ENI SPA
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August 02, 2018

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For the month of July 2018

Eni S.p.A.

(Exact name of Registrant as specified in its charter)

Piazzale Enrico Mattei 1 -- 00144 Rome, Italy

(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x Form 40-F ¨

____

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2b under the Securities Exchange Act of 1934.)

Yes ¨ No x

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): ___________)

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorised.

Eni S.p.A.

/s/ Vanessa Siscaro
Name: Vanessa Siscaro
Title: Head of Corporate
Secretary's Staff Office

Date: August 2, 2018

M I S S I O N

We are an energy company.
We are working to build a future where everyone can access
energy resources efficiently and sustainably.
Our work is based on passion and innovation, on our unique strengths
and skills, on the quality of our people and in recognising
that diversity across all aspects of our operations and organisation
is something to be cherished. We believe in the value of long term
partnerships with the countries and communities where we operate.

Interim Consolidated Report as of June 30, 2018

Interim Consolidated Report

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Disclaimer

This report contains certain forward-looking statements in particular under the section "Outlook", regarding capital expenditure, development and management of oil and gas resources, dividends, allocation of future cash flow from operations, future operating performance, gearing, 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 problems; 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.

"Eni" means the parent company Eni SpA and its consolidated subsidiaries.

For the Glossary see website eni.com

Eni Interim Consolidated Report/ **Highlights**

Highlights

- **Adjusted results:** in the first half of 2018 Eni consolidated adjusted operating profit of €4.94 billion increased by 73% vs. the first half of 2017 driven by sharply higher crude oil prices (the Brent benchmark up by 36% in dollar terms; up by 22% in euro terms), production growth and recovery in profitability of the Gas & Power segment reflecting the restructuring of long-term gas contracts, strong results in the LNG business, optimizations in the power activity as well as reduction in logistic costs. Despite a weaker trading environment caused by rapidly-escalating oil-based costs, the R&M and Chemicals segment managed to stay positive leveraging on the continuous efficiency initiatives and cost optimizations.

Adjusted net profit: €1.74 billion, up by 45% from the first half of 2017.

Net profit: €2.20 billion, more than doubled from the first half of 2017 (+€1.21 billion).

- **Cash flow**: strong cash flow from operations of €5.22 billion, up by 13% vs. the first half of 2017.
- **Net capex**: €3.69 billion[1], more than funded by organic cash flow.
- **Net borrowings**: €9.9 billion.
- **Leverage:** 0.20, lower than the level of December 31, 2017 (0.23).
- **2018 interim dividend proposal:** in light of the financial results achieved in the first half of 2018 and the Company's progress on the industrial plan targets, the interim dividend proposal to the Board of Directors will amount to €0.42 per share[2], out of a full-year dividend of €0.83 per share.
- **Strong growth reported in hydrocarbon production at 1.865 million boe/d,** up by 4.6% from the first half of 2017. Net of price effects in PSAs, the growth rate was 5.4%. Production growth fueled by the **ramp-up of giant projects**, recently started up: Zohr, Noroos, Jangkrik, OCTP, Ochigufu, Nenè phase 2; higher production at the Kashagan and Val d'Agri fields (the latter shutdown in the second quarter of 2017) and the entry in Abu Dhabi.

- **Strengthened Eni presence in Norway** following the agreement to merge the subsidiary Eni Norge with Point Resources. The combined entity will be a leading Norwegian upstream company producing around 180 kboe/d in 2018. Closing is expected by the end of 2018.

- **Dual exploration model:** finalized the divestment to Mubadala Petroleum of a 10% stake in the **Shorouk** concession in offshore Egypt, where the super-giant Zohr gas field is producing.

- **Main start-ups**: Ochigufu offshore Block 15/06 in Angola, rising the production plateau at 150 kboe/d; phase 2 of the giant Bahr Essalam gas field in Libya, just three years after the final investment decision.

- **Zohr ramp-up** in Egypt: the fourth treatment unit started up in record time increasing installed capacity to approximately 1.6 bscfd (220 kboe/d). Expected in September the start-up of the fifth treatment unit, for a total capacity of approximately 2 bscfd.

- **Exploration:**

Oil exploration successes at the Block 15/06 in **Angola**, as well as at two exploration prospects located in the Faghur basin, in the South West Meleiha license in **Egypt**.

[1] Net of the entry bonus relating to the acquisition of two Concession Agreements in the UAE, the development capex incurred in 2018 on a 10% interest in the Zohr project which were reimbursed by the acquirer of the interest and the collection of trade advances intended to fund the Zohr project.

[2] 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.

Eni Interim Consolidated Report / **Highlights**

New exploration acreage: awarded the 100% interest in the East Ganal deepwater exploration block, in Indonesia. In the first half of 2018, awarded new mineral interests in Mexico, Lebanon and Morocco, a total of 22,000 square kilometers.

Resource base: added approximately 280 million boe in the first half of 2018.

· **Significant progress has been made towards the final investment decision of the Rovuma LNG project** to monetize the gas reserves of Area 4 in Mozambique. The development plan of the first phase of the project has been submitted to the Mozambique government. Under negotiation Rovuma LNG sales and purchase agreements. The final investment decision is expected in 2019.

· Finalized a **cooperation agreement with Sonatrach** to develop new gas resources in conjunction with existing assets and for gas supplies in the 2018-2019 thermal year.

· **Developments in the Energy Solutions business:**

- Signed a **final investment decision** to build, develop and operate a **50 MW wind farm** at the Badamsha site, in the north-west Kazakhstan, to supply renewable energy to the Country;

- Eni and GSE presented a **26 MWp photovoltaic plant** in the Assemini industrial area in the province of Cagliari. The plant is part of Progetto Italia, a pool of Eni initiatives to create sustainable value by revamping shutdown industrial hubs, mainly in Southern Italy.

· **Total recordable injury rate:** down by 17.1% y-o-y confirming an improving trend.

· **Direct GHG emissions E&P/operated hydrocarbon production:** 0.153 tCO_2eq/toe, an improvement of 6.7% y-o-y.

Eni Interim Consolidated Report/ **Highlights**

Key operating and financial results

		First half	
		2018	**2017**
Net sales from operations	(€ million)	36,071	33,690
Operating profit (loss)		5,038	2,674
Adjusted operating profit (loss) [a]		4,944	2,853
Adjusted net profit (loss) [a] [b]		1,745	1,207
- per share [c]	(€)	*0.48*	*0.34*
- per ADR [c] [d]	($)	*1.16*	*0.74*
Net profit (loss) [b]		2,198	983
- per share [c]	(€)	*0.61*	*0.27*
- per ADR [c] [d]	($)	*1.48*	*0.58*
Comprehensive income [b]	(€ million)	3,583	(2,725)
Net cash flow from operating activities	(€ million)	5,220	4,638
Net cash provided from operating activities before changes in working capital at replacement cost [a]		5,542	4,881
Capital expenditure		4,502	4,923
of which: exploration		*161*	*284*
hydrocarbons development		*3,158*	*4,309*
Total assets at period end		118,344	117,820
Shareholders' equity including non-controlling interests at period end		50,471	48,929
Net borrowings at period end		9,897	15,467
Net capital employed at period end		60,368	64,396
of which: Exploration & Production		*50,466*	*54,455*
Gas & Power		*3,527*	*3,949*
Refining & Marketing and Chemicals		*8,238*	*7,003*
Leverage	(%)	20	32
Gearing		16	24
Coverage		8.1	5.5
Current ratio		1.4	1.3
Debt coverage		52.7	30.0
Share price at period end	(€)	15.91	13.16
Weighted average number of shares outstanding	(million)	3,601.1	3,601.1
Market capitalization [e]	(€ billion)	57.3	47.4

(a) Non-GAAP measure.

(b) Attributable to Eni’s shareholders.

(c) Fully diluted. Ratio of net profit (loss)/cash flow and average number of shares outstanding in the period. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by Reuters (WMR) for the period presented.

(d) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.

(e) Number of outstanding shares by reference price at period end.

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Eni Interim Consolidated Report / **Highlights**

		First half 2018	**2017**
Employees at period end	(number)	31,923	33,227
of which: - women		*7,397*	*7,741*
- outside Italy		*11,009*	*12,388*
Female managers	(%)	24.9	24.3
Total recordable incident rate (TRIR)	(total recordable incident/worked hours x 1,000,000)	0.29	0.35
- employees		*0.37*	*0.27*
- contractors		*0.25*	*0.38*
Fatality index	(fatal injuries per one hundred million of worked hours)	1.83	0.66
Oil spills due to operations	(barrels)	653	2,829
Direct GHG emissions	(mmtonnes CO_2 eq)	21.14	20.53
of which: - from combustion and process		*16.28*	*15.88*
- from methane fugitive		*0.67*	*0.51*
- from flaring		*3.37*	*3.27*
- from venting		*0.82*	*0.87*
R&D expenditure	(€ million)	91	72
Exploration & Production			
Employees at period end	(number)	12,083	12,186
Production of hydrocarbons [(a)]	(kboe/d)	1,865	1,783
- liquids	(kbbl/d)	*883*	*830*
- natural gas	(mmcf/d)	*5,359*	*5,203*
Production sold [(a)]	(mmboe)	316	299
Average hydrocarbons realizations [(a)]	($/boe)	45.02	32.73
Produced water re-injected	(%)	60	60
Direct GHG emissions	(mmtonnes CO_2 eq)	11.78	11.19
Community investment	(€ million)	23	27
Gas & Power			
Employees at period end	(number)	3,130	4,219
Worldwide gas sales	(bcm)	40.52	41.91
- Italy		*20.96*	*19.88*
- outside Italy		*19.56*	*22.03*
Electricity sold	(TWh)	17.71	17.76
Direct GHG emissions	(mmtonnes CO_2 eq)	5.35	5.54
Refining & Marketing and Chemicals			
Employees at period end	(number)	10,941	10,915
Refinery throughputs on own account	(mmtonnes)	11.79	11.45
Retail sales of refined products in Europe		4.10	4.19
Average throughput of service stations in Europe	(kliters)	864	869

Production of petrochemical products	(ktonnes)	4,884	4,628
Sales of petrochemical products		2,540	2,374
Average petrochemical plant utilization rate	(%)	79	77
Direct GHG emissions	(mmtonnes CO_2 eq)	4.01	3.79
SO_x emissions (sulphur oxide)	(ktonnes SO_2 eq)	2.37	2.51

(a) Includes Eni's share in joint ventures and equity-accounted entities.

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Operating review

Exploration & Production

Production and prices

		First half			
		2018	**2017**	**Change**	**% Ch.**
Production					
Liquids	kbbl/d	883	830	53	6.4
Natural gas	mmcf/d	5,359	5,203	156	3.4
Hydrocarbons	kboe/d	**1,865**	**1,783**	**82**	**4.6**
Average realizations					
Liquids	$/bbl	65.35	46.90	18.45	39.3
Natural gas	$/kcf	4.51	3.53	0.98	28.0
Hydrocarbons	$/boe	**45.02**	**32.73**	**12.29**	**37.5**

In the first half of 2018, **oil and natural gas production** averaged 1,865 kboe/d, up by 4.6% from the first half of 2017. This performance was driven by the ramp-up at fields started up in 2017, mainly in Indonesia, Egypt, Congo and Ghana and the 2018 start-ups (with a total contribution of 263 kboe/d), as well as higher production at the Kashagan and Val d'Agri fields (the latter shutdown in the second quarter of 2017) and the acquisition of the two concession agreements Lower Zakum (5%) and Umm Shaif/Nasr (10%) producing offshore in the United Arab Emirates. These positives were partly offset by negative price effects at PSAs contracts, lower production as a result of planned and unplanned shutdowns in Libya, the United Kingdom and Norway, as well as declines from mature fields. When excluding price effects at PSAs contracts (approximately 14 kboe/d), hydrocarbons production increased by 5.4%.

Liquids production (883 kbbl/d) increased by 53 kbbl/d, or 6.4% from the first half of 2017. Production ramp-ups of the period and the acquisition in the United Arab Emirates were partially offset by price effect and mature fields decline.

Natural gas production (5,359 mmcf/d) increased by 156 mmcf/d, or 3.4% compared to the first half of the previous year. Start-ups and ramp-ups of producing assets were partly offset by planned and unplanned shutdowns.

Oil and gas production sold amounted to 315.5 mmboe. The 22 mmboe difference over production (337.5 mmboe) mainly reflected volumes of natural gas consumed in operations (18.8 mmboe), changes in inventory levels and other variations.

Mineral right portfolio and exploration activities

In the first half of 2018, Eni performed its operations in 47 countries. As of June 30, 2018, Eni's mineral right portfolio consisted of 751 exclusive or shared rights for exploration and development activities for a total acreage of 422,696 square kilometers net to Eni (414,918 square kilometers net to Eni as of December 31, 2017). In the first half of 2018, changes in total net acreage mainly derived from: (i) new leases mainly in Lebanon, Mexico, Morocco and Norway for a total acreage of approximately 22,000 square kilometers; (ii) the relinquishment of licenses mainly in Australia, China, Egypt, Indonesia and Norway for a total acreage of approximately 14,400 square kilometers; (iii) net acreage increase also due to changes in share mainly in Angola, Cyprus, Egypt, Indonesia, Ireland, Nigeria and the United States for a total acreage of 200 square kilometers.

In the first half of 2018, a total of 10 new exploratory wells were drilled (6.8 of which represented Eni's share), as compared to 7 exploratory wells drilled in the first half of 2017 (4.7 of which represented Eni's share).

PRODUCTION OF OIL AND NATURAL GAS BY REGION

		First half	
		2018	**2017**
Production of oil and natural gas [(a)] [(b)]	kboe/d	**1,865**	**1,783**
Italy		143	127
Rest of Europe		201	210
North Africa		430	467
Egypt		275	225
Sub-Saharan Africa		351	324
Kazakhstan		137	139
Rest of Asia		164	101
Americas		143	168
Australia and Oceania		21	22
Production sold [(a)]	mmboe	**315.5**	**298.7**

PRODUCTION OF LIQUIDS BY REGION

		First half	
		2018	**2017**
Production of liquids [(a)]	kbbl/d	**883**	**830**
Italy		64	46
Rest of Europe		120	116
North Africa		150	148
Egypt		79	71
Sub-Saharan Africa		249	227
Kazakhstan		88	86
Rest of Asia		66	57
Americas		65	76
Australia and Oceania		2	3

PRODUCTION OF NATURAL GAS BY REGION

		First half	
		2018	**2017**
Production of natural gas [(a)] [(b)]	mmcf/d	**5,359**	**5,203**
Italy		434	441
Rest of Europe		446	514
North Africa		1,525	1,740
Egypt		1,066	843
Sub-Saharan Africa		557	530
Kazakhstan		266	289
Rest of Asia		534	238
Americas		423	502
Australia and Oceania		108	106

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

(b) Includes volumes of gas consumed in operation (566 and 501 mmcf/d in the first half of 2018 and 2017, respectively).

Eni Norge AS and Point Resources AS merger agreement

As part of Eni strategy to reinforce the presence in OECD countries with further upstream potential, such as Norway, a merger agreement was signed involving Eni's subsidiary Eni Norge AS and the local company Point Resources AS. The combined entity will be renamed Vår Energi AS. The closing of the deal is expected by the end of 2018, once all necessary authorizations have been granted by Authorities. Eni Norge plans to issue new shares to Point Resources shareholders who are planning to contribute Point Resources assets to the merging company. The exchange rate of shares has been fixated so that Eni and the Point Reources shareholders will retain participation interests of 69.6% and 30.4% respectively, in the combined entity. The governance of the new entity is designed to establish joint control of the two shareholders over the combined entity. Therefore, effective at the closing, Eni will derecognize the assets and liabilities of Eni Norge and recognize the fair value of the interest retained in the merged company that will be equity-accounted going forward. Pending the closing of the transaction, because management is pursuing a plan under which the controlling interest in Eni Norge will be exchanged for a non-controlling interest, Eni Norge is classified as asset held for sale as per IFRS 5 and its measurement criteria are modified accordingly.

The combined entity will be a leading Norwegian Exploration & Production company, built on the existing organizations and leveraging on complementary strengths.

The portfolio of the combined company will have a wide geographical coverage, from the Barents Sea to the North Sea, producing around 180 kboe/d this year from a portfolio of 17 producing oil and gas fields. The company will have reserves and resources of more than 1,250 mmboe.

Production is expected to reach 250 kboe/d by 2023 after developing more than 500 mmboe in ten existing assets, with a breakeven price of less than 30 $/bbl. In total, the company plans to invest more than $8 billion over the next five years to bring these projects on stream, revitalize older fields and explore for new resources. The extended presence in the Norwegian waters will allow the company also to expand further its portfolio through both future exploration bid rounds and M&A transactions.

The deal will improve immediately the Group key performance indicators (reserves, free cash flow and cash neutrality), while production is expected to decline slightly in the short term (2019-2020) and then to resume growing.

Finally, Eni will retain a first offer right in case the Norwegian private equity funds decide to divest their interest in the venture.

Eni Interim Consolidated Report / **Operating review**

Gas & Power

Supply of natural gas

In the first half of 2018, Eni’s consolidated subsidiaries supplied 38.80 bcm of natural gas, with a decrease of 1.20 bcm or 3% from the first half of 2017.

Gas volumes supplied outside Italy from consolidated subsidiaries (35.96 bcm), imported in Italy or sold outside Italy, represented approximately 93% of total supplies, with a decrease of 1.52 bcm or down by 4.1% from the first half of 2017 mainly reflecting lower volumes purchased in Algeria (down by 1.01 bcm), Libya (down by 0.58 bcm) and Russia (down by 0.57 bcm) partially offset by higher purchases in Indonesia also due to higher gas availability from the upstream production. Supplies in Italy (2.84 bcm) increased by 12.7% from the first half of 2017 due to higher equity production.

		First half			
	bcm	**2018**	**2017**	**Change**	**% Ch.**
Italy		**2.84**	**2.52**	**0.32**	**12.7**
Russia		13.29	13.86	(0.57)	(4.1)
Algeria (including LNG)		6.48	7.49	(1.01)	(13.5)
Libya		1.80	2.38	(0.58)	(24.4)
Netherlands		2.40	2.50	(0.10)	(4.0)
Norway		3.74	4.06	(0.32)	(7.9)
United Kingdom		1.02	1.29	(0.27)	(20.9)
Hungary		0.02	0.02		
Qatar (LNG)		1.42	1.22	0.20	16.4
Other supplies of natural gas		3.11	3.65	(0.54)	(14.8)
Other supplies of LNG		2.68	1.01	1.67	..
OUTSIDE ITALY		**35.96**	**37.48**	**(1.52)**	**(4.1)**
TOTAL SUPPLIES OF ENI'S CONSOLIDATED SUBSIDIARIES		**38.80**	**40.00**	**(1.20)**	**(3.0)**
Offtake from (input to) storage		0.38	0.83	(0.45)	(54.2)
Network losses, measurement differences and other changes		(0.07)	(0.30)	0.23	76.7
AVAILABLE FOR SALE BY ENI'S CONSOLIDATED SUBSIDIARIES		**39.11**	**40.53**	**(1.42)**	**(3.5)**
Available for sale by Eni's affiliates		**1.41**	**1.38**	**0.03**	**2.2**
TOTAL AVAILABLE FOR SALE		**40.52**	**41.91**	**(1.39)**	**(3.3)**

Sales

		First half			
		2018	**2017**	**Change**	**% Ch.**
PSV	€/kcm	**242**	**206**	**36**	**17.7**
TTF		**225**	**180**	**45**	**25.2**
Natural gas sales	bcm				
Italy		20.96	19.88	1.08	5.4
Rest of Europe		15.42	19.76	(4.34)	(22.0)
of which: Importers in Italy		*1.38*	*1.93*	*(0.55)*	*(28.5)*
European markets		*14.04*	*17.83*	*(3.79)*	*(21.3)*
Rest of World		4.14	2.27	1.87	82.4
Worldwide gas sales		**40.52**	**41.91**	**(1.39)**	**(3.3)**
of which: LNG sales		*5.40*	*3.50*	*1.90*	*54.3*
Power sales	Twh	**17.71**	**17.76**	**(0.05)**	**(0.3)**

In the first half of 2018, **natural gas sales** were 40.52 bcm, down by 3.3% from the first half of 2017. Sales in Italy were up by 5.4% to 20.96 bcm, due to higher sales marketed to wholesalers, thermoelectric segment and hub, partly offset by lower sales to the residential segment and small and medium-sized enterprises. Sales in European markets (14.04 bcm) decreased by 21.3% reflecting the termination of some long-term and short-term contracts mainly in Germany/Austria, as a result of portfolio rationalization.

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Eni Interim Consolidated Report / **Operating review**

Power sales were 17.71 TWh in the first half of 2018, substantially in line compared to the first half of 2017.

		First half			
	bcm	**2018**	**2017**	**Change**	**% Ch.**
Total sales of subsidiaries		**38.94**	**40.17**	**(1.23)**	**(3.1)**
Italy (including own consumption)		20.96	19.88	1.08	5.4
Rest of Europe		14.42	18.61	(4.19)	(22.5)
Outside Europe		3.56	1.68	1.88	..
Total sales of Eni's affiliates (net to Eni)		**1.58**	**1.74**	**(0.16)**	**(9.2)**
Rest of Europe		1.00	1.15	(0.15)	(13.0)
Outside Europe		0.58	0.59	(0.01)	(1.7)
WORLDWIDE GAS SALES		**40.52**	**41.91**	**(1.39)**	**(3.3)**

LNG sales

		First half			
	bcm	**2018**	**2017**	**Change**	**% Ch.**
Europe		2.4	2.5	(0.1)	(4.0)
Outside Europe		3.0	1.0	2.0	..
LNG sales		**5.4**	**3.5**	**1.9**	**54.3**

LNG sales (5.4 bcm, included in worldwide gas sales) mainly concerned LNG from Indonesia, Qatar, Nigeria and Oman and mainly marketed in Europe, Japan, Pakistan and China.

Refining & Marketing and Chemicals

		First half			
		2018	**2017**	**Change**	**% Ch.**
Standard Eni Refining Margin (SERM)	$/bbl	**3.5**	**4.7**	**(1.2)**	**(24.8)**
Throughputs in Italy	mmtonnes	10.35	10.06	0.29	2.9
Throughputs in the rest of Europe		1.44	1.39	0.05	3.3
Total throughputs		**11.79**	**11.45**	**0.34**	**3.0**
Average refineries utilization rate	%	92	86	6	
Green throughputs	mmtonnes	0.13	0.10	0.03	30.0
Marketing					
Retail sales in Europe	mmtonnes	**4.10**	**4.19**	**(0.09)**	**(2.1)**
Retail market share in Italy	%	24.1	24.2	(0.1)	
Wholesale sales in Europe	mmtonnes	**5.04**	**5.12**	**(0.08)**	**(1.6)**
Chemicals					
Sales of petrochemical products	ktonnes	**2,540**	**2,374**	**166**	**7.0**
Average plant utilization rate	%	79	77	3	

Refining & Marketing

In the first half of 2018, **Eni's Standard Refining Margin** – SERM – was 3.5 $/barrel, down by 24.8% from the first half of 2017 (4.7 $/barrel), due to lower relative prices of products compared to the cost of the petroleum feedstock reflecting the strong increase of oil prices.

Eni refining throughputs were 11.79 mmtonnes, up by 3% from the first half of 2017, due to higher volumes processed throughout refineries of Sannazzaro and Taranto, mainly due to the downtime of some plants in 2017 and outside Italy, partially offset by lower volumes at the Milazzo and Livorno refineries. Improved by 6 percentage points the average plant utilization rate (92%).

Volumes of biofuels produced at the Venice Green refinery increased mainly due to a planned standstill occurred in the first quarter of 2017.

	First half			
mmtonnes	**2018**	**2017**	**Change**	**% Ch.**
Retail	2.88	2.96	(0.08)	(2.7)
Wholesale	3.57	3.66	(0.09)	(2.5)
Petrochemicals	0.49	0.40	0.09	23.5
Other sales	5.63	5.57	0.06	1.1
Sales in Italy	**12.58**	**12.59**	**(0.02)**	**(0.1)**
Retail rest of Europe	1.22	1.23	(0.01)	(0.7)
Wholesale rest of Europe	1.47	1.46	0.01	0.6
Wholesale outside Europe	0.23	0.22	0.01	4.5
Other sales	0.57	0.68	(0.11)	(16.5)
Sales outside Italy	**3.49**	**3.59**	**(0.10)**	**(2.8)**
TOTAL SALES OF REFINED PRODUCTS	**16.06**	**16.18**	**(0.12)**	**(0.7)**

In the first half of 2018, **sales volumes of refined products** (16.06 mmtonnes) were down by 0.12 mmtonnes or by 0.7% from the first half of 2017.

Retail sales in Italy of 2.88 mmtonnes fell by 2.7%, in a declining consumptions environment, reflecting lower volumes sold at the highway segment and leased stations. Eni's retail market share was 24.1%, almost unchanged from the first half of 2017 (24.2%).

As of June 30, 2018, Eni's retail network in Italy consisted of 4,261 service stations, recording a decrease from December 31, 2017 (4,310 service stations), resulting from the negative balance of acquisitions/releases of lease concessions (38 units) and the closing of 11 low throughput service stations.

Average throughput (771 kliters) slightly decrease by 6 kliters from the first half of 2017 (777 kliters).

Wholesale sales in Italy were 3.57 mmtonnes, decreased by 2.5% from the first half of 2017 as a result of lower sales volumes of gasoil, partially offset by higher sales of jet fuel.

Supplies of feedstock to the petrochemical industry (0.49 mmtonnes) increased by 23.5%.

Retail and wholesale sales in the rest of Europe unchanged from the previous year; higher sales volumes in Spain and Germany partly offset by lower sales in France, Switzerland and Austria.

Other sales in Italy and outside Italy (6.20 mmtonnes) were substantially in line with the first half of 2017.

Retail and wholesale sales of refined products		**First half**			
	mmtonnes	**2018**	**2017**	**Change**	**% Ch.**
Italy		**6.45**	**6.62**	**(0.17)**	**(2.6)**
Retail sales		**2.88**	**2.96**	**(0.08)**	**(2.7)**
Gasoline		0.70	0.74	(0.04)	(5.4)
Gasoil		1.97	2.01	(0.04)	(2.0)
LPG		0.19	0.19		
Others		0.02	0.02		
Wholesale sales		**3.57**	**3.66**	**(0.09)**	**(2.5)**

Gasoil	1.47	1.65	(0.18)	(10.9)
Fuel Oil	0.04	0.04		
LPG	0.11	0.11		
Gasoline	0.20	0.22	(0.02)	(9.1)
Lubricants	0.04	0.04		
Bunker	0.42	0.42		
Jet fuel	0.96	0.87	0.09	10.3
Other	0.33	0.31	0.02	6.5
Outside Italy (retail+wholesale)	**2.92**	**2.91**	**0.01**	**0.3**
Gasoline	0.63	0.58	0.05	8.6
Gasoil	1.61	1.57	0.04	2.5
Jet fuel	0.19	0.26	(0.07)	(25.8)
Fuel Oil	0.08	0.07	0.01	14.3
Lubricants	0.05	0.05		
LPG	0.25	0.25		
Other	0.10	0.12	(0.02)	(16.7)
TOTAL RETAIL AND WHOLESALE SALES	**9.37**	**9.53**	**(0.16)**	**(1.7)**

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Chemicals

	First half			
ktonnes	**2018**	**2017**	**Change**	**% Ch.**
Intermediates	3,663	3,397	266	7.8
Polymers	1,221	1,231	(10)	(0.8)
Production	**4,884**	**4,628**	**256**	**5.5**
Consumption and losses	(2,461)	(2,347)	(114)	4.9
Purchases and change in inventories	117	93	24	25.8
TOTAL AVAILABILITY	**2,540**	**2,374**	**166**	**7.0**

Petrochemical production of 4,884 ktonnes increased by 256 ktonnes (up by 5.5%). The main increases in production were registered at the Priolo site (up by 11%) reflecting the standstill occurred in 2017, Mantova (up by 4%) mainly due to higher production of phenol and derivatives and Porto Marghera (up by 7%) thanks to cracking plant optimization, as well as, outside Italy, the increasing productions in Hungary (up by 12%) and UK (up by 5%) were due to fewer unplanned standstills.

Petrochemical sales of 2,540 ktonnes increased by 7% mainly due to higher sales of intermediates, styrene and elastomers thanks to higher product availability compared to the first half 2017.

Sales of intermediates increased by 13% due to lower internal consumption of polyethylene and to higher product availabilty following plant optimization at Porto Marghera. Phenol and derivatives produced at Mantova plant reported an increase (up by 8%) following higher sales in the polycarbonate business. Styrenics sales slightly increased (up by 2%) from the first half of 2017 driven by higher demand in monomer styrene, which have more than offset the negative trend reported in the styrenics polymers market. Sales of polyethylene decreased by 6% due to the higher supply of products reported in the European markets compared to 2017.

Average unit sales prices were 5% lower compared with the first half of 2017, despite a strong increase of feedstock cost reported in the second quarter of 2018.

Notwithstanding the increase in price of ethylene and propylene (basic products for integrated cycle) reflecting the recovery in virgin naphtha, weaker polyethylene market and shrinking in historical values of butadiene and benzene more than offset these increases.

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Eni Interim Consolidated Report / **Financial review and other information**

Financial review

	First half			
(€ million)	**2018**	**2017**	**Change**	**% Ch.**
Net sales from operations	36,071	33,690	2,381	7.1
Other income and revenues	838	626	212	33.9
Operating expenses	(28,231)	(27,628)	(603)	(2.2)
Other operating income (expense)	89	17	72	..
Depreciation, depletion and amortization	(3,606)	(3,777)	171	4.5
Impairments losses (impairment reversals), net	(102)	(61)	(41)	(67.2)
Write-off	(21)	(193)	172	89.1
Operating profit (loss)	**5,038**	**2,674**	**2,364**	**88.4**
Finance income (expense)	(621)	(485)	(136)	(28.0)
Net income from investments	474	147	327	..
Profit (loss) before income taxes	**4,891**	**2,336**	**2,555**	**..**
Income taxes	(2,686)	(1,351)	(1,335)	(98.8)
Tax rate (%)	*54.9*	*57.8*	*(2.9)*	
Net profit (loss)	**2,205**	**985**	**1,220**	**..**
attributable to:				
Eni's shareholders	**2,198**	**983**	**1,215**	**..**
Non-controlling interest	7	2	5	..

Reported results

In the first half of 2018, **net profit attributable to Eni's shareholders** was €2,198 million, more than doubled compared to the first half of 2017 (€983 million). This performance was driven by a robust operating performance of the E&P segment due to strengthening crude oil prices (up by 36% on average from the first half of 2017 for the Brent crude oil benchmark), on the back of a global economic recovery, and production growth. These positives were partly offset by a weaker USD (the EUR/USD exchange rate appreciated by 12% on average). The G&P segment reported a significant improvement driven by further actions at long-term supply contracts, the reduction in logistic costs and an improved performance in the power and LNG businesses, the latter also combining with the upstream segment and able to capture price peaks in the Asian market during the first part of the year.

The R&M and Chemicals segment was weighted down by an unfavourable trading environment due to increased oil-based feedstock costs, which were not reflected in selling prices and the competitive pressure from cheaper products streams coming from the Middle East and the USA. This negative trend which accelerated in the second quarter caused sharply lower refining margins (down by 25% from the first half of 2017) and spreads vs. the feedstock of the main petrochemicals commodities (cracker margin down by 44% and polyethylene margin down by 52%). These negatives were partly offset by plant optimizations and lower plant shutdowns, allowing a recovery in produced

volumes, as well as by efficiency actions.

The improved operating performance (up by €2,364 million) and the increase in finance income and net income from investments (up by €191 million) driven by an impairment reversal of the Angola LNG entity were partially offset by the write-off of a financing receivable related to an unsuccessful exploration initiative executed by a joint venture in the Black Sea. Net profit was negatively impacted by higher income taxes (up by €1,335 million), notwithstanding a 3 percentage points decrease in the group reported tax rate (54.9%) due to higher non-taxable gains.

Adjusted results

(€ million)	First half 2018	2017	Change	% Ch.
Operating profit (loss)	**5,038**	**2,674**	**2,364**	**88.4**
Exclusion of inventory holding (gains) losses	(354)	(7)		
Exclusion of special items [(a)]	260	186		
Adjusted operating profit (loss)	**4,944**	**2,853**	**2,091**	**73.3**
Breakdown by segment:				
Exploration & Production	*4,827*	*2,260*	*2,567*	..
Gas & Power	*430*	*192*	*238*	..
Refining & Marketing and Chemicals	*144*	*541*	*(397)*	*(73.4)*
Corporate and other activities	*(331)*	*(275)*	*(56)*	*(20.4)*
Impact of unrealized intragroup profit elimination and other consolidation adjustments [(b)]	*(126)*	*135*	*(261)*	
Net profit (loss) attributable to Eni's shareholders	**2,198**	**983**	**1,215**	**..**
Exclusion of inventory holding (gains) losses	(251)	(6)		
Exclusion of special items [(a)]	(202)	230		
Adjusted net profit (loss) attributable to Eni's shareholders	**1,745**	**1,207**	**538**	**44.6**

(a) For further information see table "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 segment as of the end of the period.

In the first half of 2018, Eni's consolidated **adjusted operating profit** was €4,944 million, up by 73% from the first half of 2017. The improvement was driven by a robust performance in the E&P segment (the adjusted operating profit was €4,827 million, more than doubled compared to the first half of 2017) due to sharply higher crude oil prices (the Brent benchmark in dollar terms was up by 36%) and production growth, partly offset by a weaker dollar (the EUR/USD exchange rate was up by 12%). The G&P segment reported an adjusted operating profit of €430 million, more than doubled compared to the first half of 2017. This result reflected further actions concerning long-term supply contracts, a reduction in logistic costs and an improved performance in the power and LNG businesses. The R&M and Chemicals segment reported a decrease of 73% in the operating performance due to an unfavourable trading environment, partly offset by continued efficiency initiatives, plant optimizations and better utilization rates.

The €2.1 billion increase was comprised of a €1.4 billion increase from scenario effects and a €0.7 billion increase from production growth and efficiency and optimization gains.

Adjusted net profit was €1,745 million, up by 45% from the first half of 2017. The operating performance was partially offset by lower income from investments and an increased tax rate (60.7%, up by approximately 5 percentage points) driven by the E&P segment due to a higher share of taxable profit reported in countries with higher taxation and non-deductible expenses related to an unsuccessful exploration initiative.

Special items

The breakdown by segment of **special items of operating profit** (a net charge of €260 million) is the following:

- The **E&P** segment recorded net charges of €259 million mainly due to the outcome of an arbitration proceeding relating a long-term contract to purchase regasification services, which established the termination of the contract and of the related annual fees charged to Eni. It also awarded the counterpart equitable compensation of €282 million (plus financial interests of €18 million), an impairment loss for a gas asset to align its book values to fair value (€58 million), a risk provision relating to a contractual litigation (€45 million); an allowance for doubtful accounts as part of a dispute to recover investments towards a State counterparty to align the recoverable amount with the expected outcome of an ongoing renegotiation. The main gains were recorded on the disposal of a 10% interest in the Shorouk concession, offshore of Egypt, to Mubadala Petroleum, a UAE-based company (€323 million net of assignment bonus and other charges).

- The **G&P** segment reported net gains of €125 million mainly driven by the effects of fair-value commodity derivatives that lacked the formal criteria to be accounted as hedges under IFRS (net gain of €170 million) and an impairment relating to the alignment of the book value of the Hungarian gas distribution activity to its fair value, divested in June 2018 (€6 million). The G&P adjusted operating result also includes the positive balance of €37 million related to derivative financial instruments used to manage margin exposure to foreign currency exchange rate movements and exchange translation differences of commercial payables and receivables.
- The **R&M and Chemicals** segment reported net charges of €107 million mainly comprising of: the write down of capital expenditure relating to certain Cash Generating Units in the R&M business, which were impaired in previous reporting periods and continued to lack any profitability prospects (€35 million) and environmental provision (€79 million)

Non-operating special items included the tax effects relating to operating special items, Eni's interest of extraordinary charges/impairment recognized by the Saipem subsidiary (€102 million) as well as an impairment reversal (€423 million) at the Angola LNG equity-accounted entity due to improved project economics.

Analysis of profit and loss account items

Revenues

	First Half			
(€ million)	**2018**	**2017**	**Change**	**% Ch.**
Exploration & Production	11,824	9,326	2,498	26.8
Gas & Power	26,777	25,652	1,125	4.4
Refining & Marketing and Chemicals	11,991	10,859	1,132	10.4
- *Refining & Marketing*	*9,661*	*8,461*	*1,200*	*14.2*
- *Chemicals*	*2,615*	*2,601*	*14*	*0.5*
- *Consolidation adjustment*	*(285)*	*(203)*	*(82)*	
Corporate and other activities	744	687	57	8.3
Consolidation adjustment	(15,265)	(12,834)	(2,431)	
Net sales from operations	**36,071**	**33,690**	**2,381**	**7.1**
Other income and revenues	**838**	**626**	**212**	**33.9**
Total revenues	**36,909**	**34,316**	**2,593**	**7.6**

Total revenues amounted to €36,909 million, up by 7.6% from the first half of 2017. Eni's **net sales from operations** in the first half of 2018 (€36,071 million) increased by €2,381 million or 7.1% from the first half of 2017, driven by the

recovery of commodity prices.

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Finance income (expense)

(€ million)	**First Half** **2018**	**2017**	**Change**
Finance income (expense) related to net borrowings	**(282)**	**(425)**	**143**
- Finance expense on short and long-term debt	(311)	(381)	70
- Net interest due to banks	9	4	5
- Net income (expense) from financial activities held for trading	17	(51)	68
- Net income from receivables and securities for non-financing operating activities	3	3	
Income (expense) on derivative financial instruments	**(273)**	**524**	**(797)**
- Derivatives on exchange rate	(304)	503	(807)
- Derivatives on interest rate	31	21	10
Exchange differences, net	**233**	**(517)**	**750**
Other finance income (expense)	**(325)**	**(104)**	**(221)**
- Net income from receivables and securities for financing operating activities	86	66	20
- Finance expense due to the passage of time (accretion discount)	(128)	(144)	16
- Other	(283)	(26)	(257)
	(647)	**(522)**	**(125)**
Finance expense capitalized	**26**	**37**	**(11)**
	(621)	**(485)**	**(136)**

Net finance expense (€621 million) increased by €136 million from the first half of 2017. The main drivers were: (i) a negative change amounting to €57 million in exchange rate differences (up by €750 million) and exchange rate derivatives (down by €807 million), with the latter being recognized through profit because such derivatives did not meet the formal criteria to be designed as hedges under IFRS. This trend is due to the sudden appreciation of the US dollar in the last part of the first half of the year; and (ii) an increase of other finance expense due to the write-off of a financing receivable related to an unsuccessful exploration initiative executed by a joint venture in the Black Sea (€220 million)

Net income (expense) from investments

(€ million)	**First Half** **2018**	**2017**	**Change**
Share of gains (losses) from equity-accounted investments	401	85	316
Dividends	79	69	10
Net gains (losses) on disposal	(6)		(6)
Other income (expense), net		(7)	7
	474	**147**	**327**

Net income from investments amounted to €474 million and related mainly to:

- Eni's share of results of the equity accounted entities for an overall net profit of €401 million, mainly in the Exploration & Production segment due to an impairment reversal (€423 million) at the Angola LNG equity-accounted entity due to improved project economics. The corporate and other activities segment reported a loss on the 31% interest in Saipem, accounted for with the equity method (€100 million). This loss was due to impairment losses driven by the structural weakness of the offshore drilling business and other drivers;

- net losses on disposal (€6 million) related to the divestment of the Hungarian gas distribution activity in the G&P segment;

- dividends of €79 million were received by non-controlling interests measured at fair value through other comprehensive income and mainly related to Nigeria LNG (€54 million) and Saudi European Petrochemical Co. (€21 million).

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Income taxes

Income taxes of €2,686 million reported a two-fold increase compared to the first half of 2017 due to a higher profit before income taxes (up by €2,555 million from the first half of 2017). The tax rate was 54.9% lower than the value of 57.8% reported in the first half of 2017 due to higher non-taxable gains. The adjusted tax rate was 60.7%, up by approximately 5 percentage points, driven by the E&P segment due to a higher share of taxable profit reported in countries with higher taxation and non-deductible expenses related to an unsuccessful exploration initiative.

Summarized Group Balance Sheet[(a)]

(€ million)	**June 30, 2018**	**Dec. 31, 2017**	**Change**
Fixed assets	**68,333**	**71,415**	**(3,082)**
Net working capital			
Inventories	4,719	4,621	98
Trade receivables	10,658	10,182	476
Trade payables	(10,518)	(10,890)	372
Tax payables and provisions for, net deferred tax liabilities	(2,313)	(2,387)	74
Provisions	(11,736)	(13,447)	1,711
Other current assets and liabilities	356	287	69
	(8,834)	**(11,634)**	**2,800**
Provisions for employee post-retirements benefits	**(1,064)**	**(1,022)**	**(42)**
Assets held for sale including related liabilities	**1,933**	**236**	**1,697**
CAPITAL EMPLOYED, NET	**60,368**	**58,995**	**1,373**
Eni's shareholders equity	50,418	48,030	2,388
Non-controlling interest	53	49	4
Shareholders' equity	**50,471**	**48,079**	**2,392**
Net borrowings	**9,897**	**10,916**	**(1,019)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**60,368**	**58,995**	**1,373**
Leverage	**0.20**	**0.23**	**(0.03)**
Gearing	**0.16**	**0.18**	**(0.02)**

(a) For a reconciliation to the statutory statement of cash flow see the paragraph “Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes”.

As of June 30, 2018, **fixed assets** decreased by €3,082 million to €68,333 million mainly due to reclassification of Eni Norge assets as held for sale following the merger agreement signed in July with the shareholders of Point Resources. The increase of capital expenditure for the period (€4,502 million) and positive currency movements (€1,351 million) were partly offset by DD&A (€3,708 million). The increase in "Equity-accounted investments and other investments" was €1,125 million due to a new accounting of equity instruments required by IFRS 9 and impairment reversal of the Angola LNG entity.

Net working capital was in negative territory at minus €8,834 million and increased by €2,800 million from 2017 mainly as a result of a decrease in risk provisions due to the reclassification of Eni Norge decommissioning provisions in the disposal group held for sale, as well as an estimate revision to the decommissioning provision due to higher discount rates.

Assets held for sale including related liabilities (€1,933 million) are mainly related to: (i) the Eni Norge AS company following the management plans of a business combination with the company Point Resources AS. Following the closing of the deal (expected at the end of the year), Eni will lose the control on the company. The new subsidiary will be jointly controlled by the two shareholders; (ii) the Trinidad and Tobago Ltd company participating a gas project; and (iii) the Eni Croatia BV company with interests in the upstream gas projects in Croatia.

Shareholders' equity including non-controlling interest was €50,471 million, up by €2,392 million. This was due to net profit for the period and positive foreign currency translation differences (€1,194 million) reflecting the appreciation of dollar compared to the euro (up by 3%; EUR/USD exchange rate of 1.165 at June 30, 2018 compared to 1.2 at December 31, 2017), partly offset by the payment of the 2017 final dividend (€1,443 million).

Net borrowings[1] at June 30, 2018 was €9,897 million, lower than 2017 (down by €1,019 million).

As of June 30, 2018, the ratio of net borrowings to shareholders' equity including non-controlling interest – **leverage**[2] – was 0.20, down from 0.23 as of December 31, 2017.

[1] Details on net borrowings are furnished on page 29.

[2] Explanatory notes and tables detail certain other alternative performance indicators in line with guidance provided by ESMA guidelines on Alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For a detailed explanation, see section "Alternative performance measures" in the following pages of this interim report.

Net borrowings and cash flow from operations[(a)]

(€ million)	First half 2018	2017	Change
Net profit (loss)	**2,205**	**985**	**1,220**
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:			
- depreciation, depletion and amortization and other non monetary items	3,663	4,522	(859)
- net gains on disposal of assets	(418)	(336)	(82)
- dividends, interests and taxes	2,783	1,523	1,260
Changes in working capital related to operations	(676)	(250)	(426)
Dividends received, taxes paid, interests (paid) received	(2,337)	(1,806)	(531)
Net cash provided by operating activities	**5,220**	**4,638**	**582**
Capital expenditure	**(4,502)**	**(4,923)**	**421**
Investments	(131)	(50)	(81)
Disposal of consolidated subsidiaries, businesses, tangible and intangible assets and investments	1,261	624	637
Other cash flow related to capital expenditure, investments and disposals	693	239	454
Free cash flow	**2,541**	**528**	**2,013**
Borrowings (repayment) of debt related to financing activities [(b)]	(59)	(104)	45
Changes in short and long-term financial debt	(974)	322	(1,296)
Dividends paid and changes in non-controlling interests and reserves	(1,443)	(1,443)	
Effect of changes in consolidation, exchange differences and cash and cash equivalent	12	(38)	50
NET CASH FLOW	**77**	**(735)**	**812**

(€ million)	First half 2018	2017	Change
Free cash flow	**2,541**	**528**	**2,013**
Net borrowings of acquired companies	(2)		(2)
Net borrowings of divested companies	(5)		(5)
Exchange differences on net borrowings and other changes	(72)	224	(296)
Dividends paid and changes in non-controlling interest and reserves	(1,443)	(1,443)	
CHANGE IN NET BORROWINGS	**1,019**	**(691)**	**1,710**

(a) For a reconciliation to the statutory statement of cash flow see the paragraph “Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to Statutory Schemes”.

(b) The item 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:

(€ million)	First half 2018	2017	Change
Financing investments:			
- securities	(319)	(74)	(245)
- financing receivables	(111)	(77)	(34)
	(430)	**(151)**	**(279)**
Disposal of financing investments:			
- securities	21	24	(3)
- financing receivables	350	23	327
	371	**47**	**324**
Borrowings (repayment) of debt related to financing activities	**(59)**	**(104)**	**45**

Net cash flow from operating activities amounted to €5,220 million in the first half 2018. Cash flow from operating activities was also influenced by a lower level of receivables due beyond the end of the reporting period being sold to financing institutions, compared to the amount sold at the end of the fourth quarter 2017 (approximately €700 million).

Net cash flow from operating activities before changes in working capital at replacement cost was €5,542 million, up by 14% compared to the first half of 2017 (€4,881 million). This performance was negatively affected by an expense recognized in connection with the final outcome of an arbitration proceeding (€300 million), an extraordinary allowance for doubtful accounts in the E&P segment (€69 million) and charges related to the sale of 10% interest in Zohr, to be substantially considered as a reduction of the

proceeds from the asset disposal. Net of these charges, cash flow from operating activities before changes in working capital at replacement cost amounts to €5,989 million.

Capital expenditure for the period, including investments, was €4,633 million. Net capex amounted to approximately €3.69 billion and excluding the following items: an entry bonus paid in connection with the award of the two Concession Agreements in the UAE (€723 million); the share of the 2018 capex pertaining to a 10% divested interest in the Zohr project (€159 million), which were reimbursed to Eni by the buyer at the transaction date (end of June). Also the Company collected €50 million as an advance on future gas supplies to Egyptian state-owned partners which were intended to finance the capex of Zohr. The self-financing ratio of net capex was 141%.

Cash flow from disposals (€1,261 million) mainly related to the sale of the 10% interest in the Zohr project, non-strategic assets in the E&P segment, as well as gas distribution activities in Hungary. Other cash flow related to capital expenditure, investments and disposals (€693 million) included the collection of the deferred tranches of the consideration on the sale of 10% and 30% interests in the Zohr project finalized in 2017 (€439 million) and increased payables related to capital expenditure following the progress in the development of Zohr. Cash flow from operations in excess of these outflows and the payment of the 2017 final dividend to Eni's shareholders (€1,443 million) amounted to approximately €1.1 billion and was utilized to reduce finance debt.

Capital expenditure

	First half			
(€ million)	**2018**	**2017**	**Change**	**% Ch.**
Exploration & Production	4,061	4,615	(554)	(12.0)
- acquisition of proved and unproved properties	*723*		*723*	..
- exploration	*161*	*284*	*(123)*	*(43.3)*
- development	*3,158*	*4,309*	*(1,151)*	*(26.7)*
- other expenditure	*19*	*22*	*(3)*	*(13.6)*
Gas & Power	97	49	48	98.0
Refining & Marketing and Chemicals	324	251	73	29.1
- Refining & Marketing	*257*	*179*	*78*	*43.6*
- Chemicals	*67*	*72*	*(5)*	*(6.9)*
Corporate and other activities	28	16	12	75.0
Impact of unrealized intragroup profit elimination	(8)	(8)		
Capital expenditure	**4,502**	**4,923**	**(421)**	**(8.6)**

In the first half of 2018, **capital expenditure** amounted to €4,502 million (€4,923 million in the first half of 2017) and mainly related to:

- development activities (€3,158 million) deployed mainly in Egypt, Ghana, Norway, Libya, Congo, Italy and Angola. The acquisition of proved and unproved reserves of €723 million relates to the entry bonus in two producing concession agreements in the United Arab Emirates;

- refining activity in Italy and outside Italy (€223 million) aimed mainly at the reconversion project of Gela refinery into a bio-refinery, reconstruction works of the EST conversion plant at the Sannazzaro refinery, maintain plants' integrity, as well as initiatives improving the standards 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 (€34 million);

- initiatives relating to gas marketing (€82 million).

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Results by segment[3]

Exploration & Production

	First half			
(€ million)	**2018**	**2017**	**Change**	**% Ch.**
Operating profit (loss)	**4,568**	**2,479**	**2,089**	**84.3**
Exclusion of special items	259	(219)	478	
Adjusted operating profit (loss)	**4,827**	**2,260**	**2,567**	**..**
Net finance (expense) income	(319)	28	(347)	
Net income (expense) from investments	144	187	(43)	
Income taxes	(2,644)	(1,284)	(1,360)	
tax rate (%)	*56.8*	*51.9*	*4.9*	
Adjusted net profit (loss)	**2,008**	**1,191**	**817**	**68.6**
Results also include:				
Exploration expenses:	**161**	**321**	**(160)**	**(49.8)**
- prospecting, geological and geophysical expenses	128	139	(11)	(7.9)
- write-off of unsuccessful wells	33	182	(149)	(81.9)

In the first half of 2018, the Exploration & Production segment reported an **adjusted operating profit** of €4,827 million, more than doubled compared to the first half of 2017 (€2,260 million). This improvement was due to sharply higher crude oil prices (with the Brent price up by 36% in dollar terms) driving at strong recovery in Eni's oil and gas realizations in dollar terms (up by 39.3% and 28%, respectively) as well as production growth, partly offset by currency headwinds (with the EUR/USD exchange rate up by 12% from the first half of 2017).

In the first half of 2018, **adjusted net profit** was €2,008 million, up by €817 million or 69% compared to the first half of 2017, due to higher operating performance partly offset by the write-off of a financing receivable taken in connection with an unsuccessful exploration project executed by a joint venture in the Black Sea (€220 million). Results were also impacted by an increased adjusted tax rate (up by 5 percentage points) due to a higher share of taxable profit reported in Countries with higher taxation as well as the non-deductible expense related to the unsuccessful initiative above mentioned. Cash tax rate was 28.4%.

Gas & Power

	First half			
(€ million)	**2018**	**2017**	**Change**	**% Ch.**
Operating profit (loss)	**555**	**(11)**	**566**	**..**
Exclusion of special items and inventory holding (gains) losses	(125)	203	(328)	
Adjusted operating profit (loss)	**430**	**192**	**238**	**..**
Net finance (expense) income	(6)	6	(12)	
Net income (expense) from investments	11	(3)	14	
Income taxes	(163)	(118)	(45)	
tax rate (%)	*37.5*	*60.5*	*(23.0)*	
Adjusted net profit (loss)	**272**	**77**	**195**	**..**

In the first half of 2018, the Gas & Power segment reported an **adjusted operating profit** of €430 million, representing a significant increase of €238 million compared to €192 million recorded in the first half of 2017. This result reflected the overall restructuring of the portfolio of long-term gas supply

[3] Explanatory notes and tables detail certain other alternative performance indicators in line with guidance provided by ESMA guidelines on Alternative performance measures (ESMA/2015/1415), published on October 5, 2015. For a detailed explanation, see section "Alternative performance measures" in the following pages of this interim report.

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contracts, including lower logistic costs, positive performance reported in the power business, as well as excellent results in the LNG business able to catch peak prices in the Asian markets in the first part of the year.

Adjusted net profit amounted to €272 million, a fourth-fold increase compared to the first half of 2017.

Refining & Marketing and Chemicals

	First half			
(€ million)	**2018**	**2017**	**Change**	**% Ch.**
Operating profit (loss)	**396**	**397**	**(1)**	**(0.3)**
Exclusion of inventory holding (gains) losses	(359)	56	(415)	
Exclusion of special items	107	88	19	
Adjusted operating profit (loss)	**144**	**541**	**(397)**	**(73.4)**
- Refining & Marketing	*79*	*231*	*(152)*	*(65.8)*
- Chemicals	*65*	*310*	*(245)*	*(79.0)*
Net finance (expense) income	11	2	9	
Net income (expense) from investments	2	1	1	
Income taxes	(71)	(190)	119	
tax rate (%)	*45.2*	*34.9*	*10.3*	
Adjusted net profit (loss)	**86**	**354**	**(268)**	**(75.7)**

In the first half of 2018, the Refining & Marketing and Chemicals segment reported an **adjusted operating profit** of €144 million, decreased from €541 million reported in the first half of 2017.

The **Refining & Marketing** business reported an adjusted operating profit of €79 million in the first half of 2018, down by 66% from the first half of 2017 due to an unfavorable trading environment with the refining margin declining by 24.8%, reflecting higher oil feedstock costs which were not reflected in selling prices, and the appreciation of the euro against the US dollar (up by 12%). The negative scenario was partly offset by supply and plant optimizations. The marketing business reported a positive performance y-o-y driven by effective commercial initiatives.

The **Chemical** business reported an adjusted operating profit of €65 million, down by 79% from the first half of 2017. This decrease was driven by lower margins on sales of intermediates and polyethylene, due to rapidly escalating costs

of oil-based feedstock, not fully recovered in product prices and mounting competitive pressures from cheaper product streams from the Middle East and the USA. Furthermore, it is worth mentioning that first half of 2017 results benefitted from peak prices recorded for intermediates, mainly butadiene and benzene, reflecting one-off effects (product shortages in the USA and Asian markets).

Adjusted net profit amounting to €86 million in the first half of 2018, down by 76% from the first half of 2017, due to lower operating performance.

Alternative performance measures (Non-GAAP measures)

Management evaluates underlying business performance on the basis of Non-GAAP financial measures, not determined in accordance with IFRS ("Alternative performance measures"), such as adjusted operating profit and adjusted net profit, which are arrived at by excluding from reported operating profit and net profit certain gains and losses, defined special items, which include, among others, asset impairments, gains on disposals, risk provisions, restructuring charges and, in determining the business segments' adjusted results, finance charges on finance debt and interest income (see below). In determining adjusted results, also inventory holding gains or losses are excluded from base business performance, which 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, except in those business segments where inventories are utilized as a lever to optimize margins.

Management is disclosing Non-GAAP measures of performance 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 performance of the reporting periods disclosed in this press release:

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.

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.

Gearing

Gearing is calculated as the ratio between net borrowings and capital employed net and measures how much of capital employed net is financed recurring to third-party funding.

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.

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Reconciliation tables of Non-GAAP results to the most comparable measures of financial performance determined in accordance to GAAPs

(€ million)

First half 2018	**Exploration & Production**	**Gas & Power**	**Refining & Marketing and Chemicals**	**Corporate and other activities**	**Impact of unrealized intragroup profit elimination**	**GROUP**
Reported operating profit (loss)	**4,568**	**555**	**396**	**(350)**	**(131)**	**5,038**
Exclusion of inventory holding (gains) losses			(359)		5	(354)
Exclusion of special items:						
environmental charges	63		79	10		152
impairment losses (impairment reversals), net	58	6	35	3		102
net gains on disposal of assets	(418)		(7)			(425)
risk provisions	339			6		345
provision for redundancy incentives	3	4	1	(3)		5
commodity derivatives		(170)	(7)			(177)
exchange rate differences and derivatives	2	37	1			40
other	212	(2)	5	3		218
Special items of operating profit (loss)	**259**	**(125)**	**107**	**19**		**260**
Adjusted operating profit (loss)	**4,827**	**430**	**144**	**(331)**	**(126)**	**4,944**
Net finance (expense) income [(a)]	(319)	(6)	11	(334)		(648)
Net income (expense) from investments [(a)]	144	11	2	2		159
Income taxes [(a)]	(2,644)	(163)	(71)	134	41	(2,703)
Tax rate (%)	*56.8*	*37.5*	*45.2*			*60.7*
Adjusted net profit (loss)	**2,008**	**272**	**86**	**(529)**	**(85)**	**1,752**
of which:						
- Adjusted net profit (loss) of non-controlling interest						7
- Adjusted net profit (loss) attributable to Eni's shareholders						**1,745**
Reported net profit (loss) attributable to Eni's shareholders						**2,198**
						(251)

Exclusion of inventory holding (gains) losses	
Exclusion of special items	(202)
Adjusted net profit (loss) attributable to Eni's shareholders	**1,745**

(a) Excluding special items.

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(€ million)

First half 2017	**Exploration & Production**	**Gas & Power**	**Refining & Marketing and Chemicals**	**Corporate and other activities**	**Impact of unrealized intragroup profit elimination**	**GROUP**
Reported operating profit (loss)	**2,479**	**(11)**	**397**	**(345)**	**154**	**2,674**
Exclusion of inventory holding (gains) losses		(44)	56		(19)	(7)
Exclusion of special items:						
environmental charges			24	18		42
impairment losses (impairment reversals), net	1	(6)	58	8		61
net gains on disposal of assets	(342)		(2)			(344)
risk provisions	88			49		137
provision for redundancy incentives	5	34	3	3		45
commodity derivatives		243	(8)			235
exchange rate differences and derivatives	(12)	(94)	(7)			(113)
other	41	70	20	(8)		123
Special items of operating profit (loss)	**(219)**	**247**	**88**	**70**		**186**
Adjusted operating profit (loss)	**2,260**	**192**	**541**	**(275)**	**135**	**2,853**
Net finance (expense) income [(a)]	28	6	2	(390)		(354)
Net income (expense) from investments [(a)]	187	(3)	1	28		213
Income taxes [(a)]	(1,284)	(118)	(190)	127	(38)	(1,503)
Tax rate (%)	*51.9*	*60.5*	*34.9*			*55.4*
Adjusted net profit (loss)	**1,191**	**77**	**354**	**(510)**	**97**	**1,209**
of which:						
- Adjusted net profit (loss) of non-controlling interest						2
- Adjusted net profit (loss) attributable to Eni's shareholders						**1,207**
Reported net profit (loss) attributable to Eni's shareholders						**983**
Exclusion of inventory holding (gains) losses						(6)
Exclusion of special items						230
Adjusted net profit (loss) attributable to Eni's shareholders						**1,207**

[a] Excluding special items.

Breakdown of special items

	First half	
(€ million)	**2018**	**2017**
Environmental charges	152	42
Impairment losses (impairment reversals), net	102	61
Net gains on disposal of assets	(425)	(344)
Risk provisions	345	137
Provisions for redundancy incentives	5	45
Commodity derivatives	(177)	235
Exchange rate differences and derivatives	40	(113)
Other	218	123
Special items of operating profit (loss)	**260**	**186**
Net finance (income) expense	**(27)**	**131**
of which:		
- exchange rate differences and derivatives reclassified to operating profit (loss)	*(40)*	*113*
Net income (expense) from investments	**(315)**	**66**
- impairment/revaluation of equity investments	*(321)*	*68*
Income taxes	**(120)**	**(153)**
of which:		
- net impairment of deferred tax assets of Italian subsidiaries	*(73)*	
- taxes on special items of operating profit and other special items	*(47)*	*(153)*
Total special items of net profit (loss)	**(202)**	**230**

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 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)	**June 30, 2018**	**Dec. 31, 2017**	**Change**
Total debt	23,991	24,707	(716)
- *Short-term debt*	*4,954*	*4,528*	*426*
- *Long-term debt*	*19,037*	*20,179*	*(1,142)*

Cash and cash equivalents	(7,431)	(7,363)	(68)
Securities held for trading and other securities held for non-operating purposes	(6,485)	(6,219)	*(266)*
Financing receivables held for non-operating purposes	(178)	(209)	31
Net borrowings	**9,897**	**10,916**	**(1,019)**
Shareholders' equity including non-controlling interest	**50,471**	**48,079**	**2,392**
Leverage	**0.20**	**0.23**	**(0.03)**

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

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Reconciliation of Summarized Group Balance Sheet and Summarized Group Cash Flow Statement to Statutory Schemes

Summarized Group Balance Sheet

		June 30, 2018		**December 31, 2017**	
Items of Summarized Group Balance Sheet	Notes to the condensed consolidated interim financial statements	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
(€ million)					
Fixed assets					
Property, plant and equipment			59,669		63,158
Inventories - Compulsory stock			1,342		1,283
Intangible assets			2,992		2,925
Equity-accounted investments and other investments			4,855		3,730
Receivables and securities held for operating activities	(see note 6 and note 13)		1,640		1,698
Net payables related to capital expenditure, made up of:			(2,165)		(1,379)
- receivables related to capital expenditure/disposals	(see note 6)	279		597	
- receivables related to capital expenditure/disposals non-current	(see note 15)	10		118	
- payables related to capital expenditure	(see note 17)	(2,454)		(2,094)	
Total fixed assets			**68,333**		**71,415**
Net working capital					
Inventories			4,719		4,621
Trade receivables	(see note 6)		10,658		10,182
Trade payables	(see note 17)		(10,518)		(10,890)
Tax payables and provisions for net deferred tax liabilities, made up of:			(2,313)		(2,387)
- income tax payables		(651)		(472)	
- other tax payables		(2,236)		(1,472)	
- deferred tax liabilities		(4,521)		(5,900)	
- other non-current tax liabilities	(see note 23)	(101)		(45)	

- payables for Italian consolidated accounts	(see note 17)	(3)		(4)	
- receivables for Italian consolidated accounts	(see note 6)	1		1	
- current tax assets		175		191	
- other current tax assets		443		729	
- deferred tax assets		4,057		4,078	
- other tax assets	(see note 15)	523		507	
Provisions			(11,736)		(13,447)
Other current assets and liabilities:			356		287
- receivables for operating purposes	(see note 6)	56		84	
- other receivables	(see note 6)	4,471		4,641	
- other (current) assets		3,100		1,573	
- other receivables and other assets	(see note 15)	329		698	
- advances, other payables	(see note 17)	(2,536)		(3,760)	
- other (current) liabilities		(3,693)		(1,515)	
- other payables and other liabilities	(see note 23)	(1,371)		(1,434)	
Total net working capital			**(8,834)**		**(11,634)**
Provisions for employee post-retirement benefits			**(1,064)**		**(1,022)**
Assets held for sale including related liabilities			**1,933**		**236**
made up of:					
- assets held for sale		4,931		323	
- liabilities related to assets held for sale		(2,998)		(87)	
CAPITAL EMPLOYED, NET			**60,368**		**58,995**
Shareholders' equity including non-controlling interest			**50,471**		**48,079**
Net borrowings					
Total debt, made up of:			23,991		24,707
- long-term debt		19,037		20,179	
- current portion of long-term debt		2,718		2,286	
- short-term financial liabilities		2,236		2,242	
less:					
Cash and cash equivalents			(7,431)		(7,363)
Securities held for non-operating purposes	(see note 5)		(6,485)		(6,219)
Financing receivables for non-operating purposes	(see note 6)		(178)		(209)
Total net borrowings [a]			**9,897**		**10,916**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**60,368**		**58,995**

(a) For details on net borrowings see also note 20 to the condensed consolidated interim financial statements.

Summarized Group Cash Flow Statement

Items of Summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme	**First Half 2018**		**First Half 2017**	
	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
(€ million)				
Net profit (loss)		**2,205**		**985**
Adjustments to reconcile net profit (loss) to net cash provided by operating activities:				
Depreciation, depletion and amortization and other non monetary items		3,663		4,522
- depreciation, depletion, amortization and impairments	3,606		3,777	
- impairments losses (impairment reversals), net	102		61	
- write-off	21		193	
- share of profit (loss) of equity-accounted investments	(401)		(85)	
- other net changes	299		546	
- net changes in the provisions for employee benefits	36		30	
Net gains on disposal of assets		(418)		(336)
Dividends, interests, income taxes and other changes		2,783		1,523
- dividend income	(79)		(69)	
- interest income	(100)		(98)	
- interest expense	276		339	
- income taxes	2,686		1,351	
Changes in working capital related to operations		(676)		(250)
- inventory	(181)		(356)	
- trade receivables	(907)		1,032	
- trade payables	(255)		(1,323)	
- provisions for contingencies	(338)		133	
- other assets and liabilities	1,005		264	
Dividends received, taxes paid, interest (paid) received during the period		(2,337)		(1,806)
- dividend received	100		102	
- interest received	25		23	
- interest paid	(328)		(311)	
- income taxes paid, net of tax receivables received	(2,134)		(1,620)	
Net cash provided by operating activities		**5,220**		**4,638**

Capital expenditure		(4,502)		(4,923)
- tangible assets	(4,386)		(4,796)	
- intangible assets	(116)		(127)	
Investments and purchase of consolidated subsidiaries and businesses		(131)		(50)
- investments	(116)		(50)	
- consolidated subsidiaries and businesses	(15)			
Disposals		1,261		624
- tangible assets	1,017		563	
- intangible assets	5			
- changes in consolidated subsidiaries and businesses	178			
- investments	61		61	
Other cash flow related to capital expenditure, investments and disposals		693		239
- securities	(319)		(74)	
- financing receivables	(311)		(384)	
- change in payables and receivables relating to investments and capitalized depreciation	320		543	
reclassification: *purchase of securities and financing receivables for non-operating purposes*	430		151	
- disposal of securities	28		25	
- disposal of financing receivables	482		331	
- change in payables and receivables	434		(306)	
reclassification: *disposal of securities and financing receivables held for non-operating purposes*	(371)		(47)	
Free cash flow		**2,541**		**528**

continued **Summarized Group Cash Flow Statement**	**First Half 2018**		**First Half 2017**	
Items of Summarized Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
(€ million)				
Free cash flow		**2,541**		**528**
Borrowings (repayment) of debt related to financing activities		(59)		(104)
reclassification: *purchase of securities and financing receivables held for non-operating purposes*	(430)		(151)	
reclassification: *disposal of securities and financing receivables held for non-operating purposes*	371		47	
Changes in short and long-term finance debt		(974)		322
- proceeds from long-term finance debt	918		755	
- payments of long-term finance debt	(1,649)		(269)	
- increase (decrease) in short-term finance debt	(243)		(164)	
Dividends paid and changes in non-controlling interest and reserves		(1,443)		(1,443)
- dividends paid by Eni to shareholders	(1,440)		(1,440)	
- dividends paid to non-controlling interest	(3)		(3)	
Effect of exchange differences on cash and cash equivalents	12	12	(45)	(45)
Effect of changes in consolidation area (inclusion/exclusion of significant/insignificant subsidiaries			7	7
Net cash flow		**77**		**(735)**

Risk factors and uncertainties

Foreword

In this section are described the main risks Eni faces in managing its business segments. For the disclosure on financial risks (market, counterparty and liquidity risk) see note n. 28 – Guarantees, commitments and risks" in the Notes to the condensed consolidated interim financial statements.

Risks related to the cyclicality of the Oil & Gas sector

Eni's operating results, mainly in the Exploration & Production segment, are affected by volatile prices of crude oil and natural gas.

A decrease in oil and natural gas prices negatively affect the Group's revenues, operating profit and cash flow, vice versa in case of prices increases.

Eni estimates that movements in oil prices impact approximately 50 per cent. of its current hydrocarbon production.

Strategically, this risk exposure is not subject to economic hedging, except for some specific market conditions or transactions.

The remaining portion of Eni's current production is largely unaffected by crude oil price movements considering that the Company's property portfolio is characterized by a sizeable presence of production sharing contracts (PSAs), whereby, due to the cost recovery mechanism, the Company is entitled to a larger number of barrels in the event of a fall in crude oil prices (see below).

Based on the current portfolio of oil and gas assets, Eni's management estimates that the Group's consolidated net profit would vary by approximately €200 million for each one dollar change in the price of the Brent crude oil benchmark with respect to the price case assumed in Eni's financial projections for 2018 at 60 $/bbl. Net cash provided by operating activities is expected to vary by a similar amount.

Furthermore, a negative trend in the trading environment or a structural decline in commodity prices may have material effects on Eni's businesses outlook, and may limit the Group's funds available to finance expansion projects and certain contractual commitments.

The Company may review the carrying amount of oil and gas properties, whenever there is any indication that the carrying amounts of those assets may not be recoverable. This could result in accounting material asset impairments, as well as in reviewing the capex plan, which could be no more profitable, being affected by price declines. In addition, such lower price may force the Company to cancel, postpone or reschedule certain development projects, adversely affecting growth in future production and revenues as well as funds available to finance expansion projects. These risks may adversely impact shareholder returns, including dividends and the share prices.

As of June 30, 2018, management outlook on future trends in the oil and gas market is unchanged from the one used to estimate recoverability of the carrying amounts of the Group’s assets as of December 31, 2017.

In the first half of 2018, Brent prices retained the recovery trend recorded in the latter part of 2017, averaging about 70 $/bbl, on the back of a better balance between crude oil demand and global supply, as well as geopolitical factors and supply disruptions (such as in Venezuela).

Given the expected evolution of market fundamentals supported by a recovery in demand due to macroeconomic growth and the possible medium-term supply deficit due to oil companies’ capex cuts during the downturn, Eni’s management confirmed the long-term price assumption at 72 $/bbl in 2021 real terms (73.4 $/bbl in 2022) adopted in the estimation of recoverability of the carrying amounts of the Group’s assets as of December 31, 2017.

However, management has also evaluated the continuing risks and uncertainties inherent in such forecasts, including the actual position of the OPEC, the resurface of geopolitical risks, the circumstance that the futures markets of crude prices remain in backwardation, the evolution in the marginal costs and yields of the USA unconventional production, as well as global macroeconomic trends. As a result, management confirms a prudent approach in capital budgeting while maintaining rigorous capital discipline.

Over the next four years, the Company plans to invest something below €32 billion, unchanged from the previous plan; approximately 50% of capital expenditures at the end of the four-year period refer to uncommitted projects, granting to the Group an appropriate financial flexibility in case of sudden changes in trading environment. In 2018, Eni expects to make capital expenditures of approximately €7.7 billion, in line with 2017. Finally, volatility in oil and gas prices determines uncertainty in the achievement of Eni's operational targets, such as production growth and reserves replacement due to the important weight of Production Sharing Contracts (PSA) in Eni's portfolio. Pursuant to these contracts, Eni is entitled to a portion of a field's production, the sale of which is intended to cover expenditures incurred by the Company to develop and operate the field. The lower the reference prices for Brent crude oil used to estimate Eni's production and proved reserves, the higher the number of barrels necessary to recover the same amount of expenditure, and vice versa. Based on the current portfolio of oil and gas assets, Eni's management estimates that production entitlements vary on average by approximately 750 bbl/d for each $1 change in oil prices compared to current Eni's assumptions for oil prices, determining an entitlement of approximately 14 kboe/d in the first half of 2018. In case oil prices differ significantly from our own forecasts, the result of the above mentioned sensitivity of production to oil price changes may be significantly different.

The Group's results from its Refining & Marketing and Chemicals businesses are primarily dependent upon the supply and demand for refined and chemical products and the associated margins on refined product and chemical products sales, with the impact of changes in oil prices on results of these segments being dependent upon the speed at which the prices of products adjust to reflect movements in oil prices.

For further details on this risk see the 2017 Annual Report on Form 20-F.

Country risk

As of December 31, 2017, approximately 80% of Eni's proved hydrocarbon reserves and 60% of Eni's supplies of natural gas came from outside OECD countries, mainly Africa, Russia, Central Asia and Southern America, where the socio-political framework and macroeconomic outlook is less stable than in the OECD countries.

Adverse political, social and economic developments, such as internal conflicts, revolutions, establishment of non-democratic regimes, protests, strikes and other forms of civil disorder, contraction of economic activity and financial difficulties of the local governments with repercussions on the solvency of state institutions, inflation levels, exchange rates and similar events in those non-OECD countries may negatively impair Eni's ability to continue operating in an economically viable way, either temporarily or permanently, and Eni's ability to access oil and gas reserves and gas supply.

In the current geopolitical scenario, Eni is exposed to the counterparty risk mainly in Venezuela, which is currently experiencing a situation of financial stress amidst an economic downturn due to lack of resources to support the development of the country's hydrocarbons reserves. The situation has been made worse by certain international sanctions targeting the country's financial system.

This situation could compromise, in the second half of the year, Eni's ability to recover trade receivables part due owed by National Oil Companies for equity production sold and capex made in the Country.

Notwithstanding these difficulties, during the first half of 2018, Eni cashed in a certain amount of gas supplied to the Cardon IV project sold to the National Company PDVSA by Eni's participated joint venture Cardon IV. Those collections were in line with expected loss assumptions, on which the counterparty risk was factored in the 2017 assessment on trade receivables and assets recoverability in the Country.

Also in Nigeria Eni is exposed to counterparty risk, due to the financial stress of the National oil Company "NNPC" which is carried by Eni's certain petroleum JV projects.

Libya's geopolitical situation continues to represent a source of risk and uncertainty which could materially impact the ability of the Company to conduct its operations in a safe and regular manner.

For further details on this risk see the 2017 Annual Report on Form 20-F.

Sanction targets

No further developments on this risk emerged in the first half of 2017 other than what has been disclosed in the 2017 Annual Report on Form 20-F, except for tightening of USA sanctions against Venezuela. Such sanctions prohibit any US person to be involved in all transactions related to, provision of financing for,

and other dealings in, among other things, any debt owed to the Government of Venezuela that is pledged as collateral after the effective date, including accounts receivable.

Risks associated with the exploration and production of oil and natural gas

The exploration and production of oil and natural gas require high levels of capital expenditures and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of oil and gas fields. Exploration drilling for oil and gas involves the risk of dry holes or failure to find commercial quantities of hydrocarbons. The exploration and production activities are subject to mining risk, cost overrun and delayed start-up risks, which could have an adverse impact on Eni's future growth prospects, results of operations and liquidity. Future production targets will leverage on the ability of the Company to replace reserves through successful exploration, effectiveness and efficiency of development activities, the application of technological improvements to maximize recovery rates of producing fields and the outcome of negotiations with producing Countries. An inability to replace produced reserves by discovering, acquiring and developing additional reserves could adversely impact future production levels and growth prospects. By its nature, the upstream activity exposes Eni to a wide range of significant environmental, health and safety, security risks of Eni's personnel and the neighboring communities, damage or destruction to properties. These include the risks of blowout of hydrocarbon, fire or explosion, vessel collisions, geological risks such as discovery of hydrocarbon pockets with abnormal pressure, equipment failures and other forms of accidents, can lead to loss of life, environmental damages, damage or destruction to properties, pollution and consequently potential economic losses and liabilities that could have a material and adverse effect on the business, results of operations, liquidity, reputation and prospects of the Group, including the share price and the dividends.

These risks mainly affect in deep/ultra-deep offshore operations. In 2017, approximately 53% of Eni's total oil and gas production for the year derived from offshore fields. Eni is executing or is planning to execute several development projects to produce and market hydrocarbon reserves.

For further details on this risk see the 2017 Annual Report on Form 20-F.

Operational risks and associated HS&E risks

The Group engages in the exploration and production of oil and natural gas, refining of crude oil, petrochemical productions and transport of fuels, natural gas, LNG and petroleum products, in Italy and abroad. By their nature, the Group's operations expose Eni to a wide range of significant health, safety, security and environmental risks (flammability, toxicity, instability).

Technical faults, malfunction of plants, equipment and facilities, control systems failure, human errors, acts of sabotage, loss of containment and adverse weather events can trigger damaging events such as explosions, fires, oil and gas spills from wells, pipelines, release of contaminants, toxic emissions and other negative events.

These risks are affected by geography and climatic conditions of the areas in which operations are conducted, (e.g. onshore vs offshore, sensitive habitats such as the Arctic, the Gulf of Mexico, the Caspian Sea, refineries located near urban areas), the technical complexity of industrial activities and the technical difficulties in the implementation of recovery and containment of oil or other chemical liquids spilled into the ecosystem or harmful emissions into the atmosphere, the closing operations of damaged wells, or in case of blow-out, fire extinguishing in refineries, petrochemical sites or pipelines.

For these reasons, the activities of the oil, refining, transportation and chemical industries, are subjected to a strict regulation aiming to protect the environment, health and safety, defined by both national authorities and international conventions and protocols.

Eni has adopted integrated management systems, safety standards, high quality and reliability operational practices to comply with environmental regulations and to protect the integrity of people, environment, operations, properties and communities involved.

However, in spite of the above mentioned mitigation initiatives, the occurrence of the described events which could also results in incident of catastrophic proportions could have a material adverse effect on Eni's management, results of operations, consolidated financial conditions, business prospects, reputation and shareholders’ value (including Eni’s share price and dividends).

Eni could be also exposed to the risk of liabilities and environmental charges relating to some property sites in Italy, now inactive, where in the past years it has carried out minero-metallurgical and chemical

activities; in these sites, levels of concentration of pollutants may not comply with the current environmental legislation.

Despite Eni declared to be a "not guilty owner" because not responsible for exceeding pollution thresholds allowed by existing laws, as well as because the Group succeeded in many cases to other operators in the management of such sites, it is still possible that in the future Eni may incur further liabilities in addition to the amounts already accrued due to the results of ongoing surveys or surveys to be carried out on the environmental status of certain of Eni's industrial sites as required by the applicable regulations on contaminated sites, unfavorable developments in ongoing litigation on the environmental status of certain of the Company's sites where a number of public administrations and the Italian Ministry of the Environment act as plaintiffs and other risk factors.

For more information on HSE risks, including risks related to climate change and how Eni manages and control these risks, please refer to the paragraph "Risks" of 2017 Annual Report on Form 20-F.

Risks associated with the trading environment and competition in the gas market

The outlook of the European wholesale gas market remains muted due to continued oversupplies, exacerbated by increased availability of liquefied natural gas ("LNG") on global scale, and weak demand dynamics. Growth in gas demand has been dampened by the increasing use of renewable sources and competition from cheaper fossil fuels (like coal), in a context of institutional uncertainty in the Eurozone on the role of gas in the global energy mix. Management is forecasting flat growth of gas demand in Europe and Italy until 2021.

Eni's gas supply contracts portfolio consist of long-term contracts with take-or-pay clauses, which expose the Company both to a price risk, in the case of purchase price indexations that do not track spot prices and a volume risk in the case of market oversupply.

The results of Eni's wholesale business are particularly exposed to the volatility of the spreads between spot prices at European hubs and Italian spot prices because the Group's supply costs are mainly linked to prices at European hubs, whereas a large part of the Group's selling volumes are linked to Italian spot prices. The measure of those spreads which is affected by market dynamics underpins the Company's ability to recover its fixed expenses, including logistic costs.

Against this backdrop, Eni's management is planning to continue its strategy of renegotiating the Company's long-term gas supply contracts in order to align pricing and volume terms to current market conditions as they evolve.

Management believes that the outcome of those renegotiations is uncertain in respect of both the amount of the economic benefits that will be ultimately obtained and the timing of recognition of profit. Furthermore, in case Eni and the gas suppliers fail to agree on revised contractual terms, the claiming party has the ability to open an arbitration procedure to obtain revised contractual conditions. However, the suppliers might also file counterclaims with the

arbitration panel seeking to dismiss Eni's request for a price review.

For further details on this risk see the 2017 Annual Report on Form 20-F.

Current, negative trends in gas demands and supplies may impair the Company's ability to fulfil its minimum off-take obligations in connection with its take-or-pay, long-term gas supply contracts

There are no further developments on this risk with respect to the 2017 Annual Report on Form 20-F.

Risks associated with sector-specific regulations in Italy

There are no further developments on this risk with respect to the 2017 Annual Report on Form 20-F.

Risks related to legal proceedings and compliance with anti-corruption legislation

Eni is the defendant in a number of civil actions and administrative proceedings. In addition to existing provisions accrued, in future years Eni may incur significant losses in addition to the amounts already accrued in connection with pending or future legal proceedings due to: (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (iii) the emergence of new evidence and

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information; and (iv) underestimation of probable future losses due to the circumstance that they are often inherently difficult to estimate. Certain legal proceedings and investigations to which Eni or its subsidiaries or its officers and employees are parties involve the alleged breach of anti-bribery and anti-corruption laws and regulations and other ethical misconduct. Ethical misconduct and noncompliance with applicable laws and regulations, including noncompliance with anti-bribery and anti-corruption laws, by Eni, its officers and employees, its partners, agents or others that act on the Group's behalf, could expose Eni and its employees to criminal and civil penalties and could be damaging to Eni's reputation and shareholder value.

Climatic risk

Rising public concern and the governments' perception related to climate change could generate operational and financial risks for a Company as Eni which seeks, develops and markets hydrocarbons, in the short, medium and long term.

In the short-medium term, management expects an increase in operating costs and capex related to stricter environmental laws aimed at reducing greenhouse gas emissions (GHG). The scientific community has established a link between climate change and increasing GHG emissions.

The long-term risk for oil companies is the possibility that the adoption of increasingly stringent environmental policies for the reduction of GHG emissions at regional, national and international level, could bring to a decline in global demand for hydrocarbons and production.

Furthermore, technological breakthrough in the production and storage of renewable energies and in the efficiency of electric vehicles (EV – electric vehicles) could trigger the replacement of the hydrocarbons.

Because Eni's business depends on the global demand for oil and natural gas, in case existing or future laws, regulations, treaties, or international agreements related to GHG and climate change, including incentives to preserve energy or use alternative energy sources, technological breakthrough in the field of renewable energies or mass-adoption of electric vehicles reduce the worldwide demand for oil and natural gas, this could significantly and negatively affect Eni's results of operations, liquidity, business prospects and shareholders' returns.

The other risks related to climate change include the physical risk caused by extreme weather phenomena such as hurricanes, floods, monsoons, droughts, rising seas levels, which could interfere with Eni's operations with loss of output, loss of revenues and significant damages on property, as well as, there is the reputational risk linked to the possibility that oil companies may be perceived by institutions and the general public as the entities mainly responsible of the climate change.

Relating to the risks described, Eni has defined a decarbonisation pathway and pursues a clear and defined climatic strategy, integrated with its business model, based on the following levers:

- reduction of GHG direct emissions, through projects aimed at eliminating flaring gas, reducing fugitive methane emissions and achieving energy efficiency initiatives;

-"Low carbon" oil&gas portfolio characterized by conventional projects, developed for phases and with low CO_2 intensity. The new upstream projects in execution, which represent about 65% of the development investments for the segment, in the four-year period 2018-2021, have a break-even lower than $30/bbl, therefore resilient even in the presence of low carbon scenarios;

-development of green business through a growing commitment in renewable energies and reconversion of a part of refineries and petrochemical sites to hubs for production of fuels and products from renewable sources;

-commitment in scientific and technological research activities (R&D).

The composition of the upstream portfolio and the Eni strategy are important mitigation factors for the "stranded assets" risk. In this context, as illustrated in the 2017 Annual Report on Form 20-F and in the 2017 Consolidated disclosure of non-financial information (NFI) included in the 2017 Integrated Annual Report, to which it is referred for further information, management performed a review of the recoverability of the book values of the Eni's oil&gas CGUs under the assumptions of the IEA SDS. The sensitivity test confirmed the resiliency of Eni's asset portfolio with a 4% reduction in the aggregate fair value of Eni's properties.

Outlook

Exploration & Production

Hydrocarbon production: the Company is forecasting a 4% increase for the FY 2018 vs. 2017 at a Brent price scenario of 60 $/bbl, equalling to a production level of about 1.9 million boe/d. This growth is expected to be driven by: continuing production ramp-up at the fields started up in 2017, particularly in Egypt, Indonesia and Ghana, a larger contribution from the Kashagan, Goliat and Val d'Agri fields, new fields start-ups in Angola, Libya and Ghana, as well as the contribution of the new venture in UAE. These increases are expected to be partly offset principally by mature fields declines.

Gas & Power

Revised upwardly the guidance of the FY adjusted operating profit at €400 million, notwithstanding the business seasonality with the third quarter being the weaker in the year.

Gas sales: expected to decline in line with an expected reduction in long-term contractual commitments both to procure and to supply gas. An increase in nearly 9 million tons of LNG contracted volumes expected by 2018 year-end.

Refining & Marketing and Chemicals

A projected refining break-even margin of approximately 3 $/barrel by the end of 2018, leveraging on the restart of the EST unit, at the Sannazzaro refinery.

Refining throughputs on own accounts expected to be flat compared to 2017, due to better performance at the Sannazzaro and Livorno refineries because of unplanned shutdowns in 2017, offset by reductions at the Taranto and

Milazzo plants. Green diesel productions are expected to grow at the Venice plant. A higher refineries utilization rate is projected.

Retail sales were substantially unchanged y-o-y in Italy and in European markets. The market share in Italy is expected to be stable at around 24%.

Versalis: spreads of the main commodities, which were negatively affected by rapidly-escalating oil based feedstock costs in the second quarter 2018, are expected to normalize. Sales volumes are expected to grow in all business lines driven by higher product availability and by fewer planned standstills and upsets.

Group

Cash neutrality: funding of capex for the FY and the dividend is confirmed at a Brent price of approximately 55 $/bbl in 2018.

2018 FY Capex expected to be €7.7 billion, in line with the guidance.

Other information

Article No. 15 (former Article No. 36) of Italian regulatory exchanges (Consob Resolution No. 20249 published on December 28, 2017). Continuing listing standards about issuers that control subsidiaries incorporated or regulated in accordance with laws of extra-EU countries. Regarding the aforementioned provisions, the Company discloses that as of June 30, 2018, ten of 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 and Eni Ghana Exploration and Production Ltd - fall within the scope of the new continuing listing standards. The Company has already adopted adequate procedures to ensure full compliance with the new regulations.

Eni - CDP Shareholders’ agreement

Eni’s Board of Directors decided not to cancel the Shareholders' agreement between Eni and CDP on Saipem, which will automatically renew, starting from January 22, 2019, for a further three-year period.

Subsequent events

No significant subsequent business development are reported after closing.

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Balance Sheet

(€ million)	Note	**June 30, 2018**	*of which with related parties*	**December 31, 2017**	*of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents		7,431		7,363	
Financial assets held for trading	(5)	6,485		6,012	
Financial assets available for sale				207	
Trade and other receivables	(6)	15,670	*896*	15,737	*907*
Inventories	(7)	4,719		4,621	
Current tax assets		175		191	
Other current tax assets		443		729	
Other current assets	(8) (24)	3,100	*82*	1,573	*30*
		38,023		**36,433**	
Non-current assets					
Property, plant and equipment	(9)	59,669		63,158	
Inventory - compulsory stock		1,342		1,283	
Intangible assets	(10)	2,992		2,925	
Equity-accounted investments	(12)	3,893		3,511	
Other investments	(12)	962		219	
Other financial assets	(13)	1,613	*1,189*	1,675	*1,214*
Deferred tax assets	(14)	4,057		4,078	
Other non-current assets	(15) (24)	862	*104*	1,323	*46*
		75,390		**78,172**	
Assets held for sale	(25)	**4,931**		**323**	
TOTAL ASSETS		**118,344**		**114,928**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(16)	2,236	*154*	2,242	*164*
Current portion of long-term debt	(20)	2,718		2,286	
Trade and other payables	(17)	15,511	*3,464*	16,748	*2,808*
Income tax payable	(18)	651		472	
Other tax payables		2,236		1,472	
Other current liabilities	(19) (24)	3,693	*86*	1,515	*60*
		27,045		**24,735**	
Non-current liabilities					
Long-term debt	(20)	19,037		20,179	
Provisions for contingencies	(21)	11,736		13,447	
Provisions for employee benefits		1,064		1,022	
Deferred tax liabilities	(22)	4,521		5,900	

Other non-current liabilities	(23) (24)	1,472	*23*	1,479	*23*
		37,830		**42,027**	
Liabilities directly associated with assets held for sale	(25)	**2,998**		**87**	
TOTAL LIABILITIES		**67,873**		**66,849**	
SHAREHOLDERS' EQUITY	(26)				
Non-controlling interest		**53**		**49**	
Eni shareholders' equity					
Share capital		4,005		4,005	
Reserve related to cash flow hedging derivatives net of tax effect		394		183	
Other reserves		44,402		42,490	
Treasury shares		(581)		(581)	
Interim dividend				(1,441)	
Net profit (loss)		2,198		3,374	
Total Eni shareholders' equity		**50,418**		**48,030**	
TOTAL SHAREHOLDERS' EQUITY		**50,471**		**48,079**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**118,344**		**114,928**	

Profit and Loss Account

(€ million)	Note	**Six months ended June 30, 2018**	*of which with related parties*	**Six months ended June 30, 2017**	*of which with related parties*
REVENUES					
Net sales from operations	(29)	36,071	*626*	33,690	*990*
Other income and revenues		838	*3*	626	*4*
		36,909		**34,316**	
COSTS	(30)				
Purchases, services and other		(26,448)	*(4,210)*	(25,882)	*(5,049)*
Net (impairment losses) reversals of trade and other receivables		(232)		(184)	
Payroll and related costs		(1,551)	*(12)*	(1,562)	*(11)*
Other operating income (expense)		89	*186*	17	*183*
Depreciation and amortization		(3,606)		(3,777)	
Net (impairment losses) reversals of tangible and intangible assets		(102)		(61)	
Write-off of tangible and intangible assets		(21)		(193)	
OPERATING PROFIT (LOSS)		**5,038**		**2,674**	
FINANCE INCOME (EXPENSE)	(31)				
Finance income		2,349	*3*	2,272	*67*
Finance expense		(2,714)	*(1)*	(3,230)	*(19)*
Net finance income (expense) from financial assets held for trading		17		(51)	
Derivative financial instruments		(273)		524	
		(621)		**(485)**	
INCOME (EXPENSE) FROM INVESTMENTS	(32)				
Share of profit (loss) from equity-accounted investments		401		85	
Other gain (loss) from investments		73		62	
		474		**147**	
PROFIT (LOSS) BEFORE INCOME TAXES		**4,891**		**2,336**	
Income taxes	(33)	(2,686)		(1,351)	
PROFIT (LOSS) FOR THE PERIOD		**2,205**		**985**	
Attributable to Eni		2,198		983	
Attributable to non-controlling interest		7		2	
		2,205		**985**	
Earnings per share attributable to Eni (€ per share)	(34)				
Basic		0.61		0.27	
Diluted		0.61		0.27	

Statement of Comprehensive Income

(€ million)	Note	**Six months ended June 30, 2018**	**Six months ended June 30, 2017**
Profit (loss) for the period		**2,205**	**985**
Other items of comprehensive income (loss)			
Items that may be reclassified to profit or loss in later periods			
Foreign currency translation differences		1,194	(3,512)
Change in the fair value of financial assets, other than financial investments, with effect to OCI	(26)		2
Change in the fair value of cash flow hedging derivatives	(26)	278	(325)
Share of other comprehensive income (loss) on equity-accounted entities	(26)	(20)	51
Tax effect	(26)	(67)	76
Total other items of comprehensive income (loss)		**1,385**	**(3,708)**
Total comprehensive income (loss)		**3,590**	**(2,723)**
Attributable to Eni		3,583	(2,725)
Attributable to non-controlling interest		7	2
		3,590	**(2,723)**

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Statement of Changes in Shareholders' Equity

(€ million)	Note	Eni shareholders' equity									
		Share capital	**Legal reserve of Eni SpA**	**Reserve for treasury shares**	**Reserve related to the fair value of cash flow hedging derivatives net of the tax effect**	**Reserve related to the fair value of available-for-sale financial instruments net of the tax effect**	**Reserve for defined benefit plans net of tax effect**	**Other reserves**	**Cumulative currency translation differences**	**Treasury shares**	**Retaine earning**
Balance at December 31, 2016		**4,005**	**959**	**581**	**189**	**4**	**(112)**	**211**	**10,319**	**(581)**	**40,367**
Profit for the first six months of 2017											
Other items of comprehensive income (loss)											
Items that may be reclassified to profit or loss in later periods											
Foreign currency translation differences									(3,512)		
Change of the fair value of other available-for-sale financial instruments net of tax effect						2					
Change of the fair value of cash flow hedge derivatives net of					(249)						

tax effect										
Share of “Other comprehensive income (loss)” on equity-accounted investments							51			
				(249)	**2**		**51**	**(3,512)**		
Comprehensive income (loss) for the period				**(249)**	**2**		**51**	**(3,512)**		
Transactions with shareholders										
Dividend distribution of Eni SpA (€0.40 per share in settlement of 2016 interim dividend of €0.40 per share)										
Dividend distribution of other companies										
Allocation of 2016 residual loss										(4,345)
										(4,345)
Other changes in shareholders’ equity										
Other changes										9
										9
Balance at June 30, 2017	**4,005**	**959**	**581**	**(60)**	**6**	**(112)**	**262**	**6,807**	**(581)**	**36,031**
Profit for the second six months of 2017										
Other items of comprehensive income (loss)										
Items that are not reclassified to profit or loss in later periods										
Remeasurements of defined benefit plans net of tax effect						(4)				
						(4)				
Items that may be reclassified to										

profit or loss in later periods											
Foreign currency translation differences							2		(2,063)		
Change of the fair value of other available-for-sale financial instruments net of tax effect						(6)					
Change of the fair value of cash flow hedge derivatives net of tax effect					243						
Share of "Other comprehensive income (loss)" on equity-accounted investments								18			
					243	**(6)**	**2**	**18**	**(2,063)**		
Comprehensive income (loss) for the period					**243**	**(6)**	**(2)**	**18**	**(2,063)**		
Transactions with shareholders											
Interim dividend (€0.40 per share)											
Other changes in shareholders' equity											
Other changes									74		(65)
									74		**(65)**
Balance at December 31, 2017	(26)	**4,005**	**959**	**581**	**183**		**(114)**	**280**	**4,818**	**(581)**	**35,966**
Changes in accounting policies (IFRS 9 and 15)	(2)										245
Balance at January 1, 2018		**4,005**	**959**	**581**	**183**		**(114)**	**280**	**4,818**	**(581)**	**36,211**
Profit (loss) for the first six months of 2018											
Other items of comprehensive income (loss)											

Items that may be reclassified to profit or loss in later periods										
Foreign currency translation differences								1,194		
Change of the fair value of cash flow hedge derivatives net of tax effect	(26)				211					
Share of "Other comprehensive income (loss)" on equity-accounted investments	(26)						(20)			
					211		**(20)**	**1,194**		
Comprehensive income (loss) for the period					**211**		**(20)**	**1,194**		
Transactions with shareholders										
Dividend distribution of Eni SpA (€0.40 per share in settlement of 2017 interim dividend of €0.40 per share)										
Dividend distribution of other companies										
Allocation of 2017 residual profit										493
										493
Balance at June 30, 2018	(26)	**4,005**	**959**	**581**	**394**	**(114)**	**260**	**6,012**	**(581)**	**36,704**

Statement of Cash Flows

(€ million)	Note		**Six months ended June 30, 2018**		**Six months ended June 30, 2017**
Profit (loss) for the period			**2,205**		**985**
Adjustments to reconcile net profit (loss) to net cash provided by operating activities					
Depreciation and amortization	(30)		3,606		3,777
Net impairment losses (reversals) of tangible and intangible assets	(30)		102		61
Write-off of tangible and intangible assets	(30)		21		193
Share of (profit) loss of equity-accounted investments	(32)		(401)		(85)
Net gain on disposal of assets			(418)		(336)
Dividend income	(32)		(79)		(69)
Interest income			(100)		(98)
Interest expense			276		339
Income taxes	(33)		2,686		1,351
Other changes			299		546
Changes in working capital:					
- inventories		*(181)*		*(356)*	
- trade receivables		*(907)*		*1,032*	
- trade payables		*(255)*		*(1,323)*	
- provisions for contingencies		*(338)*		*133*	
- other assets and liabilities		*1,005*		*264*	
Cash flow from changes in working capital			(676)		(250)
Net change in the provisions for employee benefits			36		30
Dividends received			100		102
Interest received			25		23
Interest paid			(328)		(311)
Income taxes paid, net of tax receivables received			(2,134)		(1,620)
Net cash provided by operating activities			**5,220**		**4,638**
- of which with related parties	(36)		***(1,798)***		***(1,660)***
Investing activities:					
- tangible assets	(9)		*(4,386)*		*(4,796)*
- intangible assets	(10)		*(116)*		*(127)*
- consolidated subsidiaries and businesses net of cash and cash equivalent acquired	(27)		*(15)*		
- investments	(12)		*(116)*		*(50)*
- securities			*(319)*		*(74)*
- financing receivables			*(311)*		*(384)*
- change in payables in relation to investing activities and capitalized depreciation			*320*		*543*

Cash flow from investing activities		(4,943)	(4,888)
Disposals:			
- tangible assets		*1,017*	*563*
- intangible assets		*5*	
- consolidated subsidiaries and businesses net of cash and cash equivalent disposed of	(27)	*178*	
- investments		*61*	*61*
- securities		*28*	*25*
- financing receivables		*482*	*331*
- change in receivables in relation to disposals		*434*	*(306)*
Cash flow from disposals		2,205	674
Net cash used in investing activities		**(2,738)**	**(4,214)**
- of which with related parties	(36)	***(1,136)***	***(1,660)***
Proceeds from long-term debt	(20)	918	755
Repayments of long-term debt	(20)	(1,649)	(269)
Increase (decrease) in short-term debt	(16)	(243)	(164)
		(974)	**322**
Dividends paid to Eni's shareholders		(1,440)	(1,440)
Dividends paid to non-controlling interest		(3)	(3)
Net cash used in financing activities		**(2,417)**	**(1,121)**
- of which with related parties	(36)	***(11)***	***(1)***
Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)			7
Effect of exchange rate changes and other changes on cash and cash equivalents		12	(45)
Net cash flow of the period		**77**	**(735)**
Cash and cash equivalents - beginning of the period		**7,363**	**5,674**
Cash and cash equivalents - end of the period [a]		**7,440**	**4,939**

(a) Cash and cash equivalents as of June 30, 2018, include €9 million of cash and cash equivalents of consolidated subsidiaries held for sale that were reported in the item "Assets held for sale" in the balance sheet

Notes to the Consolidated Financial Statements

1 Basis of presentation

The Condensed Consolidated Interim Financial Statements as of June 30, 2018 (hereinafter “Interim Financial Statements”) have been prepared in accordance with the provisions of IAS 34 “Interim Financial Reporting” (hereinafter IAS 34).

The Interim Financial Statements have been prepared in accordance with the same principles of consolidation and accounting policies described in the last Consolidated Annual Financial Statements (see the related report for more information), except for applying the International Financial Reporting Standards effective from January 1, 2018, described in the section “IFRSs not yet adopted” of the last Consolidated Annual Financial Statements. In particular, IFRS 15 "Revenue from Contracts with Customers", as well as the related document “Clarifications to IFRS 15 Revenue from Contracts with Customers”, (hereinafter IFRS 15) and IFRS 9 "Financial Instruments" (hereinafter IFRS 9) have been applied in the Interim Financial Statements.

IFRS 15 provides for the recognition and measurement criteria of revenue from contracts with customers; in particular, revenue are recognised by applying the following five steps: (i) identifying the contract with the customer[1]; (ii) identifying the performance obligations, that are promises in a contract to transfer goods and/or services to a customer; (iii) determining the transaction price; (iv) allocating the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each good or service promised in the contract; and (v) recognising revenue when (or as) a performance obligation is satisfied, that is when a promised good or service is transferred to a customer. A promised good or service is transferred when (or as) the customer obtains control of it. Control can be transferred over time or at a point in time.

The application of IFRS 15 resulted in: (i) the recognition, as intangible assets, of the incremental costs of obtaining a contract with customers, if the entity expects to recover those costs. The intangible asset related to these contract costs is amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates; and (ii) the recognition of revenue from crude oil and natural gas production from properties in which Eni has an interest with other producers on the basis of the actually sold quantities (sales method), instead of the entitled quantities of production (entitlement method).

Requirements in IFRS 9 for classification and measurement of financial assets provides for the following categories: (i) financial assets measured at amortised cost; (ii) financial assets measured at fair value through other comprehensive income (hereinafter also OCI); and (iii) financial assets measured at fair value through profit or loss.

The classification of a financial asset that is a debt instrument is based on both its contractual cash flow characteristics and the entity's business model for managing the financial asset. In particular, financial assets whose contractual terms give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows (the so called hold to collect business model); conversely, financial assets are measured at fair value through OCI (hereinafter also FVTOCI) if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (the so called hold to collect and sell business model).

A financial asset represented by a debt instrument that is neither measured at amortised cost nor at FVTOCI, is measured at fair value through profit or loss (hereinafter FVTPL); financial assets held for trading fall into this category.

[1] Under IFRS 15, a customer is a party that has contracted with an entity to obtain goods or services that are an output of the entity's ordinary activities in exchange for consideration.

Investments in equity instruments, that are not held for trading, are measured at fair value through other comprehensive income without subsequent transfer of fair value changes to profit or loss on derecognition of these investments; conversely, dividends from these investments are recognised in the profit and loss account. In limited circumstances, an investment in equity instruments can be measured at cost if it is an appropriate estimate of fair value.

Derivatives embedded in financial assets are no longer accounted for separately; in such circumstances, the entire hybrid instrument is classified depending on the contractual cash flow characteristics of the financial instrument and the business model for managing it. Derivatives embedded in financial liabilities and/or non-financial assets are separated if: (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and (iii) the entire hybrid contract is not measured at FVTPL.

IFRS 9 requires the adoption of the expected credit loss model for impairment of financial assets, based on a forward-looking approach; in particular, with reference to trade and other receivables, the expected credit losses are generally measured by multiplying: (i) the exposure to the counterparty's credit risk net of any collateral held and other credit enhancements (Exposure At Default, EAD); (ii) the probability that the default of the counterparty occurs (Probability of Default, PD); and (iii) the percentage estimate of the exposure that will not be recovered in case of default (Loss Given Default, LGD), considering the past experiences and the range of recovery tools that can be activated (e.g. extrajudicial and/or legal proceedings, etc.).

Probabilities of Default of counterparties are determined by adopting the internal credit ratings already used for credit worthiness; for government entities (e.g. National Oil Companies), the Probability of Default, represented essentially by the probability of a delayed payment, is determined by using, as input data, the country risk premium adopted to determine WACC for the impairment review of non-financial assets.

For retail customers, without internal credit ratings, the expected credit losses are measured by using a provision matrix, defined by grouping, where appropriate, receivables into adequate cluster to which apply credit loss rates defined on the basis of its historical credit loss experiences, adjusted, where appropriate, to take into account forward-looking information on credit risk of the counterparty or cluster of counterparties.

Moreover, with reference to the qualifying criteria for hedge accounting, IFRS 9 requires: (i) the existence of an economic relationship between the hedged item and the hedging instrument in order to offset the related value changes; (ii) the effects of counterparty credit risk do not dominate the economic relationship between the hedged

item and the hedging instrument; and (iii) the definition of the relationship between the quantity of the hedged item and the quantity of the hedging instrument (the so called hedge ratio) consistently with the entity's risk management objectives, under a defined risk management strategy; the hedge ratio is adjusted, where appropriate, after taking into account any adequate rebalancing. A hedging relationship is discontinued prospectively, in its entirety or a part of it, when it no longer meets the risk management objectives on the basis of which it qualified for hedge accounting, it ceases to meet the other qualifying criteria or after rebalancing it.

Furthermore the adoption of IFRS 9 resulted in updating the statements essentially with reference to the profit and loss account line items, by opening a new line item to present separately impairment losses/reversals of trade and other receivables (named "Net reversals (impairment losses) of trade and other receivables)"[2] and renaming the line item "Net impairments/reversals" as "Net reversals (impairment losses) of tangible and intangible assets".

Consistently with the provisions of IAS 34, the Interim Financial Statements include selected explanatory notes.

Current income taxes have been calculated based on the estimated taxable profit for the interim period. Current income tax assets and liabilities have been measured at the amount expected to be paid to/recovered from the tax Authorities, using tax laws that have been enacted or substantively enacted by the end of the reporting period and the tax rates estimated on an annual basis.

[2] These items were previously recognised within the line item "Purchases, services and other". Consequently, although it is not explicitly required by the transition requirements in IFRS 9, these items referred to the comparative period, determined in accordance with the superseded IAS 39, have been reclassified into the new line item.

Investments in subsidiaries, joint arrangements and associates as of June 30, 2018 are presented in the annex "List of companies owned by Eni SpA as of June 30, 2018". This annex includes also the changes in the scope of consolidation.

On July 26, 2018, Eni's Board of Directors approved the Consolidated Interim Financial Statements as of June 30, 2018. The external auditor EY SpA carried out a limited review of the Interim Financial Statements; a limited review is significantly less in scope than an audit performed in accordance with the generally accepted auditing standards.

The Interim Financial Statements are presented in euro and all values are rounded to the nearest million euros (€ million).

2 Changes in accounting policies

IFRS 15 "Revenue from Contracts with Customers", as well as the document "Clarifications to IFRS 15 Revenue from Contracts with Customers", which set out the requirements for recognising and measuring revenue arising from contracts with customers, have been adopted by the Commission Regulations no. 2016/1905 and 2017/1987 issued by the European Commission, respectively, in September 22, 2016 and October 31, 2017.

IFRS 15 have been applied starting from January 1, 2018, recognising, in accordance with the transition requirements of the standard, the cumulative effect of initially applying the standard as an adjustment to the opening balance of equity as of January 1, 2018, taking into account the contracts existing at that date, without restating the comparative periods. In particular, the adoption of IFRS 15 resulted in a decrease in equity of €49 million arising from:

(i) a negative change of €103 million (€259 million before taxes) in the Exploration & Production segment, related to the accounting for amounts of production lifted by a partner within oil & gas operations different from its proportionate entitlement (the so called lifting imbalances), by recognising revenue on the basis of the quantities actually sold (the so called sales method) instead of the entitled quantities (the so called entitlement method); expenses are recognised on the basis of the quantities actually sold. Moreover the adoption of sales method resulted in the reclassification of underlifting assets (quantities lifted smaller than the entitled ones) and overlifting liabilities (quantities lifted higher than the entitled ones), represented as receivables and payables under the entitlement method, into the other assets and liabilities;

(ii) a positive change of €60 million (€87 million before taxes), related to the capitalisation of the incremental costs of obtaining contracts with customers in the Gas & Power segment, net of their amortisation;

(iii) a negative change of €6 million of equity-accounted investments.

IFRS 9, adopted by the Commission Regulation no. 2016/2067 issued by the European Commission on November 22, 2016, have been applied starting from January 1, 2018. As allowed by the transition requirements of the standard, considering also the complexity of the restatement at the beginning of the first comparative period without the use of hindsight, the impacts of the new classification and measurement requirements, including impairment, of financial assets, have been recognised as an adjustment to the opening balance of equity as of January 1, 2018, without restating the comparative periods; with reference to hedge accounting, the adoption of the new requirements did not have significant impacts.

In particular, the adoption of IFRS 9 resulted in an increase in equity of €294 million arising from the fair value measurement of investments in equity instruments previously measured at cost (€681 million), partially offset by the additional impairment losses (€356 million) of trade and other receivables (€427 million before taxes), recognised under the expected credit loss model and by the decrease of the carrying amount of equity-accounted investments (€31 million).

As indicated in the section “Basis of preparation”, with reference to measurement of investments in equity instruments, Eni elected to designate the investments in equity instruments, held as of January 1, 2018, as assets measured at FVTOCI.

Moreover, with reference to the classification and measurement of financial assets, Eni reclassified the portfolio of financial assets previously classified as available for sale into the financial assets measured at FVTPL (€207 million), on the basis of the facts and circumstances that existed at January 1, 2018.

The breakdown of the abovementioned quantitative effects and reclassifications[3], deriving from the initial application, as of January 1, 2018[4], of IFRS 9 and IFRS 15, is as follows:

(€ million)	**January 1, 2018**					
Selected line items only	As reported December 31, 2017	*Adoption of IFRS 9*	*Adoption of IFRS 15*	*Reclassifications*	Total effect of the first application	As restated January 1, 2018
Current assets	36,433	*(427)*	*(372)*		(799)	35,634
- of which: Financial assets held for trading	*6,012*			*207*	*207*	*6,219*
- of which: Financial assets available for sale	*207*			*(207)*	*(207)*	
- of which: Trade and other receivables	*15,737*	*(427)*	*(372)*	*(466)*	*(1,265)*	*14,472*
- of which: Other current assets	*1,573*			*466*	*466*	*2,039*
Non-current assets	78,172	*721*	*247*		968	79,140
- of which: Intangible assets	*2,925*		*87*		*87*	*3,012*
- of which: Equity-accounted investments	*3,511*	*(31)*	*(6)*		*(37)*	*3,474*
- of which: Other investments	*219*	*681*			*681*	*900*
- of which: Deferred tax assets	*4,078*	*71*	*166*		*237*	*4,315*
Current liabilities	24,735		*(113)*		(113)	24,622
- of which: Trade and other payables	*16,748*		*(113)*	*(1,330)*	*(1,443)*	*15,305*
- of which: Other current liabilities	*1,515*			*1,330*	*1,330*	*2,845*
Non-current liabilities	42,027		*37*		37	42,064
- of which: Deferred tax liabilities	*5,900*		*37*		*37*	*5,937*
Shareholders' equity	48,079	*294*	*(49)*		245	48,324

With reference to the first half of 2018, the application of the previous revenue recognition requirements does not have a significant impact on the profit and loss account and on the statement of cash flows. Conversely, the balance sheet would have been affected essentially as follows: (i) higher net assets related to lifting imbalances for €330 million[5]; (ii) lower intangible assets for €107 million due to the lack of possibility to recognise, as intangible assets, the incremental costs of obtaining contracts with customers; (iii) the increase of trade and other payables due to the reclassification of €537 million related to advances from customers.

[3] Under IFRS 15, short-term advances from customers have been reclassified from the line item "Trade and other payables" into the line item "Other current liabilities" of the balance sheet in order to present them together with the other current contract liabilities (e.g. customer loyalty programs, deferred income, etc.), already recognised within such line item.

[4] The IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration" is also effective starting from January 1, 2018, but it did not have a material impact on the consolidated financial statements.

[5] In accordance with the previous accounting policy (entitlement method), revenues from crude oil and natural gas production from properties in which Eni has an interest together with other producers were recognised on the basis of Eni's net working interest in those properties. In the balance sheet, lifting imbalances were recognised respectively as payables and receivables and measured at current prices at the balance sheet date.

For each kind of financial assets adjusted/reclassified after the initial application of IFRS 9, the table below provides for the following information: (i) the original measurement category determined in accordance with IAS 39; (ii) the new measurement category determined in accordance with IFRS 9; (iii) the carrying amounts determined in accordance with IAS 39, recognised as of December 31, 2017, and the carrying amounts determined in accordance with IFRS 9 as of January 1, 2018:

(€ million)	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Adjustments	Reclassifications	Ot
Financial assets						
Financial assets held for trading	Held for trading	FVTPL	6,012		207	
Financial assets available for sale	Available-for-sale	FVTPL	207		(207)	
Trade and other receivables	Financing receivables	Amortized cost	15,737	(427)		(8
Other investments	Cost	FVTOCI	219	681		
Total			**22,175**	**254**		**(8**

(*) Other changes result from the effects related to a different classification under IFRS 15 of receivables for underlifting which have been reclassified as other assets in application of the sales method

3 Significant accounting estimates or judgements

The significant accounting estimates and judgements made by management are disclosed in the last Consolidated Annual Financial Statements, except for those related to the measurement criteria of expected credit losses of financial assets. In particular, estimates made by management based on complex and/or subjective judgements with reference to the determination of the Probability of Default and Loss Given Default of counterparties and to the application of the simplified approach for measuring the expected credit losses of retail customers.

4 International Financial Reporting Standards not yet adopted

Besides the International Financial Reporting Standards not yet adopted, which are disclosed in the last Consolidated Annual Financial Statements, on March 29, 2018, the IASB issued the document "Amendments to References to the Conceptual Framework in IFRS Standards", which includes, basically, technical and editorial changes to existing IFRS standards in order to update references in those standards to previous versions of the IFRS Framework with the new Conceptual Framework for Financial Reporting, issued by the IASB on the same date. The amendments to the

standards shall be applied for annual periods beginning on or after January 1, 2020.

Eni is currently reviewing the International Financial Reporting Standards not yet adopted in order to determine the likely impact on the Group’s financial statements.

Current assets

5 Financial assets held for trading

(€ million)	June 30, 2018	December 31, 2017
Quoted bonds issued by sovereign states	1,075	1,022
Other	5,410	4,990
	6,485	**6,012**

The breakdown by issuing entity and credit rating of securities does not show significant changes compared to the Annual Report 2017.

As of January 1, 2018, in application of IFRS 9, financial assets held by Eni Insurance DAC of €207 million, previously classified as available for sale, were classified as held for trading, based on the circumstances standing as at the date.

The fair value hierarchy is level 1 for €5,712 million and level 2 for €773 million. In the course of the first half 2018, there were no significant transfers between the different hierarchy levels of fair value.

6 Trade and other receivables

(€ million)	June 30, 2018	December 31, 2017
Trade receivables	**10,658**	**10,182**
Financing receivables		
- for operating purposes - short-term	56	84
- for operating purposes - current portion of long-term receivables	27	23
- for non-operating purposes	178	209
	261	**316**
Other receivables		

- from disposals	279	597
- other	4,472	4,642
	4,751	**5,239**
	15,670	**15,737**

In the first half of 2018, Eni agreed to divest to factoring institutions certain trade receivables without recourse for €1,330 million, due beyond June 30, 2018 (€2,051 million at December 31, 2017, due in 2018). Those receivables related to the Gas & Power segment (€1,192 million) and the Refining & Marketing and Chemical segment (€138 million).

As of January 1, 2018, the effects of the application of IFRS 9 and 15 are the following:

(€ million)	**Trade receivables**	**Financial receivables**	**Other receivables**	**Trade and other receivables**
Amount as of December 31, 2017	**10,182**	**316**	**5,239**	**15,737**
Changes in accounting policies (IFRS 9)	(338)		(89)	**(427)**
Changes in accounting policies (IFRS 15)			(372)	**(372)**
Reclassification to other current assets (IFRS 15)			(466)	**(466)**
Amount as of January 1, 2018	**9,844**	**316**	**4,312**	**14,472**

The reclassification to other current assets in application of IFRS 5 of €466 million related to underlifting imbalances related to the Exploration & Production segment.

Trade and other receivables are stated net of the valuation allowance for doubtful accounts of €3,321 million (€2,729 million at December 31, 2017).

(€ million)	Trade receivables	Financing receivables	Other receivables	**Valuation allowance for doubtful accounts**
Carrying amount at December 31, 2017	**1,848**	**90**	**791**	**2,729**
Changes in accounting principles - IFRS 9	338		89	**427**
Carrying amount at January 1, 2018	**2,186**	**90**	**880**	**3,156**
Additions	164		107	**271**
Deductions	(80)		(26)	**(106)**
Other changes	(6)	(25)	31	
Carrying amount at June 30, 2018	**2,264**	**65**	**992**	**3,321**

The allowance for doubtful accounts amounted to €164 million and primarily related to: (i) the Gas & Power segment for €108 million, particularly the retail business. The mitigation measures regarding the counterparty risk executed by the Company, including a better selection in the customer acquisition process, allowed to reduce the incidence of the unpaid on retail sales to physiological levels; (ii) the Exploration & Production segment for €48 million as consequence of the application of the expected loss method to trade receivables arisen in connection with the supply of equity hydrocarbons to State-owned companies and other commercial partners.

Deductions amounting to €80 million related to the Gas & Power segment for €57 million and mainly related to the recognition of losses on doubtful accounts in the retail business.

Receivables from disposals amounting to €279 million decreased by €318 million compared to December 31, 2017 also due to the collection of the price installments for the sale of 10% and 30% interests in the Zohr asset in Egypt, respectively to BP and Rosneft for a total amount of €439 million. An additional installment relating to the transaction with BP, which will be collected in June 2019 (€115 million). The item also include €161 million related to the third and last installment of a receivable on the divestment of a 1.71% interest in the Kashagan project to the local partner KazMunayGas based on the agreements defined between the international partners of the North Caspian Sea PSA and the Kazakh government, which enacted a new contractual framework for managing project operations. The repayment scheme of the receivable was triggered by achievement of the agreed target production level of the Kashagan field that

was reached in 2016.

Other receivables of €4,472 million (€4,642 million at December 31, 2017) primarily related to receivables owed by Eni’s partners in unincorporated joint ventures that are currently executing exploration and production projects. The largest outstanding amount related to partners in Nigeria for €1,248 million (€1,507 million at December 31, 2017) and among these: (i) receivables of €681 million (€713 million at December 31, 2017) related to the contractual recovery of expenditures pertaining to the Nigerian national oil company NNPC in respect of certain projects operated by Eni. During the period, the Company recovered €97 million of the overdue amount leveraging on the implementation of the "Repayment Agreement" agreed with the counterparty, whereby Eni is to be reimbursed through the sale of the profit oil attributable to NNPC in certain rig-less petroleum initiatives with low mineral risk profile. Based on Eni’s Brent price scenario, the reimbursement will be accomplished over a time horizon of three to five years. These receivables are stated net of a discount factor; (ii) receivables for the contractual recovery of costs incurred at an operated oil project subject to arbitration in relation to the contractual recognition of these costs for €97 million (€153 million at December 31, 2017). The receivable is stated net of a provision for doubtful accounts which was re-measured in the reporting period on the basis of the updated estimate of the expected loss in connection with a likely recovery plan. Other receivables also included the receivable due from the equity-accounted entity Cardón IV by the Venezuelan State-owned oil company (PDVSA) for the supplies of gas volumes. This receivable was purchased by an Eni’s subsidiary from the joint venture. The evaluations of the credit recoverability and of the associated expected loss made in the Annual Report 2017 are confirmed in this Interim Report 2018.

Because of the short-term maturity and conditions of remuneration of trade receivables, the fair value generally approximated the carrying amount.

Receivables with related parties are described in note 36 – Transactions with related parties.

7 Inventories

	June 30, 2018			December 31, 2017		
(€ million)	Gross carrying amount	Loss provision	**Net carrying amount**	Gross carrying amount	Loss provision	**Net carrying amount**
Carrying amount at the beginning of the period	**4,866**	**(245)**	**4,621**	**4,892**	**(255)**	**4,637**
Changes	112		**112**	314		**314**
New or increased provisions		(7)	**(7)**		(81)	**(81)**
Deductions		18	**18**		18	**18**
Other changes	(23)	(2)	**(25)**	(340)	73	**(267)**
Carrying amount at the end of the period	**4,955**	**(236)**	**4,719**	**4,866**	**(245)**	**4,621**

Inventories included emission allowances of €54 million (€56 million at December 31, 2017), which are fair-valued based on market quotations. The fair value hierarchy is level 1.

Inventories of €95 million (€86 million at December 31, 2017) were pledged to guarantee the estimated imbalance in volumes input to/off-taken from the national gas network operated by Snam Rete Gas SpA.

8 Other current assets

(€ million)	**June 30, 2018**	**December 31, 2017**
Fair value of derivative financial instruments	2,400	1,231
Other current assets	700	342
	3,100	**1,573**

The increase in other assets of €358 million included the reclassification as of January 1, 2018, from the item Trade and other receivables of the underlifting imbalances related to the Exploration & Production segment for €466 million following the adoption of the sales method in application of IFRS 15.

The fair value related to derivative financial instruments is disclosed in note 24 – Derivative financial instruments.

Transactions with related parties are described in note 36 – Transactions with related parties.

Non-current assets

9 Property, plant and equipment

(€ million)	**Property, plant and equipment**
Gross book amount at December 31, 2017	183,777
Provisions for depreciation and impairments at December 31, 2017	120,619
Net book amount at December 31, 2017	**63,158**
Additions	4,386
Depreciation	(3,423)
Net reversals (impairment losses)	(102)
Write-off	(21)
Disposals	(593)
Currency translation differences	1,519
Reclassification to assets held for sale	(4,743)
Other changes	(512)
Net book amount at June 30, 2018	**59,669**
Gross book amount at June 30, 2018	178,338
Provisions for depreciation and impairments at June 30, 2018	118,669

A breakdown of capital expenditures made in the first half of 2018 by segment is provided below:

(€ million)	**Six months ended June 30, 2018**	**Six months ended June 30, 2017**
Capital expenditure		
Exploration & Production	4,019	4,524
Gas & Power	30	25
Refining & Marketing and Chemical	321	243
Corporate and other activities	24	12
Elimination of intragroup profits	(8)	(8)
	4,386	**4,796**

Capital expenditures of €4,019 million made in the first half 2018 by the Exploration & Production segment included the consideration paid for the award of the interests in the Concession Agreements of Umm Shaif and Nasr (10%) and

Lower Zakum (5%) in the offshore of Abu Dhabi (United Arab Emirates). The price paid was allocated to proved mineral interest (plant and machinery) for €373 million ($451 million) and to unproved mineral interest (assets in progress) for €350 million ($424 million).

The criteria adopted by Eni for determining net (impairments) reversals is reported in note 11 – Net reversal (impairment) of tangible and intangible assets.

Disposals of €593 million essentially related to the disposal of a 10% interest in the Zohr asset in Egypt with a gain of €408 million.

Foreign currency translation differences of €1,519 million primarily related to translations of entities accounts denominated in U.S. dollar (€1,392 million).

Financial assets held for sale are disclosed in note 25 — Assets held for sale and liabilities directly associated with assets held for sale.

Other changes of €512 million included the initial recognition and estimate re-measurement of the decommissioning provision in the Exploration & Production segment (€530 million) due to increased discount rates, especially for the U.S. dollar and Euro.

Property, plant and equipment include costs related to exploration activities and appraisal and tangible assets in progress and advances of the Exploration & Production segment:

(€ million)	Exploratory wells in progress	Exploratory wells completed and being evaluated	Exploratory successful wells in progress	**Exploration activity and appraisal**	Unproved mineral interest	Wells and installments in progress	Abandonment cost	**Other tangible assets in progress**	**Total**
Book amount at December 31, 2017	**108**	**1,263**	**489**	**1,860**	**2,390**	**6,553**	**37**	**8,980**	**10,840**
Additions	122			**122**	350	3,115		**3,465**	**3,587**
Write-off	7	(39)		**(32)**			12	**12**	**(20)**
Reclassifications	(94)	93	(26)	**(27)**		(2,546)		**(2,546)**	**(2,573)**
Other changes and currency differences	3	29	14	**46**	84	(7)	(27)	**50**	**96**
Book amount at June 30, 2018	**146**	**1,346**	**477**	**1,969**	**2,824**	**7,115**	**22**	**9,961**	**11,930**

Reclassifications of €2,573 million related to development wells and plants for €2,546 million and exploratory successful wells for €27 million following the production start-up during the first half of 2018 of a project in Angola in the operated Block 15/06. Write-offs primarily related to an unsuccessful exploration well, offshore Morocco.

Unproved mineral interests include costs allocated to unproved reserves following business combinations or costs incurred to acquire individual properties. Unproved mineral interests were as follows:

(€ million)	Congo	Nigeria	Turkmenistan	Algeria	USA	Egypt	United Arab Emirates	**Total**
Book amount at December 31, 2017	**1,162**	**825**	**192**	**105**	**99**	**7**		**2,390**
Additions							350	**350**
Other changes and currency differences	34	24	6	6	3		11	**84**
Book amount at June 30, 2018	**1,196**	**849**	**198**	**111**	**102**	**7**	**361**	**2,824**

10 Intangible assets

(€ million)	**Intangible assets with finite useful lives**	**Intangible assets with indefinite useful lives:** Goodwill	**Total**
Gross book amount at December 31, 2017	6,748		
Provisions for amortization and impairments at December 31, 2017	5,027		
Net book amount at December 31, 2017	**1,721**	**1,204**	**2,925**
Changes in accounting principles - IFRS 15	87		**87**
Balance at January 1, 2018	**1,808**	**1,204**	**3,012**
Additions	116		**116**
Amortization	(184)		**(184)**
Currency translation differences	24	5	**29**
Other changes	19		**19**
Net book amount at June 30, 2018	**1,783**	**1,209**	**2,992**
Gross book amount at June 30, 2018	7,081		
Provisions for amortization and impairments at June 30, 2018	5,298		

Capital expenditures of €116 million (€127 million in the first half of 2017) included the capitalization of costs for customer acquisition in the Gas & Power segment for €52 million and a signature bonus of €39 million in the

Exploration & Production segment (€87 million in the first half 2017) for the entry into a new exploration block in Mexico.

As of June 30, 2018, the carrying amount of intangible assets with finite useful life included proved mineral interests as follows:

(€ million)	**June 30, 2018**	**December 31, 2017**
Proved mineral interests	380	403
Unproved mineral interests	638	586
Other mineral interests	3	6
	1,021	**995**

As of June 30, 2018, the carrying amount of goodwill amounted to €1,209 million (€1,204 million at December 31, 2017) net of cumulative impairment charges amounting to €2,420 million (€2,414 million at December 31, 2017).

Management did not identify any impairment indicator in the first half of 2018.

11 Net reversal (impairment) of tangible and intangible assets

(€ million)	**Six months ended June 30, 2018**	**Six months ended June 30, 2017**
Impairments		
Tangible assets	(103)	(83)
	(103)	**(83)**
less:		
- revaluation of tangible assets	1	22
	(102)	**(61)**

The criteria adopted in the identification of the Group's Cash Generating Units (CGU) and in the impairment review of the recoverability of the carrying amounts of fixed assets remain unchanged from the Annual Report 2017 (see note

19 – Impairment/reversal of tangible assets of the Annual Report 2017).

Management's expectations about future trends in the oil trading environment at the reporting date of June 30, 2018 are unchanged compared to the assumptions used for the assessments of the recoverability of assets carrying amounts in the Annual Report 2017. In the first half of 2018, the recovery in oil prices strengthened, with the Brent crude oil benchmark achieving an average value of $70/barrel. Management has retained the internal view of a gradual rebalancing in the fundamentals of global demands and supplies of crude oil driven by macroeconomic growth and a possible supply shortfall in the medium term due to the curtailments to capital expenditures made by oil companies during a three-year downturn. Therefore, management has confirmed its long-term assumption for the benchmark Brent price of 72$/BBL in 2021 real terms, used in the Annual report 2017 to assess the recoverability of the carrying amounts of oil&gas assets.

The updated estimate of the weighted-average cost of capital to the Group (WACC) did not show any change from the value used in the Annual Report 2017. In the first half 2018, management hiked its expectations for the returns on risk-free assets and projected a reduction in the financial leverage, which effects were partially offset by a decrease in the beta of Eni.

At the balance sheet date, the market capitalization of Eni amounting to €57.3 billion exceeded by about 13.4% the book value of the consolidated net assets (€50.5 billion).

Considering the substantial lack of any impairment indicators in the commodity pricing environment, progress achieved so far in the capital projects designed to develop the Group's reserves, management's commitment to achieving the publicly stated target of production growth for the full year 2018, management concluded that there were no trigger events to perform any impairment review in the Exploration & Production segment, that will be therefore assessed at the end of the year, according to the company procedures.

With regard to the mid-downstream segments, management decided to test the recoverability of the carrying amount of refineries and power plants due to a deteriorating margin environment. In both cases, no critical issues emerged.

Therefore, in the first half 2018, marginal impairment losses (€103 million) were mainly recorded in relation to investments of the period for compliance and stay-in-business related to some CGUs (refineries, the network of service stations along highways) fully impaired in prior years and for which profitability expectations have remained unchanged. Furthermore, a held-for-sale asset in the Exploration & Production segment was aligned to fair value in light of the sale negotiation ongoing, recording an impairment loss.

12 Investments

Equity-accounted investments

(€ million)	**Equity accounted investments**
Net book amount at December 31, 2017	**3,511**
Changes in accounting principles - IFRS 9 and 15	(37)
Balance at January 1, 2018	**3,474**
Acquisitions and capital increases	67
Divestments and reimbursements	(44)
Share of profit (loss) of equity-accounted investments	401
Deduction for dividends	(35)
Currency translation differences	64
Other changes	(34)
Net book amount at June 30, 2018	**3,893**

Acquisitions and capital increases of €67 million primarily related to companies engaged in the execution of industrial projects in the interest of Eni, in particular, the capital contribution to Coral FLNG Ltd (€46 million) which is engaged in the development of a floating production and storage unit of LNG in natural gas-rich Area 4 offshore Mozambique.

The accounting under the equity method of €401 million included: (i) a gain of €467 million related to the venture Angola LNG Ltd, of which €423 million due to the reversal of impairment losses taken at the assets due to improved

economics of the project; (ii) an impairment loss of €100 million recognized at the investment in Saipem (Eni's interest 31%). Considering the impairment indicator of a current market capitalization lower than the book value of the investee, management assessed the recoverability of the book value confirming its evaluation.

As of June 30, 2018, the book value and the market value of the investments listed in stock markets was as follows:

	Saipem SpA
Number of shares held	308,767,968
% of the investment	31.00
Share price *(€)*	3.944
Market value *(€ million)*	1,218
Book value *(€ million)*	1,283

As of June 30, 2018, the book value of Saipem exceeded by 5.3% the fair value represented by the corresponding portion of market capitalization.

Other investments

(€ million)	**Other investments**
Net book amount at December 31, 2017	