ENI SPA
Form 6-K
May 04, 2009
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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 April 2009

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 o

(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 o   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.

Name: Antonio Cristodoro
Title: Deputy Corporate Secretary

Date: April 30, 2009

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Eni signs new strategic cooperation agreements with Gazprom in the energy field

Moscow, April 7, 2009 - Today in Moscow, in the presence of the Prime Minister of Russian Federation, Vladimir Putin, Eni and Gazprom signed significant agreements representing a further step in fostering strategic cooperation between Italy and the Russian Federation in the energy field. The parties will develop joint projects in and outside Russia under the principle of reciprocity, in line with Russia s new energy policy.

Eni signed an agreement to assign Gazprom 20% of Gazprom Neft, in line with previous agreements.

Eni has also signed, under the patronage of the Russian government, several cooperation agreements in Russia and abroad with the main Russian energy companies (Inter Rao UES, Rosneft, Transneft and Stroytransgas), with whom it will start a wide program of strategic cooperation involving different activities in the energy field.

In particular, EniPower and Inter Rao UES signed an agreement to evaluate joint projects in Russia and third countries. Additionally, Eni signed with Rosneft a protocol of cooperation in the upstream and refining sector in Russia and abroad.

These agreements will further foster ties between Italy and the Russian Federation and will significantly strengthen security of gas supplies to Italy and Europe.

Company Contacts:

Press Office: Tel. +39.0252031875 - +39.065982398
Freephone for shareholders (from Italy): 800940924
Freephone for shareholders (from abroad): +39. 800 11 22 34 56
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Web site: www.eni.it

Eni - Annual Report 2008

Rome, April 7, 2009 - Eni announces that from today the Italian Annual Report 2008 particularly including the audited financial statements of the parent company Eni SpA and the audited consolidated financial statements as of December 31, 2008 is available to the public at the Company's Registered Office in Rome and has been filed with the Italian Stock Exchange.

The Annual Report 2008 (English version) is also available and includes the audited consolidated financial statements as of December 31, 2008.

The documents are available to download from the Publications/Reports section of Eni's website, www.eni.it.

The 2008 Report on Corporate Governance, included in the Italian Annual Report 2008, is also available to download from the Company/Corporate Governance section of Eni's web site and has been filed with the Italian Stock Exchange. This Report contains information on ownership structure and the adoption of the Corporate Governance Code of conduct of Borsa Italiana SpA.

Shareholders can request a hard copy by filling in and sending the form found in the Publications section of Eni's web site or by emailing a request to segreteriasocietaria.azionisti@eni.it or to investor.relations@eni.it.

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ENI SpA

ORDINARY SHAREHOLDERS MEETING TO BE HELD ON APRIL 29 AND APRIL 30, 2009

ON FIRST AND SECOND CALL, RESPECTIVELY

REPORT ON THE PROPOSALS OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS MEETING

The Italian text prevails over the translation into English

ENI SPA

ORDINARY SHAREHOLDERS MEETING TO BE HELD ON APRIL 29 AND APRIL 30, 2009
ON FIRST AND SECOND CALL, RESPECTIVELY

Report on the proposals of the Board of Directors to the Shareholders Meeting

ITEM 1

ENI FINANCIAL STATEMENTS AT DECEMBER 31, 2008
CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2008
REPORT OF THE DIRECTORS ON THE COURSE OF THE BUSINESS, REPORT OF THE BOARD OF STATUTORY AUDITORS AND REPORT OF THE INDEPENDENT AUDITORS

To the Shareholders:

for the illustration of Eni Financial Statements please refer to Eni Annual Report 2008 deposited at the Company's Registered Office and with the Borsa Italiana SpA (the Italian Stock Exchange).

You are invited to approve Eni Financial Statements at December 31, 2008, which disclose a net income of euro 6,744,606,179.37.

ITEM 2

ALLOCATION OF NET INCOME

To the Shareholders:

in consideration of Eni 2008 results, the Board of Directors proposes to approve:

- the allocation of euro 4,385,965,842.07 of Eni 2008 net income, of euro 6,744,606,179.37 left after the payment of an interim dividend of euro 0.65 per share resolved by the Board of Directors on September 11, 2008 and paid as of September 25, 2008, as follows:
  - to pay a dividend of euro 0.65 for each share outstanding on the ex-dividend date, Eni treasury shares on that date excluded. Therefore, in consideration of the payment of the 2008 interim dividend of euro 0.65 per share, the 2008 dividend per share proposed amounts at euro 1.30;

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to the Distributable Reserve the amount left after the previous allotment of the dividend;

- the payment of said dividend as from May 21, 2009, being the ex-dividend date May 18, 2009.

The Chairman of the Board of Directors
ROBERTO POLI

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Ordinary Shareholders Meeting of April 29 and 30, 2009

The notice convening the meeting was published on the
Gazzetta Ufficiale of the Republic of Italy
No. 36, section II of March 28, 2009 page 2

This annual report includes the report of Eni s Board of Directors and Eni s consolidated financial statements for the year ended December 31, 2008, which have been prepared under the International Financial Reporting Standards (IFRS), as adopted by the European Union.

Disclaimer

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

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Operating and financial review

Consolidated Financial Statements

Eni means the parent company Eni SpA and its consolidated subsidiaries

Results

Eni reported net profit of euro 8.8 billion for the full year 2008. Adjusted basis net profit was euro 10.2 billion, up 7.7% from a year ago, driven by a better operating performance mainly achieved by the Exploration & Production division.

Cash flow was a record euro 21.8 billion and enabled the Company to fund capital expenditures and acquisitions amounting to euro 18.9 billion to support growth. The capital structure is sound as expressed by the level of net borrowings to total equity of 0.38.

Dividend

Based on 2008 results and taking into account the Company s sound capital structure, a dividend of euro 1.30 per share (euro 1.30 in 2007) will be distributed to shareholders. Included in this annual payment is euro 0.65 per share which was distributed as interim dividend. Looking forward, management is committed to rewarding Eni s investors with superior dividend yield.

Oil and natural gas production

In 2008, in a high oil price environment, Eni achieved record oil and gas production at 1,797 kboe/d, up 3.5% from 2007. The performance was Management plans to achieve a strong production growth leveraging on its portfolio of high quality assets and new project start-ups in the core areas of Africa, Central Asia and Russia.

The company targets a production level in excess of 2.05 mmboe/d by 2012, with an average yearly growth rate of 3.5% in the 2009-2012 period, based on a 55 $/bl price scenario.

Proved oil and natural gas reserves

Eni s estimated net proved reserves at December 31, 2008 amounted to 6.6 bboe determined under a reference Brent price of 36.5 $/bl. Eni s estimated proved reserves comprised Eni s share of proved reserves of equity accounted entities as well as a 30% stake of the reserves of the three equity-accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos, considering that Gazprom exercises a call option to acquire a 51% interest in these companies.

In 2008, all source reserve replacement ratio was 135% corresponding to an average reserve life index of 10 years.

Natural gas sales

Worldwide natural gas sales: 104.23 bcm, up 5.3% from 2007 driven by higher international sales (up 19.9%) mainly reflecting the contribution of the due to the additional production from acquired assets in the Gulf of Mexico, Congo and Turkmenistan in 2007 and 2008 and the organic growth achieved in Angola, Congo, Egypt, Pakistan and Venezuela. When excluding the impact of lower entitlements in PSAs, production was up 5.6%.

Distrigas acquisition and the organic growth recorded in European markets. These positives were partially offset by a weaker performance on the Italian gas market (down 5.8%).

Eni expects to achieve gas sales of 124 bcm by 2012 at a 7% average growth rate of international sales leveraging on synergies of the Distrigas acquisition that will help drive sales growth and market share gains in Eni s target market in spite of an unfavorable outlook for European gas demand.

Distrigas NV acquisition
The acquisition of the 57.243% majority stake in the Belgian gas operator Distrigas NV represents a strategic opportunity and confirms the Company s objective of consolidating its leadership in the European gas sector.
The deal values the entire share capital at euro 4.8 billion.

Portfolio developments
In January 2008, Eni completed the acquisition of the entire share capital of Burren Energy Plc, for a cash consideration amounting to euro 2.36 billion with producing assets in Congo and Turkmenistan. Following the acquisition, Eni also acquired control of the Indian oil company Hindustan Oil Exploration Ltd.

A strategic oil deal was closed with the Libyan national oil company NOC based on the framework agreement signed in October 2007. This deal, effective from January 1, 2008, extends the duration of Eni oil and gas properties until 2042 and 2047, respectively, and identifies a number of projects aiming at monetizing substantial gas reserves.

A number of agreements were signed with the partner Suez regarding long-term supplies of electricity, gas and LNG entailing proceeds of euro 1.56 billion.

The acquisition of the entire share capital of First Calgary Petroleum Ltd, a Canadian oil and gas company was executed for cash consideration amounting to euro 0.7 billion. The company engages in exploration and development activities in Algeria. Production start up is expected in 2011 with a projected plateau of approximately 30 kboe/d net to Eni by 2012.

in the completion of 111 exploratory wells (58 net to Eni) with a commercial rate of success of 36.5% (43.4% net to Eni). A further 21 wells were in progress as of the year end. The main discoveries were achieved in Angola, Australia, Congo, Croatia, Egypt, the Gulf of Mexico, Italy, Libya, Norway, Pakistan, Tunisia and the United Kingdom.

Eni s exploratory portfolio has been strengthened by acquiring new acreage in Angola, Algeria, Alaska, Gabon, the Gulf of Mexico, Indonesia, Norway and the United Kingdom as part of Eni s strategy of focusing in core areas. The new acquired acreage extends for 57,361 square kilometers (net to Eni, 99% operated).

Kazakhstan - Kashagan Final Agreement
On October 31, 2008 all the international parties of the North Caspian Sea Production Sharing Agreement (NCSPSA) consortium and the Kazakh authorities signed the final agreement implementing the new contractual and governance framework of the Kashagan project, based on the Memorandum of Understanding signed on January 14, 2008. Eni management expects to achieve first oil by the end of 2012. Phase-one (Experimental Program) production plateau is forecast at 300 kbbl/day, installed production capacity at the end of phase-one is planned at 370 kbbl/day in 2014.

Divestment of Stogit and Italgas to Snam Rete Gas
On February 12, 2009 Eni s Board of Directors approved the sale of the 100% stake in Italgas SpA and Stoccaggi Gas Italia SpA (Stogit) to Snam Rete Gas SpA for a total consideration of euro 4.7 billion. The transaction is expected to create significant synergies in the segment of regulated businesses allowing Eni to maximize the value of both Italgas and Stogit. The two companies will benefit from higher visibility as a part of Snam Rete Gas. The closing is expected by July 2009, and it will financed by Snam Rete Gas through a rights issue that, for the part related to minorities, will allow Eni to reinforce its consolidated financial structure.

The purchase of a 52% stake and the operatorship of fields in the Hewett Unit was finalized including relevant facilities in the North Sea for cash consideration amounting to euro 0.25 billion. Eni targets to develop a storage capacity of 5 bcm supporting the seasonal swings of gas demand in the United Kingdom.

Exploration activities
In 2008, Eni invested euro 1,918 million in executing an extensive exploratory program, up 13.2% from 2007 in well established areas. The activities of the year resulted

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ENI ANNUAL REPORT / PROFILE OF THE YEAR

Financial highlights		2006	2007	**2008**
(million euro)				
Net sales from operations		86,105	87,256	**108,148**
Operating profit		19,327	18,868	**18,641**
Adjusted operating profit [(a)]		20,490	18,986	**21,793**
Net profit [(b)]		9,217	10,011	**8,825**
Adjusted net profit [(a)] [(b)]		10,412	9,470	**10,201**
Net cash provided by operating activities		17,001	15,517	**21,801**
Capital expenditures		7,833	10,593	**14,562**
Acquisition of investments and businesses [(c)]		95	9,909	**4,305**
Dividends pertaining to the year [(d)]		4,594	4,750	**4,713**
Cash dividends		4,610	4,583	**4,910**
Cost of purchased own shares		1,241	680	**778**
R&D expenditures		222	208	**217**
Total assets at year end		88,312	101,560	**116,590**
Debts and bonds at year end		11,699	19,830	**20,865**
Shareholders equity including minority interests at year end		41,199	42,867	**48,510**
Net borrowings at year end		6,767	16,327	**18,376**
Net capital employed at year end		47,966	59,194	**66,886**
Shares price at year end	(euro)	25.48	25.05	**16.74**
Number of shares outstanding at year end	(million)	3,680.4	3,656.8	**3,622.4**
Market capitalization [(e)]	(billion euro)	93.8	91.6	**60.6**

(a) For a detailed explanation of adjusted profits (net and operating), that do not include inventory gain/loss and special items, see paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis" on page 69.
(b) Profit attributable to Eni shareholders.
(c) Net of acquired cash.
(d) 2008 amount (relating to dividend payment) is estimated.
(e) Number of outstanding shares by reference price at year end.

Summary financial data		2006	2007	**2008**
Net profit				
- per ordinary share [(a)]	(EUR)	*2.49*	*2.73*	***2.43***
- per ADR [(a)] [(b)]	(USD)	*6.26*	*7.49*	***7.15***
Adjusted net profit				
- per ordinary share [(a)]	(EUR)	*2.81*	*2.58*	***2.80***
- per ADR [(a)] [(b)]	(USD)	*7.07*	*7.07*	***8.24***
Return On Average Capital Employed (ROACE)				
- reported	(%)	*20.3*	*20.5*	***15.7***
- adjusted	(%)	*22.7*	*19.3*	***17.6***
Leverage		0.16	0.38	**0.38**
Dividends pertaining to the year	(euro per share)	1.25	1.30	**1.30**
Pay-out [(c)]	(%)	50	47	**53**
Total Shareholder Return (TSR)	(%)	14.8	3.2	**(29.1)**
Dividend yield [(d)]	(%)	5.0	5.3	**7.6**

(a) Fully diluted. Ratio of net profit and average number of shares outstanding in the year. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by ECB for the period presented.
(b) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.
(c) 2008 pay-out ratio is estimated with reference to the amounts due on the payment of the dividend balance of 2008.
(d) Ratio of dividend for the period and average price of Eni shares in December.

Key market indicators		2006	2007	**2008**
Average price of Brent dated crude oil [a]		65.14	72.52	**96.99**
Average EUR/USD exchange rate [b]		1.256	1.371	**1.471**
Average price in euro of Brent dated crude oil		51.86	52.90	**65.93**
Average European refining margin [c]		3.79	4.52	**6.49**
Average European refining margin in euro		3.02	3.30	**4.41**
Euribor - three-month rate	(%)	3.1	4.3	**4.6**
Libor - three-month dollar rate	(%)	5.2	5.3	**2.9**

(a) In USD per barrel. Source: Platt s Oilgram.
(b) Source: ECB.
(c) In USD per barrel FOB Mediterranean Brent dated crude oil. Source: Eni calculations based on Platt s Oilgram data.

Summary operating data		2006	2007	2008
Exploration & Production				
Estimated net proved reserves of hydrocarbons (at year end)	(mmboe)	6,436	6,370	**6,600**
- Liquids	(mmbbl)	3,481	3,219	**3,335**
- Natural gas	(bcf)	16,965	18,090	**18,748**
Average reserve life index	(year)	10.0	10.0	**10.0**
Production of hydrocarbons	(kboe/d)	1,770	1,736	**1,797**
- Liquids	(kbbl/d)	1,079	1,020	**1,026**
- Natural gas	(mmcf/d)	3,964	4,114	**4,424**
Gas & Power				
Worldwide gas sales	(bcm)	98.10	98.96	**104.23**
- of which E&P sales [(a)]	(bcm)	4.69	5.39	**6.00**
LNG sales	(bcm)	9.9	11.7	**12.0**
Customers in Italy	(million)	6.54	6.61	**6.63**
Gas volumes transported in Italy	(bcm)	87.99	83.28	**85.64**
Electricity sold	(TWh)	31.03	33.19	**29.93**
Refining & Marketing				
Refining throughputs on own account	(mmtonnes)	38.04	37.15	**35.84**
Conversion index	(%)	57	56	**58**
Balanced capacity of refineries	(kbbl/d)	711	748	**737**
Retail sales of petroleum products in Europe	(mmtonnes)	12.48	12.65	**12.67**
Service stations in Europe at year end	(units)	6,294	6,440	**5,956**
Average throughput of service stations in Europe	(kliters)	2,470	2,486	**2,502**
Petrochemicals				
Production	(ktonnes)	7,072	8,795	**7,372**
Sales of petrochemical products	(ktonnes)	5,276	5,513	**4,684**
Average plant utilization rate	(%)	76.4	80.6	**68.6**
Engineering & Construction				
Orders acquired	(million euro)	11,172	11,845	**13,860**
Order backlog at year end	(million euro)	13,191	15,390	**19,105**
Employees at year end	(units)	73,572	75,862	**78,880**

(a) E&P sales include volumes marketed by the Exploration & Production division in Europe (4.07, 3.59 and 3.36 bcm in 2006, 2007 and 2008, respectively) and in the Gulf of Mexico (0.62, 1.8 and 2.64 bcm in 2006, 2007 and 2008, respectively).

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THE ENI SHARE

To our Shareholders

2008 was an excellent year for Eni, both operationally and financially.
Despite deteriorating market conditions over the last four months of the year, we delivered on our targets, leveraging on the resilience of our business portfolio to achieve sector-leading growth and distribute euro 5.7 billion to our shareholders.
In 2008 we acquired Distrigas, gaining a strategic position in Belgium, a key country in the European gas market due to its geographic location and its high level of interconnectivity with the Centre-North European transit gas networks.
Finally, in 2008 Eni was recognized as the world s most sustainable company in the oil and gas sector among the companies included in the Dow Jones Sustainability Index.
Even in the current context of uncertain and volatile energy markets, we confirm our strategy of superior production growth and leadership in the European gas market. We will continue to invest in our long-term growth while maintaining a strong financial position and rewarding our shareholders with a dividend yield among the highest in our sector.

Financial performance

Eni s 2008 net profit was euro 8.8 billion. Adjusted net profit was euro 10.2 billion, an increase of 7.7% compared to 2007, as a result of the stronger operating performance, partly offset by a higher tax rate. Return on average capital employed was 17.6%.

Record net cash generated from operating activities of euro 21.8 billion financed euro 18.9 billion of investments. Of this, euro 14.6 billion was dedicated to organic growth projects, including exploration, and euro 4.3 billion to acquisitions. Our net debt to equity ratio at year end was 0.38.

The results achieved in 2008 enable us to propose to the Annual General Shareholders Meeting a dividend of euro 1.30 per share, of which euro 0.65 was paid as an interim dividend in September 2008. This is in line with our 2007 dividend.

Sustaining growth and shareholder returns

Our strategic direction has not changed and growth continues to be our main priority. We will achieve our short and long-term growth targets through the development of our portfolio of quality projects and by strengthening our leadership in the European gas market.
Over the next four years, we will invest euro 48.8 billion, slightly less than in the 2008-2011 plan.
The projected free cash flow will allow us to maintain a dividend yield amongst the highest in the sector.

In **EXPLORATION & PRODUCTION**, we achieved an adjusted net profit of euro 8 billion, up 23.4% compared to 2007, driven by production growth and improved mix in a favorable oil price environment. This was partially offset by the appreciation of the euro against the dollar and higher operating costs and amortization charges.
Oil and gas production totaled 1,797 kboe/day, up 3.5%

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from 2007 with an average Brent oil price of 97 $/bl (33.7% higher than 2007). Our production growth was the highest in our peer group. Furthermore, excluding the effect of higher prices on PSA contracts, we would have increased production by 5.6%.

We achieved an all sources reserve replacement ratio of 135%, resulting in a reserve life index of 10 years at December 31, 2008 (in line with 2007). Over the course of the year, our exploration activities led to the discovery of more than 1 billion boe.

On October 31, 2008, Eni and its partners in the North Caspian Sea PSA consortium signed the final agreement with the Kazakh authorities, implementing the new contractual and governance framework of the Kashagan project. In the new operating model Eni, with a reduced stake of 16.81%, is confirmed as the operator of phase one of the project (the Experimental Program) and will retain operatorship of the onshore operations of phase 2 of the development plan.

On November 21, 2008, Eni closed the acquisition of First Calgary Petroleum Ltd, an oil and gas company with exploration and development activities in Algeria.

In the E&P division our strategy of delivering production growth is focused on conventional activities and on high quality assets, located largely in three low cost areas (Africa, OECD Countries and Central Asia/Russia), where we develop giant projects with scale benefits.

We target an average annual production increase of 3.5% in the 2009-2012 plan and expect to maintain robust production growth of 3% a year in the following three

years to 2015. In 2009, hydrocarbon production will exceed 1.8 million boe/d, based on a $43 per barrel Brent price scenario. In 2012, production will exceed 2.05 million boe/day based on a 55 $/bl Brent price scenario.

In the next four years, more than 0.5 million boe/day of new production will come on stream, 85% of which is related to projects which will be profitable even with an oil price scenario below $45 per barrel. This growth strategy is based on organic development plans carried out with a reserve replacement ratio of 130%.

In **GAS & POWER**, we consolidated our leading position in Europe and generated euro 1.9 billion of free cash flow, confirming the stability of the division s cash generation. Gas sales reached 104 billion cubic meters, an increase of 5.3% (up 5.27 bcm) compared to 2007, mainly reflecting the contribution of the acquisition of Distrigas.

Adjusted net profit for the year decreased by 9.7% to euro 2.65 billion, largely due to a weaker operating performance. This was caused by stronger competitive pressure, particularly impacting the Italian market in the fourth quarter, and was partly offset by the increase in international sales.

In October 2008, following the authorization from the European Commission, we closed the acquisition of the 57.243% majority stake in Distrigas NV from the French company Suez-Gaz de France. On December 30, 2008, Eni was granted authorization from the Belgian market authorities to execute a mandatory tender offer on the minorities of Distrigas.

Our strategy is to further strengthen our leadership in the European gas market, where we hold a unique

competitive position, thanks to our large and diversified gas supply portfolio and our direct access to a vast infrastructure system and customer base. We will grow our international gas sales by an average of 7% a year, reaching total gas sales of 124 billion cubic meters by 2012 despite our reduced forecast for gas demand growth in Europe.

In **REFINING & MARKETING** we reported an adjusted net profit of euro 510 million. This was 59.9% higher than in 2007 due to a better operating performance and higher profits of equity-accounted entities, partly offset by increased income taxes. This result reflects higher margins in both refining and marketing. Marketing activities in Italy reported higher operating results due to a recovery in selling margins and an increased market share in retail as a result of effective marketing campaigns.

Our strategy in R&M focuses on the selective strengthening of our refining system, the improvement of quality standards in our marketing activities, and the widespread increase in operating efficiency. Overall, we target a euro 400 million EBIT increase by 2012, excluding scenario effects. In refining, we will increase our conversion index to 65% and achieve a middle distillate yield of 45%, more than double the yield in gasoline. Three new hydrocrackers will come on stream in 2009 in the Sannazzaro, Taranto and Bayern Oil refineries.
In marketing, we target an Italian market share increase to 32% through loyalty programmes and enhanced non-oil services. Abroad, we will focus on three countries: Germany, Switzerland and Austria, where we enjoy significant advantages in terms of supply, logistics and brand awareness.

In **ENGINEERING & CONSTRUCTION**, we reported an improved adjusted net profit of euro 784 million (19.1% higher than in 2007) thanks to a better operating performance driven by high efficiency and favorable market conditions. Saipem is completing the expansion of its world-class fleet of construction and drilling vessels, consolidating its leading position in the project management, engineering and construction activities within the oilfield services industry.

In **PETROCHEMICALS** we reported a adjusted loss at both operating and net profit levels (down euro 375 million and down euro 306 million respectively) due to the high costs of oil-based feedstock in the first three quarters of the year and a steep decline in demand in the last quarter.

Our target is to preserve profitability even in an unfavorable scenario. We will improve efficiency, especially in our steam crackers, and selectively invest in areas where we have a competitive advantage (styrenics and elastomers), also leveraging on our proprietary technologies.

The **efficiency** programme launched in 2006 delivered almost euro 1 billion in cost reductions by the end of 2008. We target another euro 1 billion of cost reductions by 2012, bringing overall savings to around euro 2 billion by 2012, in real terms versus the 2005 baseline.

Furthermore, on February 12, 2009, we announced the restructuring of our regulated businesses in Italy, with the sale of our gas distribution and storage regulated activities to Snam Rete Gas. This deal will create one of the major European operators in the regulated gas business and will enable us to extract significant synergies and unlock the value of these assets for our shareholders.

Sustainable development

We are very proud of having been selected as the leading oil and gas company in the Dow Jones Sustainability Index.
We will strive to improve the sustainability of our activities through our commitment to: research and innovation, the development of local communities, the protection of the environment and the endorsement of higher health and safety standards. In conducting operations and in our relations with partners we uphold the protection and promotion of Human Rights.

Eni confirms its commitment to **Research** and **Innovation**. We will focus on developing innovative technologies supporting our core businesses, leveraging on the industrial application of our proprietary technologies, and on expanding our activities in renewables, also thanks to cooperation agreements with primary academic and technology institutions.

People are our most important asset. In managing **Human resources**, we are committed to implementing programs to improve leadership skills, increase knowledge and promote international development.

In conclusion, 2008 was another good year for Eni. The industry is undoubtedly facing uncertain times, but we are well-placed to continue to deliver value to our shareholders, both in the short and the long term.

March 13, 2009

In representation of the Board of Directors

Chairman

Chief Executive Officer and General Manager

BOARD OF DIRECTORS (1)
Chairman
Roberto Poli (2)
Chief Executive Officer and General Manager
Paolo Scaroni (3)
Directors
Alberto Clô, Paolo Andrea Colombo,
Paolo Marchioni, Marco Reboa, Mario Resca,
Pierluigi Scibetta, Francesco Taranto

GENERAL MANAGERS
Exploration & Production Division
Claudio Descalzi (4)
Gas & Power Division
Domenico Dispenza (5)
Refining & Marketing Division
Angelo Caridi (6)

BOARD OF STATUTORY AUDITORS (7)
Chairman
Ugo Marinelli
Statutory Auditors
Roberto Ferranti, Luigi Mandolesi,
Tiziano Onesti, Giorgio Silva
Alternate Auditors
Francesco Bilotti, Pietro Alberico Mazzola

MAGISTRATE OF THE COURT OF ACCOUNTANTS
DELEGATED TO THE FINANCIAL CONTROL OF ENI SpA
Lucio Todaro Marescotti (8)
Alternate
Angelo Antonio Parente (9)

External Auditors (10)
PricewaterhouseCoopers SpA

(1) Appointed by the Shareholders Meeting held on June 10, 2008 for a three year period. The Board of Directors expires at the date of approval of the financial statements for the 2010 financial year.
(2) Appointed by the Shareholders Meeting held on June 10, 2008.
(3) Powers conferred by the Board of Directors on June 11, 2008.
(4) Appointed by the Board of Directors on July 30, 2008.
(5) Appointed by the Board of Directors on December 14, 2005, effective from January 1, 2006.
(6) Appointed by the Board of Directors on August 3, 2007.
(7) Appointed by the Shareholders Meeting held on June 10, 2008 for a three year period, expiring at the date of the approval of the financial statements for the 2010 financial year.

(8) Duties conferred by the Governing Council of the Court of Accountants on July 19-20, 2006.
(9) Duties conferred by the Governing Council of the Court of Accountants on May 27-28, 2003.
(10) Appointed by the Shareholders Meeting of May 24, 2007 for the 2007-2009 three-year term.

Key performance indicators		**2006**	**2007**	**2008**
Net sales from operations [(a)]	(million euro)	27,173	27,278	**33,318**
Operating profit		15,580	13,788	**16,415**
Adjusted operating profit [(b)]		15,763	14,051	**17,416**
Exploration & Production		*15,518*	*13,785*	***17,233***
Storage Business		*245*	*266*	***183***
Adjusted net profit		7,279	6,491	**8,008**
Capital expenditures		5,203	6,625	**9,545**
of which:				
exploration expenditures [(c)]		*1,348*	*1,659*	***1,918***
storage		*40*	*145*	***264***
Adjusted capital employed, net		18,590	24,643	**31,302**
Adjusted ROACE	(%)	37.5	30.0	**28.6**
Average realizations				
- Liquids	($/bbl)	60.09	67.70	**84.05**
- Natural gas	($/mmcf)	5.29	5.42	**8.01**
- Total hydrocarbons	($/boe)	48.87	53.17	**68.13**
Production [(d)]				
- Liquids	(kbbl/d)	1,079	1,020	**1,026**
- Natural gas	(mmcf/d)	3,964	4,114	**4,424**
- Total hydrocarbons	(kboe/d)	1,770	1,736	**1,797**
Estimated net proved reserves [(d)] [(e)]				
- Liquids	(mmbbl)	3,481	3,219	**3,335**
- Natural gas	(bcf)	16,965	18,090	**18,748**
- Total hydrocarbons	(mmboe)	6,436	6,370	**6,600**
Reserve life index	(year)	10.0	10.0	**10.0**
Reserve replacement ratio of consolidated subsidiaries (SEC criteria)	(%)	38	38	**136**
Reserve replacement ratio including equity-accounted entities [(e)]	(%)	38	90	**135**

Employees at period end	(units)	8,336	9,334	**11,194**

(a) Before elimination of intragroup sales.
(b) From 2008, adjusted operating profit is reported for the "Exploration & Production" and "Storage" businesses, within the Exploration & Production division. Prior period data have been restated accordingly.
(c) Includes exploration bonuses.
(d) Includes Eni s share of equity-accounted entities.
(e) Includes a 30% stake of the reserves of the three equity-accounted Russian companies purchased in 2007 as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that Gazprom exercises a call option to acquire a 51% interest in these companies so as to dilute Eni s interest to 30%. Reserves of the 20% participated OAO Gazprom Neft were also excluded considering the call option attributed to Gazprom.

Final Agreement for the development project of the Kashagan oilfield

On October 31, 2008, all the international parties to the North Caspian Sea Production Sharing Agreement (NCSPSA) consortium and the Kazakh authorities signed the final agreement implementing the new contractual and governance framework of the Kashagan project, based on the Memorandum of Understanding signed on January 14, 2008. Eni s management expects to achieve first oil by the end of 2012. Phase-one production plateau is forecast at 300 kbbl/d; the installed production capacity at the end of phase-one is planned at 370 kbbl/d in 2014. Subsequently, production capacity of phase-one is expected to step up to 450 kbbl/d, leveraging on availability of further compressor capacity for gas re-injection associated with the start-up of phase-two offshore facilities.

Portfolio

Finalized an agreement with the British company Tullow Oil Ltd to purchase a 52% stake and the operatorship of fields in the Hewett Unit and relevant facilities in the North Sea in close proximity to the Interconnector pipeline. Eni plans to upgrade certain depleted fields in the area so as to achieve a gas storage facility with a 177 bcf capacity to support seasonal upswings in gas demand in the UK.

Finalized an agreement to acquire all the common shares of First Calgary Petroleum Ltd, a Canadian oil and gas company with exploration and development activities in Algeria. The acquisition values the fully diluted share capital of First Calgary at approximately euro 605 million. Production start-up is expected in 2011 with a projected plateau of approximately 30 kboe/d net to Eni by 2012.

Finalized a strategic oil deal with the Libyan national oil company based on the framework agreement of October 2007. This deal effective from January 1, 2008, extends the duration of Eni oil and gas properties until 2042 and 2047 respectively and lays the foundations for a number of projects targeting development of the significant gas potential in the country.

Completed the acquisition of the entire issued share capital of the UK-based oil company Burren Energy Plc, for a total cash consideration amounting to approximately euro 2.4 billion (including Burren s shares purchased in 2007, for a total amount of euro 0.6 billion). In 2008 production of Burren assets averaged 25 kbbl/d in Congo and Turkmenistan. Acquired control of the Indian company Hindustan Oil Exploration Limited (Eni 47.18%) pursuant to the acquisition of Burren Energy Plc.

Awarded new exploration leases in Angola, Algeria, Alaska, Gabon, the Gulf of Mexico, Indonesia, Norway and the United Kingdom, with an extension of 57,361 square kilometers (net to Eni, 99% operated).

Partnership Agreement

In 2008 Eni s unique approach to business continued, leveraging on the so-called "Eni co-operation model" integrating sustainable activity in the territory with the traditional business of hydrocarbon exploration and production:

Defined a cooperation agreement with the Republic of Congo for the extraction of unconventional oil from the Tchikatanga and Tchikatanga-Makola oil sands deposits deemed to contain significant amounts of resources based on a recent survey, with over extension of 1,790 square kilometers. Eni plans to monetize the heavy oil by applying its EST (Eni Slurry Technology) proprietary technology intended to convert entirely the heavy barrel into high-quality light products. The agreement also comprises the construction of a new 450 MW electricity generation plant (Eni s share 20%) to be fired by 2009 with the associated natural gas from the operated M Boundi field and a partnership for the production of bio-diesel.

Signed a Memorandum of Understanding with Sonangol for the definition of an integrated model of cooperation and development. The agreement covers onshore development activities and construction of facilities in Angola designed to monetize flaring gas as well as collaboration in the field of bio-fuels.

Renewed the Memorandum of Understanding with Brazilian oil company Petrobras for the evaluation of joint initiatives in the upstream and downstream sectors, to produce and market renewable fuels and the possible options for the valorization of the natural gas reserves discovered by Eni offshore Brazil.

Signed new strategic agreements with Petroleos de Venezuela SA (PDVSA) for the definition of a plan to develop a field located in the Orinoco oil belt deemed to contain significant amounts of heavy oil based on a recent survey; and the exploration and development of two offshore fields in the Caribbean Sea with gas resources to be processed potentially in an LNG project.

Signed a Memorandum of Understanding with the state-owned company Qatar Petroleum International to target joint investment opportunities in the exploration and production of oil and gas.

Signed a partnership agreement with Papua New Guinea for the exploration of oil and gas and identification of opportunities to develop the Country s resources. Eni is also interested to jointly opportunities related to power generation projects and the development of alternative and existing renewable energies.

Finalized a Memorandum of Understanding with Colombia s state oil company Ecopetrol to evaluate joint exploration opportunities.

Financial results

Adjusted net profit for the full year was euro 8,008 million, an increase of euro 1,517 million from 2007 (up 23.4%) due to a better operating performance driven by higher realizations in dollars and production growth, partially offset by rising operating costs and higher amortization charges.

Return on average capital employed calculated on an adjusted basis was 28.6% in 2008 (30% in 2007).

Liquids and gas realizations for the full year increased on average by 28.1% in dollar terms from 2007, driven by the strong market environment of the first nine months of the year.

Production

Oil and natural gas production for the full year 2008 averaged the record level of 1,797 kboe/d, an increase of 61 kboe/d, or 3.5%, from a year earlier. This improvement mainly benefited from the assets acquired in the Gulf of Mexico, Congo and Turkmenistan, as well as continuing production ramp-up in Angola, Congo, Egypt, Pakistan and Venezuela. Higher oil prices resulted in lower volume entitlements in Eni s PSAs and similar contractual schemes, down approximately 37 kboe/d. When excluding the impact of lower entitlements in PSAs, production was up 5.6%.

Leveraging on organic growth in Africa, Central Asia and Russia, Eni expects to deliver a 3.5% compound average growth rate over the next four-year period, targeting a production level in excess of 2.05 mmboe/day by 2012 under Eni s Brent scenario at $55 per barrel.

Estimated net proved reserves

Estimated net proved reserves at December 31, 2008 were 6.6 bboe (up 3.6% from 2007) determined based on a year-end Brent price of $36.55 per barrel. The year end amounts comprised 30% of proved reserves of the three equity-accounted Russian companies purchased in 2007 as part of a bid procedure for assets of bankrupt Russian company Yukos and participated by Eni with a 60% interest, considering that Gazprom exercises a call option to acquire a 51% interest in these companies. All sources reserve replacement ratio was 135% (136% under SEC reporting standards, based on reserve additions from Eni s consolidated subsidiaries), with an average reserve life index of 10 years (10 years at December 31, 2007). Excluding the price effect, the replacement ratio would be 83%.

Leveraging the high mineral potential of Eni s assets in the Caspian Sea, West Africa, North Africa and the Gulf of Mexico and new high potential areas in the medium term, Eni expects to replace 130% of produced reserves at the Company s long-term price deck of $57 per barrel.

Exploration and development expenditures

In 2008, exploration expenditures amounted to euro 1,918 million (up 15.6% from 2007) to execute a very extensive campaign in well established areas of presence. A total of 111 new exploratory wells were drilled (58.4 of which represented Eni s share), in addition to 21 exploratory wells in progress at year end (12 net to Eni). The overall commercial success rate was 36.5% (43.4% net to Eni). The main discoveries were made in: Angola, Australia, Congo, Croatia, Egypt, the Gulf of Mexico, Italy, Libya, Nigeria, Norway, Pakistan, Tunisia and the United Kingdom.

Development expenditures were euro 6,429 million (up 38.5% from 2007), in particular in the Gulf of Mexico, Kazakhstan, Italy, Nigeria, Egypt, Australia and Congo.

Reserves

Reserve Governance

The Company has adopted comprehensive classification criteria for proved, proved developed and proved undeveloped oil and gas reserves in accordance with applicable U.S. Securities and Exchange Commission (SEC) regulations, as provided for in Regulation S-X, Rule 4-10. For unproved reserves (probable and possible reserves) and contingent resources (potentially reserves), Eni s resource classification system complies with the classifications and definitions adopted by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.
Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under technical, contractual, economic and operating conditions existing at the time. Year-end liquids and natural gas prices used in the estimate of proved reserves under SEC criteria, are obtained from the official survey published by Platt s Marketwire for liquids; and contractual conditions existing at year-end as applied to reference benchmarks for natural gas. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Engineering estimates of the Company s oil and gas reserves are inherently uncertain. Although authoritative guidelines exist regarding engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Consequently, the estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revisions may be made to the initial booking of reserves due to analysis of new information concerning production, reservoir performance, commercial factors, acquisition and divestment activity and additional reservoir development activity. Field resources will only be categorized as proved reserves when all criteria for the attribution of proved status has been met, including technical, economic and commercial criteria. Proved reserves to which Eni is entitled under concession contracts are environment, the volume of entitlements necessary to cover the same amount of expenditures is lower.
Eni has always exercised rigorous control over the booking process of proved reserves. The Reserve Department of the Exploration & Production division is entrusted with the task of continuously updating the Company s guidelines concerning reserve evaluation, classification and monitoring the periodic determination process. Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineers company which has declared their compliance with applicable SEC rules. D&M has also stated that the company guidelines regulate situations for which the SEC rules lack details, providing a reasonable interpretation in line with the generally accepted practices in international markets.
Eni estimates its proved reserves on the basis of the mentioned guidelines, also when participating in exploration and production activities operated by other entities. The process for evaluating reserves involves: (i) business unit managers (geographic units) and Local Reserve Evaluators (LRE), who perform the evaluation and classification of technical reserves (production profiles, capital expenditure, operating costs and costs related to asset retirement obligations); (ii) geographic area managers at head offices and Division Reserve Evaluators (DRE) checking evaluations carried out by business unit managers; (iii) the Reserve Department, providing independent reviews of the fairness and correctness of classifications carried out by business units, who also aggregates worldwide reserve data and performs economic assessment of reserves, with the support of the Accounting Department, to calculate equity volumes. Moreover, the Reserve Department has the following responsibilities: to ensure the periodic certification process of reserves and to continuously update the Company guidelines on reserves evaluation and classification.
All personnel involved in the process of reserve evaluation are knowledgeable on SEC guidelines for proved reserves classification and have professional abilities adequate to the complexity of the task, expressing their judgment independently and respectful of professional ethics. In addition, a Reserve Evaluator is normally considered professionally qualified with respect to the international standards backed by the Society of Petroleum Engineers. Since 1991, Eni has

determined by applying Eni s share of production to total proved reserves of the contractual area, in respect of the duration of the relevant mineral right. Proved reserves to which Eni is entitled under Production Sharing Agreements are calculated so that the sale of production entitlements should cover expenses incurred by the Group to develop a field (cost oil) and on the profit oil set contractually. A similar scheme applies to buy-back and service contracts. In a high oil price

requested qualified independent oil engineering companies carry out and independent evaluation[1] of its proved reserves on a rotation basis.

Eni believes those independent evaluators to be experienced and qualified in the marketplace. In the preparation of their reports, those independent evaluators relied, without independent verification, upon information furnished by Eni with respect to property interest,

(1) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott Company.

production, current cost of operation and development, agreements relating to future operations and sale, prices and other information and data that were accepted as represented by the independent evaluators. These information were the same used by Eni in determining proved reserves and included: log, directional surveys, core and PVT analysis, maps, oil/gas/water production/injection data of wells, reservoir and field, reservoir studies; technical analysis relevant to field performance, reservoir performance, long-term development plans, future capital and operating costs. In order to calculate the economic value of reserves NPV, actual prices received from hydrocarbon sales, instructions on future prices, and other pertinent information are provided. Accordingly, the work performed by the independent evaluators is an evaluation of Eni s proved reserves carried out in parallel with the internal one. The circumstance that the independent evaluations achieved the same results as those of the Company for the vast majority of fields support the management s confidence that the company s booked reserves meet the regulatory definition of proved reserves which are reasonably certain to be produced in the future. When the assessment of independent engineers is lower than internal evaluations, Eni revises its estimates based on information provided by independent evaluators.

Specifically in 2008 a total of 1.5 billion boe of proved reserves was evaluated, representing approximately 22% of Eni s total proved reserves at December 31, 2008 (calculated including a 60% interest of the proved reserves of the three Russian gas companies). Outcomes of the independent evaluations confirmed Eni s evaluations, as they did in previous years. During the 2006-2008 three year period, independent evaluations covered 77% of Eni s total proved reserves. Further information on reserves is provided in the notes to Eni consolidated financial statements "Supplementary information on oil and natural gas Oil and natural gas reserves".

Movements in estimated net proved reserves

Eni s estimated proved reserves were determined taking into account Eni s share of proved reserves of equity-accounted entities. The 2008 year end amounts comprised 30% of proved reserves of the three equity-accounted Russian companies purchased in 2007 as part of a bid procedure for assets of bankrupt Russian company Yukos and participated by Eni with a 60% interest, considering that Gazprom exercises a call option to acquire a 51% interest in these companies. Based on this assumption, movements in Eni s 2008 estimated proved reserves were as follows:

(mmboe)	Consolidated subsidiaries	Equity-accounted entities	Total
Estimated net proved reserves at December 31, 2007	**6,010**	**360**	**6,370**
Extensions, discoveries, and other additions, revisions of previous estimates and improved recovery, excluding year-end price revision	510	4	514
Price effect	340	2	342
Reserve additions	850	6	856
Proved property acquisitions	91		91
Sales of minerals-in-place	(59)		(59)
Production for the year	(650)	(8)	(658)
Estimated net proved reserves pro-forma at December 31, 2008	**6,242**	**358**	**6,600**

Reserve replacement ratio, all sources	(%)	136	75	135
Reserve replacement ratio, all sources and excluding price effect	(%)	83	75	83

Additions to proved reserves booked in 2008 were 856 million boe and derived from: (i) revisions of previous estimates were 751 million boe, partly related to higher entitlements reported in certain PSAs (up 342 million boe) resulting from lower year end oil prices from a year ago (Brent price was $36.55 per barrel at December 31, 2008 compared to $96.02 per barrel at December 31, 2007), net of downward revisions associated with marginal productions in certain mature fields. These revisions were reported in Angola, Kazakhstan and Libya; (ii) extensions and discoveries were 71 million boe, with major increases booked in Angola, Egypt, Nigeria, Norway and United States; (iii) improved recovery were 34 million boe mainly reported in Algeria, Angola, Congo and Libya.

Acquisitions amounted to 91 million boe reflecting the contribution of the acquired Burren assets in Congo, Turkmenistan and India. Sales of reserves in place (59 million boe) related to the divestment of a 1.71% stake in the Kashagan project following the finalization of the agreements implementing the new contractual and governance framework of the project effective January 1, 2008.

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In 2008 Eni achieved an all sources reserve replacement ratio[2] of 135% (136% under SEC reporting standards, based on reserve additions from Eni s consolidated subsidiaries). The average reserve life index is 10 years (10 years at December 31, 2007).

Excluding the price effect, the replacement ratio would be 83%.

Eni s estimated proved reserves would be 6,908 mmboe including the proved reserves of thee Russian gas companies on the basis of Eni s current interest 60%. The average reserve life index is 10.5 years.

Estimated net proved reserves pro-forma

		Consolidated subsidiaries								
		Italy	**North Africa**	**West Africa**	**North Sea**	**Caspian Area (b)**	**Rest of world**	**Total consolidated subsidiaries**	**Equity-accounted entities**	**Total**
2006										
Liquids	(mmbbl)	215	982	786	386	893	195	3,457	**24**	**3,481**
Natural Gas	(bcf)	3,391	5,946	1,927	1,697	1,874	2,062	16,897	**68**	**16,965**
Hydrocarbons	(mmboe)	**805**	**2,018**	**1,122**	**682**	**1,219**	**554**	**6,400**	**36**	**6,436**
2007 (a)										
Liquids	(mmbbl)	215	878	725	345	753	211	3,127	**92**	**3,219**
Natural Gas	(bcf)	3,057	5,751	2,122	1,558	1,770	2,291	16,549	**1,541**	**18,090**
Hydrocarbons	(mmboe)	**747**	**1,879**	**1,095**	**617**	**1,061**	**611**	**6,010**	**360**	**6,370**
2008 (a)										
Liquids	(mmbbl)	**186**	**823**	**783**	**276**	**939**	**236**	**3,243**	**92**	**3,335**
Natural Gas	(bcf)	**2,844**	**6,311**	**2,084**	**1,336**	**2,437**	**2,202**	**17,214**	**1,534**	**18,748**
Hydrocarbons	(mmboe)	**681**	**1,922**	**1,146**	**510**	**1,363**	**620**	**6,242**	**358**	**6,600**

The conversion rate of natural gas from cubic feet to boe is 1,000 cubic feet = 0.1742 barrels of oil.

(a) Includes a 30% stake of the reserves of the three equity-accounted Russian companies purchased in 2007 as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that Gazprom exercise a call option to acquire a 51% interest in these companies so as to dilute Eni s interest to 30%. Reserves of the 20% participated OAO Gazprom Neft were also excluded considering the call option attributed to Gazprom.

(b) Eni s proved reserves of the Kashagan field were determined based on Eni working interest of 16.81% as of December 31, 2008 and 18.52% in previous years.

(2) Ratio of changes in proved reserves for the year resulting from revisions of previously reported reserves, improved recovery, extensions, discoveries and sales or purchases of minerals in place, to production for the year. A ratio higher than 100% indicates that more proved reserves were added than produced in a year. The Reserve Replacement Ratio is a measure used by management to indicate the extent to which production is replaced by proved oil and gas reserves. The Reserve Replacement Ratio is not an indicator of future production because the ultimate development and production of reserves is subject to a number of risks and uncertainties. These include the risks associated with the successful completion of large-scale projects, including addressing ongoing regulatory issues and completion of infrastructure, as well as changes in oil and gas prices, political risks and geological and other environmental risks.

Mineral right portfolio and exploration activities

As of December 31, 2008, Eni s mineral right portfolio consisted of 1,224 exclusive or shared rights for exploration and development in 39 countries on five continents for a total net acreage of 415,494 square kilometers (394,490 at December 31, 2007). Of these 39,244 square kilometers concerned production and development (37,642 at December 31, 2007). Outside Italy net acreage (395,085 square kilometers)

Oil and natural gas interests

	December 31, 2007	December 31, 2008			
	Gross exploration and development acreage [(a)]	Gross exploration and development acreage [(a)]	Net exploration and development acreage	Net development acreage [(a)]	Number of interests
Italy	**25,991**	**25,522**	**20,409**	**11,961**	**159**
Outside Italy	**731,292**	**732,976**	**395,085**	**27,283**	**1,085**
North Africa					
Algeria	11,432	2,921	909	909	34
Egypt	24,443	26,335	9,741	2,549	59
Libya	37,749	36,375	18,164	994	13
Mali	193,200	193,200	128,801		5
Tunisia	6,464	6,464	2,274	1,558	11
	273,288	**265,295**	**159,889**	**6,010**	**122**
West Africa					
Angola	20,527	20,492	3,323	1,397	55
Congo	11,099	15,655	8,244	1,009	26
Gabon		7,615	7,615		6
Nigeria	44,049	44,049	8,574	6,533	50
	75,675	**87,811**	**27,756**	**8,939**	**137**
North Sea					
Norway	15,335	11,771	3,861	123	50
United Kingdom	5,445	5,207	1,450	898	91
	20,780	**16,978**	**5,311**	**1,021**	**141**
Caspian Area					
Kazakhstan	4,933	4,933	880	453	6
Turkmenistan		200	200	200	1
	4,933	**5,133**	**1,080**	**653**	**7**
Rest of world					
Australia	62,510	60,486	29,520	891	18
Brazil	2,920	1,389	1,389		2
China	632	899	192	103	3
Croatia	1,975	1,975	988	988	2
East Timor	12,224	12,224	9,779		5

Ecuador	2,000	2,000	2,000	2,000	1
India	24,425	24,425	9,091		3
Indonesia	27,999	28,605	17,316	1,064	11
Iran	1,456	1,456	820	820	4
Pakistan	38,426	35,938	18,855	601	21
Russia	5,126	6,636	3,891	1,983	5
Saudi Arabia	51,687	51,687	25,844		1
Trinidad & Tobago	382	382	66	66	1
United States	10,619	11,478	6,648	882	575
Venezuela	1,556	1,556	614	145	3
Yemen		3,911	3,598		1
	243,937	**245,047**	**130,611**	**9,543**	**656**
Other countries	6,311	6,311	1,363	1,117	9
Other countries with only exploration activity	106,368	106,401	69,075		13
Total	**757,283**	**758,498**	**415,494**	**39,244**	**1,244**

(a) Square kilometers.

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increased by 21,258 square kilometers mainly due to the acquisition of Burren Energy Plc for a total net exploration and development acreage of 9,569 square kilometers (mainly in Turkmenistan, Yemen, Congo and Egypt) and an increase of net exploration acreage in Mali. These improvements were partly offset by the implementation of a strategic oil deal in Libya. In addition, new exploration leases were awarded in Angola, Algeria, Alaska, the Gulf of Mexico, Gabon, Indonesia, Norway and the United Kingdom for a total acreage of 57,361 square kilometers (net to Eni, 99% operated).

In Italy net acreage (20,409 square kilometers) declined by 255 square kilometers due to release. In 2008, a total of 111 new exploratory wells were drilled (58.4 of which represented Eni s share), as compared to 81 exploratory wells completed in 2007 (43.5 of which represented Eni s share). Overall commercial success rate was 36.5% (43.4% net to Eni) as compared to 40% (38% net to Eni) in 2007.

Production

Oil and natural gas production for the full year 2008 averaged the record level of 1,797 kboe/d, an increase of 61 kboe/d, or 3.5%, from a year earlier. This improvement mainly benefited from the assets acquired in the Gulf of Mexico, Congo and Turkmenistan (up 62 kboe/d), as well as continuing production ramp-up in Angola, Congo, Egypt, Pakistan and Venezuela. These positives were partially offset by mature field declines as well as planned and unplanned facility downtime in the North Sea and hurricane-related impacts in the Gulf of Mexico (down 11 kboe/d). Higher oil prices resulted in lower volume entitlements in Eni s PSAs and similar contractual schemes, down approximately 37 kboe/d. When excluding the impact of lower entitlements in PSAs, production was up 5.6%. The share of oil and natural gas produced outside Italy was 89% (88% in the full year 2007).

Production of liquids amounted to 1,026 kbbl/d and was up 0.6% from a year ago. The most significant increases were registered in: (i) the Gulf of Mexico, Congo and Turkmenistan due to the contribution of acquired assets; (ii) Angola due to the start-up of the Mondo and Saxi/Batuque fields in the development area of former Block 15 (Eni s interest 20%); and (iii) Venezuela due to the start-up of the Corocoro field (Eni s interest 26%). Production decreases were reported in the North Sea and Italy due to planned and unplanned facility downtime and mature field declines. In addition, volume entitlements associated with high oil prices were reported in the Company s PSAs.

Production of natural gas for the full year was 4,424 mmcf/d and increased by 310 mmcf/d, or 7.8%, from a year ago. The improvement was driven by growth in the Gulf of Mexico, due to the contribution of acquired assets, and Pakistan due to production ramp-up of the Zamzama field (Eni s interest 17.25%) and start-up of the Badhra field (Eni operator with a 40% interest). Production decreased in Italy and the United Kingdom due to mature field declines.

Oil and gas production sold amounted to 632 mmboe. The 25.5 mmboe difference over production (657.5 mmboe) reflected volumes of natural gas consumed in operations (17.9 mmboe). Approximately 53% of liquids production sold (370.2 mmbbl) was destined to Eni s Refining & Marketing division; about 32% of natural gas production sold (1,503 bcf) was destined to Eni s Gas & Power division.

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Daily production of oil and natural gas [(a)] [(b)]

	Liquids (kbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Change Ch.	%
		2006			2007			**2008**		**2008 vs 2007**	
Italy	**79**	**911.4**	**238**	**75**	**789.7**	**212**	**68**	**749.9**	**199**	**(13)**	**(6.1)**
North Africa	**329**	**1,299.1**	**555**	**337**	**1,474.2**	**594**	**338**	**1,761.6**	**645**	**51**	**8.6**
Egypt	85	813.4	227	97	811.2	238	98	818.4	240	2	0.8
Libya	144	452.1	222	142	629.6	252	147	907.6	306	54	21.4
Algeria	88	19.4	91	85	18.8	88	80	18.5	83	(5)	(5.7)
Tunisia	12	14.2	15	13	14.6	16	13	17.1	16		
West Africa	**322**	**281.7**	**372**	**280**	**274.2**	**327**	**289**	**260.7**	**335**	**8**	**2.4**
Nigeria	106	247.8	149	81	237.7	122	84	219.9	122		
Angola	151	24.1	156	132	25.1	136	121	28.1	126	(10)	(7.4)
Congo	65	9.8	67	67	11.4	69	84	12.7	87	18	26.1
North Sea	**178**	**597.0**	**282**	**157**	**594.7**	**261**	**140**	**558.0**	**237**	**(24)**	**(9.2)**
Norway	98	245.2	140	90	271.1	137	83	264.8	129	(8)	(5.8)
United Kingdom	80	351.8	142	67	323.6	124	57	293.2	108	(16)	(12.9)
Caspian Area	**64**	**227.6**	**103**	**70**	**237.9**	**112**	**81**	**244.7**	**123**	**11**	**9.8**
Kazakhstan	64	227.6	103	70	237.9	112	69	244.7	111	(1)	(0.9)
Turkmenistan							12		12	12	..
Rest of the world	**107**	**647.4**	**220**	**101**	**743.2**	**230**	**110**	**848.6**	**258**	**28**	**12.2**
Australia	18	47.9	26	11	41.5	18	10	42.2	17	(1)	(5.6)
China	6	9.4	8	6	11.0	8	6	10.9	8	-	-
Croatia		66.8	12		52.5	9		68.7	12	3	33.3
Ecuador	15		15	16		16	16	-	16	-	-
Indonesia	2	118.1	23	2	105.4	20	2	99.7	20		
Iran	29		29	26		26	28	-	28	2	7.7
Pakistan	1	289.2	51	1	292.5	52	1	315.6	56	4	7.7
Russia		-	-	2		2	-	-	-	(2)	..
Trinidad & Tobago		51.7	9		58.9	10		54.6	9	(1)	(10.0)
United States	21	64.3	32	37	181.4	69	42	256.9	87	18	26.1
Venezuela	15		15				5		5	5	..
Total	**1,079**	**3,964.2**	**1,770**	**1,020**	**4,113.9**	**1,736**	**1,026**	**4,423.5**	**1,797**	**61**	**3.5**

(a) Includes production volumes of natural gas consumed in operations (281, 296, 286 mmcf/d in 2008, 2007, 2006, respectively).
(b) Includes Eni s share of production of equity accounted-entities.

Main exploration and development projects

NORTH AFRICA

Algeria In 2008, following an international bid procedure, Eni was awarded the operatorship of the Kerzaz exploration permit (Block 319a-321a) covering a gross acreage of 16,000 square kilometers. Exploration activity start-up is expected in 2009. In Block 404a (Eni s interest 12.25%), the development plan of the BBKS discovery was submitted to the relevant authorities.
In November 2008, Eni completed the acquisition of First Calgary Petroleum Ltd, a Canadian oil and gas company with exploration and development activities in Algeria. The acquisition values the fully diluted share capital of First Calgary at approximately CAN$923 million (equal to euro 605 million). Assets acquired include the operatorship of Block 405b with a 75% interest. Production start-up is expected in 2011 with a projected production plateau of approximately 30 kboe/d net to Eni by 2012.
Main projects underway are the following: (a) Rom Integrated project, designed to develop the reserves of the ROM, ZEA (Block 403a) and ROM Nord fields. The project provides for the construction of a new oil treatment plant with start-up in 2012. Current production of 14 kboe/d is expected to reach 32 kboe/d by 2012. In 2008 Eni and Sonatrach signed a framework agreement to set out the common contractual ground of the project and to extend the duration of the Rhourde Messaoud and Zemlet Adreg development licenses for further 10 years and the Bir Rebaa North license for further 5 years; (b) El Merk Synergy project (Eni s interest 12.25%), designed to develop the reserves of the new four fields in Block 208/405a. In 2008 following an international bid procedure, the seven EPC contracts of the project have been awarded. The project provides for the construction of a new treatment plant with a capacity of 11 kboe/d net to Eni and production facilities in Block 404/208. Start-up is expected in the first quarter of 2012.

The new Algerian hydrocarbon law No. 05 of 2007 introduced a higher tax burden for the national oil company Sonatrach that requested to renegotiate the economic terms of certain PSAs in order to restore the

Egypt Exploration activities yielded positive results: a) offshore the Nile Delta with the Satis-1 gas discovery (Eni s interest 50%) and the appraisal activity of the Ha py field; b) onshore with the Eky oil discovery (Eni operator with a 100% interest) and Jasmine Est (Eni s interest 56%).
In 2008 a number of fields started production: (i) the West Ashrafi (Eni s interest 100%) field was completed underwater and linked to existing facilities; (ii) in the Ras el Barr concession (Eni s interest 50%), the Taurt field was linked to the onshore West Harbour treatment plant. Production peaked at approximately 38 kboe/d (13 net to Eni) in 2008. In the el Temsah concession (Eni operator with a 50% interest), development activities progressed at the Denise field started-up in late 2007. The production build-up was reached in 2008 through the completion of phase A of the development plan. Current production amounts to 37 kboe/d (11 net to Eni). The Taurt and Denise fields are expected to ensure natural gas supplies of 23 kboe/d to the first train of the Damietta LNG plant.
In the Gulf of Suez optimization activities progressed at the Belayim field (Eni s interest 100%) by finalizing basic engineering for the upgrading of the water injection system intended to recover residual reserves.
Development activities are underway offshore the Nile Delta: (i) in the Thekah concession (Eni operator with a 50% interest); and (ii) the North Bardawil concession (Eni operator with a 60% interest).
Upgrading of the el Gamil compression plant progressed by adding new capacity.

initial economic equilibrium. Eni signed an agreement for Block 403 while negotiations are ongoing for Block 401a/402a (Eni s interest 55%) and Block 208 (Eni s interest 12.25%). At present, management is not able to foresee the final outcome of such renegotiations.

Eni and the partners of the Damietta LNG plant have planned to double the capacity of this facility through the construction of a second train with a treatment capacity of 265 bcf/y of gas. Eni will provide 88 bcf/y to the second train for a period of twenty years.
The project is awaiting to be sanctioned by the Egyptian authorities. The reserves have been already identified which are destined to feed the second train, including any additional amounts that must be developed to meet the country s domestic requirements under existing laws.

Libya Exploration activities yielded positive results in: a) the offshore Block NC41 (Eni operator with a 100% interest), where the U1-NC41 discovery well showed the presence of oil and natural gas and the D4-NC41 appraisal well showed the presence of natural gas and condensates; b) in former Concession 82 (Eni s interest 50%), the YY-1 discovery well showed the presence of oil.
In June 2008, Eni and the Libyan national oil company ("NOC") finalized six Exploration and Production Sharing contracts (EPSA) converting the original agreements that regulated Eni s exploration and development activities in the country. The new contracts have incorporated general terms and conditions set in the framework agreement signed in October 2007[3]. The terms of Eni properties in Libya have been extended till 2042 and 2047 for oil and gas properties respectively. The two partners have also agreed to develop a number of industrial initiatives designed to monetize the large reserve base, particularly through the implementation of important gas projects. The economic effects and Eni s production entitlements based on the new contracts have been determined effective from January 1, 2008. Also the tax burden on Eni s taxable profit has been determined based on the renewed tax framework applicable to foreign oil companies operating under PSA schemes. This new tax regime was enacted in 2007. In line with past practice, NOC has retained the role of tax agent on behalf of foreign oil companies. This tax regime does not alter the agreed economic value of the EPSAs currently in place between Eni and NOC. Based on the arrangements agreed upon with NOC, the tax base of the Company s Libyan oil properties has been reassessed resulting in the partial utilization of previously accrued deferred tax liabilities amounting to euro 173 million (see Financial Review, below).
and maintaining production profiles at the Wafa oil field. In 2008 exported volumes amounted to 332 bcf, equal to 90% of the total gas production of the two fields. In addition 35 bcf were sold on the Libyan market for power generation.
Other ongoing development activities concern the A-NC118 field (Eni s interest 50%) linking it via pipelines to the Wafa with Mellitah plant and the valorization of associated gas of the Bouri field (Eni s interest 50%). Purified gas will be shipped by sealine to the nearby Sabratha platform and exported through the GreenStream pipeline.

Tunisia Exploration activities yielded positive results in the following permits: a) Adam (Eni operator with a 25% interest), where the MEJDA-1 and EL AZZEL NORTH 1 wells showed the presence of oil; b) Bek (Eni operator with a 25% interest), where the ABIR-1 well found oil and natural gas; c) MLD (Eni s interest 50%) where the LASSE-1 well found oil and natural gas; d) El Borma (Eni s interest 50%), where the EB-406 exploratory well showed additional oil resources.
The ongoing development projects mainly regarded the optimization of production at the Adam, Oued Zar (Eni operator with a 50% interest), MLD and El Borma fields.
Development activities started also at the production platform of the Maamoura (Eni s interest 49%) and Baraka (Eni s interest 49%) fields. Production start-up is expected in 2009.

WEST AFRICA
Angola Exploration activities yielded positive results in: a) Block 15/06 (Eni operator with a 35% interest) with the Ngoma-1 and Sangos-1 oil discoveries.
Both discoveries were declared of commercial interest; b) Block 0 (Eni s interest 9.8%) with the Kambala appraisal well; c) the development area of former Block 14 (Eni s interest 20%) with the Lucapa-5 appraisal well showed the presence of oil; d) the development area of former Block 15 (Eni s interest 20%) with the Mavacola-3 appraisal well containing oil.
In May 2008, Eni acquired a 10% interest in the Cabinda North Block from the state oil company Sonangol.
In August 2008 Eni signed a Memorandum of Understanding with Sonangol for the definition of an integrated model of cooperation and development. The

Within the Western Libyan Gas project (Eni s interest 50%) upgrading of plants and facilities is underway aimed at increasing gas exports by 106 bcf/y by 2014

agreement covers onshore development activities and construction of facilities in Angola designed to monetize flaring gas as well as collaboration in the field of bio-fuels.

(3) For more information see "Operating Review, Exploration & Production, Main exploration and development projects" in Annual Report 2007.

Development at the Landana and Tombua oil fields in offshore Block 14 (Eni s interest 20%) progressed. Early production is ongoing in the north area of Landana that was linked to the Benguela/Belize-Lobito/Tomboco facilities. Production is expected to peak at 100 kbbl/d in 2010 at the end of drilling program.
Activities at the Banzala oil field in Block 0 in Cabinda (Eni s interest 9.8%) progressed as planned.
The commissioning of a third production platform was achieved early 2008. Peak production at 27 kbbl/d (3 net to Eni) is expected in 2009.
Within the activities for reducing gas flaring, projects progressed at the Takula and Nemba fields in Block 0. The start-up of Takula project is expected in 2009. Gas currently flared will be re-injected in the field; condensates will be shipped via a new pipeline to the Malongo treatment plant to be converted into LPG. Development activities at the Nemba field are planned including the drilling of gas injection wells and the installation of a new production platform. Start-up is expected in 2011. The Mondo and Saxi/Batuque fields in Block 15 (Eni s interest 20%) were started-up by means of an FPSO vessel. Peak production at 100 kbbl/d (18 net to Eni) was achieved at both fields in 2008.
The projects outlined and other ongoing development activities aim at maintaining current oil production plateau in the area.
In 2008 the final investment decision was achieved regarding development of the satellites Kizomba project - phase 1. The project plans to produce reservoir of the Clochas and Mavacola oil discoveries. Start-up is expected in 2012.
Eni holds a 13.6% interest in the Angola LNG Limited (A-LNG) consortium responsible for the construction of an LNG plant in Soyo, 300 kilometers north of Luanda. It will be designed with a processing capacity of 1 bcf/y of natural gas and produce 5.2 mmtonnes/y of LNG and related products. The project has been sanctioned by relevant Angolan authorities. It envisages the development of 10,594 bcf of associated gas reserves in 30 years. Gas volumes currently being produced from offshore production blocks are flared. In 2008 the final investment decision was reached to build a pipeline linking the fields located in Blocks 0 and 14 to LNG plant in order to monetize gas currently flared. Start-up is expected in 2012.

square kilometers are deemed to contain significant amounts of resources based on a recent survey. Eni plans to monetize the heavy oil by applying its EST (Eni Slurry Technology) proprietary technology intended to fully convert the heavy barrel into high quality light products. The project will also benefit from synergies resulting from the close proximity of the operated M Boundi oilfield (Eni s interest 80.1%); (ii) collaboration in the use of vegetable oils, aimed at covering domestic demand for food uses and using exceeding amounts for the production of bio-diesel with Eni s proprietary technology Ultra-Bio-Diesel; (iii) construction of a 450 MW electricity generation plant near the Djeno oil terminal, with start-up expected in late 2009. The power station (Eni s share 20%) will be fired with the associated natural gas from the M Boundi field and offshore discoveries in permit Marine XII (Eni operator with a 90% interest) contributing to the reduction of gas flaring. The final investment decision was reached in 2008. This project aims at qualifying as Clean Development Mechanism in implementing the Kyoto protocol and as a contribution to the sustainable development of the Country.
The Awa Paloukou (Eni s interest 90%) and Ikalou-Ikalou Sud (Eni s interest 100%) operated fields in the Marine X and Madingo permits were started up in 2008 with production peaking at 13 kboe/d net to Eni in 2009.
Development activities of the M Boundi field moved forward with the revision of the production schemes and layout to plan application of advanced recovery techniques and a design to monetize associated gas.

Nigeria In December 2008 Eni exercised its pre-emption rights on the remaining 49.81% interest of the ABO project in Blocks OMLs 125 and 134 (Eni s interest 50.19%). On the same occasion Eni transferred a 15% stake to the Nigerian company OANDO. This transaction has been approved by relevant authorities.
In Blocks OMLs 60, 61, 62 and 63 (Eni operator with a 20% interest) development activities of gas reserves are underway: (i) the basic engineering work for increasing capacity at the Obiafu/Obrikom plant was completed. The project also provides for the installation of a new treatment plant and transport facilities; (ii) the development plan of the Tuomo gas field has been progressing. Production is expected to start by means of

Congo In May 2008, Eni defined a cooperation agreement with the Republic of Congo intended to develop the country s mineral potential.
The agreement provides for: (i) development and extraction of unconventional oil from the Tchikatanga and Tchikatanga-Makola oil sands deposits. The two deposits that cover an acreage of approximately 1,790

linkage to the Ogbainbiri treatment plant. These activities target to supply 311 mmcf/d of feed gas to the Bonny liquefaction plant (Eni s interest 10.4%) for a period of 20 years.
In the OMLs 120/121 blocks (Eni operator with a 40% interest), the development plan of the Oyo oil discovery was approved. The project provides for the installation

of an FPSO unit with treatment capacity of 40 kbbl/d and storage capacity of 1 mmbbl. Production start-up is expected in 2009.
The Forcados/Yokri oil and gas field is under development as part of the integrated associated gas gathering project aimed at supplying gas to the Bonny liquefaction plant. Offshore production facilities have been installed. Onshore activities regard the upgrading of the Yokri and North/South Bank flow stations. Completion is expected in 2009.
Eni holds a 10.4% interest in Nigeria LNG Ltd that manages the Bonny liquefaction plant located in the Eastern Niger Delta, with a treatment capacity of approximately 1,236 bcf/y of feed gas corresponding to a production of 22 mmtonnes/y of LNG on 6 trains. The seventh unit is being engineered with start-up expected in 2012. When fully operational, total capacity will amount to approximately 30 mmtonnes/y of LNG, corresponding to a feedstock of approximately 1,624 bcf/y. Natural gas supplies to the plant are provided under gas supply agreements with a 20-year term from the SPDC joint venture (Eni s interest 5%) and the NAOC JV, the latter operating the OMLs 60, 61, 62 and 63 (Eni s interest 20%). In 2008 total supplies were 3,461 mmcf/d (268 mmcf/d net to Eni, corresponding to 46 kboe/d). LNG production is sold under long-termcontracts and exported to European and American markets by the Bonny Gas Transport fleet, wholly-owned by Nigeria LNG Co.
Eni is operator with a 17% interest of the Brass LNG Ltd company for the construction of a natural gas liquefaction plant to be built near the existing Brass terminal. This plant is expected to start operating in 2014 with a production capacity of 10 mmtonnes/y of LNG corresponding to 618 bcf/y (approximately 64 net to Eni) of feed gas on 2 trains for twenty years. Supplies to this plant will derive from the collection of associated gas from nearby producing fields and from the development of gas reserves in the OMLs 60 and 61 onshore blocks. The venture signed preliminary long-term contracts to sell the whole LNG production capacity. Eni acquired 1.67 mmtonnes/y of LNG capacity. The front end engineering is underway and the final investment decision is expected in 2009.

NORTH SEA

Norway Exploration activities yielded positive results in: the Marulk discovery; c) the Prospecting License 293 (Eni operator with a 45% interest), with the gas and condensate Aphrodite discovery. Ongoing pre-development activities aim to assessing the economic viability of the project; d) Prospecting License 128 (Eni s interest 11.5%) with the Dompap gas discovery at a depth of about 2,750 meters. Appraisal activities are underway. In February 2008, following an international bid procedure, Eni was awarded the operatorship of 2 exploration licenses with a 40% and 65% stake, respectively, in the Barents Sea and further 3 licenses in the Norwegian Sea with stakes from 19.6% to 29.4%.
Development activities concerned in particular optimization of producing fields, in particular Ekofisk (Eni s interest 12.39%), as well as Aasgaard (Eni s interest 14.82%), Heidrun (Eni s interest 5.12%) and Norne (Eni s interest 6.9%) through infilling activities designed to support production levels.
In May 2008, the relevant authorities sanctioned the development plan of the Morvin discovery (Eni s interest 30%). The basic design provides linkage to existing production facilities that will be upgraded. Production start-up is expected in the first quarter of 2010.
In 2009, production of the Yttergyta field (Eni s interest 9.8%) started-up at 71 mmcf/d after the completion of development activities.
The drilling program progressed at the Tyrihans field (Eni s interest 6.23%) that will be developed through synergies with the production facilities of Kristin (Eni s interest 8.25%). Production is expected to start in 2009, in coincidence with the expected production decline of Kristin which will make spare capacity available to process production from Tyrihans.
In Prospecting License 229 (Eni operator with a 65% interest) the appraisal activities of the Goliath oil discovery are underway. The project is progressing according to schedule. Start-up is expected in 2013 with production plateau at 100 kbbl/d. In 2008 contracts were awarded for the study of two possible development plans by means of a cylindrical FPSO unit. The final investment decision is expected in 2009.

United Kingdom Exploration activities yielded positive results in: (i) Block 16/23 (Eni s interest 16.67%) with the Kinnoul oil and gas discovery. The discovery is planned to be developed in synergy with the production

a) the Prospecting License 312 (Eni s interest 17%) with the Gamma gas discovery at a depth of about 2,500 meters. Production will be treated at the nearby Aasgaard facilities (Eni s interest 14.82%); b) the Prospecting License 122 (Eni operator with a 20% interest), where appraisal activities confirmed the mineral potential of

facilities of the Andrew field (Eni s interest 16.21%); (ii) Block 30/6 (Eni s interest 33%) where gas and condensates were found near the recent Jasmine discovery. Joint development of these two structures is being assessed in combination with existing facilities; (iii) Block 22/25a (Eni s interest 16.95%) with the gas and condensate Culzean discovery near the Elgin/Franklin producing field

(Eni s interest 21.87%). Study of development activities is underway.
In November 2008, Eni finalized an agreement with the British company Tullow Oil to purchase a 52% stake and the operatorship of fields in the Hewett Unit in the British section of the North Sea and relevant facilities including the associated Bacton terminal. Eni acquired operatorship of the assets with an 89% interest. Eni aims to upgrade certain depleted fields in the area so as to achieve a gas storage facility with a 177 bcf capacity to support seasonal upswings in gas demand in the UK leveraging on the strategic purchased facilities.
The Bacton terminal, in fact, is the incoming point of the Interconnector pipeline connecting the United Kingdom with Europe. Eni acquired operatorship of the assets with an 89% interest. For this purpose, Eni intend to request a storage license.
In December 2008 following an international bid procedure, Eni was awarded four exploration blocks with a 22% interest located in the Shetland Islands. One of the awarded blocks is located near the Tormore (Eni s interest 23%) and Laggan (Eni s interest 20%) recent gas discoveries in the North Sea.
Pre-development activities are underway at the Burgley (Eni s interest 7.1%) and Suilven (Eni s interest 8.75%) discoveries.
Development activities concerned: (i) optimization of producing fields, in particular the J-Block (Eni s interest 33%) and in the Liverpool Bay area (Eni s interest 53.9%) trough the upgrading of existing facilities; (ii) infilling actions at the Flotta Catchment Area (Eni s interest 20%) and the Mac-Culloch (Eni s interest 40%) field targeting to maintain production levels.
Development activities progressed at the West Franklin field (Eni s interest 21.87%) by completing a second development well expected to peak at 20 kboe/d (4 net to Eni).

will pay the other co-venturers an aggregate amount of $1.78 billion; (ii) a value transfer package to be implemented through changes to the terms of the PSA, the amount of which will vary in proportion to future levels of oil prices. Eni is expected to contribute to the value transfer package in proportion to its new participating interest in the project (16.81%); (iii) a new operating model which entails an increased role of the Kazakh partner and defines the international parties responsibilities in the execution of the subsequent development phases of the project.
The new North Caspian Operating Company (NCOC) BV has been established and participated by the seven partners of the consortium. As of January 2009 the new venture has taken over the operatorship of the project. Subsequently development, drilling and production activities have been delegated by NCOC BV to the main partners of the Consortium: Eni is confirmed to be the operator of phase-one of the project (the so-called "Experimental Program") and in addition will retain operatorship of the onshore operations of phase 2 of the development plan.

CASPIAN AREA

Kazakhstan - Kashagan On October 31, 2008, all the international parties to the North Caspian Sea Production Sharing Agreement (NCSPSA) consortium and the Kazakh authorities signed the final agreement implementing the new contractual and governance framework of the Kashagan project, based on the Memorandum of Understanding signed on January 14, 2008.

In conjunction with the final agreement, parties also reached a final approval of the revised expenditure budget of phase-one, amounting to $32.2 billion (excluding general and administrative expenses) of which $25.4 billion related to the original scope of work of phase 1 (including tranches 1 and 2), with the remaining part planned to be spent to execute tranche 3 and build certain exporting facilities. Eni will fund those

The material terms of the agreement are: (i) the proportional dilution of the participating interest of all the international members of the Kashagan consortium, following which the stake held by the national Kazakh company KazMunaiGas and the stake held by the other four major stakeholders are each equal to 16.81%, effective from January 1, 2008. The Kazakh partner investments in proportion to its participating interest of 16.81%.

On the basis of progress to completion (55% of phase 1 of the project) and expertise developed,

Eni management expects to achieve first oil by the end of 2012. In the following 12-15 months the treatment and compression plant for gas re-injection will be completed reaching the installed production capacity of 370 kbbl/d in 2014. Subsequently, production capacity of phase-one is expected to step up to 450 kbbl/d, leveraging on availability of further compressor capacity for gas re-injection associated with the start-up of phase-two offshore facilities.
The magnitude of the reserves base, the results of the well tests conducted and the findings of subsurface studies completed so far support expectations for a full field production plateau of 1.5 mmbbl/d, which represents a 25% increase above the original plateau as presented in the 2004 development plan.
The achievement of the full field production plateau will require a material amount of expenditures in addition to the development expenditures needed to complete the execution of phase-one. However, taking into account that future development expenditures will be incurred over a long time horizon and subsequently to the production start-up, management does not expect any material impact on the Company s liquidity or its ability to fund these capital expenditures.
In addition to the expenditures for developing the field, further capital expenditures will be required to build the infrastructures needed for exporting the production to international markets.
As of December 31, 2008, the aggregate costs incurred by Eni for the Kashagan project capitalized in the financial statements amounted to $3.3 billion (euro 2.4 billion at the EUR/USD exchange rate of December 31, 2008) net of the divestment of a 1.71% stake in the Kashagan project following the finalization of the agreements implementing the new contractual and governance framework of the project ($0.4 billion). This capitalized amount included: (i) $2.3 billion relating to expenditures incurred by Eni for the development of the oilfield; and (ii) $1 billion relating primarily to accrued finance charges and expenditures for the acquisition of interests in the North Caspian Sea PSA consortium from exiting partners upon exercise of pre-emption rights in previous years.
As of December 31, 2008, Eni s proved reserves booked for the Kashagan field amounted to 594 mmboe, recording an increase of 74 mmboe with respect to 2007 despite the divestment of a 1.71% stake in the Kashagan were supported by an independent evaluation of the field made by an oil engineering company (Ryder Scott Petroleum Consultants).

Kazakhstan - Karachaganak Located onshore in West Kazakhstan, Karachaganak is a giant liquid and gas field with recoverable reserves estimated at 5 bboe. Operations are conducted by the Karachaganak Petroleun Operating consortium (KPO) and are regulated by a production sharing agreement lasting 40 years, until 2037. Eni and British Gas are co-operators of the venture.
The fourth treatment unit has been progressing to completion and will enable to increase export of oil volumes to European markets. Currently non-stabilized oil production is delivered to Orenburg terminal.
The development activities of the Uralsk Gas Pipeline are ongoing. This new infrastructure, with a length of 150 kilometers, will link the Karachaganak field to the Kazakhstan gas network. Start-up of the first stage is expected in 2009.
The engineering activities of Phase 3 of the Karachaganak project have identified a new design to complete development activities in multiple phases. Start-up is expected in 2013 subject to approval by the relevant authorities. In April 2008, the Kazakh authorities approved a tax decree enacting a new duty tax on crude oil exports. In January 2009 the rate applied for the determination of that charge was cleared. In the same month the authorities enacted a new tax code that does not affect the profitability of this project taking into account that certain clauses in the PSA regulating the activities at the field provide the stability of the tax burden for the ventures.
As of December 31, 2008, Eni s proved reserves booked for the Karachaganak field amounted to 740 mmboe, recording an increase of 200 mmboe with respect to 2007 and derived from upward revisions of previous estimates mainly related to higher entitlements reported in the PSA resulting from lower year end oil prices from a year ago.

Turkmenistan After the purchase of British company Burren Energy Plc, Eni became operator of the Nebit Dag producing block (with a 100% interest). Production derives mainly from the Burun oil field.
Development activities were targeted to optimize

project following the finalization of the agreements implementing the new contractual and governance framework of the project. The amount booked for the year reflected higher sale entitlements resulting from lower year end oil prices from a year ago and upward revisions of previous estimates which

production by means of drilling development wells and continuation of the program for water injection and facility upgrading. The drilling activity at Uzboy and Balkan fields, nearby Burun field, progressed. The fields achieved early production in 2006.

REST OF WORLD

Australia An important discovery was made in the Block JPDA 06-105 (Eni operator with a 40% interest), located in the international offshore cooperation zone between East Timor and Australia, where the Kitan-1 exploration well showed the presence of oil at a depth of 3,658 meters and yielded 6.1 kbbl/d in test production.
In June 2008, the oilfield development area was approved by the Timor Sea Designated Authority pursuant to the declaration of commercial discovery that was made by Eni. Activities are ongoing for the preparation of a development plan to be filed with relevant authorities within 12 months. The final investment decision is expected in 2009.
In 2008 development activities have been completed in the southern area of the Woollybutt field (Eni operator with a 65% interest) with the drilling of a new production well that was linked to an FPSO unit with relevant production ramp-up.
Development activities are underway at the Blacktip gas field (Eni operator with a 100% interest).
The development strategy envisages installation of a platform that will be linked to an onshore treatment plant. Start-up is expected in 2009, peaking at 26,133 mmcf/y in 2010. Natural gas production is destined to supply a power station plant.

Colombia In 2008 Eni signed a Memorandum of Understanding with the national oil company Ecopetrol aimed at identifying joint opportunities for exploration and production in Colombia and in other Southern American countries.

Croatia Exploration activities yielded positive results in the Bo ica (Eni s interest 50%) and the Ika (Eni s interest 50%) gas fields with appraisal activity.
In 2008 the Ana field (Eni s interest 50%) was started-up through linkage to the facilities existing in the area. Development activities are nearing completion in the Irina, Vesna and Annamaria fields. Start-ups are expected in 2009.

India In August 2008, Eni acquired control of the Indian company Hindustan Oil Exploration Limited (HOEC), following execution of a mandatory tender offer on a 20% stake of the HOEC share capital. The mandatory offer was associated with Eni s acquisition of a 27.18% Main development activities concerned the PY1 gas field. Start-up is expected in 2009.

Indonesia In May 2008, following an international bid procedure, Eni was awarded the operatorship of the West Timor exploration block extending over an offshore and onshore area of about 4,000 square kilometers.
Exploration activity concerned: (i) in the Krueng Mane permit (Eni operator with a 85% interest), the completion of preliminary drilling activities; (ii) in the Bukat permit (Eni operator with a 66.25% interest), the finalization of a seismic data campaign. Eni s main project in the Bukat permit concerns the development of an oil and gas recent discovery.
Eni holds interests in other projects underway which concern the joint development of five gas discoveries located in the Kutei Deep Water basin (Eni s interest 20%). Production will be treated at the LNG Bontang plant.

Pakistan Main discoveries were made in: a) the Mubarak Block (Eni s interest 38%) with the Saquib gas discovery that yielded 2,472 kcf/d in test production; b) the Latif exploration license, where the Latif-2 appraisal well allowed confirming the presence of new reserves and the mineral potential of the area.
As part of the development of reserves in the Bhit permit (Eni operator with a 40% interest) the third treatment unit was started and increased the plant capacity by 46 mmcf leading to the start-up of the satellite Badhra field.
Other activities were targeted to optimize production from the Kadanwari, Miano, Sawan and Zamzama fields by means of the drilling additional wells and upgrading facilities.

Papua New Guinea In 2008 Eni signed a Partnership Agreement with Papua New Guinea for the start of an exploration program for identifying development opportunities and oil and gas projects. The agreement provides also for projects in electricity generation and in alternative and renewable energy sources, which will foster sustainable development in this country.

Qatar In 2008 Eni signed a Memorandum of Understanding with the state-owned company Qatar

of HOEC as part of the Burren deal.
Assets acquired, located onshore in the Cambay Basin and offshore Chennai, include: (i) development and producing assets which are expected to reach a production plateau of 10 kboe/d in 2010; (i) certain fields where appraisal and development activities are underway.

Petroleum International to target joint investment opportunities in the exploration and production of oil and gas. The agreement also envisages the development of joint projects in the petrochemical industry and power generation.

United States - Gulf of Mexico Offshore exploration activities yielded positive results in the following blocks: a) Block Mississippi Canyon 771 (Eni s interest 25%) with the oil and gas Kodiak discovery close to the operated Devil s Tower platform (Eni s interest 75%); b) Block Walker Ridge 508 (Eni s interest 15%) the Stones-3 discovery well found oil. This discovery is part of the exploration assets acquired from Dominion Resources; c) Block Mississippi Canyon 459 (Eni s interest 100%) with the Appaloosa oil discovery. The final investment decision was reached at the end of 2008; d) Block Keathley Canyon 1008 (Eni s interest 100%) with appraisal activities of the Hadrian oil discovery; e) Block offshore Green Canyon 859 (Eni s interest 12.5%) with the oil and gas Heidelberg - 1 discovery at a depth of 9,163 meters.
In March 2008, following an international bid procedure Eni was awarded 32 exploration blocks. The subsequent development phase will leverage synergies relating to the proximity of acquired acreage to existing operated facilities.
In August 2008, Eni was awarded 5 exploration licenses in the Keathley Canyon area, one of the main exploration areas in the Gulf of Mexico. The blocks will be 100% operated by Eni. The transaction is subject to authorization from relevant authorities.
In November 2008 Eni signed a cooperation agreement with the Colombian state company Ecopetrol for exploration assets in the Gulf of Mexico. Under the terms of this agreement, Ecopetrol will invest approximately $220 million to acquire a 20-25% interest provides for the installation of a fixed platform linked to 3 underwater wells. Start-up is expected in 2009 with peak production at 29 kboe/d (about 20 net to Eni).

United States - Alaska In February 2008, following an international bid procedure Eni was awarded 18 offshore exploration blocks, 4 of which as operator, in the Chukchi Sea. The acquired acreage is estimated to have significant mineral potential and will strengthen Eni s position in the area.
The phased development plan of the Nikaitchuq field (Eni operator with a 100% interest) was sanctioned. Production is expected to start in 2010 with production plateau at 26 kboe/d.
In June 2008, production started at the Oooguruk oil field (Eni s interest 30%), in the Beaufort Sea, by linking to onshore facilities located on an artificial island. Peak production at 17 kboe/d is expected in 2011.

Venezuela In February 2008, Eni and the Venezuelan Authorities reached a final settlement over the dispute regarding the expropriation of the Dación field which took place on April 1, 2006. Under the terms of the settlement, Eni will receive cash compensation in line with the carrying amount of the expropriated asset. Part of this cash compensation has been collected in the period. Eni believes this settlement represents an important step towards improving and strengthening cooperation with the Venezuelan State oil company PDVSA.
As part of improving cooperation with PDVSA, the two partners signed two agreements: (i) a joint study agreement for the development of the Junin Block 5 located in the Orinoco oil belt. This block covering a gross acreage of 670 square kilometers holds a resource potential estimated to be in excess of 2.5 bbbl of heavy oil. Once relevant studies have been performed and a development plan defined, a joint venture between PDVSA and Eni will be established to execute the project. Eni intends to contribute its experience and leading technology to the project in order to maximize the value of the heavy oil; (ii) an agreement for the exploration of two offshore areas, Blanquilla and Tortuga in the Caribbean Sea, both with a 20% interest over an area of 5,000 square kilometers. The prospective development of these areas will take place through an integrated LNG project.

in five exploration wells due to be drilled before 2012. The development program of the Longhorn discovery (Eni s interest 75%) was sanctioned. The project

In 2008, production started at the Corocoro field (Eni s interest 26%) in the Gulf of Paria West Block. A second development phase is expected to be designed based on the results achieved in the first one regarding well production rate and field performance under water and gas injection. A production peak of 66 kbbl/d (17 net to Eni) is expected in 2012.

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Italy Main discoveries were made in offshore Sicily with the operated gas discovery Cassiopea that yielding excellent results in addition to the positive appraisal of the Argo gas field. Eni holds a 60% interest in the two discoveries. In particular for Cassiopea an accelerated development plan is foreseen in order to provide optimal synergies with the nearby Panda and Argo discoveries. The project provides for the drilling of undersea producing wells and the installation of a production platform linked to the existing onshore treatment facilities. Production start up is expected in 2011.
In December 2008 Eni was awarded two onshore exploration blocks in Puglia region.

Development activities concerned in particular: (i) optimization of producing fields by means of sidetracking and infilling (Antares, Cervia, Emma, Fratello North, Giovanna, Hera-Lacinia, Gela, Luna and Fiumetto); (ii) continuation of drilling and upgrading of producing facilities in the Val d Agri; (iii) completion of development activities at Cascina Cardana field and phase 1 of the Val d Agri project.
Other development activities were the development of the Annamaria and the Guendalina gas fields in the Adriatic Sea. Start-up is expected in 2009 with a peak production of 4 kboe/d at the Annamaria field. Production start-up of the Guendalina field is expected in 2010 with a peaking production of 3 kboe/d.

Capital expenditures

Capital expenditures of the Exploration & Production division (euro 9,545 million) concerned development of oil and gas reserves (euro 6,429 million) directed mainly outside Italy, in particular Kazakhstan, Egypt, Angola, Congo and United States. Development expenditures in Italy concerned well drilling program and facility upgrading in Val d Agri as well as sidetrack and infilling activities in mature fields. About 93% of exploration expenditures that amounted to euro 1,918 million were directed outside Italy in particular to the United States, Egypt, Nigeria, Angola and Libya. In Italy, exploration activities were directed mainly to the offshore of Sicily.

Acquisition of proved and unproved property concerned mainly the extension of Eni s mineral rights in Libya, following the agreement signed in October 2007 with NOC, the National Oil Corporation (effective from January 1, 2008), and the acquisition of a 34.81% stake in ABO project in Nigeria.
As compared to 2007, capital expenditures increased by euro 2,920 million, up 44.1%, due to higher development expenditures mainly in the Gulf of Mexico, Kazakhstan, Italy, Nigeria, Egypt, Australia and Congo.

In 2008 the Exploration & Production division acquired assets for approximately euro 2.5 billion concerning mainly the acquisition of the entire issued share capital of Burren Energy Plc and upstream assets of First Calgary in Algeria, Hewett Unit[4] in North Sea and Hindustan Oil Exploration Co in India.

(4) For acquired storage assets see the Gas & Power division.

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Capital expenditures (million euro)	2006	2007	**2008**	Change	% Ch.
Acquisition of proved and unproved property	**152**	**96**	**836**	**740**	**..**
Italy	139				
North Africa	10	11	**626**		
West Africa			**210**		
Caspian Area					
Rest of world	3	85			
Exploration	**1,348**	**1,659**	**1,918**	**259**	**15.6**
Italy	128	104	**135**	31	29.8
North Africa	270	380	**398**	18	4.7
West Africa	471	239	**460**	221	92.5
North Sea	174	193	**214**	21	10.9
Caspian Area	25	36	**28**	(8)	(22.2)
Rest of world	280	707	**683**	(24)	(3.4)
Development	**3,589**	**4,643**	**6,429**	**1,786**	**38.5**
Italy	363	461	**570**	109	23.6
North Africa	701	948	**1,246**	298	31.4
West Africa	864	1,343	**1,717**	374	27.8
North Sea	406	397	**505**	108	27.2
Caspian Area	593	733	**997**	264	36.0
Rest of world	662	761	**1,394**	633	83.2
Storage	**40**	**145**	**264**	**119**	**82.1**
Other expenditures	**74**	**82**	**98**	**16**	**19.5**
	5,203	**6,625**	**9,545**	**2,920**	**44.1**

Storage

Natural gas storage activities are performed by Stoccaggi Gas Italia SpA ("Stogit") to which such activity was conferred on October 31, 2001 by Eni SpA and Snam SpA, in compliance with Article 21 of Legislative Decree No. 164 of May 23, 2000, which provided for the separation of storage from other activities in the field of natural gas.
Storage services are provided by Stogit through eight storage fields located in Italy, based on 10 storage concessions[5] vested by the Ministry of Economic Development.
In 2008, the share of storage capacity used by third parties was 61%. From the beginning of its operations, Stogit markedly increased the number of customers served and the share of revenues from third parties; the latter, from a non significant value, passed to 50%.

		2006	2007	**2008**
Available capacity:				
modulation and mineral	(bcm)	8.4	8.5	**8.6**

- share utilized by Eni	(%)	*54*	*44*	***39***
strategic	(bcm)	5.1	5.1	**5.1**
Total customers	(units)	38	44	**48**

(5) Two of these are not yet operational.

Key performance indicators		**2006**	**2007**	**2008**
Net sales from operations [a]	(million euro)	28,368	27,633	**36,936**
Operating profit		3,802	4,127	**3,933**
Adjusted operating profit [b]		3,882	4,092	**3,541**
Marketing		*2,045*	*2,228*	***1,469***
Regulated businesses in Italy		*1,365*	*1,419*	***1,549***
International transport		*472*	*445*	***523***
Adjusted net profit		2,862	2,936	**2,650**
Adjusted pro-forma EBITDA [b]		4,896	5,077	**4,466**
Marketing		*2,966*	*3,068*	***2,310***
Regulated businesses in Italy		*1,222*	*1,289*	***1,401***
International transport		*708*	*720*	***755***
Capital expenditures		1,174	1,366	**1,794**
Adjusted capital employed, net		18,864	20,547	**21,333**
Adjusted ROACE	(%)	15.1	14.9	**12.7**
Worldwide gas sales	(bcm)	98.10	98.96	**104.23**
of which: E&P sales [c]		4.69	5.39	**6.00**
LNG sales		9.9	11.7	**12.0**
Customers in Italy	(million)	6.54	6.61	**6.63**
Gas volumes transported in Italy	(bcm)	87.99	83.28	**85.64**
Electricity sold	(TWh)	31.03	33.19	**29.93**
Employees at period end	(units)	12,074	11,582	**11,389**

(a) Before the elimination of intragroup sales.
(b) From 2008, adjusted operating profit is reported for the same businesses as EBITDA pro-forma adjusted. Results of the power generation activity are reported within the marketing business as it is ancillary to the latter.
(c) Exploration & Production sales in Europe and in the Gulf of Mexico.

Distrigas acquisition

The acquisition of a 57.243 majority stake in Belgian company Distrigas NV represents a result of strategic relevance for Eni and allows the company to reinforce its leadership in the European gas sector. In accordance with the Belgian Law of April 27, 2007, Eni made an unconditional mandatory public takeover bid on the minorities of Distrigas, at the same conditions proposed to Suez. The deadline of the offer is scheduled for March 19, 2008.

In the last quarter of 2008, in order to optimize Eni s portfolio, agreements related to long-terms supplies of gas and electricity to Suez were finalized.

Divestment of 100% of Italgas and Stogit to Snam Rete Gas

On February 12, 2009 Eni s Board of Directors approved the sale of the 100% stake in Italgas and Stoccaggi Gas Italia (Stogit) to Snam Rete Gas (50.03% owned by Eni) for a total consideration of euro 4.7 billion, of which euro 3.1 billion related to Italgas and euro 1.6 billion to Stogit. The transaction is in line with unbundling resolution and is expected to create significant synergies in the segment of regulated businesses allowing Eni to maximize the value of both Italgas and Stogit. The two companies will benefit from higher visibility as a part of Snam Rete Gas. The closing is expected by July 2009.

Partnership with Altergaz and strengthening of the position in France

In order to strengthen its position in the French gas market, on September 23, 2008 Eni finalized the purchase of a 17% stake in the share capital of Gaz de Bordeaux SAS active in the marketing of natural gas in the Bordeaux area. Also Eni s associate Altergaz (Eni s interest being 38.91%) entered the deal with an equal stake. The two partners signed also a long term agreement for the supply of 250 mmcm/y of gas for ten years to Gas de Bordeaux.

Expansion on the Russian market of natural gas

Eni signed a gas supply contract with a power generation operator in Russia. This deal marks the start of Eni s gas marketing activities in the country.

TTPC upgrading

In 2008, the transport capacity of the TTPC gasline from Algeria has been increased by 6.5 bcm/y. The new capacity was totally awarded to third parties.

Financial results

In 2008, adjusted net profit was euro 2,650 million down 9.7% from 2007, mainly due to a weaker operating performance in the Italian market partly offset by the positive contribution of the acquisition of Distrigas as well as the organic growth registered on the European markets.

Return on average capital employed on an adjusted basis was 12.7% (14.9% in 2007).

Capital expenditures totaled euro 1,794 million and mainly related to the development and upgrading of Eni s transport and distribution networks in Italy, the upgrading of international pipelines and the ongoing plan of building new power generation capacity.

Operating results

In 2008, natural gas sales of 104.23 bcm increased by 5.3% from 2007 mainly due to the contribution of the acquisition of Distrigas (up 5.23 bcm) and the organic growth on European markets, as well as favorable weather conditions registered in the first quarter. These positives were partly offset by the lower performance of the Italian market (down 5.8%).

Management plans to achieve 124 bcm of sales volumes in 2012 leveraging on growth in international markets where sales are expected to increase by an average of 7% a year.

Electricity volumes sold were 29.93 TWh, decreasing by 3.26 TWh, down 9.8%, from 2007.

Natural gas volumes transported on the Italian network were 85.64 bcm, up 2.8% from 2007.

NATURAL GAS

Supply of natural gas

In 2008 Eni s consolidated subsidiaries, including Distrigas share amounting to 5.15 bcm, supplied 89.65 bcm of natural gas with a 5.85 bcm increase from 2007, up 7%.

Excluding the contribution of Distrigas, gas volumes supplied outside Italy (76.50 bcm from consolidated companies), imported in Italy or sold outside Italy, represented 91% of total supplies with an increase of 1.35 bcm from 2007, or 1.8%, mainly due to the growth registered on European markets in particular in the first months of the year, with higher volumes purchased: (i) from Algeria via pipeline (up 1.07 bcm); (ii) from Libya (up 0.63 bcm) in line with the growth of gas equity production; (iii) from the Netherlands (up 0.36 bcm); (iv) from Russia to Turkey (up 0.31 bcm) in line with the increased gas demand on the Turkish market.

Supplies in Italy (8 bcm) declined by 0.65 bcm from 2007, or 7.5%, due to lower domestic production. Supplies of Russian gas for the Italian market declined by 0.97 bcm mainly due to the implementation of agreements with Gazprom providing for Gazprom s entrance in the market of supplies to Italian importers and the corresponding reduction in Eni offtakes.

In 2008, main gas volumes from equity production derived from: (i) Italian gas fields (7.5 bcm); (ii) the Wafa and Bahr Essalam fields in Libya linked to Italy through the GreenStream pipeline. In 2008 these two fields supplied 3.2 bcm net to Eni; (iii) fields located in the British and Norwegian sections of the North Sea (2.3 bcm); (iv) other European areas (in particular Croatia with 0.6 bcm).

Considering also the direct sales of the Exploration & Production division in Europe and in the Gulf of Mexico and LNG supplied from the Bonny liquefaction plant in Nigeria, supplied gas volumes from equity production were approximately 21 bcm representing 21% of total volumes available for sale.

Supply of natural gas (bcm)	2006	2007	**2008**	Change	% Ch.
Italy	**10.21**	**8.65**	**8.00**	**(0.65)**	**(7.5)**
Outside Italy					
Russia	24.98	23.44	**22.91**	(0.53)	(2.3)
Algeria (including LNG)	20.42	18.41	**19.22**	0.81	4.4
Libya	7.70	9.24	**9.87**	0.63	6.8
Netherlands	10.28	7.74	**9.83**	2.09	27.0
Norway	5.92	5.78	**6.97**	1.19	20.6
United Kingdom	2.50	3.15	**3.12**	(0.03)	(1.0)
Hungary	3.28	2.87	**2.84**	(0.03)	(1.0)
Qatar (LNG)	-	-	**0.71**	0.71	..
Other supplies of natural gas	2.41	2.20	**4.07**	1.87	85.0
Other supplies of LNG	1.57	2.32	**2.11**	(0.21)	(9.1)
	79.06	**75.15**	**81.65**	**6.50**	**8.6**
Total supplies of Eni s consolidated subsidiaries	**89.27**	**83.80**	**89.65**	**5.85**	**7.0**
Offtake from (input to) storage	(3.01)	1.49	**(0.08)**	(1.57)	..
Network losses and measurement differences	(0.50)	(0.46)	**(0.25)**	0.21	(45.7)
Available for sale by Eni s consolidated subsidiaries	**85.76**	**84.83**	**89.32**	**4.49**	**5.3**
Available for sale by Eni s affiliates	**7.65**	**8.74**	**8.91**	**0.17**	**1.9**
E&P volumes	**4.69**	**5.39**	**6.00**	**0.61**	**11.3**
Total available for sale	**98.10**	**98.96**	**104.23**	**5.27**	**5.3**

Sales of natural gas

In 2008, natural gas sales were 104.23 bcm, an increase of 5.27 bcm from 2007, or 5.3%, due to the growth achieved on international markets (up 19.9%), related in particular to the organic growth registered in Europe and the contribution of the acquisition of Distrigas, acquired in October 2008, (up 5.23 bcm), as well as favorable weather condition registered in the first quarter of the year. These positives were partly offset by lower sales in Italy as a result of the economic downturn and stronger competitive pressures. Sales included own consumption, Eni s share of affiliates sales and E&P sales in Europe and in the Gulf of Mexico.

Natural gas sales, excluding the contribution of Distrigas acquisition, amounted to 99 bcm, substantially in line with 2007 (up 0.04 bcm).

Despite the favorable weather conditions registered in the first quarter, natural gas sales in Italy (52.87 bcm) declined by 3.26 bcm from 2007, or 5.8%. This reduction related to wholesalers (down 2.49 bcm) and industrial customers (down 2.13 bcm) mainly reflecting the impact of lower gas demand, competitive pressures and the gas release program[1] (up 0.91 bcm). These negatives were partly offset by higher supplies to the power generation sector (up 0.48 bcm) and higher seasonal sales to residential customers (up 0.43 bcm) due to colder weather in the first quarter.

Sales to importers in Italy (11.25 bcm) increased by 0.58 bcm, up 5.4%, due to the circumstance that in 2007 a larger portion of these sales was replaced with direct sales in Italy.

Gas sales in European markets (31.78 bcm including affiliates and the contribution of Distrigas acquisition) increased by 7.43 bcm, or 30.5%, reflecting also market share gains. Excluding the impact of Distrigas, sales of natural gas on European markets amounted to 26.55 bcm, increasing by 2.20 bcm, or 9%, mainly due to the growth registered in: (i) France (up 0.64 bcm) due to marketing initiatives targeting wholesalers and industrial customers; (ii) the Iberian Peninsula

TAKE-OR-PAY

In order to meet the medium and long-term demand for natural gas, in particular in the Italian market, Eni entered into long-term purchase contracts with producing countries. The residual average life of the Company s supply portfolio currently amounts to approximately 21 years. Such contracts, which generally contain take-or-pay clauses, will ensure a total of approximately 62.4 bcm/y of natural gas by 2010.
The finalization of the purchase of the Belgian company Distrigas (for details on this deal see Development Projects below) has entailed significant expansion of Eni s supply portfolio with an addition of long-term supplies of approximately 14.7 bcm (Norway, the Netherlands and Qatar) having a residual average life of about 14 years.
Eni s supply portfolio will be more diversified and less risky, as Eni will depend from one single supplier for about 20-22% of total projected supplies in 2012.
Despite the fact that an increasing portion of natural gas volumes is planned to be sold outside Italy, management believes that in the long-term unfavorable trends in the Italian natural gas demand and supply, also due to the increase in import capacity (pipeline upgrading and new LNG plants) that took place in 2008 and the closing of projects in progress or publicly announced by Eni and third parties, as well as the evolution of Italian regulations in the natural gas sector, represent risk factors to the fulfillment of Eni s obligations in connection with its take-or-pay supply contracts.

(1) Eni and the Italian Antitrust Authority settled a procedure relating to the use of regasification capacity at the Panigaglia regasification plant. Terms of this settlement provide for the sale of 4 bcm of gas over a twenty-four month period effective October 1, 2007 at the entry point in the Italian gas transport system.

(up 0.53 bcm) due to higher supplies to wholesalers and the power generation segment; (iii) Turkey (up 0.31 bcm), due to the progressive reaching of full operations of the Blue Stream pipeline; (iv) Germany-Austria (up 0.20 bcm) due to higher sales to wholesalers.

Sales to markets outside Europe (2.33 bcm) are substantially in line with 2007.

E&P sales in Europe and in the United States increased by 0.61 bcm, up 11.3%, as a result in particular of the production ramp-up in the Gulf of Mexico.

Gas sales by market (bcm)	2006	2007	**2008**	Change	% Ch.
Italy	**57.09**	**56.13**	**52.87**	**(3.26)**	**(5.8)**
Wholesalers	11.54	10.01	**7.52**	(2.49)	(24.9)
Gas release	2.00	2.37	**3.28**	0.91	38.4
Italian gas exchange and spot markets	-	1.90	**1.89**	(0.01)	(0.5)
Industries	14.33	12.77	**10.64**	(2.13)	(16.7)
Industries	*13.33*	*11.77*	***9.59***	*(2.18)*	*(18.5)*
Medium-sized enterprises and services	*1.00*	*1.00*	***1.05***	*0.05*	*5.0*
Power generation	16.67	17.21	**17.69**	0.48	2.8
Residential	6.42	5.79	**6.22**	0.43	7.4
Own consumption	6.13	6.08	**5.63**	(0.45)	(7.4)
International sales	**41.01**	**42.83**	**51.36**	**8.53**	**19.9**
Importers in Italy	14.10	10.67	**11.25**	0.58	5.4
European markets	20.71	24.35	**31.78**	7.43	30.5
Iberian Peninsula	*5.24*	*6.91*	***7.44***	*0.53*	*7.7*
Germany-Austria	*4.72*	*5.03*	***5.29***	*0.26*	*5.2*
Turkey	*3.68*	*4.62*	***4.93***	*0.31*	*6.7*
Belgium	-	-	***4.57***	*4.57*	..
Northern Europe	*2.62*	*3.15*	***3.21***	*0.06*	*1.9*
Hungary	*3.10*	*2.74*	***2.82***	*0.08*	*2.9*
France	*1.07*	*1.62*	***2.66***	*1.04*	*64.2*
Other	*0.28*	*0.28*	***0.86***	*0.58*	..
Extra European markets	1.51	2.42	**2.33**	(0.09)	(3.7)

E&P in Europe and in the Gulf of Mexico	4.69	5.39	**6.00**	0.61	11.3
Worldwide gas sales	**98.10**	**98.96**	**104.23**	**5.27**	**5.3**

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Gas sales by entity (bcm)	2006	2007	**2008**	Change	% Ch.
Sales of consolidated companies	**85.76**	**84.83**	**89.32**	**4.49**	**5.3**
Italy (including own consumption)	57.07	56.08	**52.82**	(3.26)	(5.8)
Rest of Europe	27.93	27.86	**35.61**	7.75	27.8
Outside Europe	0.76	0.89	**0.89**	-	-
Sales of Eni s affiliates (net to Eni)	**7.65**	**8.74**	**8.91**	**0.17**	**1.9**
Italy	0.02	0.05	**0.05**	-	-
Rest of Europe	6.88	7.16	**7.42**	0.26	3.6
Outside Europe	0.75	1.53	**1.44**	(0.09)	(5.9)
E&P in Europe and in the Gulf of Mexico	**4.69**	**5.39**	**6.00**	**0.61**	**11.3**
Worldwide gas sales	**98.10**	**98.96**	**104.23**	**5.27**	**5.3**

LNG

In 2008, LNG sales (12 bcm) increased by 0.3 bcm from 2007, up 2.6%, mainly reflecting higher volumes sold by the Gas & Power segment (8.4 bcm, included in worldwide gas sales) that increased by 0.4 bcm, up 5%, from 2007 due to higher volumes sold on European markets by Eni s affiliate Unión Fenosa Gas (Eni s interest 50%) and Distrigas contribution (0.7 bcm from Qatar).

LNG sales (bcm)	2006	2007	**2008**	Change	% Ch.
G&P sales	**6.4**	**8.0**	**8.4**	**0.4**	**5.0**
Italy	1.5	1.2	**0.3**	(0.9)	(75.0)
Rest of Europe	4.4	5.6	**7.0**	1.4	25.0
Extra Europe	0.5	1.2	**1.1**	(0.1)	(8.3)
E&P sales	**3.5**	**3.7**	**3.6**	**(0.1)**	**(2.7)**
Terminals:					
Bontang (Indonesia)	0.9	0.7	**0.7**	-	-
Point Fortin (Trinidad & Tobago)	0.4	0.6	**0.5**	(0.1)	(16.7)
Bonny (Nigeria)	1.8	2.0	**2.0**	-	-
Darwin (Australia)	0.4	0.4	**0.4**	-	-
	9.9	**11.7**	**12.0**	**0.3**	**2.6**

Transport and regasification of natural gas

In 2008, volumes of natural gas input in the national grid (85.64 bcm) increased by 2.36 bcm from 2007, up 2.8%, mainly due to higher volumes of natural gas input to storage for the rebuilding of stocks in summer months as a result of higher offtakes related to higher seasonal sales registered in the first months of the year. Eni transported 33.84 bcm of natural gas on behalf of third parties, up 2.95 bcm from 2007, or 9.6%.

In 2008, the LNG terminal in Panigaglia (La Spezia) regasified 1.52 bcm of natural gas (2.38 bcm in 2007).

Gas volumes transported in Italy [a] (bcm)	2006	2007	**2008**	Change	% Ch.
Eni	57.09	52.39	**51.80**	(0.59)	(1.1)
On behalf of third parties	30.90	30.89	**33.84**	2.95	9.6
	87.99	**83.28**	**85.64**	**2.36**	**2.8**

(a) Include amounts destined to domestic storage.

Development projects

MARKETING

Acquisition of Distrigas

Terms of the transaction

On October 30, 2008, with the authorization of the European Commission, Eni completed the acquisition from the French operator Suez Tractebel of its majority shareholding of 57.243% in Belgian company Distrigas NV, listed on the Euronext Brussels Stock Exchange. The process of acquisition began in May when Eni launched a mandatory tender offer to Suez after the closing of an auction process that involved all the European major players. The price recognized by Eni to Suez for the 57.243% holding in Distrigas is equal to euro 2.75 billion or euro 6,809.64 per share. The deal values the entire share capital at euro 4.8 billion.
This price is liable to revision, under certain conditions, as a part of the sale agreement pursuant to which Distrigas sold controlled company Distrigas & Co (operating in marketing of transit capacity) to Belgian operators Fluxys SA and Huberator SA on July 2008. The purchasing companies Fluxys and Huberator will pay additional consideration to Distrigas if, within 5 years of the closing of the sale, the local regulatory authorities apply tariff revisions. In this case, Eni will pay to Suez and to the other minority shareholders that tendered their shares into the mandatory tender offer or other possible reopening, a sum equal to a pro-rata amount of such revision based on a preset mechanism.

A further relevant condition for Eni s acquisition of the majority stake of Distrigas was the non-exercise of its pre-emption right on this stake by the other major stakeholder of Distrigas, Publigas SCRL, holding of the Belgian municipalities that owns a 31.254% interest in Distrigas. This waiver was signed on July 30, 2008 through a Shareholders Agreement between Eni and Publigaz. This agreement defines a new governance model for Distrigas and allows also Publigaz to sell to Eni its stake in Distrigas with modalities sanctioned in the Shareholders Agreement.

Following the completion of its acquisition of Suez s majority stake in Distrigas, Eni had to launch a mandatory tender offer on the remaining shares of Distrigas, included the ones owned by Publigaz, at the mandatory public takeover bid: (i) euro 6,809.64 in cash per share and (ii) a Certificate that includes the right to receive a pro-quota amount for any price integration provided by the disposal agreement of Distrigas & Co.
On December 30, 2008, the Commission Bancaire, Financière et des Assurances (CBFA) approved the unconditional mandatory public takeover bid. The acceptance period for the takeover bid will start on January 9, 2009 and will end on March 19, 2009.

On March 4, 2009, the Board of Directors of Publigaz SCRL has unanimously decided to tender its Distrigas shares in the public offer launched by Eni for a total consideration of about euro 1.5 billion.

Strategic rationale

Distrigas is the primary gas operator in Belgium with total sales amounting to 17 bcm mainly to industries, wholesalers and power generation in Belgium, and in France, Germany, the Netherlands and Luxembourg. Distrigas holds a long-term supply contracts portfolio in the Netherlands, Norway and Qatar that covers 90% of its sales. Minor assets include gas carrier Methania and an 11% interest in Interconnector UK Ltd, the company that owns the interconnection of the transit gas networks between Belgium and the UK.
The acquisition represents a result of strategic relevance for Eni and allows the company to strengthen its leadership in the European gas sector. The deal will ensure a solid foothold in the Belgian gas market that, in terms of level of liquidity and centrality of the physical gas flow, as well as high level of interconnectivity with the transit gas networks, represents a key area for the development of marketing and trading activities in Europe.

Disposal of consideration assets

On October 30, 2008, within the framework agreement signed in May, Eni finalized with Suez the agreement related to the disposal of assets and long-term supplies of gas and electricity (consideration assets). The assets are part of Eni s optimization of its portfolio. At 2008 year-end the following agreements have been finalized: (i) the right to draw up to 1,100 MW of electricity from Eni s power plants by means of a Virtual Power Plant (VPP) agreement for a period of 20 years, at a price of euro 1.21 billion; (ii) long-term contracts for gas supply same condition offered to Suez in accordance with Belgian Royal Decree of April 27, 2007 on Public Tender Offers. In fact Eni will recognize to the minority shareholders that will adhere to the unconditional

up to 4 bcm/y for a period up to 20 years to be delivered in Italy and an option on supply contracts to be delivered in Germany up to 2.5 bcm/y for a period up to 11 years for total proceeds of euro 255 million;

(iii) a supply contract for 0.9 bcm/y of LNG in equivalent gas in the Gulf of Mexico for a period of 20 years at a price of euro 87 billion. The negotiations for the disposal of the gas distribution network in the Rome area and exploration and production assets are underway.

France: acquisition of a stake in Gaz de Bordeaux SAS

In September 2008, Eni, in agreement with its associate Altergaz (in which Eni holds a 38.91% interest) closed the acquisition of a 17% stake for each partner in the share capital of Gaz de Bordeaux SAS, a gas distributor in the municipality of Bordeaux.

This agreement will allow Eni to strengthen its position on the French market through a 10-year supply of some 250 mmcm/y that will be marketed to a potential catchment area of 250,000 residential, commercial and industrial customers.

Russia: supply contract to TGK-9

As a part of its strategy of development on international markets, on July 8, 2008, Eni signed gas sales contract with TGK-9, a company operating in the segment of power generation in Russia. Under the terms of the contracts, as of June 1, 2008, some 350 mmcm of gas will be sold by 2010.

Eni was the first European player to enter the Russian downstream gas market, the second largest in the world in terms of consumption and continues developing on this market.

LNG

Qatar

The closing of the acquisition of Distrigas allowed Eni to increase its development opportunities in the LNG business with the access to new supply sources mainly from Qatar, under a 20-year long agreement with RasGas[2] (owned by Qatar Petroleum with a 70% interest and ExxonMobil with a 30% interest) and to the Zeebrugge LNG terminal on the Western coast of Belgium. In 2008 the terminal was authorized to load gas carriers, allowing Distrigas to start its LNG export activity to very profitable markets.

Egypt

Eni, through its interest in Unión Fenosa Gas, owns a

USA

Cameron

Eni acquired from U.S. company Sempra a share of the regasification capacity of the Cameron plant, under construction on the banks of the Calcasieu River, approximately 15 miles south of Lake Charles in Louisiana. The capacity entitlement amounts to 6.5 bcm/y, equal to a 40% share of the total plant capacity for a duration of 20 years. Production start up is expected within 2009. This transaction will allow Eni to market the natural gas reserves that it is developing in North Africa and Nigeria on the North American market.

Pascagoula

Within the upstream project related to the construction of an LNG plant in Angola designed to produce 5.2 mmtonnes of LNG (approximately 7.3 bcm/y) for the North American market, Eni bought a 20 year-option, amounting to 5.8 bcm/y, on the regasification capacity of the plant that will be built near Pascagoula in Mississippi, with start up expected within 2011.

REGULATED BUSINESSES IN ITALY

Divestment of 100% of Stogit and Italgas to Snam Rete Gas

On February 12, 2009, Eni s Board of Directors approved the sale of 100% of Italgas SpA and Stoccaggi Gas Italia SpA (Stogit) to Snam Rete Gas (50.03% owned by Eni) for a cash consideration of euro 3,070 million and euro 1,650 million, respectively. The transaction of euro 4,720 million will be financed by Snam Rete Gas through: (i) a right issue for a maximum of euro 3.5 billion (Eni has already committed to subscribe its relative share of rights issue) and (ii) new medium to long term financing for euro 1.3 billion.

The main impacts envisaged on Eni financial statements after the transaction completion are the following:

- at balance sheet level, an increase of euro 1.5 billion in net debt and minority interests and total equity, as a consequence of the pro-quota subscription of the Snam Rete Gas capital increase by the market;
- at income statement level, a decrease in net profit equal to 45% of the aggregate net profit of Italgas and Stogit, with a corresponding increase in net profit attributable to minority interests.

The transaction was based on transparency and market

40% interest in the Damietta liquefaction plant producing approximately 5 mmtonnes/y of LNG equal to a feedstock of 7 bcm/y of natural gas. In 2008, the Gas & Power segment withdrew approximately 0.7 mmtonnes of LNG (approximately 1 bcm of natural gas) to be marketed in Europe.

criteria, under conditions that would be applied between two independent parties. Banca IMI and

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(2) RasGas is one of the most important integrated companies operating in the LNG business in the world.

Rothschild, as independent advisors, have assisted Eni in the structuring of the transaction and in defining the guidelines of the negotiation with Snam Rete Gas and released two different fairness opinions on the financial consideration of the selling price of Italgas and Stogit.

As a result of this deal, Eni gas distribution and storage regulated businesses in Italy will merge into Snam Rete Gas, establishing a leading Italian and European player in regulated businesses, with a total Regulated Asset Base (RAB) of approximately euro 20 billion and gas transport and distribution networks of 31,000 kilometers and 58,000 kilometers, respectively, and a storage capacity of 14 bcm, including 5 bcm of strategic reserves. The finalization of the sale will create significant synergies and maximize the value of Italgas and Stogit due to the higher visibility of regulated businesses as a part of Snam Rete Gas.
The transaction is expected to close in July 2009.

Galsi
On September 30, 2008 Snam Rete Gas and Galsi signed the final agreement that confirms the mutual commitment, setting out the conditions to build the new pipeline for importing Algerian gas to Italy. The agreement, based on the Memorandum of Understanding signed in November 2007, defines the development, construction and start-up of the Italian section of the project. The material terms of the agreement are: (i) Galsi will develop the engineering and obtain the main authorizations; (ii) Snam Rete Gas will build the pipeline and subsequently lead the gas transport activities.

The new gasline will be approximately 900 kilometers in length overall, of which 600 kilometers offshore with a maximum depth of approximately 2,800 meters between Algeria and Sardinia. The initial transport capacity will be 8 bcm/y.

INTERNATIONAL TRANSPORT
TAG - Russia
The TAG gasline is undergoing an upgrade designed to increase its transport capacity by 6.5 bcm/y from the current 37 bcm/year. A first 3.2 bcm/y portion of the upgrade started-up in October 2008 and was assigned to third parties. The second portion of 3.3 bcm/y is expected to start operating in the fourth quarter of 2009. The allocation of capacity is being finalized.

TTPC - Algeria
In 2008 the upgrade of transport capacity was completed achieving a current capacity of 33.5 bcm/y with an increase of 6.5 bcm/y. A 3.2 bcm/y portion started operating on April 1, 2008. A second 3.3 bcm/y portion started-up in October 2008. The new capacity was assigned to third parties.
A corresponding capacity on the TMPC downstream gasline is already available. TMPC crosses underwater the Sicily channel.

Accident at the TMPC pipeline
On December 19, 2008, one of the TMPC five lines was damaged by an oil tanker anchor crossing the Sicily channel. Due to the sharp pressure drop, a portion of the pipeline was interrupted to avoid environmental damage. There was no substantial damage to facilities located at the departure and arrival points of the pipeline. Safety installations and personnel procedures were also readily activated. Gas transport was regular on the remaining four lines. The company operating the pipeline (TMPC) immediately launched the required activities to restore normal operation. Snam Rete Gas has made additional import capacity available at the Gela entry point to the Italian network and Eni has been able to meet its contractual delivery commitments with natural gas supplies from Libya. Since this is an event of force majeure the take-or-pay clause shall not apply on any withdrawals of Algerian gas lower than the contract minimum.

Regulatory framework

Legislative Decree No. 164/2000
Legislative Decree No. 164/2000 imposed thresholds to operators until December 31, 2010 computed as a share of domestic consumption as follows: (i) effective January 1, 2002, operators are forbidden from importing into the national transport network imported or domestically produced gas volumes higher than a preset share of Italian final consumption. This share is 75% in the first year of regulation and then decreases by 2 percentage points per year to reach 61% by 2009; and (ii) effective January 1, 2003, operators are forbidden from marketing gas volumes to final customers in excess of 50% of overall volumes marketed to final customers. Compliance with these ceilings is verified yearly by comparing the allowed average share computed on a three-year period for both volumes input and volumes marketed to the actual average share achieved by each operator in the same three-year period. Allowed shares are calculated net of losses (in the case of sales) and volumes of natural gas consumed in own operations. In particular, 2008 closes the fifth three-year regulated period for natural gas volumes input in the domestic transport network, for which the allowed percentage was 63% of domestic consumption of natural gas, and the fourth three-year regulated period for sales volumes to the Italian market. Eni s presence on the Italian market complied with said limits.

Resolution VIS 8/09: Closing of the preliminary investigation on the correct application of the provisions concerning gas not recorded in accounts on the natural gas transport networks in the 2004-2006 period
The Italian Authority for Electricity and Gas with the resolution VIS 8/09, has completed the preliminary investigation on the gas not recorded in accounts started with resolution VIS 41/08 "Preliminary investigation on the correct application of the provisions concerning gas not recorded in accounts on the natural gas transport networks in the 2004-2006 period". Based on the results of this preliminary investigation, future actions to be implemented by Snam Rete Gas were defined in order to improve the process of calculation of natural gas. The total amount to be recognized to the company, with regard to higher costs incurred for the purchase of fuel

Resolution ARG/gas 92/08: Tariffs criteria for the use of LNG terminals in the third regulatory period
The Authority for Electricity and Gas has set the criteria regulating the tariffs for the use of LNG terminals in the 3rd regulatory period (October 2008-September 2012) with its ARG/gas 92/08 resolution.
The Regulatory Asset Base (RAB) is calculated with the re-valuated historical cost methodology. The yearly adjustment of revenues and tariffs will follow the same methodologies applied in the previous regulatory period, except for depreciation that will be adjusted on a yearly basis and excluded from the price cap mechanism.
The allowed rate of return (WACC) on Regulatory Asset Base has been set equal to 7.6% in real terms pre tax. Furthermore, it established an additional remuneration, up to 3% above WACC, for new capital expenditures for a maximum of 16 years.
Operating costs will be adjusted every year taking into account inflation and efficiency gains (X- factor) set by the Authority at 0.5% in real terms.
The ARG/gas 92/08 resolution also established that the allocation of reference revenues between regasification capacity and the commodity component is fixed at 90:10 (compared to 80:20 ratio in the second regulated period).

POWER GENERATION

Eni s electricity generation sites are located in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara. In 2008, electricity production sold was 23.33 TWh, down 2.16 TWh or 8.5% from 2007, due mainly to lower production at the Brindisi, Ravenna and Livorno plants, partly offset by increased production at the Ferrera Erbognone plant.
At December 31, 2008 installed capacity was 4.9 GW. Eni expects to complete the upgrading plan of its power generation capacity in 2012, targeting an installed capacity of 5.5 GW. The development plan is underway at Taranto (Eni s interest 100%) and Ferrara (Eni s interest 51%), where in partnership with Swiss company EGL Holding Luxembourg AG the construction of two new 390 megawatt combined cycle units is ongoing with start-up expected in 2009.

gas in the Thermal Years 2005-2006 and 2006-2007, was also set at euro 45 million. The Authority also established to determine in subsequent resolutions the additional costs incurred by the company for the Thermal Years 2007-2008 and 2008-2009.

Electricity sales

In 2008 sales of electricity (29.93 TWh) were directed to the free market (76%), the electricity exchange (13%), industrial sites (9%) and ESO (Electricity Services Operator) and VPP (2%). In 2008 sales declined by 3.26 TWh, down 9.8%, reflecting lower traded volumes. The decrease mainly regarded sales to the electricity exchange. Sales on the free market to wholesalers increased due to higher spot sales, and so did sales to industrial users due to new customers acquired. The program for expanding the dual offer of gas and electricity continued targeting a penetration rate of over 20% of Eni s retail customer base.

		2006	2007	2008	Change	% Ch.
Purchases of natural gas	(mmcm)	4,775	4,860	**4,530**	(330)	(6.8)
Purchases of other fuels	(ktoe)	616	720	**560**	(160)	(22.2)
Electricity production	(TWh)	24.82	25.49	**23.33**	(2.16)	(8.5)
Steam	(ktonnes)	10,287	10,849	**10,584**	(265)	(2.4)

Electricity sales	(TWh)	2006	2007	2008	Change	% Ch.
Electricity production		24.82	25.49	**23.33**	(2.16)	(8.5)
Trading of electricity		6.21	7.70	**6.60**	(1.10)	(14.3)
		31.03	**33.19**	**29.93**	**(3.26)**	**(9.8)**
Free market		16.22	20.73	**22.89**	2.16	10.4
Italian Exchange for electricity		9.67	8.66	**3.82**	(4.84)	(55.9)
Industrial plants		2.70	2.81	**2.71**	(0.10)	(3.6)
ESO/VPP		2.44	0.99	**0.51**	(0.48)	(48.5)
Electricity sales		**31.03**	**33.19**	**29.93**	**(3.26)**	**(9.8)**

Capital expenditures

Capital expenditures in the Gas & Power segment totaled euro 1,794 million in 2008 and mainly related to: (i) developing and upgrading Eni s transport network in Italy (euro 1,130 million); (ii) the upgrading plan of international pipelines (euro 233 million); (iii) developing and upgrading Eni s natural gas distribution network in Italy (euro 233 million); (iv) ongoing construction of combined cycle power plants (euro 107 million), in particular at the Ferrara site.

Capital expenditures	(million euro)	2006	2007	2008	Change	% Ch.
Italy		1,014	1,074	**1,486**	412	38.4
Outside Italy		160	292	**308**	16	5.5

	1,174	**1,366**	**1,794**	**428**	**31.3**
Marketing	**292**	**238**	**198**	**(40)**	**(16.8)**
Marketing	63	63	**91**	28	44.4
Italy		*13*	***16***	*3*	*23.1*
Outside Italy	*63*	*50*	***75***	*25*	*50.0*
Power generation	229	175	**107**	(68)	(38.9)
Regulated businesses in Italy	**785**	**886**	**1,363**	**477**	**53.8**
Transport	627	691	**1,130**	439	63.5
Distribution	158	195	**233**	38	19.5
International transport	**97**	**242**	**233**	**(9)**	**(3.7)**
	1,174	**1,366**	**1,794**	**428**	**31.3**

Key performance indicators		2006	2007	2008
Net sales from operations [a]	(million euro)	38,210	36,401	**45,083**
Operating profit		319	729	**(1,023)**
Adjusted operating profit		790	329	**566**
Adjusted net profit		629	319	**510**
Capital expenditures		645	979	**965**
Adjusted capital employed, net at year end		5,766	7,149	**8,260**
Adjusted ROACE	(%)	10.7	5.0	**6.4**
Refinery throughputs on own account	(mmtonnes)	38.04	37.15	**35.84**
Conversion index	(%)	57	56	**58**
Balanced capacity of refineries	(kbbl/d)	711	748	**737**
Retail sales of petroleum products in Europe	(mmtonnes)	12.48	12.65	**12.67**
Service stations in Europe at period end	(units)	6,294	6,440	**5,956**
Average throughput per service station in Europe	(kliters)	2,470	2,486	**2,502**
Employees at year end	(units)	9,437	9,428	**8,327**

(a) Before elimination of intragroup sales.

Divestment of Eni Agip España in accordance with the agreements with Galp Energia SGPS SA

In October 2008, Eni completed the divestment of the entire share capital of the subsidiary Eni Agip España to Galp Energia SGPS SA following the exercise of a call option in October 2007, pursuant to agreements among Galp s shareholders. The divested asset includes 371 service stations as well as wholesale marketing activities of oil products located in the Iberian Peninsula.

Financial results

In 2008, adjusted net profit was up euro 191 million to euro 510 million, or 59.9%, mainly due to a better operating performance. Refining activity benefited from higher realized margins as the trading environment improved during the year. Marketing activities reported higher results due to a recovery in margins and a higher market share especially in retail sales in Italy.

Return on average capital employed on an adjusted basis was 6.4%, higher than in 2007 (5%).

Capital expenditures totaled euro 965 million and related mainly to projects designed to improve the conversion rate and flexibility of refineries, logistic assets, and to upgrade the refined product retail network in Italy and in the rest of Europe.

Operating results

Refining throughputs on own account in Italy and outside Italy (35.84 mmtonnes) declined by about 1.31 mmtonnes from 2007, down 3.5%. Volumes processed in Italy decreased by 6.3% due to planned and unplanned refinery downtime at the Taranto, Venice and Gela plants as well as lower volumes at the Livorno refinery due to a challenging refining environment in the first half of the year. The increase recorded outside Italy was mainly due to higher capacity entitlements at Ceska Rafinerska following the purchase of an additional ownership interest made in 2007 partly offset by lower volumes in Germany.

Retail market share in Italy was 30.6%, increased by 1.4 percentage points from 2007 mainly due to marketing activities ("Iperself" sales and fidelity programmes). Retail sales amounted to 8.81 mmtonnes increasing by 2.2% in spite of a decline in domestic consumption (down 2.5%).

Retail sales of refined products in the rest of Europe (3.86 mmtonnes) were down 4.2% particularly in the Iberian Peninsula, due to the disposal of downstream activities to Galp, and in Germany. Retail sales of refined products in the rest of Europe, excluding expected divestments, increased by 45 ktonnes, or 1.4%.

In 2008 Eni started/restructured 124 stores for the sale convenience items and car services at its service stations in Italy. Non oil revenues in Europe amounted to euro 153 million, up 6.3% from 2007.

Supply and trading

In 2008, a total of 57.91 mmtonnes of crude were purchased (59.56 mmtonnes in 2007), of which 29.71 mmtonnes from Eni s Exploration & Production segment, 12.09 mmtonnes on the spot market and 16.11 mmtonnes under long-term contracts with producing countries. Some 29% of crude purchased came from West Africa, 19% from countries of the former Soviet Union, 15% from North Africa, 14% from the Middle East, 14% from the North Sea, 6% from Italy and 3% from other areas.

Some 26 mmtonnes of crude purchased were marketed, up 0.7% from 2007. In addition, 3.39 mmtonnes of intermediate products were purchased (3.59 mmtonnes in 2007) to be used as feedstock in conversion plants and 17.42 mmtonnes of refined products (16.14 mmtonnes in 2007) were purchased to be sold on markets outside Italy (14.70 mmtonnes) and on the Italian market (2.72 mmtonnes) as a complement to own production.

Purchases (mmtonnes)	2006	2007	**2008**	Change	% Ch.
Equity crude oil					
Eni s production outside Italy	32.76	27.47	**26.14**	(1.33)	(4.8)
Eni s production in Italy	4.05	4.10	**3.57**	(0.53)	(12.9)
	36.81	**31.57**	**29.71**	**(1.86)**	**(5.9)**
Other crude oil					
Purchases on spot markets	10.73	11.34	**12.09**	0.75	6.6
Purchases under long-term contracts	18.16	16.65	**16.11**	(0.54)	(3.2)
	28.89	**27.99**	**28.20**	**0.21**	**0.8**
Total crude oil purchases	**65.70**	**59.56**	**57.91**	**(1.65)**	**(2.8)**
Purchases of intermediate products	3.18	3.59	**3.39**	(0.20)	(5.6)
Purchases of products	16.00	16.14	**17.42**	1.28	7.9

TOTAL PURCHASES	**84.88**	**79.29**	**78.72**	**(0.57)**	**(0.7)**
Consumption for power generation	(1.10)	(1.13)	**(1.00)**	0.13	(11.5)
Other changes [(a)]	(1.99)	(2.19)	**(1.04)**	1.15	(52.5)
	81.79	**75.97**	**76.68**	**0.71**	**0.9**

(a) Includes change in inventories, decrease in transportation, consumption and losses.

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Refining

In 2008, refining throughputs on own account in Italy and outside Italy were 35.84 mmtonnes, down 1.31 mmtonnes from 2007, or 3.5%.
Volumes processed in Italy decreased by 2.06 mmtonnes, or 6.3%, due to planned and unplanned refinery downtime at the Taranto, Venezia and Gela plants, as well as lower volumes at the Livorno refinery due to a challenging refining environment in the first half of the year.
The increase recorded outside Italy (up 750 ktonnes) was mainly due to higher capacity entitlements at Ceska Rafinerska following the purchase of an additional ownership interest made in 2007, partly offset by the lower volumes in Germany.
Total throughputs in wholly-owned refineries (25.59 mmtonnes) decreased 2.20 mmtonnes, down 7.9%, from 2007.

Approximately 21.5% of volumes processed crude was supplied by Eni s Exploration & Production segment (30.2% in 2007) representing a 8.7% decrease from 2007, equivalent to a lower volume of 2.3 mmtonnes due to lower equity crude availability from Russia, Libya and Italy.

Availability of refined products (mmtonnes)	2006	2007	**2008**	Change	% Ch.
Italy					
At wholly-owned refineries	27.17	27.79	**25.59**	(2.20)	(7.9)
Less input on account of third parties	(1.53)	(1.76)	**(1.37)**	0.39	(22.2)
At affiliated refineries	7.71	6.42	**6.17**	(0.25)	(3.9)
Refinery throughputs on own account	**33.35**	**32.45**	**30.39**	**(2.06)**	**(6.3)**
Consumption and losses	(1.45)	(1.63)	**(1.61)**	0.02	(1.2)
Products available for sale	**31.90**	**30.82**	**28.78**	**(2.04)**	**(6.6)**
Purchases of refined products and change in inventories	4.45	2.16	**2.56**	0.40	18.5
Products transferred to operations outside Italy	(4.82)	(3.80)	**(1.42)**	2.38	(62.6)
Consumption for power generation	(1.10)	(1.13)	**(1.00)**	0.13	(11.5)
Sales of products	**30.43**	**28.05**	**28.92**	**0.87**	**3.1**
Outside Italy					
Refinery throughputs on own account	**4.69**	**4.70**	**5.45**	**0.75**	**16.0**
Consumption and losses	(0.32)	(0.31)	**(0.25)**	0.06	(19.4)
Products available for sale	**4.37**	**4.39**	**5.20**	**0.81**	**18.5**
Purchases of refined products and change in inventories	11.51	13.91	**15.14**	1.23	8.8
Products transferred from Italian operations	4.82	3.80	**1.42**	(2.38)	(62.6)
Sales of products	**20.70**	**22.10**	**21.76**	**(0.34)**	**(1.5)**
Refinery throughputs on own account	**38.04**	**37.15**	**35.84**	**(1.31)**	**(3.5)**
of which: refinery throughputs of equity crude on own account	*12.50*	*9.29*	***6.98***	*(2.31)*	*(24.9)*

Total sales of refined products	**51.13**	**50.15**	**50.68**	**0.53**	**1.1**
Crude oil sales	**30.66**	**25.82**	**26.00**	**0.18**	**0.7**
TOTAL SALES	**81.79**	**75.97**	**76.68**	**0.71**	**0.9**

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Marketing of refined products

In 2008, sales volumes of refined products (50.68 mmtonnes) were up 0.53 mmtonnes from 2007, or 1.1%, mainly due to larger volumes sold on retail and wholesale markets in Italy and wholesale market in the rest of Europe.

Product sales in Italy and outside Italy by market (mmtonnes)	2006	2007	**2008**	Change	% Ch.
Retail	8.66	8.62	**8.81**	0.19	2.2
Wholesale	11.74	11.09	**11.15**	0.06	0.5
Petrochemicals	2.61	1.93	**1.70**	(0.23)	(11.9)
Other sales	7.42	6.41	**7.26**	0.85	13.3
Sales in Italy	**30.43**	**28.05**	**28.92**	**0.87**	**3.1**
Retail rest of Europe	3.82	4.03	**3.86**	(0.17)	(4.2)
Wholesale outside Italy	4.60	4.96	**5.38**	0.42	8.5
of which rest of Europe	*4.19*	*4.39*	***4.82***	*0.43*	*9.8*
Other sales	12.28	13.11	**12.52**	(0.59)	(4.5)
Sales outside Italy	**20.70**	**22.10**	**21.76**	**(0.34)**	**(1.5)**
	51.13	**50.15**	**50.68**	**0.53**	**1.1**

Retail and wholesale sales of refined products (mmtonnes)	2006	2007	**2008**	Change	% Ch.
Italy	**20.40**	**19.71**	**19.96**	**0.25**	**1.3**
Retail sales	**8.66**	**8.62**	**8.81**	**0.19**	**2.2**
Gasoline	3.38	3.19	**3.11**	(0.08)	(2.5)
Gasoil	5.09	5.25	**5.50**	0.25	4.8
LPG	0.18	0.17	**0.19**	0.02	11.8
Lubricants	0.01	0.01	**0.01**	-	-
Wholesale sales	**11.74**	**11.09**	**11.15**	**0.06**	**0.5**
Gasoil	4.60	4.42	**4.52**	0.10	2.3
Fuel Oil	1.27	0.95	**0.85**	(0.10)	(10.5)
LPG	0.41	0.37	**0.38**	0.01	2.7
Gasoline	0.15	0.15	**0.15**	-	-
Lubricants	0.13	0.13	**0.12**	(0.01)	(7.7)
Bunker	1.68	1.58	**1.70**	0.12	7.6
Other	3.50	3.49	**3.43**	(0.06)	(1.7)
Outside Italy (retail+wholesale)	**8.42**	**8.99**	**9.24**	**0.25**	**2.8**
Gasoline	2.06	2.29	**2.33**	0.04	1.7
Gasoil	4.90	5.16	**5.11**	(0.05)	(1.0)
Jet fuel	0.34	0.38	**0.47**	0.09	23.7
Fuel Oil	0.23	0.25	**0.23**	(0.02)	(8.0)
Lubricants	0.10	0.09	**0.11**	0.02	22.2
LPG	0.46	0.49	**0.52**	0.03	6.1
Other	0.33	0.33	**0.47**	0.14	42.4
Total	**28.82**	**28.70**	**29.20**	**0.50**	**1.7**

Retail sales in Italy

In 2008, retail sales on the Italian network (8.81 mmtonnes) were up 190 ktonnes from 2007, or 2.2%, despite a decrease recorded in domestic consumption, mainly due to marketing activities ("Iperself" sales and fidelity programmes) that sustained market share growth from 29.2% to 30.6% .

Higher sales mainly regarded gasoil sales while gasoline sales registered a decrease.

At December 31, 2008, Eni s retail network in Italy consisted of 4,409 service stations, 19 more than at December 31, 2007 (4,390 service stations), resulting from the positive balance of acquisitions/releases of lease concessions (32 units), the opening of new service stations (7 units), partly offset by the closing of service stations with low throughput (19 units) and the release of one service station under highway concession.

Average throughput related to gasoline and gasoil (2,470 kliters) registered an increase of 26 kliters from 2007.

In 2008, fuel sales of the Blu line high performance and low environmental impact fuel declined due to sensitivity of demand to prices of these products in an environment of economic downturn and high fuel prices on average. Sales of BluDiesel and its reformulated version BluDieselTech amounted to 583 ktonnes (677 mmliters), declining by 152 ktonnes from 2007 and represented 10.6% of gasoil sales on Eni s retail network.

At year end, service stations marketing BluDiesel totaled 4,095 units (4,065 in 2007) covering to approximately 93% of Eni s network.

Retail sales of BluSuper amounted to 78 ktonnes (91

Under the "You&Agip" promotional campaign, launched in March 2007 and lasting 3 years, at December 31, 2008, the number of customers that actively used the card in the period amounted to over about 4 million. The average number of cards active each month was over 3 million.

Volumes of fuel marketed under this initiative represented 46% of total volumes marketed on Eni s service stations joining the programme, and 44% of overall volumes marketed on Eni s network.

Retail sales outside Italy

In 2008 retail sales of refined products marketed in the rest of Europe (3.86 mmtonnes) was down 170 ktonnes from 2007, or 4.2%, mainly in the Iberian Peninsula, due to the disposal of downstream activities to Galp, and in Germany. These decreases were partly offset by higher sales in the Czech Republic, Hungary and Slovakia due to the purchase of assets made in the fourth quarter of 2007.

At December 31, 2008, Eni s retail network in the rest of Europe consisted of 1,547 units, a decrease of 503 units from December 31, 2007 (2,050 service stations).

The network evolution was as follows: (i) divestment of 371 service stations in the Iberian Peninsula to Galp; (ii) a negative balance of acquisition/releases of leased service station was recorded (down 135 units), with positive changes in Hungary and Switzerland and negative ones in Germany; (iii) 17 low throughput service stations were closed; (iv) purchased 15 service stations; (v) opened 5 new outlets. Average throughput (2,577 kliters) was substantially in line with 2007.

Wholesale and other sales

In 2008, sales volumes on wholesale markets in Italy (11.15 mmtonnes) were up 60 ktonnes from 2007, or 0.5%, reflecting mainly an increase in the bunkering market and gasoil sales.

Sales on wholesale markets in the rest of Europe (4.82 mmtonnes) increased 430 ktonnes, or 9.8%, mainly in the Czech Republic and Switzerland, while sales declined in Spain, Austria , France and Germany.

Supplies of feedstock to the petrochemical industry (1.70 mmtonnes) declined by 230 ktonnes due to declining demand.

Other sales (19.78 mmtonnes) increased by 0.26 mmtonnes, or 1.3%.

mmliters) and decreased by 20 ktonnes from 2007 and covered 2.5% of gasoline sales on Eni s retail network. At year end, service stations marketing BluSuper totaled 2,631 units (2,565 at December 31, 2007), covering approximately 60% of Eni s network.

Capital expenditures

In 2008, capital expenditures in the Refining & Marketing segment amounted to euro 965 million and regarded mainly: (i) refining, supply and logistics (euro 630 million) in Italy, with projects designed to improve the conversion rate and flexibility of refineries, in particular ongoing construction of a new hydro-cracker at the Sannazzaro refinery, and expenditures on health, safety and environmental upgrades; (ii) upgrade and restructuring of the retail network in Italy (euro 183 million); (iii) upgrade of the retail network and purchase of service stations in the rest of Europe (euro 115 million).
Expenditures on health, safety and the environment amounted to euro 166 million.

Capital expenditures	(million euro)	2006	2007	**2008**	Change	% Ch.
Italy		547	873	**850**	(23)	(2.6)
Outside Italy		98	106	**115**	9	8.5
		645	**979**	**965**	**(14)**	**(1.4)**
Refinery, supply and logistics		**376**	**675**	**630**	**(45)**	**(6.7)**
Italy		376	675	**630**	(45)	(6.7)
Marketing		**223**	**282**	**298**	**16**	**5.7**
Italy		125	176	**183**	7	4.0
Outside Italy		98	106	**115**	9	8.5
Other		**46**	**22**	**37**	**15**	**68.2**
		645	**979**	**965**	**(14)**	**(1.4)**

Key performance indicators		2006	2007	2008
Net sales from operations [(a)]	(million euro)	6,823	6,934	**6,303**
Operating profit		172	74	**(822)**
Adjusted operating profit		219	90	**(375)**
Adjusted net profit		174	57	**(306)**
Capital expenditures		99	145	**212**
Production	(ktonnes)	7,072	8,795	**7,372**
Sales of petrochemical products		5,276	5,513	**4,684**
Average plant utilization rate	(%)	76.4	80.6	**68.6**
Employees at year end	(units)	6,025	6,534	**6,274**

(a) Before elimination of intragroup sales.

In 2008, the Petrochemicals division incurred an adjusted net loss of euro 306 million as compared to an adjusted net profit of euro 57 million registered in 2007, due to a weaker operating performance related to a decline in commodity chemical margins , reflecting higher supply costs of oil-based feedstock and lower demand on end-markets.

Sales of petrochemical products were 4,684 ktonnes, down 829 ktonnes from last year, or 15%, due to a context of economic downturn that negatively influenced demand for petrochemical products.

Petrochemical production volumes were 7,372 ktonnes, down 1,423 ktonnes, or 16.2%, due to a steep decline in demand for petrochemical products in all business.

Sales - production - prices

In 2008, sales of petrochemical products (4,684 ktonnes) decreased by 829 ktonnes from 2007 (down 15%) in all business areas as a result of lower petrochemical demand for petrochemical products, due to a negative market scenario.
Petrochemical production (7,372 ktonnes) decreased by 1,423 ktonnes from 2007, or 16.2%.
In a context of economic downturn, the steep decline in unit margins and sales determined unexpected outages of some plants, in particular in the last part of the year.
Nominal production capacity decreased by approximately 2 percentage points from 2007, due to the shutdown of the Gela cracker. The average plant utilization rate calculated on nominal capacity decreased by 12 percentage points from 80.6% to 68.6%, due to the current economic downturn that entailed reductions in production in all main plants.
Approximately 49.5% of total production was directed to Eni s own production cycle (48.9% in 2007).
Oil-based feedstock supplied by Eni s Refining & Marketing Division covered 24% of requirements (21% in 2007).
Prices of Eni s main petrochemical products increased on average by 7%, increasing in the business of: (i) olefins (up 13 %) with increases in all products; (ii) elastomers (up 10%), in particular polybutadienic and nytrilic rubbers; (iii) polyethylene (up 5%), in particular EVA.
These increases were lower than the increase in the cost of oil-based feedstock (virgin naphtha up 17.3% in dollars; up 9.3% in euro) in particular until September and determined a decline in margins.

Product availability	(ktonnes)	2006	2007	**2008**	Change	% Ch.
Olefins		2,950	3,490	**2,819**	(671)	(19.2)
Aromatics		772	938	**767**	(171)	(18.2)
Intermediates		553	1,260	**977**	(283)	(22.5)
Styrene		1,088	1,117	**1,018**	(99)	(8.9)
Elastomers		457	515	**494**	(21)	(4.1)
Polyethylene		1,252	1,475	**1,297**	(178)	(12.1)
Production		**7,072**	**8,795**	**7,372**	**(1,423)**	**(16.2)**
Consumption of monomers		(2,488)	(4,304)	**(3,652)**	652	(15.1)
Purchases and change in inventories		692	1,022	**964**	(58)	(5.7)
		5,276	**5,513**	**4,684**	**(829)**	**(15.0)**

Sales	(ktonnes)	2006	2007	**2008**	Change	% Ch.
Olefins		1,699	1,797	**1,423**	(374)	(20.8)
Aromatics		530	514	**420**	(94)	(18.3)
Intermediates		654	712	**576**	(136)	(19.1)
Styrene		587	594	**543**	(51)	(8.6)
Elastomers		412	447	**433**	(14)	(3.1)
Polyethylene		1,394	1,449	**1,289**	(160)	(11.0)
		5,276	**5,513**	**4,684**	**(829)**	**(15.0)**

Business Areas

Olefins
Olefins sales (1,423 ktonnes) decreased by 374 ktonnes from 2007 (down 20.8%), penalized by a poorer market scenario that negatively affected product demand and lower product availability. Main reductions were registered in sales of ethylene (down 30%), butadiene (down 30.3%) and propylene (down 15%).
Olefins production (2,819 ktonnes) declined by 671 ktonnes from 2007, or 19.2%, due to the maintenance shutdown of the Priolo cracker, technical problems at the Brindisi and Dunkerque plants, steep demand reduction and the shutdown of the Gela cracker.

Aromatics and intermediates
Aromatics sales (420 ktonnes) decreased by 94 ktonnes from 2007 (down 18.3%) due to lower demand for isomers (down 33%), mainly in the second part of the year.
Intermediates sales (576 ktonnes) decreased by 136 ktonnes from 2007 (down 19.1%) mainly due to temporary shutdown of the Porto Torres cracker as a result of the poorer market scenario that negatively affected demand. Main decreases were registered in phenol (down 30.6%) and cyclohexanone (down 6.4%).
Aromatics production (767 ktonnes) decreased by 171 ktonnes from 2007 (down 18.2%) mainly due to the maintenance shutdown of the Priolo cracker and the temporary shutdown of the Porto Torres plant.
Intermediates production (977 ktonnes) decreased by 283 ktonnes from 2007 (down 22.5%) mainly due to the shutdown of Porto Torres plant.

Styrene and elastomers
Styrene sales (543 ktonnes) declined by 51 ktonnes from 2007 (down 8.6%). Sales reductions affected essentially compact polystyrene (down 13%) and ABS/SAN (down 13.2%) due to lower demand.
Increases in styrene (up 9.8%) and expanded polystyrene (up 5.6%) were due to higher product availability.
Elastomers sales (433 ktonnes) decreased by 14 ktonnes, or 3.1%, due to a steep decline in demand in the last part of the year, mainly in the automotive sector.
Sales decreases were registered mainly in latices (down 11%), NBR (down 9.5%) and polybutadienic rubbers (down 4%).
Increases recorded in thermoplastic rubbers (up 6.3%) and SBR (up 3.4%) were due to higher product availability.
Styrene production (1,018 ktonnes) decreased by 99 ktonnes, or 8.9%.
Elastomer production (494 ktonnes) decreased by 21 ktonnes (down 4.1%) due to maintenance shutdown of the Ravenna plant and unexpected outages of the Porto Torres and Ferrara plants.

Polyethylene
Polyethylene sales (1,289 ktonnes) decreased by 160 ktonnes, or 11%, from 2007, reflecting mainly negative market conditions for LDPE (down 19.4%) and HDPE (down 11.4%).
Polyethylene production (1,297 ktonnes) decreased by 178 ktonnes, or 12.1%, due to maintenance shutdown of the Gela, Ragusa and Priolo plants and the temporary shutdown of Porto Torres and Dunkerque plant reflecting lower demand.
EVA production increased by 8% due to the fact that 2007 was impacted by the outage of Oberhausen plant.

Capital expenditures
In 2008, capital expenditures in the Petrochemicals segment amounted to euro 212 million (euro 145 million in 2007) and regarded mainly extraordinary maintenance (euro 84 million), plant upgrades (euro 51 million), environmental protection, safety and environmental regulation compliance (euro 41 million), upkeeping and rationalization (euro 24 million).

Contents

Key performance indicators		2006	2007	2008
Net sales from operations [(a)]	(million euro)	6,979	8,678	**9,176**
Operating profit		505	837	**1,045**
Adjusted operating profit		508	840	**1,041**
Adjusted net profit		400	658	**784**
Capital expenditures		591	1,410	**2,027**
Adjusted ROACE	(%)	12.8	17.1	**16.8**
Orders acquired		11,172	11,845	**13,860**
Order backlog		13,191	15,390	**19,105**
Employees at period end	(units)	30,902	33,111	**35,629**

(a) Before elimination of intragroup sales.

Adjusted net profit was euro 784 million, up euro 126 million from a year ago, or 19.1%, reflecting a better operating performance and favorable trends in the demand for oilfield services.

Return on average capital employed calculated on an adjusted basis was 16.8% in 2008, lower than in 2007 (17.1%).

Orders acquired amounted to euro 13,860 million, up euro 2,015 million from 2007 (+17%), in particular in offshore and onshore activities.

Orders backlog was euro 19,105 million at December 31, 2008 (euro 15,390 million at December 31, 2007), related in particular to projects in North Africa (26%), West Africa (21%) and America (13%).

Capital expenditures amounted to euro 2,027 million, up euro 617 million from 2007, or 43.8%, mainly due to the upgrade of the construction and drilling fleet.

On February 2008, as part of the announced plan to dispose of non core assets, Eni sold its 30% interest in Gaztransport & Technigaz SA (GTT), a company owning a patent for the construction of tanks for LNG transport, to

Hellman & Friedman for a total value of euro 310 million.

Activity for the year

Among the main orders acquired in 2008 were:

- an EPIC contract for ELF for the construction and installation of underwater pipelines and related facilities connecting the Usan oil field offshore Nigeria to an FPSO (Floating Production Storage Offloading) unit;
- a contract for OLT Offshore LNG Toscana for the construction of an FSRU (Floating, Storage and Regasification Unit) LNG terminal in Livorno through the conversion of a gas carrier ship located offshore Tuscany. The FSRU will have a storage capacity of 137 kcm of LNG and a production capacity of 3.75 bcm/y of natural gas;
- a contract for Nord Stream AG for laying the Nord Stream gas pipeline constituted by twin pipelines that will link Russia and Germany across the Baltic Sea. Overall capacity of about 55 bcm/y will be reached when both lines will be operational;
- an EPC contract for Total Exploration and Production Nigeria Limited for the upgrade of Block OML 58 through the revamping of the existing flow station and the construction of a new gas treatment train increasing gas production to 17.5 mmcm/d;
- an EPC contract for Sonatrach for the construction of a single-train gas liquefaction plant, with a capacity of 4.7 mmtonnes/y of LNG near the city of Arzew in Algeria;
- an EPC contract for Saudi Aramco for the construction of three gas/oil separation trains (GOSP, Gas Oil Separation Process) on the Manifa field aimed at increasing the production capacity of Saudi Arabia by 900 kbbl/d;A
- an EPC contract for Sonatrach for the construction of infrastructure for an LPG plant made up of three production trains with a total capacity of 8 mmcm/d within the development of the Hassi Messaoud onshore field in Algeria.

Orders acquired amounted to euro 13,860 million, of these projects to be carried out outside Italy represented 94%, while orders from Eni companies amounted to 4% of the total. Eni s order backlog was euro 19,105 million at December 31, 2008 (euro 15,390 million at December 31, 2007). Projects to be carried out outside Italy represented 98% of the total order backlog, while orders from Eni companies amounted to 13% of the total.

Orders acquired	(million euro)	2006	2007	**2008**	Change	% Ch.
Orders acquired		**11,172** [a]	**11,845**	**13,860**	**2,015**	**17.0**
Offshore construction		3,681	3,496	**4,381**	885	25.3
Onshore construction		4,923	6,070 [b]	**7,522**	1,452	23.9
Offshore drilling		2,230	1,644	**760**	(884)	(53.8)
Onshore drilling		338	635	**1,197**	562	88.5
of which:						
- Eni		2,692	1,923	**540**	(1,383)	(71.9)
- Third parties		8,480	9,922	**13,320**	3,398	34.2
of which:						
- Italy		1,050	574	**831**	257	44.8
- Outside Italy		10,122	11,271	**13,029**	1,758	15.6

Order backlog (million euro)	Dec. 31, 2006	Dec. 31, 2007	**Dec. 31, 2008**	Change	% Ch.
Order backlog	**13,191** [(a)]	**15,390**	**19,105**	**3,715**	**24.1**
Offshore construction	4,283	4,215	**4,682**	467	11.1
Onshore construction	6,285	7,003 [(b)]	**9,201**	2,198	31.4
Offshore drilling	2,247	3,471	**3,759**	288	8.3
Onshore drilling	376	701	**1,463**	762	..
of which:					
- Eni	2,602	3,399	**2,547**	(852)	(25.1)
- Third parties	10,589	11,991	**16,558**	4,567	38.1
of which:					
- Italy	1,280	799	**435**	(364)	(45.6)
- Outside Italy	11,911	14,591	**18,670**	4,079	28.0

(a) Includes the Bonny project for euro 28 million in orders acquired and euro 101 million in order backlog.
(b) Net of the backlog of divested companies (Haldor Topsøe and Camom Group) for euro 181 million.

Capital expenditures

Capital expenditures in the Engineering & Construction division (euro 2,027 million) mainly regarded the start up of the construction of the deepwater field development ship FDS 2 as well as the ongoing construction of the pipelayer, the semisubmersible platforms Scarabeo 8 and 9 and the deepwater drilling ship Saipem 12000. In 2008, the construction of the FPSO vessel Gimboa and of the jack-up Perro Negro 7 has been completed.

(million euro)	2006	2007	**2008**	Change	% Ch.
Offshore construction	390	566	**741**	175	30.9
Onshore construction	53	76	**48**	(28)	(36.8)
Offshore drilling	101	478	**785**	307	64.2
Onshore drilling	36	266	**424**	158	59.4
Other expenditures	11	24	**29**	5	20.8
	591	**1,410**	**2,027**	**617**	**43.8**

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Financial Review

PROFIT AND LOSS ACCOUNT

2006	(million euro)	2007	**2008**	Change	% Ch.
86,105	Net sales from operations	87,256	**108,148**	20,892	23.9
783	Other income and revenues	827	**720**	(107)	(12.9)
(61,140)	Operating expenses	(61,979)	**(80,412)**	(18,433)	(29.7)
(239)	*of which non recurring items*	*(8)*	***21***	*29*	
(6,421)	Depreciation, depletion, amortization and impairments	(7,236)	**(9,815)**	(2,579)	(35.6)
19,327	**Operating profit**	**18,868**	**18,641**	**(227)**	**(1.2)**
161	Finance (expense) income	(83)	**(764)**	(681)	..
903	Net income from investments	1,243	**1,373**	130	10.5
20,391	**Profit before income taxes**	**20,028**	**19,250**	**(778)**	**(3.9)**
(10,568)	Income taxes	(9,219)	**(9,692)**	(473)	(5.1)
51.8	*Tax rate (%)*	*46.0*	***50.3***	*4.3*	
9,823	Net profit	10,809	**9,558**	(1,251)	(11.6)
	Attributable to:				
9,217	**- Eni**	**10,011**	**8,825**	**(1,186)**	**(11.8)**
606	- Minority interest	798	**733**	(65)	(8.1)

Net profit
In 2008 **Eni s net profit** was euro 8,825 million compared with euro 10,011 million a year ago, down euro 1,186 million, or 11.8%. This result was influenced by lower reported operating profit, which was down euro 227 million or 1.2%, as the weaker operating performance reported by Eni s downstream businesses was partly offset by an improved performance in the Exploration & Production division driven by the strong pricing environment experienced until September 2008. The full year result was reduced as both higher financial charges (down euro 681 million) and income taxes (down euro 473 million) were recorded, the latter associated with higher taxes currently payable recorded by subsidiaries of the Exploration & Production division operating outside Italy.
On the positive side, an adjustment was recorded relating to deferred tax for Italian companies and for Libyan activities reflecting new tax rules, effective from January 1, 2008 (for more details on tax matters see the following discussion under income taxes).

2006	(million euro)	2007	**2008**	Change	% Ch.

9,217	**Net profit attributable to Eni**	**10,011**	**8,825**	**(1,186)**	**(11.8)**
33	Exclusion of inventory holding (gain) loss	(499)	**723**	1,222	
1,162	Exclusion of special items:	(42)	**653**	695	
	of which:				
239	*- non recurring items*	*35*	***(21)***	*(56)*	
923	*- other special items*	*(77)*	***674***	*751*	
10,412	**Eni s adjusted net profit** [(a)]	**9,470**	**10,201**	**731**	**7.7**

(a) For a detailed explanation of adjusted operating profit and net profit see page 69.

Adjusted net profit
Eni s adjusted net profit for the year was euro 10,201 million compared with euro 9,470 million a year ago, up euro 731 million, or 7.7%. Adjusted net profit is calculated by excluding an inventory holding loss of euro 723 million and special charges of euro 653 million net, resulting in an overall adjustment equal to an increase of euro 1,376 million.
Special charges mainly related to fixed asset impairments, environmental provisions, redundancy incentives, as well as provisions for risks on pending litigation. In addition, the Company incurred an expense in the form of a contribution of euro 200 million to the solidarity fund pursuant to Italian Law Decree No. 112/2008 to be used to subsidize the gas bills for residential uses of less affluent citizens. Special gains mainly regarded the abovementioned adjustments to deferred tax liabilities, and gains recorded on the divestment of certain assets in the Engineering & Construction and Refining & Marketing divisions.

Return On Average Capital Employed (ROACE) calculated on an adjusted basis was 17.6% (19.3% in 2007).
Eni s results for 2008 were achieved in a trading environment characterized by a significant increase in Eni s oil and gas realizations (up 28.1% on average) on the back of a favorable scenario until September with Brent prices up 33.7% from 2007.
Margins on gas sales were affected by an unfavorable trading environment also reflecting exchange rate movements. Refining activities were positively influenced by a strong margin environment (Brent refining margins were up 43.6%, to 6.49 $/bbl). A steep decline was registered in selling margins of commodity chemicals due to higher supply costs of oil-based feedstock that were not fully recovered in sales prices and weak demand. Eni s results were negatively affected by the 7.3% appreciation of the euro against the dollar.

The break-down of **adjusted net profit** by division is shown in the table below:

2006	(million euro)	2007	**2008**	Change	% Ch.
7,279	Exploration & Production	6,491	**8,008**	1,517	23.4
2,862	Gas & Power	2,936	**2,650**	(286)	(9.7)
629	Refining & Marketing	319	**510**	191	59.9
174	Petrochemicals	57	**(306)**	(363)	..
400	Engineering & Construction	658	**784**	126	19.1
(301)	Other activities	(210)	**(279)**	(69)	(32.9)
54	Corporate and financial companies	(141)	**(612)**	(471)	..
(79)	Impact of unrealized intragroup profit elimination [(a)]	(16)	**77**	93	..
11,018		**10,094**	**10,832**	**738**	**7.3**
	of which attributable to:				
606	- Minority interest	624	**631**	7	1.1
10,412	**- Eni**	**9,470**	**10,201**	**731**	**7.7**

(a) This item concerned mainly intragroup sales of good, services and capital assets at period end in the equity of the purchasing business segment.

The increase in the Group adjusted net profit mainly reflected a higher result reported by:

- the **Exploration & Production** division achieved an increase of euro 1,517 million in adjusted net profit, up 23.4%, due to a better
- the **Refining & Marketing** division reported higher adjusted results (up euro 191 million, or 59.9%) as operating performance increased from a year ago (up euro 237 million, or 72%). This better result reflected both the favorable trading

operating performance (up euro 3,365 million, or 23.9%) driven by higher realizations in dollars (oil up 24.2%; natural gas up 47.8%) and production growth (up 20.1 mmboe). These improvements were partially offset by the appreciation of the euro against the dollar (up 7.3%), rising operating costs and higher amortization charges, also due to increased exploration activity (increasing by approximately euro 420 million at constant exchange rates). Income taxes increased by euro 2,289 million also due to higher adjusted tax rate (from 54.5% to 55.7%);

environment in the refinery activity and higher realized marketing margins and an increasing retail market share achieved in marketing activities;

- the **Engineering & Construction** division reported improved net profit (up euro 126 million, or 19.1%) driven by a better operating performance which was up euro 201 million, or 23.9%, due to favorable industry trends.

These increases were partly offset by weaker results reported by the following divisions;

- the **Gas & Power** division reported a decreased adjusted net profit (down euro 286 million, or 9.7%) due to a weaker operating performance (down euro 551 million, or 13.5%). This shortfall was due to lower gas demand and stronger competitive pressures that particularly impacted the volume performance on the Italian market.
  These negatives were partly offset by increased international sales due to organic growth recorded in the European markets and the contribution of the acquisition of Distrigas, as well as higher seasonal sales recorded in the first quarter. The regulated businesses in Italy and the international transport activity delivered improved performance, reflecting higher handled volumes;
- the **Petrochemicals** division incurred a loss at both the operating level and the bottom line (equal to euro 363 million and euro 306 million respectively). This shortfall was due to a steep decline in commodity chemical margins, reflecting higher supply costs of oil-based feedstock and end-markets lower demand.

Analysis of Profit and Loss Account Items

Net sales from operations

2006	(million euro)	2007	**2008**	Change	% Ch.
27,173	Exploration & Production	27,278	**33,318**	6,040	22.1
28,368	Gas & Power	27,633	**36,936**	9,303	33.7
38,210	Refining & Marketing	36,401	**45,083**	8,682	23.9
6,823	Petrochemicals	6,934	**6,303**	(631)	(9.1)
6,979	Engineering & Construction	8,678	**9,176**	498	5.7
823	Other activities	205	**185**	(20)	(9.8)
1,174	Corporate and financial companies	1,313	**1,331**	18	1.4
	Impact of unrealized intragroup profit elimination		**75**	75	..
(23,445)	Consolidation adjustment	(21,186)	**(24,259)**	(3,073)	14.5
86,105		**87,256**	**108,148**	**20,892**	**23.9**

Eni s **net sales from operations** (revenues) for 2008 (euro 108,148 million) were up euro 20,892 million from 2007, or 23.9%, primarily reflecting higher realizations on oil, products and natural gas in dollar terms and higher natural gas sales volumes due to the acquisition of Distrigas. These positives were partially offset by the impact of the appreciation of the euro versus the dollar (up 7.3%).

to higher average natural gas prices reflecting trends in energy parameters to which gas prices are contractually indexed, as well as increased international sales due to the contribution of the acquisition of Distrigas and organic growth recorded in European target markets, partly offset by lower volumes sold in Italy due to the impact of the economic downturn and competitive pressure.

Revenues generated by the Exploration & Production division (euro 33,318 million) increased by euro 6,040 million or 22.1%, mainly due to higher realizations in dollars (oil up 24.2%, natural gas up 47.8%). Eni s liquid realizations (84.05 $/bbl) were affected by the settlement of certain commodity derivatives relating to the sale of 46 mmbbl in the year, with a negative impact of $4.13 per barrel (for a more detailed explanation about this issue see the discussion on results of the Exploration & Production division below). Revenue increases in 2008 were also driven by production growth (up 20.1 mmboe, or 3.3%). These improvements were partially offset by the appreciation of the euro against the dollar.

Revenues generated by the Gas & Power division (euro 36,936 million) increased by euro 9,303 million, up 33.7%, mainly due

Revenues generated by the Refining & Marketing division (euro 45,083 million) increased by euro 8,682 million, up 23.9%, mainly due to higher international prices for oil and products and higher product volumes sold (up 1.1%) partly offset by the impact of the appreciation of the euro over the dollar.

Revenues generated by the Petrochemical division (euro 6,303 million) decreased by euro 631 million, down 9.1%, mainly reflecting a decline in volumes sold (down 15%) due to weaker demand.

Revenues generated by the Engineering & Construction division (euro 9,176 million) increased by euro 498 million, up 5.7%, due to increased activity levels.

Operating expenses

2006	(million euro)	2007	2008	Change	% Ch.
57,490	Purchases, services and other	58,179	**76,408**	18,229	31.3
	of which:				
239	*- non-recurring items*	*91*	***(21)***	*(112)*	
390	*- other special items*	*470*	***761***	*291*	
3,650	Payroll and related costs	3,800	**4,004**	204	5.4
	of which:				
	- non-recurring items	*(83)*		*83*	
178	*- provision for redundancy incentives*	*198*	***91***	*(107)*	
61,140		**61,979**	**80,412**	**18,433**	**29.7**

Operating expenses for the year (euro 80,412 million) increased by euro 18,433 million from 2007, up 29.7%.

Purchases, services and other (euro 76,408 million) increased by euro 18,229 million, up 31.3%, mainly reflecting higher purchase prices of natural gas as well as higher prices for refinery and petrochemical feedstock due to market trends in oil commodities and rising dollar-denominated operating expenses in the Exploration & Production division due to full consolidation of acquired assets and the impact of sector-specific inflation. Those increases were partly offset by the appreciation of the euro over the dollar.

Purchases, services and other include **special charges** amounting to euro 761 million mainly relating to environmental and other risk provisions as well as impairments of certain current assets. In 2007 non recurring items amounting to euro 91 million mainly related to risk provisions on ongoing antitrust and regulatory proceedings, while **other special charges** of euro 470 million mainly related to environmental and other risk provisions and other impairments.

Payroll and related costs (euro 4,004 million) increased by euro 204 million, up 5.4%, mainly due to higher unit labor cost in Italy and an increase in the average number of employees outside Italy that was recorded mainly in the Exploration & Production, following the consolidation of acquired assets, as well as increased personnel in the Engineering & Construction business due to higher volumes. In addition in 2007 a non-recurring gain of euro 83 million was recorded in connection with the curtailment of the provision for post-retirement benefits relating to obligations towards Italian employees. These increases were partly offset by exchange rate translation differences.

Depreciation, depletion, amortization and impairments

2006	(million euro)	2007	2008	Change	% Ch.
4,646	Exploration & Production	5,483	**6,733**	1,250	22.8
687	Gas & Power	687	**742**	55	8.0
434	Refining & Marketing	433	**430**	(3)	(0.7)
124	Petrochemicals	116	**117**	1	0.9
195	Engineering & Construction	248	**335**	87	35.1
6	Other activities	4	**3**	(1)	(25.0)
70	Corporate and financial companies	68	**76**	8	11.8

(9)	Impact of unrealized intragroup profit elimination	(10)	**(14)**	(4)	..
6,153	**Total depreciation, depletion and amortization**	**7,029**	**8,422**	**1,393**	**19.8**
268	Impairments	207	**1,393**	1,186	..
6,421		**7,236**	**9,815**	**2,579**	**35.6**

Depreciation, depletion and amortization charges (euro 8,422 million) increased by euro 1,393 million, up 19.8%, mainly in the Exploration & Production division (up euro 1,250 million) in connection with: (i) rising development amortization charges reflecting the consolidation of assets acquired and increased expenditures to develop new fields and to sustain production performance of mature fields; (ii) higher exploration expenditures reflecting execution of a greater number of exploration projects (up by euro 420 million on a constant exchange rate basis). These negatives were partly offset by the appreciation of the euro against the dollar.

Impairment charges of euro 1,393 million mainly regarded proved and unproved mineral properties in the Exploration & Production division due to changes in regulatory and contractual frameworks for certain properties, cost increases, as well as a changed pricing environment. A number of plants and equipments in the Refining & Marketing and Petrochemical divisions were impaired due to lower expected profitability associated with a worsening pricing/margin environment.

The breakdown of impairment charges by division is shown in the table below:

2006	(million euro)	2007	**2008**	Change	% Ch.
130	Exploration & Production	143	**810**	667	..
51	Gas & Power		**1**	1	..
14	Refining & Marketing	58	**299**	241	..
50	Petrochemicals		**279**	279	..
22	Other activities	6	**4**	(2)	33.3
1	Other				
268		**207**	**1,393**	**1,186**	**..**

Operating profit

The breakdown of reported operating profit by division is provided below:

2006	(million euro)	2007	**2008**	Change	% Ch.
15,580	Exploration & Production	13,788	**16,415**	2,627	19.1
3,802	Gas & Power	4,127	**3,933**	(194)	(4.7)
319	Refining & Marketing	729	**(1,023)**	(1,752)	..
172	Petrochemicals	74	**(822)**	(896)	..
505	Engineering & Construction	837	**1,045**	208	24.9
(622)	Other activities	(444)	**(346)**	98	22.1
(296)	Corporate and financial companies	(217)	**(686)**	(469)	..
(133)	Impact of unrealized intragroup profit elimination	(26)	**125**	151	
19,327	**Operating profit**	**18,868**	**18,641**	**(227)**	**(1.2)**

Adjusted operating profit

The breakdown of adjusted operating profit by division is provided below:

2006	(million euro)	2007	**2008**	Change	% Ch.
19,327	**Operating profit**	**18,868**	**18,641**	**(227)**	**(1.2)**
88	Exclusion of inventory holding (gains) losses	(620)	**936**	1,556	
1,075	Exclusion of special items:	738	**2,216**	1,478	
	of which:				
239	*- non-recurring items*	*8*	***(21)***	*(29)*	
836	*- other special items*	*730*	***2,237***	*1,507*	
20,490	**Adjusted operating profit**	**18,986**	**21,793**	**2,807**	**14.8**
	Breakdown by division				
15,763	Exploration & Production	14,051	**17,416**	3,365	23.9

3,882	Gas & Power	4,092	**3,541**	(551)	(13.5)
790	Refining & Marketing	329	**566**	237	72.0
219	Petrochemicals	90	**(375)**	(465)	..
508	Engineering & Construction	840	**1,041**	201	23.9
(299)	Other activities	(207)	**(244)**	(37)	(17.9)
(240)	Corporate and financial companies	(183)	**(277)**	(94)	(51.4)
(133)	Impact of unrealized intragroup profit elimination	(26)	**125**	151	..
20,490		**18,986**	**21,793**	**2,807**	**14.8**

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Adjusted operating profit in 2008 amounted to euro 21,793 million, up euro 2,087 million or 14.8% from 2007. Adjusted operating profit is arrived at by excluding an inventory holding gain of euro 936 million and special charges of euro 2,216 million net. The increase reported in adjusted operating profit reflected better operating performance delivered by:
- the **Exploration & Production** division that achieved an increase of euro 3,365 million from 2007, up 23.9%, primarily due to higher hydrocarbon realizations in dollar terms (up 28.1% on average) and production growth (up 20.1 mmboe), partly offset by the euro s appreciation against the dollar (up 7.3%) and rising costs and amortization charges;
- the **Refining & Marketing** division (up euro 237 million, or 72%) driven by higher margins. The refining business benefited from a generally favorable scenario (Brent margin of 6.49 $/bbl was up 43.6% from 2007) partially offset by higher planned and unplanned downtime, the euro s appreciation against the dollar and rising refining utility expenses and CO_2 emission costs. Also marketing activities in Italy reported a stronger operating result due to higher retail margins and higher product volumes sold due to the increased market share. The wholesale activity benefited from higher margins;
- the **Engineering & Construction** division achieved an increase of euro 201 million from 2007, or 23.9%, due to higher activity levels.

These increases were partly offset by weaker results reported by:
- the **Gas & Power** division (down euro 551 million, or 13.5%) affected by a weaker performance recorded by marketing activities, which was partly offset by improved results achieved by the regulated businesses in Italy and international transport activity;
- the **Petrochemical** division (down euro 465 million), due to a steep decline in commodity chemical margins, reflecting higher supply costs of oil-based feedstock that were not fully recovered in sales prices and end-markets weak demand.

Financial income (expense)

2006	(million euro)	2007	**2008**	Change
(207)	**Finance income (expense) related to net borrowings**	**(412)**	**(824)**	**(412)**
(463)	Finance expense on short and long-term debt	(703)	(993)	(290)
194	Net interest due to banks	236	87	(149)
62	Net income from receivables and securities for non-financing operating activities	55	82	27
383	**Income (expense) on derivatives**	**26**	**(551)**	**(577)**
(152)	**Exchange differences, net**	**(51)**	**206**	**257**
21	**Other finance income and expense**	**174**	**169**	**(5)**
	Income from equity instruments	188	241	53
136	Net income from receivables and securities for financing operating activities and interest on tax credits	127	99	(28)
(116)	Finance expense due to the passage of time (accretion discount)	(186)	(249)	(63)
1	Other	45	78	33
45		**(263)**	**(1,000)**	**(737)**
116	Finance expense capitalized	180	236	56
161		**(83)**	**(764)**	**(681)**

In 2008 **net finance expenses** were recorded amounting to euro 764 million increasing by euro 681 million from 2007. This was mainly due to: (i) increased average net borrowings, as well as the impact of higher interest rates designated as effective hedging instruments under IFRS, including both settled transactions and re-measurement gains and losses, mainly related to instruments on exchange rates. A gain from an equity instrument on euro-denominated finance debt (Euribor up 0.3 percentage points) partially offset by lower interest rates on dollar loans (Libor down 2.4 percentage points); (ii) a net loss of euro 551 million (as compared to a net gain of euro 26 million in 2007) recognized in connection with fair value evaluation through profit and loss of certain derivatives instruments that are not

amounting to euro 241 million was recorded (euro 188 million in 2007) relating to the contractual remuneration of 9.4% on the 20% interest in OAO Gazprom Neft according to the contractual arrangements between Eni and Gazprom (for more details on this matter see the Balance Sheet discussion under the paragraph "Net working capital").

Net income from investments

The table below sets forth the breakdown of net income from investments by division for 2008.

2008 (million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	Other	Group
Share of profit (loss) from equity-accounted entities	173	413	16	43	(5)	640
Dividends	463	5	37	5		510
Gains on disposal			18	190	9	217
Other income (expense)					6	6
	636	**418**	**71**	**238**	**10**	**1,373**

In 2008 **net income from investments** was a net gain of euro 1,373 million and mainly related to: (i) Eni s share of profit of entities accounted for with the equity method (euro 640 million), in particular in the Gas & Power and Exploration & Production divisions; (ii) net gains on the divestment of interest in Gaztransport et Technigaz SAS (euro 185 million) in the Engineering & Construction division and of the interest in Agip España by the Refining & Marketing division (euro 15 million); (iii) dividends received by entities accounted for at cost (euro 510 million), mainly related to Nigeria LNG Ltd.

The table below sets forth a breakdown of net income/loss from investments for the periods presented:

2006	(million euro)	2007	2008	Change
795	Share of profit (loss) from equity-accounted entities	773	**640**	(133)
98	Dividends	170	**510**	340
18	Gains on disposal	300	**217**	(83)
(8)	Other net income		**6**	6
903		**1,243**	**1,373**	**130**

Income taxes

2006	(million euro)	2007	2008	Change
	Profit before income taxes			
5,566	Italy	5,849	**1,894**	(3,955)
14,825	Outside Italy	14,179	**17,356**	3,177
20,391		**20,028**	**19,250**	**(778)**
	Income taxes			
2,237	Italy	1,798	**313**	(1,485)
8,331	Outside Italy	7,421	**9,379**	1,958
10,568		**9,219**	**9,692**	**473**
	Tax rate (%)			
40.2	Italy	30.7	**16.5**	(14.2)
56.2	Outside Italy	52.3	**54.0**	1.7
51.8		**46.0**	**50.3**	**4.3**

Income taxes were euro 9,692 million, up euro 473 million, or 5.1%, mainly reflecting increased income taxes currently payable recorded by subsidiaries in the Exploration & Production division operating outside Italy due to higher taxable profit. The increased taxes currently payable were partly offset by an adjustment to deferred tax relating to:

- utilization of deferred tax liabilities recognized on higher carrying amounts of year-end inventories of oil, gas and refined products stated at the weighted-average cost with respect to their tax base according to the last-in-first-out method (LIFO) by Italian subsidiaries (euro 528 million). Pursuant to recently enacted Law Decree No. 112 of June 25, 2008 (Converted in to Law No. 133/2008) energy companies in Italy are required from now on to state inventories of hydrocarbons at the weighted-average cost for tax purposes as opposed to the previous LIFO evaluation and to recognize a one-off tax calculated by applying a special rate of 16% on the difference between the two amounts. Accordingly, profit and loss benefited from the difference between utilization of deferred tax liabilities and the one-off tax with a net gain of euro 229 million. This one-off tax will be paid in three annual installments of same amount, due from 2009 onwards. Deferred taxation was accrued on hydrocarbons inventories based on the applicable statutory tax rate of 33% as enacted in June 2008 compared with 27.5% of the previous tax regime;

- application of the statutory tax rate of 33% pursuant to Law Decree No. 112/2008 replacing the previously applicable tax rate of 27.5% on certain deferred tax assets of Italian subsidiaries resulting in a gain of euro 94 million;
- application of the Italian Budget Law for 2008 that provided an increase in limits whereby carrying amounts of assets and liabilities of consolidated subsidiaries can be recognized for tax purposes by paying a one-off tax calculated by applying a special rate of 6% rate resulting in a net positive impact on profit and loss of euro 290 million;
- enactment of a renewed tax framework in Libya regarding oil companies operating in accordance with production sharing schemes. Based on the new provisions, the tax base of the Company s Libyan oil properties has been reassessed resulting in the partial utilization of previously accrued deferred tax liabilities (euro 173 million).

These positives were partly offset by the circumstance that in 2007 Eni made use of an option provided in the annual Budget Law whereby the Company aligned the carrying amounts of certain fixed assets to their tax base by paying a one-off tax and recycling trough profit and loss excess deferred taxation resulting in a net positive impact of euro 773 million.

Adjusted tax rate, calculated as the ratio of income taxes to net profit before taxes on an adjusted basis, was 51.4% (48.7% in 2007). This increase was due to a higher share of profit earned by subsidiaries in the Exploration & Production division which bear a higher tax rate than the Group average tax rate.

Minority interest

Minority interest s share of profit was euro 733 million and related to Snam Rete Gas SpA (euro 254 million) and Saipem SpA (euro 407 million).

Divisional performance[1]

Exploration & Production

2006	(million euro)	2007	2008	Change	% Ch.
15,580	**Operating profit**	**13,788**	**16,415**	**2,627**	**19.1**
183	Exclusion of special items	263	**1,001**		
	of which:				
	Non-recurring items	(11)			
183	Other special items:	274	**1,001**		
231	*- asset impairments*	*226*	***989***		
(61)	*- gains on disposal of assets*		***4***		
13	*- provision for redundancy incentives*	*6*	***8***		
	- other	*42*			
15,763	**Adjusted operating profit [a]**	**14,051**	**17,416**	**3,365**	**23.9**
15,518	*Exploration & Production*	*13,785*	***17,233***	*3,448*	*25.0*
245	*Stoccaggi Gas Italia*	*266*	***183***	*(83)*	*(31.2)*
(59)	Net finance income (expense) [b]	44	**52**	8	
85	Net income (expense) from investments [b]	176	**609**	433	
(8,510)	Income taxes [b]	(7,780)	**(10,069)**	(2,289)	
53.9	*Tax rate (%)*	*54.5*	***55.7***	*1.2*	

7,279	**Adjusted net profit**	**6,491**	**8,008**	**1,517**	**23.4**
	Results also include:				
4,776	amortizations and depreciations	5,626	**7,542**	1,916	34.1
	of which:				
1,075	exploration expenditures:	1,777	**2,057**	280	15.8
820	*- amortizations of exploratory drilling expenditure and other*	*1,370*	***1,577***	*207*	*15.1*
255	*- amortizations of geological and geophysical exploration expenses*	*407*	***480***	*73*	*17.9*

(a) From 2008, adjusted operating profit is reported for the "Exploration & Production" and "Storage" businesses within the Exploration & Production division. Prior period data have been restated accordingly.
(b) Excluding special items.

(1) For a detailed explanation of adjusted operating profit and net profit see page 69.

Exploration & Production business
Adjusted operating profit of the Exploration & Production business for 2008 was euro 17,233 million, up euro 3,448 million or 25% from a year earlier. The improvement mainly reflected higher realizations in dollars (oil up 24.2%; natural gas up 47.8%) and increased production sales volumes (up 20.1 mmboe). These improvements were partially offset by the appreciation of the euro against the dollar (down approximately euro 1,200 million), rising operating costs and higher amortization charges due to the consolidation of acquired assets, higher exploratory expenses (approximately euro 420 million on a constant exchange rate basis), as well as higher production royalties.

Storage business
In 2008 adjusted operating profit reported by the natural gas storage business was euro 183 million down euro 83 million or 31.2% from 2007.

Adjusted net profit of the Exploration & Production division for 2008 increased by euro 1,517 million or 23.4% from 2007 to euro 8,008 million. This was due to an improved operating performance (up euro 3,365 million, or 23.9%) and higher profit from investments, mainly related to dividends received by associate Nigeria LNG Ltd, partly offset by higher adjusted tax rate (from 54.5% to 55.7%).

Special charges accounted for in adjusted operating profit of euro 1,001 million mainly regarded impairments of proved and unproved properties mainly due to a revision of the oil price scenario and capital expenditures profile.

Special charges accounted for in adjusted net profit primarily regarded an adjustment to deferred tax associated with the enactment of a renewed tax framework in Libya applicable to oil companies operating in accordance with production sharing schemes. Based on the new provisions, the tax base of the Company s Libyan oil properties has been reassessed resulting in the partial utilization of previously accrued deferred tax liabilities.

Liquids and gas realizations increased on average by 28.1% in dollar terms driven by the strong market environment of the first nine months of the year. Eni s liquids realizations for the full year amounted to $84.05 per barrel (up 24.2%) and were reduced by approximately $4.13 per barrel due to the settlement of certain commodity derivatives relating to the sale of 46 mmbbl in the year, as follows:

- in the first three quarters of the year liquid realizations were reduced on average by $6.02 per barrel from the sale of 34.5 mmbbl;
- in the fourth quarter liquid realizations were increased by $1.36 per barrel from the sale of 11.5 mmbbl.

These derivatives were entered into in 2007 to hedge future cash flows in the 2008-2011 period from the commodity risks on the sale of approximately 2% of Eni s proved reserves as of 2006 year-end (125.7 mmbbl) associated with certain asset purchases in the Gulf of Mexico and Congo that were executed in 2007.
In 2008 average gas realizations were supported by a favorable trading environment and also a better sales mix reflecting higher volumes marketed on the basis of spot prices on the U.S. market.

Liquid realizations and the impact of commodity derivatives were as follows:

Oil		2007	**2008**
Sales volumes	(mmbbl)	366.7	**364.3**

Sales volumes hedged by derivatives (cash flow hedge)			**46.0**
Total price per barrel, excluding derivatives	($/bbl)	**67.70**	**88.17**
Realized gains (losses) on derivatives			**(4.13)**
Total average price per barrel		**67.70**	**84.05**

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Gas & Power

2006	(million euro)	2007	**2008**	Change	% Ch.
3,802	**Operating profit**	**4,127**	**3,933**	**(194)**	**(4.7)**
(67)	Exclusion of inventory holding (gains) losses	44	**(429)**		
147	Exclusion of special items	(79)	**37**		
	of which:				
55	Non-recurring items	(61)			
92	Other special items	(18)	**37**		
44	*- environmental provisions*	*15*	***12***		
51	*- asset impairments*		***1***		
	- gains on disposal of assets		***7***		
37	*- provisions for redundancy incentives*	*38*	***20***		
(40)	*- other*	*(71)*	***(3)***		
3,882	**Adjusted operating profit**	**4,092**	**3,541**	**(551)**	**(13.5)**
2,045	*Marketing*	*2,228*	***1,469***	*(759)*	*(34.1)*
1,365	*Regulated business in Italy* [(a)]	*1,419*	***1,549***	*130*	*9.2*
472	*International transport*	*445*	***523***	*78*	*17.5*
16	Net finance income (expense) [(b)]	11	**5**	(6)	
489	Net income (expense) from investments [(b)]	420	**420**		
(1,525)	Income taxes [(b)]	(1,587)	**(1,316)**	271	
34.8	*Tax rate (%)*	*35.1*	***33.2***	*(1.9)*	
2,862	**Adjusted net profit**	**2,936**	**2,650**	**(286)**	**(9.7)**

(a) From 2008, adjusted operating profit is reported for the same businesses as EBITDA pro-forma adjusted. Results of the Power generation activity are reported within the Marketing business as it is ancillary to the latter. Results from Regulated businesses in Italy include results from Transport, Distribution and LNG activities in Italy. Prior period data have been restated accordingly.
(b) Excluding special items.

In 2008, the Gas & Power division reported **adjusted operating profit** of euro 3,541 million, a decrease of euro 551 million or 13.5% from 2007. This decrease reflected lower results recorded by marketing activities, partially offset by an improved performance delivered by the regulated businesses in Italy and international transport.

Special charges for 2008 amounted to euro 37 million (euro 7 million reported by the marketing business and euro 30 million reported by the regulated businesses in Italy) mainly regarding provisions for environmental charges, redundancy incentives and losses on asset disposal.

Adjusted net profit of euro 2,650 million decreased by euro 286 million or 9.7% from 2007. The decline in

- the fact that certain provisions accrued in previous reporting periods were partially recycled through 2007 profit and loss due to favorable developments in Italy s regulatory framework. Those provisions were originally accrued due to the implementation of Resolution No. 248/2004 and following ones by the Italian Authority for Electricity and Gas regarding the indexation mechanism of the raw material cost in supply contracts to resellers and residential customers;
- lower sales volumes of electricity (down 9.8%) reflecting lower production availability and weak demand.

These negatives were partly offset by higher international sales volumes that were achieved particularly in European markets, the contribution of the acquisition of Distrigas (up euro 90 million), and stronger weather-related sales recorded in the first operating profit (down euro 551 million) was partly offset by a decline in adjusted tax rate (from 35.1% to 33.2%).

Marketing
This business reported **adjusted operating** profit of euro 1,469 million, representing a decrease of euro 759 million or 34.1% from 2007 mainly due to:
- lower sales volumes of gas in Italy related to the impact of lower gas demand recorded in the fourth quarter of the year and competitive pressure;
- a negative trading environment particularly related to movements in exchange rates;

quarter.

Regulated businesses in Italy
This business reported **adjusted operating profit** of euro 1,549 million for 2008, an increase of euro 130 million or 9.2% from 2007. The increase was delivered both by the distribution activity, up euro 48 million, and by the transport activity, up euro 82 million as a result of higher volumes reflecting the positive impact of weather conditions, the recognition in tariff of expenditures incurred for network upgrading and lower operating expenses.

International Transport
This business reported **adjusted operating profit** of euro 523 million, up euro 78 million or 17.5% from 2007, mainly reflecting higher volumes transported due to the full operation of the capacity upgrading of the TTPC gas transport infrastructure.

Other performance indicators
Follows a breakdown of the proforma adjusted EBITDA by business:

2006	(million euro)	2007	2008	Change	% Ch.
4,896	**EBITDA pro-forma adjusted**	**5,077**	**4,466**	**(611)**	**(12.0)**
2,966	Marketing	*3,068*	***2,310***	*(758)*	*(24.7)*
	of which Distrigas		***118***		
1,222	Regulated business in Italy	*1,289*	***1,401***	*112*	*8.7*
708	International transport	*720*	***755***	*35*	*4.9*

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization charges) on an adjusted basis is calculated by adding amortization and depreciation charges to adjusted operating profit on a pro forma basis.
This performance indicator, which is not a GAAP measure under either IFRS or U.S. GAAP, includes:
- the full adjusted EBITDA of Eni s consolidated subsidiaries except for Snam Rete Gas that is included according to Eni s share of equity (55.59% as of December 31, 2008), although being fully consolidated when preparing consolidated financial statements in accordance with IFRS, due to its status of listed company;
- Eni s share of adjusted EBITDA generated by certain affiliates which are accounted for under the equity method for IFRS purposes.
Management also evaluates performance in Eni s Gas & Power division on the basis of this measure taking account of the evidence that this division is comparable to European utilities in the gas and power generation sector. This measure is provided with the intent to assist investors and financial analysts in assessing the Eni Gas & Power divisional performance as compared to its European peers, as EBITDA is widely used as the main performance indicator for utilities.

Refining & Marketing

2006	(million euro)	2007	2008	Change	% Ch.
319	**Operating profit**	**729**	**(1,023)**	**(1,752)**	..
215	Exclusion of inventory holding (gains) losses	(658)	**1,199**		
256	Exclusion of special items	258	**390**		
	of which:				
109	Non-recurring items	35	**(21)**		
147	Other special items	223	**411**		
111	*- environmental provisions*	*128*	***76***		
14	*- asset impairments*	*58*	***299***		
	- gains on disposal of assets		***13***		
8	*- risk provisions*	*9*			

47	*- provisions for redundancy incentives*	*31*	***23***		
(33)	*- other*	*(3)*			
790	**Adjusted operating profit**	**329**	**566**	**237**	**72.0**
	Net finance income (expense) [a]		**1**	1	
184	Net income (expense) from investments [a]	126	**174**	48	
(345)	Income taxes [a]	(136)	**(231)**	(95)	
35.4	*Tax rate* (%)	*29.9*	***31.2***	*1.3*	
629	***Adjusted* net profit**	**319**	**510**	**191**	**59.9**

(a) Excluding special items.

In 2008, the Refining & Marketing division reported an **adjusted operating profit** of euro 566 million, an increase of euro 237 million, or 72%, from a year ago. The improvement reflected a favorable refining environment (Brent margin was 6.49 $/bbl, up 43.6% from 2007) partly offset by higher planned and unplanned refinery downtime, the euro s appreciation against the dollar and rising refining utility expenses and higher CO_2 emission costs.

Marketing activities in Italy reported higher operating results due to a recovery in selling margins and increased sales volumes as a result of an increased market share. Wholesale marketing business reported increasing operating results due to higher margins.

Adjusted net profit was euro 510 million, up euro 191 million, or 59.9%, mainly due to a better operating performance and higher profits of equity-accounted entities. These positives were partly offset by increased income taxes. **Special charges** excluded from adjusted operating profit amounted to euro 390 million, mainly related to impairment of refining plants and service stations due to an unfavorable trading environment as well as environmental charges. Other special items not accounted for in adjusted net profit mainly related to net gains on disposal of the entire share capital of the subsidiary Agip España SA (euro 15 million).

Petrochemicals

2006	(million euro)	2007	**2008**	Change	% Ch.
172	**Operating profit**	**74**	**(822)**	**(896)**	**..**
(60)	Exclusion of inventory holding (gains) losses	(6)	**166**		
107	Exclusion of special items	22	**281**		
	of which:				
13	Non-recurring items	(2)			
94	Other special items	24	**281**		
50	*- asset impairments*		***278***		
	- gains on disposal of assets		***(5)***		
31	*- risk provisions*				
19	*- provisions for redundancy incentives*	*24*	***8***		
(6)	*- other*				
219	**Adjusted operating profit**	**90**	**(375)**	**(465)**	**..**
	Net finance income (expense) [(a)]	1	**1**		
2	Net income (expense) from investments [(a)]	1	**(9)**	(10)	
(47)	Income taxes [(a)]	(35)	**77**	112	
174	**Adjusted net profit**	**57**	**(306)**	**(363)**	**..**

(a) Excluding special items.

The Petrochemical division incurred an **adjusted operating loss** of euro 375 million, down euro 465 million from 2007. This shortfall was due to a steep decline in commodity chemical margins, reflecting higher supply costs of oil-based feedstock that were not fully recovered in sales prices and lower demand on end-markets.
Special charges excluded from adjusted operating loss of euro 281 million related mainly to impairment of assets, in particular: (i) the Sicily and Porto Marghera plants for the production of aromatics due to an expected unfavorable trading environment; (ii) the Mantova plant for the production of styrene due to a structural decline expected in demand from user sectors; (iii) the Sicilian plants for the production of polyethylene due to commoditization, lower demand and higher competitive pressures.

Engineering & Construction

2006	(million euro)	2007	**2008**	Change	% Ch.
505	**Operating profit**	**837**	**1,045**	**208**	**24.9**
3	Exclusion of special items	3	**(4)**		
	of which:				
	Non-recurring items	(4)			
3	Other special items	7	**(4)**		
1	*- assets impairments*				
	- gains on disposal of assets		***(4)***		
2	*- provisions for redundancy incentives*	*7*			
508	**Adjusted operating profit**	**840**	**1,041**	**201**	**23.9**
	Net finance income (expense) [a]		**1**	1	
66	Net income (expense) from investments [a]	80	**49**	(31)	
(174)	Income taxes [a]	(262)	**(307)**	(45)	
30.3	*Tax rate (%)*	*28.5*	***28.1***	*(0.4)*	
400	**Adjusted net profit**	**658**	**784**	**126**	**19.1**

(a) Excluding special items.

Adjusted operating profit was euro 1,041 million, up euro 201 million or 23.9%, from 2007 due to a better operating performance recorded in all business areas, in particular: (i) Onshore and Offshore construction due to improved margins; (ii) Offshore drilling due to higher tariffs and higher activity levels of the Scarabeo 3 as well as the of Perro Negro 2 jack-up and the start up of Perro Negro 7 jack-up; (iii) Onshore drilling due to higher activity levels in South America.

Adjusted net profit of 2008 was euro 784 million, up euro 126 million from 2007 due to a better operating performance, partly offset by higher income taxes.

Other activities

2006	(million euro)	2007	**2008**	Change	% Ch.
(622)	**Operating profit**	**(444)**	**(346)**	**98**	**22.1**
323	Exclusion of special items	237	**102**		
	of which:				
62	Non-recurring items	61			
261	Other special items	176	**102**		
126	*- environmental provisions*	*210*	***101***		
22	*- asset impairments*	*6*	***5***		
	- gains on disposal of assets		***(14)***		
75	*- risk provisions*	*13*	***4***		
17	*- provisions for redundancy incentives*	*18*	***4***		
21	*- other*	*(71)*	***2***		
(299)	**Adjusted operating profit**	**(207)**	**(244)**	**(37)**	**(17.9)**
(7)	Net financial income (expense) [a]	(8)	**(39)**	(31)	

5	Net income (expense) from investments [(a)]	5	**4**	(1)	
(301)	**Adjusted net profit**	**(210)**	**(279)**	**(69)**	**(32.9)**

(a) Excluding special items.

Adjusted operating loss of euro 244 million increased by euro 37 million from 2007, mainly due to impairment losses.

Special charges excluded from operating losses of euro 102 million mainly related to environmental charges (euro 101 million) and provisions for redundancy incentives.

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Corporate and financial companies

2006	(million euro)	2007	**2008**	Change	% Ch.
(296)	**Operating profit**	**(217)**	**(686)**	**(469)**	**..**
56	Exclusion of special items	34	**409**		
	of which:				
	Non-recurring items	(10)			
56	Other special items	44	**409**		
11	*- environmental provisions*	*12*	***120***		
	- gains on disposal of assets		***(9)***		
43	*- provisions for redundancy incentives*	*32*	***28***		
2	*- other*		***270***		
(240)	**Adjusted operating profit**	**(183)**	**(277)**	**(94)**	**(51.4)**
205	Net financial incomes (expenses) [(a)]	(154)	**(785)**	(631)	
	Net income (expenses) from investments [(a)]	4	**5**	1	
89	Income taxes [(a)]	192	**445**	253	
54	**Adjusted net profit**	**(141)**	**(612)**	**(471)**	**..**

(a) Excluding special items.

The aggregate Corporate and financial companies reported an **adjusted operating loss** of euro 277 million (euro 183 million in 2007) excluding special charges of euro 409 million related mainly to an expense in the form of a contribution of euro 200 million to the solidarity fund pursuant to Italian Law Decree No. 112/2008 to be used to subsidize the gas bills for residential uses of less affluent citizens, environmental provisions, expected charges on pending litigation and redundancy incentives.

The **adjusted net loss** (euro 612 million) increased by euro 471 million from 2007 reflecting the negative impact of the financing performance as a result of the increase registered in average net borrowings.

Non-GAAP measures

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

Management assesses Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, when determining adjusted net profit of each business segment, certain other items are excluded and specifically they are finance charges on finance debt, interest income, exchange rate differences and gains or losses deriving from evaluation of certain derivative financial instruments at fair value through profit or loss as they do not meet the formal criteria to be assessed as hedges under IFRS, including both settled transactions and re-measurement gains and losses. The taxation effect of the items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item. The Italian statutory tax rate of 33% is applied to finance charges and income recorded by companies in the energy sector, whilst a tax rate of 27.5% is applied to all other companies from January 1, 2008 (33% in previous reporting periods for all companies). Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them in order to facilitate a comparison of base business performance across periods and allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

The following is a description of items that are excluded from the calculation of adjusted results.

Inventory holding gain or loss 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 unusual events and transactions, being identified as nonrecurring items under such circumstances; or (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. 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.

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.
In addition gains or losses on the fair value evaluation of abovementioned derivative financial instruments which include both settled transactions and re-measurement gains and losses and exchange rate differences are excluded from the adjusted net profit of business segments. 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 division). Finance charges or interest income and related taxation effects excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

For a reconciliation of adjusted operating profit and adjusted net profit to reported operating profit and reported net profit see tables below.

accounting.

Special charges include certain significant income or charges pertaining to either: (i) infrequent or

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2008

(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**16,415**	**3,933**	**(1,023)**	**(822)**	**1,045**	**(346)**	**(686)**	**125**	**18,641**
Exclusion of inventory holding (gains) losses		(429)	1,199	166					936
Exclusion of special items									
of which:									
Non-recurring (income) charges			**(21)**						**(21)**
Other special (income) charges:	**1,001**	**37**	**411**	**281**	**(4)**	**102**	**409**		**2,237**
environmental charges		12	76			101	120		309
asset impairments	989	1	299	278		5			1,572
gains on disposal of assets	4	7	13	(5)	(4)	(14)	(9)		(8)
risk provisions						4			4
provision for redundancy incentives	8	20	23	8		4	28		91
other		(3)				2	270		269
Special items of operating profit	**1,001**	**37**	**390**	**281**	**(4)**	**102**	**409**		**2,216**
Adjusted operating profit	**17,416**	**3,541**	**566**	**(375)**	**1,041**	**(244)**	**(277)**	**125**	**21,793**
Net finance (expense) income [(a)]	52	5	1	1	1	(39)	(785)		(764)
Net income from investments [(a)]	609	420	174	(9)	49	4	5		1,252
Income taxes [(a)]	(10,069)	(1,316)	(231)	77	(307)		445	(48)	(11,449)
Tax rate (%)	*55.7*	*33.2*	*31.2*		*28.1*				*51.4*
Adjusted net profit	**8,008**	**2,650**	**510**	**(306)**	**784**	**(279)**	**(612)**	**77**	**10,832**
of which:									
- adjusted net profit of minority interest									631
- Eni s adjusted net profit									**10,201**
Eni reported net profit									**8,825**
Exclusion of inventory holding (gains) losses									723
Exclusion of special items:									653
- non-recurring (income) charges									*(21)*
- other special (income) charges									*674*
Eni s adjusted net profit									**10,201**

(a) Excluding special items.

2007

(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**13,788**	**4,127**	**729**	**74**	**837**	**(444)**	**(217)**	**(26)**	**18,868**
Exclusion of inventory holding (gains) losses		44	(658)	(6)					(620)
Exclusion of special items									
of which:									
Non-recurring (income) charges	**(11)**	**(61)**	**35**	**(2)**	**(4)**	**61**	**(10)**		**8**
Other special (income) charges:	**274**	**(18)**	**223**	**24**	**7**	**176**	**44**		**730**
environmental charges		15	128			210	12		365
asset impairments	226		58			6			290
risk provisions			9			13			22
provision for redundancy incentives	6	38	31	24	7	18	32		156
other	42	(71)	(3)			(71)			(103)
Special items of operating profit	**263**	**(79)**	**258**	**22**	**3**	**237**	**34**		**738**
Adjusted operating profit	**14,051**	**4,092**	**329**	**90**	**840**	**(207)**	**(183)**	**(26)**	**18,986**
Net financial (expense) income [(a)]	44	11		1		(8)	(154)		(106)
Net income from investments [(a)]	176	420	126	1	80	5	4		812
Income taxes [(a)]	(7,780)	(1,587)	(136)	(35)	(262)		192	10	(9,598)
Tax rate (%)	*54.5*	*35.1*	*29.9*		*28.5*				*48.7*
Adjusted net profit	**6,491**	**2,936**	**319**	**57**	**658**	**(210)**	**(141)**	**(16)**	**10,094**
of which:									
- adjusted net profit of minority interest									624
- Eni s adjusted net profit									**9,470**
Eni s reported net profit									**10,011**
Exclusion of inventory holding (gains) losses									(499)
Exclusion of special items:									(42)
- non-recurring (income) charges									*35*
- other special (income) charges									*(77)*
Eni s adjusted net profit									**9,470**

(a) Excluding special items.

2006

(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**15,580**	**3,802**	**319**	**172**	**505**	**(622)**	**(296)**	**(133)**	**19,327**
Exclusion of inventory holding (gains) losses		(67)	215	(60)					88
Exclusion of special items									
of which:									
Non-recurring (income) charges		**55**	**109**	**13**		**62**			**239**
Other special (income) charges:	**183**	**92**	**147**	**94**	**3**	**261**	**56**		**836**
environmental charges		44	111			126	11		292
asset impairments	231	51	14	50	1	22			369
gains on disposal of assets	(61)								(61)
risk provisions			8	31		75			114
provision for redundancy incentives	13	37	47	19	2	17	43		178
other		(40)	(33)	(6)		21	2		(56)
Special items of operating profit	**183**	**147**	**256**	**107**	**3**	**323**	**56**		**1,075**
Adjusted operating profit	**15,763**	**3,882**	**790**	**219**	**508**	**(299)**	**(240)**	**(133)**	**20,490**
Net financial (expense) income [(a)]	(59)	16				(7)	205		155
Net income from investments [(a)]	85	489	184	2	66	5			831
Income taxes [(a)]	(8,510)	(1,525)	(345)	(47)	(174)		89	54	(10,458)
Tax rate (%)	*53.9*	*34.8*	*35.4*		*30.3*				*48.7*
Adjusted net profit	**7,279**	**2,862**	**629**	**174**	**400**	**(301)**	**54**	**(79)**	**11,018**
of which:									
- adjusted net profit of minority interest									606
- Eni s adjusted net profit									**10,412**
Eni s reported net profit									**9,217**
Exclusion of inventory holding (gains) losses									33
Exclusion of special items:									1,162
- non-recurring (income) charges									*239*
- other special (income) charges									*923*
Eni s adjusted net profit									**10,412**

(a) Excluding special items.

Breakdown of special items

2006	(million euro)	2007	**2008**
239	**Non-recurring charges (income)**	**8**	**(21)**
	of which:		
	curtailment recognized of the reserve for post-retirement benefits for Italian employees	*(83)*	
239	*provisions and utilizations against antitrust proceedings and regulations*	*91*	***(21)***
836	**Other special charges (income):**	**730**	**2,237**
292	- environmental charges	365	**309**
369	- asset impairments	290	**1,572**
(61)	- gains on disposal of property, plant and equipment		**(8)**
114	- risk provisions	22	**4**
178	- provision for redundancy incentives	156	**91**
(56)	- other	(103)	**269**
1,075	**Special items of operating profit**	**738**	**2,216**
(6)	**Net finance (expense) income**	**(23)**	
(72)	**Net income from investments**	**(321)**	**(239)**
	of which, gain on divestment of:		
(73)	*Galp Energia SGPS SA (divestment of assets to Rede Eléctrica National)*		
	Haldor Topsøe and Camom SA	*(290)*	
	GTT (Gaztransport et Technigaz SAS)		***(185)***
165	**Income taxes**	**(610)**	**(1,426)**
	of which:		
	tax impact pursuant to Law Decree No. 112 of June 25, 2008 for Italian subsidiaries:		**(270)**
	- on inventories		***(176)***
	- on deferred tax assets		***(94)***
	tax impact pursuant to Budget Law 2008 for Italian subsidiaries		**(290)**
	adjustments to deferred tax for Italian subsidiaries	(394)	
	adjustment to deferred tax for Libyan assets		**(173)**
91	supplemental tax rate UK		
179	wind-fall tax Algeria		
77	tax proceeding in Venezuela		
	other special items	(50)	**(46)**
(182)	taxes on special items of operating profit	(166)	**(647)**
1,162	**Total special items of net profit**	**(216)**	**551**
	attributable to:		
	Minority interest	(174)	**(102)**
	Eni	**(42)**	**653**

Breakdown of impairment

2007	(million euro)	2007	**2008**	Change
268	Asset impairment	207	**1,349**	1,142
	Goodwill impairment		**44**	44
268	**Sub total**	**207**	**1,393**	**1,186**

101	Impairment losses of receivables referring to non recurring activities	83	**179**	96
369	**Impairment**	**290**	**1,572**	**1,282**

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Summarized Group balance sheet

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

Summarized Group balance sheet [(a)]

(million euro)	Dec. 31, 2007	**Dec. 31, 2008**	Change
Fixed assets			
Property, plant and equipment	50,137	**59,155**	9,018
Other assets	563		(563)
Inventories - compulsory stock	2,171	**1,196**	(975)
Intangible assets	4,333	**7,715**	3,382
Equity-accounted investments and other investments	6,111	**5,881**	(230)
Receivables and securities held for operating purposes	725	**1,219**	494
Net payables related to capital expenditures	(1,191)	**(787)**	404
	62,849	**74,379**	**11,532**
Net working capital			
Inventories	5,499	**6,082**	583
Trade receivables	15,609	**16,444**	835
Trade payables	(11,092)	**(12,590)**	(1,498)
Tax payables and provision for net deferred tax liabilities	(4,412)	**(5,281)**	(869)
Provisions	(8,486)	**(9,573)**	(1,087)
Other current assets and liabilities:			
Equity instruments	*2,476*	***2,741***	*265*
Other [(b)]	*(2,600)*	***(4,437)***	*(1,837)*
	(3,006)	**(6,614)**	**(3,608)**
Provisions for employee post-retirement benefits	**(935)**	**(947)**	**(12)**
Net assets held for sale including related net borrowings	**286**	**68**	**(218)**
CAPITAL EMPLOYED, NET	**59,194**	**66,886**	**7,692**
Shareholders equity:			
- Eni shareholder's equity	40,428	**44,436**	4,008
- Minority interest	2,439	**4,074**	1,635
	42,867	**48,510**	**5,643**
Net borrowings	**16,327**	**18,376**	**2,049**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**59,194**	**66,886**	**7,692**

(a) For a reconciliation to the statutory balance sheet see the paragraph "Reconciliation of summarized group balance sheet and summarized group cash flow statement to statutory schemes" pages 83 and 84.

(b) Include receivables and securities for financing operating activities for euro 410 million at December 31, 2008 (euro 248 million at December 31, 2007) and securities covering technical reserves of Eni s insurance activities for euro 302 million at December 31, 2008 (euro 368 million at December 31, 2007).

Year end currency translation differences increased the carrying amounts of net capital employed and shareholders equity by approximately euro 970 million and euro 1,070 million respectively, and reduced net financial debt by euro 100 million, compared to 2007 year end amounts. These changes were mainly driven by the depreciation of the euro against the dollar (at December 31, 2008 the EUR/USD exchange rate was 1.392 as compared to 1.472 at December 31, 2007, down 5.4%).

At December 31, 2008, **net capital employed** totaled euro 66,886 million, representing an increase of euro 7,692 million from December 31, 2007.

Fixed assets

Fixed assets amounted to euro 74,379 million, representing an increase of euro 11,532 million from December 31, 2007.

The increase reflected:

(i)
capital expenditures incurred in the year (euro 14,562 million);

(ii)
the acquisition of assets and investments mainly related to inclusion in consolidation of Distrigas NV (euro 2,932 million) following the acquisition of the majority stake of 57.243%, and the Burren Energy acquisition (euro 2,444 million) completed in January 2008 following an agreed tender offer on the entire share capital of the entity, and the purchase of a number of assets (euro 1,471 million, including the 100% stake of First Calgary Petroleum, a 52% stake in the Hewett Unit in the North Sea from Tullow Oil and inclusion in consolidation of the Indian company Hindustan Oil Exploration Co. following the acquisition of a 47.17% stake enabling Eni to take control upon execution of a mandatory tender offer subsequent to the acquisition of Burren Energy;

(iii)
currency translation differences.

These increases were partly offset by depreciation, depletion and amortization charges and impairment losses incurred in the year (euro 9,815 million).

The item **Intangible assets** included among fixed assets, increased by euro 3,382 million mainly due to the acquisition of Distrigas NV: (i) intangible assets with definite useful lives were recognized upon purchase price allocation amounting to euro 1,395 million associated with customer relationship, order backlog and software. These assets are amortized based on respectively the extension of the supply contracts with the longest maturity (19 years), the remaining useful life of sale contracts (four years) and the economic remaining useful life; (ii) Eni s share of goodwill amounting to euro 1,245 million.

The increase in intangible assets was also due to the

The item **Investments** among fixed assets comprises a 60% interest in Arctic Russia BV (the former Eni Russia BV) amounting to euro 895 million. As of the balance sheet date Artic Russia held 100% interest in three Russian companies acquired on April 4, 2007 in partnership with Enel (Eni 60%, Enel 40%), following award of a bid for Lot 2 in the Yukos liquidation procedure. The three companies OAO Arctic Gas, OAO Urengoil and OAO Neftegaztechnologiya engage in exploration and development of gas reserves. Eni and Enel granted to Gazprom a call option to acquire a 51% interest in the three companies to be exercisable by Gazprom within 24 months from the acquisition date. Eni assesses the investment in Arctic Russia BV under the equity method as it jointly controls the three entities based on ongoing shareholder arrangements, therefore exercising significant influence in the financial and operating policy decisions of the investees. This 60% interest corresponds to the present ownership interest of Eni in the acquired companies determined by not taking into account the possible exercise of the call option by Gazprom. The carrying amount of the three entities is lower than the strike price of the call option with respect to the underlying stake. The strike price equals the bid price as modified by subtracting dividends received and adding possible share capital increases, a contractual remuneration of 9.4% on the capital employed and financing collateral expenses.

The carrying amount of the expropriated assets relating to the Dación oilfield in Venezuela (corresponding to euro 563 million as of December 31, 2007) has been reclassified from the item **Other assets** to **Net payables related to capital expenditures**, following the settlement agreement with the Republic of Venezuela in February 2008. Under the terms of this agreement, Eni will receive cash compensation, a part of which has been already collected in the year, to be paid in seven yearly installments, yielding interest income from the date of the settlement. The net present value of this cash compensation is in line with the book value of assets, net of the related provisions.

Net working capital

At December 31, 2008, net working capital amounted to a negative euro 6,614 million, representing a decrease of euro 3,608 million, mainly due to:

recognition of mineral potential and goodwill following the acquisition of Burren Energy (euro 415 million) and an intangible asset associated with a project to upgrade certain fields acquired in the Hewett Unit to achieve a gas storage facility (euro 208 million).

Compulsory stock decreased by euro 975 million and related to crude oil, petroleum and petrochemical products. The decrease was due to the impact of the reduction in oil and product prices on the evaluation of inventories at their net realizable values as of end of the year.

(i)
an increase of euro 1,837 million recorded in the item **Other liabilities** related to:

(a) proceeds on advances received by the partner Suez following the signing of a number of long-term gas and electricity supply contracts (euro 1,552 million);
(b) the put option granted to Publigaz (the Distrigas minority shareholder) to divest its

31.25% stake in Distrigas to Eni, as defined by the Shareholders Agreement signed on July 30, 2008, for a total amount of euro 1,495 million based on the same per-share price of the ongoing mandatory tender offer to minorities as part of the Distrigas acquisition. This liability was recognized against the Group s net equity;
These negatives have been compensated in part by the positive change of euro 2,233 million (from a negative euro 2,251 million to a negative euro 28 million; respectively down euro 1,383 million and down euro 28 million net of taxes) in fair value of certain derivative instruments Eni entered into to hedge exposure to variability in future cash flows deriving from the sale in the 2008-2011 period of approximately 2% of Eni s proved reserves as of December 31, 2006 corresponding to 125.7 mmbbl, decreasing to 79.7 mmboe as of end of December 2008 due to transactions settled in the year. These hedging transactions were undertaken in connection with acquisitions of oil and gas assets in the Gulf of Mexico and Congo in 2007. The effective portion of changes in fair value of these hedges is recognized directly in equity, whilst the ineffective portion is recognized in profit and loss;

(ii)
an increase in **risk provisions** (euro 1,087 million) due to increased asset retirement obligations in the Exploration & Production division, reflecting the impact of lower interest rates when discounting the liability and changes in estimated costs, as well as provisions accounted for environmental risks and risks on pending litigation;

(iii)
an increase recorded in **tax payables**, due to income taxes accrued for the year, partly offset by a decrease in net deferred tax liabilities for Italian companies and for

The item **Equity instruments** among net working capital comprises the carrying amount for euro 2,741 million ($3,815 million based on the exchange rate at December 31, 2008) of a 20% interest in OAO Gazprom Neft acquired on April 4, 2007 following finalization of a bid within the Yukos liquidation procedure. This entity is currently listed at the London Stock Exchange where approximately 5% of the share capital is traded, while Gazprom currently holds a 75% stake. This accounting classification reflects the circumstance that Eni granted to Gazprom a call option on the entire 20% interest to be exercisable by Gazprom within 24 months from the acquisition date, at a price of $3.7 billion equaling the bid price, as modified by subtracting dividends distributed and adding possible share capital increases, a contractual remuneration of 9.4% on the capital employed and financing collateral expenses.
The existing Shareholders Agreements establish that the governance of the investee will be modified to allow Eni to exercise significant influence through participation in the financial and operating policy decisions of the investee in case Gazprom does not exercise its call option. The carrying amount of the interest equals the strike price of the call option as of December 31, 2008. Eni decided not to adjust the carrying amount of the interest to the market prices at the balance sheet date resulting in $1,961 million for the following reasons: (i) in case Gazprom exercises the call option, the price paid to Eni will be equal to the current carrying amount; (ii) in case Gazprom does not exercise the call option, Eni will be granted significant influence in the decision-making process of the investee and consequently will be in a position to assess the investee in accordance with the equity method of accounting provided by IAS 28 for interests in associates. Under the equity method, Eni is required to allocate the purchase price to the corresponding interest in net equity and the residual amount to fair values of the investee s assets and liabilities. Subsequently, the carrying amount is adjusted to reflect Eni s share of losses and profits of the investee. Based on available information and the outcome of an impairment test performed also with the support of the independent consultant, the equity method assessment would result in an amount not lower than the current currying amount of the investee.
Net assets held for sale including related net borrowings were euro 68 million and related to the

Libyan activities against an increase in deferred tax liabilities against an increase in deferred tax liabilities recognized in connection with the acquisitions of the year.

These changes have been offset by the increase in oil, natural gas and petroleum products stock (up euro 583 million), due to (i) the consolidation of Distrigas gas inventories (euro 322 million); (ii) the higher value of gas inventories reflecting the upward trend in natural gas prices (euro 661 million). These increases were partly offset by a reduction of euro 718 million in oil and petroleum products inventories due to the impact of the reduction in oil and product prices on the evaluation of inventories at their net realizable values as of end of the year.

Engineering & Construction division s 20% stake in Fertinitro (Fertilizantes Nitrogenados de Oriente) which produces fertilizers.

Return On Average Capital Employed (ROACE)

Return on Average Capital Employed for the Group, on an adjusted basis is the return on the Group average capital invested, calculated as ratio between net adjusted profit before minority interest, plus net finance charges on net borrowings net of the related tax effect, and net average capital employed.
The tax rate applied on finance charges is the Italian statutory tax rate of 33% effective from January 1, 2008. The capital invested as of period-end used for the calculation of net average capital invested is obtained by deducting inventory gains or losses as of in the period, net of the related tax effect ROACE by division is determined as the ratio between adjusted net profit and net average capital invested pertaining the each division and rectifying the net capital invested as of period-end, from net inventory gains or losses (after applying the division specific tax rate).

2008 (million euro)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Group**
Adjusted net profit	**8,008**	**2,650**	**510**	**10,832**
Exclusion of after-tax finance expenses/interest income	-	-	-	**335**
Adjusted net profit unlevered	**8,008**	**2,650**	**510**	**11,167**
Adjusted capital employed, net:				
- at the beginning of period	24,643	20,516	7,675	**59,194**
- at the end of period	31,302	21,333	8,260	**67,609**
Adjusted average capital employed, net	**27,973**	**20,925**	**7,968**	**63,402**
Adjusted ROACE (%)	**28.6**	**12.7**	**6.4**	**17.6**

2007 (million euro)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Group**
Adjusted net profit	**6,491**	**2,936**	**319**	**10,094**
Exclusion of after-tax finance expenses/interest income	-	-	-	**174**
Adjusted net profit unlevered	**6,491**	**2,936**	**319**	**10,268**
Adjusted capital employed, net:				
- at the beginning of period	18,590	18,906	5,631	**47,966**
- at the end of period	24,643	20,547	7,149	**58,695**
Adjusted average capital employed, net	**21,617**	**19,727**	**6,390**	**53,331**
Adjusted ROACE (%)	**30.0**	**14.9**	**5.0**	**19.3**

2006 (million euro)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Group**

Adjusted net profit	**7,279**	**2,862**	**629**	**11,018**
Exclusion of after-tax finance expenses/interest income	-	-	-	**46**
Adjusted net profit unlevered	**7,279**	**2,862**	**629**	**11,064**
Adjusted capital employed, net:				
- at the beginning of period	20,206	18,978	5,993	**49,692**
- at the end of period	18,590	18,864	5,766	**47,999**
Adjusted average capital employed, net	**19,398**	**18,921**	**5,880**	**48,846**
Adjusted ROACE (%)	**37.5**	**15.1**	**10.7**	**22.7**

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Net borrowings and leverage

Leverage is a measure of a company s level of indebtedness, calculated as the ratio between net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt and shareholders equity, including minority interests. Management makes use of 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. In the medium term, management plans to maintain a strong financial structure targeting a level of leverage up to 0.40.

(million euro)	Dec. 31, 2007	**Dec. 31, 2008**	Change
Total debt	19,830	**20,837**	1,007
- Short-term debt	*8,500*	***6,908***	*(1,592)*
- Long-term debt	*11,330*	***13,929***	*2,599*
Cash and cash equivalents	(2,114)	**(1,939)**	175
Securities held for non-operating purposes	(174)	**(185)**	(11)
Financing receivables for non-operating purposes	(1,215)	**(337)**	878
Net borrowings	**16,327**	**18,376**	**2,049**
Shareholders' equity including minority interest	**42,867**	**48,510**	**5,643**
Leverage	**0.38**	**0.38**	

Net borrowings at December 31, 2008 were amounted to euro 18,376 million and increased by euro 2,049 million from December 31, 2007.

Total debt amounted to euro 20,837 million, of which euro 6,908 million were short-term (including the portion of long-term debt due within 12 months for euro 549 million) and euro 13,929 million were long-term.

Ratio of net borrowings to shareholders equity including minority interest **leverage** was unchanged at 0.38 with respect to end of 2007.

Changes in shareholders equity

(million euro)		
Shareholders equity at December 31, 2007		**42,867**
Net profit for the period	9,558	
Reserve for cash flow hedges	1,203	
Dividends paid to Eni s shareholders	(4,910)	
Dividends paid by consolidated subsidiaries to minorities	(297)	
Shares repurchased	(778)	
Distrigas minority interest	1,141	
Distrigas put option	(1,495)	
Treasury shares attributed against employee share incentive schemes	32	

Impact of share repurchases made by consolidated subsidiaries (Saipem)	(31)	
Currency translation differences	1,077	
Other changes	143	
Total changes		**5,643**
Shareholders equity at December 31, 2008		**48,510**
Attributable to:		
- Eni		**44,436**
- Minority interest		**4,074**

Shareholders equity including minority interest amounted to euro 48,510 million and increased by euro 5,643 million. This increase reflected net profit for the period (euro 9,558 million), a change in fair value evaluation of certain cash flow hedges taken to reserve (euro 1,203 million net of the related tax effect) and foreign currency translation effects. These increases were partly offset by the payment of dividends (euro 5,207 million, of which euro 4,910 million were paid by Eni SpA) as well as a deduction associated with the repurchase of shares in 2008 (euro 778 million).

Reconciliation of net profit and shareholders equity of the parent company Eni SpA to consolidated net profit and shareholders equity

	Net profit		Shareholders equity	
(million euro)	2007	**2008**	Dec. 31, 2007	**Dec. 31, 2008**
As recorded in Eni SpA s Financial Statements	**6,600**	**6,745**	**28,926**	**30,049**
Difference between the equity value of individual accounts of consolidated subsidiaries with respect to the corresponding book value in the statutory accounts of the parent company	4,122	**4,140**	16,320	**18,999**
Consolidation adjustments:				
- difference between purchase cost and underlying book value of net equity	(1)	**(330)**	1,245	**5,161**
- elimination of tax adjustments and compliance with group account policies	649	**(1,373)**	(1,235)	**(2,852)**
- elimination of unrealized intercompany profits	(435)	**216**	(3,383)	**(3,127)**
- deferred taxation	(97)	**159**	711	**(15)**
- other adjustments	(29)	**1**	283	**295**
	10,809	**9,558**	**42,867**	**48,510**
Minority interest	(798)	**(733)**	(2,439)	**(4,074)**
As recorded in Consolidated Financial Statements	**10,011**	**8,825**	**40,428**	**44,436**

Contents

Summarized Group cash flow statement and change in net borrowings

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

The free cash flow is a non-GAAP measure of financial performance.

Summarized Group cash flow statement [(a)]

2006	(million euro)	2007	**2008**	Change
9,823	**Net profit**	**10,809**	**9,558**	**(1,251)**
	Adjustments to reconcile to cash generated from operating profit before changes in working capital:			
5,753	- amortization and depreciation and other non monetary items	6,346	**11,388**	5,042
(59)	- net gains on disposal of assets	(309)	**(219)**	90
10,435	- dividends, interest, taxes and other changes	8,850	**9,080**	230
25,952	**Net cash generated from operating profit before changes in working capital**	**25,696**	**29,807**	**4,111**
(1,024)	Changes in working capital related to operations	(1,667)	**2,212**	3,879
(7,927)	Dividends received, taxes paid, interest (paid) received during the period	(8,512)	**(10,218)**	(1,706)
17,001	**Net cash provided by operating activities**	**15,517**	**21,801**	**6,284**
(7,833)	Capital expenditures	(10,593)	**(14,562)**	(3,969)
(95)	Investments and purchase of consolidated subsidiaries and businesses	(9,665)	**(4,019)**	5,646
328	Disposals	659	**979**	320
361	Other cash flow related to capital expenditures, investments and disposals	(35)	**(267)**	(232)
9,762	**Free cash flow**	**(4,117)**	**3,932**	**8,049**
216	Borrowings (repayment) of debt related to financing activities	(479)	**911**	1,390
(682)	Changes in short and long-term finance debt	8,761	**980**	(7,781)
(6,443)	Dividends paid and changes in minority interest and reserves	(5,836)	**(6,005)**	(169)
(201)	Effect of changes in consolidation and exchange differences	(200)	**7**	207
2,652	**CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD**	**(1,871)**	**(175)**	**1,696**

Changes in net borrowings

2006	(million euro)	2007	**2008**	Change
9,762	**Free cash flow**	**(4,117)**	**3,932**	**8,049**
	Net borrowings of acquired companies	(244)	**(286)**	(42)
1	Net borrowings of divested companies		**181**	181

388	Exchange differences on net borrowings and other changes	637	**129**	(518)
(6,443)	Dividends paid and changes in minority interests and reserves	(5,836)	**(6,005)**	(169)
3,708	**CHANGE IN NET BORROWINGS**	**(9,560)**	**(2,049)**	**7,511**

(a) For a reconciliation to the statutory statement of cash flows see the paragraph "Reconciliation of summarized Group balance sheet and summarized Group cash flow statement to statutory schemes" pages 85 and 86.

In 2008 **net cash provided by operating activities** (euro 21,801 million) including proceeds on advances received from the partner Suez (euro 1,552 million) following the signing of a number of long-term gas and electricity supply contracts, and cash from divestments (euro 1,160 million) was used to fund the majority of cash outflows relating to: (i) capital expenditures totaling euro 14,562 million; (ii) payment of dividend by Eni SpA (euro 4,910 million), as well as dividend payment from certain consolidated subsidiaries to minorities (euro 288 million, mainly relating to Snam Rete Gas and Saipem); (iii) the acquisition of assets and investments (euro 5,848 million; euro 4,305 million, net of the acquired cash of euro 1,543 million) mainly related to the acquisition of the majority stake of 57.243% in Distrigas NV, the completion of the acquisition of Burren Energy Plc and the purchase of certain upstream properties and gas storage assets; (vi) share repurchases by the parent company Eni SpA for a total amount of euro 778 million.

Capital expenditures

2006	(million euro)	2007	2008	Change	% Ch.
5,203	Exploration & Production	6,625	**9,545**	2,920	44.1
1,174	Gas & Power	1,366	**1,794**	428	31.3
645	Refining & Marketing	979	**965**	(14)	(1.4)
99	Petrochemicals	145	**212**	67	46.2
591	Engineering & Construction	1,410	**2,027**	617	43.8
72	Other activities	59	**52**	(7)	(11.9)
88	Corporate and financial companies	108	**95**	(13)	(12.0)
(39)	Impact of unrealized profit in inventory	(99)	**(128)**	(29)	29.3
7,833	**Capital expenditures**	**10,593**	**14,562**	**3,969**	**37.5**

In 2008 **capital expenditures** amounted to euro 14,562 million (euro 10,593 million in 2007), of which 84% related to the Exploration & Production, Gas & Power and Refining & Marketing divisions and concerned mainly:

- development activities (euro 6,429 million) deployed mainly in Kazakhstan, Egypt, Angola, Congo and Italy;
- exploration projects (euro 1,918 million) of which 93% was spent outside Italy, primarily in the United States, Egypt, Nigeria, Angola and Libya;
- the purchase of proved and unproved property for euro 836 million related mainly to the extension of mineral rights in Libya following an agreement signed in October 2007 with the state company NOC and the purchase of a 34.81% interest in the Abo project in Nigeria;
- upgrading of the fleet used in the Engineering & Construction division (euro 2,027 million).

Investments and purchase of consolidated subsidiaries and businesses (cash outflow in 2008 being euro 5,848 million; euro 4,305 million net of the acquired cash of euro 1,543 million) mainly related to: (i) the acquisition of the 57.243% majority stake in Distrigas NV (euro 2,751 million; euro 1,271 million net of the acquired cash of euro 1,480 million); (ii) the completion of the acquisition of Burren Energy Plc (cash outflow in 2008 being euro 1,789 million or euro 1,695 million net of acquired cash of euro 94 million): total cash consideration for this transaction amounted to euro 2,358 million which includes the amount of Burren s shares purchased in December 2007); (iii) the purchases of certain upstream properties and gas storage assets (cash outflow in 2008 being euro 914 million or euro 944 million including acquired net borrowings of

- development and upgrading of Eni s natural gas transport and distribution networks in Italy (euro 1,130 million and euro 233 million, respectively) and upgrading of natural gas import pipelines to Italy (euro 233 million);
- ongoing construction of combined cycle power plants (euro 107 million);
- the Refining & Marketing division (euro 965 million) for projects aimed at upgrading the conversion capacity and flexibility of refineries, including construction of a new hydrocracking unit at the Sannazzaro refinery, building of new service stations and upgrading of existing ones in Italy and outside Italy (euro 298 million);

euro 30 million), related to the entire share capital of the Canadian company First Calgary operating in Algeria, a 52% stake in the Hewett Unit in the North Sea, a 20% stake in the Indian company Hindustan Oil Exploration Co; (iv) other investments in non-consolidated entities mainly related to funding requirements for an LNG project in Angola (euro 254 million).

Disposals amounting to euro 1,042 million (euro 1,097 million including discharged net borrowings of euro 118 million) mainly related to the sale of the Engineering & Construction division s 30% stake in GTT (Gaztransport et Technigaz SAS), a company owning a patent for the construction of tanks to transport LNG and the sale of Agip España by the Refining & Marketing division.

Dividends paid and changes in minority interests and reserves amounting to euro 6,005 million mainly related to: (i) total cash dividends to Eni shareholders (euro 4,910 million, of which euro 2,551 million pertained to the payment of the balance of the dividend for fiscal year 2007 and euro 2,359 million pertained to the payment of an interim dividend for fiscal year 2008); (ii) dividend payment for fiscal year 2007 from certain consolidated subsidiaries to minorities (euro 212 million, mainly relating to Snam Rete Gas and Saipem); (iii) the payment of an interim dividend for fiscal year 2008 by Snam Rete Gas of euro 76 million; (iv) share repurchases by the parent company Eni SpA for a total amount of euro 778 million.

From January 1 to December 31, 2008 a total of 35.9 million own shares were purchased at a cost of euro 778 million (on average euro 21.672 per share). Since the beginning of the share buy-back plan (September 1, 2000), Eni has purchased 398.5 million of its own shares, equal to 9.95% of capital stock at issue, at a total cost of euro 6,971 million (for an average cost of euro 17.495 per share) representing 94.21% of the amount authorized by the Shareholders Meeting.

Reconciliation of summarized Group balance sheet and statement of cash flows to statutory schemes

Summarized Group balance sheet

(million euro)		December 31, 2007		**December 31, 2008**	
Items of summarized Group balance sheet (where not expressly indicated, the item derives directly from the statutory scheme)	Notes to the consolidated financial statements	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Fixed assets					
Property, plant and equipment			50,137		**59,155**
Other assets			563		
Inventories - compulsory stock			2,171		**1,196**
Intangible assets			4,333		**7,715**
Equity-accounted investments and other investments			6,111		**5,881**
Receivables and securities held for operating activities	(see note 3 and note 13)		725		**1,219**
Net payables related to capital expenditures, made up of:			(1,191)		**(787)**
- receivables related to capital expenditures/disposals	(see note 3)	125		**149**	
- receivables related to capital expenditures/disposals	(see note 15)	7		**780**	
- payables related to capital expenditures	(see note 17)	(1,301)		**(1,716)**	
- payables related to capital expenditures	(see note 25)	(22)			
Total fixed assets			**62,849**		**74,379**
Net working capital					
Inventories			5,499		**6,082**
Trade receivables	(see note 3)		15,609		**16,444**
Trade payables	(see note 17)		(11,092)		**(12,590)**
Tax payables and provisions for net deferred tax liabilities, made up of:			(4,412)		**(5,281)**
- income tax payables		(1,688)		**(1,949)**	
- other tax payables		(1,383)		**(1,660)**	
- deferred tax liabilities		(5,471)		**(5,742)**	
- other tax liabilities	(see note 25)	(215)		**(254)**	
- current tax assets		703		**170**	
- other current tax assets		833		**1,130**	
- deferred tax assets		1,915		**2,912**	
- other tax assets	(see note 15)	894		**112**	
Provisions			(8,486)		**(9,573)**
Other current assets and liabilities:					
Equity instruments			2,476		**2,741**
Other, made up of:			(2,600)		**(4,437)**
- securities held for operating purposes	(see note 2)	259		**310**	

- receivables for operating purposes	(see note 3)	357		**402**	
- other receivables	(see note 3)	3,568		**4,805**	
- other (current) assets		1,080		**2,349**	
- other receivables and other assets	(see note 15)	209		**509**	
- advances, other payables	(see note 17)	(4,723)		**(6,209)**	
- other (current) liabilities		(1,556)		**(4,319)**	
- other payables and other liabilities	(see note 25)	(1,794)		**(2,284)**	
Total net working capital			**(3,006)**		**(6,614)**
Provisions for employee post-retirement benefits			**(935)**		**(947)**
Net assets held for sale including related net borrowings, made up of:			**286**		**68**
Assets held for sale		383		**68**	
Liabilities directly associated to assets held for sale		(97)			
CAPITAL EMPLOYED, NET			**59,194**		**66,886**

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continued Summarized Group balance sheet

(million euro)		December 31, 2007		**December 31, 2008**	
Items of summarized Group balance sheet (where not expressly indicated, the item derives directly from the statutory scheme)	Notes to the Consolidated Financial Statements	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
CAPITAL EMPLOYED, NET			**59,194**		**66,886**
Shareholders equity including minority interest			**42,867**		**48,510**
Net borrowings					
Total debt, made up of:			19,830		**20,837**
- long-term debt		11,330		**13,929**	
- current portion of long-term debt		737		**549**	
- short-term financial liabilities		7,763		**6,359**	
less:					
Cash and cash equivalents			(2,114)		**(1,939)**
Securities held for non-operating purposes	(see note 2)		(174)		**(185)**
Finance receivables for non-operating purposes, made up of:			(1,215)		**(337)**
- trade receivables held for non-operating purposes	(see note 3)	(990)		**(337)**	
- financial assets made for non-operating purposes	(see note 13)	(225)			
Total net borrowings [a]			**16,327**		**18,376**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY			**59,194**		**66,886**

(a) For details on net borrowings see also note 21 to the consolidated financial statements.

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Summarized Group cash flow statement

(million euro)	2007		**2008**	
Items of summarized Group cash flow statement and confluence/reclassification of items in the statutory scheme	Partial amount from statutory scheme	Amounts of the summarized Group scheme	Partial amount from statutory scheme	Amounts of the summarized Group scheme
Net profit		**10,809**		**9,558**
Adjustments to reconcile to cash generated from operating profit before changes in working capital:				
Depreciation, depletion and amortization and other non monetary items:		6,346		**11,388**
- depreciation, depletion and amortization	7,029		**8,422**	
- net impairments (write-ups)	(494)		**2,560**	
- net changes in provisions	(122)		**414**	
- net changes in the provisions for employee benefits	(67)		**(8)**	
Net gains on disposal of assets		(309)		**(219)**
Dividends, interest, income taxes and other changes:		8,850		**9,080**
- dividend income	(170)		**(510)**	
- interest income	(603)		**(592)**	
- interest expense	523		**809**	
- exchange differences	(119)		**(319)**	
- income taxes	9,219		**9,692**	
Cash generated from operating profit before changes in working capital		**25,696**		**29,807**
Changes in working capital related to operations:		(1,667)		**2,212**
- inventories	(1,117)		**(801)**	
- trade and other receivables	(655)		**(974)**	
- other assets	(362)		**162**	
- trade and other payables	360		**2,318**	
- other liabilities	107		**1,507**	
Dividends received, taxes paid, interest (paid) received during the period:		(8,512)		**(10,218)**
- dividend received	658		**1,150**	
- interest received	333		**266**	
- interest paid	(555)		**(852)**	
- income taxes paid	(8,948)		**(10,782)**	
Net cash provided by operating activities		**15,517**		**21,801**
Capital expenditures:		(10,593)		**(14,562)**
- tangible assets	(8,532)		**(12,312)**	
- intangible assets	(2,061)		**(2,250)**	
Acquisition of investments and businesses:		(9,665)		**(4,019)**
- investments	(4,890)		**(385)**	
- consolidated subsidiaries and businesses	(4,759)		**(3,634)**	
- acquisition of additional interests in subsidiaries	(16)			
Disposals:		659		**979**
- tangible assets	172		**318**	
- intangible assets	28		**2**	
- consolidated subsidiaries and businesses	56		**149**	
- investments	403		**510**	

Other cash flow related to capital expenditures, investments and disposals:		(35)		**(267)**
- securities	(76)		**(152)**	
- financing receivables	(1,646)		**(710)**	
- change in payables and receivables relating to investments and capitalized depreciation	185		**367**	
reclassification: *purchase of securities and financing receivables for non-operating purposes*	1,045		**173**	
- disposal of securities	491		**145**	
- disposal of financing receivables	545		**1,293**	
- change in payables and receivables	(13)		**(299)**	
reclassification: *disposal of securities and financing receivables held for non-operating purposes*	(566)		**(1,084)**	
Free cash flow		**(4,117)**		**3,932**

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continued Summarized Group cash flow statement

(million euro)	2007		2008	
Items of summarized Group cash flow statement and confluence/reclassification of items in the statutory scheme	Partial amount from statutory scheme	Amounts of the summarized Group scheme	Partial amount from statutory scheme	Amounts of the summarized Group scheme
Free cash flow		**(4,117)**		**3,932**
Borrowings (repayment) of debt related to financing activities:		(479)		**911**
reclassification: *purchase of securities and financing receivables held for non-operating purposes*	(1,045)		**(173)**	
reclassification: *sale of securities and financing receivables held for non-operating purposes*	566		**1,084**	
Changes in short and long-term finance debt:		8,761		**980**
- proceeds from long-term finance debt	6,589		**3,774**	
- payments of long-term finance debt	(2,295)		**(2,104)**	
- increase (decreases) in short-term finance debt	4,467		**(690)**	
Dividends paid and changes in minority interests and reserves:		(5,836)		**(6,005)**
- net capital contributions/payments by/to minority shareholders	1		**20**	
- dividends paid by Eni to shareholders	(4,583)		**(4,910)**	
- dividends paid to minority interest	(289)		**(297)**	
- net repurchase of treasury shares	(625)		**(768)**	
- treasury shares repurchased by consolidated subsidiaries	(340)		**(50)**	
Effect of changes in consolidation area and exchange differences:		(200)		**7**
- effect of change in consolidation area	(40)		**(1)**	
- effect of exchange differences	(160)		**8**	
CHANGE IN CASH AND CASH EQUIVALENTS		**(1,871)**		**(175)**

RISK FACTORS AND UNCERTAINTIES

Foreword

The main risks that the Company is facing and actively monitoring and managing are the following: (i) the market risk deriving from exposure to fluctuations in interest rates, foreign currency exchange rates and commodity prices; (ii) the credit risk deriving from the possible default of a counterparty; (iii) the liquidity risk deriving from the risk that suitable sources of funding for the Group s operations may not be available; (iv) the country risk in the upstream business; (v) the operational risk; (vi) the possible evolution of the Italian gas market; (vii) the specific risks deriving from exploration and production activities.
Financial risks are managed in respect of guidelines defined by the parent company, targeting to align and coordinate Group companies policies on financial risks.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group s financial assets, liabilities or expected future cash flows.
The Company actively manages market risk in accordance with a set of policies and guidelines that provide a centralized model of conducting finance, treasury and risk management operations based on three separate entities: the parent company s (Eni SpA) finance department, Eni Coordination Center and Banque Eni which is subject to certain bank regulatory restrictions preventing the Group s exposure to concentrations of credit risk. Additionally, in 2007, Eni Trading & Shipping was established and has the mandate to manage and monitor solely commodity derivative contracts.
In particular Eni SpA and Eni Coordination Center manage subsidiaries financing requirements in and outside of Italy, respectively, covering funding requirements and using available surpluses. All transactions concerning currencies and derivative financial contracts are managed by the parent company as well as the activity of trading certificates according to the European Union Emission Trading Scheme. The commodity risk is managed by each business unit with Eni Trading & Shipping ensuring the negotiation of hedging derivatives. Eni uses derivative financial instruments (derivatives) in order to minimize exposure to market risks related to changes in exchange rates and interest rates and to manage exposure to commodity prices fluctuations. Eni does not enter into derivative transactions on a speculative basis.
The framework defined by Eni s policies and guidelines prescribes that measurement and control of market risk be performed on the basis of maximum tolerable levels of risk exposure defined in accordance with value at risk techniques. These techniques make a statistical assessment of the market risk on the Group s activity, i.e., potential gain or loss in fair values, due to changes in market conditions taking account of the correlation existing among changes in fair value of existing instruments. Eni s finance departments define maximum tolerable levels of risk exposure to changes in interest rates and foreign currency exchange rates, pooling Group companies risk positions. Eni s calculation and measurement techniques for interest rate and foreign currency exchange rate risks are in accordance with established banking standards, as established by the Basel Committee for bank activities surveillance. Tolerable levels of risk are based on a conservative approach, considering the industrial nature of the company. Eni s guidelines prescribe that Eni s Group companies minimize such kinds of market risks. With regard to the

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commodity risk, Eni s policies and guidelines define rules to manage this risk aiming at the optimization of core activities and the pursuing of preset targets of industrial margins. The maximum tolerable level of risk exposure is pre-defined in terms of value at risk in connection with trading and commercial activities, while the strategic risk exposure to commodity prices fluctuations i.e. the impact on the Group s business results deriving from changes in commodity prices is monitored in terms of value-at risk, albeit not hedged in a systematic way. Accordingly, Eni evaluates the opportunity to mitigate its commodity risk exposure by entering into hedging transactions in view of certain acquisition deals of oil and gas reserves as part of the Group s strategy to achieve its growth targets or ordinary asset portfolio management. The Group controls commodity risk with a maximum value-at-risk limit awarded to each business unit. Hedging needs from business units are pooled by Eni Trading & Shipping which also manages its own risk exposure. The three different market risks, whose management and control have been summarized above, are described below.

Exchange rate risk

Exchange rate risk derives from the fact that Eni s operations are conducted in currencies other than the euro (mainly in the U.S. dollar). Revenues and expenses denominated in foreign currencies may be significantly affected by exchange rates fluctuations due to conversion differences on single transaction arising from the time lag existing between execution and definition of relevant contractual terms (economic risk) and conversion of foreign currency-denominated trade and financing payables and receivables (transactional risk). Exchange rate fluctuations affect Group s reported results and net equity as financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro (translation risk). Generally, an appreciation of the U.S. dollar versus the euro has a positive impact on Eni s results of operations, and viceversa. Eni s foreign exchange risk management policy is to minimize economic and transactional exposures arising from foreign currency movements. Eni does not undertake any hedging activity for risks deriving from translation of foreign currency denominated profits or assets and liabilities of subsidiaries which prepare financial prices provided by specialized sources. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be recognized as hedges in accordance with IAS 39. The VAR techniques are based on variance/covariance simulation models and are used to monitor the risk exposure arising from possible future changes in market values over a 24-hour period within a 99% confidence level and a 20-day holding period.

Interest rate risk

Changes in interest rates affect the market value of financial assets and liabilities of the company and the level of finance charges. Eni s interest rate risk management policy is to minimize risk with the aim to achieve financial structure objectives defined and approved in the management s finance plans. Borrowing requirements of the Group s companies are pooled by the Group s central finance department in order to manage net positions and the funding of portfolio developments consistently with management s plans while maintaining a level of risk exposure within prescribed limits. Eni enters into interest rate derivative transactions, in particular interest rate swaps, to effectively manage the balance between fixed and floating rate debt. Such derivatives are evaluated at fair value on the basis of market prices provided from specialized sources. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be accounted for under the hedge accounting method in accordance with IAS 39. Value at risk deriving from interest rate exposure is measured daily on the basis of a variance/covariance model, with a 99% confidence level and a 20-day holding period.

Commodity risk

Eni s results of operations are affected by changes in the prices of commodities. A decrease in oil and gas prices generally has a negative impact on Eni s results of operations and vice-versa. Eni manages exposure to commodity price risk arising in normal trading and commercial activities in view of achieving stable margins. In order to accomplish this, Eni uses derivatives traded on the organized markets of ICE and NYMEX (futures) and derivatives traded over the counter (swaps, forward, contracts for differences and statements in a currency other than the euro, except for single transactions to be evaluated on a case-by-case basis. Effective management of exchange rate risk is performed within Eni s central finance departments which match opposite positions within Group companies, hedging the Group net exposure through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated at fair value on the basis of market

options) with the underlying commodities being crude oil, refined products or electricity. Such derivatives are evaluated at fair value on the basis of market prices provided from specialized sources or, absent market prices, on the basis of estimates provided by brokers or suitable evaluation techniques. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be recognized as hedges in accordance with IAS 39. Value at risk deriving from commodity exposure is measured daily on the basis of a historical simulation technique, with a 95% confidence level and a one-day holding period. The following table shows amounts in terms of value at risk, recorded in the first half of 2008 (compared with full year 2007) relating to interest rate and exchange rate risks in the first section, and commodity risk in the second section).

(Exchange and interest rate risk: value at risk - parametric method variance/covariance; holding period: 20 days; confidence level: 99%)

	2007				2008			
(million euro)	High	Low	Avg	At period end	High	Low	Avg	At period end
Interest rate	7.36	0.47	1.39	4.35	12.31	0.73	4.17	6.54
Exchange rate	1.25	0.03	0.21	0.43	1.48	0.09	0.48	0.47

(Commodity risk: value at risk - historic simulation method; holding period: 1 day; confidence level: 95%)

	2007				2008			
($ million)	High	Low	Avg	At period end	High	Low	Avg	At period end
Area oil, products	44.59	4.39	20.17	12.68	46.48	3.44	19.88	5.43
Area Gas & Power (*)	54.11	20.12	34.56	25.57	67.04	24.38	43.53	32.07

(*) Amounts relating to the Gas & Power business also include Distrigas contribution, following acquisition.

Credit risk

Credit risk is the potential exposure of the Group to losses in casecounterparties fail to perform or pay amounts due. The Group manages differently credit risk depending on whether credit risk arises from exposure to financial counterparties or to customers relating to outstanding receivables. Individual business units are responsible for managing credit risk arising in the normal course of the business. The Group has established formal credit systems and processes to ensure that before trading with a new counterpart can start, its creditworthiness is assessed. Also credit litigation and receivable collection activities are assessed. The monitoring activity of credit risk exposure is performed at the Group level according to set guidelines and measurement techniques that establish counterparty limits and systems to monitor exposure against limits and report regularly on those exposures. Specifically, credit risk exposure to multi-business clients and exposures higher than the limit set at euro 4 million are closely monitored. Monitoring activities do

With regard to risk arising from financial counterparties, Eni has established guidelines prior to entering into cash management and derivative contracts to assess the counterparty s financial soundness and rating in view of optimizing the risk profile of financial activities while pursuing operational targets. Maximum limits of risk exposure are set in terms of maximum amounts of credit exposures for categories of counterparties as defined by the Company s Board of Directors taking into accounts the credit ratings provided by the primary credit rating agencies on the marketplace. Credit risk arising from financial counterparties is managed by the Group central finance departments, including Eni s subsidiary Eni Trading&Shipping which specifically engages in commodity derivatives transactions.

Those are the sole Group entities entitled to be party to a financial transactions due to the Group centralized finance model. Eligible financial counterparties are closely monitored to check exposures against limits assigned to each counterparty on a daily basis. Exceptional market conditions have forced the Group to adopt contingency plans and under certain not include retail clients and public administrations. The assessment methodology assigns a score to individual clients based on publicly available financial data and capital, profitability and liquidity ratios. Based on those scores, an internal credit rating is assigned to each counterparty who is accordingly allocated to its proper risk category. The Group risk categories are comparable to those prepared by the main rating agencies on the marketplace. The Group s internal ratings are also benchmarked against ratings prepared by a specialized external source.

circumstances to suspend eligibility to be a Group financial counterparty. Actions implemented also have been intended to limit concentrations of credit risk by maximizing counterparty diversification and turnover. Counterparties have been also selected on a more stringent criteria particularly in transactions on derivatives instruments and with maturity longer than a three-month period. Eni has not experienced material non-performance by any counterparty.

As of December 31, 2007 and 2008, Eni had no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets on the market place as to be unable to meet short-term finance requirements and to settle obligations. Such a situation would negatively impact the Group results as it would result in the Company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the Company to continue as a going concern.
As part of its financial planning process, Eni manages the liquidity risk by targeting such a capital structure as to allow the Company to maintain a level of liquidity adequate to the Group s needs optimizing the opportunity cost of maintaining liquidity reserves also achieving an efficient balance in terms of maturity and composition of finance debt. The Group capital structure is set according to the Company s industrial targets and within the limits established by the Company s Board of Directors who are responsible for prescribing the maximum ratio of debt to total equity and minimum ratio of medium and long-term debt to total debt as well as fixed rate medium and long-term debt to total medium and long-term debt. In spite of ongoing tough credit market conditions resulting in higher spreads to borrowers, the Company has succeeded in maintaining access to a wide range of funding at competitive rates through the capital markets and banks. The actions implemented as part of Eni s financial planning have enabled the Group to maintain access to the credit market particularly via the issue of commercial paper also targeting to increase the flexibility of funding facilities. The above mentioned actions aimed at ensuring availability of suitable sources of funding to fulfill short-term commitments and due obligations also preserving the necessary financial flexibility to support the Group s development plans. In doing so, the Group has pursued an efficient balance of finance debt in terms of maturity and composition leveraging on the structure of its lines of credit particularly the committed ones.
At present, the Group believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.
As of December 31, 2008, Eni maintained short term committed and uncommitted unused borrowing facilities of euro 11,099 million, of which euro 3,313 million were committed, and long term committed unused borrowing facilities of euro 1,850 million. These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant.
Eni has in place a programme for the issuance of Euro Medium Term Notes up to euro 10 billion, of which euro 6,391 million were drawn as of the balance sheet date.
The Group has debt ratings of AA- and A-1+ respectively for the long and short-term debt assigned by Standard & Poor s and Aa2 and P-1 assigned by Moody s; the outlook is stable for both.

The tables below summarize the Group main contractual obligations for finance debt repayments, including expected payments for interest charges, and trade and other payables maturities.
In addition to finance debt and trade payables presented in the financial statements, the Group has in place a number of contractual obligations arising in the normal course of the business. To meet these commitments, the Group will have to make payments to third parties. The Company s main obligations are certain arrangements to purchase goods or services that are enforceable and legally binding and that specify all significant terms.

Current and non-current finance debt

	Maturity year						
(million euro)	2009	2010	2011	2012	2013	2014 and thereafter	Total
Non current debt	549	3,630	797	2,687	1,981	4,834	**14,478**
Current financial liabilities	6,359	-	-	-	-	-	**6,359**
	6,908	**3,630**	**797**	**2,687**	**1,981**	**4,834**	**20,837**

Interest on finance debt	502	469	412	383	336	791	**2,893**

Trade and other payables

	Maturity year			
(million euro)	2009	2010-2013	2014 and thereafter	Total
Trade payables	12,590	-	-	12,590
Advances, other payables	7,925	28	27	7,980
	20,515	**28**	**27**	**20,570**

Such arrangements include non-cancelable, long-term contractual obligations to secure access to supply and transport of natural gas, which include take-or-pay clauses whereby the Company obligations consist of off-taking minimum quantities of product or service or paying the corresponding cash amount that entitles the Company to off-take the product in future years. Future obligations in connection with these contracts were calculated by applying the forecasted prices of energy or services included in the four-year business plan approved by the Company s Board of Directors and on the basis of the long-term market scenarios used by Eni for planning purposes to minimum take and minimum ship quantities.

The table below summarizes the Group principal contractual obligations as of the balance sheet date, shown on an undiscounted basis.

Expected payments by period under contractual obligations and commercial commitments

	Maturity year						
(million euro)	2009	2010	2011	2012	2013	2014 and thereafter	Total
Operating lease obligations (1)	**588**	**812**	**697**	**468**	**395**	**1,081**	**4,041**
Decommissioning liabilities (2)	**269**	**35**	**61**	**18**	**256**	**8,830**	**9,469**
Environmental liabilities	**396**	**421**	**284**	**223**	**221**	**443**	**1,988**
Purchase obligations (3)	**17,938**	**13,777**	**14,326**	**14,405**	**14,112**	**185,415**	**259,973**
Gas							
- *Natural gas to be purchased in connection with take-or-pay contracts*	15,694	13,041	13,574	13,610	13,343	179,067	248,329
- *Natural gas to be transported in connection with ship-or-pay contracts*	539	537	545	549	528	3,151	5,849
Other take-or-pay and ship-or-pay obligations	139	135	126	111	106	838	1,455
Other purchase obligations (4)	1,566	64	81	135	135	2,359	4,340
Other obligations	**8**	**5**	**5**	**5**	**5**	**152**	**180**
of which:							
- *Memorandum* of intent relating Val d Agri	8	5	5	5	5	152	180
	19,199	**15,050**	**15,373**	**15,119**	**14,989**	**195,921**	**275,651**

(1) Operating leases primarily regarded assets for drilling activities, time charter and long-term rentals of vessels, lands, service stations and office buildings. Such leases did not include renewal options. There are no significant restrictions provided by these operating leases which limit the ability of the Company to pay dividend, use assets or to take on new borrowings.
(2) Represents the estimated future costs for the decommissioning of oil and natural gas production facilities at the end of the producing lives of fields, well-plugging, abandonment and site restoration.
(3) Represents any agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms.
(4) Mainly refers to arrangements to purchase capacity entitlements at certain re-gasification facilities in the U.S.

The table below summarizes Eni s capital expenditure commitments for property, plant and equipment and capital projects at December 31, 2008.

Capital expenditures are considered to be committed when the project has received the appropriate level of internal management approval. Such costs are included in the amounts shown.

Capital expenditure commitments

Maturity year

(million euro)	2009	2010	2011	2012	2013 and subsequent years	Total
Committed on major projects	4,938	3,831	2,697	1,837	9,856	23,159
Other committed projects	5,147	4,342	3,186	2,389	9,846	24,910
	10,085	**8,173**	**5,883**	**4,226**	**19,702**	**48,069**

Country risk

Substantial portions of Eni s hydrocarbons reserves are located in countries outside the EU and North America, certain of which may be politically or economically less stable than EU or North American. At December 31, 2007, approximately 70% of Eni s proved hydrocarbons reserves were located in such countries. Similarly, a substantial portion of Eni s natural gas supplies comes from countries outside the EU and North America.
In 2007, approximately 60% of Eni s domestic supply of natural gas came from such countries. Developments in the political framework, economic crisis, social unrest can compromise temporarily or permanently Eni s ability to operate or to economically operate in such countries, and to have access to oil and gas reserves. Further risks related to the activity undertaken in these countries, are represented by: (i) lack of well established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavorable developments in laws and regulations leading to expropriation of Eni s titles and mineral assets, changes in unilateral contractual clauses reducing value of Eni s assets; (iii) restrictions on exploration, production, imports and exports; (iv) tax or royalty increases; (v) civil and social unrest leading to sabotages, acts of violence and incidents. While the occurrence of these events is unpredictable, it is possible that they can have a material adverse impact on Eni s financial condition and results of operations. Eni periodically monitors political, social and economic risks of approximately 60 countries where it has invested, or, with regard to upstream projects evaluation, where Eni is planning to invest in order to assess returns of single projects based also on the evaluation of each country s risk profile. Country risk is mitigated in accordance with guidelines on risk management defined in the procedure "Project risk assessment and management". In the most recent years, unfavorable developments in the regulatory framework, mainly regarding tax issues, have been implemented or announced also in EU countries and in North America.

Operational risk

Eni s business activities conducted in and outside of Italy are subject to a broad range of laws and regulations, including specific rules concerning oil and gas activities currently in force in countries in which it operates. In of various substances that can be released into the environment and on discharges to surface and subsurface water. In particular Eni is required to follow strict operating practices and standards to protect biodiversity when exploring for, drilling and producing oil and gas in certain ecologically sensitive locations (protected areas). Breach of environmental, health and safety laws exposes employees to criminal and civil liability and in the case of violation of certain rules regarding safety on the workplace also companies can be liable as provided for by a general EU rule on businesses liability due to negligent or willful conduct on part of their employees as adopted in Italy with Law Decree No. 231/2001.
Environmental, health and safety laws and regulations have a substantial impact on Eni s operations and expenses and liabilities that Eni may incur in relation to compliance with environmental, health and safety laws and regulations are expected to remain material to the group s results of operations or financial position in future years. Recently enacted regulation of safety and health of the workplace in Italy will impose a new array of obligations to the Company operations, particularly regarding contractors. New regulation prescribe that a company adopts certified operational and organizational systems whereby the Company can discharge possible liabilities due to a violation of health and security standards on condition that adopted operational systems and processes worked properly and were effective.
Eni has adopted guidelines for assessing and managing health, safety and environmental (HSE) risks, with the objective of protecting Eni s employees, the populations involved in its activity, contractors and clients, and the environment and being in compliance with local and international rules and regulations. Eni s guidelines prescribe the adoption of international best practices in setting internal principles, standards and solutions.
The ongoing process for identifying, evaluating and managing HSE operations in each phase of the business activity and is performed through the adoption of procedures and effective pollution management systems tailored on the peculiarities of each business and industrial site and on steady enhancement of plants and process. Additionally, coding activities and procedures on operating phases allow reduce the human component in the plant risk management. Operating emergencies that may have an adverse impact on the assets, people

particular, those laws and regulations require the acquisition of a license before exploratory drilling may commence and compliance with health, safety and environment standards. Environmental laws impose restrictions on the types, quantities and concentration

and the environment are managed by the business units for each site. These units manage the HSE risk through a systematic way that involves having emergency response plans in place with a number of corrective actions to be taken that minimize damage in the event of an incident. In the case of major crisis, Divisions/Entities are assisted

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by the Eni Unit of Crises to deal with the emergency through a team which has the necessary training and skills to coordinate in a timely and efficient manner resources and facilities. The integrated management system on health, safety and environmental matters is supported by the adoption of a Eni s Model of HSE operations in all the Division and companies of Eni Group. This is a procedure based on an annual cycle of planning, implementation, control, review of results and definition of new objectives. The model is directed towards the prevention of risks, the systematic monitoring and control of HSE performance, in a continuous improvement cycle, also subject to audits by internal and independent experts. Major refining and petrochemical facilities of Eni are certified to international environmental standards, such as ISO14001, OHSAS 18001 and EMAS. Eni provides a program of specific training and development for HSE staff in order to:
(i) promote the execution of behaviors consistent with guidelines;
(ii) drive people s learning growth process by developing professionalism, management and corporate culture;
(iii) support management knowledge and control of HSE risks.

Possible evolution of the Italian gas market

Legislative Decree No. 164/2000 opened the Italian natural gas market to competition, impacting on Eni s activities, as the company is engaged in all the phases of the natural gas chain. The opening to competition was achieved through the enactment of certain antitrust thresholds on volumes input into the national transport network and on volumes sold to final customers. These enabled new competitors to enter the Italian gas market, resulting in declining selling margins on gas. Other material aspects regarding the Italian gas sector regulation are the regulated access to natural gas infrastructure (transport backbones, storage fields, distribution networks and LNG terminals), the Code adopted by the Authority for Electricity and Gas on the issue of unbundling which forbids a controlling entity from interfering in the decision-making process of its subsidiaries running gas transport and distribution infrastructures and the circumstance that the Authority non eligible customers at December 31, 2002 as defined by Legislative Decree No. 164/2000) taking into account the public goal of containing the inflationary pressure due to rising energy costs. Accordingly, decisions of the Authority on these matters may limit the ability of Eni to pass an increase in the cost of fuels onto final consumers of natural gas. As a matter of fact, following a complex and lengthy administrative procedure started in 2004 and finalized in March 2007 with Resolution No. 79/2007, the Authority finally established a new indexation mechanism for updating the raw material cost component in supplies to residential and commercial users consuming less than 200,000 cubic meters per year, establishing, among other things: (i) that an increase in the international price of Brent crude oil is only partially transferred to residential and commercial users of natural gas in case international prices of Brent crude oil exceed the 35 dollars per barrel threshold; and (ii) that Italian natural gas importers including Eni must renegotiate wholesale supply contracts in order to take account of this new indexation mechanism.
Also certain provisions of law may limit the Company ability to set commercial margins. Specifically, Law Decree No. 112 enacted in June 2008 forbids energy companies like Eni to pass to prices to final customers higher income taxes incurred in connection with a supplemental tax rate of 5.5 percentage points introduced by the same decree on energy companies with a yearly turnover in excess of euro 25 million. The Authority for Electricity and Gas is in charge of monitoring compliance with the rule. The Authority has subsequently established with a set of deliberation that energy companies have to adopt effective operational and monitoring systems certified by the Company CEO in order to prevent unlawful increases of final prices of gas.
In order to meet the medium and long-term demand for natural gas, in particular in the Italian market, Eni entered into long-term purchase contracts with producing countries. These contracts which contain take-or-pay clauses will ensure by 2010 total supply volumes of approximately 62.4 bcm/y of natural gas to Eni (excluding take-or-pay volumes coming from Distrigaz acquisition which will destined to supply the Belgian market). Despite the fact that an increasing portion of natural gas volumes purchased under said contracts is planned to be marketed outside Italy,

for Electricity and Gas is entrusted with certain powers in the matters of natural gas pricing and in establishing tariffs for the use of natural gas infrastructures. Particularly, the Authority for Electricity and Gas holds a general surveillance power on pricing in the natural gas market in Italy and the power to establish selling tariffs for supply of natural gas to residential and commercial users consuming less than 200,000 cm per year (qualified as

management believes that in the long-term unfavorable trends in the Italian demand and supply for natural gas, also taking into account the start-up of new import capacity to the Italian market by Eni and third parties as well as implementation of all publicly announced plans for the construction of new import infrastructures (backbone upgrading and new LNG terminals), and developments within the Italian regulatory framework, represent risk factors for the ability of the Company to meet its contractual obligations in connection with its take-or-pay supply contracts. Particularly, should natural gas demand in Italy grow at a lower pace than management expectations, also in view of the expected build-up of natural gas supplies to the Italian market, the Company could face a further increase in competitive pressure on the Italian gas market resulting in a negative impact on its selling margins, taking account of Eni s gas availability under take-or-pay supply contracts and risks in executing its expansion plans to grow sales volumes in European markets.

Specific risks associated with the exploration and production of oil and natural gas

The exploration and production of oil and natural gas requires high levels of capital expenditure and entails particular economic risks. It is subject to natural hazards and other uncertainties including those relating to the physical characteristics of oil or natural gas fields. Exploratory activity involves numerous risks including the risk of dry holes or failure to find commercial quantities of hydrocarbons. Developing and marketing hydrocarbons reserves typically requires several years after a discovery is made. This is because a development project involves an array of complex and lengthy activities, including appraising a discovery in order to evaluate its commerciality, sanctioning a development project and building and commissioning relating facilities. As a consequence, rates of return of such long lead- time projects are exposed to the volatility of oil and gas prices and the risk of an increase in developing and lifting costs, resulting in lower rates of return. This set of circumstances is particularly important to those projects intended to develop reserves located in deep water and harsh environments, where the majority of Eni s planned and ongoing projects is located.

Cyclicality of the oil and gas sector

The current global economic downturn and falling manufacturing levels have been causing a sharp reduction in worldwide energy demand leading to plummeting energy commodity prices. Under current and complex activities for assessing a project and develop and market hydrocarbons. As a consequence, rates of return of such projects are exposed to the volatility of oil and gas prices which may be substantially lower with respect to prices assumed when the investment decision was made, resulting in lower rates of return. Accordingly, during a downturn in the oil cycle, oil and gas companies adjust their capital plans by means of rescheduling individual investment projects based on their expected returns and risk profiles also considering the impact of capital plans on liquidity and the financial position.

Eni plans to invest euro 48.8 billion in the four-year period 2009-2012 of that amount 67% or euro 32.6 billion will be dedicated to explore for and develop oil and gas reserves to support achievement of the Company s growth targets and reserve replacement. The above mentioned capital plan is in line with the previous industrial plan adopted by the Company due to the following reasons: (i) the Company has maintained in the years a prudent approach when defining price assumptions to make investment decisions; (ii) the Company can leverage on a project portfolio of high quality due to a low price of break-even on average; (iii) the Company expects that oilfield service rates and purchase costs of materials and support equipment will decrease as a consequence of the current economic downturn; (iv) the share of investments that will be dedicated to regulated activities in the Italian gas sector which bear preset rates of return. Additionally, a significant portion equaling to approximately 50% of Eni s capital plan has still to be committed which ensures the Company a high degree of flexibility in terms of capacity to reschedule capita expenditures should market conditions further deteriorate.

Lower crude oil prices represent an uncertainty also to reserve replacement activities. In fact, lower oil prices trigger two opposite factors of reserve revisions.

On the positive side, a larger amount of reserves is booked in connection with the Company production sharing agreements and similar contractual schemes. Under such contracts, the Company is entitled to receive a portion of the production, the sale of which should cover expenditures incurred and earn the Company a share of profit. Accordingly, the lower the reference prices for crude oil used to determine production and circumstances, there exists limited visibility on the timing of a recovery in energy demand and prices. A prolonged period of weak oil and gas prices represents a critical issue to the sustainability of capital budgeting and plans of oil and gas companies due to the specific features of oil and gas projects. Those projects are normally long lead-time projects involving lengthy

reserves entitlements, the higher the number of barrels to cover the same dollar amounts hence the amounts of booked reserves. On the negative side, downward revisions of reserves occur for those projects that are no longer economic based on oil prices that are significantly lower than those at which they were originally assessed and sanctioned.

OUTLOOK

Management expects market volatility and the current economic downturn to continue well into calendar year 2009. The Company s key assumptions for 2009 are average Brent prices at $43 per barrel, flat European gas demand and lower refining margins with respect to 2008. In this environment, management expectations regarding key operating drivers of Eni s business for the year 2009 are as follows:

- **Production of liquids and natural gas**: is forecast to increase from 2008 (actual oil and gas production averaged 1,797 mmboe/d in 2008). Organic growth expected in Nigeria, Angola, Congo and the Gulf of Mexico will sustain production performance against expected mature field declines;
- **Sales volumes of natural gas worldwide**: are forecast to increase from 2008 (actual sales volumes in 2008 were 104.23 bcm) reflecting full contribution from the acquisition of Distrigaz and the impact of marketing initiatives aimed at supporting European market share. Sales in Italy are expected to decrease mainly due to competitive pressures and demand slowdown amidst the economic downturn;
- **Refining throughputs on Eni s account**: are expected to increase from 2008 (actual throughputs in 2008 were 35.84 mmtonnes) as a result of improved operating performance expected at the Taranto and Gela refineries;
- **Retail sales of refined products** in Italy and the rest of Europe are expected to decrease from 2008 (12.67 mmtonnes in 2008) reflecting the divestment of marketing activities in the Iberian Peninsula and an expected demand slowdown affecting fuel consumption in European markets.

In 2009 management expects slightly lower capital expenditures with respect to 2008 (euro 14.56 billion in 2008). The activities over the course of the year will be focused on the development of oil and natural gas reserves, the upgrading of existing construction vessels and rigs, and the upgrading of natural gas transport infrastructures. On the basis of planned cash outflows to fund capital expenditures, including the completion of the Distrigaz acquisition, and shareholder remuneration, taking into account the Company projections of cash flow at $43 per Brent barrel, management expects the Group to achieve a level of leverage that will be lower than the level of 0.38 reported in 2008, assuming that Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft held by Eni, and a 51% interest in the three Russian gas companies in which Eni holds a 60% interest.

Other information

Continuing listing standards provided by Article No. 36 of Italian exchanges regulation about issuers that control subsidiaries incorporated or regulated in accordance with laws of extra-EU countries
Certain provisions have been recently enacted regulating continuing Italian listing standards of issuers controlling subsidiaries that are incorporated or regulated in accordance with laws of extra-EU countries, also having a material impact on the consolidated financial statements of the parent company. Regarding the aforementioned provisions, the Company discloses that:

- as of December 31, 2008, the provisions of Article No. 36 of Italian exchanges regulation in accordance with Italian continuing listing standards apply to Eni s subsidiaries Eni Congo SA, Eni Norge AS, Eni Petroleum Co Inc, NAOC - Nigerian Agip Oil Co Ltd and Trans Tunisian Pipeline Co Ltd which fell within the scope of the regulation as of September 30, 2008, as well as the following two subsidiaries Burren Energy (Bermuda) Ltd and Nigerian Agip Exploration Ltd;
- the Company has already adopted adequate procedures to ensure full compliance with the regulation.

Subsequent events

Subsequent business developments are described in the operating review of Eni s business segment. In this section management discloses the following matter.

Treaty of friendship between the Italian Republic and Libya
The "Treaty of Friendship" between the Republic of Italy and Libya was enacted by Italy s upper house on February 3, 2009 and is about to be published shortly. This law under Article No. 3 has introduced a supplemental tax rate applicable to taxable income of such individual companies that engage in the exploration and production of hydrocarbons, where fixed assets, including both tangible and intangible assets and investments dedicated to oil and gas operations exceed 33% of their respective items in the balance sheet, also having a market capitalization in excess of euro 20 billion. This supplemental tax is due whenever taxes currently payable represent less than 19% of taxable income and is to be determined as the lower of the amount of income taxes up to 19% of taxable income and the amount resulting from applying a certain set of decreasing rates to companies net equity as determined from individual financial statements. This supplemental tax rate is due for 2009 and following years up to 2028. Eni believes that the parent company Eni SpA will likely fall within the scope of this supplemental tax rate based on the criteria set by the law to identify the persons subject to the new tax rate and the conditions regulating its enactment.

Report on Corporate Governance

This Report is designed to provide a general and complete overview of Eni SpA s ("Eni") corporate governance system. In order to comply with applicable laws and listing standards, in keeping with the recommendations of Borsa Italiana SpA and of the relevant business associations, the Report also furnishes information regarding Eni s ownership, its compliance to the corporate governance codes established by institutional bodies and the relevant commitments to observe them, as well as the options that the company has made in implementing its governance. This Report is available at Eni s headquarters, published on Eni s website www.eni.it, in the Corporate Governance section, and sent to Borsa Italiana SpA according to set rules and deadlines.
Information provided in this Report regards the financial year 2008 as updated, except where specifically indicated, until March 13, 2009, the date of the Board s meeting that approved the 2008 draft annual report.

Eni: profile, structure, values

Profile
Eni is a major integrated energy company, present in 70 countries with nearly 79,000 employees, which operates in the oil and gas industry, power generation and marketing and oilfield services, construction and engineering. In these businesses it has a strong edge and leading international market positions.
Every action of Eni is characterized by a strong commitment to sustainable development: valuing people, contributing to the development and wellbeing of communities where they operate, respecting the environment, investing in innovation, pursuing energy efficiency and mitigating the risks of climate change. Eni s men and women have a passion for challenges, continuous improvement, excellence and give particularly value to the people, the environment and the integrity.

Organizational structure
Eni s organizational structure follows the traditional model of companies in which the Board of Directors is entrusted with the fullest power to manage the company in view of implementing and achieving the company s purpose, thus representing the central element of Eni s corporate governance system. Monitoring functions are entrusted to the Board of Statutory Auditors and accounting control is entrusted to external auditors appointed by the Shareholders Meeting.
According to Eni s By-laws, the Board of Directors delegates some of its managing powers to the Chief Executive Officer and gives to the Chairman the power to identify and promote integrated projects and strategically relevant international agreements.
Eni s governance model, therefore, states a clear separation between the role of the Chairman and that of the CEO. According to Article 25 of Eni s By-laws, the Chairman and the CEO have both the legal representation of the company.
The Board of Directors has established three Board Committees, with advisory and consulting tasks: the Internal Control Committee, the Compensation Committee and the Oil-Gas Energy Committee.
The Board of Directors also appointed three Chief Operating Officers responsible for the three operational divisions of Eni SpA. These managers and most of Eni s Senior Vice-Presidents attend on a permanent basis in the Management Committee,

performing advising and support activities for the CEO. Certain organizational and management choices presented in this Report have been made in application of the U.S. law to which Eni must comply due to the listing on the NYSE (New York Stock Exchange).

Code of Ethics

The Board of Directors of Eni has deemed it fundamental to provide a clear definition of the value system that Eni recognizes, accepts and upholds and the responsibilities that Eni assumes internally and externally in order to ensure that all business activities are conducted in compliance with laws, in a context of fair competition, with honesty, integrity, correctness and in good faith, respecting the legitimate interests of all stakeholders with which Eni relates on ongoing basis: shareholders, employees, suppliers, customers, commercial and financial partners, and the local communities and institutions of the Countries where Eni operates.

These values are stated in the Code of Ethics and all the people working for Eni, without exception or distinction, starting from the management, are committed to observing and enforcing these principles within their function and responsibility. The belief of working for the advantage of Eni does not justify behaviors that are in contrast with such principles. The Guarantor for the Code of Ethics acts for the protection and promotion of these principles and every six months presents a report on the implementation of the Code to the Internal Control Committee, to the Board of Statutory Auditors and to the Chairman and the CEO, who reports on this to the Board of Directors.

In its meeting of March 14, 2008, Eni s Board of Directors resolved to adopt the new Eni s Code of Ethics, replacing the previous version of 1998. The new Code has been updated to include regulatory developments, to better capture the issues of human rights and sustainability, to guarantee compliance with international best practices and to take into account the changes in Eni s organizational structure. The Code represents a general principle of Model 231, of which it is an integral part, that cannot be waived.

The synergies between the Code of Ethics and Model 231 are also confirmed by the assignation of the role of Guarantor of the Code of Ethics to Eni s Watch Structure, established by Model 231. Similarly, each of The Code of Ethics is applied to all Eni s subsidiaries in Italy and abroad. Listed subsidiaries and the subsidiaries of the gas sector subject to unbundling regulation adopt the Code, adapting it when necessary to their peculiar features, consistently with their operational autonomy. The representatives appointed by Eni in the company bodies of associates, in consortia and in joint ventures promote the principles and contents of the Code within their own respective areas of competence.

Eni s commitment to the dissemination of these principles is also strengthened by the establishment of a specific Team for the promotion of the Code of Ethics, entrusted with the dissemination of tools for understanding, interpreting and applying the Code through different initiatives, depending on the different stakeholders involved and addressed to stimulate feedback so that the Code can always be adapted to the sensitivity of the communities where Eni operates.

The Code of Ethics is published on the Eni s website.

Information on ownership structure[1]

Capital structure and main shareholders

Eni s capital is in the form of ordinary shares. The shares are indivisible and each share gives the right to one vote. Shareholders are entitled to attend and vote at the ordinary and extraordinary shareholders meeting and they can exercise the right to participate in profits and any other right as provided by the law and subject to any applicable legal limitations.

Share capital issued at December 31, 2008, amounted to euro 4,005,358,876 fully paid and was represented by 4,005,358,876 ordinary shares, at a nominal value euro 1 each.

In 1995 Eni issued a sponsored ADR (American Depositary Receipts) program directed to U.S. investors. An ADR is a certificate issued by a U.S. depositary bank which represents shares of a non U.S. company, held and traded on U.S. stock markets. Each Eni s ADR is equal to two Eni s ordinary shares; Eni s ADRs are listed on the New York Stock Exchange.

Based on information available and received in accordance with Article 120 of the Legislative Decree No. 58 of February 24, 1998 ("TUF") and on Consob Decision No. 11971/1999, as of December 31, 2008, shareholders holding more than 2% of Eni s share capital were the following:

Eni s subsidiaries assigns the function of Guarantor of the Code of Ethics to its Watch Structure.

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(1) Information on shareholding structure is provided in accordance with Article 123-*bis* of Testo Unico della Finanza (Legislative Decree No. 58/1998). For the rules on the appointment and replacement of Directors, see the specific chapter "Board of Directors" below. Information on changes to Eni s By-Laws, as requested by Article 123-*bis* of the Testo Unico della Finanza, the Company applies the ordinary rules, except for the information reported in the chapter on the special powers of the State below. Article 23.2 of Eni s By-laws entrusts the Board of Directors with the task to amend the By-laws in case of new laws.

Main shareholders

Shareholders	Shares held	% of capital
Ministry of Economy and Finance	813,443,277	20.31
Cassa Depositi e Prestiti SpA [(a)]	400,288,338	9.99
Eni SpA (own shares)	382,954,240	9.56

(a) Cassa Depositi e Prestiti SpA is controlled by the Ministry of Economy and Finance.

Shareholders by area

Shareholders	Number of shareholders	Number of shares	% of capital [(a)]
Italy	295,299	2,357,497,054	58.86
UK and Ireland	1,035	184,096,598	4.60
Other EU	4,148	460,037,433	11.49
USA and Canada	1,827	416,376,724	10.39
Rest of world	1,589	153,618,477	3.83
Own shares at the dividend date		360,801,934	9.01
Other		72,930,656	1.82
Total		**4,005,358,876**	**100.00**

(a) As of May 22, 2008, payment date of the balance dividend for fiscal year 2007 (ex-dividend date, May 19, 2008).

Shareholders by amount of shares held

Shareholders	Number of shareholders	Number of shares	% of capital [(a)]
>10%	1	813,443,277	20.31
3% - 10% [(b)]	2	570,823,315	14.25
2% - 3%	0	0	0
1% - 2%	7	452,855,109	11.31
0.5% - 1%	7	211,320,150	5.28
0.3% - 0.5%	10	156,627,517	3.91
0.1% - 0.3%	49	354,174,592	8.84
= 0.1%	303,822	1,012,382,326	25.27
Own shares at the dividend date		360,801,934	9.01
Other		72,930,656	1.82
Total		**4,005,358,876**	**100.00**

(a) At the payment date (May 22, 2008) of balance dividend for fiscal year 2007 (ex-dividend date, May 19, 2008).
(b) Afterwards, Intesa San Paolo Group reduced the percentage of shares held from 4.26% to 1.23%.

Shareholders agreements

Eni is not aware of any pact involving shareholders as

on the day preceding each purchase increased of 5%[2]. At December 31, 2008, shares held in treasury by Eni provided for by Article 122 of TUF.

Treasury shares and powers of the Board of Directors

On April 29, 2008, Eni s Shareholders meeting authorized the Board of Directors, under Article 2357 of Civil Code, the continuation of the program for the purchase of own shares for a further 18 months period and up to 400 million Eni s shares, nominal value euro 1, for an aggregate amount not exceeding euro 7,400 million, taking into account the number and amount of Eni s shares held in treasury as of April 29, 2008. The purchase price shall not be lower than the nominal value and not higher than the reference price recorded

amounted to 9.56% of Eni s share capital.

Stock ownership limitation and voting rights restrictions

In accordance with Article 6 of Eni s By-laws and in accordance with the special provision of Article 3 of Law Decree No. 332/1994 as converted into Law No. 474/1994 ("Law No. 474 of 1994"), no shareholder can directly or indirectly own a shareholding higher than 3% of Eni s share capital; shares held above this limit do not allow to exercise the right to vote and other rights, except for the right to participate in profits. This limitation does not apply to shares held by the State, the

(2) For further details see the paragraph "Treasury shares purchased" of Eni s Annual Report "Notes to the consolidated financial statements".

Public Entities or entities controlled by them. The law states in addition that this limitation is waived in case of a public offer to buy Eni s shares whereby the offeror will hold at least the 75% of share capital giving the right to vote on the appointment or revocation of the Board of Directors.

Special powers of the State (Golden Share)

Article 6.2 of Eni s By-laws, in accordance with the special law referred to Law No. 474 of 1994, attribute to the Minister of Economy and Finance, in agreement with the Minister of Economic Development, the following special powers to be used in compliance with the criteria indicated in the Decree of the President of the Council of Ministers of June 10, 2004 and, synthetically:

a)

opposition with respect to the acquisition of material shareholdings representing 3% of the share capital of Eni SpA having the right to vote at ordinary Shareholders Meeting by people subject to ownership limitations[3]. Such opposition is required to be duly motivated and expressed within 10 days of the date of the notice to be filed by the Board of Directors at the time a request is made for registration in the Shareholders register, when the transaction is considered prejudicial to vital interests of the State. Until the ten-day term is not lapsed, the voting rights and the non-asset linked rights connected with the shares representing the material shareholding should not be exercised. If the opposition power is exercised, by a duly motivated act in connection with the prejudice that may be caused by the operation to the vital interests of the Italian State, the purchaser can not exercise the voting rights and the other non-asset linked rights connected with the shares representing the material shareholding and must sell the relevant shares within one year. Failing to comply, the law court, upon request of the Minister of Economy and Finance, will order the sale of the shares representing a material shareholding according to the procedures set forth in Article 2359-*ter* of the Civil Code;

b)

opposition with respect to the subscription of shareholders agreements or other arrangements (as defined by Article 122 of the TUF) whereby 3% or more of the share capital of Eni having the right to vote at Article 122 of the TUF. The opposition power may be exercised within ten days as of the date of the notice by Consob. Until the ten-day term is not lapsed, the voting right and the other non-asset linked rights connected with the shares held by the shareholders who have subscribed the above mentioned agreements can not be exercised. If the opposition power is exercised through a duly motivated act in consideration of the prejudice that may be caused by said agreements to the vital interests of the Italian State, the shareholders agreements shall be null and void. If in the shareholders meetings the shareholders who have signed shareholders agreements behave as if those agreements disciplined by Article 122 of the TUF were still in effect, the resolutions approved with their vote, if determining for the approval, can be sued;

c)

veto power duly motivated in connection with the prejudice to the interests of the State with respect to shareholders meeting resolutions to wind-up the company, to transfer the enterprise, to merger or to demerger, to transfer the headquarters of the company abroad, to change the company objects or to amend the By-laws canceling or modifying any of the special powers described in this section (with reference to letters *a), b), c*) and the following letter *d*);

d)

appointment of a Board member without voting right in the Board resolutions.

The acts whereby these special powers are exercised may be sued by the legitimate subjects before the Regional Administrative Court of Lazio within 60 days.

Shares and equity instruments - Law No. 266 of December 23, 2005

Law No. 266 of December 23, 2005 (Budget Law for 2006) in Article 1, paragraphs 381 to 384, in order to promote the process of privatization and the diffusion among the public of shareholdings in companies in which the State holds significant stakes, introduced the option to include in the by-laws of such listed companies, like Eni, provisions for the issuance of shares, or securities bearing the same characteristics as shares, which give to the special meeting of their relevant holders, the right to request the issuance on their behalf of new shares, also at par value, or securities bearing the right to vote at both ordinary and ordinary Shareholders Meetings is involved. In view of exercising the opposition power, the public authority responsible for regulating Italian securities and exchanges (Consob) communicates to the Minister of Economy and Finance any significant shareholders agreement notified in accordance with extraordinary shareholders meeting. The introduction of these norms in Eni s By-laws would entail the cancellation of the 3% threshold to individual shareholdings as contained in the mentioned Article 6.1 of Eni s By-laws. To date, Eni s By-laws doesn t contain this provision.

(3) The persons detailed in Article 6.1 of Eni s By-laws.

Significant agreements which take effect, alter or terminate upon a change of control of Eni

Except for what explicitly indicated, Eni and its subsidiaries are not party to any material agreement that can be disclosed without serious prejudice to the company, that comes into force, is modified or expires in case of a change in the shareholders currently controlling Eni. Material agreements are deemed to be those that require to be examined and approved by the Board of Directors as they fall within the matters reserved to the Board itself.

In particular, the agreements that fall within this category concern: (i) the shareholders agreement in place which includes Eni, Amorim Energia, and Caixa Geral de Depósitos for the joint management of Galp Energia SGPS SA. The agreement provides that in case of change of control of any participating company, the other partners have a call option to purchase the Galp shareholding held by the party whose controlling entity has changed; (ii) any expiry of the natural gas distribution license of the subsidiary Distribuidora de Gas Cuyana SA, due to the provisions of Article 34 of Title VIII of Law 24.076 if the company were to be controlled by a shareholder that engages directly or through subsidiaries in the activities of production, storage or distribution of natural gas in Argentina.

Shareholders Meeting and shareholders rights

The Shareholders Meeting resolves in the ways and on the issues set for by applicable law and Eni s By-laws in ordinary and extraordinary form. In particular, an ordinary meeting appoints and revokes directors and statutory auditors, approves financial statements within 120 days from the end of each fiscal year (December 31), while an extraordinary meeting approves changes in By-laws and extraordinary transactions, such as capital increases, mergers and demergers.

With the aim of facilitating the attendance of shareholders, according to Article 13 of the By-Laws, calls for meetings are published in the Official Gazette of the Italian Republic and in the "Il Sole 24 Ore", "Corriere della Sera" and "Financial Times" newspapers. In order to attend at a meeting, a shareholder must present a communication issued by financial intermediaries at least two business days prior to the date of the meeting in first call. The communication can be withdrawn, through the financial intermediaries, in meeting. Persons that intend to attend the meeting as legal or voluntary representatives of other shareholders must present the documentation confirming their power to the proper office of the company according to the dates and forms indicated in the call for the meeting.

In addition, as provided by Article 14 of Eni s By-laws, in order to simplify the collection of proxies issued by shareholders that are also employees of Eni and Group companies and members of associations of shareholders that comply with current regulations, Eni provides areas for communicating and collecting proxies to said associations in ways to be agreed from time to time with their legal representatives.

Shareholders representing alone or jointly one fortieth of the share capital may request, within five days from the publication of the call for meeting, an integration to the items on the agenda to be explicitly stated in the request, except for those matters reserved to the Board or based on projects.

On December 4, 1998, Eni approved a regulation for its shareholders meetings, available on Eni s website, in order to guarantee an efficient deployment of meetings, in particular the right of each shareholder to express his opinion on the items in the agenda.

During shareholders meetings, the Board of Directors provides wide disclosure on items examined and shareholders can request information on issues in the agenda. Information is provided within the limits of confidentiality, taking account of applicable rules regulating the matter of price sensitive information.

Adoption of the Corporate Governance Code of conduct of Borsa Italiana and adoption of Eni s Code

In its meeting of December 13, 2006, the Board of Directors resolved to adhere to the new Code of corporate governance adopted by Borsa Italiana on March 14, 2006 ("Borsa Italiana Code[4]") reiterating its previous resolution of January 2, 2000. In view of that Eni, on the base of Borsa Italiana Code and with the aim of implement its provisions, has adopted its own code (the "Code" or "Eni Code"). Certain recommendations of the Borsa Italiana Code have been adapted to the specific setup of Eni, while certain others have been

which case the shareholder loses his right to participate. Eni s By-laws allow vote by mail and the collection of proxies in Articles 13 and 14.
Vote by mail can be revoked by express communication sent to the company at least one day before the

clarified thus strengthening Eni s corporate governance. The aim of the Code is to clearly and fully disclose Eni s corporate governance system based on the Borsa Italiana Code.
The Code takes into consideration the fact that Eni is a parent company, is not controlled by any other

(4) The Borsa Italiana Code is published at www.borsaitaliana.it.

company and is not subject to direction and co-ordination by any Italian or foreign entity (company or body); hence, all the principles expounded in the Borsa Italiana Code not consistent with this status have been adjusted to avoid misunderstanding among Eni s shareholders and other stakeholders.
Similarly, the Code considers that the By-Laws currently in force foresee a traditional administration and control model (removing the provisions about one-tier or a two-tier model of management and control system as foreseen in the Borsa Italiana Code), the separation of the roles of the Chairman and the CEO (making the appointment of a lead independent director unnecessary), and provides for specific rules on the appointment and composition of the Board of Directors and of the Board of Statutory Auditors.
In view of guaranteeing more transparency and understanding, the Eni Code directly makes specific choices where the Borsa Italiana Code leaves this option to listed companies, making further resolutions on these matters unnecessary (e.g., the choice not to re-allocate or modify the Board committees tasks, the choice to entrust internal control responsibilities to only one managerial position, the provision that the internal control manager refers also to the CEO and the choice not to entrust internal auditing activities to third parties).
Certain provisions of the Borsa Italiana Code regarding matters reserved to the Shareholders Meeting were merely indicated or suggested by the Eni Code as the Board of Directors cannot resolve on matters reserved to the Shareholders Meeting. Certain generic recommendations of the Borsa Italiana Code have been specified in the Eni Code, in particular criteria regarding the independence of directors, by clearly stating the levels of "supplementary remuneration", which jeopardizes the independence requirement, and the meaning of "close relatives".

The Eni Code establishes certain principles that enhance the level of governance recommended by the Borsa Italiana Code; in particular:

- in achieving the Company s purpose, the directors shall take into account the interests of all stakeholders as a guideline;
- directors with delegated powers are due to report their activity to the Board of Directors
- the number of members of Board committees mentioned by Eni Code (Internal Control Commission and Compensation Committee) shall be lower than the majority of Board members in order not to interfere with the Board s decision-making process;
- the Internal Control Committee s opinion on corporate rules introduced to ensure that all transactions carried out with related parties and transactions in which a director has an interest, are performed in a transparent way and according to the criteria of substantial and procedural fairness; furthermore, Internal Control Committee has a relevant role in the instruction of related parties transactions, as requested by principles and best practices regulating this matter;
- the proposal of appointment of the manager delegated to internal control to the Board of Directors is drafted by the CEO, in agreement with the Chairman, with the opinion of the Internal Control Committee, as determined by the Board of Directors decision of October 30, 2008 which also decided that the same procedure shall apply for the appointment of Internal Audit manager;
- at least two members of the Internal Control Committee must have adequate experience in accounting and finance (the Borsa Italiana Code foresees only one member with these skills).

The Board of Statutory Auditors was invited to expressly agree to the provisions of the Borsa Italiana Code on the Board of Statutory Auditors, and promptly adhered during its December 13, 2006 meeting.

Following the adoption of the Code, the Board of Directors approved several rules regarding the implementation and specifying of its provisions.
In particular:

- the powers of the Board of Directors have been redefined: the Board maintains an absolute central role in Eni s corporate governance system, with wide responsibilities that encompass the definition of the organizational every two months, compared to the three-month period prescribed by the Borsa Italiana Code;

- the Board review can be performed with the support of a specialized external consultant, to ensure its objectiveness;
- directors and auditors shall hold their positions only as long as they deem to be able to dedicate the necessary time to diligently perform their duties;

set-up of the parent company, its subsidiaries and internal control systems;

- the most important transactions of Eni and its subsidiaries, that require the approval of the Board of Directors, have been defined, including transactions with related parties and those ones where one or more directors have an interest on their own or third parties behalf;

- the Board of Directors has a central role in defining sustainability policies and approving the sustainability report, which is submitted also to the Shareholders Meeting;
- the subsidiaries with strategic relevance have been identified;
- the Board of Directors has expressed its opinion on the admissible maximum number of positions in other companies that can be held by Eni s directors to ensure a sufficient amount of time for the effective performance of their duties;
- the principle of not interfering in the decision-making process has been applied to Eni listed subsidiaries (in Italy, Saipem SpA and Snam Rete Gas SpA), with the commitment, for Eni, to observe the Code provisions for listed company shareholders. The same principle has been subsequently applied also to subsidiaries that fall within regulations on unbundling which applies to companies managing gas infrastructures (in Italy, Snam Rete Gas, Italgas and Stogit) in line with the evolution of sector specific regulation.

Giving execution to Code provisions, for the first time in its meeting of March 16, 2007, confirming its previous decision in the meeting of October 30, 2008 the Board of Directors with the positive opinion of the Internal Control Committee, entrusted the Internal Audit Manager as manager delegated for the Internal control.

Eni s corporate governance model, therefore, complies with the provisions of the Borsa Italiana Code and foresees certain provisions intended to improve the level of corporate governance.

Eni s Code is published on Eni s website, **www.eni.it** in the section "Corporate Governance".
The "Comment" included in the Borsa Italiana Code has not been published there, in order to not lengthen the document; however Eni took it into account in the implementation of provisions and criteria.

The Board of Directors

Meeting of June 10, 2008, for a three financial year term; their mandate expires with the Shareholders Meeting convened to approve financial statements for fiscal year 2010.
The current Board of Directors is formed by the Chairman, Roberto Poli, the CEO, Paolo Scaroni, and directors, Alberto Clô, Paolo Andrea Colombo, Paolo Marchioni, Marco Reboa, Mario Resca, Pierluigi Scibetta and Francesco Taranto.
Roberto Poli, Paolo Scaroni, Paolo Andrea Colombo, Paolo Marchioni, Mario Resca and Pierluigi Scibetta were candidates included in the list of the Ministry for Economy and Finance.
Alberto Clô, Marco Reboa and Francesco Taranto were candidates included in the list presented by institutional investors.
Roberto Ulissi, the Group s senior vice president for Corporate Affairs and Governance, has been confirmed Secretary of the Board of Directors.

Appointment
In order to allow for the presence of representatives elected by minority shareholders, as provided for by Law No. 474/1994 and consistently with the TUF, Eni s By-laws provide that the directors having decisional power have to be elected through a list vote. According to Article 17 of Eni s By-laws and the provisions of Law No. 474 of 1994, shareholders representing at least 1% of voting shares, alone or together with other shareholders, and the Board of Directors have the right to present lists for the appointment of directors. Each shareholder can present or participate in presenting and voting for only one list.
Entities controlling a shareholder and companies controlled by a common entity are forbidden from presenting or otherwise concurring to the presentation of additional lists and from voting them, also through intermediaries or fiduciaries.
Lists, in which the independent candidates are clearly identified, are to be filed at Eni s headquarters at least ten days before the date set for the Shareholders Meeting on first call (20 days in case of the Board of Directors presenting a list) and published in at least three national (two finance) newspapers in accordance with Law No. 474/2004. Lists must be also be filed with Borsa Italiana and published on Eni s website.
All candidates must posses the honorability

Composition

In accordance with Article 17 of Eni s By-laws, the Board of Directors is made up of three to nine members. The Shareholders Meeting determines the number within said limits.

In accordance with By-laws, minority shareholders can appoint a number of representatives in the Board correspondent to three tenths of the members (rounded off in the event of a fractional number to the next higher number).

The Board of Directors presently in office is made up of nine members appointed by the Shareholders

requirements as provided for by the applicable legislation. Filing a list is a pre-requisite for its validity together with filing of a professional curriculum of each candidate and statements in which each candidate accepts his candidature and attests the lack of situations of ineligibility or incompatibility and the possession

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of the honorability and, in case, the independence requirements.
After the votes are cast, appointments take place by extracting seven tenths of directors from the majority list in the order in which they are listed and the remaining directors from the other lists that must not be directly or indirectly connected with the shareholders that filed or voted the list that collected the majority of votes.
The list vote is applied only when the whole Board is re-elected.
In case of appointment of directors that for whatever reason have not been voted according to the described procedure, the Shareholders Meeting decides with the majorities set by the law, so that the composition of the Board complies with the law and Eni s By-laws.
As per Article 6, paragraph 2, letter d) of Eni s By-laws, the Minister for Economy and Finance, in agreement with the Minister of Economic Development, may appoint one member of the Board without voting rights in addition to those appointed by the Shareholders Meeting.
The Ministers chose not to appoint such member.

Independence and honorability requirements, causes for ineligibility and incompatibility
The TUF provides that at least one member, or two members if the Board is composed by more than seven members must possess the independence requirements provided for statutory auditors of listed companies, as per Article 148, paragraph 3, of same rule.
Article 17.3 of Eni s By-laws states that at least one member, if the Board is made up by up to five members, or three Board members, in case the Board is made up by more than five members, shall have those independence requirements. This rule actually increases the number of independent directors in Eni s Board, as compared to what is required by the law. In addition Eni s By-laws provide for a mechanism that supports Eni s voting system by ensuring in any case the presence of the minimum number of independent directors in the Board.
Eni Code foresees further independence requirements, in line with the ones provided by the Borsa Italiana Code.
The TUF, as implemented in Article 17.3 of Eni s By-laws, provides that the persons acting as directors and general managers of listed companies shall possess the honorability requirements prescribed to members of

In accordance with Article 17.3 of Eni s By-laws, the Board periodically evaluates independence and honorability of directors and the absence of reasons for ineligibility and incompatibility. The Eni Code also provides for the Board of Statutory Auditors to verify the proper application of criteria and procedures adopted by the Board to evaluate the independence of its members.
In accordance with Article 17.3 of Eni s By-laws, should the independence and honorability requirements be impaired or cease that were declared or prescribed by the law or should reasons of ineligibility arise, the Board declares the termination of office of the member lacking said requirements and provides for his substitution or, alternatively, allows any impaired director to eliminate any reasons for incompatibility within a set deadline.
Board members are expected to inform the company if they lose their independence and honorability requirements or of any reasons for ineligibility or incompatibility that might arise.
After their appointment, the Directors have presented their statements confirming they possess the requirements of honorability and independence and the Board has verified it, as provided for by the Eni Code and applicable laws.
On February 26, 2009 as part of the periodic assessment of each Board member s requirements provided by the law and Eni s By-laws, the Board of Directors assessed that all its members possess the honorability requirement, based on individual statements received. In addition, non executive directors Clô, Colombo. Marchioni, Reboa, Resca, Scibetta and Taranto have been deemed to be independent in accordance with applicable laws, Eni s By-laws and the Eni Code[5].
Director Clô has been confirmed as independent also under the Eni Code, although he has been holding his office for more than nine years, because he was appointed by minority shareholders (in particular institutional investors) and due to his outstanding professional expertise and independence of judgment.
The Board of Statutory Auditors has always verified, in the last occasion on its meeting of March 3, 2009, the proper application of criteria and procedures adopted by the Board to evaluate the independence of its members.
A lead independent director has not been appointed in light of the clear distinction of functions between Chairman and CEO.

control bodies of listed companies. Directors must comply with additional requirements specifically determined for them.

Attached tables detail the evaluations made by the Board.

(5) Although the Board s Chairman is a non executive director, he cannot be deemed independent under the Borsa Italiana Code, as he is also a top manager of the company (Application criterion 3.C.2).

Board s opinion on the matter of the admissible number of positions held by directors in other companies

In its meeting of June 11, 2008, the Board of Directors expressed its opinion on the matter of the admissible number of positions held by Directors in other companies, as required by the Eni Code, confirming the opinion of the preceding Board, as follows:

- an executive director should not hold: i) the position of executive director in any other Italian or foreign listed company, or in any finance, banking or insurance company or any company with a net equity exceeding euro 10 billion and ii) the position of non-executive director or statutory auditor (or member of any other advisory committee) in more than three of said companies;
- a non-executive director, should not hold further positions than the one held in Eni, as: i) executive director in more than one of the companies mentioned above and non-executive director or statutory auditor (or member of any other control body) in more than three of the mentioned companies, or as ii) non-executive director or statutory auditor in more than six of the mentioned companies.

All the positions held in Eni s subsidiaries are excluded for the purposes described above.
In case a director exceeds said limits in terms of positions held, he should timely inform the Board, who shall judge the situation taking into account the interest of the Company and call upon the interested director to make a decision on the matter. In any case, before accepting the office of director or statutory auditor (or member of any other control entity) of a company not related to Eni, the executive director informs the Board of Directors that evaluates its compatibility with his office at Eni and the interests of Eni. This rule applies also to the General Managers of Eni s divisions.
The Board s resolution on this matter is published on Eni s website in the Corporate Governance section.
On the basis of available information, subsequently to the appointment of the Board and to the Board s meeting of February 26, 2009, the Board of Directors verified that the number of positions held in other companies by listed in regulated markets also outside Italy, financial, banking or insurance or large companies by members of Eni s Board of Directors. The personal and professional curriculum of Directors is available on Eni s website.
In the attached table is reported the number of relevant position held by every member of the Board.

ROBERTO POLI
Chairman of Poli e Associati, Board member of Mondadori SpA, Fininvest SpA, Merloni Termosanitari SpA, Coesia SpA, Maire Technimont SpA, Perennius Capital Partners SGR SpA.

PAOLO SCARONI
Board member of Assicurazioni Generali SpA, LSEG plc (London Stock Exchange Group), Veolia Environment SA.

ALBERTO CLÔ
Board member of Atlantia SpA, Italcementi SpA, De Longhi SpA.

PAOLO ANDREA COLOMBO
Board member of Mediaset SpA, Interbanca SpA, Ceresio Sim , Versace SpA, Statutory Auditor of Aviva Vita SpA, Sirti SpA, A. Moratti Sapa, Humanitas Mirasole SpA, Credit Agricole Assicurazioni Italia SpA.

PAOLO MARCHIONI
Director of Consip SpA until June 2008

MARCO REBOA
Board member of Interpump Group SpA. Chairman of the Board of Statutory Auditors of Luxottica Group SpA and Mediobanca SpA, Statutory Auditor of Gruppo Lactalis SpA and Egidio Galbani SpA.

MARIO RESCA
Chairman of Finbieticola SpA, Confimprese. Vice president of McDonald s Development Italia Inc. Board member of Mondadori SpA, Finance Leasing SpA, ARFIN SpA.

PIERLUIGI SCIBETTA
Board member of Gestore del Mercato Elettrico SpA.

each Board member complies with the above mentioned limits[6].

Positions held by directors in other Boards
Based on information received, as requested by Eni Code, follows information on positions held in other Boards of Directors or Boards of Statutory Auditors of companies

FRANCESCO TARANTO
Board member of Banca Carige SpA, Cassa di Risparmio di Firenze, Pioneer Global Asset Management SpA (Unicredito Group), Kedrios SpA, Alto Partners SGR.

(6) The preceding Board of Directors had been subjected to evaluation on February 15, 2008.

Role

The Board of Directors is entrusted with the fullest powers to achieve the Company s purpose.

On June 11, 2008, the Board of Directors appointed Mr. Paolo Scaroni[7] as Chief Executive Officer and General Manager and delegated to him all necessary powers for the administration of the Company, with the exception of those powers that cannot be delegated in accordance with current legislation and those retained exclusively by the Board of Directors on the matters regarding major strategic, operational and organizational decisions. These powers specify the role of the managing entity as provided for by the Eni Code.

In detail, the Board of Directors:

1.
Establishes the Company and Group Corporate Governance system and rules. In particular, after consulting the Internal Control Committee, the Board approves the rules that ensure the substantial and procedural transparency and correctness of the transactions carried out with related parties and those in which a Director holds an interest, on his behalf or on behalf of third parties. The Board adopts a procedure for the management and disclosure to third parties of documents and information concerning the Company, having special regard to price sensitive information.

2.
Establishes among its members one or more committees with advisory and consulting tasks, appoints their members, establishes their responsibilities, determines their compensation and approves their regulations.

3.
Confers and revokes the powers of the CEO and the Chairman; establishes terms, limits and operating methods of the exercise of such powers and determines the compensation related to the powers, on the basis of proposals from the Compensation Committee and after consulting the Board of Statutory Auditors. The Board may issue instructions to the CEO and the Chairman and reserve to itself any operations that pertain to its powers.

4.
Establishes the guidelines of the organizational, administrative and accounting set-up of the parent company, including the internal control system, the main subsidiaries and the Group; evaluates the adequacy of the organizational, administrative and accounting set-up

5.
Establishes, in particular, based on the recommendations of the Internal Control Committee, the guidelines of the internal control system, in order to ensure the identification, measurement, management and monitoring of the main risks faced by the Company and its subsidiaries. It evaluates adequacy, effectiveness and effective functioning of the internal control system managed by the Chief Executive Officer on an annual basis.

6.
Establishes, based on the recommendation of the Chief Executive Officer, Company and Group strategic guidelines and targets, including Sustainability policies. It reviews and approves the Company s and Group s strategic, operational and financial plans and the strategic agreements to be entered by the Company. It examines and approves the Company s non-profit activities plan and approves unplanned expenditures that amount to more than euro 500,000.

7.
Examines and approves annual budgets for Eni s Divisions and the Company, as well as the Group s consolidated budget.

8.
Examines and approves the Company s and Group s interim financial report and quarterly consolidates accounts, as per current regulations. Examines and approves the sustainability report, submitted also to the Shareholders Meeting.

9.
Receives from Board members with delegated powers, at every Board meeting or at least every two months, reports informing the Board of activities carried out in exercising the delegated powers as well as updates on activities carried out by the Group and on atypical or unusual transactions or transactions with related parties that were not previously submitted to the evaluation and approval of the Board. In particular, it receives a half-year report on the changes of approved capital projects indicated under No. 12, letters b) and c) on the basis of criteria defined by the Board itself.

10.
Receives half-year updates on the Board committees activities.

11.
Evaluates the general performance of the Company and

designed by the CEO in particular with regard to the management of conflicts of interest.

the Group, on the basis of information received from Board members with delegated powers, with particular attention to situations of conflicts of interest and compares results achieved as contained in the annual report and interim and quarterly reports, with the budget.

(7) Paolo Scaroni was appointed Chief Executive Officer and General Manager for the first time on June 1, 2005.

12.
Evaluates and approves any transaction executed by the Company and its subsidiaries that have a significant impact on the company s results of operations and liquidity. Particular attention is paid to situations in which Board members hold an interest on their own behalf or on behalf of third parties, and to related parties transactions. The Board ensures the principle of not interfering in the decision making process of the Group listed subsidiaries and subsidiaries subject to unbundling regulation. It also ensures the confidentiality of trade relations between said subsidiaries and Eni or third parties for the protection of the subsidiaries interests. Transactions with a significant impact on the company s results of operations and liquidity include the following:
a)
acquisition and disposal of investments, businesses and individual properties, contributions in kind, business combinations, mergers and de-mergers, winding-up, exceeding euro 100 million, notwithstanding Article 23.2 of the By-laws;
b)
capital expenditures exceeding euro 300 million, or less if of particular strategic importance or particularly risky;
c)
any exploration initiatives and portfolio operations in the E&P sector in new areas;
d)
sale and purchase contracts relating to goods and services other than capital goods, for an amount exceeding euro 1 billion or a duration exceeding twenty years or gas supply contracts for at least 3 billion cubic meters per year for a ten-year term;
e)
financing to entities other than subsidiaries: i) for amounts exceeding euro 200 million, if the amount is proportionate to the interest held or, ii) in any case, if in favor of non-related companies or the amount is not proportionate to the interest held;
f)
issuing by the Company of personal and real guarantees to entities other than subsidiaries: i) for amounts exceeding euro 200 million, if in the interest of the Company or of Eni subsidiaries, or associates, as long as the guarantee is proportionate to the interest held or ii) in any case, if the guarantees are issued in the interest of associates and the amount is not proportionate to the

14.
Appoints and revokes, on recommendation of the CEO and in agreement with the Chairman, and with the approval of the Board of Statutory Auditors, the Manager charged with preparing the Company s financial reports as per Legislative Decree No. 58/1998. Moreover the Board of Directors verifies the adequacy of his powers and resources in order to fulfill this task and the observance of relevant administrative and accounting procedures prepared by him.
15.
Appoints and revokes, on recommendation of the CEO and in agreement with the Chairman, after consulting the Internal Control Committee, the person in charge of internal control and the Internal Audit Manager, determining his/her compensation in line with the Company s remuneration policies, and approves the guidelines set for those activities.
16.
Ensures a person is identified as responsible for handling the relationships with the Shareholders.
17.
Establishes, on the basis of the proposals received from the Compensation Committee, the criteria for top management compensation and implements the stock incentive plans approved by the Shareholders Meeting.
18.
Examines and decides on proposals submitted by the CEO with respect to voting powers and to the appointment of members of the management and control bodies of the main subsidiaries. With specific regard to the shareholders meetings of listed companies of the Eni s Group, the Board ensures the observance of the Corporate Governance Rules regarding the shareholders meetings.
19.
Prepares the proposals to be submitted to the Shareholders Meeting.
20.
Examines and resolves on other matters that the CEO deems appropriate to submit to the Board because of their importance and sensitivity.

Pursuant to Article 23.2 of the By-laws, the Board resolves on: mergers by incorporation and proportional demergers of at least 90% of directly owned subsidiaries; establishment and winding up of branches;

interest held. In order to issue the guarantees indicated in section i) of letter f), if the amount ranges between euro 100 million and euro 200 million, the Board confers powers to the CEO and the Chairman, to be exercised jointly in case of urgency.

13.
Appoints and revokes, on recommendation of the CEO and in agreement with the Chairman, the General Managers of Divisions and attributes powers to them. In case of Chief Executive Officer appointment as General Manager, the Chairman makes the proposal.

amendments to the By-laws in order to comply with applicable legislation.

During the fiscal year the Board can approve the distribution of interim dividends to shareholders, as per Article 29.3 of Eni s By-laws.

The Board of Directors, in its meeting of June 30, 2008, has delegated to the Chairman, Roberto Poli, powers for researching and promoting integrated projects and strategic international agreements, as provided by Article 24.1 of Eni s By-Laws.

In accordance with Article 27 of Eni s By-laws, the Chairman chairs the Shareholders Meeting, calls and chairs meetings of the Board of Directors and controls the application of decisions made- by the Board.
On June 11, 2008 the Board of Directors determined that Saipem SpA, Snam Rete Gas SpA, Eni International BV and Polimeri Europa SpA are strategically relevant subsidiaries with reference to the approval of transactions mentioned in No. 12 above.
On January 22, 2009, the Board of Directors deemed adequate the organizational, administrative and accounting structure of the company, of its strategically relevant subsidiaries and of the Group. At the same date, it deemed adequate the powers and means conferred to the Manager in charge of the preparation of financial reports for performing his duties.
On February 12, 2009 the Board approved the guidelines for transactions in which a Director (or Statutory Auditor) has an interest and for related parties transactions, with the opinion of the Internal Control Committee, keeping account of most recent principles[8].
On March 13, 2009 the Board deemed adequate, efficient and effectively functioning the internal control system of the company. At the same date the Board also verified, according to Article 154-*bis* TUF, that the administration and accounting procedures prepared by the Manager in charge of the preparation of the financial reports, have been duly respected.
On February 26, 2009, the Board also performed the Board review[9].

Meetings and functioning

In its meeting of June 11, 2008, the Board of Directors approved internal rules for the calling and functioning of its meetings.
The Chairman convenes Board meetings, and, in agreement with the CEO, defines items on the agenda. Notice is sent to the Directors, Statutory Auditors and the Magistrate of the Court of Accounts within five days of the meeting s date[10]. Under particular circumstances and in case of urgency the Board may be convened at least 12 hours in advance.
Board members, Statutory Auditors and the Magistrate of the Court of Accounts receive in advance, adequate and thorough information on all items on the agenda, except for price sensitive items that are not communicated in advance.
meetings to be held by video or teleconference.
Based on the provisions of Article 2391 of the Civil Code and of the Eni Code, before discussing the items in agenda, each director is expected to inform the Board about any interest he might directly or indirectly have in the transactions or issues to be discusses, indicating its nature, terms, origin and extent. Transactions in which a director has an interest or to which he is a related party are regulated by internal guidelines as approved on February 12, 2009 by the Board of Directors, with the opinion of the Internal Control Committee.
In 2008, the Board of Directors met 19 times (of which 15 ordinary meetings and 4 extraordinary meetings) for an average duration of 2 hours and 40 minutes. The average attendance rate to Board meetings was 98.66%, the attendance rate of independent non-executive Board members was 98.54%. The attendance rate for the Board presently in office was 98% both for the delegated director and the independent delegated director. As concerns the current year, until March 13, 2009 the Board of Directors met 4 times, including the one held on March 13. Other 12 meetings are expected to be held until year end.
The general public is informed, with advance notice normally before the closing of the year, of the dates of meetings convened for the approval or review of annual, semi-annual, full-year preliminary accounts and quarterly accounts, as well as resolution and proposal of interim dividends and final dividends, and related ex-dividend and payment dates. The financial calendar is available on Eni s website.
The Eni Code provides that independent directors may hold meetings attended exclusively by non-executive independent members. This power was exercised in the meeting of January 22, 2009.
In the attached table, the percentage of attendance of each member of the Board to the Board of Directors and Board committees meetings is presented.

Board review

In line with international best practices and as provided for by the Eni Code and the Borsa Italiana Code, the Board of Directors performed, for the third time, its self assessment of size, composition and functioning and of the activities of the Board and Board committees.
The current Board performed its first review supported by a specialized consulting firm, Egon Zehnder, the

During meetings, directors can meet managers of Eni and its subsidiaries in order to obtain information on specific matters of the agenda items. Eni s By-laws allow

same company of the preceding two years, to guarantee continuity and homogeneity of analyses.

Egon Zehnder s work was focused on: (i) size and

(8) Further details are found in the specific paragraph below.
(9) Further details are found in the specific paragraph below.
(10) Further details are found in the specific paragraph below.

composition, level of functioning and efficiency of the Board; (ii) identifying areas of improvement or weakness in the functionality and efficacy of the Board; (iii) efficiency of improvement actions decided after the previous Board review and the related level of satisfaction of Board members; (iv) assessing Eni s Board efficiency by benchmarking it against national companies of comparable size, complexity and scope. Consultants performed an in-depth interview of each member and presented the results to the Board of Directors, that discussed and confirmed them in its meeting of February 26, 2009. The review was substantially positive.
The Board in fact confirmed the positive elements and areas of excellence registered in the previous years, in particular: (i) efficient size; (ii) the transparency in presenting issues to the Board; (iii) the satisfying level of quantity and quality of information provided; (iv) excellent relations with top management and their availability to provide information; (v) valuable and accurate work performed by committees, in particular the Internal Control Committee; the Board also expressed its appreciation to the new Oil-gas Energy Committee.
Independent directors expressed interest and availability to provide an even more constructive support to the CEO and Chairman, also trough separate meetings as provided for by the Eni Code.

Induction of Board Members
In line with the provisions of the Eni Code on the efficient and aware performance of his role by each Director, Eni prepared a training plan (induction) for the current Board of Directors, aimed at providing Board members, especially newly elected members with an in-depth knowledge of Eni s activities, business segments and organization as well as the competitive landscape and the role the Board is expected to play in relation to the company s specific features. This training plan is addressed also to the new Statutory Auditors, but all members of both Boards are invited to participate.
The program was started on June 30, 2008 and included meetings dedicated to discussing the issues identified with Eni s top management and external consultants with well-known professional expertise. Main issues covered were: (i) responsibilities, duties, powers, composition and functioning of the Board of Directors; (ii) the energy and management ethics; (vii) technological innovation. Specific sessions will be dedicated to the members of Board committees.
In addition to the induction program, all Board members are required to attend initiatives and training programs as part of a ongoing training. In this light, board meetings can be held also outside Eni s registered head-offices, also abroad, in order to improve knowledge of Eni s operating activities.

Remuneration
Board members emoluments are determined by the Shareholders Meeting; the Chairman and the CEO emoluments are determined by the Board of Directors, based on proposals of the Compensation Committee and after consultation with the Board of Statutory Auditors.
On June 10, 2008 the Shareholders Meeting resolved to determine the annual emolument of the Chairman in euro 265,000 and of Board members in euro 115,000, thus confirming emoluments structure and amounts defined in 2005. The Shareholders Meeting also resolved a bonus to the Chairman and each Board member the amount of which is determined in accordance with Eni s position in the reference year, with reference to Eni s shares performance as compared with the performance of the seven largest international oil companies for market capitalization. The share performance takes account of the dividend paid. The bonus amounts to euro 80,000 or euro 40,000, and euro 20,000 or euro 10,000 for the Chairman and each Board member, respectively, depending on whether the performance of Eni shares is rated first or second, or third or fourth in the reference year, respectively. No bonus is paid in case Eni scores a position lower than the fourth one. In the meeting of March 14, 2008, the Board verified that Eni rated seventh in the mentioned positioning in 2007.
In the meeting of June 11, 2008, the Board of Directors determined the additional element of remuneration for the Board members holding positions in Board s committees, with the exclusion of the Chairman and CEO, confirming their structure and amount as approved in 2006. This fee amounts to euro 30,000, and euro 20,000 for the position of chairman of a committee and of member of a committee, respectively. This amount decreases to euro 27,000 and euro 18,000 in case a member holds positions in more than one committee.

and oil markets and competition analysis; (iii) the Company s organizational set-up; (iv) Eni s core businesses; (v) the Company s decision making process; (vi) sustainability

The remuneration of the Chairman is made up of a fixed part and a bonus. The remuneration of the CEO, the General Managers and other key-managers[11] is made up of a base salary, an annual bonus, and long-term incentives.

(11) These members together with the CEO and the General Managers are permanent members of Eni s Steering Committee.

The fixed part of the remuneration of the Chairman and the CEO is set taking into account the powers delegated to them by the Board.
The base salary of the three General Managers of the Company s divisions and of other key managers is set considering the positions held and their specific responsibilities, with reference to equivalent market levels as benchmarked against national and international companies of comparable size, complexity and scope in the oil and gas, industrial and service sectors. Moreover, base salaries are reviewed and adjusted on a yearly basis considering individual performance and career progression.
Management s bonuses are composed of monetary amounts that are paid yearly, based on the achievement of both financial, operational and strategic company targets and individual performance targets pertaining to each business or functional unit. The bonuses of the Chairman and CEO are determined based on the achievement of the Company s targets.
Bonuses paid in 2008 were determined with reference to Eni s targets for 2007 as approved by the Board of Directors on proposal of the Compensation Committee and defined consistently with the targets of the strategic plan and yearly budget. These targets include a set level of cash flow from operations (with a 30% weight), divisional operating performance (30%), achievement of certain strategic projects (20%) and corporate efficiency (20%). Results achieved have been assessed assuming a constant trading environment and have been verified by the Compensation Committee and approved by the Board of Directors on March 14, 2008. Based on these results, bonuses equaled 115% of the target level, within an interval ranging from 85% to 130% of said pay-out level.
In March 2006, the Board of Directors approved a new long-term incentive scheme for senior managers of Eni and its subsidiaries (excluding listed subsidiaries), as proposed by the Compensation Committee. This new scheme is intended to motivate more effectively and retain managers, linking incentives to targets and performance achieved in a tighter way than previous incentives schemes. This new incentive scheme applies to the 2006-2008 three year period and is composed of a deferred monetary incentive, linked to the achievement of certain business growth and operating efficiency targets, replacing the previous stock grant plan, and of a stock option incentive focused on the achievement of certain targets of total shareholder return.
This scheme is intended to balance the monetary and stock-based elements of the remuneration, as well as link financial and operating results to share performance in the long-term. The deferred monetary incentive granted in 2008 is paid after three years from grant depending on the achievement of the annual EBITDA targets preset for the 2008-2010 period. EBITDA results are assessed by comparing actual results with set targets under a constant trading environment for each year.
Stock options granted in 2008 can be exercised after three years from the grant in a percentage depending on the performance of Eni shares measured in terms of Total Shareholder Return[12] as compared to that achieved by a panel of major international oil companies over the 2008-2010 three-year period.
At the end of every three year period, the results of the long-term incentive schemes will be reviewed by the Compensation Committee and approved by the Board of Directors.
The CEO, being the General Manager of the company, is entitled to take part to both schemes.
On June 10, 2008, the Shareholders Meeting resolved that the Company continues to apply the insurance policy already authorized in May 25, 2006, in favor of the Board members and statutory auditors, for risks associated with the execution of the respective tasks.
The table below set forth the break-down of remuneration for 2008.
Upon expiry of the contract as employee of Eni, the CEO

(%)	Chairman	CEO	Divisional General	Other managers

			Managers	with strategic responsibility
Base salary	69	30	42	41
Bonuses (linked to performance)	31	27	27	29
Long term incentive (linked to performance) (*)	-	43	31	30
Total	100	100	100	100

(*) Evaluation of the deferred bonus (discounted) and the fair value of stock options assigned for target result.

(12) For a definition of TSR see "Glossary".

in his quality of General Manager of the parent company is entitled to receive an indemnity that is accrued along the service period. The indemnity is determined by taking into account social security contribution rates and post-retirement benefit computations applied to the CEO base salary and 50% of the bonuses earned as a Director. Taking into account that the CEO has been appointed on June 11, 2008, a provision of euro 134,139.23 has accrued in 2008. A sum of euro 644,179.60 corresponding to the global amount accrued over the preceding three-year period of office was paid. In case the work contract of the CEO is terminated at or before the expiry of his office, the CEO will receive a termination payment, in addition to other termination elements, equal to euro 3,200,000 plus an amount corresponding to the average performance bonus earned in the three-year period 2008-2010 in lieu of notice thus waiving both parties from any obligation related to notice. This payment is not applicable in case the work contract is terminated upon due cause, death or resignation from office other than as a result of a reduction in powers currently attributed to the CEO.

Remuneration earned by members of the Board of Directors, Statutory Auditors, General Managers, and other managers with strategic responsibilities
Pursuant to Article 78 of Consob Decision No. 11971 of May 14, 1999, and to its subsequent modifications, remuneration earned by members of the Board of Directors, Statutory Auditors, General Managers and other managers with strategic responsibilities is reported in the table below. Remuneration earned by managers who held a position in 2007 for a fraction of the year is reported too.

Pursuant to Consob decisions:

- in the column "Emoluments for service at Eni SpA" are reported fixed fees paid to non-executive and executive directors, fixed fees paid to Directors attending the Committees formed by the Board of Directors, and fees paid to Statutory Auditors. Fixed fees earned by the Chairman and the CEO include also fees earned for the powers delegated to them by the Board;
- in the column "Non-cash benefits" are reported amounts referring to all fringe benefits, including insurance policies;
- in the column "Bonuses and other incentives" are reported the portion of fees linked to performances which was awarded in the year to both non-executive directors and executive directors, and the portion of salaries linked to performances which was awarded in the year to the CEO, the General Managers of Eni s divisions and other managers with strategic responsibilities;
- in the column "Salaries and other elements" are reported base salaries and elements associated to salary paid to the CEO, the General Managers of Eni s divisions and other managers with strategic responsibilities, and indemnities paid upon termination of the employment contract. Referring to the Statutory Auditors, fees paid for positions held on the Board of Statutory Auditors in Eni s subsidiaries are also reported.

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(thousand euro)

Name	Position	Term of office	Expiry date of the position (a)	Emoluments for service at Eni SpA	Non-cash benefits	Bonuses and other incentives (b)	Salaries and other elements	Total
Board of Directors								
Roberto Poli	Chairman	01.01 - 12.31	04.2011	768	18	345		1,131
Paolo Scaroni	CEO	01.01 - 12.31	04.2011	430	17	1,267	1,363 (c)	3,077
Alberto Clô	Director	01.01 - 12.31	04.2011	157				157
Paolo Andrea Colombo (d)	Director	06.10 - 12.31	04.2011	64				64
Renzo Costi (e)	Director	01.01 - 06.09		85				85
Dario Fruscio (f)	Director	01.01 - 01.30		19				19
Paolo Marchioni	Director	06.10 - 12.31	04.2011	64				64
Marco Pinto (e)	Director	01.01 - 06.09	04.2011	85				85
Marco Reboa	Director	01.01 - 12.31	04.2011	157				157
Mario Resca	Director	01.01 - 12.31	04.2011	143				143
Pierluigi Scibetta	Director	01.01 - 12.31	04.2011	149				149
Francesco Taranto	Director	06.10 - 12.31	04.2011	64				64
Board of Statutory Auditors								
Paolo Andrea Colombo (e)	Chairman	01.01 - 06.09		51			33 (g)	84
Ugo Marinelli	Chairman	06.10 - 12.31	04.2011	64				64
Filippo Duodo (e)	Auditor	01.01 - 06.09		35			71 (h)	106
Roberto Ferranti (i)	Auditor	06.10 - 12.31	04.2011	44				44
Edoardo Grisolia (e) (i)	Auditor	01.01 - 06.09		35				35
Luigi Mandolesi	Auditor	06.10 - 12.31	04.2011	44				44
Tiziano Onesti	Auditor	06.10 - 12.31	04.2011	44			40 (l)	84
Riccardo Perotta (e)	Auditor	01.01 - 06.09		35			32 (m)	67
Giorgio Silva	Auditor	01.01 - 12.31	04.2011	80			24 (n)	104
General Managers								
Stefano Cao	Exploration & Production	01.01 - 07.31 (o)			1	2,294 (p)	3,825 (q)	6,120
Claudio Descalzi	Exploration & Production	08.01 - 12.31 (r)			1		268	269
Domenico Dispenza	Gas & Power	01.01 - 12.31			1	856 (s)	710	1,567
Angelo Caridi	Refining & Marketing	01.01 - 12.31			2	268	565	835
Other managers with strategic responsibilities (t)					12	3,137	6,475 (u)	9,624
				2,617	**52**	**8,167**	**13,406**	**24,242**

(a) The term of position ends with the Meeting approving financial statements for the year ending December 31, 2010.
(b) Based on performance achieved in 2007.
(c) Including the base salary of euro 1 million paid to the CEO, in his quality of General Manager, indemnities and other elements for a total amount of euro 363,000 accrued along the service period (from 2005 to 2008), net of the indemnities described under the paragraph "post-retirement benefit of the directors".
(d) Chairman of the Board of Statutory Auditors until June 9, 2008.
(e) In office until the Shareholders Meeting approving financial statements for the year ending December 31, 2007.
(f) On January 30, 2008 Dario Fruscio resigned from the Board of Directors.

(g) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of Saipem and EniServizi.
(h) Includes the compensation obtained as Statutory Auditor in Snamprogetti SpA and in Polimeri Europa and as Chairman of the Board of Statutory Auditors of CEPAV Uno and CEPAV Due.
(i) Compensation for the service is paid to the Ministry for Economy and Finance.
(l) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of AGI and Servizi Aerei.
(m) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of Snam Rete Gas SpA.
(n) Includes the compensation obtained as Statutory Auditor in Snamprogetti SpA and as Chairman of the Board of Statutory Auditors of TSKJ Italia Srl.
(o) In office until July 31, 2008.
(p) Includes the pro-quota portion of deferred bonus awarded for the 2006-2008 three-year period.
(q) Includes indemnities paid upon termination.
(r) Appointed on August 1, 2008.
(s) Includes long-term incentives awarded by Snam Rete Gas in 2005, for the position of Chairman of Snam Rete Gas held until December 23, 2005.
(t) Managers, who during the year with the CEO and the General Managers of Eni divisions, have been member of the Eni Directors Committee (8 managers).
(u) Includes indemnities paid upon termination.

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Deferred bonus awarded to the CEO, the General Managers and managers with strategic responsibilities

The deferred bonus scheme approved for the 2006-2008 three-year period provides for the award of a basic monetary bonus to be paid after three years from grant according to a variable amount equal to a percentage ranging from 0 to 170% of the amount established for the target performance in relation to the performances achieved in a three-year period as approved by the Board of Directors.
The following table sets out the basic bonus awarded in the year 2008 to the CEO and to the General Managers of Eni s Divisions, and the total amount awarded to the Company s managers with strategic responsibilities.

(thousand euro)

Name		Deferred bonus awarded
Paolo Scaroni	CEO and General Manager of Eni	1,023
Stefano Cao [(a)]	General Manager of the E&P Division	494
Claudio Descalzi [(b)]	General Manager of the E&P Division	215
Domenico Dispenza	General Manager of the G&P Division	385
Angelo Caridi	General Manager of the R&M Division	312
Other managers with strategic responsibilities [(c)]		1,732 [(d)]

(a) Position held until July 31, 2008.
(b) Appointed on August 1, 2008.
(c) No. 8 managers.
(d) Including the deferred bonus granted by Saipem to a manager with strategic responsibilities, appointed in Eni on August 1, 2008.

Stock options and other share-based compensation

STOCK GRANTS

In 2003 Eni started a stock grant incentive scheme intended to motivate and retain managers. The scheme provided the offering of treasury shares purchased under Eni s buy back program for no consideration to a number of Eni managers who achieved corporate and individual targets. The scheme applied to the three year-period 2003-2005 and was subsequently discontinued. In 2008 residual grants were exercised corresponding to 893,400 shares. No grants were outstanding as of 2008 year-end.

STOCK OPTIONS

Eni s stock based compensation provides for the award of options at no consideration to purchase treasury shares to managers of Eni and its subsidiaries as defined in the Article 2359 of the Civil Code holding positions of significant responsibility for achieving the Company s profitability targets or are otherwise strategically important.
The stock option scheme provides that grantees have the the 2006-2008 stock option scheme and authorized the Board of Directors to make available a maximum amount of 30 million treasury shares (equal to 0.749% of the share capital) for the stock option plan.
This stock option plan foresees three annual awards. Unlike previous schemes, the 2006-2008 stock option plan introduced a performance condition upon which options can be exercised. At the end of each vesting period with a three-year duration, the Board of Directors determines the number of exercisable options, in a percentage ranging from 0% to 100% of the total amount awarded for each year of the scheme, depending on the performance of Eni shares measured in terms of Total Shareholder Return as compared to that achieved by a panel of major international oil companies in terms of market capitalization. Each year of the scheme, the Board of Directors approved: (i) the yearly award; (ii) its regulation; and (iii) the criteria to identify eligible managers. The Board of Directors delegated to the CEO the task to identify eligible managers by the end of each year covered by the scheme. Options may be exercised upon fulfillment of all conditions after three years from

right to purchase treasury shares in a 1 to 1 ratio, with a strike price calculated as the arithmetic average of official prices registered on the Mercato Telematico Azionario in the month preceding award or, if greater, as the average carrying cost of treasury shares held by Eni as of the date preceding the award.
On May 25, 2006, the Shareholders Meeting approved the award and within the next three years. Under this plan, 7,415,000 options were awarded pertaining to 2008 with a strike price of euro 22.540.
At December 31, 2008, a total of 20,593,500 options were outstanding for the purchase of an equal amount of ordinary shares nominal value euro 1 of Eni SpA, carrying an average strike price of euro 23.540.

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The following is a summary of stock option activity for the years 2007 and 2008:

	2007			2008		
	Number of shares	Weighted average exercise price (euro)	Market price [a] (euro)	Number of shares	Weighted average exercise price (euro)	Market price [a] (euro)
Options as of January 1	**15,290,400**	**21.022**	**25.520**	**17,699,625**	**23.822**	**25.120**
New options granted	6,128,500	27.451	27.447	7,415,000	22.540	22.538
Options exercised in the period	(3,028,200)	16.906	25.338	(582,100)	17.054	24.328
Options cancelled in the period	(691,075)	24.346	24.790	(975,100)	24.931	19.942
Options outstanding as of December 31	**17,699,625**	**23.822**	**25.120**	**23,557,425**	**23.540**	**16.556**
of which exercisable at December 31	**2,292,125**	**18.440**	**25.120**	**5,184,250**	**21.263**	**16.556**

(a) Market price relating to new rights assigned, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on Mercato Telematico Azionario in the month preceding: (i) the date of assignment; (ii) the date of the recording in the securities account of the managers to whom the options have been assigned; (iii) the date of the unilateral termination of employment for rights cancelled). Market price of shares referring to options as of the beginning and the end of the year, is the price recorded at December 31.

Further information on stock options is furnished in Note 31 to the Consolidated Financial Statements. The following table presents the amount of stock options awarded to Eni s CEO, General Managers and other managers with strategic responsibilities.

		CEO and General Manager of Eni	General Manager E&P Division	General Manager E&P Division	General Manager G&P Division		General Manager R&M Division		Other managers with strategic responsibilities [a]	
		Paolo Scaroni [b]	Stefano Cao [c]	Claudio Descalzi [d]	Domenico Dispenza		Angelo Caridi			
Options outstanding at the beginning of the period:										
- number of options		1,953,000	406,500	178,500	232,500	269,500 [e]	30,500	122,000 [f]	1,353,000	110,000 [g]
- average exercise price	(euro)	24.165	24.655	24.713	25.159	3.988	22.509	21.098	23.985	18.953
- average maturity in months		63	62	62	60	61	67	60	61	56
Options granted during the period:										
- number of options		634,500	-	85,500	147,500		120,000	-	584,000	-
- average exercise price	(euro)	22.540	-	22.540	22.540		22.540	-	22.540	-
- average maturity in months		72	-	72	72		72	-	72	-
Options exercised at the end of the period:										

- number of options		-	-	-	-	127,500 [e]	-	-	68,500	29,500 [g]
- average exercise price	(euro)	-	-	-	-	3.530	-	-	16.576	11.881
- average market price at date of exercise	(euro)	-	-	-	-	4.095	-	-	23.996	24.541
Options expired during the period:										
- number of options			206,375	-	-	-	-	-	167,550	-
Options outstanding at the end of the period:										
- number of options		2,587,500	200,125	264,000	380,000	142,000 [e]	150,500	122,000 [f]	1,700,950	80,500 [g]
- average exercise price	(euro)	23.767	24.060	24.009	24.142	4.399	22.534	21.098	23.670	21.545
- average maturity in months		55	51	55	56	54	65	48	55	48

(a) No. 8 managers.

(b) The assignment to the CEO have been integrated by a monetary incentive to be paid after three-year in relation to the performance of Eni shares, and is equal to 96,000 options granted in 2006, with a strike price of euro 23.100 and 80,500 options granted in 2007, with a strike price of euro 27.451.

(c) In office until July 31, 2008.

(d) Appointed on August 1, 2008.

(e) Options on Snam Rete Gas shares: assigned by the company to Domenico Dispenza who held the position of Chairman of Snam Rete Gas until December 23, 2005.

(f) Options on Saipem shares: assigned by the company to Angelo Caridi who held the position of CEO of Snamprogetti until August 2, 2007.

(g) Options on Saipem shares.

Overall remuneration of key management personnel
Remuneration of persons responsible of key positions in planning, direction and control functions of Eni Group companies, including executive and non-executive directors, general managers and other managers holding strategic responsibilities amounted to euro 25 million for 2008 consisting of: (i) fees and salaries for euro 17 million; (ii) post-employment benefits for euro 1 million; (iii) other long-term benefits for euro 3 million; and (iv) fair value of stock option for euro 4 million.

Board Committees

The Board has instituted three internal committees, two of which as provided for by the Eni Code, with advisory and consulting tasks: a) the Internal Control Committee, b) the Compensation Committee and c) the Oil-Gas Energy Committee. Their composition, tasks and functioning are defined by the Board of Directors, with specific regulations, in respect of the criteria established by the Eni Code.
The committees provided by the Eni Code (the Internal Control Committee and the Compensation Committee) are made up of at least three members and in no case by a number higher than the majority of Board members. All committees must be composed exclusively of non executive directors, the majority of whom independent. For performing their functions the committees can access all necessary company information and functions, receive adequate funding and can be supported by external consultants, under the terms determined by the Board. External persons can participate to their meetings when expressly invited, according to specific items on the agenda. The Chairman of the Board of Statutory Auditors, or a designated Auditor as substitute, always attends the meetings of the Internal Control Committee. The secretaries of each committee is responsible for preparing the minutes of meetings.
In its meeting of June 11, 2008, the Board appointed the following non executive directors, all of them independent, as members of the Committees:

- Internal Control Committee: Marco Reboa (Chairman) Paolo Marchioni, Pierluigi Scibetta and Francesco Taranto;
- Compensation Committee: Mario Resca (Chairman), Alberto Clô, Paolo Andrea Colombo and Francesco Taranto;

The Eni Code, in line with the Borsa Italiana Code, foresees that the Board of Directors considers the creation of a "Nominating Committee", with special reference to those systems characterized by a high degree of fragmentation of the ownership structure, in case the Board itself would register some possible difficulties, for the shareholders, to submit appointment proposals. This Committee has not been created in consideration of the shareholding characteristics of Eni and of the list vote system provided for the appointments of directors by Shareholders Meeting, according to the existing laws and By-laws provisions.

Internal Control Committee
In 2008, the Internal Control Committee[13] convened 18 times, with an average attendance rate of 92%, and reviewed the following items:
(i)
the 2007 audit activities report and the 2008 audit plan and its periodic progress;
(ii)
the 2007 audit activities report and 2008 audit plan prepared by the internal audit functions of Saipem and Stogit functions;
(iii)
outcomes of planned and unplanned Eni s internal audit activities, as well as results of monitoring activities on progresses made by operating units in implementing planned remedial actions in order to eliminate deficiencies highlighted by internal audit activities with special attention to specific issues;
(iv)
outcomes from Eni s internal auditing interventions as specifically required by Eni s control bodies;
(v)
the periodic reports concerning complaints collected;
(vi)
the report on Eni s internal control system prepared by the Manager delegated for the internal control and the compliance with the independence requirements of this Manager;
(vii)
the future role, tasks and responsibilities of the Manager delegated for the internal control and of Eni s Internal Audit function and the guidelines approved by the Board of Directors concerning internal audit activities;
(viii)

- Oil-Gas Energy Committee: Alberto Clô (Chairman), Paolo Andrea Colombo, Marco Reboa, Mario Resca and Pierluigi Scibetta.

updating of the Eni s Internal Audit operating handbook;
(ix)
disclosures of information or notification regarding certain inquiries conducted by both Italian or foreign judicial and administrative authorities with reference to crimes or other kind of infringements which might even potentially involve Eni and all its subsidiaries, in Italy or abroad, and their directors and employees;

(13) For details on the functions of this Committee see Internal Control System below.

(x)
disclosures on the development of pending litigation;
(xi)
the essential features of the 2007 Eni s financial statements, on consolidated and individual basis, through meetings with top level representatives of Eni and its subsidiaries administrative functions, and with Chairmen (or others members) of Boards of Statutory auditors and responsible partners from independent audit companies for each subsidiary; accounting treatment adopted for specific transactions; the draft 2008 interim consolidated report prepared on the basis of the EU transparency directive and relevant opinion of external auditors confirming the compliance of this report with IAS 34;
(xii)
procedures and systems used for evaluating, classifying and reporting hydrocarbon reserves;
(xiii)
the essential features of Eni s Annual Report on Form 20-F, progress on implementation of SOA activities and updating on programs and controls for 2008 to prevent and detect frauds;
(xiv)
the report on the administrative and accounting setup of the Manager responsible for the preparation of the Company s financial report and the report on the internal control system over financial reporting;
(xv)
the implementation plan regarding Article 36 of Consob Decision No. 16191/2007;
(xvi)
the report on the internal control system, that was included in the Corporate Governance section of the 2007 Annual Report;
(xvii)
guidelines on financial statements auditing, the report on audit reports for 2007 prepared by external auditors, auditing strategies for 2007 and 2008;
(xviii)
updating of Eni s Model 231 and the periodic report presented on activities performed by the company Watch Structure, also by meetings with its members as provided for the new version of Model 231 approved by Eni s Board of Directors in March 2008;
(xix)
update on Eni s guideline for management and control of
(xxi)
periodic report in the procedure for the ascertainment of alleged illicit behavior on the part of Eni employees, as per Circular No. 301 of December 14, 2007;
(xxii)
information of Circular No. 305 of December 20, 2007 concerning dissemination and reception of laws and regulations;
(xxiii)
review of the draft report of directors under Article 2433-*bis* of the Civil Code on interim dividends for 2008;
(xxiv)
information on the development plan of Eni Trading & Shipping activities;
(xxv)
logical-operational flows of Eni communication activities.

Compensation Committee

The Committee, established by the Board of Directors in 1996, is entrusted with proposing tasks on the matters of compensation of the Chairman and the CEO as well as the Board Committees members, and examined the indication of the CEO, on the following: (i) long-term incentive plans including stock-based compensation; (ii) criteria for the compensation of the managers with strategic responsibilities; (iii) the setting of objectives and the assessment of results of performance and incentive plans.
In 2008, the Compensation Committee met 4 times with a 100% attendance, and accomplished the following: (i) examined the 2007 results and the objectives for 2008 in view of defining annual and long-term incentives; (ii) reviewed the bonuses of the Chairman and CEO based on 2007 performance; (iii) reviewed the benchmarks for the managers with strategic responsibilities remuneration and the criteria of the annual remuneration policy; (iv) remuneration and rules applying to the CEO and General Manager Paolo Scaroni and remuneration for the powers delegated to the Chairman; (v) the implementation of the long-term incentive plans for the year 2008 and relevant grants to the CEO.

Oil-Gas Energy Committee

The Oil-Gas Energy Committee (OGEC) is responsible for monitoring the evolution and the scenario of financial risk;

(xx)

information on Circular No. 330 of October 14, 2008 concerning Group s procedures for the procurement of works, goods and services. The main aspects of a company s project of process reengineering (BPR) concerning group procurement and updating of the procedures for reviewing suppliers selection following detection of illegal behaviors;

international energy markets and, in particular, for analyzing, also comparatively, the dynamics of competitive context that characterizes the different energy sources (including alternative ones) and the positioning, performance and business models of the main players in the sectors of interest for Eni s activities. OGEC has proposing and consulting functions towards the Board of Directors, especially for assessing Eni s strategic plans and the consistency of the actions

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adopted in long-term plans. In 2008 OGEC met 7 times with a 91% participation of its members. All directors are invited to the meetings.
The first issue discussed was the situation of world hydrocarbon reserves crucial topic for the oil & gas industry analyzing also upstream capital expenditure worldwide, the performance of competitors, as well as the situation and projects of Eni. Then the attention was on the competitive landscape in energy sector, focusing on the Exploration & Production and Gas & Power businesses. In the last quarter of the year, OGEC has analyzed the dynamics of the energy markets particularly oil and gas influenced by the world economic and financial crisis and by the recent approval of a new Energy Policy for Europe, evaluating its possible impact on Eni s strategic plan.

General Managers

In accordance with Article 24 of Eni s By-laws, the Board of Directors can appoint one or more general managers defining their powers on proposal of the CEO in agreement with the Chairman, after ascertaining the honorability requirements provided by the law. The Board periodically reviews the honorability of General Managers, on the basis of their statements; any default in said requirements entails immediate termination of office.
General Managers must also observe what resolved by the Board of Directors on the issue of the admissible number of positions held in other companies, with reference to the same internal rules provided for the CEO.
The Board of Directors has appointed three General Managers responsible of Eni s three operating divisions:

- Claudio Descalzi, General Manager of the Exploration & Production division[14];
- Domenico Dispenza, General Manager of the Gas & Power division;
- Angelo Caridi, General Manager of the Refining & Marketing division.

In its meeting of February 26, 2009, the Board of Directors, based on the statements presented, verified that the General Managers possess the honorability requirements and respect the limits to the number of position held in accordance with internal rules.

Board of Statutory Auditors

Tasks

The Board of Statutory Auditors, in accordance with the TUF, monitors: (i) the observance of laws and of Eni s By-laws; (ii) the respect of the principles of correct administration, the adequacy of the company s organizational structure, with regard to competence, of its internal control system and financial reporting system as well as the reliability of the latter in fairly representing the company s transactions; (iii) the actual implementation of corporate governance rules foreseen by the Borsa Italiana Code to which the company adheres; (iv) the adequacy of instructions conveyed by the company to its subsidiaries to ensure fulfillment of reporting obligations provided by applicable laws.
According to the TUF, the Board of Statutory Auditors drafts a motivated proposal regarding the appointment of the principal external auditors and their fee to be submitted to the Shareholders Meeting for approval. In accordance with the Eni Code, the Board of Statutory Auditors monitors the independence of the principal external auditors, verifying both the compliance with the provisions of applicable laws and regulations governing the matter, and the nature and extent of services other than the audit services provided to Eni group companies also through entities belonging to the auditors network. The report provided for Article 153 TUF, and attached to the Annual Report, describes the results of the supervisory activity performed.
The Board of Directors, in its meeting of March 22, 2005, in accordance with the provision of Stock Exchange Commission (SEC) for non-U.S. companies listed on U.S. stock exchanges, elected the Board of Statutory Auditors to fulfill the role performed by the Audit Committee in U.S. companies under the Sarbanes-Oxley Act (SOA) and SEC rules, within the limits set by Italian legislation, from June 1, 2005. On June 15, 2005, the Board of Statutory Auditors approved its chart for carrying out the tasks attributed to the audit committee under mentioned U.S. laws and regulations[15]. This chart is published on Eni s website.

Composition and appointment

The law prescribes that a board of statutory auditors has no less than three members and no less than two substitutes.

(14) Claudio Descalzi was appointed on July 30, 2008 and substituted Stefano Cao.

(15) The chart was amended on March 30, 2007, taking into account changes introduced by Legislative Decree No. 303 of 2006 on Article 159, paragraph 1 of TUF, and by the Eni s Code, as well as to take into account the variations adopted in the organization structure, in respect to the one existing on June 15, 2005, when the previous chart was approved.

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Eni s By-laws foresees that the Board of Statutory Auditors is composed of five auditors and two alternate auditors, appointed by the Shareholders Meeting for a three-year term. They may be reappointed.
Like the directors and in accordance with applicable regulations, the statutory auditors are appointed by means of a list vote as provided for by Eni s By-laws. Nominees are numbered progressively. At least two auditors and one substitute are elected from lists presented by minorities.
In particular, shareholders representing individually or jointly at least 1% of the share capital are entitled to present lists. Each shareholder can present or combine to the presentation of only one list and can vote only one list. Subjects controlling it, controlled by it or under joint control cannot present or combine to the presentation or vote other lists, not even through nominees or trust companies.
Eni applies the special norms provided for by Law No. 474 of 1994 as concerns timing and modes for filing lists which are slightly different from rules adopted by Consob Decision No. 11971/1999. Eni, however, endorses Consob rules as well and implemented them in its By-laws (Article 28) on a voluntary basis in order to favor transparency in appointment procedures.
The lists of candidates include information on the shareholders presenting the list, declarations made by the candidates on the possession of honorability, expertise and independence requirements prescribed by applicable regulation and a professional resume of each candidate. Lists must be filed at the company s headquarters at least 10 days before the date of the Shareholders Meeting on first call and are published in three national newspapers, two of which shall be financial newspapers. Lists are also filed with Borsa Italiana and published on Eni s website.
Appointment procedures are the same as in the case of Directors.
The voting list procedures apply only when the whole Board is renewed. When one auditor elected from the majority list resigns, he is replaced by the candidate for alternate auditor on the same list. The same takes place in the other lists.
According to Article 28.2 of Eni s By-laws in accordance with TUF, the Shareholders Meeting shall elect Chairman of the Board of Statutory Auditors a member elected from a list other than the one obtaining the Mandolesi, Tiziano Onesti and Giorgio Silva. Francesco Bilotti and Pietro Alberico Mazzola are alternate auditors. The same Meeting also determined the yearly compensation of the Chairman of the Board of Statutory Auditors and each auditor amounting to euro 115,000 and euro 80,000 respectively in addition to reimbursement of expenses necessary for the fulfillment of the task.
Roberto Ferranti, Luigi Mandolesi, Tiziano Onesti and Francesco Bilotti were candidates in the list presented by the Ministry for Economy and Finance; Ugo Marinelli, Giorgio Silva and Pietro Alberico Mazzola were candidates in the list presented by institutional investors.
The personal and professional curriculum of these auditors is published on Eni s website in the Corporate Governance section.

Expertise, honorability and independence, reasons for ineligibility and incompatibility

As stressed in the Code, the statutory auditors shall act with autonomy and independence also towards the shareholders who elected them.
In accordance with the TUF, statutory auditors shall possess specific requirements of independence, and the professional and honorability requirements as prescribed by a regulation of the Minister of Justice.
As for professional qualifications of the candidates, Article 28 of Eni s By-laws, in line with the said Decree of the Minister of Justice, foresees that the professional requirements can also be acquired with at least three years of professional experience or by teaching business law, business administration and finance, as well as at least a three year experience in a managerial position in geological or engineering businesses.
Eni s auditors are all chartered auditors.
Until coming into force of new Consob regulation on this matter, Eni s By-laws prohibited the appointment as statutory auditor of persons that were already statutory auditors or members of the supervisory board or members of the management control committee of at least five companies in regulated markets other than listed subsidiaries of Eni SpA. In light of that, appointed auditors communicated to the Company their positions in other entities and subsequently the Board of Statutory Auditors verified compliance with the limit on the number of other positions held in other entities by its

majority of votes.

On June 10, 2008, Eni s Shareholders Meeting appointed the following statutory auditors for a three-year period and however until the Shareholders Meeting approving financial statements for fiscal year 2010: Ugo Marinelli (Chairman), Roberto Ferranti, Luigi

members as provided by Eni s By-laws.

As of June 30, 2008, accordingly with the By-laws provisions, statutory auditors may assume positions in governing or controlling bodies in companies other than Eni within the limits set by the mentioned Consob regulation. In September 2008 Eni s statutory auditors communicated to Consob their compliance with said limits.

Statutory auditors declared consequently to possess independence, honorability and expertise requirements as foreseen by the applicable law. In compliance with the Eni Code prescriptions designed to ensure that auditors are independent subsequently to their appointment based also on the Code provisions for the same matter in the case of directors, the Board of Statutory Auditors in its meeting of January 21, 2009 verified that all its members possess such requirements (independence, honorability and expertise) and the Board of Directors in its meeting of February 26, 2009 verified this certification.

Further Auditors appointments

Based on information received, positions held by the members of Eni s Board of Statutory Auditors are the following[16]:

UGO MARINELLI
Chairman of the Board of Statutory Auditors of Energie Rinnovabili SpA and its subsidiary SER1 SpA.

ROBERTO FERRANTI
Statutory Auditor of Sogei SpA.

LUIGI MANDOLESI
Chairman of the Board of Statutory Auditors of Procter & Gamble Holding Srl and Edf EN Italia SpA.

TIZIANO ONESTI
Chairman of the Board of Statutory Auditors of Gruppo Editoriale L Espresso SpA, Finegil Editoriale SpA, PM & Partners SpA SGR. Auditor of Euler Hermes SIAC SpA, Ford Italia SpA, Mazda Italia SpA.

GIORGIO SILVA
Chairman of the Board of Statutory Auditors of: Hewlett Packard Italiana Srl, Auditor of Alitalia SpA, AirOne SpA, Luxottica SpA, RCS Mediagroup SpA and SIA/SSB SpA.

Meetings and functioning

Statutory auditors receive information on all issues on the agenda of the Board of Directors at the same time as the Directors. The Board of Directors and CEO report at least every quarter and when a meeting of the Board of Directors is called on the activity performed and on the who has an interest, either own or on behalf of third parties, in a certain transaction of the issuer, shall inform the Board of Directors and the other auditors. These transactions and transaction in which auditors are related parties have been regulated in guidelines on transaction in which a director (or statutory auditor) has an interest and transaction with related parties, approved by the Board of Directors, with the opinion of the Internal Control Committee, on February 12, 2009.
Meetings can be held by video or telephone conference. In 2008, the Board met 22 times, of these 12 with reference to the Board presently in office. Average duration of meetings was 3 hours and 30 minutes.
In 2008 attendance rate was 95% of its members and 93% at Board of Directors meetings. The current Board showed attendance rate of 98.4% of members in its own meetings and 92.8% at Board of Directors meetings. The table attached at the end of this section indicates, the percentage of participation of each auditor to the Board of Auditors meetings.

Internal Control System

The internal control system is the set of rules, procedures and organizational structures aimed at making possible a sound and correct management of the company consistent with the established goals, through adequate identification, measurement, management and monitoring of the main risks. An effective internal control system contributes to safeguard the company s assets, the efficiency and effectiveness of business transactions, the reliability of financial information, the compliance with laws and regulations.
The system is subject to periodic assessment and updating in order to steadily guarantee its ability to preside over the main areas of corporate risk according to the typical issues of each operating segment and organizational structure, ready to take account of any new law or regulation[17].
Internal control rules, processes and structures are integrated by Eni s Code of Ethics which states that Eni s governing and controlling bodies and employees at every organizational level shall comply with behavioral standards of legitimacy from a formal and substantial standpoint when executing their tasks. The Code also affirms the values of transparency of financial reporting and spreading of a control oriented attitude. Eni is aware that investors trust that Eni s bodies, management and

main transactions regarding the operational, economic and financial management of the company and its subsidiaries, as per Article 23.3 of Eni s By-laws.
In line with the provisions of the Eni Code, an auditor employees observe the rules of the internal control system.

(16) For further details see list of positions included in the Report of the Statutory Auditors prepared under Article 153 TUF.

(17) For further information on the surveillance activities on the company s internal control and administrative accounting systems entrusted to the Board of Statutory Auditors, also as Audit Committee under U.S. laws, see paragraph "Board of Statutory Auditors - Tasks" above and "Manager entrusted with the preparation of financial reports - Information flows" below.

Within its corporate operations, in order to guarantee effective and sound management, consistently with set strategies and objectives, Eni is committed to support a pre-emptive approach to risks and orienting management s choices and activities with a view to reducing the probability of negative events and their impact. To this end, Eni adopts strategies of risk management depending on their type such as, mainly, financial and industrial risks, compliance/regulatory risks as well as strategic and operational risks, such as country risks in oil and gas activities and risks related to the exploration for and production of hydrocarbons.
The modes by which management identifies, assesses, manages and monitors the specific risks associated with company operations are regulated by internal guidelines, rules, procedures and organizational tools included in the Company s body of rules and procedures that are permeated with a culture of risk management designed to limit the possible impact of corporate risks and preside over their containment.
In addition, the development of risk assessment programs for specific areas concurs in further strengthening management s sensitivity to risk management and contributes to improvements and efficacy of decision making processes.

Board of Directors
The Board of Directors plays a central role in internal control by defining the basic aspects of the organizational, administrative and accounting structure of the company, the main subsidiaries and the Group. In this light, based on assessments and proposals from the Internal Control Committee, it designs the guidelines for the company s internal control system so as to ensure that the company and its subsidiaries risks are correctly identified, measured, managed and monitored. In the definition of these guidelines the Board applies the industry s standards taking into account reference models and domestic and international best practices. The qualifications of Board members guarantee that the issue of control is properly addressed, also with the help of specific training on the matter of risk management and internal controls of Eni s Group companies provided to new appointed Board members as mentioned above in the specific paragraph on induction[18].
The Board of Directors assesses the adequacy, effectiveness and proper functioning of the internal assessments contained in the reports presented, respectively, by the Internal Audit Manager and by the Manager charged with preparing financial reports and, based even on the results of that report, assessed that the company s internal control system is adequate, efficient and effectively operating.

Internal Control Committee
The Internal Control Committee was established in Eni in 1994 and is entrusted with advisory and consulting tasks in respect of the Board in the matter of internal control system. It is composed exclusively of independent directors, provided with the professional qualification required by the Eni Code[19] and reports to the Board at least every six months at the date of the approval of the annual and semi-annual financial statements on the activity performed as well as on the adequacy of the internal control system.
The Committee performs the following main tasks:

- assesses in conjunction with the Manager charged with preparing financial reports and the External Auditors the proper use of accounting principles and their homogeneity for the preparation of the consolidated financial statements;
- on request of the CEO, expresses opinions on specific aspects concerning identification of main company risks and designing, implementing and managing the internal control system;
- monitors the activities of the internal audit function and therefore examines the integrated audit plan, the annual budget, the periodical Internal Audit reports on activities performed and their outcomes;
- in order to express its opinion on the adequacy of the internal control system, assesses: i) the outcomes of internal audit reports and the evidence deriving from monitoring activities on improvement actions on control systems planned after the audits are performed; ii) evidence resulting from periodic reports on monitoring activities on the company s internal control system over financial reporting; iii) reports from the Board of Statutory Auditors and individual Statutory Auditors also for what

control system compared to the Company s size, complexity and scope, once a year with the support of the Internal Control Committee. In its meeting of March 13, 2009, the Board examined the report of the Internal Control Committee of March 11, 2009 and the assessment of internal control it contained based on evidence acquired in the reference period on the questions examined, as well as the concerns investigation activities performed by the internal control department on whistleblowing, also in anonymous form; iv) evidence from reports and management letters of External Auditors[20]; v) reports of the Watch Structure also in its capacity of Guarantor of the Code of Ethics; vi) evidence from reports of the Manager charged with preparing financial reports and of the Manager responsible for internal audit; vii) as well as review and investigations from third parties;

(18) For further details see chapter "Induction of Board members" above.

(19) Unlike the Code of Borsa Italiana, the Eni Code requires that at least two (and not only one) Board members have adequate expertise in accounting and financial matters.

(20) Eni entrusted to the Board of Statutory Auditors the role of Audit Committee under the SOA and therefore of assessing the proposals of external auditors and the monitoring of their activity.

- performs any other task attribute to it by the Board of Directors, in particular expresses an opinion on the internal guidelines for the substantial and procedural correctness of transactions with related parties, playing a relevant role in the analysis and in the final decision process of said transactions, as well as those where a director has an interest of his or third parties behalf.

The activities of the Internal Control Committee in 2008 are described in the dedicated paragraph above.

CEO

The CEO is entrusted by the Board of Directors with the task of oversighting the functioning of the internal control system. To this end, he identifies the major corporate risks and, in implementing the guidelines on the internal control system approved by the Board, provides to their design, implementation and management. The CEO is also entrusted with monitoring the overall efficacy and efficiency of the internal control system, seeing that it is adapted to the company s operations and applicable laws. With reference to internal control over financial reporting, these tasks are performed in line with the tasks attributed by the law to the Manager charged with preparing financial reports[21].

Management

The CEO and/or the General Managers of Eni s divisions, under the powers entrusted to them by the Board, assign to managers of their respective areas tasks, responsibilities and powers for ensuring an efficient and effective internal control in the performance of their respective activities and in the pursuit of the relevant business objectives.

Manager responsible of internal control and Internal Audit

A primary role in the monitoring and assessment process of the internal control system is performed by the Manager responsible of internal control, who in Eni is also Internal Audit Manager, given the substantial identity of operational areas and synergies between the two roles.

Manager responsible of internal control

The Manager responsible of internal control is primarily entrusted with the task of: i) monitoring that the internal control system is always adequate and fully operating, ii) expressing an opinion on its adequacy.

The Board of Directors, on proposal of the CEO, in agreement with the Chairman of the Board and after opinion of the Internal Control Committee, appointed for the first time on March 16, 2007 and at last confirmed on October 30, 2008, as Manager responsible for internal control the Internal Audit Manager of Eni, Rita Marino. The Board defines the remuneration of this Manager consistently with corporate policies.

This Manager does not hold any responsibility over operating areas, has direct access to the information required for performing her duties, has adequate means for performing her duties and reports, through the Internal Control Committee, to the Board of Directors, as well as to the Board of Statutory Auditors and the CEO, with periodic reports.

On March 11, 2009, the Manager presented her annual report on internal control (covering the period from January 1 to December 31, 2008) and, in such context, expressed her evaluation of its adequacy, based on the outcomes of the monitoring activities performed by Eni s Internal Audit function, by the managers responsible of internal control in Eni s listed subsidiaries and by the Internal Audit departments of subsidiaries either subject to the unbundling regulation or to surveillance of the Bank of Italy.

Internal Audit department

The Internal Audit department provides to the CEO and, through the Internal Control Committee, to the Board of Directors and also to the Board of Statutory Auditors, as Audit Committee under the SOA, audits, analyses, assessments and recommendations on the design and functioning of the internal control system of the company and the Group, in order to promote its efficiency and efficacy.

The Internal Audit department performs its tasks on account of Eni SpA and of those subsidiaries in which the company holds the majority of the voting capital, except for listed subsidiaries and subsidiaries either subject to unbundling regulations or subject to the surveillance of the Bank of Italy. Those subsidiaries have their own Internal Audit departments.

(21) See details in the chapter on the Manager charged with preparing financial reports, below.

Guidelines on Internal Audit issued by the Board of Directors
Within the development process aimed at the constant improvement of the Company s internal control system, Eni s Board of Directors on October 30, 2008 and December 17, 2008 issued guidelines on Internal Audit, to define its aims, scope and functioning in line with landmark best practices. In this light and also with the aim of consolidating the independence of Internal Audit functions, the Board: (i) redefined the procedures for the appointment/revocation of the Internal Audit Manager, adapting them to what the Eni s Code foresees for the Manager in charge of internal control, given the current coincidence of the two roles; (ii) outlined the reporting duties of the Internal Audit function, determining that its Manager reports to the CEO, as person in charge of the monitoring of the functioning of the internal control system and attributing to the Internal Control Committee the task of monitoring Internal Audit activities (reporting also to the Board of Statutory Auditors, as Audit Committee under the SOA); (iii) attributed to the Internal Control Committee the task of yearly evaluate the persistence of honorability, competence and expertise requirements provided for the Internal Audit Manager, as well as the absence of any causes of incompatibility, and of give an opinion to the Board of Directors, on the structure of the remuneration of the Internal Audit Manager proposed by the CEO consistently with corporate policies.

Tasks, powers and means of the Internal Audit function
The Internal Audit function receives powers and means adequate for performing its tasks in full operational independence, also in terms of free management of assigned financial resources, of adequate and professionally skilled human resources and fullest access to data, information and documentation of the company and its subsidiaries.
Under this organizational model, while ensuring the pursuing of the necessary standards in terms of independence and objectivity, competence and professional diligence, in accordance with the provisions of the most respected international standards for the sector and of the Code of Ethics, the Internal Audit department performs the following tasks:
(i)
execution of audit activities in the field of operational,
(iii)
monitoring of the corrective actions designed to take account of Internal Audit s outcomes;
(iv)
organizing and monitoring the preparation and running of information flows to receive complaints (also anonymous), keeping an updated file of such complaints and preparing relevant investigations under current Company rules and procedures;
(v)
monitoring activities provided for by Model 231 and independent monitoring activities performed for financial reporting as explained below.

Information flows from the Internal Audit function
The Internal Audit function provides systematic periodic information flows (brief quarterly reports and full half-year reports) on the outcomes of its activities addressed to control bodies and top management, to allow them to perform their duties in terms of assurance and assessment of the internal control system.
It also promptly informs the CEO and control bodies of any default of the internal control system and of any circumstance that could impair its independence.

Manager charged with preparing financial reports and internal control over financial reporting
Appointment of the Manager charged with preparing financial reports
In accordance with Article 24 of Eni s By-laws and as provided by Article 154-*bis* TUF, the Board of Directors, under proposal of the CEO in agreement with the Chairman and with the mandatory opinion of the Board of Statutory Auditors, appoints a Manager charged with preparing financial reports. The appointed person must be chosen, in line with By-laws provisions, among persons who for at least three years have exercised:
a)
administration or control activities or directive tasks in companies listed on regulated stock exchanges in Italy or other European Union countries or other countries member of OECD with a share capital amounting to not less than two million euro, or
b)
audit activities in the companies mentioned in letter a) above, or

financial and compliance audit focusing matters related to Legislative Decree No. 231/2001, thus implementing the sanctioned annual plan of Internal Audit activities that is prepared with a top-down-risk-based approach and approved together with the budget of the department by the Board of Directors and, as regards the specific aspects of Legislative Decree No. 231/2001, by the Watch Structure;

(ii)

unplanned Internal Audit activities decided upon request of the bodies of internal control system and top management of the company;

c)

professional activities or teaching activities in universities in the finance or accounting sectors, or

d)

managerial functions in public or private bodies in the finance, accounting or control sectors.

Tasks, powers and means of the Manager charged with preparing financial reports

Under applicable laws, this Manager is responsible of internal controls over financial reporting and at this aim

designs the administrative and accounting procedures for the preparation of periodic financial reporting and any other kind of financial information, confirming in a certification, to be signed with the CEO, on the parent company s annual financial statements, and in the Group interim and annual consolidated financial statements their adequacy and effective application, during the periods of reference of the mentioned financial reports.
In accordance with Article 154-*bis* TUF, the Board of Directors supervises so that this Manager has adequate powers and means to carry out the tasks given to him, as well as on the actual observance of relevant administrative and accounting procedures.
In its meeting of July 30, 2008, the Board of Directors, with the approval of the Board of Statutory Auditors, appointed Eni s Chief Financial Officer, Alessandro Bernini[22], as Manager charged with preparing financial reports, verifying the adequacy, to fulfill the tasks given, of the financial resources assigned, to use alone or in conjunction with the CEO, as well as of the granted means in terms of organizational structures, management and information systems and internal controls.
In its meeting of January 22, 2009 the Board of Director assessed the means available to the CFO in his quality of Manager charged with preparing financial reports as adequate and in its meeting on March 13, 2009 assessed the compliance with internal procedures designed by the Manager in accordance with applicable laws.

Guidelines over financial reporting
The Manager s activity is based on the Guidelines on internal control over financial reporting approved by the Board of Directors on June 20, 2007, defining rules and methodologies on the design, implementation and maintenance of the internal control system over Eni s financial reporting, as well as on the evaluation of the system s effectiveness.
These guidelines have been designed in accordance with the provisions of the mentioned Article 154-*bis* TUF and of the Sarbanes-Oxley Act of 2002 (SOA) which Eni has to comply with as its securities are listed on the New York Stock Exchange (NYSE).
Such control system was designed in accordance with two fundamental principles:

- sustainability of controls in the long term, so as to ensure that the performance of controls is increasingly integrated in and compatible with operating needs; for this purpose, specific controls have been selected in order to identify such critical controls as to mitigate the level of risk.

The objectives of the internal control system have been defined consistently with applicable provisions of U.S. rules distinguishing two systemic components:

- disclosure controls and procedures (DC&P);
- internal control over financial reporting (ICFR).

Disclosure controls and procedures are designed to ensure that information required to be disclosed by the company in its reports is collected and communicated to Eni s management, including Eni s CEO and CFO, as appropriate to allow assessed and timely decisions regarding required disclosure.
Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.
Eni s internal control over financial reporting has been designed to be consistent with the Internal Control-Integrated Framework created and published by the Committee of Sponsoring Organizations of the Tradeway Commission and comprises five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring. Such components in relation to their own features operate at entity level (Group, business segment, divisions, subsidiary) and/or at a process level, including both operational and financial administration process (transaction, evaluation processes and closing the books).
Internal controls are designed and established based on a risk assessment process with a top-down approach whereby certain organizational departments, processes and activities are deemed to bear a risk of negligent errors or fraud which could have a material impact on financial statements. Risks are assessed in terms of probability of occurrence and potential negative impact

- to extend control to all the levels of the organizational structure, consistently with the operating task entrusted to each level;

and scored based on quantitative and qualitative benchmarks under the assumption of absence of controls. A specific risk assessment focuses fraud risks leading to the design of adequate anti-fraud actions and controls. In accordance with Italian listing standards as per Article 36 of the Consob Decision No. 16191/2007, certain subsidiaries incorporated in non EU countries fall within the scope and application of internal controls.

(22) The current Manager started his office on August 1, 2008, substituting Mr. Mangiagalli that had been appointed on June 20, 2007.

Management has developed its own assessment procedures to evaluate the design of Eni s internal control over financial reporting and its operating effectiveness. To that end, management has implemented ongoing monitoring activities entrusted to managers who are responsible of conducting primary processes or activities, and separate evaluations have been entrusted to Eni s Internal Audit department. This department operates according to a preset plan of interventions defining scope and objectives of each intervention, in line with agreed audit procedures, as communicated by the Manager charged with financial reports.

Information flows

Outcomes from all monitoring activities are periodically described in a report on the state of internal control system, that involves all levels of Eni s organizational structure, and foster an ongoing improvement process, with the aims to keep in line the system with the Group evolution and to increase its efficiency.

Based on these reports, the Manager charged with preparing financial reports prepares a report on the efficacy of the control system that is shared with the CEO, presented to the Internal Control Committee and then submitted to the Board of Directors, in occasion of the approval of full year and half year draft financial statements, in order to allow the Board the performance of its monitoring activities and assessment on internal controls. The report is also presented to the Board of Statutory Auditors, as Audit Committee under the SOA.

Watch Structure and Model 231

According to Italian laws regarding the "Liability of legal entities for unlawful breach of administrative regulation triggered by crimes" as defined in Legislative Decree No. 231 of June 8, 2001, legal entities, among them corporations, may be considered liable and therefore subject to sanctions in the form of a fine or a legally-imposed way for crimes committed or attempted in Italy and abroad on their behalf or to their advantage. Legal entities can adopt organizational, management and control systems adequate for preventing such crimes.

In its meetings of December 15, 2003 and January 28, 2004 the Eni s Board of Directors approved a "Model for organizational, management and control according to Legislative Decree No. 231/2001" and established a members, one of them appointed as chairman of the Watch Structure.

Internal members of the Company s Watch Structure are Eni s senior Vice-Presidents for Legal Affairs, Human Resources and Internal Audit or their direct reports.

Subsequently, due to new laws enlarging the field of application of Legislative Decree No. 231, the CEO provided for the implementation of three Addenda, dedicated to Crimes with terrorist aims or intended to subvert democracy and crimes against individuals, market abuse, protection of savings and discipline of financial market, and transnational crimes, respectively.

On March 14, 2008 the Board of Directors approved a complete updating of the Model 231 intended to adapt it to changes in Eni s organizational set-up, recent developments in courts decisions, studies on this matter and legal framework evolution, experience gained from the actual application of the model, including experiences made in legal proceedings, the practice of Italian and foreign companies in these kinds of models, outcomes of audit and control activities[23]. The synergies with the Code of Ethics as integral part and general principle of the Model 231 are highlighted by the appointment of the Watch Structure as Guarantor for the Code of Ethics. Similarly, subsidiaries appoint their Watch Structures as Guarantors for the Code of Ethics.

The Watch structure monitors the efficacy and adequacy of Model 231, reports on the implementation of Model 231, approve the annual budget of supervision activities and reports the emergence of any issues and on the outcomes of activities performed in executing its tasks.

In order to ensure timely and effective responsiveness, adequate and complete information flows have been implemented to communicate relevant and material information to the Watch Structure who in turn reports to the Chairman, the CEO, who in turn informs the Board of Directors while reporting on exercise of delegated powers, the Internal Control Committee and the Board of Statutory Auditors.

Training and/or communication activities are performed that are tailored to the recipients including third parties or the market. Eni s Model 231 represents a collection of principles and the reference point for subsidiaries, to which it is transmitted so that they can adopt and/or update their respective models and establish their own watch structures. Group listed companies and companies subject to unbundling adopt their own model, adapting relevant Watch Structure. In its meeting of June 7, 2007 the Board of Directors resolved to change the composition of the Watch Structure, originally comprising three members, by including two external

it, when necessary, to the scope and complexity of their activity keeping account of their management autonomy. Representatives nominated by

(23) Currently the scope of Legislative Decree 231/2001 comprises: (i) crimes against the public administration and against public trust; (ii) company crimes; (iii) crimes related to the subversion of democracy and financing of terrorism, (iv) crimes against persons, (v) market abuse (misuse of sensitive company information and market manipulation), (vi) crimes against persons as per Law No. 7 of 2006, (vii) transnational crimes, (viii) unintentional murder, serious or very serious injury procured in violation of laws regulating prevention of accidents on the workplace and protection of health and safety on the workplace, (ix) grafting, recycling and use of moneys and assets from illicit sources.

Eni in the management bodies of associates, consortia and joint ventures promote the principles and contents of Model 231 in their respective areas.
Control functions are foreseen (for standard, general and specific issues) in order to organize the specific activities of crime prevention in accordance with Legislative Decree No. 231/2001, and, as provided by the law, a discipline system has been introduced to sanction any violation of Model 231.
Model 231 is updated following new laws approval or in case of periodic updates connected to changes in the company organization or in the event of relevant violations. The CEO established a multifunctional team ("Team 231") in charge with preparing update proposals.
The Model 231 and the Code of Ethics are published on Eni s website, **www.eni.it**.

External Auditors

As provided for by Italian law, the auditing of financial statements is entrusted to external auditors registered on the register held by Consob. The principal external auditor is appointed by the Shareholders Meeting on reasoned proposal of the Board of Statutory Auditors. Eni s external auditor, PricewaterhouseCoopers SpA, was appointed for the first time on June 1, 2001 and was reappointed by the Shareholders Meeting of May 28, 2004 for a term of three financial years.
The Shareholders Meeting of May 24, 2007 resolved to renew the appointment for the 2007-2009 period in accordance with Legislative Decree No. 303/2006, as it did not yet complete the maximum nine financial year engagement allowed by the law.
Financial statements of Eni s subsidiaries are also audited, mainly by PricewaterhouseCoopers. In order to express its opinion on Eni s consolidated financial statements, PricewaterhouseCoopers took the responsibility of the audit activities performed on those subsidiaries whose financial statements are reviewed by other auditors, representing, however, a negligible part of Eni s consolidated assets and revenues.
In performing their activities external auditors have access to information, to electronic and on paper, data, to files and other evidence as well as to the assets of the company and its subsidiaries.
The internal framework for the application, in Eni s Group, of audit standards is represented by the Regulation for the audit of financial statements adopted by the Board of Directors on April 3, 2008.
This regulation incorporates the new provisions provided for the many laws and regulations recently approved in the last years (such as the Law on the protection of savings, Law No. 262/2005, and the Legislative Decree No. 303/2006 that changed the TUF) and rules approved by securities and exchange commissions Authorities (such as Consob and SEC).
The regulation contains the general reference principles of appointment and revocation, disciplines relations between the principal external auditors and secondary auditors, independence and causes of incompatibility, responsibilities and disclosure duties of external auditors, regulation of information flows towards the company, Consob and SEC.
In order to preserve the independence of external auditors as reaffirmed recently by enacted regulations, Eni s internal rules provide a monitoring system for "non-audit" services, prescribing in particular that the Eni s principal external auditor and its affiliates must not be engaged for services other than audit and audit-related services. This provision can be waived under rare and motivated circumstances with regard to certain services that are not prohibited by Consob and SOA and that can be awarded subject to approval by the Board of Directors of companies involved, upon favorable opinion of their respective Board of Statutory Auditors and of Eni s Board of Statutory Auditors in case of services not provided by specific laws. Eni s Board of Statutory Auditors must be informed of all engagements of the principal external auditors by Eni s Group companies.

Principal accountant fees and services	**2006**	**2007**	**2008**
(thousand euro)			

Audit fees	22,240	26,383	27,962
Audit-related fees	166	169	152
Tax fees	303	81	46
All other fees	6	120	1
	22,715	**26,753**	**28,161**

Italian Court of Accountants

Eni s accounts are subject also to the review of the Italian Court of Accountants, in order to protect the financial interests of the State. The relevant activity is performed by the Magistrate delegated to control, Lucio Todaro Marescotti (alternate Amedeo Federici), as decided on July 19-20, 2006, by the Governing Council of the Italian Court of Accountants.

The Magistrate delegated to control attends the meetings of the Board of Directors, the Board of Statutory Auditors and the Internal Control Committee.

Transactions in which a director has an interest and transactions with related parties

Pending the emission of implementing provisions of Article 2391-*bis* of the Italian Civil Code, with a decision of February 12, 2009, Eni s Board of Directors, with the opinion of the Internal Control Committee, approved the internal guidelines on transactions in which a director (or statutory auditor) has an interest and on transactions with related parties, with the aim to ensure the observance of transparency and of procedural and substantial fairness principles required, for the mentioned transaction, by the said Civil Code provision and by the Borsa Italiana Code[24].

Eni, in agreement with the general principles anticipated by Consob, introduced them in its procedure, keeping account of the best practice too. In particular in its guidelines the Board:

- identified, based on predetermined criteria, main transactions with related parties ("relevant transactions"), as such reserved to its sole responsibility;
- reserved a special role to independent directors, by engaging the Internal Control Committee in the assessment and decision making process of these transactions. The Committee plays also a relevant role in transactions that are not reserved to the Board;
- strengthened an in-depth process of review and assessment of all transactions with related parties, irrespective of allocation of decision-making powers, in order to guarantee transparency and substantial and procedural fairness. The same kind of transparency must be observed also in the subsequent decision making process.

Therefore, these guidelines define Eni s Group policy on these matters.
Amounts and types of trade and financial transactions with related parties and their impact on consolidated results and cash flow, and on the Group s assets and liquidity are reported in Note 19 to the consolidated financial statements.

- Directors who disclosed above mentioned interests should usually not take part in discussions and decisions on such transactions, also leaving the meeting when the decision is made;
- In any case, all transactions in which a director or a statutory auditor has an interest are considered material to the Company and are subject to the strengthened review process with express opinion of the Internal Control Committee.

The text of these guidelines is published on Eni s internet site in the section on Corporate Governance.

Significant differences in Corporate Governance Practices as per Section 303 A.11 of the New York Stock Exchange Listed Company Manual
Corporate governance. Eni s organizational structure follows the traditional Italian model of companies which provides for two main separate corporate bodies, the Board of Directors and the Board of Statutory Auditors to whom management and monitoring duties are respectively entrusted.
This model differs from the U.S. unitary model which provides for the Board of Directors as the sole corporate body responsible for management and for audit committee established within the same Board for monitoring.
Below is a description of the most significant differences between corporate governance practices followed by U.S. domestic companies under the NYSE standards and those followed by Eni.

INDEPENDENT DIRECTORS
NYSE standards. Under NYSE standards listed U.S. companies Boards must have a majority of independent directors. A director qualifies as independent when the Board affirmatively determines that such director does not have a material relationship with the listed company (and its subsidiaries), either directly, or indirectly. In particular, a director may not be deemed independent if he/she or an immediate family member has a certain specific relationship with the issuer, its auditors or companies that have material business relationships with the issuer (e.g. he/she is an employee of the issuer or a

As provided for by the Eni Code, these guidelines also regulate the transactions in which a Director and Statutory Auditor has an interest, in particular:

- Eni s directors and statutory auditors shall disclose periodically any personal interest with respect to the parent company in Eni and its subsidiaries and shall timely inform the Board of Directors and the Board of Statutory Auditors on transactions in which they have an interest that may be irrelevant to the Company s purposes;

partner of the auditor). In addition, a director cannot be considered independent in the three-year "cooling-off" period following the termination of any relationship that compromised a director s independence.

Eni standards. In Italy, the law for listed companies states that at least one member, or two members if the Board is

(24) Until the approval of said guidelines, relevant transactions with related parties (excluding standard ones) as identified according to IAS 24 and according to the specific internal financial reporting regulation of July 4, 2006 and of December 20, 2007 have been submitted to the Board of Directors, even if their amount was lower than the indicated threshold.

composed by more than seven members, must possess the independence requirements provided for Statutory Auditors of listed companies. In particular, a director may not be deemed independent if he/she or an immediate family member has relationships with the issuer that could influence their autonomous judgment, with its directors or with the companies in the same group of the issuer. Eni s By-laws increases the number and states that at least one member, if the Board is made up by up to five members, or three Board members, in case the Board is made up by more than five members, shall have the independence requirement. Eni s Code foresees further independence requirements, in line with the ones provided by the Code on Corporate Governance issued by the Italian authority for exchange (Borsa Italiana Code), that recommends that the Board of Directors includes an adequate number of independent non-executive directors in the sense that they do not maintain, nor have recently maintained, directly or indirectly, any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgment.

In accordance with Eni s By-laws, the Board of Directors periodically evaluates independence of directors. Eni s Code also provides for the Board of Statutory Auditors to verify the proper application of criteria and procedures adopted by the Board of Directors to evaluate the independence of its members.

The results of the assessments of the Board shall be communicated to the market.

In accordance with Eni s By-laws, should the independence requirements be impaired or cease or the minimum number of independent directors diminish below the threshold set by Eni s By-laws, the Board declares the termination of office of the member lacking said requirements and provides for his substitution. Board members are expected to inform the company if they lose their independence requirements or any reasons for ineligibility or incompatibility that might arise.

MEETINGS OF NON EXECUTIVE DIRECTORS

NYSE standards. Non-executive directors, including those who are not independent, must meet at regularly

Eni standards. Neither Eni s non-executive Directors nor Eni s independent Directors must meet separately, under the Code s corporate governance rules.

AUDIT COMMITTEE

NYSE standards. Listed U.S. companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and that complies with the further provisions of the Sarbanes-Oxley Act and of Section 303A.07 of the NYSE Listed Company Manual.

Eni standards. In its meeting of March 22, 2005, Eni s Board of Directors, making use of the exemption provided by Rule 10A-3 for non-U.S. private issuers, has identified the Board of Statutory Auditors as the body that, starting from June 1, 2005, is performing the functions required by the SEC rules and the Sarbanes-Oxley Act to be performed by the audit committees of non-U.S. companies listed on the NYSE (see paragraph "Board of Statutory Auditors" earlier). Under Section 303A.07 of the NYSE listed Company Manual audit committees of U.S. companies have further functions and responsibilities which are not mandatory for non-U.S. private issuers and which therefore are not included in the list of functions shown in the paragraph referenced above.

NOMINATING/CORPORATE GOVERNANCE COMMITTEE

NYSE standards. U.S. listed companies must have a nominating/corporate governance committee (or equivalent body) composed entirely of independent directors that are entrusted, among others, with the responsibility to identify individuals qualified to become board members and to select or recommend director nominees for submission to the Shareholders. Meeting, as well as to develop and recommend to the Board of Directors a set of corporate governance guidelines.

Eni standards. This provision is not applicable to non-U.S. private issuers. The Corporate Governance Code backed by Borsa Italiana allows listed companies to have within the Board of Directors a committee for directors nominees proposals, above all when the Board of Directors detects difficulties in the shareholders submission of nominees proposals, as could happen in

scheduled executive sessions without management.
In addition, if the group of non-executive directors includes directors who are not independent, independent directors should meet separately at least once a year.

publicly owned companies. Eni has not set up a nominating committee, considering the nature of its shareholding as well as the circumstance that, under Eni s By-laws, directors are appointed by the Shareholders. Meeting based on lists presented by shareholders or by the Board of Directors.

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Shareholder and investor relations

In concert with the launch of its privatization process, Eni adopted a communication policy, confirmed by the Code of Ethics, aimed at promoting an ongoing dialogue with institutional investors, shareholders and the markets to ensure systematic dissemination of exhaustive, complete, and timely information on its activities, with the sole limitation imposed by the confidential nature of certain information. Information on annual and quarterly reports, on four year strategic plans and other relevant events and operations is made available to investors, markets and the press in the form of press releases, regular meetings and conference calls with institutional investors, the financial community and the press, and is timely released to the public also by Eni s website.
Starting in 2009, top management presentations to the financial markets on quarterly and annual results and four year strategic plans are broadcast in real time on Eni s internet site.
Eni thus provides also to retail investors the chance to follow the most relevant events in real time, providing also a simultaneous translation into Italian of the events that take place in English. The presentations and conference calls are available on the website for a few days after the event took place[25]. Within the month of December Eni disseminates and publishes on its Internet site its financial calendar, detailing main events for the following year. The pages "Eni and the stock market" in the Investor Relations section of Eni s website (http://www.eni.it/en_IT/investor-relation/eni-stock-markets) are continuously updated with information on dividends, prices and trends of Eni as benchmarked against the performance of its peers and the main market indices.
Eni also publishes all its annual and quarterly reports, press releases, its Report, Code and procedures concerning corporate governance, its By-laws, the information to shareholders and bondholders, shareholders and bondholders meetings agenda and proceedings of meetings. Documents are free and can be requested also filling in the relevant form on Eni s website (http://www.eni.it/en_IT/documentation).
In accordance with applicable laws and provisions of Eni s By-laws, Eni is preparing a project addressed to retail shareholders in order to stimulate their interest and activity.
In the past few years the need emerged for companies to respect the rights of shareholders but also to become active and help them exercise their rights by providing easily accessible and understandable communications and stimulating their participation to corporate life.
The idea of presenting Eni to its shareholders in a simple and understandable way led to the preparation of a specific section of Eni s internet site dedicated to direct communication containing also a handbook for shareholders and to conceiving dedicated initiatives. Specific functions in Eni hold relations with investors, shareholders and the press.
As provided by Eni s Code, relations with investors and the financial community are held by the Investor Relations manager. Information is available on Eni s website and can be requested by sending an e-mail to investor.relations@eni.it
Relations with the press are held by the press manager.
Relations with shareholders are held by the Corporate Secretary office. Information is available on Eni s website and can be requested by sending an e-mail to segreteriasocietaria.azionisti@eni.it or calling the toll-free number 800.940.924 (outside Italy 800.11.22.3456).

Handling of company information

Communication of documents and privileged information to markets

On February 28, 2006, Eni s Board of Directors updated the "Procedure for the disclosure of information to the market concerning Group activities" approved on December 18, 2002. The procedure acknowledges Consob Guidelines and the "Guidelines for information to the market" issued in June 2002 by the Ref Forum on company information and those included in the laws implementing the European Directive on Market Abuse, defines the requirements for disclosure to the public of price sensitive events (materiality, clarity, homogeneity, information symmetry, consistency and timeliness) and the information flows for acquiring data from Group companies and providing adequate and timely information to the Board and the market on price sensitive events.
It also contains sanctions applied in case of violation of its rules in accordance with the crimes identified and sanctioned by the new Law on the protection of savings (Law No. 262/2005). Eni s Code of Ethics

The company intends moreover to respond to the requests emerged in past shareholders meetings of greater engagement of shareholders.

defines confidentiality duties upheld by Group employees relating to the treatment of sensitive information.

Directors and auditors ensure the confidentiality of documents and information acquired in performing their tasks and observe the procedure adopted by Eni for the internal treatment of these information and documents, and for their timely disclosure to the market.

This procedure has been updated on September 29, 2006, to take into consideration the Consob interpretation expressed on March 28, 2006. The procedure is published on Eni s website.

(25) Eni intends to foster a dialogue with shareholders and institutional investors, aimed at favoring the widest participation of shareholders to Shareholders Meetings and also to the main events of corporate life, making the exercise of their rights effortless.

Register of the persons having access to privileged information

On February 28, 2006, the Board of Directors approved a procedure for establishing and maintaining a register of persons with a right to access to Eni s privileged information, as provided for by Article 115-*bis* TUF.
The procedure implementing Consob Decision No. 11971/1999 states: (i) terms and procedures for the recording and possible cancellation of the persons that, due to their professional activity or tasks performed on behalf of Eni, have regular or occasional access to privileged information; (ii) terms and procedures to inform said persons of their recording or cancellation and relevant reasons.
The procedure is in force from April 1, 2006 and was updated on September 29, 2006 to take into account the Consob position expressed on March 28, 2006.
The procedure is published on Eni s website.

Internal Dealing

On February 28, 2006, the Board of Directors approved the "Internal dealing procedure" for the identification of relevant persons and the communication of transactions involving securities issued by Eni SpA and its listed subsidiaries made by these persons, replacing effective April 1, 2006, the Internal Dealing Code approved by the Board on December 18, 2002.
The procedure implements the provisions of Article 114, paragraph 7 TUF.
Eni s procedure, implementing Consob Decision No. 11971/1999: (i) identifies relevant persons; (ii) defines the transactions involving securities issued by Eni SpA; (iii) determines the terms and conditions for the disclosure to the public of such information. The procedure states that managers having regular access to privileged information, during specific periods of the year (blocking periods), are not allowed to buy or sell shares. The same principle has been introduced by a specific procedure approved on December, 23, 2008, with reference to the company purchasing and selling operations on shares issued by Eni SpA or other securities connected to such shares.
The Internal Dealing procedure was updated on September 29, 2006 to take into account the Consob position expressed on March 28, 2006. The procedure is published on Eni s website.

Follow the tables included in the "Handbook for the preparation of the report on corporate governance" issued by Assonime and Emittente Titoli SpA in March 2004.

Structure of the Board of Directors and its Committees

	Board of Directors					Internal Control Committee		Compensation Committee		International Oil Committee	
Members	executive	non executive	independent	% attendance	other appointments (a)	members	% attendance	members	% attendance	members	% attendance
Chairman											
Roberto Poli		X		100	3						
CEO											
Paolo Scaroni	X			100	3						
Directors (b)											
Alberto Clô (*)		X	X	95	3			X	100	X	100
Dario Fruscio (until January 30, 2008)		X	X	100							
Marco Pinto (until June 10, 2008)		X		100							
Renzo Costi (until June 10, 2008)		X	X	100							
Paolo Andrea Colombo (from June 10, 2008)		X	X	100	5			X	100	X	100
Paolo Marchioni (from June 10, 2008)		X	X	100		X	100				

Marco Reboa (*)	X	X	100	3	X	100			X	86
Mario Resca	X	X	89	3			X	100	X	71
Pierluigi Scibetta	X	X	100		X	72			X	100
Francesco Taranto (*) (from June 10, 2008)	X	X	100	4	X	100	X	100		
Number of meetings in 2007		**19**			**18**		**4**		**7**	
		of which 11 held by the Board appointed on June 10, 2008.								

(a) Appointments as director or statutory auditor in other listed companies, also outside Italy, in financial, banking, insurance or large companies.
(b) Referring to Directors appointed on June 10, 2008, the percentage of attendance was determined based on the numbers of meetings held during the membership.
(*) Appointed by the minority list.

Board of Statutory Auditors

Members	% attendance Meeting of the Board of statutory Auditors	% attendance Meeting of the Board of Directors	Number of other appointments [(a)]	Total number of appointments [(b)]
Chairman				
Ugo Marinelli [(*)] (from June 10, 2008)	100	100	1	5
Paolo Andrea Colombo (until June 9, 2008)	100	100		
Auditors				
Roberto Ferranti (from June 10, 2008)	92	64	1	2
Luigi Mandolesi (from June 10, 2008)	100	100	1	11
Tiziano Onesti (from June 10, 2008)	100	100	2	19
Giorgio Silva [(*)]	100	100	3	16
Filippo Duodo (until June 9, 2008)	100	88		
Edoardo Grisolia (until June 9, 2008)	60	75		
Riccardo Perotta (until June 9, 2008)	100	100		
Number of meetings in 2008	**22**			