ENI MOZAMBIQUE ENGINEERING LIMITED

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017

REGISTERED OFFICE
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

Registered Number: 9104675

ENI MOZAMBIQUE ENGINEERING LIMITED

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

S Maione (Chairman)
G Burri
M Trezza
P Campelli (Managing Director)
P Carnevale

SECRETARY AND REGISTERED OFFICE

M Trezza
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

STATUTORY AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED IN ENGLAND NO: 9104675

The directors present their strategic report of the company for the year ended 31 December 2017.

Review of the business

Principal activity

Eni Mozambique Engineering Limited (the company) is wholly owned by Eni UK Limited which is an indirect subsidiary of Eni S.p.A., an integrated energy company operating in the oil and natural gas, electricity generation, petrochemicals, oil field services and engineering industries. Eni S.p.A. operates internationally in about 73 countries and employs around 33,000 people. Eni S.p.A. is listed on the Milan and New York stock exchanges.

The principal activity of the company is the provision of engineering and procurement services through service agreements entered into with Eni S.p.A., Coral FLNG SA and Eni East Africa S.p.A. in relation to petroleum activities to be carried out in Mozambique.

The company was incorporated on 26 June 2014, but was dormant during 2014. It commenced activity on 1 April 2015.

The company's revenue is a result of procurement and engineering services provided to Eni S.p.A., Coral FLNG SA and Eni East Africa S.p.A.

During the year the company opened a Branch in France for supporting the execution phase of the Coral Project. The French Branch is engaged in the provision of engineering services and the follow up of the contractor's work in their offices in Paris.

During the year, a transfer pricing and benchmarking exercise has been conducted in order to identify the appropriate mark-up applied to the costs of the Branch, in line with the French fiscal and transfer pricing compliance requirements. This has resulted in a median quartile of 2.48% that has been accrued in the 2017 financial statements.

The service agreement with Eni S.p.A. is currently being revised in order to include the administrative fee of 2.48% and allow the company to invoice their services with this margin in relation to services provided by the French Branch of the company. This amendment is effective retrospectively from 1 June 2017, date in which the activities started in France.

Results for the year

The results for the year are set out on page 8 of the financial statements. The company's profit for the year was £276,000 (2016 - £1,783,000 loss). No dividend was paid in 2017 (2016 - £0).

Key performance indicators

Key performance indicators of the company are set out below:

	2017	2016
	£'000	£'000
Revenue	**92,155**	67,771
Operating profit/(loss)	**1,448**	(903)
Net profit/(loss) after tax	**276**	(1,783)
Net assets/(liabilities)	**271**	(5)

Principal risks and uncertainties

The company, like other companies in the engineering sector, operates in an environment subject to inherent risks. The company aims to mitigate risks and manage and control the exposure where possible. The principal risks and uncertainties to the company are:

Credit risk: The potential exposure of the company to loss in the event of non-performance by counterparty. The credit risk is regarded as limited as those balances are mainly due from parent and affiliated companies.

Liquidity risk: The risk that suitable sources of funding for the company's business activities may not be available. The company has access to funding at competitive rates through the group banking institution, Eni Finance International S.A., and also has support from the ultimate parent company, Eni S.p.A. if required. The company believes it has access to sufficient funding to meet currently foreseeable borrowing requirements.

Financial risk: The Company is not exposed to significant interest rate risks. The company is exposed to foreign exchange fluctuations relating to non-GBP (mainly EUR) expenditures. Effective management of exchange rate risk is performed at the Eni Group level, within the central finance department which matches opposite positions of the group operating subsidiaries and hedges net positions using derivatives (such as currency swaps, forwards and options).

Operation risk: The risk of direct or indirect impacts resulting from human factors, inadequate or failed internal processes and system or external events. Operation risks are inherent in the company's business activities. It is not cost effective to attempt to eliminate all operational risks and in any event it would not be possible to do so. Losses from operation risks of small significance are expected to occur and are accepted as part of the normal course of business. Those of material significance are rare and the company seeks to reduce the likelihood of these in accordance with its risk appetite, following Eni group guidelines.

On behalf of the Board

P. Campelli

P Campelli
Managing Director

1st March 2018

The directors present their report for the year ended 31 December 2017.

Directors

The present directors of the company are listed on page 1 and have held office throughout the year with the following exceptions:

- Giovanni Burri was appointed as a Director on 22 November 2017
- Paolo Carnevale was appointed as a Director on 31 July 2017
- Diego Portoghese resigned as a Director on 31 July 2017
- Marcello Vecchietti resigned as a Director on 22 November 2017

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Going concern

The directors are satisfied that the company has adequate internal resources and also has support from the ultimate parent company, Eni S.p.A., if required, to continue to operate for the foreseeable future. As a consequence, the directors have a reasonable expectation that the company is well placed to manage its business risks and to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101'Reduced Disclosure Framework' (FRS 101). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Provision of information to the auditor

The directors, as at the date of this report, have confirmed that in so far as they are aware there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor is unaware, and they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

By order of the Board

M Trezza
Secretary

1st March, 2018

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Eni Mozambique Engineering Limited (the 'company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Balance Sheet and the related notes 1 to 16, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Ernst & Young LLP

Jacqueline Ann Geary (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
7 March 2018

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Continuing operations			
Revenue	2	**92,155**	67,771
Other income	3	**281**	314
Other service costs and expenses	4	**(90,894)**	(68,870)
Depreciation and amortisation	10	**(94)**	(118)
Operating profit / (loss)		**1,448**	(903)
Interest receivable and similar income	7	**2,884**	2,023
Interest payable and similar charges	8	**(3,244)**	(2,090)
Profit / (Loss) before taxation		**1,088**	(970)
Taxation	9	**(812)**	(813)
Profit / (Loss) for the year		**276**	(1,783)
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income / (loss) for the year		**276**	(1,783)

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	*Retained Earnings / (Losses)*	*Total Equity*
	£'000	***£'000***	***£'000***
Balance at 1 January 2016	-	1,778	1,778
Total comprehensive loss for the year	-	(1,783)	(1,783)
Balance at 31 December 2016	**-**	**(5)**	**(5)**
Total comprehensive income for the year	-	276	276
Balance at 31 December 2017	**-**	**271**	**271**

ENI MOZAMBIQUE ENGINEERING LIMITED (Registered Number: 9104675)

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017 £'000	2016 £'000
Assets			
Current assets			
Cash and cash equivalents	12	**9,126**	7,264
Trade and other receivables	11	**29,162**	18,783
		38,288	26,047
Non-current assets			
Intangible assets	10	**44**	162
		44	162
Total assets		**38,332**	26,209
Liabilities			
Current liabilities			
Trade and other payables	13	**38,061**	26,214
		38,061	26,214
Total liabilities		**38,061**	26,214
Shareholders' equity			
Share capital	14	**-**	-
Retained earnings/ (losses)		**271**	**(5)**
Total shareholder's equity funds		**271**	**(5)**
Total liabilities and shareholder's equity funds		**38,332**	**26,209**

The financial statements from page 8 to 17 were approved by the Board on 1st March 2018.

On behalf of the Board

P. Campelli

P Campelli
Managing Director

ENI MOZAMBIQUE ENGINEERING LIMITED

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied throughout the year is set out below:

General information

The company is a private limited liability company incorporated and domiciled in the UK. The company provides engineering and procurement services in relation to petroleum activities to be carried out in Mozambique.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) the requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement;
(c) the requirements of paragraphs 10(d), 10(f), 16, 38A,38B,38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
(d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    (i) paragraph 79(a)(iv) of IAS 1;
    (ii) paragraph 118(e) of IAS 38 Intangible Assets.
(e) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
(f) the requirements of IAS 7 Statement of Cash Flows;
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
(i) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of Eni S.p.A. The group financial statements of Eni S.p.A. are available to the public and can be obtained as set out in note 1.

Cash and cash equivalents

Cash and cash equivalents comprise the company's current bank accounts and short-term deposits with an original maturity of three months or less. Deposits held with Eni Finance International S.A. are included in this classification.

Foreign currencies

The company's functional and presentation currency is sterling. Transactions denominated in a foreign currency are converted to sterling at rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date. The resulting exchange gains or losses are recognised in the statement of comprehensive income.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Revenue

Revenue represents services provided to group companies. Revenue is stated exclusive of value added tax and similar levies. Revenue is recognised when the services have been rendered.

Provisions

Provisions are recognised when: (i) there is a present obligation (legal or constructive), as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

Use of accounting estimates, judgements and assumptions

The company's financial statements are prepared in accordance with FRS 101. This requires the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used.

1. Parent undertakings

The company's immediate parent undertaking is Eni UK Limited.

The company's ultimate parent undertaking, Eni S.p.A., a company incorporated in Italy, with registered office at Piazzale Enrico Mattei, 1 00144 Rome, will produce consolidated financial statements for the year ended 31 December 2017 which will be available from its website (www.eni.com) or on request to Eni S.p.A., Via Emilia 1, 20097, San Donato Milanese, Italy.

The parent company of the largest and smallest group into which the company is consolidated is Eni S.p.A.

2. Revenue

	2017	2016
	£'000	£'000
Revenue from group undertakings	**92,155**	69,554
Credits re 2015 Administrative Fee	**-**	(1,783)
	92,155	67,771

For the purposes of the Companies Act 2006, the operations of the company constitute one class of business, the provision of engineering and procurement services to oil and gas exploration, development and production companies. All activities of the company are undertaken in UK and at French branch.

3. Other income

	2017	2016
	£'000	£'000
R&D Grant	**281**	314
	281	314

During the year, the company submitted a claim for an R&D grant from the UK Government in relation to 2016 projects and costs that have been identified as qualifying R&D where the company was trying to achieve an advance in technology through the resolution of uncertainty.

4. Other service costs and expenses

	2017	2016 (restated)
	£'000	£'000
Other service costs and expenses from group undertakings	**56,570**	52,923
Third parties	**34,324**	15,947
	90,894	68,870

5. Operating profit / (loss)

Operating profit / (loss) is stated after charging the following amounts:

	2017	2016
	£'000	£'000
Depreciation and amortisation (note 10)	**94**	118

The audit fee of the company for 2017 is £57,170 (2016 - £63,523). In addition, the company paid to the auditors £14,898 (2016 £14,898) for non-audit services (agreed upon procedure for cost certification).

6. Directors and employee information

	2017	2016
	£'000	£'000
Wages and salaries	**37,069**	26,819
Other staff costs	**33,763**	29,870
	70,832	56,689

The average number of persons employed by the company during the year, including contractors was 231 (2016 - 213).

The remuneration of directors directly employed by the company during the reporting period was as follows:

	2017	2016
	£'000	£'000
Emoluments	**559**	477
Total remuneration	**559**	477

Other directors of the company are also the directors of other affiliate companies and/or the parent undertaking. The emoluments paid to these directors for the services provided to this company have been paid by the parent undertaking or the affiliate companies.

7. Interest receivable and similar income

	2017	2016
	£'000	£'000
Interest receivable and similar income from group undertakings	**8**	6
Foreign exchange gain	**2,876**	2,017
	2,884	2,023

8. Interest payable and similar charges

	2017	2016
	£'000	£'000
Interest payable and similar charges to group undertakings	**8**	8
Foreign exchange loss	**3,236**	2,082
	3,244	2,090

9. Taxation

The charge for the year comprises:

	2017	2016
	£'000	£'000
United Kingdom		
Current tax @ 19.25% (2016 – 20%)		
UK Corporation tax on profits for the period	**128**	140
Adjustment in respect of previous periods	**56**	111
Foreign tax credit	**(128)**	(140)
Foreign tax	**756**	702
Total tax charge	**812**	813

Factors affecting tax charge for the year

The tax assessed for the period is higher (2016 lower) than the standard rate of corporation tax applicable in the UK of 19.25% (2016 – 20.00%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit/ (Loss) before taxation	**1,088**	(970)
Taxation on profit/(loss) before tax	**209**	(194)
Income not taxable	**469**	748
Group relief ((claimed)/surrendered)	**(550)**	(414)
Foreign tax credit	**(128)**	(140)
Foreign tax	**756**	702
Adjustment to current tax in respect of previous periods	**56**	111
Total tax charge for the period	**812**	813

10. Intangible assets

	Software
	£'000
Cost	
At 1 January 2017	368
Adjustments	(24)
At 31 December 2017	**344**

	Software
Depreciation	
At 1 January 2017	(206)
Charge for year (note 5)	(94)
At 31 December 2017	**(300)**
Net book value	
At 31 December 2017	**44**
At 31 December 2016	162

11. Trade and other receivables

	2017	2016
	£'000	£'000
Amounts owed by group undertakings/associates	**26,650**	15,166
Other receivables		
Third parties	**2,512**	3,617
	29,162	18,783

12. Cash and cash equivalents

	2017	2016
	£'000	£'000
Cash at bank and in hand		
Group undertakings	**8,911**	7,237
Third parties	**215**	27
	9,126	7,264

13. Trade and other payables

	2017	2016
	£'000	£'000
Amounts owed to group undertakings	**21,746**	23,458
Other payables		
Third parties	**16,315**	2,756
	38,061	26,214

14. Share capital

	Allotted, called up and fully paid	
	2017	2016
	£	£
Ordinary shares of £1 each	**1**	1

At 31 December 2016 and 2017, the company had 1 ordinary share of £1.

Under the Companies Act 2006, there is no requirement for the company to have an authorised share capital and the company's Articles of Association do not set a maximum amount of shares that the company may allot.

15. Capital commitments

At 31 December 2017, the company did not have any capital commitments (2016: £0).

16. Prior year reclassification

The prior year numbers have been reclassified to correct the split of other service costs and expenses between group undertakings and third parties following revision of the process for determining this split.

Reported in 2016	Reclassified to	Amount (£'000)
Other service costs and expenses from group undertakings	Third parties	12,355