370)	(569)	43.5	Income taxes	(1,765)	(939)	46.8
54.1	..	..		*Tax rate (%)*	*54.1*	..	
855	**(380)**	**(444)**	**..**	**Net profit (loss) - continuing operations**	**1,499**	**(824)**	**..**
(1,400)	**(413)**		**..**	**Net profit (loss) - discontinued operations**	**(1,298)**	**(413)**	**68.2**
(545)	**(793)**	**(444)**	**18.5**	**Net profit (loss)**	**201**	**(1,237)**	**..**
(97)	**(796)**	**(446)**	**..**	**Eni's shareholders**	**735**	**(1,242)**	**..**
498	(383)	(446)	..	*- continuing operations*	1,285	(829)	..
(595)	(413)		..	*- discontinued operations*	(550)	(413)	24.9
(448)	**3**	**2**	**..**	**Non-controlling interest**	**(534)**	**5**	**..**
357	3	2	(99.4)	*- continuing operations*	214	5	(97.7)
(805)			..	*- discontinued operations*	(748)		..
498	**(383)**	**(446)**	**..**	**Net profit (loss) attributable to Eni's shareholders - continuing operations**	**1,285**	**(829)**	**..**
(46)	224	(123)		Exclusion of inventory holding (gains) losses	41	101	
174	182	279		Exclusion of special items	129	461	
626	**23**	**(290)**	**..**	**Adjusted net profit (loss) attributable to Eni's shareholders - continuing operations [(a)]**	**1,455**	**(267)**	**..**
(121)				Reinstatement of intercompany transactions vs. discontinued operations	(224)		
505	**23**	**(290)**	**..**	**Adjusted net profit (loss) attributable to Eni's shareholders on standalone basis [(a)]**	**1,231**	**(267)**	**..**

(a) Alternative preformance measures. For a detailed explanation and reconciliation of adjusted results which exclude as usual the items "profit/loss on stock" and extraordinary gains and losses (special items), while they reinstate the effects relating the elimination of gains and losses on intercompany transactions with discontinued operations see the following pages.

Alternative performance measures (Non-GAAP measures)

Management evaluates underlying business performance on the basis of non-GAAP financial measures under IFRS ("Alternative performance measures"), such as adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses, special items and, in determining the business segments' adjusted results, finance charges on finance debt and interest income. The adjusted operating profit of each business segment reports gains and losses on derivative financial instruments entered into to manage exposure to movements in foreign currency exchange rates which affect industrial margins and translation of commercial payables and receivables. Accordingly, also currency translation effects recorded through profit and loss are reported within business segments' adjusted operating profit. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them.
Management includes them in order to facilitate a comparison of base business performance across periods, and to allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. Non-GAAP financial measures should be read together with information determined by applying IFRS and do not stand in for them. Other companies may adopt different methodologies to determine Non-GAAP measures.

Follows the description of the main alternative performance measures adopted by Eni. The measures reported below refer to the actual performance:

Adjusted operating and net profit

Adjusted operating and net profit are determined by excluding inventory holding gains or losses, special items and, in determining the business segments' adjusted results, finance charges on finance debt and interest income. The adjusted operating profit of each business segment reports gains and losses on derivative financial instruments entered into to manage exposure to movements in foreign currency exchange rates which impact industrial margins and translation of commercial payables and receivables. Accordingly, also currency translation effects recorded through profit and loss are reported within business segments' adjusted operating profit. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them.
Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment operated assets, i.e., interest income on certain receivable financing and securities related to operations and finance charge pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration & Production segment).

Inventory holding gain or loss

This is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold calculated using the weighted average cost method of inventory accounting as required by IFRS.

Special items

These include certain significant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones; or (iii) exchange rate differences and derivatives relating to industrial activities and commercial payables and receivables, particularly exchange rate derivatives to manage commodity pricing formulas which are quoted in a currency other than the functional currency. Those items are reclassified in operating profit with a corresponding adjustment to net finance charges, notwithstanding the handling of foreign currency exchange risks is made centrally by netting off naturally-occurring opposite positions and then dealing with any residual risk exposure in the exchange rate market.
As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non recurring material income or charges are to be clearly reported in the management's discussion and financial tables. Also, special items allow to allocate to future reporting periods gains and losses on re-measurement at fair value of certain non hedging commodity derivatives and exchange rate derivatives relating to commercial exposures, lacking the criteria to be designed as hedges, including the ineffective portion of cash flow hedges and certain derivative financial instruments embedded in the pricing formula of long-term gas supply agreements of the Exploration & Production segment.

Adjusted operating profit, adjusted net profit and cash flow from operating activities on a standalone basis

Considering the relevant impact of the discontinued operations on Eni's 2015 financial statements, management determines adjusted performance measures on a standalone basis which exclude as usual the items "profit/loss on stock" and extraordinary gains and losses (special items), while they reinstate the effects relating to the elimination of gains and losses on intercompany transactions with the Engineering & Construction segment which, as of December 31, 2015, was in the disposal phase, represented as discontinued operations under the IFRS5. These measures obtain a representation of the performance of the continuing operations anticipating the effect of the derecognition of the discontinued operations. Namely: adjusted operating profit, adjusted net profit and cash flow from operating activities on a standalone basis.

Leverage

Leverage is a Non-GAAP measure of the Company's financial condition, calculated as the ratio between net borrowings and shareholders' equity, including non-controlling interest. Leverage is the reference ratio to assess the solidity and efficiency of the Group balance sheet in terms of incidence of funding sources including third-party funding and equity as well as to carry out benchmark analysis with industry standards.

Free cash flow

Free cash flow represents the link existing between changes in cash and cash equivalents (deriving from the statutory cash flows statement) and in net borrowings (deriving from the summarized cash flow statement) that occurred from the beginning of the period to the end of period. Free cash flow is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Net borrowings

Net borrowings is calculated as total finance debt less cash, cash equivalents and certain very liquid investments not related to operations, including among others non-operating financing receivables and securities not related to operations.
Financial activities are qualified as "not related to operations" when these are not strictly related to the business operations.

Reconciliation of reported operating profit and reported net profit to results on an adjusted basis

(€ million)

Second Quarter 2016	**Exploration & Production**	**Gas & Power**	**Refining & Marketing and Chemicals**	**Corporate and other activities**	**Impact of unrealized intragroup profit elimination**	**GROUP**
Reported operating profit (loss)	**194**	**(154)**	**315**	**(162)**	**27**	**220**
Exclusion of inventory holding (gains) losses		30	(215)		5	(180)
Exclusion of special items:						
environmental charges			44	34		78
asset impairments	105		21	5		131
net gains on disposal of assets	1	(1)	(4)			(4)
provision for redundancy incentives	3	1				4
commodity derivatives	11	(247)	(12)			(248)
exchange rate differences and derivatives	25	(1)				24
other	16	143	7	(4)		162
Special items of operating profit (loss)	**161**	**(105)**	**56**	**36**		**148**
Adjusted operating profit (loss)	**355**	**(229)**	**156**	**(126)**	**32**	**188**
Net finance (expense) income [(a)]	(57)	2	(1)	(121)		(177)
Net income (expense) from investments [(a)]	60	(7)		10		63
Income taxes [(a)]	(403)	73	(51)	27	(8)	(362)
Tax rate (%)	*..*	*31.2*	*32.9*			*..*
Adjusted net profit (loss)	**(45)**	**(161)**	**104**	**(210)**	**24**	**(288)**
of which:						
- Adjusted net profit (loss) of non-controlling interest						2
- Adjusted net profit (loss) attributable to Eni's shareholders						**(290)**
Reported net profit (loss) attributable to Eni's shareholders						**(446)**
Exclusion of inventory holding (gains) losses						(123)
Exclusion of special items						279
Adjusted net profit (loss) attributable to Eni's shareholders						**(290)**

[(a)] Excluding special items.

(€ million)

Second Quarter 2015	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Engineering & Construction	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS Engineering & Construction	DISCONTINUED OPERATIONS Consolidation adjustments	DISCONTINUED OPERATIONS Total	CONTINUING OPERATIONS	Reinstatement of intercompany transactions vs. discontinued operations	CONTINUING OPERATIONS - on standalone basis
Reported operating profit (loss)	**1,461**	**27**	**120**	**(193)**	**(950)**	**(81)**	**384**	**950**	**271**	**1,221**	**1,605**		**1,334**
Exclusion of inventory holding (gains) losses		48	(151)			37	(66)				(66)		(66)
Exclusion of special items:													
environmental charges			60	64			124				124		124
asset impairments	111	17	43	3	211		385	(211)		(211)	174		174
net gains on disposal of assets	(4)		(4)	(1)			(9)				(9)		(9)
provision for redundancy incentives	9	3	(4)	1	1		10	(1)		(1)	9		9
commodity derivatives	20	6	27		(2)		51	2	(2)		51		53
exchange rate differences and derivatives	(3)	(94)	(2)				(99)				(99)		(99)
other	(9)	24	9	1			25				25		25
Special items of operating profit (loss)	**124**	**(44)**	**136**	**70**	**210**		**496**	**(210)**	**(2)**	**(212)**	**284**		**286**
Adjusted operating profit (loss)	**1,585**	**31**	**105**	**(123)**	**(740)**	**(44)**	**814**	**740**	**269**	**1,009**	**1,823**	**(269)**	**1,554**
Net finance (expense) income [(a)]	(66)	3	(3)	(186)	(1)		(253)	1	32	33	(220)		(252)
Net income (expense) from investments [(a)]	125		3	43	(17)		154	17		17	171		171
Income taxes [(a)]	(1,016)	(30)	(26)	56	41	10	(965)	(41)	(21)	(62)	(1,027)		(1,006)
Tax rate (%)	*61.8*	*88.2*	*24.8*				..				*57.9*		*68.3*
Adjusted net profit (loss)	**628**	**4**	**79**	**(210)**	**(717)**	**(34)**	**(250)**	**717**	**280**	**997**	**747**	**(280)**	**467**
of which:													
- Adjusted net profit (loss) of non-controlling interest							(446)			567	121	(159)	(38)
- Adjusted net profit (loss) attributable to Eni's shareholders							**196**			**430**	**626**	**(121)**	**505**
Reported net profit (loss) attributable to Eni's shareholders							**(97)**			**595**	**498**		**498**
Exclusion of inventory holding (gains) losses							(46)				(46)		(46)
Exclusion of special items							339			(165)	174		174
Reinstatement of intercompany transactions vs. discontinued operations													(121)
Adjusted net profit (loss) attributable to Eni's shareholders							**196**			**430**	**626**		**505**

[(a)] Excluding special items.

(€ million)

First half 2016	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS
Reported operating profit (loss)	**288**	**(71)**	**363**	**(260)**	**5**	**325**		**325**
Exclusion of inventory holding (gains) losses		158	(152)		143	149		149
Exclusion of special items:								
environmental charges			67	34		101		101
asset impairments	105		34	9		148		148
impairment of exploration projects	7					7		7
net gains on disposal of assets	1	(1)	(4)			(4)		(4)
provision for redundancy incentives	4	1	4	2		11		11
commodity derivatives	15	(144)	14			(115)		(115)
exchange rate differences and derivatives	25	(40)	(3)			(18)		(18)
other	5	153	10	(2)		166		166
Special items of operating profit (loss)	**162**	**(31)**	**122**	**44**		**297**		**297**
Adjusted operating profit (loss)	**450**	**56**	**333**	**(216)**	**148**	**771**		**771**
Net finance (expense) income [(a)]	(115)	4		(155)		(266)		(266)
Net income (expense) from investments [(a)]	85	(2)	20	3		106		106
Income taxes [(a)]	(710)	(55)	(105)	43	(46)	(873)		(873)
Tax rate (%)	..	*94.8*	*29.7*			..		..
Adjusted net profit (loss)	**(290)**	**3**	**248**	**(325)**	**102**	**(262)**		**(262)**
of which:								
- Adjusted net profit (loss) of non-controlling interest						5		5
- Adjusted net profit (loss) attributable to Eni's shareholders						**(267)**		**(267)**
Reported net profit (loss) attributable to Eni's shareholders						**(1,242)**	**413**	**(829)**
Exclusion of inventory holding (gains) losses						101		101
Exclusion of special items						874	(413)	461
Adjusted net profit (loss) attributable to Eni's shareholders						**(267)**		**(267)**

[(a)] Excluding special items.

(€ million)

First half 2015	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Engineering & Construction	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS			CONTINUING OPERATIONS	Reinstatement of intercompany transactions vs. discontinued operations	CONTINUING OPERATIONS - on standalone basis
								Engineering & Construction	Consolidation adjustments	Total			
Reported operating profit (loss)	**2,874**	**213**	**219**	**(286)**	**(788)**	**(182)**	**2,050**	**788**	**537**	**1,325**	**3,375**		**2,838**
Exclusion of inventory holding (gains) losses		79	(284)			264	59				59		59
Exclusion of special items:													
environmental charges			80	64			144				144		144
asset impairments	111	17	70	4	211		413	(211)		(211)	202		202
net gains on disposal of assets	(329)		(5)	(1)			(335)				(335)		(335)
provision for redundancy incentives	10	3		1	2		16	(2)		(2)	14		14
commodity derivatives	31	14	117		(5)		157	5	(5)		157		162
exchange rate differences and derivatives	(20)	(25)	12				(33)				(33)		(33)
other	(12)	24	10	4			26				26		26
Special items of operating profit (loss)	**(209)**	**33**	**291**	**74**	**208**		**397**	**(208)**	**(5)**	**(213)**	**184**		**189**
Adjusted operating profit (loss)	**2,665**	**325**	**226**	**(212)**	**(580)**	**82**	**2,506**	**580**	**532**	**1,112**	**3,618**	**(532)**	**3,086**
Net finance (expense) income [(a)]	(130)	5	(4)	(302)	(3)		(434)	3	14	17	(417)		(431)
Net income (expense) from investments [(a)]	148	3	38	273	(10)		452	10		10	462		462
Income taxes [(a)]	(1,811)	(111)	(85)	99	(13)	(23)	(1,944)	13	(26)	(13)	(1,957)		(1,931)
Tax rate (%)	*67.5*	*33.3*	*32.7*				*77.0*				*53.4*		*62.0*
Adjusted net profit (loss)	**872**	**222**	**175**	**(142)**	**(606)**	**59**	**580**	**606**	**520**	**1,126**	**1,706**	**(520)**	**1,186**
of which:													
- Adjusted net profit (loss) of non-controlling interest							(390)			641	251	(296)	(45)
- Adjusted net profit (loss) attributable to Eni's shareholders							**970**			**485**	**1,455**	**(224)**	**1,231**
Reported net profit (loss) attributable to Eni's shareholders							**735**			**550**	**1,285**		**1,285**
Exclusion of inventory holding (gains) losses							41				41		41
Exclusion of special items							194			(65)	129		129
Reinstatement of intercompany transactions vs. discontinued operations													(224)
Adjusted net profit (loss) attributable to Eni's shareholders							**970**			**485**	**1,455**		**1,231**

[(a)] Excluding special items.

(€ million)

First Quarter 2016	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Impact of unrealized intragroup profit elimination	GROUP	DISCONTINUED OPERATIONS	CONTINUING OPERATIONS
Reported operating profit (loss)	**94**	**83**	**48**	**(98)**	**(22)**	**105**		**105**
Exclusion of inventory holding (gains) losses		128	63		138	329		329
Exclusion of special items:								
environmental charges			23			23		23
asset impairments			13	4		17		17
impairment of exploration projects	7					7		7
provision for redundancy incentives	1		4	2		7		7
commodity derivatives	4	103	26			133		133
exchange rate differences and derivatives		(39)	(3)			(42)		(42)
other	(11)	10	3	2		4		4
Special items of operating profit (loss)	**1**	**74**	**66**	**8**		**149**		**149**
Adjusted operating profit (loss)	**95**	**285**	**177**	**(90)**	**116**	**583**		**583**
Net finance (expense) income [(a)]	(58)	2	1	(34)		(89)		(89)
Net income (expense) from investments [(a)]	25	5	20	(7)		43		43
Income taxes [(a)]	(307)	(128)	(54)	16	(38)	(511)		(511)
Tax rate (%)	*..*	*43.8*	*27.3*			*95.2*		*95.2*
Adjusted net profit (loss)	**(245)**	**164**	**144**	**(115)**	**78**	**26**		**26**
of which:								
- Adjusted net profit (loss) of non-controlling interest						3		3
- Adjusted net profit (loss) attributable to Eni's shareholders						**23**		**23**
Reported net profit (loss) attributable to Eni's shareholders						**(796)**	**413**	**(383)**
Exclusion of inventory holding (gains) losses						224		224
Exclusion of special items						595	(413)	182
Adjusted net profit (loss) attributable to Eni's shareholders						**23**		**23**

[(a)] Excluding special items.

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
3,918	**1,370**	**1,730**	**Net cash provided by operating activities - continuing operations**	**6,554**	**3,100**
(353)			Reinstatement of intercompany transactions vs. discontinued operations	(157)	
3,565	**1,370**	**1,730**	**Net cash provided by operating activities on standalone basis**	**6,397**	**3,100**

Breakdown of special items

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
124	23	78	Environmental charges	144	101
385	17	131	Asset impairments	413	148
	7		Impairment of exploration projects		7
(9)		(4)	Net gains on disposal of assets	(335)	(4)
10	7	4	Provisions for redundancy incentives	16	11
51	133	(248)	Commodity derivatives	157	(115)
(99)	(42)	24	Exchange rate differences and derivatives	(33)	(18)
25	4	162	Other	26	166
496	**149**	**148**	**Special items of operating profit (loss)**	**397**	**297**
(187)	**96**	**(24)**	**Net finance (income) expense**	**141**	**72**
			of which:		
99	*42*	*(24)*	*- exchange rate differences and derivatives*	*33*	*18*
(5)	**386**	**5**	**Net income (expense) from investments**	**(3)**	**391**
			of which:		
(5)		(7)	- gains on disposal of assets	(3)	(7)
	365	8	- impairments/revaluation of equity investments		373
37	**(36)**	**150**	**Income taxes**	**(197)**	**114**
			of which:		
		149	*- impairment of deferred tax assets of Italian subsidiaries*		*149*
37	*(36)*	*1*	*- taxes on special items of operating profit (loss) and other special items*	*(197)*	*(35)*
341	**595**	**279**	**Total special items of net profit (loss)**	**338**	**874**
			Attributable to:		
2			- Non-controlling interest	144	
339	**595**	**279**	**- Eni's shareholders**	**194**	**874**

Analysis of Profit and Loss account items of continuing operations

Net sales from operations

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
6,200	3,356	3,887	(37.3)	Exploration & Production	11,412	7,243	(36.5)
14,263	10,030	9,734	(31.8)	Gas & Power	30,636	19,764	(35.5)
6,695	3,869	4,829	(27.9)	Refining & Marketing	12,051	8,698	(27.8)
5,628	*2,916*	*3,886*	*(31.0)*	*- Refining & Marketing*	*9,999*	*6,802*	*(32.0)*
1,275	*1,019*	*1,083*	*(15.1)*	*- Chemicals*	*2,370*	*2,102*	*(11.3)*
(208)	*(66)*	*(140)*		*- Consolidation adjustment*	*(318)*	*(206)*	
351	310	319	(9.1)	Corporate and other activities	704	629	(10.7)
153				Impact of unrealized intragroup profit elimination	125		
(7,383)	(4,221)	(5,353)		Consolidation adjustment	(13,611)	(9,574)	
20,279	**13,344**	**13,416**	**(33.8)**		**41,317**	**26,760**	**(35.2)**

Operating expenses

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
14,998	10,651	10,769	(28.2)	Purchases, services and other	31,697	21,420	(32.4)
133	*23*	*79*		*of which: - other special items*	*153*	*102*	
797	808	736	(7.7)	Payroll and related costs	1,593	1,544	(3.1)
9	*7*	*4*		*of which: - provision for redundancy incentives and other*	*14*	*11*	
15,795	**11,459**	**11,505**	**(27.2)**		**33,290**	**22,964**	**(31.0)**

Depreciation, depletion, amortization, impairments and write-off

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
2,214	1,624	1,699	(23.3)	Exploration & Production	4,207	3,323	(21.0)
87	86	88	1.1	Gas & Power	176	174	(1.1)
115	96	89	(22.6)	Refining & Marketing and Chemicals	225	185	(17.8)
88	*88*	*87*	*(1.1)*	*- Refining & Marketing*	*173*	*175*	*1.2*
27	*8*	*2*	*(92.6)*	*- Chemicals*	*52*	*10*	*(80.8)*
19	19	18	(5.3)	Corporate and other activities	37	37	
(7)	(7)	(7)		Impact of unrealized intragroup profit elimination	(13)	(14)	
2,428	**1,818**	**1,887**	**(22.3)**	**Total depreciation, depletion and amortization**	**4,632**	**3,705**	**(20.0)**
174	**17**	**131**	**(24.7)**	**Impairments**	**202**	**148**	**(26.7)**
2,602	**1,835**	**2,018**	**(22.4)**	**Depreciation, depletion, amortization and impairments**	**4,834**	**3,853**	**(20.3)**
119	**35**	**86**	**(27.7)**	**Write-off**	**189**	**121**	**(36.0)**
2,721	**1,870**	**2,104**	**(22.7)**		**5,023**	**3,974**	**(20.9)**

Income (expense) from investments

(€ million)

First Half 2016	Exploration & Production	Gas & Power	Refining & Marketing and Chemicals	Corporate and other activities	Group
Share of gains (losses) from equity-accounted investments	54		(1)	28	**81**
Dividends	27		21	7	**55**
Net gains on disposal			5	(32)	**(27)**
Other income (expense), net		(8)	(2)	(21)	**(31)**
	81	**(8)**	**23**	**(18)**	**78**

Leverage and net borrowings

Leverage is a measure used by management to assess the Company's level of indebtedness. It is calculated as a ratio of net borrowings - which is calculated by excluding cash and cash equivalents and certain very liquid assets from finance debt to shareholders' equity, including non-controlling interest. Management periodically reviews leverage in order to assess the soundness and efficiency of the Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards.

(€ million)	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Change vs. Dec. 31, 2015	Change vs. Mar. 31, 2016
Total debt	27,793	23,929	25,788	(2,005)	1,859
Short-term debt	*8,396*	*4,485*	*4,654*	*(3,742)*	*169*
Long-term debt	*19,397*	*19,444*	*21,134*	*1,737*	*1,690*
Cash and cash equivalents	(5,209)	(6,029)	(5,099)	110	930
Securities held for trading and other securities held for non-operating purposes	(5,028)	(5,007)	(6,351)	(1,323)	(1,344)
Financing receivables held for non-operating purposes	(685)	(671)	(524)	161	147
Net borrowings	**16,871**	**12,222**	**13,814**	**(3,057)**	**1,592**
Shareholders' equity including non-controlling interest	**57,409**	**52,879**	**52,303**	**(5,106)**	**(576)**
Leverage	**0.29**	**0.23**	**0.26**	**(0.03)**	**0.03**

Net borrowings are calculated under Consob provisions on Net Financial Position (Com. no. DEM/6064293 of 2006).

Bonds maturing in the 18-months period starting on June 30, 2016

(€ million) Issuing entity	Amount at June 30, 2016 [(a)]
Eni SpA	2,645
Eni Finance International SA	100
	2,745

(a) Amounts include interest accrued and discount on issue.

Bonds issued in the first half of 2016 (guaranteed by Eni Spa)

Issuing entity	Nominal amount (million)	Currency	Amount at June 30, 2016 [(a)] (€ million)	Maturity	Rate	%
Eni SpA	800	EUR	790	2028	fixed	1.63
Eni SpA	700	EUR	697	2022	fixed	0.75
Eni SpA	400	EUR	382	2022		convertible
	1,900		**1,869**			

(a) Amounts include interest accrued and discount on issue.

Consolidated financial statements

BALANCE SHEET

(€ million)

Jan 1, 2015		Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016
	ASSETS			
	Current assets			
6,614	Cash and cash equivalents	5,209	6,029	5,099
5,024	Other financial activities held for trading	5,028	4,995	5,989
257	Other financial assets available for sale	282	315	362
28,601	Trade and other receivables	21,640	21,581	20,019
7,555	Inventories	4,579	4,013	4,413
762	Current tax assets	360	401	464
1,209	Other current tax assets	630	612	483
4,385	Other current assets	3,642	3,676	2,693
54,407		**41,370**	**41,622**	**39,522**
	Non-current assets			
75,991	Property, plant and equipment	68,005	66,426	67,826
1,581	Inventory - compulsory stock	909	871	1,037
4,420	Intangible assets	3,034	2,961	2,882
3,172	Equity-accounted investments	2,853	4,494	4,444
2,015	Other investments	660	288	283
1,042	Other financial assets	1,026	995	1,005
4,509	Deferred tax assets	3,853	3,863	3,663
2,773	Other non-current assets	1,758	1,625	1,580
95,503		**82,098**	**81,523**	**82,720**
456	**Discontinued operations and assets held for sale**	**15,533**	**123**	**99**
150,366	**TOTAL ASSETS**	**139,001**	**123,268**	**122,341**
	LIABILITIES AND SHAREHOLDERS' EQUITY			
	Current liabilities			
2,716	Short-term debt	5,720	3,678	3,706
3,859	Current portion of long-term debt	2,676	807	948
23,703	Trade and other payables	14,942	15,237	15,273
534	Income taxes payable	431	434	401
1,873	Other taxes payable	1,454	2,113	1,768
4,489	Other current liabilities	4,712	4,769	3,151
37,174		**29,935**	**27,038**	**25,247**
	Non-current liabilities			
19,316	Long-term debt	19,397	19,444	21,134
15,882	Provisions for contingencies	15,375	13,966	13,952
1,313	Provisions for employee benefits	1,123	1,122	1,030
8,590	Deferred tax liabilities	7,425	7,021	6,890
2,285	Other non-current liabilities	1,852	1,764	1,761
47,386		**45,172**	**43,317**	**44,767**
165	**Liabilities directly associated with discontinued operations and assets held for sale**	**6,485**	**34**	**24**
84,725	**TOTAL LIABILITIES**	**81,592**	**70,389**	**70,038**
	SHAREHOLDERS' EQUITY			
2,455	**Non-controlling interest**	**1,916**	**47**	**46**
	Eni shareholders' equity:			
4,005	Share capital	4,005	4,005	4,005
(284)	Reserve related to the fair value of cash flow hedging derivatives net of tax effect	(474)	(510)	(152)
60,763	Other reserves	62,761	50,714	50,227
(581)	Treasury shares	(581)	(581)	(581)
(2,020)	Interim dividend	(1,440)		
1,303	Net profit (loss)	(8,778)	(796)	(1,242)
63,186	**Total Eni shareholders' equity**	**55,493**	**52,832**	**52,257**
65,641	**TOTAL SHAREHOLDERS' EQUITY**	**57,409**	**52,879**	**52,303**
150,366	**TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY**	**139,001**	**123,268**	**122,341**

GROUP PROFIT AND LOSS ACCOUNT

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
			REVENUES		
20,279	13,344	13,416	Net sales from operations	41,317	26,760
118	207	295	Other income and revenues	669	502
20,397	**13,551**	**13,711**	**Total revenues**	**41,986**	**27,262**
			OPERATING EXPENSES		
14,998	10,651	10,769	Purchases, services and other	31,697	21,420
797	808	736	Payroll and related costs	1,593	1,544
(276)	**(117)**	**118**	**OTHER OPERATING (EXPENSE) INCOME**	**(298)**	**1**
2,602	**1,835**	**2,018**	**DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS**	**4,834**	**3,853**
119	**35**	**86**	**WRITE-OFF**	**189**	**121**
1,605	**105**	**220**	**OPERATING PROFIT (LOSS)**	**3,375**	**325**
			FINANCE INCOME (EXPENSE)		
1,317	1,833	1,357	Finance income	5,885	3,190
(1,671)	(2,077)	(1,343)	Finance expense	(6,359)	(3,420)
1	(37)	(16)	Income (expense) from other financial activities held for trading	17	(53)
434	146	(151)	Derivative financial instruments	(106)	(5)
81	**(135)**	**(153)**		**(563)**	**(288)**
			INCOME (EXPENSE) FROM INVESTMENTS		
29	55	26	Share of profit (loss) of equity-accounted investments	45	81
147	(35)	32	Other gain (loss) from investments	407	(3)
176	**20**	**58**		**452**	**78**
1,862	**(10)**	**125**	**PROFIT (LOSS) BEFORE INCOME TAXES**	**3,264**	**115**
(1,007)	(370)	(569)	Income taxes	(1,765)	(939)
855	**(380)**	**(444)**	**Net profit (loss) - continuing operations**	**1,499**	**(824)**
(1,400)	**(413)**		**Net profit (loss) - discontinued operations**	**(1,298)**	**(413)**
(545)	**(793)**	**(444)**	**Net profit (loss)**	**201**	**(1,237)**
			Eni's shareholders:		
498	(383)	(446)	- continuing operations	1,285	(829)
(595)	(413)		- discontinued operations	(550)	(413)
(97)	**(796)**	**(446)**		**735**	**(1,242)**
			Non controlling interest		
357	3	2	- continuing operations	214	5
(805)			- discontinued operations	(748)	
(448)	**3**	**2**		**(534)**	**5**
			Net profit (loss) per share attributable to Eni's shareholders (€ per share)		
(0.03)	(0.22)	(0.12)	- basic	0.20	(0.34)
(0.03)	(0.22)	(0.12)	- diluted	0.20	(0.34)
			Net profit (loss) per share - continuing operations attributable to Eni's shareholders (€ per share)		
0.14	(0.11)	(0.12)	- basic	0.35	(0.23)
0.14	(0.11)	(0.12)	- diluted	0.35	(0.23)

COMPREHENSIVE INCOME

(€ million)

	First Half	
	2015	**2016**
Net profit (loss)	**201**	**(1,237)**
Items subsequently reclassificable to profit and loss account	**3,837**	**(519)**
Foreign currency translation differences	*3,729*	*(875)*
Change in the fair value of cash flow hedging derivatives	*156*	*428*
Change in the fair value of other available-for-sale financial instruments	*(3)*	
Share of "Other comprehensive income" on equity-accounted entities	*(7)*	*34*
Taxation	*(38)*	*(106)*
Total other items of comprehensive income (loss)	**3,837**	**(519)**
Total comprehensive income (loss)	**4,038**	**(1,756)**
attributable to:		
Eni's shareholders	**4,518**	**(1,761)**
- continuing operations	5,068	(1,348)
- discontinued operations	(550)	(413)
Non-controlling interest	**(480)**	**5**
- continuing operations	268	5
- discontinued operations	(748)	

CHANGES IN SHAREHOLDERS' EQUITY

(€ milion)

Shareholders' equity at January 1, 2015:		**65,641**
Total comprehensive income (loss)	4,038	
Dividends distributed to Eni's shareholders	(2,017)	
Dividends distributed by consolidated subsidiaries	(3)	
Other changes	11	
Total changes		**2,029**
Shareholders' equity at June 30, 2015:		**67,670**
Total comprehensive income (loss)	(8,762)	
Dividends distributed to Eni's shareholders	(1,440)	
Dividends distributed by consolidated subsidiaries	(18)	
Other changes	(41)	
Total changes		**(10,261)**
Shareholders' equity at December 31, 2015:		**57,409**
Total comprehensive income (loss)	(1,756)	
Dividends distributed to Eni's shareholders	(1,440)	
Dividends distributed by consolidated subsidiaries	(4)	
Deconsolidation of Saipem's non-controlling interest	(1,872)	
Other changes	(34)	
Total changes		**(5,106)**
Shareholders' equity at June 30, 2016:		**52,303**
attributable to:		
- Eni's shareholders		**52,257**
- Non-controlling interest		46

GROUP CASH FLOW STATEMENT

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
855	**(380)**	**(444)**	**Net profit (loss) - continuing operations**	**1,499**	**(824)**
			Adjustments to reconcile net profit (loss) to net cash provided by operating activities:		
2,602	1,835	2,018	Depreciation, depletion, amortization and impairments	4,834	3,853
119	35	86	Write-off	189	121
(29)	(55)	(26)	Share of (profit) loss of equity-accounted investments	(45)	(81)
(28)	(18)	(9)	Gain on disposal of assets, net	(342)	(27)
(181)	(22)	(33)	Dividend income	(223)	(55)
(47)	(68)	(52)	Interest income	(83)	(120)
170	160	159	Interest expense	336	319
1,007	370	569	Income taxes	1,765	939
166	70	(119)	Other changes	(48)	(49)
			Changes in working capital:		
47	530	(500)	- inventories	519	30
2,355	(189)	1,726	- trade receivables	1,611	1,537
(1,563)	13	(53)	- trade payables	(1,050)	(40)
38	(1,076)	123	- provisions for contingencies	(305)	(953)
(428)	948	(750)	- other assets and liabilities	498	198
449	*226*	*546*	*Cash flow from changes in working capital*	*1,273*	*772*
5	7	1	Net change in the provisions for employee benefits	(12)	8
242	5	82	Dividends received	265	87
12	45	22	Interest received	24	67
(125)	(226)	(168)	Interest paid	(401)	(394)
(1,299)	(614)	(902)	Income taxes paid, net of tax receivables received	(2,477)	(1,516)
3,918	**1,370**	**1,730**	**Net cash provided from operating activities - continuing operations**	**6,554**	**3,100**
(614)			**Net cash provided from operating activities - discontinued operations**	**(1,011)**	
3,304	**1,370**	**1,730**	**Net cash provided from operating activities**	**5,543**	**3,100**
			Investing activities:		
(3,243)	(2,441)	(2,406)	- tangible assets	(6,058)	(4,847)
(25)	(14)	(18)	- intangible assets	(44)	(32)
(47)	(1,124)	(28)	- investments	(108)	(1,152)
(61)	(70)	(1,155)	- securities	(98)	(1,225)
(64)	(286)	(338)	- financing receivables	(442)	(624)
394	(72)	103	- change in payables and receivables in relation to investments and capitalized depreciation	(162)	31
(3,046)	*(4,007)*	*(3,842)*	*Cash flow from investments*	*(6,912)*	*(7,849)*
			Disposals:		
13	1	8	- tangible assets	408	9
			- intangible assets	4	
(1)	463	11	- consolidated subsidiaries and businesses	33	474
85	341	127	- investments	199	468
	7		- securities	10	7
87	6,337	579	- financing receivables	273	6,916
61	32	19	- change in payables and receivables in relation to disposals	68	51
245	*7,181*	*744*	*Cash flow from disposals*	*995*	*7,925*
(2,801)	**3,174**	**(3,098)**	**Net cash used in investing activities** (*)	**(5,917)**	**76**

GROUP CASH FLOW STATEMENT (continued)

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
985	211	1,892	Proceeds from long-term debt	2,004	2,103
(2,311)	(1,849)	(120)	Repayments of long-term debt	(2,766)	(1,969)
1,059	(2,064)	108	Increase (decrease) in short-term debt	1,925	(1,956)
(267)	**(3,702)**	**1,880**		**1,163**	**(1,822)**
1			Net capital contributions by non-controlling interest	1	
(2,017)		(1,440)	Dividends paid to Eni's shareholders	(2,017)	(1,440)
(3)		(4)	Dividends paid to non-controlling interests	(3)	(4)
(2,286)	**(3,702)**	**436**	**Net cash used in financing activities**	**(856)**	**(3,266)**
1		(1)	Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)	(2)	(1)
(22)	(22)	3	Effect of exchange rate changes on cash and cash equivalents and other changes	84	(19)
(1,804)	**820**	**(930)**	**Net cash flow for the period**	**(1,148)**	**(110)**
7,270	**5,209**	**6,029**	**Cash and cash equivalents - beginning of the period**	**6,614**	**5,209**
5,466	**6,029**	**5,099**	**Cash and cash equivalents - end of the period**	**5,466**	**5,099**

(*) Net cash used in investing activities included investments and divestments (on net basis) in held-for-trading financial assets and other investments/divestments in certain short-term financial assets. Due to their nature and the circumstance that they are very liquid, these financial assets are netted against finance debt in determing net borrowings. Cash flows of such investments were as follows:

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
197	**5,987**	**(788)**	**Net cash flows from financing activities**	**25**	**5,199**

SUPPLEMENTAL INFORMATION

(€ million)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016		First Half 2015	First Half 2016
			Effect of disposal of consolidated subsidiaries and businesses		
	6,493	7	Current assets	7	6,500
	8,541	9	Non-current assets	19	8,550
	(5,390)	(2)	Net borrowings	(17)	(5,392)
2	(6,303)	(7)	Current and non-current liabilities	(6)	(6,310)
2	**3,341**	**7**	**Net effect of disposals**	**3**	**3,348**
	(1,006)		Current value of residual interests following the loss of control		(1,006)
(3)		5	Gains on disposal	31	5
	(1,872)		Non-controlling interest		(1,872)
(1)	**463**	**12**	**Selling price**	**34**	**475**
			less:		
		(1)	Cash and cash equivalents	(1)	(1)
(1)	**463**	**11**	**Cash flow on disposals**	**33**	**474**

Capital expenditure

(€ million) Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
3,194	2,297	2,326	(27.2)	Exploration & Production	5,795	4,623	(20.2)
	2		..	*- acquisition of proved and unproved properties*		*2*	..
70	*55*	*59*	*(15.7)*	*- g&g costs*	*135*	*114*	*(15.6)*
135	*90*	*80*	*(40.7)*	*- exploration*	*312*	*170*	*(45.5)*
2,975	*2,122*	*2,171*	*(27.0)*	*- development*	*5,321*	*4,293*	*(19.3)*
14	*28*	*16*	14.3	*- other expenditure*	*27*	*44*	*63.0*
26	22	22	(15.4)	Gas & Power	44	44	
152	85	127	*(16.4)*	Refining & Marketing and Chemicals	255	212	(16.9)
8	9	11	*37.5*	Corporate and other activities	15	20	33.3
(160)	97	(3)		Impact of unrealized intragroup profit elimination	(140)	94	
3,220	**2,510**	**2,483**	**(22.9)**	**Capital expenditure - continuing operations**	**5,969**	**4,993**	**(16.4)**
70	**55**	**59**	**(15.7)**	**Cash out in net cash flow from operating activities**	**135**	**114**	**(15.6)**
3,150	**2,455**	**2,424**	**(23.0)**	**Cash out in net cash flow from investment activities**	**5,834**	**4,879**	**(16.4)**

In the first half of 2016, capital expenditure amounted to €4,879 million (€5,834 million in the first half of 2015) and mainly related to:

- development activities deployed mainly in Egypt, Angola, Indonesia, Kazakhstan, Norway, Iraq and Libya and exploratory activities primarily in Egypt, Angola and Congo;

- refining activity in Italy and outside Italy (€107 million) aiming fundamentally at plants improving, as well as initiatives in the field of health, security and environment; marketing activity, mainly regulation compliance and stay in business initiatives in the refined product retail network in Italy and in the Rest of Europe (€33 million);

- initiatives relating to gas marketing (€29 million).

Exploration & Production

PRODUCTION OF OIL AND NATURAL GAS BY REGION

Second Quarter 2015	First Quarter 2016	Second Quarter 2016			First Half 2015	First Half 2016
1,754	**1,754**	**1,715**	**Production of oil and natural gas** [(a)] [(b)]	(kboe/d)	**1,726**	**1,734**
173	154	96	Italy		169	125
181	190	188	Rest of Europe		184	189
681	616	651	North Africa		659	634
343	343	350	Sub-Saharan Africa		343	346
98	118	90	Kazakhstan		99	104
113	132	141	Rest of Asia		111	136
140	178	174	America		134	176
25	23	25	Australia and Oceania		27	24
153.6	**151.5**	**147.5**	**Production sold** [(a)]	(mmboe)	**298.1**	**299.0**

PRODUCTION OF LIQUIDS BY REGION

Second Quarter 2015	First Quarter 2016	Second Quarter 2016			First Half 2015	First Half 2016
903	**890**	**852**	**Production of liquids** [(a)]	(kbbl/d)	**882**	**871**
72	61	19	Italy		69	40
82	89	99	Rest of Europe		86	94
288	244	248	North Africa		268	246
255	260	259	Sub-Saharan Africa		256	260
58	67	49	Kazakhstan		58	58
55	81	92	Rest of Asia		52	86
88	86	83	America		87	84
5	2	3	Australia and Oceania		6	3

PRODUCTION OF NATURAL GAS BY REGION

Second Quarter 2015	First Quarter 2016	Second Quarter 2016			First Half 2015	First Half 2016
4,676	**4,718**	**4,709**	**Production of natural gas** [(a)] [(b)]	(mmcf/d)	**4,636**	**4,713**
557	511	417	Italy		553	464
544	548	486	Rest of Europe		539	517
2,154	2,032	2,200	North Africa		2,145	2,115
485	453	498	Sub-Saharan Africa		478	475
222	279	220	Kazakhstan		228	250
319	278	271	Rest of Asia		323	275
285	502	496	America		255	499
110	115	121	Australia and Oceania		115	118

(a) Includes Eni's share of production of equity-accounted entities.

(b) Includes volumes of gas consumed in operation (467 and 392 mmcf/d in the second quarter 2016 and 2015, respectively, 447 and 395 mmcf/d in the first half 2016 and 2015, respectively and 428 mmcf/d in the first quarter 2016).

Gas & Power

Natural gas sales by market

(bcm)

Second Quarter 2015	First Quarter 2016	Second Quarter 2016	% Ch. II Q.16 vs. II Q.15		First Half 2015	First Half 2016	% Ch.
10.58	**10.79**	**8.63**	**(18.4)**	**ITALY**	**21.11**	**19.42**	**(8.0)**
0.61	1.61	0.56	(8.2)	- Wholesalers	2.33	2.17	(6.9)
6.26	3.55	4.67	(25.4)	- Italian exchange for gas and spot markets	9.01	8.22	(8.8)
1.15	1.14	1.15		- Industries	2.51	2.29	(8.8)
0.37	0.66	0.35	(5.4)	- Medium-sized enterprises and services	0.92	1.01	9.8
0.18	0.21	0.09	(50.0)	- Power generation	0.44	0.30	(31.8)
0.73	2.09	0.50	(31.5)	- Residential	3.08	2.59	(15.9)
1.28	1.53	1.31	2.3	- Own consumption	2.82	2.84	0.7
11.81	**13.31**	**12.52**	**6.0**	**INTERNATIONAL SALES**	**26.90**	**25.83**	**(4.0)**
9.48	**11.30**	**10.64**	**12.2**	**Rest of Europe**	**22.45**	**21.94**	**(2.3)**
1.11	1.13	0.99	(10.8)	- Importers in Italy	2.24	2.12	(5.4)
8.37	10.17	9.65	15.3	- European markets	20.21	19.82	(1.9)
1.45	*1.38*	*1.07*	*(26.2)*	*Iberian Peninsula*	*2.59*	*2.45*	*(5.4)*
0.96	*1.37*	*2.81*	*..*	*Germany/Austria*	*2.57*	*4.18*	*62.6*
1.68	*2.13*	*2.19*	*30.4*	*Benelux*	*4.52*	*4.32*	*(4.4)*
0.19	*0.73*	*0.14*	*(26.3)*	*Hungary*	*0.91*	*0.87*	*(4.4)*
0.43	*0.37*	*0.35*	*(18.6)*	*UK*	*1.15*	*0.72*	*(37.4)*
1.80	*1.59*	*1.39*	*(22.8)*	*Turkey*	*3.87*	*2.98*	*(23.0)*
1.81	*2.23*	*1.68*	*(7.2)*	*France*	*4.34*	*3.91*	*(9.9)*
0.05	*0.37*	*0.02*	*(60.0)*	*Other*	*0.26*	*0.39*	*50.0*
1.51	**1.20**	**1.21**	**(19.9)**	**Extra European markets**	**2.85**	**2.41**	**(15.4)**
0.82	**0.81**	**0.67**	**(18.3)**	**E&P sales in Europe and in the Gulf of Mexico**	**1.60**	**1.48**	**(7.5)**
22.39	**24.10**	**21.15**	**(5.5)**	**WORLDWIDE GAS SALES**	**48.01**	**45.25**	**(5.7)**