ENI SPA
Form 6-K
May 06, 2010
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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 2010

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, 2010

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Ordinary Shareholders Meeting of April 27 and 29, 2010

The notice convening the meeting was published on the
Gazzetta Ufficiale of the Republic of Italy
No. 35, section II of March 23, 2010 page 1

This annual report includes the report of Eni s Board of Directors and Eni s consolidated financial statements for the year ended December 31, 2009, 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 expenditures, 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 4.37 billion for the full year 2009. Adjusted basis net profit was euro 5.21 billion, down 48.8% from a year ago. The reduction reflected lower results mainly reported by the Exploration & Production division due to an unfavorable trading environment for oil prices in the first nine months of the year and by the Refining & Marketing division driven by sharply lower refining margins. The Gas & Power division and the Engineering & Construction business segment showed a resilient performance.

Cash inflows for the year mainly comprised cash flow from operations of euro 11.14 billion, proceeds of euro 3.6 billion from divesting certain interests and non strategic assets, and euro 1.54 billion from a share capital increase subscribed by minorities following the restructuring of Eni s regulated gas businesses in Italy. These inflows enabled the Company to partially fund capital expenditures of euro 13.69 billion to support organic growth and exploration activities, the completion of the Distrigas acquisition of euro 2.04 billion and the payment of dividends to Eni shareholders amounting to euro dividend in September 2009. Management reaffirms its commitment to create value for Eni s investors.

Oil and natural gas production
In 2009 oil and natural gas production amounted to 1,769 kboe/d, down 1.6% from 2008. When excluding OPEC cuts amounting to approximately 28 kbbl/d, it was substantially unchanged.
Continuing production ramp-up and the start-up of new fields helped make for lower production uplifts associated with weak European gas demand, the impact of unplanned facility downtime in Nigeria and mature field declines.
The company targets a production level in excess of 2 mmboe/d by 2013, with an average annual growth rate higher than 2.5%, based on a 65 $/bbl price scenario.

Proved oil and natural gas reserves
Eni s estimated net proved reserves at December 31, 2009 amounted to 6.57 bboe, at a reference Brent price of 59.9 $/bbl. The all-sources reserve replacement ratio was 96%, corresponding to an average reserve life index of 10.2 years. Excluding price effects on PSAs entitlements, the replacement

4.17 billion. Ratio of net borrowings to total equity was 0.46 (0.38 at December 31, 2008).

Dividends

Based on 2009 results and taking into account the Company s sound fundamentals, a dividend of euro 1.00 per share (euro 1.30 in 2008) will be distributed to shareholders. Included in this annual payment is euro 0.50 per share already distributed as interim

ratio was 109%.

Natural gas sales

Worldwide natural gas sales were 103.72 bcm, representing a small decline from 2008 (down 0.5%). Sharply lower volumes were recorded on the Italian market (down 24.3%) as a result of the economic downturn and rising competitive pressures. This negative trend was partly offset by full contribution of the Distrigas

acquisition (up 12.02 bcm) and organic growth achieved in a number of European markets.
In a challenging outlook for the gas market, Eni expects to achieve gas sales of 118 bcm by 2013, implying an annual growth rate higher than 3%. To achieve this target, Eni will leverage on extracting synergies from integrating Distrigas commercial operations and its excellent strategic positioning in the European gas market.

Distrigas
In 2009 Eni completed the acquisition of Distrigas by means of a tender offer on Distrigas minorities. After the completion of the acquisition, Distrigas shares were delisted from Euronext Brussels. This transaction represented a milestone in strengthening Eni s leadership in the European gas market as a result of relevant integration synergies.

Reorganization of the regulated businesses in the Italian gas sector
In 2009 Eni reorganized its regulated businesses in Italy through the sale of its natural gas distribution and storage activities performed by Italgas and Stoccaggi Gas Italia to Eni s subsidiary Snam Rete Gas. This transaction allowed Eni to unlock value by achieving significant structural synergies in the regulated business segment and to strengthen its consolidated balance sheet.

Strategic partnership between Eni and Gazprom
In 2009 the strategic partnership between Eni and Gazprom, the world-leading gas producer, celebrated its 40th anniversary. Both partners intend to continue pursuing the joint development of projects in upstream and gas markets. In 2009 the following transactions were completed: (i) Eni divested its 20% stake in OAO Gazprom Neft to Gazprom upon exercise of a call option at the contractual price of euro 3.07 billion; (ii) Eni and its Italian partner Enel in the 60-40% owned joint-venture OOO SeverEnergia divested a 51% stake in the venture to Gazprom following exercise of a call option by the Russian company. Eni s share of this transaction is worth $940 million (25% of which had been collected at the balance sheet date and the remaining 75% collected on March 31, 2010); (iii) Eni and Missan Oil Company to redevelop the Zubair giant oil field. The development plan of the field targets a production of 1.2 bbbl/d to be achieved in the next six years.

In January 2010, Eni and the Venezuelan national company PDVSA signed a preliminary agreement for the joint development of the Junin 5 giant heavy oil field, located in the Orinoco Faja, which has 35 bbbl of certified oil in place.

In June 2009, Eni purchased from Quicksilver Resources Inc a 27.5% interest in the Alliance area, in Northern Texas, with gas shale reserves. The price of the transaction was $280 million. In 2009 production from the acquired assets amounted to 4,000 boe/d, and is expected to ramp up to approximately 10,000 boe/d by 2011.

In November 2009, Eni has been awarded a 37.8% stake in the Sanga Sanga license for the production of coal-bed methane in Indonesia. Preliminary studies in the block show a resource potential of about 4 trillion cubic feet (111 bcm) of gas to be better defined through an appraisal program that will commence in 2010.

In May 2009, Eni and the Egypt s Ministry of Petroleum signed a cooperation agreement to extend by 10 years the concession on the Belayim giant field. Eni plans to invest $1.5 billion over the next 5 years in developing expenditures, operating costs and interventions aimed at optimizing production.

In January 2010, Eni signed an agreement to acquire oil downstream activities in Austria. This includes a retail network with 135 service stations, wholesale activities and commercial assets in the aviation business as well as logistics and storage activities.

In October 2009, Eni and its Turkish and Russian partners in the construction of the Samsun-Ceyhan pipeline signed a Memorandum of Understanding whereby parties will define certain economic and contractual conditions in order to enable Russian companies to participate in the project. This will ensure the necessary volumes of crude in order to

Gazprom agreed to widen the original scope of work of the project for building the South Stream pipeline by increasing its transport capacity from 31 to 63 bcm/y.

Portfolio developments

In January 2010, Eni leading with a 32.8% stake a consortium of international companies signed a contract with Iraq s state-owned South Oil Company (SOC) and

support the project profitability. The project is designed to build a by-pass for oil incoming from the East, avoiding transport by sea through the Dardanelles and Bosporus, thus enhancing safety and environmental protection.

As part of the optimization process of its upstream portfolio, management approved a plan for rationalizing

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Eni mineral activities in Italy that entails the sale of three Newcos, entirely controlled by Eni. The assets are divided into three groups, depending on their geographical location, which will each be transferred into a single newco: the first lies in northern Italy (Po Valley and Emilia Romagna), the second in central Italy (Marche, Abruzzo, Molise) and the third in southern Italy (Crotone area). Negotiations are well underway for the sale of two companies, Società Padana Energia SpA and Società Adriatica Idrocarburi SpA, holding the assets located in northern and central Italy.

Partnership agreements
In 2009, leveraging its established co-operation model with oil host countries, Eni finalized a number of strategic partnerships pursuing new ventures.
The framework of these ventures provides integration between the traditional oil business and sustainable development initiatives designed to support the host countries population in achieving high social and economic standards. These agreements concerned mainly Angola, Egypt, Kazakhstan and Turkmenistan and represent opportunities to access new reserves.

Exploration activities
In 2009 exploration activities (euro 1,228 million) achieved a number of successes, in particular with the giant Perla discovery (Eni 50%) in Venezuela and with the high potential Cabaça Norte discovery (Eni operator with a 35% interest) in Angola. Further exploration success was achieved in Ghana, the Gulf of Mexico, Indonesia, the North Sea and Pakistan.
In 2009, 69 net exploration wells were completed, in addition to 10 wells in progress at year end with a success rate of 43.6% net to Eni.
The exploration portfolio was strengthened through acquisitions in Angola, China, Ghana, the Gulf of Mexico and Norway in line with Eni s strategy of consolidating its presence in selected areas.

Financial highlights		2007	2008	**2009**
(euro million)				
Net sales from operations		87,204	108,082	**83,227**
Operating profit		18,739	18,517	**12,055**
Adjusted operating profit [(a)]		19,004	21,608	**13,122**
Net profit [(b)]		10,011	8,825	**4,367**
Adjusted net profit [(a)] [(b)]		9,569	10,164	**5,207**
Net cash provided by operating activities		15,517	21,801	**11,136**
Capital expenditures		10,593	14,562	**13,695**
Acquisition of investments and businesses [(c)]		9,909	4,305	**2,323**
Dividends pertaining to the period [(d)]		4,750	4,714	**3,622**
Cash dividends		4,583	4,910	**4,166**
R&D expenditures		208	217	**207**
Total assets at period end		101,460	116,673	**117,529**
Debts and bonds at period end		19,830	20,837	**24,800**
Shareholders' equity including minority interests at period end		42,867	48,510	**50,051**
Net borrowings at period end		16,327	18,376	**23,055**
Net capital employed at period end		59,194	66,886	**73,106**
Shares price at period end	(euro)	25.05	16.74	**17.80**
Number of shares outstanding at period end	(million)	3,656.8	3,622.4	**3,622.4**
Market capitalization [(e)]	(euro billion)	91.6	60.6	**64.5**

(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".
(b) Profit attributable to Eni shareholders.
(c) Net of acquired cash.
(d) 2009 amount (relating to dividend s payment) is estimated.
(e) Number of outstanding shares by reference price at period end.

Summary financial data		2007	2008	**2009**
Net profit:				
- per ordinary share [(a)]	(euro)	2.73	2.43	**1.21**
- per ADR [(a)] [(b)]	(USD)	7.49	7.15	**3.36**
Adjusted net profit:				
- per ordinary share [(a)]	(euro)	2.61	2.79	**1.44**
- per ADR [(a)] [(b)]	(USD)	7.16	8.21	**4.01**
Return On Average Capital Employed (ROACE):				
- reported	(%)	20.5	15.7	**8.0**
- adjusted	(%)	19.4	17.6	**9.2**
Leverage		0.38	0.38	**0.46**
Dividends pertaining to the year	(euro per share)	1.30	1.30	**1.00**
Pay-out [(c)]	(%)	47	53	**83**
Total Shareholder Return (TSR)	(%)	3.2	(29.1)	**13.7**
Dividend yield [(d)]	(%)	5.3	7.6	**5.8**

(a) Fully diluted. Ratio of net profit and average number of shares outstanding in the period. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by ECB for the period presented.
(b) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.
(c) 2009 pay-out ratio is estimated with reference to the amounts due on the payment of the dividend balance of 2009.
(d) Ratio of dividend for the period and average price of Eni shares in December.

Key market indicators		2007	2008	**2009**
Average price of Brent dated crude oil [(a)]		72.52	96.99	**61.51**
Average EUR/USD exchange rate [(b)]		1.371	1.471	**1.393**
Average price in euro of Brent dated crude oil		52.90	65.93	**44.16**
Average European refining margin [(c)]		4.52	6.49	**3.13**
Average European refining margin Brent/Ural [(c)]		6.45	8.85	**3.56**
Average Europe refining margin in euro		3.30	4.41	**2.25**
Euribor - three-month euro rate	(%)	4.3	4.6	**1.2**
Libor - three-month dollar rate	(%)	5.3	2.9	**0.7**

(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.

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Summary operating data

		2007	2008	**2009**
Exploration & Production				
Estimated net proved reserves of hydrocarbons (at period end)	(mmboe)	6,370	6,600	**6,571**
- Liquids	(mmbbl)	3,219	3,335	**3,463**
- Natural gas	(bcf)	18,090	18,748	**17,850**
Average reserve life index	(year)	10.0	10.0	**10.2**
Production of hydrocarbons	(kboe/d)	1,736	1,797	**1,769**
- Liquids	(kbbl/d)	1,020	1,026	**1,007**
- Natural gas	(mmcf/d)	4,114	4,424	**4,374**
Gas & Power				
Worldwide gas sales [(a)]	(bcm)	98.96	104.23	**103.72**
LNG sales [(b)]	(bcm)	11.7	12.0	**12.9**
Customers in Italy	(million)	6.61	6.63	**6.88**
Gas volumes transported in Italy	(bcm)	83.28	85.64	**76.90**
Electricity sold	(TWh)	33.19	29.93	**33.96**
Refining & Marketing				
Refining throughputs on own account	(mmtonnes)	37.15	35.84	**34.55**
Retail sales of petroleum products in Europe	(mmtonnes)	11.80	12.03	**12.02**
Service stations in Europe at period end [(c)]	(units)	6,440	5,956	**5,986**
Average throughput of service stations in Europe [(c)]	(kliters)	2,486	2,502	**2,477**
Petrochemicals				
Production	(ktonnes)	8,795	7,372	**6,521**
Sales of petrochemical products	(ktonnes)	5,513	4,684	**4,265**
Engineering & Construction				
Orders acquired	(euro million)	11,845	13,860	**9,917**
Order backlog at period end	(euro million)	15,390	19,105	**18,730**
Employees at period end	(units)	75,862	78,880	**78,417**

(a) Include E&P sales volumes of 6.17 bcm (5.39 and 6.00 bcm in 2007 and 2008, respectively) marketed by the Exploration & Production division in Europe (3.59, 3.36 and 2.57 bcm for 2007, 2008 and 2009, respectively) and in the Gulf of Mexico (1.80, 2.64 and 3.60 bcm for 2007, 2008 and 2009, respectively).

(b) Refer to LNG sales of G&P division (included in worldwide gas sales) and E&P division.

(c) Full year 2007 data include downstream activities in the Iberian Peninsula divested to Galp in October 2008.

To our shareholders

In 2009, Eni delivered better results than expected, amongst the best in our industry, against the backdrop of the worst economic recessions over the past 60 years. Our integrated business portfolio has again proved its resilience, and we managed to mitigate the impact of the downturn on the company.

We delivered on our targets, positioning the Company for future growth. In E&P, we are strategically focusing on giant projects in the world s fastest-growing oil-producing areas, namely Iraq and Venezuela. We entered new, high-potential areas like Ghana, and signed a number of framework agreements in our core regions of Russia, the Caspian Sea (Kazakhstan and Turkmenistan) and Africa. In G&P, we completed the acquisition of Distrigas and the reorganization of our regulated businesses in Italy.
We strengthened our long-standing strategic partnership with Gazprom, celebrating its 40th year of activity in 2009. We plan to continue developing joint projects in the sectors of upstream and natural gas markets.
On January 22, 2010, we signed a Technical Service Contract for the development of the Zubair field in Iraq, under a 20-year term with an option for a further 5 years, targeting a production plateau of 1.2 mmboe/d by 2016.
On January 26, 2010 we signed an agreement with the Venezuelan state-owned company PDVSA for the joint development of the giant field Junin 5, with 35 bbbls of certified heavy oil in place.

We have continued to focus on improving efficiency in all our businesses. The cost reduction program we launched in 2006 has delivered euro 0.4 billion of savings in 2009 and euro 1.3 billion to date.

Despite an ongoing recovery in oil prices, the outlook for 2010 points to significant challenges. However, our strategy remains unchanged. We continue to target superior production growth over the long-term and to strengthen our leadership position in the European gas market, while maintaining a strong financial position and creating value for our shareholders.

Financial performance

Eni s 2009 net profit was euro 4.37 billion.
Adjusted net profit was euro 5.21 billion, a decrease of 49% compared to 2008, driven by the sharp decline in oil prices recorded in the first nine months of the year. The result was also affected by weak refining margins and a higher adjusted tax rate. On the positive side, the Gas & Power and Engineering & Construction segments both reported improved results.
Adjusted return on average capital employed was 9.2%. Net cash generated by operating activities amounted to euro 11.1 billion. Proceeds from disposals were euro 3.6 billion and further a euro 1.5 billion was provided by a share capital increase that was subscribed by Snam Rete Gas minorities as part of the restructuring plan of Eni s regulated gas businesses in Italy. These inflows were used to fund part of the financing requirements associated with organic capital expenditures and exploration projects amounting to euro 13.7 billion, the completion of the Distrigas acquisition for euro 2.04

In 2009, Eni has been acknowledged as one of the best oil and gas companies in the Dow Jones Sustainability Index.

billion, and the payment of euro 4.17 billion to Eni s shareholders via dividends.

Our net debt to equity ratio at year end was 0.46.
The results achieved in 2009 enable us to propose at the Annual General Shareholders Meeting a dividend of euro 1.00 per share, of which euro 0.50 was paid as an interim dividend in September 2009.

Sustaining growth and shareholder returns

Our strategic direction has remained unchanged. Our strong pipeline of capital projects and investment opportunities will enable us to deliver on our growth targets.
Over the next four years, we plan to invest euro 52.8 billion to fuel continuing organic growth, including the strategic projects in Iraq and Venezuela. This is an increase of approximately 8% from the previous plan. The projected cash flows and planned divestments will enable us to service the financing requirements associated with capital expenditures and shareholders remuneration.

In **EXPLORATION & PRODUCTION**, we achieved adjusted net profit of euro 3.9 billion, down 50.9% compared to 2008, driven by an unfavorable trading environment for oil prices in the first nine months (Brent prices were down 37%), lower sales volumes and a higher tax rate.
Oil and gas production was 1,769 kboe/d, down 1.6% from 2008. When excluding OPEC restrictions amounting to approximately 28 kbbl/d, production remained substantially unchanged from a year ago.
Our all-sources reserve replacement ratio was 96%, resulting in a reserve life index of 10.2 years at December 31, 2009 (10 years in 2008).
Over the course of the year we increased our resource exploration activities in Venezuela, with the giant Perla discovery, Angola, Ghana and the Gulf of Mexico. This was achieved amid a 30% reduction in exploration expenses year on year.
In 2009 a total of 27 new fields have been put into production, which will add 190 kboe/d to our production at plateau.
In addition to the above-mentioned agreements in Iraq and Venezuela, our upstream portfolio has been further strengthened by continuing exploration success in Angola, acquisition of new licenses in Ghana, the Barents Sea and Pakistan.

We entered the unconventional gas sector in the USA with the purchase of a stake in the Alliance Area containing shale gas, from Quicksilver Resources Inc, and in Indonesia by purchasing a 37.8% interest in the Sanga Sanga license for the production of coal bed methane.

We target an average annual production increase higher than 2.5% in the 2010-2013 plan. By 2013, our hydrocarbon production will hit 2.00 million bbl/d, based on our $65 per barrel Brent price scenario. Most of our projects are in the final investment decision stage or have already been sanctioned.
Three quarters of our 2013 production will come from fields already operating in 2009, and the rest from new start-ups, particularly the Zubair project in Iraq, Kashagan in the Caspian Region and Algeria with the fields acquired from First Calgary. Overall, new start-ups will add approximately 560 kbbl/d by 2013.

In **GAS & POWER**, we reported adjusted net profit of euro 2.92 billion, an increase of 10% from 2008, despite very weak market conditions, with gas consumption down base by more than 1 billion boe thanks to successful by 7.4% in Europe and 10% in Italy. This result was largely due to stable performances in the regulated businesses, excellent results achieved by Distrigas and integration synergies. Sales volumes were stable at 104 bcm, as a result of expansion in European markets that made for declining sales in Italy (down 24%). Leveraging on our strategic partnership with Gazprom, we renegotiated terms and conditions of our main long-term supply contracts, improving our operating flexibility.

Our strategy will focus on strengthening our leadership in the European gas market, as well as margins and market share in Italy, relying upon our commercial strength, long-term relationships with producing countries and access to international transport infrastructures.

This access will not be impaired by the possible divestment of our interests in three gas import pipelines from Russia and Northern Europe, which we have proposed to the relevant European authorities in order to settle an antitrust procedure.

In 2010 we expect a weak recovery in gas demand, particularly in Italy. Commercial integration with Distrigas and the advantages granted to us by renegotiating supply contracts with international suppliers will enable us to make for any declines in domestic markets, targeting sales volumes at the same level as in 2009. By 2013, we expect to grow our gas sales by an average growth rate higher than 3% a year, targeting a volume of 118 bcm.
Our regulated businesses in Italy are expected to deliver stable returns, independent of trends in the gas market. They will be supported by guaranteed returns on planned capital expenditures and the cost synergies deriving from integrating gas transport, distribution and storage activities.

In **REFINING & MARKETING** we reported adjusted net loss of euro 197 million due to an extremely weak refining scenario (down by 52% the TRC Brent margin). Refining throughputs were reduced by one million tonnes. These impacts were partly offset by the good performance in marketing as a result of effective marketing initiatives.
In 2010, we expect a challenging refining environment and we will react accordingly by selectively strengthening our refineries, improving conversion capacity and increasing energy efficiency.
In marketing, we aim to reinforce our leadership in the Italian market through continuing improvements in quality standards, loyalty programs and enhanced non-oil services, along with the re-branding of our service stations to the Eni brand. Abroad, we will focus on growth in three countries: Germany, Switzerland and Austria. On January 21, 2010 we purchased 135 service stations, wholesale activities and logistics and storage assets from Exxon in Austria.

In **ENGINEERING & CONSTRUCTION**, we reported an improved adjusted net profit of euro 892 million (14% higher than in 2008) thanks to a better operating performance driven by a strong order backlog and increased efficiency. 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 adjusted losses at both operating and net profit levels (down euro 426 million

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and euro 340 million, respectively) due to an unfavorable market environment that was dragged down by weak demand, excess capacity and strong competitive pressures on commodity products.
Our target is to improve efficiency, shifting our product mix to higher value added products and selectively investing in areas where we can count on competitive advantages (styrenics and elastomers), also leveraging on our proprietary technologies.

Sustainable development

We intend to maintain our position: an oil and gas company with one of the highest sustainability ratings in the world.

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, the endorsement of higher health and safety standards and people empowerment. In conducting operations and in our relations with partners we uphold the protection and promotion of human rights.
Eni reaffirms its commitment to Research and Innovation over the next four years by starting a new phase where our strategic priorities will be developing technologies for finding and producing hydrocarbons, the sustainable use of renewable energy and environmental restoration and clean-up of divested sites. We will pursue these objectives by forging strategic alliances with poles of international excellence and constant commitment of dedicated Eni resources.
Key to the Company s success is our strong attention to our people. In managing human resources, we are committed to implementing programs to improve leadership skills, increase knowledge and promote international development.
We continue to strengthen important relationships with our local partners as part of a cooperation model that aims at developing host countries, through the valorization of local resources, exploitation of specific skills, as well as the realization of projects and the definition of cooperation agreements.
In conclusion, in spite of an unfavorable energy and market environment, Eni delivered a good year. 2010 will pose further challenges but Eni s strategic positioning will enable it to continue to deliver industry-leading results and create sustainable value for its shareholders in both the short and the long-term.

March 11, 2010

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

CHIEF OPERATING OFFICERS
Exploration & Production Division

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 AUDITORS
DELEGATED TO THE FINANCIAL CONTROL OF ENI SpA
Raffaele Squitieri [8]

Claudio Descalzi [(4)]

Gas & Power Division

Domenico Dispenza [(5)]

Refining & Marketing Division

Angelo Caridi [(6)]

Alternate

Amedeo Federici [(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 Auditors on October 28, 2009.
(9) Duties conferred by the Governing Council of the Court of Auditors on December 3-4, 2008.
(10) Appointment extended by the Shareholders Meeting held on May 24, 2007 for the 2007-2009 three year term.

Key performance indicators [a]		2007	2008	**2009**
Net sales from operations [b]	(euro million)	26,920	33,042	**23,801**
Operating profit		13,433	16,239	**9,120**
Adjusted operating profit		13,770	17,222	**9,484**
Adjusted net profit		6,328	7,900	**3,878**
Capital expenditures		6,480	9,281	**9,486**
of which: *exploratory expenditures* [c]		*1,659*	*1,918*	***1,228***
Adjusted capital employed, net at year end [d]		23,826	30,362	**32,455**
Adjusted ROACE	(%)	30.4	29.2	**12.3**
Average realizations				
- Liquids	($/bbl)	67.70	84.05	**56.95**
- Natural gas	($/mmcf)	5.42	8.01	**5.62**
- Total hydrocarbons	($/boe)	53.17	68.13	**46.90**
Production [e]				
- Liquids	(kbbl/d)	1,020	1,026	**1,007**
- Natural gas	(mmcf/d)	4,114	4,424	**4,374**
- Total hydrocarbons	(kboe/d)	1,736	1,797	**1,769**
Estimated net proved reserves [e] [f] [g]				
- Liquids	(mmbbl)	3,219	3,335	**3,463**
- Natural gas	(bcf)	18,090	18,748	**17,850**
- Total hydrocarbons	(mmboe)	6,370	6,600	**6,571**
Reserve life index	(years)	10.0	10.0	**10.2**
All sources reserve replacement ration [e] [g]	(%)	90	135	**96**
Employees at year end	(units)	9,023	10,891	**10,870**

(a) From January 1, 2009, results of the gas storage business are reported within the Gas & Power segment reporting unit following restructuring of Eni's regulated gas businesses in Italy. Prior period results have been restated accordingly.

(b) Before elimination of intragroup sales.

(c) Includes exploration bonuses.

(d) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".

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

(f) The new US SEC rule has changed the pricing mechanism for oil&gas reserves estimation in 2009. It specifies that, in calculating economic producibility, a company must use a 12-month average price, calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. Prior period results use the one day price measured on the last day of the company s fiscal year.

(g) Includes a 29.4% stake of the reserves of the three equity-accounted Russian companies participated by joint-venture OOO SeverEnergia, owned by Eni (60%) and its Italian partner Enel (40%) which on September 23, 2009 completed the divestment of the 51% stake in the venture to Gazprom in line with the call option arrangement.

Portfolio

Signed a technical service contract, under a 20-year term with an option for further 5 years, with Iraqi National Oil Companies to develop the Zubair oil field (Eni s interest 32.8%). The partners of the project expect to gradually increase production to a target plateau level of 1.2 mmbbl/d over the next six years.

Signed an agreement with the Venezuelan National Oil Company PDVSA for the joint development of the Junin 5 giant field with 35 billion barrels of certified heavy oil in place, located in the Orinoco oil belt. Production start-up is planned for 2013 at an initial level of 75 kbbl/d and a long term production plateau of 240 kbbl/d is targeted.

Acquired from Quicksilver Resources Inc a 27.5% interest in the Alliance area, in Northern Texas with gas shale reserves. Quicksilver has retained the 72.5% of the property and operatorship. The cash consideration for the transaction amounted to $280 million. Production from the acquired assets amounted to 4 kboe/d net to Eni for the full year 2009, ramping up to approximately 10 kboe/d by 2011.

Awarded a 37.8% stake in the Indonesian Sanga Sanga license for the production of coal bed methane. Recent preliminary studies in the block showed a resource potential of about 3,920 bcf of gas to be verified through an appraisal program that will commence in 2010.

As part of the optimization process of its upstream portfolio, management approved a plan for rationalizing Eni mineral activities in Italy that entails the sale of three Newcos, entirely controlled by Eni. The assets are divided into three groups, depending on their geographical location, which will each be transferred into a single newco: the first lies in northern Italy (Pianura Padana and Emilia Romagna), the second in central Italy (Marche, Abruzzo, Molise) and the third in southern Italy (Crotone area). Negotiations are well underway for the sale of two companies, Società Padana Energia SpA and Società Adriatica Idrocarburi SpA, holding the assets located in northern and central Italy.

Awarded new exploration leases in Angola, China, Ghana, the Gulf of Mexico, India, Norway and Yemen.

Divestment of Russian assets

On April 7, 2009 Gazprom exercised its call option to purchase a 20% interest in OAO Gazprom Neft held by Eni, based on the existing agreements between the two partners. The exercise price of the call option collected by Eni on April 24, 2009 amounting to euro 3,070 million is equal to the price ($3.7 billion) outlined in the bid procedure for the assets of bankrupt Russian company Yukos as adjusted by subtracting dividends distributed and adding the contractual yearly remuneration of 9.4% on the capital employed and financing collateral expenses. At the same time, Eni and Gazprom signed new cooperation agreements targeting certain development projects to be conducted jointly in Russia and other countries of interest.

On September 23, 2009, Eni and its Italian partner Enel in the 60-40% owned joint-venture OOO SeverEnergia completed the divestment of the 51% stake in the venture to Gazprom based on the call option exercised by the Russian company. The total cash consideration amounted to $940 million net to Eni. The three partners are committed to producing first gas from the Samburskoye field by June 2011, targeting a production plateau of 150 kboe/d within two years from the start of production.

Partnership Agreements

In 2009, leveraging its established co-operation model with oil host countries, Eni finalized a number of strategic partnerships pursuing new ventures. The framework of these ventures provides for integration between the traditional oil business and sustainable development initiatives designed to support the host countries population in achieving high social and economic standards:

In February 2009 three agreements were finalized as part of the Memorandum of Understanding signed in August 2008 with Angola s national oil company Sonangol, providing for: (i) a feasibility study to assess the economics of the utilization of associated gas in feeding a grass-root onshore power plant; (ii) a joint study to evaluate and collect data on certain Angolan onshore basins in view of identifying upstream opportunities; (iii) the design of a number of educational and training projects targeting Angolan professionals in the development of energy resources.

In March 2009 signed a Protocol for Cooperation with the government of Pakistan to develop a number of important upstream, midstream and downstream projects in the Country. Eni will provide its expertise as well as new technologies developed in the field of exploring for and developing hydrocarbon fields.

In May 2009 signed a cooperation agreement with Egypt s Ministry for Oil to increase and widen cooperation in development activities. The agreement provides for: (i) an extension of the concession of the giant Belayim field (Eni s interest 100%) in the Gulf of Suez till 2030, with Eni s commitment to spending $1.5 billion over the next five years to execute development expenditures, upgrading actions and operating costs; (ii) a joint study to evaluate a number of industrial initiatives to monetize the natural gas reserves at high depth; (iii) training and knowledge management.

In August 2009 signed a strategic partnership with the Oil Ministry of the Democratic Republic of Congo to start cooperation in developing the host country s conventional and unconventional oil reserves, upgrading industrial facilities and training projects.

In November 2009 signed a co-operation agreement as part of the Memorandum of Understanding signed in July 2009 with the Kazakh National Oil Company KazMunaiGas. The agreement provides for: (i) joint exploration activities in the Isatay and Shangala areas located in the Caspian Sea; (ii) studies of initiatives to optimize gas usage in Kazakhstan; (iii) the evaluation of a number of industrial initiatives including the upgrading of the Pavlodar refinery, in which KMG holds a majority interest.

In December 2009 signed a memorandum of understanding with Turkmenistan aimed at promoting and reinforcing the partnership in the development of the oil industry of the Country. Eni will co-operate with state bodies and the Agency for Hydrocarbons to carry out studies to ascertain the oil and gas potential of the country. Eni will contribute its expertise in technology and the sustainability field.

Financial results

Adjusted net profit for the full year was euro 3,878 million, a decrease of euro 4,022 million from 2008 (down 50.9%) driven by lower oil realizations as a result of the negative price environment recorded in the first nine months of the year, lower gas realizations and lower sales volumes. These negatives were partly offset by the depreciation of the euro against the dollar.

Return on average capital employed calculated on an adjusted basis was 12.3% in 2009 (29.2% in 2008).

Full-year liquids and gas realizations in dollar terms declined by 31.2% on average reflecting market conditions (Brent dated was down 36.6%).

Production

Oil and natural gas production for the full year 2009 amounted to 1,769 kboe/d, representing a decrease of 28 kboe/d from 2008 (down 1.6%). Excluding OPEC cuts (down 28 kboe/d) production was barely unchanged. Lower production uplifts associated with weak European gas demand, the impact of unplanned facility downtime, continuing security issues in Nigeria and mature field declines were partly offset by continuing production ramp-ups and field start-ups as well as positive price impacts in the Company s PSAs and similar contractual schemes (up 35 kbbl/d).

Leveraging on organic growth in Africa and Central Asia, Eni expects to deliver more than 2.5% compound average growth rate over the next four-year period, targeting a production level in excess of 2 mmboe/d by 2013 under Brent scenario at $65 per barrel.

Estimated net proved reserves

Estimated net proved reserves at December 31, 2009 were 6.57 bboe (down 0.4% from 2008) based on a 12-month average Brent price of $59.9 per barrel. All sources reserve replacement ratio was 96%, with an average reserve life index of 10.2 years (10 years at December 31, 2008). Excluding the price effect resulting from higher liquids prices from a year ago (the Brent crude price was $36.5 per barrel in 2008) the replacement ratio would be 109%.

Exploration and development expenditures

In 2009, capital expenditures amounted to euro 9,486 million to enhance assets in well established areas of Africa, the Gulf of Mexico and Central Asia. Exploration activities (euro 1,228 million) achieved a number of successes such as the large Perla gas discovery in the Venezuelan offshore and the Cabaça Norte oil discovery in the Angolan offshore basin. Further discoveries were made in Ghana, the North Sea, the Gulf of Mexico and the Indonesian offshore.

A total of 69 new exploratory wells were drilled (37.6 of which represented Eni s share), in addition to 10 exploratory wells in progress at year end (4.2 net to Eni). The overall commercial success rate was 41.9% (43.6% net to Eni).

Development expenditures were euro 7,478 million (up 16.3% from 2008) to fuel the growth of major projects in Kazakhstan, the United States, Egypt, Congo, Italy and Angola.

Reserves

Overview

The Company has adopted comprehensive classification criteria for the estimate of 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. Proved oil and gas reserves are those quantities of liquids (including condensates and natural gas liquids) and natural gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible form a given date forward, from know reservoirs, under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire.

Oil and natural gas prices used in the estimate of proved reserves are obtained from the official survey published by Platt s Marketwire, except when their calculation derives from existing contractual conditions. Prices[1] are calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. Prices include consideration of changes in existing prices provided only by contractual arrangements.

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.

Proved reserves to which Eni is entitled under concession contracts are 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

Reserves Governance

Eni has always exercised centralized rigorous control over the process of booking proved reserves.

The Reserves Department of the Exploration & Production Division is entrusted with the task of: (i) assuring the periodic certification process of proved reserves; (ii) continuously updating the Company s guidelines on reserves evaluation and classification and the internal procedures; and (iii) to provide training of staff involved in the process of reserves estimation.

Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineering company, which has affirmed their compliance with the SEC rules[2]; D&M has also stated that the company formal guidelines whenever SEC rules may be less precise, provide a reasonable interpretation in line with the generally accepted practices in the industry. When participating in exploration and production activities operated by others entities, Eni also estimates its proved reserves on the basis of the above guidelines.

The process for evaluating reserves, as described in the internal procedure, involves: (i) business unit manager (geographic units) and Local Reserves Evaluators (LRE), who perform the evaluation and classification of reserves including estimates of production profiles, capital expenditures, operating costs and costs related to asset retirement obligations; (ii) geographic area managers at head offices checking evaluation carried out by business unit managers; (iii) the Planning and Control Department which provides the economic evaluation of reserves; (iv) the Reserve Department which, through Division Reserves Evaluators (DRE), provides independent reviews of the fairness and correctness of classifications carried out by the above mentioned units and aggregates worldwide reserve data.

The Head of the Reserve Department attended the Politecnico di Torino and received a Master of Science degree in Mining Engineering in 1985. She has more than 20 years of experience in the oil and gas industry and more than 10 years of experience directly in evaluating reserves.

Staff involved in the reserves evaluation process fulfils the professional qualifications requested and maintains (profit oil). A similar scheme applies to buy-back and service contracts.

the highest level of independence, objectivity and

(1) In prior periods, year-end liquids and natural gas prices were used in the estimate of proved reserves.
(2) The reports of independent engineers are available on Eni website www.eni.com section Documentation/Annual Report 2009.

confidentiality respecting professional ethics. Reserves Evaluators qualifications comply with international standards defined by the Society of Petroleum Engineers.

Reserves independent evaluation

Since 1991, Eni has requested qualified independent oil engineering companies to carry out an independent audit[3] of its proved reserves on a rolling basis. The description of qualifications of the persons primarily responsible of the reserve audit is included in the third party audit report[4]. In the preparation of their reports, those independent evaluators rely, without independent verification, upon information furnished by Eni with respect to property interests, production, current costs of operations and development, sale agreements, prices and other factual information and data that were accepted as represented by the independent evaluators. These data, equally used by Eni in its internal process, include logs, directional surveys, core and PVT (Pressure Volume Temperature) analysis, maps, oil/gas/water production/injection data of wells, 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 Eni equity reserves, actual prices applicable to hydrocarbon sales, price adjustments required by applicable contractual arrangements and other pertinent information are provided. In 2009 Ryder Scott Company and DeGolyer and MacNaughton provided an independent evaluation of 28% of Eni s total proved reserves at December 31, 2009[5], confirming, as in previous years, the reasonableness of Eni internal evaluations[4].

In the 2007-2009 three year period, 86% of Eni total proved reserves were subject to independent evaluation. As at December 31, 2009 among the most important Eni properties, the only one was not subject to an independent review is Barbara (Italy).

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[6]. Movements in Eni s 2009 estimated proved reserves were as follows:

(mmboe)		Consolidated Subsidiaries	Equity-accounted entities	Total
Estimated net proved reserves at December 31, 2008		**6,242**	**358**	**6,600**
Extensions, discoveries and other additions, revisions of previous estimates, improved recovery and other factors, excluding price effect		680	15	695
Price effect		(100)	(3)	(103)
Reserve additions, total		580	12	592
Proved property acquisitions		26		26
Sales of mineral-in-place		(1)		(1)
Production of the year		(638)	(8)	(646)
Estimated net proved reserves pro-forma at December 31, 2009		**6,209**	**362**	**6,571**
Reserve replacement ratio, all sources	(%)	95	150	96
	(%)	109	187	109

Reserve replacement ratio, all sources and excluding price effect		

Additions to proved reserves booked in 2009 were 592 mmboe and derived from: (i) revisions of previous estimates were 361 mmboe mainly reported in Egypt, Italy, Congo, the United Kingdom and the United States partly offset by the unfavorable effect of higher oil prices on reserve entitlements in certain PSAs and buy-back contracts (down 103 mmboe) resulting from higher oil prices from a year ago (the Brent price used in the reserve estimation process was \$59.9 per barrel in 2009 compared to \$36.6 per barrel

(3) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott.
(4) The reports of independent engineers are available on Eni website www.eni.com section Documentation/Annual Report 2009.
(5) Includes Eni s share of proved reserves of equity-accounted entities.
(6) Proved reserves included a 29.4% stake of proved reserves owned by the three equity-accounted Russian companies participated by the joint-venture OOO SeverEnergia following the divestment of a 51% stake in the venture to Gazprom on September 23, 2009, in line with the call option arrangement.

in 2008). Higher oil prices also resulted in upward revisions associated with improved economics of marginal productions; (ii) extensions, discoveries and other factors were 297 mmboe, with major increases booked in Norway, Algeria, Iraq and Libya; (iii) improved recovery were 37 mmboe mainly reported in Angola, Norway and Libya.
The largest additions were related to following fields/projects: Goliat in Norway, Belayim in Egypt, M Boundi in Congo, Bahr Essalam in Libya, CAFC and MLE in Algeria and Zubair in Iraq.
Acquisitions related mainly to a 27.5% stake purchased from Quicksilver Resources Inc in the Alliance area, in Texas.
In 2009 Eni achieved an all sources reserve replacement ratio[7] of 96% with a reserve life index of 10.2 years (10 years at December 31, 2008). Excluding the price effect, the replacement ratio would be 109%.

Estimated net proved hydrocarbon reserves

(mmboe)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan (b)	Rest of Asia	America	Australia and Oceania	Total consolidated subsidiaries	Equity-accounted entities	Total
Year ended December 31, 2007 (a)	**747**	**638**	**1,879**	**1,095**	**1,061**	**198**	**259**	**133**	**6,010**	**360**	**6,370**
Developed	*534*	*537*	*1,183*	*766*	*494*	*127*	*158*	*63*	*3,862*	*63*	*3,925*
Undeveloped	*213*	*101*	*696*	*329*	*567*	*71*	*101*	*70*	*2,148*	*297*	*2,445*
Year ended December 31, 2008 (a)	**681**	**525**	**1,922**	**1,146**	**1,336**	**265**	**235**	**132**	**6,242**	**358**	**6,600**
Developed	*465*	*417*	*1,229*	*827*	*647*	*168*	*133*	*62*	*3,948*	*68*	*4,016*
Undeveloped	*216*	*108*	*693*	*319*	*689*	*97*	*102*	*70*	*2,294*	*290*	*2,584*
Year ended December 31, 2009 (a)	**703**	**590**	**1,922**	**1,141**	**1,221**	**236**	**263**	**133**	**6,209**	**362**	**6,571**
Developed	*490*	*432*	*1,266*	*799*	*614*	*139*	*168*	*122*	*4,030*	*74*	*4,104*
Undeveloped	*213*	*158*	*656*	*342*	*607*	*97*	*95*	*11*	*2,179*	*288*	*2,467*

Estimated net proved liquids reserves

(mmbbl)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan (b)	Rest of Asia	America	Australia and Oceania	Total consolidated subsidiaries	Equity-accounted entities	Total
Year ended December 31, 2007 (a)	**215**	**345**	**878**	**725**	**753**	**44**	**138**	**29**	**3,127**	**92**	**3,219**
Developed	*133*	*299*	*649*	*511*	*219*	*35*	*81*	*26*	*1,953*	*21*	*1,974*
Undeveloped	*82*	*46*	*229*	*214*	*534*	*9*	*57*	*3*	*1,174*	*71*	*1,245*
Year ended December 31, 2008 (a)	**186**	**277**	**823**	**783**	**911**	**106**	**131**	**26**	**3,243**	**92**	**3,335**
Developed	*111*	*222*	*613*	*576*	*298*	*92*	*74*	*23*	*2,009*	*27*	*2,036*
Undeveloped	*75*	*55*	*210*	*207*	*613*	*14*	*57*	*3*	*1,234*	*65*	*1,299*

Year ended December 31, 2009 [(a)]	**233**	**351**	**895**	**770**	**849**	**94**	**153**	**32**	**3,377**	**86**	**3,463**
Developed	*141*	*218*	*659*	*544*	*291*	*45*	*80*	*23*	*2,001*	*34*	*2,035*
Undeveloped	*92*	*133*	*236*	*226*	*558*	*49*	*73*	*9*	*1,376*	*52*	*1,428*

(a) Includes a 29.4% stake of the reserves of the three equity-accounted Russian companies participated by joint-venture OOO SeverEnergia, owned by Eni (60%) and its Italian partner Enel (40%) which on September 23, 2009 completed the divestment of the 51% stake in the venture to Gazprom in line with the call option arrangement.

(b) As of December 31, 2009 and 2008 Eni s proved reserves of the Kashagan field were determined based on Eni working interest of 16.81% and 18.52% as of December 31, 2007.

(7) 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 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.

Estimated net proved natural gas reserves

(bcf)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan (b)	Rest of Asia	America	Australia and Oceania	Total consolidated subsidiaries	Equity-accounted entities	Total
Year ended December 31, 2007 (a)	**3,057**	**1,675**	**5,751**	**2,122**	**1,770**	**880**	**696**	**598**	**16,549**	**1,541**	**18,090**
Developed	*2,304*	*1,364*	*3,065*	*1,469*	*1,580*	*530*	*442*	*213*	*10,967*	*237*	*11,204*
Undeveloped	*753*	*311*	*2,686*	*653*	*190*	*350*	*254*	*385*	*5,582*	*1,304*	*6,886*
Year ended December 31, 2008 (a)	**2,844**	**1,421**	**6,311**	**2,084**	**2,437**	**911**	**600**	**606**	**17,214**	**1,534**	**18,748**
Developed	*2,031*	*1,122*	*3,537*	*1,443*	*2,005*	*439*	*340*	*221*	*11,138*	*230*	*11,368*
Undeveloped	*813*	*299*	*2,774*	*641*	*432*	*472*	*260*	*385*	*6,076*	*1,304*	*7,380*
Year ended December 31, 2009 (a)	**2,704**	**1,380**	**5,894**	**2,127**	**2,139**	**814**	**629**	**575**	**16,262**	**1,588**	**17,850**
Developed	*2,001*	*1,231*	*3,486*	*1,463*	*1,859*	*539*	*506*	*565*	*11,650*	*234*	*11,884*
Undeveloped	*703*	*149*	*2,408*	*664*	*280*	*275*	*123*	*10*	*4,612*	*1,354*	*5,966*

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

(a) Includes a 29.4% stake of the reserves of the three equity-accounted Russian companies participated by joint-venture OOO SeverEnergia, owned by Eni (60%) and its Italian partner Enel (40%) which on September 23, 2009 completed the divestment of the 51% stake in the venture to Gazprom in line with the call option arrangement.

(b) As of December 31, 2009 and 2008 Eni s proved reserves of the Kashagan field were determined based on Eni working interest of 16.81% and 18.52% as of December 31, 2007.

Oil and gas production

Liquids and gas production for the full year 2009 was 1,769 kboe/d, representing a decline of 28 kboe/d from 2008, or 1.6%. Excluding OPEC cuts (down 28 kboe/d) production was barely unchanged. Lower production uplifts associated with weak European gas demand, unplanned facility downtime, continuing security issues in Nigeria and mature field declines negatively affected full-year performance. Production increases were driven by continuing production ramp-ups/start-ups in Angola, Congo, Egypt, Kazakhstan, Venezuela and the Gulf of Mexico as well as the positive price impact reported in the Company s PSAs and similar contractual schemes (up 35 kbbl/d). The share of oil and natural gas produced outside Italy was 90% (89% in 2008).

Liquids production (1,007 kbbl/d) declined by 19 kbbl/d from 2008 (down 1.9%) due to OPEC cuts. Excluding OPEC cuts, the unplanned facility downtime in Libya

Natural gas production (4,374 mmcf/d) slightly declined from 2008 (down 0.8%). Main increases were registered in the Gulf of Mexico, Congo due to the contribution of M Boundi gas project (Eni s interest 83%), and Croatia due to the start-up of Annamaria field (Eni s interest 50%). Production decreased in Libya due to lower gas demand on the European market and the mentioned technical reasons, and for mature field declines, mainly in Italy.

Oil and gas production sold amounted to 622.8 mmboe. The 22.9 mmboe difference over production (645.7 mmboe) reflected volumes of natural gas consumed in operations (19.1 mmboe).
Approximately 60% of liquids production sold (365.2 mmbbl) was destined to Eni s Refining & Marketing division (of which 17% was processed in Eni s refinery); about 30% of natural gas production sold (1,479 bcf) was destined to Eni s Gas & Power division.

and mature field declines, mainly in Italy and the North Sea were offset by production increases achieved in: (i) Angola due to the start-up of the Tombua-Landana project (Eni s interest 20%) and improved performance in Block 0 (Eni s interest 9.8%); (ii) Congo due to the ramp-up of the Awa Paloukou project (Eni s interest 90%); (iii) Kazakhstan due to a better performance; (iv) the Gulf of Mexico due to the start-up of the Thunderhawk (Eni s interest 25%), Pegasus (Eni s interest 58%) and Longhorn (Eni s interest 75%) projects; (v) Venezuela due to the ramp-up of the Corocoro field (Eni s interest 26%).

Contents

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.	%
		2007			2008			**2009**		**2009 vs 2008**	
Italy	**75**	**789.7**	**212**	**68**	**749.9**	**199**	**56**	**652.6**	**169**	**(30)**	**(15.1)**
Rest of Europe	**157**	**647.2**	**270**	**140**	**626.7**	**249**	**133**	**655.5**	**247**	**(2)**	**(0.8)**
Croatia		52.5	9		68.7	12		95.5	17	5	41.7
Norway	90	271.1	137	83	264.8	129	78	273.7	126	(3)	(2.3)
United Kingdom	67	323.6	124	57	293.2	108	55	286.3	104	(4)	(3.7)
North Africa	**337**	**1,474.2**	**594**	**338**	**1,761.6**	**645**	**292**	**1,614.2**	**573**	**(72)**	**(11.2)**
Algeria	85	18.8	88	80	18.5	83	80	19.7	83		
Egypt	97	811.2	238	98	818.4	240	91	793.7	230	(10)	(4.2)
Libya	142	629.6	252	147	907.6	306	108	780.4	244	(62)	(20.3)
Tunisia	13	14.6	16	13	17.1	16	13	20.4	16		
West Africa	**280**	**274.2**	**327**	**289**	**260.7**	**335**	**312**	**274.3**	**360**	**25**	**7.5**
Angola	132	25.1	136	121	28.1	126	125	29.3	130	4	3.2
Congo	67	11.4	69	84	12.7	87	97	27.3	102	15	17.2
Nigeria	81	237.7	122	84	219.9	122	90	217.7	128	6	4.9
Kazakhstan	**70**	**237.9**	**112**	**69**	**244.7**	**111**	**70**	**259.0**	**115**	**4**	**3.6**
Rest of Asia	**37**	**408.9**	**108**	**49**	**426.2**	**124**	**57**	**444.8**	**135**	**11**	**8.9**
China	6	11.0	8	6	10.9	8	7	8.2	8		
India								3.7	1	1	
Indonesia	2	105.4	20	2	99.7	20	2	104.8	21	1	5.0
Iran	26		26	28		28	35		35	7	25.0
Pakistan	1	292.5	52	1	315.6	56	1	328.1	58	2	3.6
Russia	2		2								
Turkmenistan				12		12	12		12		
America	**53**	**240.3**	**95**	**63**	**311.5**	**117**	**79**	**424.7**	**153**	**36**	**30.8**
Ecuador	16		16	16		16	14		14	(2)	(12.5)
Trinidad & Tobago		58.9	10		54.6	9		67.0	12	3	33.3
United States	37	181.4	69	42	256.9	87	57	357.7	119	32	36.8
Venezuela				5		5	8		8	3	60.0
Australia and Oceania	**11**	**41.5**	**18**	**10**	**42.2**	**17**	**8**	**48.6**	**17**		
Australia	11	41.5	18	10	42.2	17	8	48.6	17		
Total	**1,020**	**4,113.9**	**1,736**	**1,026**	**4,423.5**	**1,797**	**1,007**	**4,373.7**	**1,769**	**(28)**	**(1.6)**

(a) Includes volumes of gas consumed in operations (300, 281 and 296 mmcf/d in 2009, 2008 and 2007, respectively).
(b) Includes Eni's share of production of equity-accounted entities.

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Drilling and other exploratory and development activities

Exploration

In 2009, a total of 69 new exploratory wells[8] were drilled (37.6 of which represented Eni s share), as compared to 111 exploratory wells drilled in 2008 (58.4 of which represented Eni s share) and 81 exploratory wells drilled in 2007 (43.5 of which represented Eni s share).
The following tables show the number of net productive, dry and in progress exploratory wells in the years indicated by the Group and its equity-accounted entities in accordance with the requirements of the FASB Extractive-Oil & Gas (Topic 932).

Overall commercial success rate was 41.9% (43.6% net to Eni) as compared to 36.5% (43.4% net to Eni) and 40% (38% net to Eni) in 2008 and 2007, respectively.

Development

In 2009 a total of 418 development wells were drilled (175.1 of which represented Eni s share) as compared to 366 development wells drilled in 2008 (155.1 of which represented Eni s share) and 349 development wells drilled in 2007 (156.7 of which represented Eni s share). The drilling of 116 development wells (41.2 of which represented Eni s share) is currently underway. Oil and natural gas producing wells are 7,181 (2,417.2 of which represent Eni s share).

The following tables show the number of net productive, dry and in progress development wells as well as productive wells in the years indicated by the Group and its equity-accounted entities in accordance with the requirements of the FASB Extractive-Oil & Gas (Topic 932).

Net exploration and development drilling activity

(units)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	America	Australia and Oceania	Total
2007									
Exploratory	**4.0**	**1.4**	**15.3**	**1.7**	**0.2**	**0.2**	**9.6**	**0.6**	**33.0**
Productive	*0.5*		*7.7*	*0.5*		*0.2*	*3.6*		*12.5*
Dry [(a)]	*3.5*	*1.4*	*7.6*	*1.2*	*0.2*		*6.0*	*0.6*	*20.5*
Development	**17.0**	**27.3**	**45.8**	**18.5**	***1.3***	**37.8**	**8.4**	**0.6**	**156.7**
Productive	*17.0*	*27.2*	*45.8*	*18.5*	*1.3*	*34.1*	*5.9*	*0.6*	*150.4*
Dry [(a)]		*0.1*				*3.7*	*2.5*		*6.3*
2008									
Exploratory	**0.7**	**3.7**	**22.9**	**7.4**		**16.2**	**3.4**	**1.4**	**55.7**
Productive		*0.7*	*8.7*	*4.0*		*9.4*	*1.4*		*24.2*
Dry [(a)]	*0.7*	*3.0*	*14.2*	*3.4*		*6.8*	*2.0*	*1.4*	*31.5*
Development	**12.9**	**5.5**	**47.6**	**37.2**	***2.6***	**43.0**	**6.3**		**155.1**
Productive	*11.3*	*5.5*	*46.4*	*36.4*	*2.6*	*36.5*	*6.3*		*145.0*
Dry	*1.6*		*1.2*	*0.8*		*6.5*			*10.1*
2009									
Exploratory	**1.0**	**4.3**	**8.6**	**2.7**		**6.2**	**4.8**	**2.2**	**29.8**
Productive		*4.1*	*4.8*			*2.3*	*1.0*	*0.8*	*13.0*
Dry [(a)]	*1.0*	*0.2*	*3.8*	*2.7*		*3.9*	*3.8*	*1.4*	*16.8*
Development	**18.3**	**12.5**	**41.1**	**37.7**	***3.8***	**42.9**	**16.6**	**2.2**	**175.1**
Productive	*18.3*	*12.5*	*40.7*	*35.8*	*3.8*	*38.6*	*15.6*	*2.2*	*167.5*

Dry [a]	*0.4*	*1.9*	*4.3*	*1.0*	*7.6*

(a) A dry well is an exploratory, development, or extension well that proves to be incapable of producing either oil or gas sufficient quantities to justify completion as an oil or gas well.

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(8) Including drilled exploratory wells that have been suspended pending further evaluation.

Present activities

Drilling activity in progress

(units)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	America	Australia and Oceania	Total
2009									
Exploratory [(a)]									
gross	6.0	25.0	26.0	60.0	13.0	19.0	22.0	1.0	**172.0**
net	4.4	6.6	18.6	15.4	2.3	8.8	8.4	1.0	**65.5**
Development									
gross	6.0	8.0	16.0	23.0	2.0	13.0	47.0	1.0	**116.0**
net	5.8	1.2	6.9	8.2	0.7	6.2	12.1	0.1	**41.2**

(a) Includes temporary suspended wells pending further evaluation.

Oil and gas properties, wells, operations and acreage

Productive oil and gas wells [(a)]

(units)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	America	Australia and Oceania	Total
2009									
Oil wells									
gross	185.0	384.0	1,103.0	2,764.0	85.0	355.0	125.0	4.0	**5,005.0**
net	145.7	64.5	469.2	474.3	27.6	255.1	56.3	2.6	**1,495.3**
Gas wells									
gross	481.0	198.0	120.0	501.0		658.0	207.0	11.0	**2,176.0**
net	421.1	75.2	49.1	36.6		264.3	72.6	3.0	**921.9**

(a) Productive wells are producing wells and wells capable of production. One or more completions in the same bore hole are counted as one well.

Acreage

As of December 31, 2009, Eni s mineral right portfolio consisted of 1,246 exclusive or shared rights for exploration and development in 40 countries on five continents for a total acreage of 347,862 square kilometers net to Eni of which developed acreage of 41,794 square kilometers and undeveloped acreage of 306,068 square kilometers.

In 2009 total net acreage increased mainly due to: (i) the acquisition of a 27.5% interest in the Alliance area, in Northern Texas from Quicksilver Resources Inc and of a 37.8% interest in the Sanga Sanga license in Indonesia, both in the development of non-conventional gas resources; (ii) the signing of the technical service contract to develop the giant Zubair oil field (Eni 32.8%); (iii) new leases in Angola, China, Ghana, the Gulf of Mexico, India, Norway and Yemen for a total acreage of approximately 40,000 square kilometers net to Eni.

Main decreases were in Mali due to the release of exploration licenses covering an undeveloped acreage of 100,000 square kilometers. Other exploration licenses were released in Congo, Egypt, Italy, Morocco, Norway, Russia, the United Kingdom and the United States mainly related to undeveloped areas.

Oil and natural gas interests

	Dec. 31, 2008	December 31, 2009						
	Total net acreage [a]	Number of interest	Gross developed acreage [a] [b]	Gross undeveloped acreage [a]	Total gross acreage [a]	Net developed acreage [a] [b]	Net undeveloped acreage [a]	Total net acreage [a]
EUROPE	**30,511**	**315**	**17,918**	**33,643**	**51,561**	**11,794**	**19,813**	**31,607**
Italy	**20,409**	**167**	**11,641**	**15,537**	**27,178**	**9,692**	**12,346**	**22,038**
Rest of Europe	**10,102**	**148**	**6,277**	**18,106**	**24,383**	**2,102**	**7,467**	**9,569**
Croatia	988	2	1,975		1,975	987		987
Norway	3,861	51	2,277	8,907	11,184	338	3,074	3,412
United Kingdom	1,450	89	2,025	3,140	5,165	777	692	1,469
Other countries	3,803	6		6,059	6,059		3,701	3,701
AFRICA	**249,672**	**276**	**70,121**	**230,549**	**300,670**	**19,865**	**138,884**	**158,749**
North Africa	**31,088**	**119**	**30,820**	**54,725**	**85,545**	**13,431**	**32,580**	**46,011**
Algeria	909	38	2,152	17,458	19,610	727	16,517	17,244
Egypt	9,741	57	4,445	18,652	23,097	1,571	6,757	8,328
Libya	18,164	13	17,947	18,427	36,374	8,951	9,214	18,165
Tunisia	2,274	11	6,276	188	6,464	2,182	92	2,274
West Africa	**156,557**	**151**	**39,301**	**98,600**	**137,901**	**6,434**	**54,090**	**60,524**
Angola	3,323	67	4,532	16,317	20,849	590	2,803	3,393
Congo	8,244	25	1,865	13,724	15,589	991	7,197	8,188
Gabon	7,615	6		7,615	7,615		7,615	7,615
Ghana		2		2,300	2,300		1,086	1,086
Mali	128,801	1		47,500	47,500		31,668	31,668
Nigeria	8,574	50	32,904	11,144	44,048	4,853	3,721	8,574
Other countries	**62,027**	**6**		**77,224**	**77,224**		**52,214**	**52,214**
ASIA	**93,710**	**80**	**18,924**	**204,274**	**223,198**	**6,369**	**119,272**	**125,641**
Kazakhstan	**880**	**6**	**324**	**4,609**	**4,933**	**105**	**775**	**880**
Rest of Asia	**92,830**	**74**	**18,600**	**199,665**	**218,265**	**6,264**	**118,497**	**124,761**
China	192	7	237	18,461	18,698	39	18,283	18,322
East Timor	9,779	5		9,999	9,999		7,999	7,999
India	9,091	14	303	27,861	28,164	143	9,946	10,089
Indonesia	17,316	12	1,735	25,940	27,675	656	15,863	16,519
Iraq		1	1,950		1,950	640		640
Iran	820	4	1,456		1,456	820		820
Pakistan	18,855	21	9,122	24,782	33,904	2,708	15,493	18,201
Russia	3,891	5	3,597	3,039	6,636	1,058	1,265	2,323
Saudi Arabia	25,844	1		51,687	51,687		25,844	25,844
Turkmenistan	200	1	200		200	200		200
Yemen	3,598	2		23,296	23,296		20,560	20,560
Other countries	3,244	1		14,600	14,600		3,244	3,244
AMERICA	**12,043**	**558**	**4,737**	**17,234**	**21,971**	**3,090**	**8,433**	**11,523**
Brazil	1,389	2		1,389	1,389		1,067	1,067
Ecuador	2,000	1	2,000		2,000	2,000		2,000

Trinidad & Tobago	66	1	382		382	66		66
United States	6,648	543	1,977	9,120	11,097	926	5,524	6,450
Venezuela	614	3	378	1,178	1,556	98	516	614
Other countries	1,326	8		5,547	5,547		1,326	1,326
AUSTRALIA AND OCEANIA	**29,558**	**17**	**1,057**	**48,216**	**49,273**	**676**	**19,666**	**20,342**
Australia	29,520	16	1,057	47,452	48,509	676	19,628	20,304
Other countries	38	1		764	764		38	38
Total	**415,494**	**1,246**	**112,757**	**533,916**	**646,673**	**41,794**	**306,068**	**347,862**

(a) Square kilometers.

(b) Developed acreage refers to those leases in which at least a portion of the area is in production or encompasses proved developed reserves.

Main exploration and development projects

ITALY

Full year development activities concerned mainly: (i) the completion of the first development phase in the Val d Agri concession (Eni s interest 60.77%) through the linkage to the oil treatment plant of the first wells located in the Cerro Falcone, with a production of 6 kboe/d;
(ii) the start-up of Tresauro oil field and the installation of the Annamaria B production platform; (iii) optimization of producing fields by means of sidetrack and work over activities (Annalisa, Antares, Barbara, Cervia, Giovanna, Gela, Luna and Trecate fields).
Offshore activities concerned the finalization of the joint development of three recent gas discoveries (Panda, Argo and Cassiopea), offshore Sicily. Start-up is expected in 2013.

REST OF EUROPE

Croatia Exploration activities yielded positive results with the Ika SW 2 appraisal well which confirmed the mineral potential of the area.
Full year production start-up was achieved in: (i) the Annamaria field (Eni s interest 50%), with a production of approximately 13 mmcf/d net to Eni; (ii) the Irina

In May 2009 following an international bid procedure Eni was awarded the operatorship of exploration licenses PL 533 (Eni s interest 40%) and PL 529 (Eni s interest 40%) in addition to a 30% stake in PL 532 in the Barents Sea.
Full year production start-up was achieved in: (i) the Yttergryta (Eni s interest 9.8%) field, with a production of approximately 71 mmcf/d; (ii) the Tyrihans (Eni s interest 6.23%) field, with a production of approximately 3 kbbl/d.
Development activities progressed on recent oil and gas discoveries near the Aasgard field (Eni s interest 14.82%). In particular the development plan of the Morvin discovery (Eni s interest 30%) provides linkage to existing production facilities that will be upgraded. Production start-up is expected in 2010 with peak production at 12 kboe/d net to Eni in 2014.
Other ongoing projects aim at maintaining and optimizing production at the Ekofisk field by means of infilling wells, the development of the South Area, upgrading of existing facilities and optimization of water injection.
During the year the final investment decision of the Goliat project (Eni s interest 65%) was sanctioned. Start-up is expected in 2013 with a production plateau at 100 kbbl/d.

United Kingdom Exploration activities yielded positive results in Block 22/25a (Eni s interest 16.95%) with the Culzean gas discovery near the Elgin/Franklin producing field (Eni s interest 21.87%). Study of development activities is underway.
Development activities concerned infilling actions at the Elgin/Franklin, Mac-Culloch (Eni s interest 40%) and Jade (Eni s interest 7%) fields to maintain production levels as well as upgrading the facilities in the Liverpool Bay area (Eni s interest 53.9%).
Pre-development activities are underway at the following discoveries: (i) the Burghley field (Eni s interest 21.92%) with expected start-up in 2010; (ii) the Kinnoul oil and gas field (Eni s interest 16.67%) to be developed in synergy with the production facilities of the Andrew field (Eni s interest 16.21%) and expected start-up in 2012; (iii) the Jasmine gas field (Eni s interest 33%) with expected start-up in 2012; (iv) the Mariner field (Eni s interest 8.89%) with expected start-up in 2015.

(Eni s interest 50%) and Vesna (Eni s interest 50%) fields, with an overall production at approximately 3 mmcf/d net to Eni.

Norway Exploration activities yielded positive results in the Prospecting License 128 (Eni s interest 11.5%) with the Dompap gas discovery. Appraisal activities are underway.

NORTH AFRICA

Algeria Relevant authorities confirmed the acquisition of the operatorship of the Kerzaz exploration area (Blocks 319a, 321a and 316b) covering a total acreage of 16,000 square kilometers. Exploration activities are underway.

Activities of the year regarded mainly: (i) the development of the Rom and satellites reserves

(Zea, Zek and Rec) following the mineral potential revaluation. Current production is collected at the Rom Central Production Facility (CPF) and delivered to the treatment plant in Bir Rebaa North. Drilling and work over activities were started in 2009. An export pipeline and a new multiphase pumping system are underway in compliance with applicable Country law to reduce gas flaring; (ii) the MLE and CAFC integrated project (Eni s interest 75%) purchased in 2008 from Canadian company First Calgary. The project regards the construction of a treatment plant with a capacity of 350 mmcf/d of NGL and 35 kbbl/d of oil. Production start-up is expected in 2011 with a production plateau of approximately 33 kboe/d net to Eni by 2012. Drilling activities are underway. In 2009 the EPC contract for the construction of a gas treatment plant, gathering and exporting facilities has been awarded. The 11% of the project was completed at year-end.
In 2009 the final investment decision of El Merk was sanctioned. During the year all EPC contracts for the development of facilities were awarded. Drilling activity started. The 24% of the project was completed. Start-up is expected in 2012.

Egypt In 2009, in the offshore area of the Nile Delta, the North Bardawil (Eni operator with a 60% interest) and Thekah fields (Eni operator with a 50% interest) started-up by linking to El Gamil facilities with an overall production plateau at approximately 212 mmcf/d.
The basic engineering is ongoing at the Belayim field for the upgrading of water injection facilities to recover residual reserves.
Other development activities concerned the Tuna project, the second phase at the Denise field and upgrading of the El Gamil compression plant by adding new capacity to support production.
Through its affiliate Unión Fenosa Gas, Eni has an indirect interest in the Damietta natural gas liquefaction plant with a producing capacity of 5.1 mmtonnes/y of LNG corresponding to approximately 268 bcf/y of feed gas. Eni is currently supplying 35 bcf/y for a twenty-year period. Natural gas supplies derived from the Taurt and Denise fields with 17 kboe/d net to Eni of feed gas.

Libya Main development activities underway concerned structure A, an upgrading of the Mellitah plant and of the GreenStream compression capacity; further 106 bcf/y will be achieved by means of another offshore field development; (iii) maintaining gas production profiles at the Wafa and Bahr Essalam fields is underway through increasing compression capacity at Wafa field and joint drilling additional wells.
In 2009 volumes delivered through the GreenStream pipeline were 309 bcf. In addition, 43 bcf were sold on the Libyan market for power generation and to fuel the GreenStream pipeline compression plant.

Other projects underway regarded: (i) a plan to monetize flaring gas and associated condensates from the Bouri oil field (Eni s interest 50%) that will be pre-treated in the area and then delivered at the Mellitah plant for the final treatment; (ii) ongoing activities aimed at maintaining the El Feel field (Eni s interest 33.3%) production plateau through water injection.

Tunisia Exploration activities yielded positive results with four discovery wells among five drilled. In 2009 gas production was started in one well, while two more wells are expected to start-up in 2010.
The ongoing development projects mainly regarded the optimization of production at the Adam (Eni operator with a 25% interest), Djebel Grouz (Eni s interest 50%), Oued Zar (Eni s interest 50%) and El Borma (Eni s interest 50%) fields.
The development plan of Maamoura concession (Eni s

the Western Libyan Gas project (Eni s interest 50%) for the monetization of gas reserves ratified in the strategic agreements between Eni and NOC. In particular: (i) upgrading of plants and facilities in order to increase sale gas by 49 bcf/y was completed; (ii) additional 71 bcf/y will be on stream by 2015 through the installation of a new platform on

interest 49%) has been almost completed: early production started-up in late 2009. The Baraka (Eni s interest 49%) development project is in final stage: peaking production at 11 kboe/d is expected in 2010.

WEST AFRICA

Angola Exploration activities yielded positive results in: (i) Block 3 (Eni s interest 12%), the Punja-4 appraisal well showed the presence of liquids and natural gas; (ii) the Development Areas of former Block 14 (Eni s interest 20%) whit the Malange-2 appraisal well containing oil; (iii) the Development Areas of former Block 15 (Eni s interest 20%) with the Mondo-4 appraisal well containing oil; (iv) Block 15/06 (Eni operator with a 35% interest) where the Cabaça Norte and Nzanza discoveries showed the presence of oil and yielded 6.5 kbbl/d and 1.5 kbbl/d in test production, respectively.
In 2009 production started-up at the Mafumeira field in Block 0 in the Cabinda-A area (Eni s interest 9.8%) and the Landana-Tombua fields in the Development Areas of the former Block 14. Peak production at 33 kboe/d and 136 kboe/d is expected in 2010 and 2011, respectively.
Within the activities for reducing gas flaring, projects progressed at the Nemba field in Block 0. Start-up is expected in 2013 reducing flared gas by approximately 85%. In 2009 the development activity of Takula field was completed. Gas flared is re-injected in the field; condensates will be shipped to the Malongo treatment plant, nearing completion.
Main projects underway in the Development Areas of former Block 15 regarded: (i) the development activities started-up at the satellites of Kizomba project-phase 1. The project provides for the drilling of 18 producing wells linked to the FPSO vessels existing in the area. Associated gas will be initially re-injected in the reservoirs in the Kizomba area, and thereafter delivered to the A-LNG liquefaction plant. Start-up is expected in 2012. Peak production at 100 kboe/d (21 net to Eni) is expected in 2013. The second phase provides for production from nearby discoveries; (ii) the Gas Gathering project, entailing the construction of a pipeline collecting all gas from the Kizomba, Mondo and Saxi/Batuque areas, is underway. Completion is expected in 2011.
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/d of natural gas and to produce 5.2 mmtonnes/y of LNG. The project has been sanctioned by relevant Angolan be part of a second gas consortium which will explore further potential gas discoveries to support the feasibility of a second LNG train. Eni is technical advisor with a 20% interest.

Congo Exploration activities yielded positive results in: (i) the Marine XII permit (Eni operator with a 90% interest) with two discoveries wells which confirmed the mineral potential of the area. The related PSA was signed; (ii) the Le Kouilou permit (Eni s interest 85%) with the Zingali field, confirmed by subsequently long production test.
In 2009 the development plan of Awa-Paloukou field (Eni s interest 90%) was completed. Production started-up at 12 kbbl/d.
Activities on the M Boundi operated field (Eni s interest 83%) 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. In 2009, Eni signed a long term agreement to supply associated gas from the M Boundi field to feed three facilities in the Pointe Noire area: (i) the Koilou potassium plant, owned by Canadian Company MAG Industries and under construction; (ii) the CED (Centrale Electrique du Djeno) existing power plant; (iii) the new built CEC (Centrale Electrique du Congo - Eni s interest 20%). These facilities will also receive gas in the future from the offshore discoveries of the Marine XII permit. The development activities to build the CEC power plant moved forward in 2009 as scheduled in the Cooperation Agreement signed by Eni and the Republic of Congo in 2007, and the start-up of the first turbo-generator occurred by the end of march 2010.
Also the studies related to the possible exploitation of unconventional oil reserves from the Tchikatanga and Tchikatanga-Makola areas have progressed, according to the cooperation agreement signed in 2008, with the particular aim to identify areas where it would be possible to withstand the stringent Eni s environmental and sustainability requirements for development.

Ghana On September 28, 2009, Eni acquired operatorship of the offshore exploration permits Cape Three Point South and Cape Three Point (Eni s interest 47.2%). Exploration activities yielded positive results in the latter with the Sankofa discovery containing oil and natural gas.

authorities. It envisages the development of 10,594 bcf of associated gas reserves in 30 years. Start-up is expected in the first quarter of 2012. The LNG will be delivered to the United States market at the re-gasification plant in Pascagoula under construction (Eni s capacity 45%, amounting to approximately 205 bcf/y), in Louisiana. Start-up is expected in late 2011. In addition, Eni finalized with the national Angolan company and other partners another agreement to

Nigeria In 2009 production of the Oyo offshore field in Blocks OML 120/121 (Eni s interest 40%) started-up at 25 kbbl/d.

In Blocks OML 60, 61, 62 and 63 (Eni operator

with a 20% interest), within the activities aimed at guaranteeing production to feed gas to the Bonny liquefaction plant (Eni s interest 10.4%), the development of gas reserves continued for increasing capacity at the Obiafu/Obrikom plant as well as the installation of a new treatment plant and transport facilities for carrying 155 mmcf/d net to Eni of feed gas for 20 years. To the same end the development plan of the Tuomo gas field has been progressing along with its linkage to the Ogbainbiri treatment plant.
An integrated oil and gas project is underway in the Gbaran-Ubie area. The development plan provides for the construction of a Central Processing Facility (CPF) with treatment capacity of about 1 bcf/d of gas and 120 kbbl/d of liquids, the drilling of producing wells and the construction of a pipeline to carry the gas to the Bonny liquefaction plant. First gas is expected in the third quarter of 2010.
Eni holds a 10.4% interest in Nigeria LNG Ltd responsible for the management of the Bonny liquefaction plant, located in the Eastern Niger Delta. The plant has a design 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 as it is in the pre-fid phase. 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 2009, total supplies were 1,798 mmcf/d (130 mmcf/d net to Eni corresponding to 23 kboe/d). LNG production is sold under long-term contracts and exported to European and American markets by the Bonny Gas Transport fleet, wholly-owned by Nigeria LNG Co.
Eni holds 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, 100 kilometers west of Bonny. This plant is expected to start operating in 2015 with a production capacity of 10 mmtonnes/y of LNG corresponding to 590 bcf/y (approximately 60 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 re-gasification plant in Cameron, in Louisiana, USA. Eni s capacity amounts to approximately 201 bcf/y. Front end engineering activities progressed. The final investment decision is expected at the end of 2010.

KAZAKHSTAN

Kashagan Eni holds a 16.81% working interest in the North Caspian Sea Production Sharing Agreement (NCSPSA). The NCSPSA defines terms and conditions for the exploration and development of the Kashagan field which was discovered in the Northern section of the contractual area in the year 2000 over an undeveloped area extending for 4,600 square kilometers. Kashagan is believed to be one of the most important oil discoveries in the world in the past thirtyfive years. Management estimates that the gross recoverable reserves of the field amount to 7-9 bbbl, extendible to 13 bbbl through partial gas re-injection.
A change in the working interest was effective as of January 1, 2008 according to the final agreement signed in 2008 with the Kazakh authorities following which the stake held by the partner KazMunaiGas increased to 16.81%. The other partners of this initiative are the international oil companies Total, Shell and ExxonMobil, each with a participating interest currently of 16.81%, ConocoPhillips with 8.40%, and Inpex with 7.56%.
The exploration and development activities of the Kashagan field and of the other discoveries made in the contractual area are executed through an 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 participated by the seven partners of the consortium 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.
The phased development plan of the Kashagan field provides for the drilling of about 240 wells and the construction of production plants located on artificial islands which will collect production from other satellite

producing fields and from the development of gas reserves in the onshore OMLs 60 and 61. The venture signed preliminary long-term contracts to sell the whole LNG production capacity. Eni acquired 1.67 mmtonnes/y of LNG capacity (corresponding to approximately 81 bcf/y). The LNG will be delivered to the United States market mainly at the

artificial islands. Oil production will be marketed. Natural gas will be mostly used (80%) for re-injection into the reservoir for maintaining pressure levels. The natural gas not re-injected will be treated for the removal of hydrogen sulphide and will be used

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as fuel in power generation for the production plants. The remaining amounts will be marketed.
In consideration of the magnitude of the reserve 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.
In conjunction with the final agreement signed in 2008, the Kazakh authorities 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 investments in proportion to its participating interest of 16.81%.
On the basis of progress to completion (70% 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 an 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.
Phase 2 is actually in the stage of Front End Engineering Design (FEED).
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, 2009, the aggregate costs incurred by Eni for the Kashagan project capitalized in the financial statements amounted to $4.5 billion (euro 3.1 billion at the EUR/USD exchange rate of December 31, 2009). This capitalized amount included: (i) $3.4 billion relating to expenditures incurred by Eni for the development of the oilfield; and (ii) $1.1 billion relating primarily to accrued finance charges and expenditures
As of December 31, 2009, Eni s proved reserves booked for the Kashagan field amounted to 588 mmboe, recording a decrease of 6 mmboe with respect 2008.

Karachaganak In 2009 production of the Karachaganak field averaged 238 kbbl/d of liquids (70 net to Eni) and 883 mmcf/d of natural gas (259 net to Eni).
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 the 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 is expected in 2010.
The engineering activities of Phase 3 of the Karachaganak project identified a new design to complete development activities in multiple phases. The project provides for the installation of gas producing and re-injection facilities to increase gas sales at the Orenburg plant up to 565 bcf/y, according to the General Supply Agreement signed in 2007, and the liquids production up to approximately 14 mmtonnes/y.
The sanction of relevant Authority to start-up with Phase 3 is currently in the phase of technical and marketing discussion.
As of December 31, 2009, Eni s proved reserves booked for the Karachaganak field amounted to 633 mmboe, recording a decrease of 107 mmboe with respect to 2008 and derived from downward revisions due to lower prices and from production of the year.

REST OF ASIA

China In 2009 Eni signed the PSAs related to exploration Blocks 3/27 and 28/20 located in the South China Sea covering a total net acreage of 18,194 square kilometers. Eni was awarded a 100% stake in the exploration stage.

India In 2009 production started-up at the PY-1 gas field, part of the purchased assets from Hindustan Oil Exploration Company Ltd (Eni s interest 47.18%), acquired in 2008 as part of Burren deal. Gas production is sold to the local national oil company.

Indonesia Exploration activity yielded positive results with the Jangkrik discovery located in the Muara Bakau for the acquisition of interests in the North Caspian Sea PSA consortium from exiting partners upon exercise of pre-emption rights in previous years.

Block (Eni s interest 55%) offshore Borneo.
Eni is also involved in the ongoing joint development of the oil and gas discoveries in the Bukat permit

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(Eni operator with a 66.25% interest) and the five discoveries in the Kutei Deep Water Basin area (Eni s interest 20%).
In 2009 the development plan of the Jau field in the Krueng Mane Block (Eni s interest 75%) located offshore Sumatra was completed. The project is subject to approval by the relevant Authority.
In November 2009, Eni was awarded a 37.8% stake in the Indonesian Sanga Sanga PSC for the production of coal bed methane. The contract refers to exploration, development and production of gas from superficial levels of coal from a contractual area that coincides with the one regulated by the Sanga Sanga PSC for the production of conventional oil. Exploration activity start-up is expected in 2010. In case of commercial discovery, the project will also benefit from synergies with existing production and treatment plants in addition to feeding the LNG plants of Bontang and Sanga Sanga.

Iraq On January 22, 2010, Eni leading a consortium of international companies and the Iraqi National Oil Companies, South Oil and Missan Oil signed a technical service contract, under a 20-year term with an option for further 5 years, to develop the Zubair oil field (Eni 32.8%). The field was awarded to the Eni-led consortium following a successful first bid round and was offered under a competitive bid starting on June 30, 2009. The partners of the project plan to gradually increase production to a target plateau level of 1.2 mmbbl/d over the next six years. The contract provides that the consortium will earn a remuneration fee on the incremental oil production once production has been raised by 10% from its current level of approximately 180 kbbl/d and will recover its expenditures through a cost recovery mechanism based on the revenues from the field s production.

Iran In 2009 activities were executed at the Darquain project which related to plant commissioning and start-up in view of making formal hand over of operations to local partners. Darquain was the sole Eni-operated project in the Country.

Pakistan Exploration activity yielded positive results with discoveries in the Badhra (Eni operator with a 40% interest), Kadanwari (Eni operator with an 18% interest) and Miano (Eni s interest 15%) areas. The production current production plateau; (ii) the Sawan field (Eni s interest 23.68%) with the ongoing construction activity of a compressor plant; (iii) the Zamzama permit (Eni s interest 17.75%) with the construction of the third treatment plant for the production of HVC gas aimed at optimizing current production.
During the year other activities were targeted to optimize production from the Bhit, Sawan and Kadanwari fields by means of the drilling additional wells.

Russia In September 2009, Eni and its Italian partner Enel in the 60-40% owned joint-venture OOO SeverEnergia completed the divestment of the 51% stake in the venture to Gazprom based on the call option exercised by the Russian company. Eni collected the total cash consideration ($940 million), 25% of which had been collected at the transaction date and the remaining 75% on March 31, 2010.
A gain amounting to euro 100 million was recognized in the profit for the year. The gain was associated with interest income at an annual rate of 9.4% accruing on the initial investment in the venture when it was acquired on April 4, 2007 based on the contractual arrangements between Eni and Gazprom. The three partners are committed to producing first gas from the Samburskoye field by June 2011, targeting a production plateau of 150 kboe/d within two years from the start of production.
In April 2009, Gazprom exercised its call option to purchase a 20% interest in OAO Gazprom Neft held by Eni based on the existing agreements between the two partners. The exercise price of the call option collected by Eni on April 24, 2009 amounting to euro 3,070 million is equal to the price ($3.7 billion) outlined in the bid procedure for the assets of bankrupt Russian company Yukos as adjusted by subtracting dividends distributed and adding the contractual yearly remuneration of 9.4% on the capital employed and financing collateral expenses. Eni and Gazprom signed new cooperation agreements targeting certain development projects to be conducted jointly in Russia and other countries of interest.

AMERICA

Trinidad & Tobago The main development project concerns the Poinsettia, Bougainvillea and Heliconia fields in the North Coast Marine Area 1 (Eni s interest

start-up of the recent discoveries benefited from the existing facilities.
Development activities concerned: (i) the Bhit field (Eni operator with a 40% interest) with the ongoing installation of a compressor plant aimed at maintaining

17.4%). The project provides for the installation of a production platform on the Poinsettia field and the linkage to the Hibiscus treatment facility which was already upgraded. The drilling program on Heliconia and Bougainvillea fields is underway. Start-up is expected in 2010. In 2009 production started-up at the Poinsettia field.

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United States Offshore exploration activities yielded positive results in the following blocks: (i) Green Canyon 859 (Eni s interest 12.5%) with the oil and gas Heidelberg-1 discovery; (ii) Keathley Canyon 919 (Eni s interest 25%) with the oil and gas Hadrian West discovery.
In May 2009, Eni signed a strategic alliance with Quicksilver Resources Inc, an independent US natural gas producer, to acquire a 27.5% interest in the Alliance area, in the Fort Worth basin, in Texas. The acquisition for cash consideration amounting to $280 million includes gas shale[9] production assets with 40 mmbbl of resources base. Production plateau at 10 kboe/d net to Eni is expected in 2011.

In 2009 production start-up was achieved in: (i) the Thunderhawk field (Eni s interest 25%) through the drilling of underwater wells and linkage to a semi submersible production unit with a treatment capacity of 45 kbbl/d of oil and about 71 mmcf/d of natural gas; (ii) the Longhorn field (Eni s interest 75%) through the drilling of underwater wells and installation of production platform with a treatment capacity of approximately 247 mmcf/d; (iii) the Leo field (Eni s interest 75%) by means of the linkage to the Longhorn production facilities.

The development plan of the Appaloosa discovery (Eni s interest 100%) was sanctioned. The discovery is planned to be developed in synergy with the Longhorn production facilities. Start-up is expected in 2010 with production peaking at 1.5 kboe/d.
Other ongoing activities concerned the phased development plan of the Nikaitchuq operated field (Eni s interest 100%), located in North Slope basins in Alaska. First oil is expected in 2011 with peaking production at 28 kbbl/d.

Venezuela A large gas discovery was made in the Perla field, located in the Cardon IV block (Eni 50%) in the Gulf of Venezuela, yielding 21 mmcf/d (approximately 3.7 kboe/d) during flow tests. The field has been estimated to contain a reserve potential of more than 5,650 bcf of gas (1 bboe).
On January 26, 2010 Eni and the Venezuelan National Oil Company PDVSA signed an agreement for the joint development of the giant field Junin 5 with 35 bbbl of certified heavy oil in place, located in the Orinoco oil belt. Production start-up is planned for 2013 at an initial level of 75 kbbl/d and a long term production plateau of 240 kboe/d is targeted. Development will be conducted through an "Empresa Mixta" (Eni 40%, PDVSA 60%). At the time of the establishment of the "Empresa Mixta", Eni will disburse a bonus of $300 million, and further $346 million will be paid upon the achievement of certain project milestones. The agreement also includes an option to deploy Eni s proprietary technology in hydrogenation for the conversion of heavy oils. Finally, Eni will present a project for the construction of a power plant in the Guiria peninsula.

AUSTRALIA AND OCEANIA

Australia In 2009 production start-up was achieved at the Blacktip gas field (Eni s interest 100%) located in the north western offshore in the South Bonaparte basin by means of a production platform and linkage to onshore treatment plant. Natural gas extracted from this field is sold under a 25-year contract signed with Power & Water Utility Co to fuel a power plant. Peak production at 26 bcf/y is expected in 2010.
Ongoing further development phase (phase 2) of Bayu Undan field (Eni s interest 10.99%) is underway aimed at increasing liquids production and maintaining the field s production profile.

(9) Shale gas is a continuous natural gas reservoir contained within fine grained rocks, dominated by shale.

Capital expenditures

Capital expenditures of the Exploration & Production division (euro 9,486 million) concerned development of oil and gas reserves (euro 7,478 million) directed mainly outside Italy, in particular Kazakhstan, United States, Egypt, Congo and Angola. Development expenditures in Italy concerned the well drilling program and facility upgrading in Val d Agri as well as sidetrack and infilling activities in mature fields. About 97% of exploration expenditures that amounted to euro 1,228 million were directed outside Italy in particular to the United States, Libya, Egypt, Norway and Angola. In Italy, exploration activities were directed mainly to the offshore of Sicily.

Acquisition of proved and unproved property concerned mainly the acquisition from Quicksilver Resources Inc of a 27.5% interest in the Alliance area, in Northern Texas and the extension of Eni s mineral rights in Egypt, following the agreement signed in May 2009.

As compared to 2008, capital expenditures increased by euro 205 million, up 2.2%, due to higher development expenditures mainly in Congo, Algeria, Nigeria, Kazakhstan, Italy, Australia and India.

Capital expenditures	(euro million)	2007	2008	**2009**	Change	% Ch.
Acquisition of proved and unproved properties		**96**	**836**	**697**	**(139)**	**(16.6)**
North Africa		11	626	**351**		
West Africa			210	**73**		
Rest of Asia				**94**		
America		85		**179**		
Exploration		**1,659**	**1,918**	**1,228**	**(690)**	**(36.0)**
Italy		104	135	**40**	(95)	(70.4)
Rest of Europe		195	227	**113**	(114)	(50.2)
North Africa		373	379	**317**	(62)	(16.4)
West Africa		246	485	**284**	(201)	(41.4)
Kazakhstan		36	16	**20**	4	25.0
Rest of Asia		162	187	**159**	(28)	(15.0)
America		505	441	**243**	(198)	(44.9)
Australia and Oceania		38	48	**52**	4	8.3
Development		**4,643**	**6,429**	**7,478**	**1,049**	**16.3**
Italy		461	570	**689**	119	20.9
Rest of Europe		429	598	**673**	75	12.5
North Africa		948	1,246	**1,381**	135	10.8
West Africa		1,343	1,717	**2,105**	388	22.6
Kazakhstan		733	968	**1,083**	115	11.9
Rest of Asia		238	355	**406**	51	14.4
America		345	655	**706**	51	7.8
Australia and Oceania		146	320	**435**	115	35.9
Other expenditures		**82**	**98**	**83**	**(15)**	**(15.3)**
		6,480	**9,281**	**9,486**	**205**	**2.2**

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Key performance indicators [a]		2007	2008	**2009**
Net sales from operations [b]	(euro million)	27,793	37,062	**30,447**
Operating profit		4,465	4,030	**3,687**
Adjusted operating profit		4,414	3,564	**3,901**
Market		*2,284*	*1,309*	***1,721***
Regulated businesses in Italy		*1,685*	*1,732*	***1,796***
International transport		*445*	*523*	***384***
Adjusted net profit		3,127	2,648	**2,916**
EBITDA pro-forma adjusted [b]		5,029	4,310	**4,403**
Market		*3,061*	*2,271*	***2,392***
Regulated businesses in Italy		*1,248*	*1,284*	***1,345***
International transport		*720*	*755*	***666***
Capital expenditures		1,511	2,058	**1,686**
Adjusted capital employed, net at year end [c]		21,364	22,273	**25,024**
Adjusted ROACE [c]	(%)	15.2	12.2	**12.3**
Worldwide gas sales [d]	(bcm)	98.96	104.23	**103.72**
LNG sales [e]		11.7	12.0	**12.9**
Customers in Italy	(million)	6.61	6.63	**6.88**
Gas volumes transported in Italy	(bcm)	83.28	85.64	**76.90**
Electricity sold	(TWh)	33.19	29.93	**33.96**
Employees at year end	(units)	11,893	11,692	**11,404**

(a) From January 1, 2009, results of the gas storage business are reported within the Gas & Power segment reporting unit, within the regulated businesses results, following restructuring of Eni regulated gas businesses in Italy. As of that date, the results of the regulated businesses in Italy therefore include results of the Transport, Distribution, Regasification and Storage activities in Italy. Results of the power generation activity are reported within the marketing business as it is ancillary to the latter. Prior period results have been restated accordingly.

(b) Before the elimination of intragroup sales.

(c) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".

(d) Include volumes marketed by the Exploration & Production division of 6.17 bcm (5.39 and 6.00 bcm in 2007 and 2008, respectively), of which 2.57 bcm in Europe (3.59 and 3.36 bcm in 2007 and 2008, respectively) and in the Gulf of Mexico (1.80 bcm and 2.84 bcm in 2007 and 2008, respectively).

(e) Refer to LNG sales of the G&P division (included in worldwide gas sales) and the E&P division.

Presentation to the European Commission of a set of structural remedies related to some international gas pipelines

On February 4, 2010, Eni has formally presented to the European Commission a set of structural remedies relating to certain international gas pipelines. With prior agreement from its partners, Eni has committed to dispose of its interests in the German TENP, in the Swiss Transitgas and in the Austrian TAG gas pipelines. The European Commission intends to submit these remedies to a market test. In case the Commission approves those remedies upon conclusion of the market test, Eni will be in the position to resolve an inquiry started in May 2006 for alleged infringements of the European antitrust regulations in the gas sector, which involved the main players in the European gas market. Eni received a statement of objections from the European Commission which alleged that during the 2000-2005 period Eni was responsible for limiting the access of third parties to the gas pipelines TAG, TENP and Transitgas, thus restricting gas availability in Italy. Given the strategic importance of the Austrian TAG pipeline, which transports gas from Russia to Italy, Eni has negotiated a solution with the Commission which calls for the transfer of its stake to an entity controlled by the Italian State. The remedies negotiated with the Commission do not affect Eni s contractual gas transport rights. For further details on this topic see note "Guarantees, commitments and risks" to the Consolidated Financial Statements.

European gas market

In 2009, the mandatory tender offer on the minorities of Distrigas was finalized and Distrigas shares have been delisted from Euronext Brussels. Thanks to the achievement of synergies on integration, the Distrigas acquisition represented for Eni a remarkable result in strengthening its leadership in the European gas market.

Notwithstanding the unfavorable trends in natural gas demand, in 2009 Eni achieved organic growth outside Italy, increasing market shares in a number of European gas markets. This increase, coupled with the full contribution of Distrigas sales, determined a change in natural gas sales portfolio with international sales at 63.68 bcm representing 61% of total sales (49% in 2008).

Reorganization of regulated businesses in the Italian gas sector

In 2009 the reorganization of gas infrastructures was concluded through the sale of Italgas SpA and Stoccaggi Gas Italia SpA (Stogit) to Snam Rete Gas. The transaction is expected to create significant synergies in the segment of regulated businesses allowing Eni to maximize the value of both gas distribution and storage activities and to strengthen the financial soundness of the Group s capital structure.

Strategic partnership with Gazprom

The strategic partnership between Eni and Gazprom, leading world natural gas producer, celebrated its 40th year of activity in 2009. The partners plan to proceed with the joint development of projects in the sectors of upstream and natural gas markets. In particular, concerning the gas business, Eni and Gazprom have agreed upon a new scope of work in the development project of the South Stream pipeline, aimed at increasing its transport capacity from an original amount of 31 bcm/y to 63 bcm/y.

Projects in the Hewett area

In order to strengthen its European leadership in the storage business, Eni continued pre-development activities for a project to build an offshore storage facility in the Hewett area, near the Bacton terminal (North Sea basin). Eni targets to develop storage capacity in order to support the seasonal swings of gas demand in the United Kingdom. The project sanction is expected at some point in 2010, with start up in 2015.

Financial results

In 2009 adjusted net profit was euro 2,916 million, increasing by euro 268 million from 2008 (up 10.1%) due to the positive performance recorded by the Marketing business. An improved scenario for energy parameters, the full contribution of the acquisition of Distrigas in terms of integration synergies and improved performance, as well as the impact of the renegotiation of long-term supply contracts, were the main positive drivers of the year. These positives were partly offset by lower sales volumes, mainly on the Italian market. Regulated Businesses in Italy recorded steady results. The International transport business reported weaker results.

In 2010 natural gas sales are expected to remain flat compared to 2009. Increasing competitive pressures, mainly in Italy, will be offset by an expected recovery in European gas demand. Other positive trends include a benefit associated with integrating Distrigas operations and the optimization of supply portfolio, including re-negotiation of long-term supply contracts.

Eni expects to achieve gas sales of approximately 118 bcm by 2013 with an average annual growth rate higher than 3%.

Return on average capital employed (ROACE) on an adjusted basis was 12.3% (12.2% in 2008).

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Capital expenditures totaled euro 1,686 million and mainly related to the development and upgrading of Eni s transport and distribution networks in Italy, the upgrading of storage capacity and the ongoing plan for improving power generation efficiency standards.

Operating results

In 2009 Eni s natural gas sales (103.72 bcm) were slightly down as a result of offsetting trends. On the negative side, volumes supplied to the Italian market were materially lower from a year ago against the backdrop of the economic downturn and stronger competitive pressures (down 12.83 bcm, or 24.3%). On the plus side, volumes gains were associated with the full contribution of the Distrigas acquisition (up 12.02 bcm for the full year) and organic growth achieved in a number of European markets.

Electricity volumes sold were 33.96 TWh, increasing by 4.03 TWh, or 13.5%, from 2008.

Natural gas volumes transported on the Italian network were 76.90 bcm, down 10.2% from 2008.

NATURAL GAS

Supply of natural gas

In 2009 Eni s consolidated subsidiaries, including the Distrigas share amounting to 16.91 bcm, supplied 88.65 bcm of natural gas with a 1 bcm decrease from 2008, down 1.1%.

Gas volumes supplied outside Italy (81.79 bcm from consolidated companies), imported in Italy or sold outside Italy, represented 91% of total supplies with an increase of 0.14 bcm from 2008, or 0.2%, mainly due to the growth registered on European markets in particular due to Distrigas full contribution, with higher volumes purchased from: (i) Norway (up 5.68 bcm); (ii) Qatar (up 2.20 bcm) due to the coming on stream of LNG long-term supply contracts; and (iii) the Netherlands (up 1.90 bcm).

Lower volumes were purchased from: (i) Algeria (down 5.40 bcm) due to the damage occurred to the TMPC pipeline in late December 2008; (ii) Libya (down 0.73 bcm); (iii) Russia mainly to Italy (down 2.75 bcm) in line with the implementation of agreements with Gazprom providing for Gazprom s entrance in the market of supplies to Italian importers.

Supplies in Italy (6.86 bcm) declined by 1.14 bcm from 2008, or 14.3%, due to lower domestic production.

In 2009, main gas volumes from equity production derived from: (i) Italian gas fields (6.5 bcm); (ii) the Wafa and Bahr Essalam fields in Libya linked to Italy through the GreenStream pipeline. In 2009 these two fields supplied 2.5 bcm net to Eni; (iii) certain Eni fields located in the British and Norwegian sections of the North Sea (2.9 bcm); and (iv) other European areas (in particular Croatia with 0.8 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 20.1 bcm representing 19% of total volumes available for sale.

Supply of natural gas (bcm)	2007	2008	2009	Change	% Ch.
ITALY	**8.65**	**8.00**	**6.86**	**(1.14)**	**(14.3)**
Russia	23.44	22.91	**22.02**	(0.89)	(3.9)
Algeria (including LNG)	18.41	19.22	**13.82**	(5.40)	(28.1)
Libya	9.24	9.87	**9.14**	(0.73)	(7.4)
Netherlands	7.74	9.83	**11.73**	1.90	19.3
Norway	5.78	6.97	**12.65**	5.68	81.5
United Kingdom	3.15	3.12	**3.06**	(0.06)	(1.9)
Hungary	2.87	2.84	**0.63**	(2.21)	(77.8)
Qatar (LNG)	-	0.71	**2.91**	2.20	..
Other supplies of natural gas	2.20	4.07	**4.49**	0.42	10.3
Other supplies of LNG	2.32	2.11	**1.34**	(0.77)	(36.5)
OUTSIDE ITALY	**75.15**	**81.65**	**81.79**	**0.14**	**0.2**
Total supplies of Eni's consolidated subsidiaries	**83.80**	**89.65**	**88.65**	**(1.00)**	**(1.1)**
Offtake from (input to) storage	1.49	(0.08)	**1.25**	1.33	..
Network losses, measurement differences and other changes	(0.46)	(0.25)	**(0.30)**	(0.05)	20.0
AVAILABLE FOR SALE BY ENI'S CONSOLIDATED SUBSIDIARIES	**84.83**	**89.32**	**89.60**	**0.28**	**0.3**
Available for sale by Eni's affiliates	**8.74**	**8.91**	**7.95**	**(0.96)**	**(10.8)**
E&P volumes	**5.39**	**6.00**	**6.17**	**0.17**	**2.8**
GAS VOLUMES AVAILABLE FOR SALE	**98.96**	**104.23**	**103.72**	**(0.51)**	**(0.5)**

Sales of natural gas

In 2009 natural gas sales were 103.72 bcm, declining slightly from 2008 (down 0.51 bcm, or 0.5%). Sales included own consumption, Eni s share of sales made by equity-accounted entities and upstream sales in Europe and the Gulf of Mexico. The contribution of the Distrigas acquisition (up 12.02 bcm) partly offset the

In Italy, sales volumes decreased by 12.83 bcm, or 24.3%, to 40.04 bcm reflecting sharply lower supplies to power generation utilities (down 8.01 bcm), industrial customers (down 2.01 bcm) and wholesalers (down 1.60 bcm) dragged down by a decline in industrial production following the economic downturn and competitive pressures, especially in the last part of the year which was affected by new gas availability. Volumes sold to the residential sector increased slightly due to higher weather-related sales, particularly in the first and fourth quarter of 2009 as well as volumes destined to Eni s power generation business.

International sales were up 12.32 bcm, or 24%, to 63.68 bcm, benefiting from the contribution of Distrigas (up 12.02 bcm). Organic sales increases were achieved in France (up 1.27 bcm) and in Northern Europe (up 1.10 bcm). These increases were offset in part by lower volumes reported in supplies to importers to Italy (down 0.77 bcm), in the Iberian Peninsula (down 0.63 bcm) and Hungary (down 0.24 bcm) mainly due to declining demand.

negative effects of sharply lower gas demand in Italy (down 10%) and Europe (down 7.4%, both percentages net of seasonal swings).

Sales to markets outside Europe (2.06 bcm) declined by 0.27 bcm from 2008.

E&P sales in Europe and in the United States (6.17 bcm) increased by 0.17 bcm, up 2.8%.

Contents

Gas sales by market (bcm)	2007	2008	**2009**	Change	% Ch.
ITALY	**56.13**	**52.87**	**40.04**	**(12.83)**	**(24.3)**
Wholesalers	10.01	7.52	**5.92**	(1.60)	(21.3)
Gas release	2.37	3.28	**1.30**	(1.98)	(60.4)
Italian gas exchange and spot markets	1.90	1.89	**2.37**	0.48	25.4
Industries	11.77	9.59	**7.58**	(2.01)	(21.0)
Medium-sized enterprises and services	1.00	1.05	**1.08**	0.03	2.9
Power generation	17.21	17.69	**9.68**	(8.01)	(45.3)
Residential	5.79	6.22	**6.30**	0.08	1.3
Own consumption	6.08	5.63	**5.81**	0.18	3.2
INTERNATIONAL SALES	**42.83**	**51.36**	**63.68**	**12.32**	**24.0**
Rest of Europe	**35.02**	**43.03**	**55.45**	**12.42**	**28.9**
Importers in Italy	10.67	11.25	**10.48**	(0.77)	(6.8)
European markets	24.35	31.78	**44.97**	13.19	41.5
Iberian Peninsula	*6.91*	*7.44*	***6.81***	*(0.63)*	*(8.5)*
Germany-Austria	*5.03*	*5.29*	***5.36***	*0.07*	*1.3*
Belgium	-	*4.57*	***14.86***	*10.29*	..
Hungary	*2.74*	*2.82*	***2.58***	*(0.24)*	*(8.5)*
Northern Europe	*3.15*	*3.21*	***4.31***	*1.10*	*34.3*
Turkey	*4.62*	*4.93*	***4.79***	*(0.14)*	*(2.8)*
France	*1.62*	*2.66*	***4.91***	*2.25*	*84.6*
Other	*0.28*	*0.86*	***1.35***	*0.49*	*57.0*
Outside Europe	**2.42**	**2.33**	**2.06**	**(0.27)**	**(11.6)**
E&P in Europe and in the Gulf of Mexico	**5.39**	**6.00**	**6.17**	**0.17**	**2.8**
WORLDWIDE GAS SALES	**98.96**	**104.23**	**103.72**	**(0.51)**	**(0.5)**

Gas sales by entity (bcm)	2007	2008	**2009**	Change	% Ch.
Sales of consolidated companies	**84.83**	**89.32**	**89.60**	**0.28**	**0.3**
Italy (including own consumption)	56.08	52.82	**40.04**	(12.78)	(24.2)
Rest of Europe	27.86	35.61	**48.65**	13.04	36.6
Outside Europe	0.89	0.89	**0.91**	0.02	2.2
Sales of Eni's affiliates (net to Eni)	**8.74**	**8.91**	**7.95**	**(0.96)**	**(10.8)**
Italy	0.05	0.05	**-**	(0.05)	(100.0)
Rest of Europe	7.16	7.42	**6.80**	(0.62)	(8.4)
Outside Europe	1.53	1.44	**1.15**	(0.29)	(20.1)
E&P in Europe and in the Gulf of Mexico	**5.39**	**6.00**	**6.17**	**0.17**	**2.8**
Worldwide gas sales	**98.96**	**104.23**	**103.72**	**(0.51)**	**(0.5)**

Risk factors related to the natural gas market

Risks and uncertainties associated with the current outlook for gas demand and supply in Europe and Italy

facilities to import gas to Europe via LNG. Particularly, Eni has finalized plans to upgrade the import capacity of its two main pipelines from Russia and Algeria by 13

In 2009 European gas demand was severely impacted by the economic downturn (down 7.4% from 2008, assuming normal average temperatures). As a result of that trend, both producing activities and request for electricity reduced. The Italian market was particularly hit by the downturn as demand fell by approximately 9 bcm from 2008, down 10%, and almost 10 bcm from the pre-crisis levels seen in 2007, down 12%, assuming normal average temperatures. In the meantime, new gas supplies entered the market as several operators, including Eni, completed plans to upgrade gas import pipelines from gas producing Countries or to build new bcm/y (the gas pipelines TAG and TTPC), with new capacity entirely sold to third parties. A new LNG terminal with a capacity of 8 bcm/y commenced operations late in 2009, operated by a consortium of competitors. As a result, gas availability on the Italian market increased at a time when demand actually shrunk, resulting in a situation of oversupply. In this context, Eni s results of the gas marketing business, sales volumes and average gas selling margins were driven down by rising competition and weak demand both in Italy and Europe. Large gas availability on European markets also prevented the

Company from disposing of part of its gas availability by selling it on European markets.

The outlook for gas supply and demand both in Europe and Italy is challenging as GDP growth in the 27 EU Countries will remain weak over the next few years and gas demand is expected to recover only gradually to pre-crisis levels. In addition, ongoing patterns towards energy preservation and rising competition from renewable or alternative sources of energy will further dampen recovery perspectives of gas demand. Specifically, at the March 2007 European Council, the European Heads of Government decided to adopt their Climate Action and Renewable Energy Package. This legislation was voted by the European Parliament in December 2008. The package includes a commitment to reduce greenhouse gas (GHG) emissions by 20% by 2020 compared to emission levels recorded in 1990 (the target being 30% if an international agreement is reached), as well as an improved energy efficiency within the EU Member States of 20% by 2020 and a 20% renewable energy target by 2020. To factor in those trends, management has revised down its long-term projections of European gas demand growth from a previous compound average growth rate (c.a.g.r.) of 2% till 2020 to a revised 1.5% c.a.g.r. These assumptions imply an overall consumption of approximately 600 bcm by 2020 compared to a previous forecast of 720 bcm. Management also expects the Italian market to grow less than anticipated at an annual rate that will be slightly lower than 2%, implying a level of consumption amounting to 94 bcm versus a previous forecast of 107 bcm at 2020. These demand trends of sluggish growth associated with ample gas availability on the marketplace might adversely affect the Company s results of operations and cash flow in its gas marketing business over the next few years.

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

In order to secure long-term access to gas availability, particularly in view of supplying the Italian gas market, the Company has signed a number of long-term gas supply contracts with key producing Countries that supply European gas markets. These contracts will ensure approximately 62.4 bcm of gas availability in to collect pre-paid volumes of gas in later years during the period of contract execution. Amounts of cash pre-payments and time schedules for collecting pre-paid gas vary from contract to contract. Generally speaking, cash pre-payments are calculated on the basis of the energy prices current in the year of non-fulfillment with the balance due in the year when the gas is actually collected. Amounts of pre-payments range from 10 to 100 percent of the full price. The right to collect pre-paid gas expires within a ten-year term in some contracts or remains in place until contract expiration in other arrangements.

In addition, rights to collect pre-paid gas in future years can be exercised provided that the Company has fulfilled its minimum take obligation in a given year and within the limit of the maximum annual quantity that can be collected in each contractual year. In this case, Eni will pay the residual price calculating it as the percentage that complements 100, based on the arithmetical average of monthly base prices in place in the year of the off-take. Similar considerations apply to ship-or-pay contractual obligations.

Management believes that the current outlook for gas demand and large gas availability on the marketplace, as well as the possible evolution of sector-specific regulation, represent risks factors to the Company s ability to fulfill its minimum take obligations associated with its long-term supply contracts.

Under current contractual terms, in 2009 Eni collected lower volumes than its minimum take and recognized a trade payables corresponding to the amount of gas that the Company was contractually required to collect. Management believes that over the next three years the Company will experience failure to fulfill its take-or-pay obligations associated with significant volumes of gas, unless demand fundamentals improve substantially and a better balance between demand and supply is achieved on the marketplace. Currently, the Company is unable to forecast the timing of such a recovery.

In addition, there also exist both a pricing risk as a portion of the gas purchase price is based on the prices of the energy parameters recorded in the year of non-fulfillment, and a volume risk in case the Company is actually unable to dispose of pre-paid volumes. In this context, the Company s selling margins, results of operations and cash flow may be negatively affected. Based on management s projections for sales volumes

2010 (excluding the contribution of other subsidiaries and associates) with a residual life of approximately 20 years, and provide take-or-pay clauses whereby the Company is required to collect minimum predetermined volumes of gas in each year of the contractual term or, in case of failure, to pay the whole price, or a fraction of it, of uncollected volumes up to the minimum contractual quantity. The take-or-pay clause entitles the Company

and prices for the four-year plan and subsequent years, volumes for which an obligation to pay cash advances might arise due to take or pay clauses will be off-taken within contractual terms, thus recovering cash advances. Even if financing associated with cash advances is factored in, the net present value associated with those long-term contracts discounted at the weighted average cost of capital for the Gas & Power

segment still remains a positive and consequently those contracts do not fall within the category of the onerous contract provided by IAS 37.
In the medium term Eni intends to preserve the profitability and cash flow generation of its gas marketing operations. A number of initiatives have been identified, including:
- Maximization of gas sales volumes leveraging on the multiple presence in a number of markets; market knowledge, the integration with Distrigas commercial operations and supply portfolio (which is not expected to have take-or-pay obligations in future years) and marketing policies aimed at increasing Eni s market share in Europe;
- Renegotiations of the main long-term supply contracts through the exercise of the contractual right to amend terms and conditions of the contracts as provided by specific contractual clauses in case of significant changes in the market environment, as those that have been occurring from the second half of 2008. These renegotiations were finalized early in 2010 with a positive impact both on 2009 results and on future commercial plans giving Eni more flexibility in its marketing operations;
- Launching of innovative pricing formulas and improving the quality of services on the core Italian market;
- Reduction in the cost-to-serve;
- Monitoring and controlling working capital requirements.

Risks associated with sector-specific regulations in Italy

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 regulations are the regulated access to natural gas infrastructure (transport backbones, storage fields, distribution networks and LNG terminals), the provision that activities relating to infrastructures are mandatory and in establishing tariffs for the use of natural gas infrastructures. Specifically, 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 the supply of natural gas to residential and commercial users consuming less than 200,000 cm/y (qualified as 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.
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 cm/y, establishing, among other things that Italian natural gas importers including Eni must renegotiate wholesale supply contracts in order to take account a new indexation mechanism of the raw material cost component. This indexation mechanism has been recently updated based on Resolution No. 64/2009 of the Authority, which provides that changes in a preset basket of hydrocarbons are transferred to the cost of the supply to those customers. Also a floor has been established in the form of a fixed amount that applies only at certain low level of international prices of hydrocarbons.
Also certain provisions of law may limit the Company s 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 the higher income taxes incurred in connection with a supplemental tax rate of 6.5 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 this rule. The Authority has subsequently established with a set of deliberations that energy companies have to adopt effective operational and monitoring systems in order to prevent unlawful increases in final prices of gas.
Other risk factors and uncertainties deriving from the regulatory framework are associated with the regulation

charged to separate companies; 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 and other infrastructures and the circumstance that the Authority for Electricity and Gas is entrusted with certain powers in the matters of natural gas pricing of the access to the Italian gas transport network that is currently set by Decision No. 137/2002 of the Authority for Electricity and Gas. The decision is fully incorporated into the network code presently in force as prepared by the system s operator. The decision sets priority criteria for transport capacity entitlements at points where the Italian transport network connects with international import pipelines (the so-called entry points to the Italian transport system). Specifically, operators that are holders of take-or-pay contracts, as in the case of Eni, are entitled to a priority in allocating available transport capacity within the limit of average daily contractual volumes. Gas volumes exceeding average daily contractual volumes are not entitled to any priority and, in case of congestion at any entry points, they are entitled available capacity on a proportionate basis together with all pending requests for capacity assignments. The ability of Eni to collect gas volumes exceeding average daily volumes as provided by its take-or-pay supply contracts represents an important operational flexibility that the Company uses to satisfy demand peaks. In planning its commercial flows, the Company normally assumes to make full use of its contractual flexibility and to obtain the necessary capacity entitlements at the entry points to the national transport network. Those assumptions may be inconsistent with rules set by Decision No. 137/2002 specifically with regard to priority criteria governing capacity entitlements. Eni considers Decision No. 137/2002 to be illegitimate as it is supposedly in contrast with the rationale of the European regulatory framework on the gas market as provided in European Directive 55/03/CE. Based on that belief the Company has opened an administrative procedure to repeal Decision No. 137/2002 before an administrative court which recently confirmed in part Eni s position. An upper grade court also confirmed the Company s position. Specifically, the Court stated that the purchase of contractual flexibility is an obligation on part of the importer, which responds to a collective interest. According to the Court, there is no reasonable motivation whereby volumes corresponding to such contractual flexibility should not be granted priority in the access to the network, also in case congestion occurs. At the moment, however, no case of congestion occurred at entry points to the Italian transport infrastructure such to impair Eni s marketing plans.

Further uncertainty factors related to the regulatory framework are the so called gas release measures that are intended to increase flexibility and liquidity in the gas market. This measure strongly affected Eni s marketing activity in Italy. In 2004, based on certain agreements with the Antitrust Authority, Eni released in a four-year period a total amount of 9.2 bcm (2.3 bcm per year between October 1, 2004 and September 30, 2008) and the related transport capacity. In addition, in 2007 Eni agreed to adhere to a new gas release program involving 4 bcm which were disposed of at the virtual exchange point (PSV) in a two-year period (from October 1, 2007 and September 30, 2009).

For thermal year 2009-2010 Italian Law No. 99/2009 introduced a new obligation for Eni to make additional sales at the virtual exchange point for a total of 5 bcm of gas in yearly and half-yearly amounts. Although the allotment procedure (bid) was based on a minimum price set by the Ministry for Economic Development as proposed by the Authority (Eni considering this point discriminatory, filed a claim to the competent authority), only a 1.1 bcm portion of the gas release was awarded out of the 5 bcm which had been planned.

For the next few years, based on indications of the Authority (in a report to the Parliament on the situation of the gas and electricity market in Italy as provided in Resolution PAS 3/2010), Eni cannot exclude the possibility that new gas release programs will be imposed on it.

LNG

In 2009, LNG sales (12.9 bcm) increased by 0.9 bcm from 2008, up 7.5%, mainly reflecting higher volumes sold by the Gas & Power segment (9.8 bcm, included in worldwide gas sales) that increased by 1.4 bcm, up 16.7%, from 2008, due to the Distrigas contribution related to the coming on stream of a long-term supply contract from Qatar (up 2.2 bcm).

LNG sales	(bcm)	2007	2008	**2009**	Change	% Ch.
G&P sales		**8.0**	**8.4**	**9.8**	**1.4**	**16.7**
Italy		1.2	0.3	**0.1**	(0.2)	(66.7)

Rest of Europe	5.6	7.0	**8.9**	1.9	27.1
Outside Europe	1.2	1.1	**0.8**	(0.3)	(27.3)
E&P sales	**3.7**	**3.6**	**3.1**	**(0.5)**	**(13.9)**
Terminals:					
- Bontang (Indonesia)	0.7	0.7	**0.8**	0.1	14.3
- Point Fortin (Trinidad & Tobago)	0.6	0.5	**0.5**		
- Bonny (Nigeria)	2.0	2.0	**1.4**	(0.6)	(30.0)
- Darwin (Australia)	0.4	0.4	**0.4**		
	11.7	**12.0**	**12.9**	**0.9**	**7.5**

Contents

POWER

Availability of electricity

Eni s power generation sites are located in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara. In 2009, power generation was 24.09 TWh, up 0.76 TWh or 3.3% from 2008, due mainly to higher production at the Ferrara plant (Eni s interest 51%), in connection with the coming on line of two new 390 megawatt combined cycle units.
At December 31, 2009, installed capacity was 5.3 GW (4.9 GW in 2008).
Power availability in 2009 was supported by the growth in electricity trading activity (up 3.27 TWh from 2008, or 49.5%) as a consequence of higher volumes traded on the Italian power exchange benefiting from lower purchase prices.
By 2013 Eni intends to complete its plan for expanding its power generation capacity, targeting an installed capacity of 5.4 GW[1]. The development plan is underway at Taranto (Eni 100%) and Ferrara (Eni 51%), as well as at the recently acquired Bolgiano plant (Eni 100%).

Electricity sales

In 2009 electricity sales (33.96 TWh) were directed to the free market (73%), the Italian power exchange (14%), industrial sites (9%) and others (4%).
Notwithstanding weaker domestic demand, Eni s sales (up 4.03 TWh, or 13.5%) were driven by: (i) higher sales on open markets, in particular the retail market, with an increased number of clients served following intensive marketing campaigns, and to wholesalers due to the start of VPP (Virtual Power Plant) supply agreements signed at the end of 2008. Sales to large clients, on the other hand declined due to a reduction in the customer base and the impact of the economic downturn; (ii) higher volumes traded on the Italian power exchange (up 0.88 TWh, or 23%).

		2007	2008	**2009**	Change	% Ch.
Purchases of natural gas	(mmcm)	4,860	4,530	**4,790**	260	5.7
Purchases of other fuels	(ktoe)	720	560	**569**	9	1.6
Power generation	(TWh)	25.49	23.33	**24.09**	0.76	3.3
Steam	(ktonnes)	10,849	10,584	**10,048**	(536)	(5.1)

Availability of electricity	(TWh)	2007	2008	**2009**	Change	% Ch.
Power generation		25.49	23.33	**24.09**	0.76	3.3
Trading of electricity [(a)]		7.70	6.60	**9.87**	3.27	49.5
		33.19	**29.93**	**33.96**	**4.03**	**13.5**
Free market		20.73	22.89	**24.74**	1.85	8.1
Italian power exchange		8.66	3.82	**4.70**	0.88	23.0
Industrial plants		2.81	2.71	**2.92**	0.21	7.7
Other [(a)]		0.99	0.51	**1.60**	1.09	..
Electricity sales		**33.19**	**29.93**	**33.96**	**4.03**	**13.5**

(a) Include positive and negative unbalances.

Transport and regasification of natural gas

Volumes of gas transported in Italy in 2009 were 76.90 bcm decreasing by 8.74 bcm, or 10.2%, from 2008 due to lower gas deliveries due to a weaker demand. Natural gas volumes transported on behalf of third parties (37.27 bcm) increased by 0.09 bcm, or 10.1%. In 2009, the LNG terminal in Panigaglia (La Spezia) regasified 1.32 bcm of natural gas (1.52 bcm in 2008).

(1) Capacity available after completion of dismantling of obsolete plants.

Gas volumes transported [(a)]	(bcm)	2007	2008	**2009**	Change	% Ch.
Eni		52.39	51.80	**39.63**	(12.17)	(23.5)
On behalf of third parties		30.89	33.84	**37.27**	3.43	10.1
		83.28	**85.64**	**76.90**	**(8.74)**	**(10.2)**

(a) Include amounts destined to domestic storage.

Storage

In 2009, 8.71 bcm of gas were supplied (up 3.44 bcm from 2008) while 7.81 bcm were input to the Company s storage deposits, an increase of 1.51 bcm compared to 2008.

In 2009 storage capacity amounted to 13.9 bcm, of which 5 were destined to strategic storage.
The share of storage capacity used by third parties was 70% (61% in 2008).

		2007	2008	**2009**	Change	% Ch.
Total storage capacity:	(bcm)	13.6	13.7	**13.9**	0.2	1.5
- of which strategic storage		*5.1*	*5.1*	***5***	*(0.1)*	*(2.0)*
- of which available storage		*8.5*	*8.6*	***8.9***	*0.3*	*3.5*
Available capacity: share utilized by Eni	(%)	44	39	**30**	(9)	(23.1)
Total offtake from (input to) storage:	(bcm)	9.27	11.57	**16.52**	4.95	42.8
- input to storage		*4.00*	*6.30*	***7.81***	*1.51*	*24.0*
- offtake from storage		*5.27*	*5.27*	***8.71***	*3.44*	*65.3*
Total customers	(No.)	44	48	**56**	8	16.7

Main development projects for 2009

MARKETING

Natural gas

Finalization of the acquisition of Distrigas

Following the acquisition of the 57.24% majority stake in Distrigas NV from French company Suez-Gaz de France, Eni made an unconditional mandatory public takeover bid on the minorities of Distrigas (42.76% stake), at the same price proposed to Suez (euro 6,809.64 per share)[2].

On March 19, 2009, the mandatory tender offer on the minorities of Distrigas was finalized. Shareholders representing 41.61% of the share capital of Distrigas, including the second largest shareholder, Publigaz SCRL with a 31.25% interest, tendered their shares. The squeeze-out of the residual 1.14% of the share capital a significant expansion of Eni s supply portfolio with an addition of long-term supplies of approximately 14.7 bcm (from the Netherlands, Norway and Qatar) having a maximum residual life of 18 years. In 2009 Distrigas sales amounted to 17.25 bcm.

Projects in the Hewett area

Following the recent acquisition of an interest in the Hewett Unit, pre-development activities progressed for building an offshore storage facility in the Hewett area (Eni s interest 89%) located in the Southern Gas Basin in the North Sea, near the Bacton terminal. Peak working

was finalized on May 4, 2009. After this, Distrigas shares have been delisted from Euronext Brussels. The total cash consideration amounted to euro 2,045 million. As of December 31, 2009, Eni owns the entire share capital of Distrigas, except for one share with special powers owned by the Belgian State.
The purchase of Belgian company Distrigas has entailed

gas is estimated at 5.6 bcm with a production of approximately 60 mmcm/d. An appraisal well is planned to be drilled shortly, whose outcome will provide further data to confirm those estimates.
The project sanction is expected in 2010 with start up in 2015.

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(2) Eni recognized to minority shareholders a certificate granting the right to receive an additional consideration to the bid price for a pro-rata amount of any price revision set as a part of the sale agreement pursuant to which Distrigas sold its subsidiary Distrigas & Co to Belgian operators Fluxys SA and Huberator SA.

LNG

USA

Cameron In the third quarter of 2009 operations started at the Cameron re-gasification plant located on the banks of the Calcasieu River, approximately 15 miles south of Lake Charles in Louisiana, USA.
In consideration of a changed demand outlook, on March 1, 2010, Eni renegotiated certain terms of the contract with US company Cameron LNG, relating to the farming out of a share of the regasification capacity. The new agreement provides that Eni will be entitled to a daily send-out of 572,000 mmbtu (approximately 5.7 bcm/y) and a dedicated storage capacity of 160 kcm, giving Eni more flexibility in managing seasonal swings in gas demand.
Taking into account the oversupply characterizing at the moment the US gas market, Eni rescheduled the Brass project (West Africa) for developing gas reserves to fuel the Cameron plant. The start-up is now expected in 2015.

Pascagoula This project is part of an upstream development 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 in order to market part of the Company s gas reserves. As part of the downstream leg of the project, Eni signed with Gulf LNG a 20-year contract to buy 5.8 bcm/y of the regasification capacity of the plant under construction near Pascagoula in Mississippi, with expected start up by end of 2012 in line with the start-up of the upstream project in Angola.
At the same time Eni Usa Gas Marketing Llc entered a 20-year contract for the purchase of approximately 0.9 bcm/y of regasified gas downstream the terminal owned by Angola Supply Services, a company whose partners also own Angola LNG.

REGULATED BUSINESSES IN ITALY

Reorganization of the regulated business in the Italian gas sector

On June 30, 2009 the parent company Eni SpA concluded the sale of the entire share capital of its fully-owned subsidiaries Italgas SpA and Stoccaggi Gas Italia SpA to its subsidiary Snam Rete Gas. The transaction, which was approved by Eni s Board of Directors in February 2009, included cash consideration and Eni for their respective shares; and (ii) arranging medium and long-term financing. The main impact expected on Eni s consolidated financial statements are: (i) as of December 31, 2009 a decrease of euro 1.54 billion was reported in the Group consolidated net borrowings and a corresponding increase in total equity as a consequence of the pro-quota subscription of the Snam Rete Gas capital increase by minorities; (ii) a decrease in Eni s net profit equal to 45% of the aggregate net profit of Italgas and Stogit reported in the consolidated profit and loss for the second half of 2009, with a corresponding increase in net profit pertaining to minorities.
As of December 31, 2009 Eni s interest in Snam Rete Gas is equal to 52.54%.

SOUTH STREAM PROJECT

New agreement with Gazprom

Based on the agreements signed between Italy and Russia on May 15, 2009, the original scope of work of the project to build the South Stream pipeline has been enlarged, providing for an increase in transport capacity from 31 to 63 bcm/y.
Following the project, the South Stream pipeline is expected to be composed by two sections: (i) an offshore section crossing the Black Sea from the Russian coast at Beregovaya (the same starting point of the Blue Stream pipeline) to the Bulgarian coast at Varna; (ii) an onshore section crossing Bulgaria for which two options are currently being evaluated: one pointing North West and another one pointing South West. The second option envisages crossing Greece and the Adriatic Sea before linking to the Italian network.
In December 2009, Eni and Gazprom signed an agreement for the entrance of French company Edf in the project. The conditions of the agreement will be defined in the coming months.

INTERNATIONAL TRANSPORT

Accident at the TMPC pipeline

In 2009, the operation of TMPC gas pipeline was fully restored. One of the five lines of the import pipeline from Algeria was damaged by an oil tanker anchor crossing the Sicily channel on December 19, 2008. Transport continued on the remaining lines.

amounting to euro 4,509 million (euro 2,922 million and euro 1,587 million, respectively). Snam Rete Gas funded the transaction by means of: (i) a share capital increase amounting to euro 3.5 billion, which was entirely subscribed to by minorities

TAG - Russia

In 2009 the upgrading of the TAG pipeline has been finalized increasing the total capacity to the current 37.4 bcm/y. The second 3.3 bcm/y portion of the upgrade started-up in the fourth quarter of 2009 and was entirely awarded to third parties.

Regulatory framework

Legislative Decree No. 164/2000

Legislative Decree No. 164/2000 imposed thresholds to operators until December 31, 2010 calculated as a share of domestic consumption as follows: (i) 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 61% in the 2009-2010 period; and (ii) 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, 2009 closes the sixth three-year regulated period for natural gas volumes input in the domestic transport network, and the fifth three-year regulated period for sales volumes to the Italian market. Eni s presence on the Italian market complied with said limits.

Resolution ARG/gas 64/2009: Approval of the code for the retail sale of natural gas and gas other than natural gas distributed through urban pipeline networks

With resolution ARG 64/2009, the Authority for Electricity and Gas approved the code for the retail sale of natural gas and gas other than natural gas distributed through urban pipeline networks.

Main changes introduced by the Authority refer to the definition of a unique national value for sale price to retail customers, including a new calculation mechanism of distribution tariffs aimed to favor domestic customers with a low consumption profile, and, since October 1, 2009, the review of the formula for calculating the components to cover the wholesale marketing costs.

Resolution ARG/gas 159/2008: Tariff criteria for the 2009-2012 regulated period for the service of gas distribution and measurement and transitional rules for 2009

With resolution ARG 159/2008, the Authority for tariffs and defined as total revenue cap, representing the maximum remuneration recognized by the Authority to each operator for covering costs borne. In previous years, revenues were determined by applying tariffs set by the Authority to volumes actually distributed to selling companies in the relevant year. The resolution also provides for any positive or negative difference between the total revenue cap and revenues resulting from invoices for actually distributed volumes to be regulated through an equalization device making use of credit/debit cards lodged with the Electricity Equalization Exchange. As a result of the new mechanism, revenues are no longer related to the seasonality of volumes distributed. The introduction of this new mechanism does not cause a decline in total revenues on a yearly basis.

Law No. 99 July 23, 2009 converting the "Anti-crisis Decree"

Within the framework of measures approved to counter the economic downturn, on June 26, 2009, the Italian Council of Ministers approved the so called "Anti-crisis Decree" whose Article 3 concerns measures for reducing the cost of energy for companies and households and introduces the obligation for Eni to make new sales at the virtual exchange point for a total of 5 bcm of gas (so called gas release) in the period October 2009-September 2010. In particular the decree provides for these sales to be made under non discriminatory competitive procedures (bids) at the terms and conditions decided with proposal of the Authority for Electricity and Gas. The price paid to Eni is determined with a decree of the Ministry for Economic Development, as recommended by the Authority, taking into account the average prices on the most relevant European markets and the structure of supply costs borne by Eni. Any positive difference between the sale price determined by the procedure of volume allocation and that determined by the Ministry and the Authority will be destined to industrial final customers that showed a high use rate of gas withdrawals in the past three years according to criteria determined by the Ministry. The decree provides also that the Authority within 90 days from the entry into force of the same decree: (i) introduces degressive elements in transport tariffs for the 2010-2013 regulatory period; (ii) reforms the balancing methods by adopting flexibility

Electricity and Gas approved a new methodology for determining revenues to natural gas distributing companies that operate through local low pressure networks and serve final customers in the residential and tertiary sector. Starting from July 1, 2009 and for the duration of the three-year regulated period, i.e. until 2012, the resolution provides for the recognition of total revenues for each regulated year amounting to a value that the Authority will set at the time of approving the operators requests for distribution

mechanisms providing advantages to all final customers, including industrial customers; (iii) promotes the supply of peak services and storage for industrial and power generation customers.

Resolution ARG/gas 184/2009 - Quality and tariff code for the natural gas transport and dispatching services and tariff regulations for the metering service of natural gas transport for the 2010-2013 regulatory period

With resolution ARG/gas 184/2009, published on

December 2, 2009, the Authority set the criteria regulating the tariffs for natural gas transportation on the national and regional gas pipeline network for the third regulatory period (January 1, 2010 - December 31, 2013).
The Authority also recognized Snam Rete Gas a total amount of euro 33.6 million as settlement of additional costs incurred during the 2007-2008 thermal year and referring to the purchase of fuel gas for compression stations. The Regulatory Asset Base (RAB) is calculated with the re-valuated historical cost methodology.
The allowed rate of return (WACC) on the RAB has been set equal to 6.4% in real terms pre tax.
The new tariff structure confirms the recognition in tariffs of expenditures incurred for network upgrading, providing for a higher remuneration than WACC, changing in a 1-3% range in relation to the nature of expenditures and for a period of 5 to 15 years.
Depreciation costs of gas transport infrastructures (gas pipelines) are determined on a 50-year useful technical life and are excluded from the price cap mechanism.
Operating costs are defined with reference to operating costs incurred during 2008 and increased by a 50% rate to recognize productivity gains achieved in the second regulatory period. Fuel gas is excluded from the price cap mechanism. The revenue component related to volumes transported is determined referring to operating costs recognized in tariffs and amounts to 15% of the revenue cap.

Third Energy Package: 2009 European Directive No. 2009/73/CE
As a part of the so-called "Third Energy Package" published in 2009, European Directive No. 73 regulates the internal market for natural gas requesting that member states choose one of two options for ensuring carriers independence in case transport systems belong to vertically integrated companies.
The two options provided are:
(i) Separation of ownership under two alternative modes:
- Ownership Unbundling (OU): the company that owns the networks and manages transport activities is unbundled from its integrated parent company that will retain supply/production and sale activities;
- Independent System Operator (ISO): the vertically integrated company retains ownership of the networks but confers their management to a third independent party.
(ii) Strengthened functional separation:
- Independent Transmission Operator (ITO): the vertically integrated company retains control of the company that manages transport activities and owns transport networks, provided the vertically integrated company refrains from interfering in the decision-making process of the controlled carrier company.

Capital expenditures

In 2009, capital expenditures totaled euro 1,686 million and mainly related to: (i) developing and upgrading Eni s transport network in Italy (euro 1,479 million); (ii) developing and upgrading Eni s storage capacity in Italy (euro 282 million); (iii) developing and upgrading Eni s distribution network in Italy (euro 278 million); (iv) completion of construction of combined cycle power plants (euro 73 million), in particular at the Ferrara site; (v) the upgrading plan of international pipelines (euro 32 million).

Capital expenditures	(euro million)	2007	2008	**2009**	Change	% Ch.
Italy		1,219	1,750	**1,564**	(186)	(10.6)
Outside Italy		292	308	**122**	(186)	(60.4)
		1,511	**2,058**	**1,686**	**(372)**	**(18.1)**
Marketing		**238**	**198**	**175**	**(23)**	**(11.6)**
Marketing		63	91	**102**	11	12.1
Italy		*13*	*16*	***12***	*(4)*	*(25.0)*

Outside Italy	*50*	*75*	***90***	*15*	*20.0*
Power generation	175	107	**73**	(34)	(31.8)
Regulated businesses in Italy	**1,031**	**1,627**	**1,479**	**(148)**	**(9.1)**
Transport	691	1,130	**919**	(211)	(18.7)
Distribution	195	233	**278**	45	19.3
Storage	145	264	**282**	18	6.8
International transport	**242**	**233**	**32**	**(201)**	**(86.3)**
	1,511	**2,058**	**1,686**	**(372)**	**(18.1)**

Key performance indicators		2007	2008	2009
Net sales from operations [a] [b]	(euro million)	36,349	45,017	**31,769**
Operating profit		686	(988)	**(102)**
Adjusted operating profit		292	580	**(357)**
Adjusted net profit		294	521	**(197)**
Capital expenditures		979	965	**635**
Adjusted capital employed, net at year end [c]		7,149	8,260	**7,560**
Adjusted ROACE [c]	(%)	4.6	6.5	**(2.6)**
Refinery throughputs on own account	(mmtonnes)	37.15	35.84	**34.55**
Conversion index	(%)	56	58	**60**
Balanced capacity of refineries	(kbbl/d)	748	737	**747**
Retail sales of petroleum products in Europe	(mmtonnes)	11.80	12.03	**12.02**
Service stations in Europe at year end [d]	(units)	6,440	5,956	**5,986**
Average throughput per service station in Europe [d]	(kliters)	2,486	2,502	**2,477**
Employees at year end	(units)	9,428	8,327	**8,166**

(a) From January 1, 2009 Eni adopted IFRIC 13 "Customer Loyalty Programmes" that requires that the award points granted to clients within the related loyalty programmes be accounted as a separate component of the basic transaction, evaluated at their fair value and recognized as revenues when effectively used. Prior period results have been restated accordingly.

(b) Before elimination of intragroup sales.

(c) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".

(d) 2007 data include downstream activities in the Iberian Peninsula divested to Galp in October 2008.

Portfolio development and main projects

On January 21, 2010 Eni signed an agreement for the acquisition of downstream activities in Austria, including a retail network of 135 service stations, wholesale activities (with 36 additional Esso retail service stations owned by third parties) as well as commercial assets in the aviation business and related logistic and storage activities. The finalization of the transaction is subject to the approval of the relevant antitrust authorities.

The upgrading process of Eni s retail network of service stations continued aimed at improving service and quality standards. In 2010 the re-branding to "eni" brand of all downstream activities was launched.

Financial results

In 2009 the Refining & Marketing division reported an adjusted net loss of euro 197 million (down euro 718 million, reversing a prior year profit of euro 521 million) mainly driven by a lower operating performance, reflecting lower refining margins as a result of an unfavorable trading scenario, as well as decreased earnings reported by equity-accounted subsidiaries.

Return on average capital employed on an adjusted basis was a negative 2.6% declining from 2008 (6.5%).

Capital expenditures totaled euro 635 million and related mainly to projects designed to improve the conversion rate and flexibility of refineries, logistic assets, the upgrade the refined product retail network in Italy and in the rest of Europe.

In the medium term, management plans to recovery profitability by improving the refining system and reinforcing Eni s leadership in the Italian retail market and increasing market shares in core European countries.

Operating results

Eni s refining throughputs for 2009 were 34.55 mmtonnes, down 3.6% from 2008. Lower volumes were recorded in Italy (down 3.3%) as refinery operations were rescheduled at certain plants to take account of weak demand for products. Volumes processed outside Italy declined in particular in the Czech Republic due to lower utilization of plant capacity in response to weak market conditions.

In 2009 Eni s retail market share in Italy averaged 31.5%, up 0.9 percentage points from 2008 driven by the "You&Agip" promotional campaign, marketing pricing initiatives (in particular the success of the Iperself program), and the opening of new service stations. While Italian consumption was barely unchanged (down 0.6%), retail sales in Italy were 9.03 mmtonnes (up 2.5%) driven by higher volumes of gasoil and LPG sales.

Retail sales in the rest of Europe (approximately 2.99 mmtonnes) decreased by approximately 230 ktonnes, or 7.1%, mainly reflecting a decline in fuel demand, particularly in Eastern Europe.

In 2009 Eni opened/restructured 53 stores for the sale of convenience items and car services at its service stations in Italy. Excluding the impact of the divestment of marketing activities in the Iberian Peninsula in October 2008, non oil revenues were euro 147 million, up 2.4% from 2008.

Supply and trading

In 2009, a total of 67.40 mmtonnes of crude were purchased by the Refining & Marketing division (57.91 mmtonnes in 2008), of which 32.75 mmtonnes from Eni s Exploration & Production division. Volumes amounting to 19.71 mmtonnes were purchased under long-term supply contracts with producing countries, while 14.94 mmtonnes were purchased on the spot market. Approximately 25% of crude purchased in 2009 came from West Africa, 19% from European and Asian Russia, 15% from the Middle East, 13% from North Africa, 11% from the North Sea, 4% from Italy, and 13% from other areas.

Purchases (mmtonnes)	2007	2008	**2009**	Change	% Ch.
Equity crude oil					
Eni production outside Italy	27.47	26.14	**29.84**	3.70	14.2
Eni production in Italy	4.10	3.57	**2.91**	(0.66)	(18.5)
	31.57	**29.71**	**32.75**	**3.04**	**10.2**
Other crude oil					
Purchases on spot markets	11.34	12.09	**14.94**	2.85	23.6
Purchases under long-term contracts	16.65	16.11	**19.71**	3.60	22.3

	27.99	**28.20**	**34.65**	**6.45**	**22.9**
Total crude oil purchases	**59.56**	**57.91**	**67.40**	**9.49**	**16.4**
Purchases of intermediate products	3.59	3.39	**2.92**	(0.47)	(13.9)
Purchases of products	16.14	17.42	**13.98**	(3.44)	(19.7)
TOTAL PURCHASES	**79.29**	**78.72**	**84.30**	**5.58**	**7.1**
Consumption for power generation	(1.13)	(1.00)	**(0.96)**	0.04	(4.0)
Other changes [(a)]	(2.19)	(1.04)	**(1.64)**	(0.60)	(57.7)
	75.97	**76.68**	**81.70**	**5.02**	**6.5**

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

In 2009 some 36.11 mmtonnes of crude purchased were marketed, up 38.9% from 2008, mainly driven by higher trading activities. In addition, 2.92 mmtonnes of intermediate products were purchased (3.39 mmtonnes in the 2008) to be used as feedstock in conversion plants and 13.98 mmtonnes of refined products (17.42 mmtonnes in the 2008) were purchased to be sold on markets outside Italy (10.10 mmtonnes) and on the domestic market (3.88 mmtonnes) as a complement to available production.

Refining

In 2009, refining throughputs on own account in Italy and outside Italy were 34.55 mmtonnes, down 1.29 mmtonnes from 2008, or 3.6%. Volumes processed in Italy decreased by approximately 990 ktonnes, down 3.3%, mainly at the Gela plant due to the extension of planned refinery downtime, and at the Livorno and Taranto plants as refinery operations were rescheduled to take account of a weak demand for products. Volumes processed outside Italy declined by approximately 330 ktonnes in particular in the Czech Republic and in Germany due to lower utilization of plant capacity in response to weak market conditions and the restructuring of the Ingolstadt facility in Germany.

Total throughputs in wholly-owned refineries (24.02 mmtonnes) decreased by 1.57 mmtonnes, down 6.1%, from 2008, due to lower refining throughputs for third parties in the Venezia and Sannazzaro plants for the termination of the agreement with Tamoil at the end of 2008.

Approximately 16.3% of volumes of processed crude was supplied by Eni s Exploration & Production segment (21.5% in 2008) representing a 5.2 percentage point decrease from 2008, corresponding to a lower volume of 1.87 mmtonnes.

Availability of refined products (mmtonnes)	2007	2008	**2009**	Change	% Ch.
ITALY					
At wholly-owned refineries	27.79	25.59	**24.02**	(1.57)	(6.1)
Less input on account of third parties	(1.76)	(1.37)	**(0.49)**	0.88	64.2
At affiliated refineries	6.42	6.17	**5.87**	(0.30)	(4.9)
Refinery throughputs on own account	**32.45**	**30.39**	**29.40**	**(0.99)**	**(3.3)**
Consumption and losses	(1.63)	(1.61)	**(1.60)**	0.01	0.6
Products available for sale	**30.82**	**28.78**	**27.80**	**(0.98)**	**(3.4)**
Purchases of refined products and change in inventories	2.16	2.56	**3.73**	1.17	45.7
Products transferred to operations outside Italy	(3.80)	(1.42)	**(3.89)**	(2.47)	..
Consumption for power generation	(1.13)	(1.00)	**(0.96)**	0.04	4.0
Sales of products	**28.05**	**28.92**	**26.68**	**(2.24)**	**(7.7)**
OUTSIDE ITALY					
Refinery throughputs on own account	**4.70**	**5.45**	**5.15**	**(0.30)**	**(5.5)**
Consumption and losses	(0.31)	(0.25)	**(0.25)**		
Products available for sale	**4.39**	**5.20**	**4.90**	**(0.30)**	**(5.8)**
Purchases of refined products and change in inventories	13.91	15.14	**10.12**	(5.02)	(33.2)
Products transferred from Italian operations	3.80	1.42	**3.89**	2.47	..
Sales of products	**22.10**	**21.76**	**18.91**	**(2.85)**	**(13.1)**
Refinery throughputs on own account	**37.15**	**35.84**	**34.55**	**(1.29)**	**(3.6)**
of which: refinery throughputs of equity crude on own account	*9.29*	*6.98*	***5.11***	*(1.87)*	*(26.8)*
Total sales of refined products	**50.15**	**50.68**	**45.59**	**(5.09)**	**(10.0)**
Crude oil sales	**25.82**	**26.00**	**36.11**	**10.11**	**38.9**
TOTAL SALES	**75.97**	**76.68**	**81.70**	**5.02**	**6.5**

Marketing of refined products

In 2009, excluding the impact of the divestment of marketing activities in the Iberian Peninsula in 2008 (down 1.52 mmtonnes), sales volumes of refined products (45.59 mmtonnes) were down 3.57 mmtonnes from 2008, or 7.3%, mainly due to lower wholesale sales on the domestic and foreign market.

Product sales in Italy and outside Italy by market (mmtonnes)	2007	2008	**2009**	Change	% Ch.
Retail	8.62	8.81	**9.03**	0.22	2.5
Wholesale	11.09	11.15	**9.56**	(1.59)	(14.3)
Petrochemicals	1.93	1.70	**1.33**	(0.37)	(21.8)
Other sales	6.41	7.26	**6.76**	(0.50)	(6.9)
Sales in Italy	**28.05**	**28.92**	**26.68**	**(2.24)**	**(7.7)**
Retail rest of Europe	3.18	3.22	**2.99**	(0.23)	(7.1)
Wholesale rest of Europe	3.20	3.94	**3.66**	(0.28)	(7.1)
Wholesale outside Italy	0.57	0.56	**0.41**	(0.15)	(26.8)
Other sales	13.11	12.52	**11.85**	(0.67)	(5.4)
Sales outside Italy	**20.06**	**20.24**	**18.91**	**(1.33)**	**(6.6)**
	48.11	**49.16**	**45.59**	**(3.57)**	**(7.3)**
Iberian Peninsula	2.04	1.52	**-**	(1.52)	..
of which:					
- Retail	*0.85*	*0.64*		*(0.64)*	..
- Wholesale	*1.19*	*0.88*		*(0.88)*	..
TOTAL SALES	**50.15**	**50.68**	**45.59**	**(5.09)**	**(10.0)**

Retail sales in Italy

In 2009, while domestic consumption was barely unchanged, retail sales on the Italian network (9.03

At December 31, 2009, Eni s retail network in Italy consisted of 4,474 service stations, 65 more than at December 31, 2008 (4,409 service stations), resulting mmtonnes) were up approximately 220 ktonnes from 2008, or 2.5%, mainly due to fidelity programs, marketing and pricing initiatives, in particular "Iperself" sales, and the opening of new services stations that sustained a 0.9 percentage point growth in market share from 30.6% at December 31, 2008 to 31.5% at December 31,2009. Higher sales mainly regarded gasoil and LPG sales, while gasoline sales declined slightly.

from the positive balance of acquisitions/releases of lease concessions (90 units), the opening of new service stations (7 units), partly offset by the closing of service stations with low throughput (24 units) and the release of 9 service stations under highway concession. Average throughput related to gasoline and gasoil (2,482 kliters) registered an increase of 13 kliters from 2008.

Contents

Retail and wholesale sales of refined products (mmtonnes)	2007	2008	**2009**	Change	% Ch.
Italy	**19.71**	**19.96**	**18.59**	**(1.37)**	**(6.9)**
Retail sales	**8.62**	**8.81**	**9.03**	**0.22**	**2.5**
Gasoline	3.19	3.11	**3.05**	(0.06)	(1.9)
Gasoil	5.25	5.50	**5.74**	0.24	4.4
LPG	0.17	0.19	**0.22**	0.03	15.8
Lubricants	0.01	0.01	**0.02**	0.01	..
Wholesale sales	**11.09**	**11.15**	**9.56**	**(1.59)**	**(14.3)**
Gasoil	4.42	4.52	**4.30**	(0.22)	(4.9)
Fuel Oil	0.95	0.85	**0.72**	(0.13)	(15.3)
LPG	0.37	0.38	**0.35**	(0.03)	(7.9)
Gasoline	0.15	0.15	**0.12**	(0.03)	(20.0)
Lubricants	0.13	0.12	**0.09**	(0.03)	(25.0)
Bunker	1.58	1.70	**1.38**	(0.32)	(18.8)
Other	3.49	3.43	**2.60**	(0.83)	(24.2)
Outside Italy (retail+wholesale)	**8.99**	**7.72**	**7.06**	**(0.66)**	**(8.5)**
Gasoline	2.29	2.12	**1.89**	(0.23)	(10.8)
Gasoil	5.16	3.80	**3.54**	(0.26)	(6.8)
Jet fuel	0.38	0.47	**0.35**	(0.12)	(25.5)
Fuel Oil	0.25	0.23	**0.28**	0.05	21.7
Lubricants	0.09	0.11	**0.10**	(0.01)	(9.1)
LPG	0.49	0.52	**0.50**	(0.02)	(3.8)
Other	0.33	0.47	**0.40**	(0.07)	(14.9)
	28.70	**27.68**	**25.65**	**(2.03)**	**(7.3)**
Iberian Peninsula	2.04	1.52	**-**	(1.52)	..
TOTAL SALES	**30.74**	**29.20**	**25.65**	**(3.55)**	**(12.2)**

In 2009, fuel sales of the Blu line high performance and low environmental impact fuel recorded lower prices from 2008 with the stability of sales due to marketing initiatives and fidelity programs during the year. Sales of BluDiesel and its reformulated version BluDieselTech amounted approximately to 600 ktonnes (720 mmliters), and represented 10.5% of gasoil sales on Eni s retail network. At December 31, 2009, service stations marketing BluDiesel totaled 4,104 units (4,095 at 2008 year end) covering approximately 92% of Eni s network. Retail sales of BluSuper amounted to 82 ktonnes (110 mmliters), in line with 2008 and covered 2.6% of gasoline sales on Eni s retail network. At December 31, 2009, service stations marketing BluSuper totaled 2,679 units (2,631 at December 31, 2008), covering approximately 60% of Eni s network.
"You&Agip", the promotional campaign, launched in the program, and 44% of overall volumes marketed on Eni s network. In February 2010 Eni launched the new promotional campaign "you&eni" lasting 3 years until January 31, 2013.

March 2007 and lasting 3 years finished in 2009. As of December 31, 2009, the number of customers that actively used the card in the year amounted to approximately 5.4 million. The average number of cards active each month was over 3.1 million. Volumes of fuel marketed under this initiative represented over 45% of total volumes marketed on Eni s service stations joining

Retail sales in the Rest of Europe
Excluding the impact of the divestment of marketing activities in the Iberian Peninsula to Galp (down 0.64 mmtonnes), in 2009 retail sales of refined products marketed in the rest of Europe (2.99 mmtonnes) were down approximately 230 ktonnes from 2008, or 7.1%, mainly in Germany and Eastern Europe due to a decrease in fuel demand. At December 31, 2009, Eni s retail network in the rest of Europe consisted of 1,512 units, a decrease of 35 units from December 31, 2008 (1,547 service stations). The network evolution was as follows: (i) 32 low throughput service stations were closed; (ii) negative balance of acquisitions/releases of lease concessions (32 units) with negative changes in Germany and positive changes in Hungary; (iii) purchased 21 service stations, in particular in Romania; (iv) opened 8 new outlets.
Average throughput (2,461 kliters) decreased by 116 kliters from 2008.

Wholesale and other sales
In 2009, sales volumes on wholesale markets in Italy (9.56 mmtonnes) were down 1.59 mmtonnes from 2008, or 14.3%, reflecting mainly a decrease in demand for jet fuel, the bunkering market and fuel oil for power generation, as well as in gasoil sales due to lower industrial consumption reflecting the economic downturn. Sales on wholesale markets in the rest of Europe (3.66 mmtonnes) decreased by approximately 280 ktonnes, or 7.1% (excluding the impact of asset divestments in the Iberian Peninsula), mainly in Germany, in the Czech Republic and Switzerland due to declining consumption in particular of gasoil for heating.
Supplies of feedstock to the petrochemical industry (1.33 mmtonnes) decreased by approximately 370 ktonnes due to declining demand. Other sales (18.61 mmtonnes) decreased by approximately 1.17 mmtonnes, or 5.9%, mainly due to lower sales volumes to trader and oil companies, as well as the reduction of volumes sold to the cargo market, also due to lower refining throughputs.

Capital expenditures

In 2009, capital expenditures in the Refining & Marketing segment amounted to euro 635 million and regarded mainly: (i) refining, supply and logistics in Italy (euro 436 million), with projects designed to improve the conversion rate and flexibility of refineries, including the construction of an industrial plant employing the Eni s proprietary Est technology, a new hydrocracker at the Sannazzaro refinery (operating from July) and at the Taranto refinery (start up scheduled in 2010) as well as expenditures on health, safety and environmental upgrades; (ii) upgrade of the retail network in Italy, wholesale and LPG activities (euro 118 million); (iii) upgrade of the retail network and purchase of service stations in the rest of Europe (euro 54 million). Expenditures on health, safety and the environment amounted to euro 78 million.

Capital expenditures	(euro million)	2007	2008	**2009**	Change	% Ch.
Italy		873	850	**581**	(269)	(31.6)
Outside Italy		106	115	**54**	(61)	(53.0)
		979	**965**	**635**	**(330)**	**(34.2)**
Refinery, supply and logistic		**675**	**630**	**436**	**(194)**	**(30.8)**
Italy		675	630	**436**	(194)	(30.8)
Marketing		**282**	**298**	**172**	**(126)**	**(42.3)**
Italy		176	183	**118**	(65)	(35.5)
Outside Italy		106	115	**54**	(61)	(53.0)
Other		**22**	**37**	**27**	**(10)**	**(27.0)**
		979	**965**	**635**	**(330)**	**(34.2)**

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Key performance indicators		2007	2008	2009
Net sales from operations [(a)]	(euro million)	6,934	6,303	**4,203**
Basic petrochemicals		*3,582*	*3,060*	***1,832***
Polymers		*3,109*	*2,961*	***2,185***
Other sales		*243*	*282*	***186***
Operating profit		100	(845)	**(675)**
Adjusted operating profit		116	(398)	**(426)**
Adjusted net profit		74	(323)	**(340)**
Capital expenditures		145	212	**145**
Production	(ktonnes)	8,795	7,372	**6,521**
Sales of petrochemical products		5,513	4,684	**4,265**
Average plant utilization rate	(%)	80.6	68.6	**65.4**
Employees at period end	(units)	6,534	6,274	**6,068**

(a) Before elimination of intragroup sales.

In 2009, the Petrochemical segment incurred an adjusted net loss of euro 340 million, a decrease of euro 17 million from 2008, due to a prolonged weakness in industry fundamentals reflecting lower end-market demand and high competitive pressure.

Sales of petrochemical products were 4,265 ktonnes, down 419 ktonnes from last year, or 8.9%, due to a context of economic downturn, especially in the automotive sector, that negatively influenced demand for petrochemical products.

Petrochemical production volumes were 6,521 ktonnes, down 851 ktonnes, or 11.5%, due to a steep decline in demand for petrochemical products in all business.

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Sales - production - prices

In 2009 sales of petrochemical products (4,265 ktonnes) decreased by 419 ktonnes from 2008 (or 8.9%) due to a general weakness of end-markets in the first nine months of 2009 with a slight recovery in demand for polymers in the last quarter.

Petrochemical production (6,521 ktonnes) decreased by 851 ktonnes from 2008 (or 11.5%) affecting all business areas. The general demand decrease in the chemical industry, in particular for commodities, required unexpected outages in a number of plants in order to avoid excess stocks. Relevant production decreases were registered at the Porto Torres plant (down 51%), as result of the shutdown of the phenol plant at the beginning of the year and of reduced production for commercial reasons.
Nominal production capacity decreased by 3.3% from 2008, due to the shutdown of the Gela cracker and the Porto Torres phenol plant. The average plant utilization rate, calculated on nominal capacity decreased from 68.6% to 65.4% due to reduced production.

Average unit sale prices decreased by 26%. The steeper decreases affected the prices of the main petrochemical products (olefins were down 35%), due to the negative impact of the oil price scenario (virgin naphtha was down 32.3% from 2008). Average unit prices of polymers, in particular elastomers (down 17%) decreased less, due to a slower adjustment to the oil scenario and to expected price increases in 2010.

Product availability	(ktonnes)	2007	2008	**2009**	Change	% Ch.
Basic petrochemicals		6,274	5,110	**4,350**	(760)	(14.9)
Polymers		2,521	2,262	**2,171**	(91)	(4.0)
Production		**8,795**	**7,372**	**6,521**	**(851)**	**(11.5)**
Consumption and losses		(4,099)	(3,539)	**(2,701)**	838	(23.7)
Purchases and change in inventories		816	851	**445**	(406)	(47.7)
		5,513	**4,684**	**4,265**	**(419)**	**(8.9)**

Business trends

Basic petrochemicals
Basic petrochemical revenues (euro 1,832 million) decreased by euro 1,228 million from 2008 (or 40.1%) in all the main business segments due to the steep reduction in average unit prices (ranging from 25% to 35%) related to the prices of main petrochemical products, and to a lower extent to the decrease in sales volumes. In particular olefins and aromatics sales volumes decreased by 8% and 10.5%, respectively, with a slight increase in the last quarter of 2009.
Intermediates sales volumes continued to report a negative performance (down 34%) as a result of lower product availability due to the shutdown of the Porto Torres plant as a result of the unfavorable scenario.
Basic petrochemicals production (4,350 ktonnes) decreased by 760 ktonnes from 2008 (or 14.9%), in line months of the year. Styrene sales achieved a stable performance and compact polystyrene sales increased by 2.5% from 2008. Sales decreases were registered mainly in elastomers (down 7%) due to a greater impact of industrial sectors affected by the economic downturn (mainly automotive).
Polymers production (2,171 ktonnes) decreased by 91 ktonnes from 2008 (or 4%), in line with sales trends.
Production volumes of styrene and elastomers decreased by 3% mainly due to the shutdown of the Porto Torres plant. Elastomers production decreased by 8.8% as a result of plants outages, mainly in the first months of 2009 due to lower demand from industries, in particular the automotive sector.

Capital expenditures

with lower demand of monomers.

Polymers

Polymer revenues (euro 2,185 million) decreased by euro 776 million, or 26.2%, from 2008, mainly due to price reductions.

Sales volumes of polyethylene decreased by 1.3% in spite of a slight demand increase registered in the last

In 2009, capital expenditures in the Petrochemicals segment amounted to euro 145 million (euro 212 million in 2008) and regarded mainly plant upgrades (euro 58 million), extraordinary maintenance (euro 28 million), environmental protection, safety and environmental regulation compliance (euro 28 million), upkeeping and rationalization (euro 20 million).

Key performance indicators		2007	2008	2009
Net sales from operations [a]	(euro million)	8,678	9,176	**9,664**
Operating profit		837	1,045	**881**
Adjusted operating profit		840	1,041	**1,120**
Adjusted net profit		658	784	**892**
Capital expenditures		1,410	2,027	**1,630**
Adjusted ROACE [b]	(%)	17.1	16.8	**15.4**
Orders acquired	(euro million)	11,845	13,860	**9,917**
Order backlog	(euro million)	15,390	19,105	**18,730**
Employees at period end	(units)	33,111	35,629	**35,969**

(a) Before elimination of intragroup sales.

(b) For a detailed explanation of adjusted capital employed and adjusted ROACE, see paragraph "Return On Average Capital Employed (ROACE)".

Adjusted net profit was euro 892 million, up euro 108 million from a year ago, or 13.8%, driven by steady revenue flows and profitability as a result of the large number of oil & gas projects that were started during the upward phase of the oil cycle.

Operating profit decreased to euro 881 million, down euro 164 million from 2008, or 15.7%, as a result of a non-recurring charge amounting to euro 250 million reflecting the estimated cost of a possible resolution of the investigation related to the TSKJ consortium based on the current status of the ongoing discussions with US Authorities. The matter is fully disclosed under the section "Legal Proceedings" in the notes to the consolidated statements. Notwithstanding the charge is recognized in the segment results of the Engineering & Construction business as it relates to a project to build gas liquefaction plants, it will be fully incurred by Eni and Saipem s minorities will be left unaffected due to the contractual obligations assumed by Eni to indemnify Saipem as part of the divestiture of Snamprogetti SpA, whose subsidiary Snamprogetti Netherlands BV participated to the TSKJ venture.

Return on average capital employed calculated on an adjusted basis was 15.4% in 2009, lower than in 2008 (16.8%).

Orders acquired amounted to euro 9,917 million, down euro 3,943 million from 2008 (down 28.4%), in particular in onshore construction and drilling onshore activities.

Order backlog was euro 18,730 million at December 31, 2009 (euro 19,105 million at December 31, 2008), related in particular to projects in North Africa (30%), West Africa (15%) and the Rest of Europe (13%).

Capital expenditures amounted to euro 1,630 million, down euro 397 million from 2008, or 19.6%. The main projects related to the upgrade of the construction and drilling fleet.

Activity for the year

Among the main orders acquired in 2009 were:
- an EPC contract on behalf of the joint venture between Eni and Sonatrach for the construction of facilities for the treatment of natural gas extracted from the Menzel Ledjmet East field and from the future developments of the CAFC (Central Area Field Complex) in Algeria;
- an EPC contract on behalf of Agip KCO as part of the development program of the Kashagan field related to the hook-up and commissioning of offshore facilities, as well as activities to be executed in the Kuryk construction yard in Kazakhstan;
- a contract on behalf of Eni for the conversion of a tanker into an FPSO (Floating Production Storage and Offloading) vessel that will have a storage and production capacity of 700 kbbl/d and 12 kbbl/d, respectively;
- an EPC contract on behalf of Sonatrach for the construction of the GK3-lot 3 gas pipeline that will connect various cities situated in the north-eastern region of Algeria for a total length of approximately 350 kilometers;
- an EPC contract on behalf of Esso Exploration Angola for the development of Kizomba Satellites Project offshore Angola. The project is related to the connection of the Mavacola and Clochas fields to the existing FPSO units;
- an EPC contract on behalf of Qafco for the construction of a new urea plant in the city of Mesaieed, in Qatar;
- a contract on behalf of Esso Highlands Ltd, for the installation of the gas sealine PNG LNG EPC2 for a total length of 407 kilometers, in Papua New Guinea;
- an EPIC contract on behalf of Premier Oil Natuna Sea BV for the construction of two platforms and related infrastructures in the Gajah Baru offshore field in Indonesia;
- an EPC contract on behalf of Sonatrach for the construction of a marine export terminal for the future urea/ammonia plant to be built near Arzew, in Algeria.

Orders acquired amounted to euro 9,917 million, of these projects to be carried out outside Italy represented 79%, while orders from Eni companies amounted to 32% of the total. Eni s order backlog was euro 18,730 million at December 31, 2008 (euro 19,105 million at December 31, 2008). Projects to be carried out outside Italy represented 93% of the total order backlog, while orders from Eni companies amounted to 22% of the total.

Orders acquired	(euro million)	2007	2008	**2009**	Change	% Ch.
Orders acquired		**11,845**	**13,860**	**9,917**	**(3,943)**	**(28.4)**
Offshore construction		3,496	4,381	**5,089**	708	16.2
Onshore construction		6,070 (a)	7,522	**3,665**	(3,857)	(51.3)
Offshore drilling		1,644	760	**585**	(175)	(23.0)
Onshore drilling		635	1,197	**578**	(619)	(51.7)
of which:						
- Eni		1,923	540	**3,147**	2,607	..
- Third parties		9,922	13,320	**6,770**	(6,550)	(49.2)
of which:						
- Italy		574	831	**2,081**	1,250	..
- Outside Italy		11,271	13,029	**7,836**	(5,193)	(39.9)

(a) Net of the backlog of divested companies (Haldor Topsøe and Camom Group) for euro 181 million.

Order backlog	(euro million)	Change	% Ch.

	Dec. 31, 2007	Dec. 31, 2008	**Dec. 31, 2009**		
Order backlog	**15,390**	**19,105**	**18,730**	**(375)**	**(2.0)**
Offshore construction	4,215	4,682	**5,430**	748	16.0
Onshore construction	7,003 [(a)]	9,201	**8,035**	(1,166)	(12.7)
Offshore drilling	3,471	3,759	**3,778**	19	0.5
Onshore drilling	701	1,463	**1,487**	24	1.6
of which:					
- Eni	3,399	2,547	**4,103**	1,556	61.1
- Third parties	11,991	16,558	**14,627**	(1,931)	(11.7)
of which:					
- Italy	799	435	**1,341**	906	..
- Outside Italy	14,591	18,670	**17,839**	(831)	(4.5)

(a) Net of the backlog of divested companies (Haldor Topsøe and Camom Group) for euro 181 million.

Capital expenditures

In 2009 capital expenditures in the Engineering & Construction segment (euro 1,630 million) mainly regarded:
(i) Offshore: purchase of the lay barge Acergy Piper renamed Castoro Sette, construction of a new pipelayer and the ultra-deep water Field Development Ship FDS2, construction of a new fabrication yard in Indonesia and the activities for the conversion of a tanker into an FPSO;
(ii) Offshore drilling: construction of the two semisubmersible rigs Scarabeo 8 and 9, the new ultra deep water drillship Saipem 12000 and the jack up Perro Negro 6;
(iii) Onshore drilling: construction/development of operating structures;
(iv) Onshore: maintenance and upgrading of the existing asset base.

Capital expenditures	(euro million)	2007	2008	**2009**	Change	% Ch.
Offshore construction		566	741	**691**	(50)	(6.7)
Onshore construction		76	48	**19**	(29)	(60.4)
Offshore drilling		478	785	**706**	(79)	(10.1)
Onshore drilling		266	424	**188**	(236)	(55.7)
Other expenditures		24	29	**26**	(3)	(10.3)
		1,410	**2,027**	**1,630**	**(397)**	**(19.6)**

Financial review

PROFIT AND LOSS ACCOUNT

2007	(euro million)	2008	**2009**	Change	% Ch.
87,204	Net sales from operations [a]	108,082	**83,227**	(24,855)	(23.0)
833	Other income and revenues	728	**1,118**	390	53.6
(61,933)	Operating expenses	(80,354)	**(62,532)**	17,822	22.2
(8)	*of which non recurring items*	*21*	***(250)***	*(271)*	
(129)	Operating income (expense) [b]	(124)	**55**	179	..
(7,236)	Depreciation, depletion, amortization and impairments	(9,815)	**(9,813)**	2	..
18,739	**Operating profit**	**18,517**	**12,055**	**(6,462)**	**(34.9)**
46	Finance (expense) income	(640)	**(551)**	89	13.9
1,243	Net income from investments	1,373	**569**	(804)	(58.6)
20,028	**Profit before income taxes**	**19,250**	**12,073**	**(7,177)**	**(37.3)**
(9,219)	Income taxes	(9,692)	**(6,756)**	2,936	30.3
46.0	*Tax rate (%)*	*50.3*	***56.0***	*5.7*	
10,809	Net profit	9,558	**5,317**	(4,241)	(44.4)
	Attributable to:				
10,011	**- Eni**	**8,825**	**4,367**	**(4,458)**	**(50.5)**
798	- minority interest	733	**950**	217	29.6

(a) From January 1, 2009 Eni adopted IFRIC 13 "Customer Loyalty Programmes" that requires that the award points granted to clients within the related loyalty programmes be accounted as a separate component of the basic transaction, evaluated at their fair value and recognized as revenues when effectively used. Prior period results have been restated accordingly.

(b) From year 2009, the Company accounts gains and losses on non-hedging commodity derivative instruments, including both fair value re-measurement and settled transactions, as items of operating profit. Adjusted operating profit and net profit only include gains and losses associated with settled transactions, gross and net of the associated tax impact respectively. Prior period results have been restated accordingly.

Net profit

In 2009 **Eni s net profit** was euro 4,367 million compared with euro 8,825 million a year ago, down euro 4,458 million, or 50.5%. This result was driven by lower reported operating profit (down euro 6,462 million, or 34.9%) reflecting an unfavorable trading environment for oil prices, which were significantly lower than a year ago in the first nine months of the year. This trend was partly offset by the circumstance that the Company incurred a material charge related to inventory write-down of oil and products (down euro 2.35 billion) as they were aligned to their net realizable value at 2008 Group results were also affected by lower profits reported by equity-accounted entities, and a higher consolidated tax rate up from 50.3% to 56% (up 5.7 percentage points), mainly due to new tax rules in Italy and outside Italy which impacted taxes currently payable, charges accounted in the year which are not considered for fiscal purposes, and the circumstance that in 2008 the tax rate benefited from certain tax gains associated with an adjustment to deferred taxation amounting to euro 733 million as new tax provisions came into effect pertaining to both Italian and foreign subsidiaries.

year end when the oil cycle hit a low.

Adjusted net profit

2007	(euro million)	2008	**2009**	Change	% Ch.
10,011	**Net profit attributable to Eni**	**8,825**	**4,367**	**(4,458)**	**(50.5)**
(499)	Exclusion of inventory holding (gain) loss	723	**(191)**	(914)	
57	Exclusion of special items	616	**1,031**	415	
	of which:				
35	*- non recurring items*	*(21)*	***250***	*271*	
22	*- other special items*	*637*	***781***	*144*	
9,569	**Eni's adjusted net profit** [(a)]	**10,164**	**5,207**	**(4,957)**	**(48.8)**

(a) For a detailed explanation of adjusted operating profit and net profit see paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis".

Eni s adjusted net profit for the year was euro 5,207 million compared with euro 10,164 million a year ago, down euro 4,957 million, or 48.8%.
Adjusted net profit excludes an inventory holding profit of euro 191 million and **net special charges** of euro 1,031 million, resulting in an overall adjustment equal to an increase of euro 840 million. The balance between special charges and gains is comprised of, on the negative side, impairment charges recorded on oil & gas properties in the Exploration & Production division, refineries and goodwill recognized on marketing assets in the Refining & Marketing division, and a number of petrochemicals plants (euro 1,395 million as before tax impact) as well as environmental (euro 298 million) and operational provisions (euro 378 million), including a non-recurring charge amounting to euro 250 million reflecting the estimated cost of a possible resolution of the investigation related to the TSKJ consortium based on the current status of the ongoing discussions with U.S. Authorities. The matter is fully disclosed in the section "Legal Proceedings" in the notes to the consolidated financial statements. Notwithstanding the charge is recognized in the segment results of the Engineering & Construction business as it relates to a project to build gas liquefaction plants, it will be fully incurred by Eni and Saipem s minorities will be left unaffected altogether due to the contractual obligations assumed by Eni to indemnify Saipem as part of the divestiture of Snamprogetti SpA, whose subsidiary Snamprogetti Netherlands BV participates to the TSKJ venture. On the positive side, gains were recorded on the divestment of certain oil & gas properties to the partner Suez (euro 277 million), gains on fair value evaluation of certain non-hedging commodity derivatives (euro 287 million), and positive adjustments on deferred taxation and other tax benefits (euro 222 million).

The breakdown of **adjusted net profit** by division is shown in the table below:

2007	(euro million)	2008	**2009**	Change	% Ch.
6,328	Exploration & Production	7,900	**3,878**	(4,022)	(50.9)
3,127	Gas & Power	2,648	**2,916**	268	10.1
294	Refining & Marketing	521	**(197)**	(718)	..
74	Petrochemicals	(323)	**(340)**	(17)	(5.3)
658	Engineering & Construction	784	**892**	108	13.8
(210)	Other activities	(279)	**(245)**	34	12.2
(62)	Corporate and financial companies	(532)	**(744)**	(212)	(39.8)

(16)	Impact of unrealized intragroup profit elimination [a]	76	**(3)**	(79)	..
10,193		**10,795**	**6,157**	**(4,638)**	**(43.0)**
	of which attributable to:				
624	- Minority interest	631	**950**	319	50.6
9,569	**- Eni**	**10,164**	**5,207**	**(4,957)**	**(48.8)**

(a) This item concerned mainly intragroup sales of commodities, services and capital goods recorded in the assets of the purchasing business segment as of end of the period.

The decline in group adjusted net profit reflected lower results mainly reported by:
- the **Exploration & Production** division reported a decrease of euro 4,022 million in adjusted net profit, down 50.9%, due to a weaker operating performance (down euro 7,738 million, or 44.9%) affected by lower oil & gas realizations in dollars (down 32.2% and 29.8%, respectively) and lower sales volumes (down 9.2 mmboe, or 1.5%). These negatives were partly offset by the depreciation of the euro over the dollar (down 5.3%). The divisional performance was also impacted by a higher tax rate (from 55.9% to 60%);
- the **Refining & Marketing** division reported adjusted net loss of euro 197 million, reversing a prior year profit of euro 521 million. The euro 718 million decline was mainly due to an adjusted operating loss of euro 357 million, a decrease of euro 937 million from 2008, driven by sharply lower refining margins as a result of an unfavorable trading environment;
- the **Petrochemicals** division continued to report losses at both operating and net level (down euro 426 million and euro 340 million, respectively) due to weak industry fundamentals reflecting lower end markets demand, excess capacity and high competitive pressures. Net loss was almost in line with 2008.

These negative performances were partly offset by higher results reported by:
- the **Gas & Power** division (up euro 268 million, or 10.1%) driven by a better operating performance of the Marketing activities (up euro 412 million). Higher results in the Marketing activities were also driven by gains recorded on the settlement of certain non-hedging commodity derivatives amounting to euro 218 million associated with future sales of gas and electricity. Under IFRS, the Company is required to recognize fair value accounting effects on those derivatives in profit or loss because hedge accounting is not followed. However, in assessing the underlying performance of the Marketing business, management calculates the EBITDA pro-forma adjusted as an alternative measure of performance, by bringing forward the impact of the settlement of those derivatives to future reporting periods where the associated revenues are expected to be recognized. Management believes that disclosing this internally-used measure is helpful in assisting investors to understand these business trends (see page 67). When measured against this performance indicator, the Marketing business confirmed the achievement of positive results. The underlying performance was mainly driven by a favorable trading environment related to energy parameters, improved results reported by the subsidiary Distrigas and the achievement of synergies on integration, as well as the impact of the renegotiation of long-term supply contracts. These positives were partly offset by lower sales volumes, mainly on the Italian market and the impact of rising competitive pressure on marketing margins. Regulated Businesses in Italy recorded steady results. The International transport business reported weaker results;
- the **Engineering & Construction** business achieved an increase of euro 108 million from 2008, or 13.8% reflecting better operating performance (up euro 79 million) driven by steady revenue flows and profitability as a result of the large number of oil & gas projects that were started during the upward phase of the oil cycle.

Return on average capital employed (ROACE) calculated on an adjusted basis was 9.2% (17.6% in 2008).

Eni s results for 2009 were achieved in a trading environment characterized by an average 31.2% decrease in hydrocarbon realizations driven by a fall in Brent prices which were down 36.6% from 2008. Eni s realized refining margins in dollar terms were sharply lower in the full year 2009, mirroring trends in Brent margins (down $3.4 per barrel, or 51.8%). A number of negative factors explained the reduction. Firstly, significantly compressed light-heavy crude differentials due to a reduction in heavy crude availability on the marketplace negatively affected the profitability of Eni s complex refineries. Secondly, the industry continued to be plagued by weak fundamentals due to excess capacity, high inventory levels and stagnant demand affecting end-prices, while feedstock costs have been on an upward trend since the beginning of the second half. Finally, middle-distillates prices plunged to historical lows in terms of spread versus the cost of oil. Results of operations for the full year were helped by the depreciation of the euro vs. the US dollar, down by 5.3%.

Analysis of profit and loss account items

Net sales from operations

2007	(euro million)	2008	**2009**	Change	% Ch.
26,920	Exploration & Production	33,042	**23,801**	(9,241)	(28.0)
27,793	Gas & Power	37,062	**30,447**	(6,615)	(17.8)
36,349	Refining & Marketing	45,017	**31,769**	(13,248)	(29.4)
6,934	Petrochemicals	6,303	**4,203**	(2,100)	(33.3)
8,678	Engineering & Construction	9,176	**9,664**	488	5.3
205	Other activities	185	**88**	(97)	(52.4)
1,313	Corporate and financial companies	1,331	**1,280**	(51)	(3.8)
	Impact of unrealized intragroup profit elimination	75	**(66)**	(141)	
(20,988)	Consolidation adjustment	(24,109)	**(17,959)**	6,150	..
87,204		**108,082**	**83,227**	**(24,855)**	**(23.0)**

Eni s **net sales from operations** (revenues) for 2009 (euro 83,227 million) were down euro 24,855 million from 2008 (down 23%) primarily reflecting lower realizations on oil, products and natural gas in dollar terms and lower sales volumes. These negatives were partly offset by the positive impact of the depreciation of the euro vs. the US dollar.

Revenues generated by the Exploration & Production division (euro 23,801 million) decreased by euro 9,241 million, or 28%, mainly due to lower realizations in dollars (oil down 32.2%; natural gas down 29.8%) reflecting the first nine months trading environment and the impact of energy parameters on gas prices and a fall in gas spot prices. This decrease reflected also lower sales volumes (down 9.2 mmboe, or 1.5%). These negatives were partly offset by the depreciation of the euro vs. the US dollar.

Revenues generated by the Gas & Power division (euro 30,447 million) decreased by euro 6,615 million, down 17.8%, mainly due to lower gas prices reflecting trends in energy parameters, as well as lower volumes sold in Italy (down 12.8 bcm, or 24.2%) due to the impact of the economic downturn. These negatives were partly offset by increased sales due to contribution of the Distrigas acquisition (up 12.02 bcm).

Revenues generated by the Refining & Marketing division (euro 31,769 million) decreased by euro 13,248 million, or 29.4%, reflecting lower product prices and lower sales volumes (down 10%), partly offset by the impact of the depreciation of the euro vs. the US dollar.

Revenues generated by the Petrochemical division (euro 4,203 million) decreased by euro 2,100 million, down 33.3% from 2008, mainly reflecting lower sales prices (down 26%) and a decline in volumes sold due to lower end-markets demand.

Revenues generated by the Engineering & Construction business (euro 9,664 million) increased by euro 488 million, up 5.3% from 2008, as a result of the large number of oil & gas projects that were started during the upward phase of the oil cycle.

Operating expenses

2007	(euro million)	2008	**2009**	Change	% Ch.

58,133	Purchases, services and other	76,350	**58,351**	(17,999)	(23.6)
	of which:				
91	*- non-recurring items*	*(21)*	***250***	*271*	
470	*- other special items*	*761*	***537***	*(224)*	
3,800	Payroll and related costs	4,004	**4,181**	177	4.4
	of which:				
(83)	*- non-recurring items*				
198	*- provision for redundancy incentives*	*91*	***134***	*43*	
61,933		**80,354**	**62,532**	**(17,822)**	**(22.2)**

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Operating expenses for the year (euro 62,532 million) decreased by euro 17,822 million from 2008, down 22.2%.

Purchases, services and other costs (euro 58,351 million) decreased by euro 17,999 million (down 23.6%) due to lower supply costs of purchased oil, gas and petrochemical feedstocks, partially offset by the depreciation of the euro against the dollar.
Purchases, services and other included environmental and other risk provisions, as well as impairments of certain current and non-current assets, other than tangible and intangible assets, amounting to euro 537 million.

Non-recurring items represented by a charge amounting to euro 250 million, estimated on the basis of the possible resolution of the investigation related to the TSKJ consortium based on the current status of the ongoing discussions with U.S. Authorities. The matter is fully disclosed in the section "Legal Proceedings" in the notes to the consolidated financial statements.
In 2008, environmental and risk provisions as well as impairments of certain current assets amounted to euro 761 million.

Payroll and related costs (euro 4,181 million) increased by euro 177 million (up 4.4%) mainly due to higher unit labor cost in Italy and outside Italy, partly due to exchange rate translation differences, the increase in the average number of employees outside Italy, following the consolidation of Distrigas in the Gas & Power division, increased personnel in the Engineering & Construction and Exploration & Production businesses due to higher activity levels, as well as increased provisions for redundancy incentives. These increases were partially offset by a decrease in the average number of employees in Italy.

Depreciation, depletion, amortization and impairments

2007	(euro million)	2008	**2009**	Change	% Ch.
5,431	Exploration & Production	6,678	**6,789**	111	1.7
739	Gas & Power	797	**981**	184	23.1
433	Refining & Marketing	430	**408**	(22)	(5.1)
116	Petrochemicals	117	**83**	(34)	(29.1)
248	Engineering & Construction	335	**433**	98	29.3
4	Other activities	3	**2**	(1)	(33.3)
68	Corporate and financial companies	76	**83**	7	9.2
(10)	Impact of unrealized intragroup profit elimination	(14)	**(17)**	(3)	
7,029	**Total depreciation, depletion and amortization**	**8,422**	**8,762**	**340**	**4.0**
207	Impairments	1,393	**1,051**	(342)	(24.6)
7,236		**9,815**	**9,813**	**(2)**	**..**

Depreciation, depletion and amortization (euro 8,762 million) increased by euro 340 million from 2008 (up 4%) mainly in the Gas & Power and Exploration & Production divisions (up euro 184 million and euro 111 million, respectively) in connection with rising development amortization charges reflecting consolidation of acquired assets and increased expenditures to develop new complex fields. These negatives were partly offset by the depreciation of the euro against the dollar.

division due to downward reserve revisions and cost increases mainly recorded in the Gulf of Mexico, Australia, Congo and Egypt; (ii) refinery plants with low complexity, impairment of goodwill recognized on marketing assets acquired in Central-Eastern Europe and certain other marketing assets in the Refining & Marketing division, in the light of the negative outlook for the refining industry and a downsizing of growth expectations on certain markets; (iii) a number of plants in the Petrochemical division due to a worsening

Impairment charges of euro 1,051 million mainly regarded: (i) impairment charges recorded on proved and unproved properties in the Exploration & Production pricing/margin environment as a result of lower petrochemical demand, excess capacity and higher competitive pressure.

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

2007	(euro million)	2008	**2009**	Change	% Ch.
143	Exploration & Production	810	**576**	(234)	(28.9)
	Gas & Power	1		(1)	..
58	Refining & Marketing	299	**346**	47	15.7
	Petrochemicals	279	**121**	(158)	(56.6)
	Engineering & Construction		**2**	2	..
6	Other activities	4	**6**	2	50.0
207		**1,393**	**1,051**	**(342)**	**(24.6)**

Operating profit

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

2007	(euro million)	2008	**2009**	Change	% Ch.
13,433	Exploration & Production	16,239	**9,120**	(7,119)	(43.8)
4,465	Gas & Power	4,030	**3,687**	(343)	(8.5)
686	Refining & Marketing	(988)	**(102)**	886	89.7
100	Petrochemicals	(845)	**(675)**	170	20.1
837	Engineering & Construction	1,045	**881**	(164)	(15.7)
(444)	Other activities	(346)	**(382)**	(36)	(10.4)
(312)	Corporate and financial companies	(743)	**(474)**	269	36.2
(26)	Impact of unrealized intragroup profit elimination	125		(125)	
18,739	**Operating profit**	**18,517**	**12,055**	**(6,462)**	**(34.9)**

Adjusted operating profit

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

2007	(euro million)	2008	**2009**	Change	% Ch.
18,739	**Operating profit**	**18,517**	**12,055**	**(6,462)**	**(34.9)**
(620)	Exclusion of inventory holding (gains) losses	936	**(345)**	(1,281)	
885	Exclusion of special items	2,155	**1,412**	(743)	
	of which:				
8	*- non-recurring items*	*(21)*	***250***	*271*	
877	*- other special items*	*2,176*	***1,162***	*(1,014)*	
19,004	**Adjusted operating profit**	**21,608**	**13,122**	**(8,486)**	**(39.3)**
	Breakdown by division:				
13,770	Exploration & Production	17,222	**9,484**	(7,738)	(44.9)
4,414	Gas & Power	3,564	**3,901**	337	9.5
292	Refining & Marketing	580	**(357)**	(937)	..
116	Petrochemicals	(398)	**(426)**	(28)	(7.0)
840	Engineering & Construction	1,041	**1,120**	79	7.6
(207)	Other activities	(244)	**(258)**	(14)	(5.7)
(195)	Corporate and financial companies	(282)	**(342)**	(60)	(21.3)

(26)	Impact of unrealized intragroup profit elimination	125		(125)	
19,004		**21,608**	**13,122**	**(8,486)**	**(39.3)**

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Eni s adjusted operating profit amounted to euro 13,122 million, a reduction of euro 8,486 million from 2008 (down 39.3%). Adjusted operating profit is calculated by excluding an inventory holding profit of euro 345 million and special losses of euro 1,412 million. This reduction is mainly due to a weaker performance recorded by the following divisions:

- the **Exploration & Production** division performance (down euro 7,738 million, or 44.9%) was driven by lower oil and natural gas realizations in dollars (down 32.2% and 29.8%, respectively) and lower production sales volumes (down 9.2 mmboe). These negatives were partly offset by the depreciation of the euro over the dollar (approximately euro 500 million);
- the **Refining & Marketing** division reported an adjusted operating loss of euro 357 million (down euro 937 million) driven by sharply lower refining margins as a result of weak industry fundamentals and weaker results reported by the Marketing business;
- the **Petrochemicals** division reported an operating loss of euro 426 million (down euro 28 million, or 7%) due to a prolonged weakness in industry fundamentals reflecting lower end-markets demand and high competitive pressures.

These negatives were partly offset by the better operating performance recorded by:

- the **Gas & Power** division improved performance (up euro 337 million, or 9.5%) was driven by a better operating performance of the Marketing activities. This reflected gains recorded on the settlement of certain non-hedging commodity derivatives amounting to euro 218 million, associated with future sales of gas and electricity. Under IFRS, the Company is required to recognize fair value accounting effects on those derivatives in profit or loss because hedge accounting is not followed. However, in assessing the underlying performance of the Marketing business, management calculates the EBITDA pro-forma adjusted as an alternative measure of performance, by bringing forward the impact of the settlement of those derivatives to future reporting periods where the associated revenues are expected to be recognized. Management believes that disclosing this internally-used measure is helpful in assisting investors to understand these business trends (see page 67). When measured against this performance indicator, the Marketing business confirmed the achievement of positive results driven by a favorable trading environment related to energy parameters and exchange rates, the improved results of the subsidiary Distrigas and the achievement of synergies on integration, as well as the impact of the renegotiation of long-term supply contracts. These positives were partly offset by lower sales volumes (down 12.8 bcm), mainly on the Italian market and the impact of the competitive pressure on sale margins. The International Transport business recorded a drop in operating profit;
- the **Engineering & Construction** increased results (up euro 79 million, or 7.6%) were due to steady revenue flows and profitability as a result of the large number of oil & gas projects that were started during the upward phase of the oil cycle.

Finance income (expense)

2007	(euro million)	2008	**2009**	Change
(412)	**Finance income (expense) related to net borrowings**	**(824)**	**(673)**	**151**
(703)	Finance expense on short and long-term debt	(993)	**(753)**	240
236	Net interest due to banks	87	**33**	(54)
55	Net income from receivables and securities for non-financing operating activities	82	**47**	(35)
155	**Income (expense) on derivatives**	**(427)**	**(4)**	**423**
(51)	**Exchange differences, net**	**206**	**(106)**	**(312)**
174	**Other finance income and expense**	**169**	**9**	**(160)**
188	Income from equity instruments	241	**163**	(78)
127	Net income from receivables and securities for financing operating activities and interest on tax credits	99	**43**	(56)
(186)	Finance expense due to the passage of time (accretion discount)	(249)	**(218)**	31
45	Other	78	**21**	(57)
(134)		**(876)**	**(774)**	**102**

180	Finance expense capitalized	236	**223**	(13)
46		**(640)**	**(551)**	**89**

In 2009, **net finance expenses** decreased by euro 89 million to euro 551 million from 2008, mainly due to lower finance charges on finance debt due to lower interest rates on both euro-denominated (down 3.4 percentage points) and dollar loans (down 2.2 percentage points). Increased exchange differences losses (up euro 312 million) were offset by gains recognized in connection with fair value evaluation through profit and loss of certain derivative instruments on exchange rates (up euro 423 million). The main financial gains amounting to euro 163 million, related to the contractual remuneration of 9.4% on the 20% interest in OAO Gazprom Neft, calculated until April 24, 2009, when Gazprom paid for the call option exercised on April 7, 2009. The gain also included the recovery of certain collateral operating expenses and other charges for a total amount of euro 172 million ($229 million at the exchange rate of the payment date).

Net income from investments

The table below sets forth the breakdown of net income from investments by division:

2009 (euro million)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Engineering & Construction**	**Other segments**	**Group**
Share of gains (losses) from equity-accounted investments	142	310	(70)	50	(39)	**393**
Dividends	110	13	39	2		**164**
Gains on disposal	3	2	1	10		**16**
Other income (expense), net	1	(3)		(3)	1	**(4)**
	256	**322**	**(30)**	**59**	**(38)**	**569**

Net income from investments amounted to euro 569 million and related to: (i) Eni s share of profit of entities accounted for with the equity method (euro 393 million), mainly in the Gas & Power and Exploration & Production divisions. Gains also comprised an equity gain on the 60% interest in Artic Russia (euro 100 million) due to the divestment of a 51% stake in OOO Severenergia to Gazprom based on the call option exercised by the Russian company; (ii) dividends received by entities accounted for at cost (euro 164 million), mainly related to Nigeria LNG Ltd.

The table below sets forth a breakdown of net income/loss from investments for 2009:

2007	(euro million)	2008	**2009**	Change
773	Share of gains (losses) from equity-accounted investments	640	**393**	(247)
170	Dividends	510	**164**	(346)
300	Gains on disposal	217	**16**	(201)
	Other income (expense), net	6	**(4)**	(10)
1,243		**1,373**	**569**	**(804)**

The decrease of euro 804 million from 2008 related to lower profit and dividends from equity or cost-accounted entities in the Gas & Power and unfavorable trading environment, as well as the circumstance that in 2008 a net gain of euro 190 million on the divestment of certain interests was recorded in the

Exploration & Production divisions driven by an	Engineering & Construction segment.

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Income taxes

2007	(euro million)	2008	2009	Change
	Profit before income taxes			
5,849	Italy	1,894	**2,403**	509
14,179	Outside Italy	17,356	**9,670**	(7,686)
20,028		**19,250**	**12,073**	**(7,177)**
	Income taxes			
1,798	Italy	313	**1,190**	877
7,421	Outside Italy	9,379	**5,566**	(3,813)
9,219		**9,692**	**6,756**	**(2,936)**
	Tax rate (%)			
30.7	Italy	16.5	**49.5**	33.0
52.3	Outside Italy	54.0	**57.6**	3.6
46.0		**50.3**	**56.0**	**5.7**

Income taxes were euro 6,756 million, down euro 2,936 million, or 30.3%, mainly reflecting lower income taxes currently payable by subsidiaries in the Exploration & Production division operating outside Italy due to lower taxable profit. Reported tax rate increased by 5.7 percentage points due to:
(i) the impact of recently enacted tax regulations that provided a one-percentage point increase in the tax rate applicable to Italian companies in the energy sector and the enactment of a supplemental tax rate to be added to the Italian statutory tax rate resulting in higher taxes currently payable, amounting to euro 239 million in the full year;
(ii) the recognition of a non-recurring item which is not considered for fiscal purposes represented by a charge amounting to euro 250 million that was estimated on the base of the possible resolution of the investigation related to the TSKJ consortium based on the current status of the ongoing discussions with U.S. Authorities. The matter is fully disclosed in the section "Legal Proceedings" in the notes to the consolidated financial statements;
(iii) the payment of a balance for prior-year income taxes amounting to $310 million (or euro 230 million) in Libya as new rules came into effect which reassessed revenues for tax purposes;
(iv) a write-down of certain deferred tax assets associated with upstream properties to factor in expected lower profitability (down euro 72 million);
(v) a lower capacity for Italian companies to deduct the cost of goods sold associated with lower gas inventories at year end (down euro 64 million);
(vi) the circumstance that in 2008 certain tax gains associated with an adjustment to deferred taxation amounting to euro 733 million were recorded as new tax provisions came into effect pertaining to both Italian and foreign subsidiaries.
These higher tax expenses were partly offset by recognition of a positive adjustment to deferred taxation following alignment of the tax base of certain oil and gas properties to their higher carrying amounts by paying a one-off tax, as part of the reorganization of upstream activities in Italy, and lower income taxes currently payable as new rules came into effect providing for the partial deduction of an Italian local tax from taxable income, also applying to previous fiscal years (for a total positive impact of euro 222 million).

Adjusted tax rate, calculated as ratio of income taxes to net profit before taxes on an adjusted basis, was 53.6% (51.4% in 2008).

Minority interest
Minority interest s share of profit was euro 950 million and related mainly to Snam Rete Gas SpA (euro 369 million) and Saipem SpA (euro 567 million).

Divisional performance[1]

Exploration & Production (a)

2007	(euro million)	2008	2009	Change	% Ch.
13,433	**Operating profit**	**16,239**	**9,120**	**(7,119)**	**(43.8)**
337	Exclusion of special items	983	**364**		
	of which:				
(11)	Non-recurring items				
348	Other special items:	983	**364**		
226	*- asset impairments*	*989*	***618***		
	- gains on disposals of assets	*4*	***(270)***		
6	*- provision for redundancy incentives*	*8*	***31***		
74	*- re-measurement gains/losses on commodity derivatives*	*(18)*	***(15)***		
42	*- other*				
13,770	**Adjusted operating profit**	**17,222**	**9,484**	**(7,738)**	**(44.9)**
60	Net finance income (expense) (b)	70	**(23)**	(93)	
176	Net income (expense) from investments (b)	609	**243**	(366)	
(7,678)	Income taxes (b)	(10,001)	**(5,826)**	4,175	
54.8	*Tax rate (%)*	*55.9*	***60.0***	*4.1*	
6,328	**Adjusted net profit**	**7,900**	**3,878**	**(4,022)**	**(50.9)**
	Results also include:				
5,574	amortizations and depreciations	7,488	**7,365**	(123)	(1.6)
	of which:				
1,777	exploration expenditures	2,057	**1,551**	(506)	(24.6)
1,370	*- amortizations of exploratory drilling expenditure and other*	*1,577*	***1,264***	*(313)*	*(19.8)*
407	*- amortizations of geological and geophysical exploration expenses*	*480*	***287***	*(193)*	*(40.2)*

(a) From January 1, 2009, results of the gas storage business are reported within the Gas & Power segment reporting unit following restructuring of Eni regulated gas businesses in Italy that was approved by the Company s Board of Directors and is expected to close by mid-year. Prior period results have been restated accordingly.
(b) Excluding special items.

In 2009, the Exploration & Production division reported an **adjusted operating profit** of euro 9,484 million, a decrease of euro 7,738 million compared to 2008, or 44.9%, driven by lower oil & gas realizations in dollars (down 32.2% and down 29.8%, respectively) and lower sales volumes (down 9.2 mmboe). These negatives were partly offset by the depreciation of the euro over the dollar (approximately euro 500 million).

Special charges excluded by adjusted operating profit amounted to euro 364 million and comprised impairments of proved and unproved mineral interests

In 2009 **liquids and gas realizations** decreased on average by 31.2% in dollar terms, driven by lower oil prices for market benchmarks (Brent crude price decreased by 36.6%), partly offset by a relative appreciation of the Eni equity basket (down 32.2%).
Eni s average oil realizations were barely unchanged, due to the settlement of certain commodity derivatives relating to the sale of 42.2 mmbbl.
In the first nine months of the year, liquids realizations increased by $0.45 per barrel from the sale of 31.6 mmbbl at the hedged price. The gain was absorbed by the reduction on average by $1.46 per barrel from the

mainly due to downward reserve revisions and cost increases, mainly in the Gulf of Mexico. Gains were recorded on the divestment of certain exploration and production assets as part of the agreements signed with Suez, while re-measurement losses were recorded on fair value evaluation of the ineffective portion of certain cash flow hedges and provisions for redundancy incentives.

sale of 10.6 mmbbl in the fourth quarter, reflecting the inversion in oil prices trends.

These derivatives were entered into to hedge exposure to variability in future cash flows expected from the sale of a portion of the Company s proved reserves, in connection with the acquisition of oil and gas assets in Congo and in the Gulf of Mexico, for an original amount

(1) For a detailed explanation of adjusted operating profit and net profit see the paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis".

of approximately 125.7 mmbbl in the 2008-2011 period, decreasing to approximately 37.5 mmbbl by end of 2009.

In 2009 **average gas realizations** were down 29.8%, driven by time-lags between movements in oil prices and their effect on gas prices provided in pricing formulae and weak spot prices.

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

Liquids		2008	**2009**
Sales volumes	(mmbbl)	364.3	**373.5**
Sales volumes hedged by derivatives (cash flow hedge)		46.0	**42.2**
Total price per barrel, excluding derivatives	($/bbl)	**88.17**	**56.98**
Realized gains (losses) on derivatives		(4.13)	**(0.03)**
Total average price per barrel	($/bbl)	**84.05**	**56.95**

Gas & Power [(a)]

2007	(euro million)	2008	**2009**	Change	% Ch.
4,465	**Operating profit**	**4,030**	**3,687**	**(343)**	**(8.5)**
44	Exclusion of inventory holding (gains) losses	(429)	**326**		
(95)	Exclusion of special items:	(37)	**(112)**		
	of which:				
(61)	Non-recurring items				
(34)	Other special items:	(37)	**(112)**		
15	*- environmental provisions*	*12*	***19***		
	- asset impairments	*1*	***27***		
	- gains on disposals of assets	*7*	***(6)***		
	- risk provisions		***115***		
38	*- provisions for redundancy incentives*	*20*	***25***		
(16)	*- re-measurement gains/losses on commodity derivatives*	*(74)*	***(292)***		
(71)	*- other*	*(3)*			
4,414	**Adjusted operating profit**	**3,564**	**3,901**	**337**	**9.5**
2,284	*Marketing*	*1,309*	***1,721***	*412*	*31.5*
1,685	*Regulated business in Italy*	*1,732*	***1,796***	*64*	*3.7*
445	*International transport*	*523*	***384***	*(139)*	*(26.6)*
(5)	Net finance income (expense) [(b)]	(13)	**(15)**	(2)	
420	Net income (expense) from investments [(b)]	420	**332**	(88)	
(1,702)	Income taxes [(b)]	(1,323)	**(1,302)**	21	
35.2	*Tax rate (%)*	*33.3*	***30.9***	*(2.4)*	
3,127	**Adjusted net profit**	**2,648**	**2,916**	**268**	**10.1**

(a) From January 1, 2009, results of the gas storage business are reported within the Gas & Power segment reporting unit, within the regulated businesses results, following restructuring of Eni regulated gas businesses in Italy. As of that date, the results of the regulated businesses in Italy therefore include results of the Transport, Distribution, Re-gasification and Storage activities in Italy. Results of the Power generation activity are reported within the Marketing business as it is ancillary to the latter. Prior period results have been restated accordingly.

(b) Excluding special items.

In 2009 the Gas & Power division reported **adjusted operating profit** of euro 3,901 million, an increase of euro 337 million compared to 2008, up 9.5%, driven by a better operating performance of the Marketing activities (up euro 412 million, or 31.5%). This reflected gains recorded on the settlement of certain non-hedging commodity derivatives amounting to euro 218 million, associated with future sales of gas and electricity. Under IFRS, the Company is required to recognize fair value accounting effects on those derivatives in profit or loss because hedge accounting is not followed. However, in assessing the underlying performance of the Marketing business, management calculates the EBITDA pro-forma adjusted as an alternative measure of performance, by bringing forward the impact of the settlement of those derivatives to future reporting periods where the associated revenues are expected to be recognized. Management believes that disclosing this internally-used measure is helpful in assisting investors to understand these business trends (see below). When measured against this performance indicator, the Marketing business confirmed the achievement of positive results driven by a favorable trading environment related to energy parameters and exchange rates, the improved results of the subsidiary Distrigas and the achievement of synergies on integration, as well as the impact of the renegotiation of certain long-term supply contracts. These positives were partly offset by lower sales volumes, mainly on the Italian market and the impact of rising competitive pressures. The International Transport business recorded a drop in operating profit.

Special items excluded from the adjusted operating profit amounted to euro 112 million and mainly regarded a provision in the LNG business and re-measurement impacts recorded on fair value evaluation of certain non-hedging commodity derivatives (euro 292 million) in the Marketing business, as well as provisions for redundancy incentives.

Adjusted net profit was euro 2,916 million, increasing by euro 268 million from 2008 (up 10.1%) due to an improved operating performance and offset in part by lower earnings reported by equity accounted entities.

Marketing
The Marketing business reported **adjusted operating profit** of euro 1,721 million, an increase of euro 412 million from 2008, or 31.5%. This mainly reflected gains on the settlement of certain non-hedging commodity derivatives amounting to a euro 218 million gain associated with future sales of gas and electricity. Net of this effect, the Marketing business showed a positive performance despite the sharp decline in sales volumes in Italy, down by approximately a fourth (down 12.8 bcm) and the impact of competitive pressures on margins. An improved scenario for energy parameters, the contribution of the acquisition of Distrigas in terms of integration synergies and improved performance together with the impact of the renegotiation of long-term supply contracts were the main positive trends for the year.

Regulated businesses in Italy
Regulated businesses in Italy reported **adjusted operating profit** of euro 1,796 million, up euro 64 million, or 3.7% from 2008, due to an improved performance reported by Distribution activities (up euro 72 million) driven by a positive impact associated with a new tariff regime set by the Authority for Electricity and Gas. This positive was partly offset by weaker results reported by Transport activities (down euro 52 million), caused by a decline in gas demand in Italy, despite the recognition of new investments in tariffs.

The Storage business reported an increased **adjusted operating profit** from a year ago (euro 227 million and euro 183 million in 2009 and 2008, respectively).

International Transport
This business reported **adjusted operating profit** of euro 384 million, representing a decrease of euro 139 million from 2008, or 26.6%, mainly due to the recognition of higher amortization charges related to the upgrading of the TTPC pipeline and costs incurred to repair and restore to full capacity the TMPC pipeline which was damaged in an accident occurred in December 2008.

Other performance indicators
Follows a breakdown of the pro-forma adjusted EBITDA by business:

2007	(euro million)	2008	**2009**	Change	% Ch.
5,029	**Pro-forma EBITDA adjusted**	**4,310**	**4,403**	**93**	**2.2**
3,061	Marketing	2,271	**2,392**	121	5.3
(64)	*of which: +/(-) adjustment on commodity derivatives*	*119*	***(133)***		
1,248	Regulated businesses in Italy	1,284	**1,345**	61	4.8
720	International transport	755	**666**	(89)	(11.8)

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 which is also modified to take into account impact associated with certain derivatives instruments as discussed below.

This performance indicator includes the adjusted EBITDA of Eni s wholly owned subsidiaries and Eni s share of adjusted EBITDA generated by certain associates which are accounted for under the equity method for IFRS purposes. Snam Rete Gas EBITDA is included according to Eni s share of equity (55.57%

as of December 31, 2009, which takes into account the amount of own shares held in treasury by the subsidiary itself) although this Company is fully consolidated when preparing consolidated financial statements in accordance with IFRS, due to its listed company status. Italgas SpA and Stoccaggi Gas Italia SpA results are also included according to the same share of equity as Snam Rete Gas, due to the closing of the restructuring deal which involved Eni s regulated business in the Italian gas sector, whereby the parent company Eni SpA divested the entire share capital of the two subsidiaries to Snam Rete Gas. In order to calculate the EBITDA pro-forma adjusted, the adjusted operating profit of the Marketing business is modified to take into account the impact of the settlement of certain commodity and exchange rate derivatives that do not meet the formal criteria to be classified as hedges under the IFRS. Those are entered into by the Company in view of certain amounts of gas and electricity that the Company expects to supply at fixed prices in future periods. The impact of those derivatives is allocated to the EBITDA pro-forma adjusted relating to the reporting periods during which those supplies at fixed prices are recognized. Management believes that the EBITDA pro-forma adjusted is an important alternative measure to assess the performance of Eni s Gas & Power division, taking into account evidence that this division is comparable to European utilities in the gas and power generation sector. This measure is provided in order 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.

The EBITDA pro-forma adjusted is a non-GAAP measure under IFRS.

Refining & Marketing

2007	(euro million)	2008	**2009**	Change	% Ch.
686	**Operating profit**	**(988)**	**(102)**	**886**	**(89.7)**
(658)	Exclusion of inventory holding (gains) losses	1,199	**(792)**		
264	Exclusion of special items	369	**537**		
	of which:				
35	Non-recurring items	(21)			
229	Other special items:	390	**537**		
128	*- environmental provisions*	*76*	***72***		
58	*- asset impairments*	*299*	***389***		
	- gains on disposals of assets	*13*	***(2)***		
9	*- risk provisions*		***17***		
31	*- provisions for redundancy incentives*	*23*	***22***		
6	*- re-measurement gains/losses on commodity derivatives*	*(21)*	***39***		
(3)	*- other*				
292	**Adjusted operating profit**	**580**	**(357)**	**(937)**	**..**
	Net finance income (expense) [(a)]	1		(1)	
126	Net income (expense) from investments [(a)]	174	**75**	(99)	
(124)	Income taxes [(a)]	(234)	**85**	319	
29.7	*Tax rate (%)*	*31.0*	**..**	..	
294	**Adjusted net profit**	**521**	**(197)**	**(718)**	**..**

(a) Excluding special items.

In 2009 the Refining & Marketing division reported an **adjusted operating loss** of euro 357 million, reversing a fourth quarter. Full year results were also affected by lower operating performance delivered by the Marketing prior year profit of euro 580 million. The marked decrease (down euro 937 million from 2008) was mainly driven by sharply lower refining margins as a result of an unfavorable trading environment, due to narrowing price differentials between heavy and light crude and excess finished products, in particular diesel oil, whose spread on raw material reached historical lows in the activities. An improved performance was delivered in the first nine months reflecting market share gains posted by the Italian retailing activities supported by effective marketing campaigns and pricing initiatives, which were more than offset by lower marketed volumes affected by weak demand on wholesale markets in Italy and retail European markets.

Special charges excluded from adjusted operating profit amounted to euro 537 million and mainly related to asset impairment charges recorded in the light of the negative outlook for the refining industry and a downsizing of the growth expectations on certain markets. In particular, impairment charges affected low complexity refineries, including refineries participated by Eni, goodwill recognized on marketing assets acquired in Central-Eastern Europe, marketing assets in Europe and capital expenditures for the period on assets impaired in previous reporting periods. Other special charges mainly related to environmental and other risk provisions and re-measurement losses recorded on fair value evaluation of certain non-hedging commodity derivatives.

Full-year **adjusted net loss** was euro 197 million (down euro 718 million, reversing a prior year profit of euro 521 million), mainly due to a lower operating performance (down euro 937 million) and decreased earnings reported by equity-accounted entities.

Petrochemicals

2007	(euro million)	2008	**2009**	Change	% Ch.
100	**Operating profit**	**(845)**	**(675)**	**170**	**20.1**
(6)	Exclusion of inventory holding (gains) losses	166	**121**		
22	Exclusion of special items	281	**128**		
	of which:				
(2)	Non-recurring items				
24	Other special items:	281	**128**		
	- asset impairments	*278*	***121***		
	- gains on disposals of assets	*(5)*			
24	*- provisions for redundancy incentives*	*8*	***10***		
	- re-measurement gains/losses on commodity derivatives		***(3)***		
116	**Adjusted operating profit**	**(398)**	**(426)**	**(28)**	**(7.0)**
1	Net finance income (expense) [(a)]	1		(1)	
1	Net income (expense) from investments [(a)]	(9)		9	
(44)	Income taxes [(a)]	83	**86**	3	
74	**Adjusted net profit**	**(323)**	**(340)**	**(17)**	**(5.3)**

(a) Excluding special items.

The Petrochemical division reported an **adjusted operating loss** of euro 426 million, an increase of euro 28 million from 2008, due to a prolonged weakness in industry fundamentals reflecting lower end-markets demand and high competitive pressures.

Special charges excluded from adjusted operating loss of euro 128 million related mainly to impairment of assets, in particular the Porto Marghera and Sicily plants for the production of olefins, aromatics and polyethylene, due to an expected unfavorable trading environment in terms of margins/volumes, affected by lower petrochemical products demand and higher competitive pressures, in connection with new available capacity in the Middle-East.

Contents

Engineering & Construction

2007	(euro million)	2008	**2009**	Change	% Ch.
837	**Operating profit**	**1,045**	**881**	**(164)**	**(15.7)**
3	Exclusion of special items	(4)	**239**		
	of which:				
(4)	Non-recurring items		**250**		
7	Other special items:	(4)	**(11)**		
	- asset impairments		***2***		
	- gains on disposals of assets	*(4)*	***3***		
7	*- provisions for redundancy incentives*				
	- re-measurement gains/losses on commodity derivatives		***(16)***		
840	**Adjusted operating profit**	**1,041**	**1,120**	**79**	**7.6**
	Net finance income (expense) [(a)]	1		(1)	
80	Net income (expense) from investments [(a)]	49	***49***		
(262)	Income taxes [(a)]	(307)	**(277)**	30	
28.5	*Tax rate* (%)	*28.1*	***23.7***	*(4.4)*	
658	**Adjusted net profit**	**784**	**892**	**108**	**13.8**

(a) Excluding special items.

The Engineering & Construction division reported an **adjusted operating profit** increasing by euro 79 million or 7.6%, to euro 1,120 million, reflecting steady revenue flows and profitability as a result of the large number of oil & gas projects that were started during the upward phase of the oil cycle.
Special charges excluded from adjusted operating profit related mainly to a non-recurring item represented by a charge amounting to euro 250 million that was estimated on the basis of the possible resolution of the investigation related to the TSKJ consortium based on the current status of the ongoing discussions with U.S. Authorities. The matter is fully disclosed in the section "Legal Proceedings" in the notes to the consolidated financial statements.
Adjusted net profit amounted to euro 892 million, an increase of euro 108 million from 2008.

Other activities

2007	(euro million)	2008	**2009**	Change	% Ch.
(444)	**Operating profit**	**(346)**	**(382)**	**(36)**	**(10.4)**
237	Exclusion of special items	102	**124**		
	of which:				
61	Non-recurring items				
176	Other special items:	102	**124**		
210	*- environmental provisions*	*101*	***153***		
6	*- asset impairments*	*5*	***5***		
	- gains on disposals of assets	*(14)*	***(2)***		
13	*- risk provision*	*4*	***(4)***		
18	*- provisions for redundancy incentives*	*4*	***8***		
(71)	*- other*	*2*	***(36)***		

(207)	**Adjusted operating profit**	**(244)**	**(258)**	**(14)**	**(5.7)**
(8)	Net financial income (expense) [(a)]	(39)	**12**	51	
5	Net income (expense) from investments [(a)]	4	**1**	(3)	
(210)	**Adjusted net profit**	**(279)**	**(245)**	**34**	**12.2**

(a) Excluding special items.

Corporate and financial companies

2007	(euro million)	2008	**2009**	Change	% Ch.
(312)	**Operating profit**	**(743)**	**(474)**	**269**	**36.2**
117	Exclusion of special items	461	**132**		
	of which:				
(10)	Non-recurring items				
127	Other special items:	461	**132**		
12	*- environmental provisions*	*120*	***54***		
	- gains on disposals of assets	*(9)*			
32	*- provisions for redundancy incentives*	*28*	***38***		
83	*- re-measurement gains/losses on commodity derivatives*	*52*			
	- other	*270*	***40***		
(195)	**Adjusted operating profit**	**(282)**	**(342)**	**(60)**	**(21.3)**
(25)	Net financial income (expense) [(a)]	(661)	**(525)**	136	
4	Net income (expense) from investments [(a)]	5		(5)	
154	Income taxes [(a)]	406	**123**	(283)	
(62)	**Adjusted net profit**	**(532)**	**(744)**	**(212)**	**(39.8)**

(a) Excluding special items.

Non-GAAP measures

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

Management evaluates 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 more, finance charges on finance debt, interest income, 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, excluding commodity derivatives), and exchange rate differences are all excluded when determining adjusted net profit of each business segment. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them. The Italian statutory tax rate of 34% is applied to finance charges and income (33% in previous reporting periods). 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 accounting.

Special items include certain significant income or charges pertaining to either: (i) infrequent or unusual events and transaction, being identified as non-recurring 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. Also, special items include gains and losses on re-measurement at fair value of certain non-hedging commodity derivatives, including the ineffective portion of cash flow hedges.

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 the aforementioned derivative financial instruments, excluding commodity derivatives, 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 items under such circumstances; reported net profit see tables below.

2009

(euro million)	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**9,120**	**3,687**	**(102)**	**(675)**	**881**	**(382)**	**(474)**		**12,055**
Exclusion of inventory holding (gains) losses		326	(792)	121					(345)
Exclusion of special items									
of which:									
Non-recurring (income) charges					**250**				**250**
Other special (income) charges:	**364**	**(112)**	**537**	**128**	**(11)**	**124**	**132**		**1,162**
- environmental charges		19	72			153	54		298
- asset impairments	618	27	389	121	2	5			1,162
- gains on disposals of assets	(270)	(6)	(2)		3	(2)			(277)
- risk provisions		115	17			(4)			128
- provision for redundancy incentives	31	25	22	10		8	38		134
- re-measurement gains/losses on commodity derivatives	(15)	(292)	39	(3)	(16)				(287)
- other						(36)	40		4
Special items of operating profit	**364**	**(112)**	**537**	**128**	**239**	**124**	**132**		**1,412**
Adjusted operating profit	**9,484**	**3,901**	**(357)**	**(426)**	**1,120**	**(258)**	**(342)**		**13,122**
Net finance (expense) income [(a)]	(23)	(15)				12	(525)		(551)
Net income from investments [(a)]	243	332	75		49	1			700
Income taxes [(a)]	(5,826)	(1,302)	85	86	(277)		123	(3)	(7,114)
Tax rate (%)	*60.0*	*30.9*			*23.7*				*53.6*
Adjusted net profit	**3,878**	**2,916**	**(197)**	**(340)**	**892**	**(245)**	**(744)**	**(3)**	**6,157**
of which:									
- Adjusted net profit of minority interest									950
- Eni's adjusted net profit									**5,207**
Eni's reported net profit									**4,367**
Exclusion of inventory holding (gains) losses									(191)
Exclusion of special items:									1,031
- non-recurring (income) charges									*250*
- other special (income) charges									*781*
Eni's adjusted net profit									**5,207**

(a) Excluding special items.

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2008

(euro million)	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**16,239**	**4,030**	**(988)**	**(845)**	**1,045**	**(346)**	**(743)**	**125**	**18,517**
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:	**983**	**(37)**	**390**	**281**	**(4)**	**102**	**461**		**2,176**
- environmental charges		12	76			101	120		309
- asset impairments	989	1	299	278		5			1,572
- gains on disposals 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
- re-measurement gains/losses on commodity derivatives	(18)	(74)	(21)				52		(61)
- other		(3)				2	270		269
Special items of operating profit	**983**	**(37)**	**369**	**281**	**(4)**	**102**	**461**		**2,155**
Adjusted operating profit	**17,222**	**3,564**	**580**	**(398)**	**1,041**	**(244)**	**(282)**	**125**	**21,608**
Net finance (expense) income [(a)]	70	(13)	1	1	1	(39)	(661)		(640)
Net income from investments [(a)]	609	420	174	(9)	49	4	5		1,252
Income taxes [(a)]	(10,001)	(1,323)	(234)	83	(307)		406	(49)	(11,425)
Tax rate (%)	*55.9*	*33.3*	*31.0*		*28.1*				*51.4*
Adjusted net profit	**7,900**	**2,648**	**521**	**(323)**	**784**	**(279)**	**(532)**	**76**	**10,795**
of which:									
- Adjusted net profit of minority interest									631
- Eni's adjusted net profit									**10,164**
Eni's reported net profit									**8,825**
Exclusion of inventory holding (gains) losses									723
Exclusion of special items:									616
- non-recurring (income) charges									*(21)*
- other special (income) charges									*637*
Eni's adjusted net profit									**10,164**

(a) Excluding special items.

2007

(euro million)	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**13,433**	**4,465**	**686**	**100**	**837**	**(444)**	**(312)**	**(26)**	**18,739**
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:	**348**	**(34)**	**229**	**24**	**7**	**176**	**127**		**877**
- 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
- re-measurement gains/losses on commodity derivatives	74	(16)	6				83		147
- other	42	(71)	(3)			(71)			(103)
Special items of operating profit	**337**	**(95)**	**264**	**22**	**3**	**237**	**117**		**885**
Adjusted operating profit	**13,770**	**4,414**	**292**	**116**	**840**	**(207)**	**(195)**	**(26)**	**19,004**
Net finance (expense) income [(a)]	60	(5)		1		(8)	(25)		23
Net income from investments [(a)]	176	420	126	1	80	5	4		812
Income taxes [(a)]	(7,678)	(1,702)	(124)	(44)	(262)		154	10	(9,646)
Tax rate (%)	*54.8*	*35.2*	*29.7*		*28.5*				*48.6*
Adjusted net profit	**6,328**	**3,127**	**294**	**74**	**658**	**(210)**	**(62)**	**(16)**	**10,193**
of which:									
- Adjusted net profit of minority interest									624
- Eni's adjusted net profit									**9,569**
Eni's reported net profit									**10,011**
Exclusion of inventory holding (gains) losses									(499)
Exclusion of special items:									57
- non-recurring (income) charges									*35*
- other special (income) charges									*22*
Eni's adjusted net profit									**9,569**

(a) Excluding special items.

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Breakdown of special items

2007	(euro million)	2008	**2009**
8	**Non-recurring charges (income)**	**(21)**	**250**
	of which:		
	- estimated charge of the possible resolution of the TSKJ matter		***250***
(83)	*- curtailment recognized of the reserve for post-retirement benefits for Italian employees*		
91	*- provisions and utilizations against proceedings*	*(21)*	
877	**Other special charges (income):**	**2,176**	**1,162**
365	- environmental charges	309	**298**
290	- asset impairments	1,572	**1,162**
	- gains on disposal of assets	(8)	**(277)**
22	- risk provisions	4	**128**
156	- provision for redundancy incentives	91	**134**
147	- re-measurement gains/losses on commodity derivatives	(61)	**(287)**
(103)	- other	269	**4**
885	**Special items of operating profit**	**2,155**	**1,412**
(23)	**Net financial (expense) income**		
(321)	**Net income from investments**	**(239)**	**179**
	of which, gain on divestment of:		
(290)	*- Haldor Topsøe AS and Camom SA*		
	- GTT (Gaztransport et Technigaz SAS)	*(185)*	
(658)	**Income taxes**	**(1,402)**	**(560)**
	of which:		
	tax impact pursuant to Law Decree No. 112 of June 25, 2008 for Italian subsidiaries:	(270)	**(27)**
	- on inventories	*(176)*	
	- on deferred taxes	*(94)*	***(27)***
	tax impact pursuant Budget Law 2008 for Italian subsidiaries	(290)	
(394)	adjustment to deferred tax for Italian subsidiaries		
	adjustment to deferred tax for Libyan assets	(173)	
	impairment of deferred tax assets E&P		**72**
(50)	other special items	(46)	**(192)**
(214)	taxes on special items of operating profit	(623)	**(413)**
(117)	**Total special items of net profit**	**514**	**1,031**
	attributable to:		
(174)	- Minority interest	(102)	
57	**- Eni**	**616**	**1,031**

Breakdown of impairments

2007	(euro million)	2008	**2009**	Change
207	Tangible and intangible asset impairments	1,349	**993**	(356)
	Goodwill impairments	44	**58**	14
207	**Sub total**	**1,393**	**1,051**	**(342)**
83	Impairment losses on current and non-current assets	179	**111**	(68)

290	**Impairments**	**1,572**	**1,162**	**(410)**

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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 is useful information in assisting investors to assess Eni s capital structure and to analyze its sources of funds and investments in fixed assets and working capital. Management uses the summarized group balance sheet to calculate key ratios such as 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)]

(euro million)	Dec. 31, 2008	**Dec. 31, 2009**	Change
Fixed assets			
Property, plant and equipment	59,255	**63,177**	3,922
Inventories - compulsory stock	1,196	**1,736**	540
Intangible assets	7,697	**8,057**	360
Equity-accounted investments and other investments	5,881	**6,244**	363
Receivables and securities held for operating purposes	1,219	**1,261**	42
Net payables related to capital expenditures	(787)	**(749)**	38
	74,461	**79,726**	**5,265**
Net working capital			
Inventories	6,082	**5,495**	(587)
Trade receivables	16,444	**14,916**	(1,528)
Trade payables	(12,590)	**(10,078)**	2,512
Tax payables and provision for net deferred tax liabilities	(5,323)	**(1,988)**	3,335
Provisions	(9,506)	**(10,319)**	(813)
Other current and non-current assets and liabilities [(b)]	(4,544)	**(3,968)**	576
	(9,437)	**(5,942)**	**3,495**
Current investments	**2,741**		**(2,741)**
Provisions for employee post-retirement benefits	**(947)**	**(944)**	**3**
Net assets held for sale including related net borrowings	**68**	**266**	**198**
CAPITAL EMPLOYED, NET	**66,886**	**73,106**	**6,220**
Shareholders' equity:			
- Eni	44,436	**46,073**	1,637
- Minority interest	4,074	**3,978**	(96)
	48,510	**50,051**	**1,541**
Net borrowings	**18,376**	**23,055**	**4,679**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**66,886**	**73,106**	**6,220**

(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".

(b) Include receivables and securities for financing operating activities for euro 339 million (euro 410 million at December 31, 2008) and securities covering technical reserves of Eni's insurance activities for euro 284 million (euro 302 million at December 31, 2008).

The appreciation of the euro, in particular versus the US dollar, from December 31, 2008 (the EUR/USD exchange rate was 1.441 as of December 31, 2009, as compared to 1.392 as of December 31, 2008, up 3.5%) reduced net capital employed, net equity and net borrowings by euro 894 million, euro 869 million and euro 25 million, respectively, as a result of translation differences.

At December 31, 2009, **net capital employed** totaled euro 73,106 million, representing an increase of euro 6,220 million from December 31, 2008.

Fixed assets

Fixed assets amounted to euro 79,726 million, representing an increase of euro 5,265 million from December 31, 2008, reflecting capital expenditures incurred in the period (euro 13,695 million) and the recognition of the share of goodwill associated with the buy-out of the Distrigas minorities (euro 903 million), partly offset by depreciation, depletion, amortization and impairment charges (euro 9,813 million).

The item **intangible assets** included among fixed assets, increased by euro 360 million to euro 8,057 million mainly due to the completion of the Distrigas acquisition whereby goodwill increased by the amount of goodwill pertaining to Distrigas minorities (euro 903 million) following the buyout, thus increasing the total amount of goodwill recognized on the acquisition to euro 2,148 million. In order to test the recoverability of its carrying amount, the Distrigas goodwill has been allocated to the group of cash generating unit forming the European gas market cash generating unit that is expected to benefit from synergies of the acquisition.

Net working capital

At December 31, 2009, **net working capital** amounted to a negative euro 5,942 million, representing an increase of euro 3,495 million from December 31, 2008, mainly due to:

- lower **tax payables and provisions for net deferred tax liabilities** (up euro 3,335 million) related to lower income taxes accrued for the period, reflecting lower taxable profit;
- lower **trade payables** partly offset by a corresponding reduction in **trade receivables**, reflecting the impact of lower prices and volumes of commodities, resulting in an increase of euro 984 million;
- a reduction in the item **other liabilities net** (up euro 576 million) associated with (i) the derecognition of the put option awarded to Publigaz Scrl in 2008 as accounted in Eni 2008 financial statements (euro 1,495 million) following Publigaz tendering its 31.25% share in Distrigas to Eni as part of Eni s mandatory buy-out of Distrigas minorities. This put option was carried at the same price provided in the public tender offer; (ii) a deferred cost classified as non current assets in the statutory balance sheet which related to amounts of gas which were collected below minimum take quantities for the year provided by take-or-pay clauses contained in certain long-term gas purchase contracts. Those volumes were recorded contra a trade payable for an amount of euro 255 million based on the contractual purchase price
- a decrease in **gas inventories** as a result of gas off-takes made during winter time (down euro 587 million);
- environmental and operational provisions, legal proceeding provisions and oil & gas asset decommissioning provisions accrued in the year, including the impact of lower interest rates in evaluating the discount factor of future obligations, for a total amount of euro 813 million;
- the negative change of euro 502 million (from a negative euro 28 million to a negative euro 530 million; respectively down euro 28 million and euro 312 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 mmboe, decreasing to 37.5 mmboe as of end of December 2009 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.

The line item **equity instruments** decreased by an amount corresponding to the book value of a 20% interest in Gazprom Neft (euro 2,741 million at the 2008 balance sheet date) as on April 7, 2009 the Russian company Gazprom exercised its call option on the whole interest based on the arrangements in place with Eni. On April 4, 2007, Eni acquired the 20% interest in OAO Gazprom Neft, following finalization of a bid as part of the Yukos liquidation procedures. At that time, Eni granted Gazprom a call option on the entire 20% 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, a contractual remuneration of 9.4% on the capital employed and financing collateral expenses. Total cash consideration amounting to euro 3,070 million ($4.06 billion, increasing to approximately euro 3.16 billion or $4.2 billion when including the 2008 dividend) was paid by Gazprom on April 24, 2009.

formula provided in the relevant contractual arrangements and the contractual percentage of advance, as aligned to their net realizable value as of year end. The Company expects to collect the underlying gas volumes over a period longer than the next twelve months.

These increases in net working capital have been partly offset by:

Net assets held for sale including related liabilities (euro 266 million) mainly related to the divestment of certain mineral properties in Italy which were contributed in kind to two newcos Società Padana Energia SpA and Società Adriatica Idrocarburi SpA as well as the company Gas Brasiliano Distribuidora SA operating in marketing and distribution of natural gas in Brazil, whose disposal to third parties is under negotiation.

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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 of net adjusted profit before minority interest, plus net finance charges on net borrowings net of the related tax effect, to net average capital employed. The tax rate applied on finance charges is the Italian statutory tax rate of 34% effective from January 1, 2009. 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 ratio of adjusted net profit to net average capital invested pertaining to 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).

December 31, 2009 (euro million)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit	**3,878**	**2,916**	**(197)**	**6,157**
Exclusion of after-tax finance expenses/interest income	-	-	-	**283**
Adjusted net profit unlevered	**3,878**	**2,916**	**(197)**	**6,440**
Adjusted capital employed, net:				
- at the beginning of period	30,362	22,547	7,379	**66,886**
- at the end of period	32,455	25,024	7,560	**72,915**
Adjusted average capital employed, net	**31,409**	**23,786**	**7,470**	**69,901**
Adjusted ROACE (%)	**12.3**	**12.3**	**(2.6)**	**9.2**

December 31, 2008 (euro million)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit	**7,900**	**2,648**	**521**	**10,795**
Exclusion of after-tax finance expenses/interest income	-	-	-	**335**
Adjusted net profit unlevered	**7,900**	**2,648**	**521**	**11,130**
Adjusted capital employed, net:				
- at the beginning of period	23,826	21,333	7,675	**59,194**
- at the end of period	30,362	22,273	8,260	**67,609**
Adjusted average capital employed, net	**27,094**	**21,803**	**7,968**	**63,402**
Adjusted ROACE (%)	**29.2**	**12.2**	**6.5**	**17.6**

December 31, 2007 (euro million)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit	**6,328**	**3,127**	**294**	**10,193**
Exclusion of after-tax finance expenses/interest income	-	-	-	**174**

Adjusted net profit unlevered	**6,328**	**3,127**	**294**	**10,367**
Adjusted capital employed, net:				
- at the beginning of period	17,783	19,713	5,631	**47,966**
- at the end of period	23,826	21,364	7,149	**58,695**
Adjusted average capital employed, net	**20,805**	**20,539**	**6,390**	**53,331**
Adjusted ROACE (%)	**30.4**	**15.2**	**4.6**	**19.4**

Leverage and net borrowings

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

(euro million)	Dec. 31, 2008	**Dec. 31, 2009**	Change
Total debt	20,837	**24,800**	3,963
- Short-term debt	*6,908*	***6,736***	*(172)*
- Long-term debt	*13,929*	***18,064***	*4,135*
Cash and cash equivalents	(1,939)	**(1,608)**	331
Securities held for non-operating purposes	(185)	**(64)**	121
Financing receivables for non-operating purposes	(337)	**(73)**	264
Net borrowings	**18,376**	**23,055**	**4,679**
Shareholders' equity including minority interest	**48,510**	**50,051**	**1,541**
Leverage	**0.38**	**0.46**	**0.08**

Net borrowings at December 31, 2009 amounted to euro 23,055 million and increased by euro 4,679 million from December 2008.
Total debt amounted to euro 24,800 million, of which euro 6,736 million were short-term (including the portion of long-term debt due within 12 months for euro 3,191 million) and euro 18,064 million were long-term.
The ratio of net borrowings to shareholders equity including minority interest **leverage** increased to 0.46 with respect to 0.38 recorded at the end of 2008.

Comprehensive income

2007	(euro million)	2008	**2009**
10,809	**Net profit (loss)**	**9,558**	**5,317**
	Other items of comprehensive income:		
(1,980)	*- foreign currency translation differences*	*1,077*	*(869)*
(2,237)	*- change in fair value of cash flow hedge derivates*	*1,969*	*(481)*
(6)	*- change in fair value of available-for-sale securities*	*3*	*1*
	- share of "Other comprehensive income" on equity-accounted entities		*2*
869	*- taxation*	*(767)*	*202*
(3,354)	**Other comprehensive income**	**2,282**	**(1,145)**
7,455	**Total comprehensive income**	**11,840**	**4,172**
	Attributable to:		
6,708	**- Eni**	**11,148**	**3,245**
747	- minority interest	692	927

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Changes in shareholders equity

(euro million)

Shareholders' equity at December 31, 2008		**48,510**
Total comprehensive income	4,172	
Dividends paid to Eni shareholders	(4,166)	
Dividends paid by consolidated subsidiaries to minorities	(350)	
Acquisition of Distrigas minorities	(1,146)	
Cancellation of Publigaz put option	1,495	
Share capital increase subscribed by Snam Rete Gas minorities	1,542	
Rights cancelled stock option - 2006 plan	(7)	
Current cost of assigned options	13	
Other contributions from payments of shareholders	18	
Other changes	(30)	
Total changes		**1,541**
Shareholders' equity at December 31, 2009		**50,051**
Attributable to:		
- Eni		**46,073**
- Minority Interest		3,978

The Group s **total equity including minorities** increased by euro 1,541 million to euro 50,051 million, reflecting (i) comprehensive income for the period (euro 4,172 million) as a result of net profit for the period (euro 5,317 million), losses on fair value evaluation of certain cash flow hedges placed in reserve and foreign currency translation effects; (ii) closing of the mandatory public takeover bid on the minorities of Distrigas which determined an increase in shareholders equity due to derecognition of the put option awarded to Publigaz SCRL in 2008 (euro 1,495 million); (iii) Snam Rete Gas share capital increase subscribed by minorities for euro 1,542 million. These increases were partly offset by: (i) dividend payments to Eni shareholders (euro 4,166 million) as well as minority shareholders of certain consolidated subsidiaries (euro 350 million); (ii) elimination of the book value, including their respective share of profit for the period, of the Distrigas minorities who tendered their shares to the public offer (euro 1,146 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	
(euro million)	2008	**2009**	Dec. 31, 2008	**Dec. 31, 2009**
As recorded in Eni SpA's financial statements	**6,745**	**5,061**	**30,049**	**32,144**
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	4,140	**158**	18,999	**17,464**
Consolidation adjustments:				
- difference between purchase cost and underlying book value of net equity	(330)	**(213)**	5,161	**5,068**
- elimination of tax adjustments and compliance with group account policies	(1,373)	**(113)**	(2,852)	**(1,062)**

- elimination of unrealized intercompany profits	216	**117**	(3,127)	**(4,582)**
- deferred taxation	159	**378**	(15)	**1,175**
- other adjustments	1	**(71)**	295	**(156)**
	9,558	**5,317**	**48,510**	**50,051**
Minority interest	(733)	**(950)**	(4,074)	**(3,978)**
As recorded in the Consolidated Financial Statements	**8,825**	**4,367**	**44,436**	**46,073**

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 in the 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)]

2007	(euro million)	2008	**2009**	Change
10,809	**Net profit**	**9,558**	**5,317**	**(4,241)**
	Adjustments to reconcile to cash generated from operating profit before changes in working capital:			
6,346	- amortization and depreciation and other non monetary items	11,388	**9,847**	(1,541)
(309)	- net gains on disposal of assets	(219)	**(226)**	(7)
8,850	- dividends, interest, taxes and other changes	9,080	**6,687**	(2,393)
25,696	**Net cash generated from operating profit before changes in working capital**	**29,807**	**21,625**	**(8,182)**
(1,667)	Changes in working capital related to operations	2,212	**(1,769)**	(3,981)
(8,512)	Dividends received, taxes paid, interest (paid) received during the period	(10,218)	**(8,720)**	1,498
15,517	**Net cash provided by operating activities**	**21,801**	**11,136**	**(10,665)**
(10,593)	Capital expenditures	(14,562)	**(13,695)**	867
(9,665)	Investments and purchase of consolidated subsidiaries and businesses	(4,019)	**(2,323)**	1,696
659	Disposals	979	**3,595**	2,616
(35)	Other cash flow related to capital expenditures, investments and disposals	(267)	**(295)**	(28)
(4,117)	**Free cash flow**	**3,932**	**(1,582)**	**(5,514)**
(479)	Borrowings (repayment) of debt related to financing activities	911	**396**	(515)
8,761	Changes in short and long-term financial debt	980	**3,841**	2,861
(5,836)	Dividends paid and changes in minority interests and reserves	(6,005)	**(2,956)**	3,049
(200)	Effect of changes in consolidation and exchange differences	7	**(30)**	(37)
(1,871)	**NET CASH FLOW FOR THE PERIOD**	**(175)**	**(331)**	**(156)**

Changes in net borrowings

2007	(euro million)	2008	**2009**	Change
(4,117)	**Free cash flow**	**3,932**	**(1,582)**	**(5,514)**
(244)	Net borrowings of acquired companies	(286)		286
	Net borrowings of divested companies	181		(181)
637	Exchange differences on net borrowings and other changes	129	**(141)**	(270)
(5,836)	Dividends paid and changes in minority interests and reserves	(6,005)	**(2,956)**	3,049

(9,560)	**CHANGE IN NET BORROWINGS**	**(2,049)**	**(4,679)**	**(2,630)**

(a) For a reconciliation to the statutory statement of cash flows see the paragraph "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to statutory schemes".

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Main cash inflows for the year were: (i) **net cash provided by operating activities** (euro 11,136 million); (ii) cash proceeds of euro 3,070 million associated with the divestment of a 20% interest in Gazprom Neft following the exercise of a call option agreement by Gazprom, plus the first tranche of the proceeds from the sale of a 51% interest in OOO SeverEnergia (Eni s share 60%) for euro 155 million (including repayment of financing); (iii) the subscription by Snam Rete Gas minorities of a share capital increase amounting to euro 1,542 million; (iv) further cash proceeds of euro 370 million mainly associated with the divestment of certain non strategic assets in the Exploration & Production division, following agreements signed with Suez in 2008. These inflows were used to partially fund capital expenditures of euro 13,695 million, completion of a mandatory takeover bid on the Distrigas minorities, including the squeeze-out procedure for a total cash consideration of euro 2,045 million, payment of dividends to Eni shareholders (euro 4,166 million of which euro 1,811 million as interim dividend for the year 2009) as well as dividend payments to minorities (euro 350 million) in particular relating to Snam Rete Gas and Saipem (euro 335 million). Net borrowings increased by euro 4,679 million from a year ago to euro 23,055 million.

Capital expenditures

2007	(euro million)	2008	**2009**	Change	% Ch.
6,480	Exploration & Production	9,281	**9,486**	205	2.2
1,511	Gas & Power	2,058	**1,686**	(372)	(18.1)
979	Refining & Marketing	965	**635**	(330)	(34.2)
145	Petrochemicals	212	**145**	(67)	(31.6)
1,410	Engineering & Construction	2,027	**1,630**	(397)	(19.6)
59	Other activities	52	**44**	(8)	(15.4)
108	Corporate and financial companies	95	**57**	(38)	(40.0)
(99)	Impact of unrealized profit in inventory	(128)	**12**	140	
10,593	**Capital expenditures**	**14,562**	**13,695**	**(867)**	**(6.0)**

In 2009, **capital expenditures** amounted to euro 13,695 million (euro 14,562 million in 2008), of which 86% related to the Exploration & Production, Gas & Power and Refining & Marketing divisions. Main expenditures were the following ones:
- oil & gas development activities were euro 7,478 million and were deployed mainly in Kazakhstan, the United States, Egypt, Congo, Italy and Angola;
- exploration projects were euro 1,228 million of which 97% were carried out outside Italy, primarily in the United States, Libya, Egypt, Norway and Angola;
- acquisition of proved and unproved properties amounting to euro 697 million mainly related to the acquisition of a 27.5% interest in assets with gas shale reserves from Quicksilver Resources Inc and extension of the duration of oil and gas properties in Egypt following the agreement signed in May 2009;
- development and upgrading of Eni s natural gas outside Italy absorbed euro 172 million;
- upgrading of the fleet used in the Engineering & Construction division amounted to euro 1,630 million.

Investments and purchases of consolidated subsidiaries and businesses (euro 2,323 million) mainly related to the completion of the acquisition of Distrigas NV.

Disposals amounted to euro 3,595 million and mainly related to the divestment of a 20% interest in Gazprom Neft following exercise on April 7, 2009 of the call option by Gazprom (euro 3,070 million). The exercise price of the call option is equal to the bid price ($3.7 billion) as adjusted by subtracting dividends distributed and adding the contractual annual remuneration of 9.4% on capital employed and certain financial collateral expenses. In addition a 51% stake in the joint venture

transport network in Italy amounted to euro 919 million. Distribution network upgrades were euro 278 million, and further euro 282 million were invested to develop and increase storage capacity;
- projects aimed at improving the conversion capacity and flexibility of refineries amounted to euro 436 million. Building and upgrading service stations in Italy and

OOO SeverEnergia (Eni 60%) was divested to Gazprom. Eni s share of the transaction is worth $940 million of which $230 million were collected as of year end, which corresponded to euro 155 million at the exchange rate of the transaction date. The remaining $710 million were collected on March 31, 2010 (euro 526 million at exchange rate of 1.35).

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Other disposals related to non strategic oil & gas properties following agreements signed with Suez.

Dividends paid and changes in minority interests and reserves amounting to euro 2,956 million mainly related to: (i) cash dividends to Eni shareholders (euro 4,166 million, of which euro 2,355 million pertained to the payment of the balance of the dividend for fiscal year 2008 and euro 1,811 million pertained to the payment of an interim dividend for fiscal year 2009); (ii) dividend payment for fiscal year 2008 from certain consolidated subsidiaries to minorities (euro 350 million) mainly relating to Snam Rete Gas and Saipem (euro 335 million). These outflows were partly offset by the subscription by Snam Rete Gas minorities of a share capital increase amounting to euro 1,542 million as part of Eni s reorganization of its regulated businesses in Italy.

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

Summarized Group Balance Sheet

(euro million)		December 31, 2008		December 31, 2009	
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			59,255		63,177
Inventories - compulsory stock			1,196		1,736
Intangible assets			7,697		8,057
Equity-accounted investments and other investments			5,881		6,244
Receivables and securities held for operating activities	(see Note 3 and 12)		1,219		1,261
Net payables related to capital expenditures, made up of:			(787)		(749)
- receivables related to capital expenditures/disposals	(see Note 3)	149		82	
- receivables related to capital expenditures/disposals	(see Note 14)	780		710	
- payables related to capital expenditures	(see Note 16)	(1,716)		(1,541)	
Total fixed assets			**74,461**		**79,726**
Net working capital					
Inventories			6,082		5,495
Trade receivables	(see Note 3)		16,444		14,916
Trade payables	(see Note 16)		(12,590)		(10,078)
Tax payables and provisions for net deferred tax liabilities, made up of:			(5,323)		(1,988)
- income tax payables		(1,949)		(1,291)	
- other tax payables		(1,660)		(1,431)	
- deferred tax liabilities		(5,784)		(4,907)	
- other tax liabilities	(see Note 24)	(254)		(52)	
- current tax assets		170		753	
- other current tax assets		1,130		1,270	
- deferred tax assets		2,912		3,558	
- other tax assets	(see Note 14)	112		112	
Provisions			(9,506)		(10,319)
Other current assets and liabilities:					
Other, made up of:			(4,544)		(3,968)
- securities held for operating purposes	(see Note 2)	310		284	
- receivables for operating purposes	(see Note 3)	402		339	
- other receivables	(see Note 3)	4,805		4,825	
- other (current) assets		1,870		1,307	

- other receivables and other assets	(see Note 14)	989		1,116	
- advances, other payables	(see Note 16)	(6,209)		(7,555)	
- other (current) liabilities		(3,863)		(1,856)	
- other payables and other liabilities	(see Note 24)	(2,848)		(2,428)	
Total net working capital			**(9,437)**		**(5,942)**
Current investments	(see Note 2)		**2,741**		
Provisions for employee post-retirement benefits			**(947)**		**(944)**
Net assets held for sale including related net borrowings, made up of:			**68**		**266**
- assets held for sale		68		542	
- liabilities directly associated to assets held for sale				(276)	
CAPITAL EMPLOYED, NET			**66,886**		**73,106**

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continued Summarized Group Balance Sheet

(euro million)		December 31, 2008		December 31, 2009	
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			**66,886**		**73,106**
Shareholders' equity including minority interest			**48,510**		**50,051**
Net borrowings					
Total debt, made up of:			20,837		24,800
- long-term debt		13,929		18,064	
- current portion of long-term debt		549		3,191	
- short-term financial liabilities		6,359		3,545	
less:					
Cash and cash equivalents			(1,939)		(1,608)
Securities held for non-operating purposes	(see Note 2)		(185)		(64)
Financing receivables for non-operating purposes	(see Note 3)		(337)		(73)
Total net borrowings [(a)]			**18,376**		**23,055**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			**66,886**		**73,106**

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

Summarized Group Cash Flow Statement

(euro million)	December 31, 2008		December 31, 2009	
Items of Summarized Group Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Net profit		**9,558**		**5,317**
Adjustments to reconcile to cash generated from operating profit before changes in working capital:				
Depreciation, depletion and amortization and other non monetary items:		11,388		9,847
- depreciation, depletion and amortization	8,422		8,762	
- net impairments (write-ups)	2,560		495	
- net changes in provisions	414		574	
- net changes in the provisions for employee benefits	(8)		16	
Net gains on disposal of assets		(219)		(226)
Dividends, interest, income taxes and other changes:		9,080		6,687
- dividend income	(510)		(164)	
- interest income	(592)		(352)	
- interest expense	809		603	
- exchange differences	(319)		(156)	
- income taxes	9,692		6,756	
Cash generated from operating profit before changes in working capital		**29,807**		**21,625**
Changes in working capital related to operations:		2,212		(1,769)
- inventories	(801)		52	
- trade and other receivables	(974)		(19)	
- other assets	162		(472)	
- trade and other payables	2,318		(1,201)	
- other liabilities	1,507		(129)	
Dividends received, taxes paid, interest (paid) received during the period:		(10,218)		(8,720)
- dividend received	1,150		576	
- interest received	266		594	
- interest paid	(852)		(583)	
- income taxes paid	(10,782)		(9,307)	
Net cash provided by operating activities		**21,801**		**11,136**
Capital expenditures:		(14,562)		(13,695)
- tangible assets	(12,312)		(12,300)	
- intangible assets	(2,250)		(1,395)	
Acquisition of investments and businesses:		(4,019)		(2,323)
- investments	(385)		(230)	
- consolidated subsidiaries and businesses	(3,634)		(25)	
- acquisition of additional interests in subsidiaries			(2,068)	
Disposals:		979		3,595
- tangible assets	318		126	
- intangible assets	2		250	
- consolidated subsidiaries and businesses	149			
- investments	510		3,219	

- sale of interests in subsidiaries				
Other cash flow related to capital expenditures, investments and disposals:		(267)		(295)
- securities	(152)		(2)	
- financing receivables	(710)		(972)	
- change in payables and receivables relating to investments and capitalized depreciation	367		(97)	
reclassification: *purchase of securities and financing receivables for non-operating purposes*	*173*		*38*	
- disposal of securities	145		164	
- disposal of financing receivables	1,293		861	
- change in payables and receivables	(299)		147	
reclassification: *disposal of securities and financing receivables held for non-operating purposes*	*(1,084)*		*(434)*	
Free cash flow		**3,932**		**(1,582)**

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continued **Summarized Group Cash Flow Statement**

(euro million)	December 31, 2008		December 31, 2009	
Items of Summarized Group Cash Flow Statement and confluence/reclassification of items in the statutory scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Free cash flow		**3,932**		**(1,582)**
Borrowings (repayment) of debt related to financing activities		911		396
reclassification: *purchase of securities and financing receivables held for non-operating purposes*	*(173)*		*(38)*	
reclassification: *sale of securities and financing receivables held for non-operating purposes*	*1,084*		*434*	
Changes in short and long-term finance debt:		980		3,841
- proceeds from long-term finance debt	3,774		8,774	
- payments of long-term finance debt	(2,104)		(2,044)	
- increase (decreases) in short-term finance debt	(690)		(2,889)	
Dividends paid and changes in minority interests and reserves:		(6,005)		(2,956)
- net capital contributions/payments by/to minority shareholders	20		1,551	
- dividends paid by Eni to shareholders	(4,910)		(4,166)	
- dividends paid to minority interest	(297)		(350)	
- net repurchase of treasury shares	(768)			
- treasury shares repurchased by consolidated subsidiaries	(50)		9	
Effect of changes in consolidation area and exchange differences:		7		(30)
- effect of change in consolidation area	(1)			
- effect of exchange differences and other changes	8		(30)	
CHANGE IN CASH AND CASH EQUIVALENTS		**(175)**		**(331)**

RISK FACTORS, UNCERTAINTIES AND TREND INFORMATION

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 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 and Eni Trading & Shipping that 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 Italy, 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 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 respectively, covering funding requirements and using available surpluses.

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 transactions 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 vice-versa. 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 the translation of foreign currency denominated profits or assets and liabilities of subsidiaries which prepare financial 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 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 options) with the underlying commodities being crude oil, refined products or electricity. Such derivatives are 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 prices provided by specialized sources. Changes in fair value of those derivatives are normally recognized 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

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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 2009 (compared with 2008) relating to interest rate and exchange rate risks in the first section, and commodity risk in the second section. Var values are stated in U.S. dollars, the currency used in oil products markets.

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

	2008				**2009**			
(euro million)	High	Low	Avg	At period end	High	Low	Avg	At period end
Interest rate	12.31	0.73	4.17	6.54	6.85	1.65	3.35	1.98
Exchange rate	1.48	0.09	0.48	0.47	1.22	0.07	0.35	0.31

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

	2008				**2009**			
($ million)	High	Low	Avg	At period end	High	Low	Avg	At period end
Area oil, products	46.48	3.44	19.88	5.43	37.51	4.74	17.65	6.64
Area Gas & Power (*)	67.04	24.38	43.53	32.07	51.62	28.01	40.97	38.26

(*) In 2008, amounts relating to the Gas & Power business also include Distrigas' contribution, since the acquisition date.

Credit risk

Credit risk is the potential exposure of the Group to losses in case counterparties 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 not include retail clients and public administrations. The assessment methodology assigns a score to individual 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 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 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 circumstances to suspend eligibility to be a Group financial counterparty. Actions implemented also have been intended to limit 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.

With regard to risk arising from financial counterparties, Eni has established guidelines prior to entering into concentrations of credit risk by maximizing counterparty diversification and turnover. Counterparties have also been selected on 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, 2009, 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 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. In particular in 2009, Eni issued bonds addressed to institutional investor and to the retail market for euro 3 billion and euro 2 billion, respectively. 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, 2009, Eni maintained short-term committed and uncommitted unused borrowing facilities of euro 11,774 million, of which euro 2,241 million were committed, and long-term committed unused borrowing facilities of euro 2,850 million. These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant.

Eni has in place a program for the issuance of Euro Medium Term Notes up to euro 15 billion, of which euro 9,211 million were drawn as of December 31, 2009.

The Group has debt ratings of AA- and A-1+ respectively for long (outlook negative) and short-term debt assigned by Standard & Poor s and Aa2 and P-1 (outlook negative) assigned by Moody s.

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.

Current and non current finance debt

	Maturity year						
(euro million)	2010	2011	2012	2013	2014	2015 and thereafter	Total
Non current debt	3,191	1,342	3,660	1,967	2,487	8,608	**21,255**
Current financial liabilities	3,545						**3,545**
Fair value of derivative instruments	1,371	517	133	46	14	98	**2,179**
	8,107	**1,859**	**3,793**	**2,013**	**2,501**	**8,706**	**26,979**
Interest on finance debt	654	570	545	510	426	1,159	**3,864**
Guarantees to banks	377						**377**

Trade and other payables

(euro million)	Maturity year 2010	2011-2014	2015 and thereafter	Total
Trade payables	10,078			10,078
Advances, other payables	9,096	31	23	9,150
	19,174	**31**	**23**	**19,228**

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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. 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						
(euro million)	2010	2011	2012	2013	2014	2015 and thereafter	Total
Operating lease obligations (1)	**886**	**889**	**561**	**470**	**415**	**1,034**	**4,255**
Decommissioning liabilities (2)	**79**	**55**	**112**	**161**	**1,640**	**9,280**	**11,327**
Environmental liabilities	**293**	**259**	**257**	**214**	**193**	**687**	**1,903**
Purchase obligations (3)	**14,845**	**14,151**	**13,923**	**14,634**	**14,651**	**175,888**	**248,092**
Gas							
- Natural gas to be purchased in connection with take-or-pay contracts	*13,986*	*13,365*	*13,123*	*13,827*	*13,838*	*169,268*	*237,407*
- Natural gas to be transported in connection with ship-or-pay contracts	*546*	*538*	*545*	*559*	*567*	*3,658*	*6,413*
Other take-or-pay and ship-or-pay obligations	162	154	139	133	131	1,068	1,787
Other purchase obligations (4)	151	94	116	115	115	1,894	2,485
Other obligations	**21**	**4**	**3**	**3**	**3**	**152**	**186**
of which:							
- *Memorandum* of intent relating Val d Agri	21	4	3	3	3	152	186
	16,124	**15,358**	**14,856**	**15,482**	**16,902**	**187,041**	**265,763**

(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.

In the 2010-2013 four-year period management plans to invest euro 52.8 billion. The table below summarizes Eni s capital expenditure commitments for property, plant and equipment and capital projects at December 31, 2009. 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					
(euro million)	2010	2011	2012	2013	2014 and subsequent years	Total
Committed on major projects	4,119	3,793	2,829	1,928	11,357	24,026
Other committed projects	9,330	5,284	3,467	3,640	7,489	29,210
	13,449	**9,077**	**6,296**	**5,568**	**18,846**	**53,236**

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, 2009, approximately 80% 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 2009, 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 associated with activities in those 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 the 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 Italy are subject to a broad range of laws and regulations, laws impose restrictions on the types, quantities and concentration 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 regulations on safety and health in the workplace in Italy impose a new array of obligations to the Company operations, particularly regarding contractors. New regulations 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 is performed through the adoption of procedures and effective pollution management systems tailored to 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 to reduce the human component in the plant risk management. Operating emergencies including specific rules concerning oil and gas activities currently in force in countries in which it operates. In 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

that may have an adverse impact on assets, people and the environment are managed by the business units for each site. These units manage the HSE risk

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in 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 a major crisis, Divisions/Entities are assisted by the Eni Unit of Crisis 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 of health, safety and environmental matters is supported by the adoption of Eni s Model of HSE operations in all the Division and companies of the 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 (Deming cycle).
Eni is reaching the goal of total certification of its plants. Industrial and commercial sites of the R&M segment have been certified as ISO 14001, and six of them are EMAS certified; in the petrochemical segment facilities are certified under ISO 14001, EMAS and OHSAS 18001. EniPower power stations are EMAS certified, while in other segments facilities are mainly certified under ISO 14001 and OHSAS 18001.
The system for monitoring HSE operational risks is based on the monitoring of HSE indicators at quarterly intervals and on an audit plan addressed to three levels: HSE Corporate, HSE business unit and at site level consisting of:
- internal audits of management systems (performed by Eni employees or external consultants);
- audits for the confirmation or renewal of certification of management systems performed annually by external certifying entities;
- control of compliance with existing HSE regulations;
- specific audits on relevant issues (e.g. following events/accidents/reported failures).
Eni provides a program of specific training and development to its HSE staff in order to:
- promote the execution of behaviors consistent with guidelines;
- drive people s learning growth process by developing professionalism, management and corporate culture;
- support management knowledge and control of HSE risks.

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

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.

Risks associated with the cyclicality of the oil and gas sector

The global economic downturn and the associated reduction in industrial output recorded in 2008 and for most of 2009 triggered a sharp decline in worldwide demand for energy, resulting in significantly lower commodity prices.
In spite of weak fundamentals (level of global demand and level of inventories), international oil prices have shown a steady upward trend since the second half of 2009 driven by expectations for a global economic recovery and OPEC production cuts, settling by year end in a range of 70-80 $/bbl.
Volatile oil prices pose a critical issue to the sustainability of capital plans of oil and gas companies, considering that they are engaged in long-lead-time

Possible evolution of the Italian gas market

Detailed information is furnished in the paragraph "Risk factors" - Operating Review of the Gas & Power division.

projects. Such projects normally require lengthy and complex activities for assessing all technical and commercial aspects and developing and marketing hydrocarbons. As a consequence, return rates of 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. The Company, likewise other players in the industry, assesses its oil & gas projects based on long-term scenarios for oil prices, which reflect management s best assumptions about the underlying fundamentals of global demand and offer. The adoption of long-term prices in assessing capital projects support the achievement of the planned rates of return.

Eni plans to invest euro 52.8 billion in the 2010-2013 four-year period, at the Company s long-term price for Brent crude of $65/barrel (in real terms 2013). Of these, euro 37.7 billion, or 71%, will be dedicated to execute projects for exploring and developing oil and gas reserves. The plan shows an increase of 8% from the previous plan that was approved when the trading environment was particularly depressed. The main drivers which explain the increase are: (i) planned expenditures for developing new upstream projects, particularly those associated with reserves development in Iraq, Venezuela and certain fields offshore Angola; (ii) the circumstance that the Company is forecasting steady trends in costs for materials and sector specific services which have fallen far less than what management has anticipated due to the fast recovery in international oil prices, and the impact of the decision on part of most oil companies to maintain their spending patterns substantially unchanged. In the previous plan, management assumed a decline in those costs. These increasing trends will be partially offset by the impact of the US dollar depreciation versus the euro.

Volatile oil prices also influence the reserve replacement ratio. Changes in oil prices normally trigger two opposite impacts in proved reserves revisions. On one side, a larger or smaller amount of reserves is booked in connection with 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 higher the reference prices for crude oil used to determine production and reserves entitlements, the lower the number of barrels to cover the same dollar amounts hence the amounts of booked reserves; and vice versa. On the other side, downward revisions of reserves occur for those marginal amounts of reserves that are no longer economically producible based on oil prices that are significantly lower than those at which they were originally assessed and sanctioned; and the opposite occurs in case of higher oil prices.

Eni also expects that the gas market will be well supplied as new import capacity to Europe and Italy is available in light of recent facility start-ups and upgrades of the main import pipelines made by Eni and other operators. Those trends, together with the recently enacted gas release programs in Italy, represent risk factors to the Company s ability to maintain its margins in the marketing business also taking into account the take or pay clauses of certain long-term supply contracts which require the Company to collect minimum predetermined volumes of gas or, in case of failure, to pay the price, or a portion of it, for uncollected volumes. Under take-or- pay clauses the Company is entitled to collect pre-paid volumes of gas in future years, assuming a stronger recovery in gas demand.

For more information see the specific risk paragraph in the "Operating Review" of the Gas & Power section in this annual report.

The Refining & Marketing and the Petrochemical divisions are particularly exposed to the volatility of the economic cycle, as their respective industries continue to be plagued by excess capacity, intense competitive pressure, low entry barriers and commoditized products. These industries are also exposed to movements in oil prices and the speed at which the prices of refined products and petrochemicals products adjust to reflect change in the cost of oil-based feedstock. Normally, a time lag occurs between movements in oil prices and those of refined and petrochemical products. As a consequence, in a period of rapidly escalating feedstock costs, margins on refined and petrochemical products are negatively affected.

For 2010, Eni s management does not expect any appreciable recovery in the main trends that negatively affected the performances of these businesses last year. In 2009 Eni s realized refining margins were sharply lower mirroring the environment for Brent margins (down 50%), while margins on a mix of light and heavy crude were further lower, down by 60%, both under break-even. A number of negative factors contribute to the reduction. Firstly, significantly compressed light-heavy crude differentials due to a reduction in heavy crude availability on the market place negatively affected the profitability of Eni s complex refineries. Secondly, the industry continued to be plagued by weak fundamentals due to excess capacity, high inventory levels and stagnant demand affecting end-prices, while

In the Gas & Power division, Eni s outlook for the year 2010 factors in a modest improvement in Italian and European gas demand, recovering from the sharp decline suffered in 2009.

feedstock costs have been on an upward trend since the beginning of the second half. Finally, middle-distillates prices plunged to historical lows in terms of spread versus the cost of oil. At the moment,

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management does not expect a reversal in those trends on the short-term.
In its Petrochemical division, management has been pursuing a number of initiatives designed to reduce fixed operating expenses and to realign the industrial set-up of Eni s petrochemical operations with a view of enhancing areas of competitive advantage. In spite of all this, the achievement of the operating break-even in this segment depends on a global recovery in the economy that is uncertain at least in the short-term.
The Engineering & Construction segment followed a different trend, maintaining a steady order backlog and economic returns, thanks to a business model articulated across various market sectors combined with a strong competitive position in frontier areas, which are traditionally less exposed to the cyclical nature of this market. The start of operations of new distinctive assets in 2010 and 2011 coupled with the size and quality of the backlog and the strong operating performance on projects, underpin expectations for a further significant strengthening of Saipem s competitive position in the medium-term.

OUTLOOK

In what remains an uncertain energy environment, Eni forecasts a modest improvement in global oil demand and a Brent price of 65 $/bbl in 2010. Gas demand in Europe and Italy is expected to recover gradually from the steep decline suffered in 2009, which mainly impacted the industrial and power generation sectors at a time when new import capacity was coming on line. The Company faces a challenging refining environment, excluding any significant recovery in industry fundamentals that will entail prolonged weakness in refinery margins.

- **Production of liquids and natural gas** is forecast to achieve a level not lower than in 2009, when production came in at 1.769 million boe/d, based on the Company s scenario for a Brent price of 65 $/bbl for the full year, OPEC restrictions at the same level as 2009 and asset disposals underway. Growth will be driven by continuing field start-ups, mainly in Congo, Norway and marginally the Zubair project in Iraq, and production ramp-up at the Company s recently started fields, mainly in Nigeria, Angola and the USA. These additions will be offset by mature field declines. Production growth will resume at a strong rate in the coming years.
- **Natural gas sales** are expected to remain flat compared to 2009 (approximately 104 bcm were achieved in 2009). Increasing competitive pressures, mainly in Italy, will be offset by an expected recovery in European gas demand. Other positive trends include a benefit associated with integrating Distrigas operations and the optimization of supply portfolio, including re-negotiation of long-term supply contracts.
- **Regulated businesses in Italy** will benefit from the pre-set, regulatory return on new capital expenditures and cost savings from integrating the whole chain of transport, storage and distribution activities.
- **Refining throughputs on Eni s account** are planned to be in line with 2009 (actual throughputs in 2009 were 34.55 mmtonnes). Volumes processed at wholly-owned refineries are expected to increase, resulting in a higher capacity utilization rate, due to a reduction in volumes on third party refineries reflecting the Company s decision to terminate certain processing agreements. Efficiency improvement actions will partly offset the unfavorable trading environment.
- **Retail sales of refined products** in Italy and the rest of Europe are expected to be unchanged from 2009 (12.02 mmtonnes in 2009) reflecting weak demand. New marketing initiatives are planned in order to strengthen Eni s leadership on the Italian retail market and to develop its market share in European markets.
- The **Engineering & Construction** business is expected to see solid results due to a robust order backlog.

In 2010, management plans to make capital expenditures broadly in line with 2009 (euro 13.69 billion were invested in 2009). Capital expenditures will mainly be directed to the development of oil and natural gas reserves, exploration projects, the upgrading of construction vessels and rigs, and the upgrading of natural gas transport infrastructure. Management has planned a number of measures designed to ensure the achievement of a ratio of net borrowings to total equity (leverage) which will adequately support a strong credit rating.

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, 2009, the provisions of Article No. 36 of Italian exchanges regulation in accordance with Italian continuing listing standards apply to Eni s subsidiaries Burren Energy (Bermuda) Ltd, Eni Congo SA, Eni Norge AS, Eni Petroleum Co Inc, NAOC-Nigerian Agip Oil Co Ltd, Nigerian Agip Exploration Ltd, Trans Tunisian Pipeline Co Ltd e Burren Energy (Congo) Ltd which fell within the scope of the regulation as of September 30, 2009, as well as the following subsidiary Eni Finance USA Inc;
- the Company has already adopted adequate procedure to ensure full compliance with the regulation.

Subsequent events

Subsequent business developments are described in the operating review of Eni s business segment.

Corporate Governance and Shareholding Structure Report

This Report is intended to provide a general and complete overview of the corporate governance system adopted by Eni.
Fulfilling the applicable legal and regulatory duties[1], in accordance with the guidelines and recommendations of Borsa Italiana SpA ("Borsa Italiana") the company responsible for the organization and management of the Italian stock exchange and the most representative trade associations, the Report contains information regarding ownership structures and compliance with the Corporate Governance Code promoted by Borsa Italiana, giving reasons for the choices made in the application of corporate governance principles, as well as practices actually applied.
Borsa Italiana s Corporate Governance Code is accessible to the public at www.borsaitaliana.it[2].
The text of this Report is also available at the registered office, published in the "Corporate Governance" section of the Company s website[3] and forwarded to Borsa Italiana according to the procedures and by the deadlines required by applicable regulations.
The information contained in this Report relates to the financial year 2009 and has been updated, in respect of certain matters, as of March 11, 2010, the date of the Board of Directors meeting that approved it together with the Directors report, the consolidated financial statements and the draft financial statements for the financial year 2009.

Eni: profile, structure and values

Profile
Eni is an integrated energy company with operations in more than 77 countries and a workforce of approximately 78,400 people. It operates in industries ranging from oil and natural gas to the generation and sale of electricity, from petrochemicals and engineering to construction, all of them sectors in which it has excellent skills and strong global market positions.
All of Eni s actions are characterized by a strong commitment to sustainable development: making the most of people s skills, contributing to the development and well-being of the communities in which it works, respecting the environment, investing in technical innovation, pursuing energy efficiency and lowering the risks of climate change are objectives shared by the corporate bodies, management and employees.
All of Eni s men and women have a passion for challenges, continuous improvement and excellence, and above all they believe in the fundamental role played by the individual, the environment, integrity and the values established by the Code of Ethics.
Because of this, constant attention is paid to ensuring good governance.
Integrity and transparency are the principles which Eni pursues in formulating an administration and control structure that is suited to its size, complexity and operating structure, in adopting an effective internal control system, and in communicating with shareholders and other stakeholders, particularly by reviewing and updating the information available on its website.

(1) Article 123-*bis* of Legislative Decree No. 58/1998 ("Consolidated Law on Finance") and Article 89-*bis* of Consob Resolution No. 11971/1999 and subsequent amendments ("Consob Regulations on Issuers").
(2) At the following address: http://www.borsaitaliana.it/borsaitaliana/ufficio-stampa/comunicati-stampa/2006/ codiceautodisciplina.en_pdf.htm
(3) At the following address: http://www.eni.com/en_IT/governance/report-on-corporate-governance/report-on-corporate-governance.shtml

Governance structure

The corporate governance structure of Eni follows the traditional model, which assigns corporate management to the Board of Directors, the linchpin of the organizational system, supervisory functions to the Board of Statutory Auditors and auditing of the accounts to the audit firm appointed by the Shareholders Meeting.
In compliance with the provisions of the By-laws, the Board appoints a Chief Executive Officer (CEO), to whom it assigns the management of the Company, with the exception of some matters which it reserves for itself, and assigns proxies to the Chairman to identify and promote integrated projects and strategically important international agreements.
The chosen model therefore establishes a clear distinction between the functions of the Chairman and those of the CEO, pursuant to Article 25 of the By-laws, both of them retain representative powers for the Company.
The Board of Directors has created three internal committees with consulting and advisory functions: the "Internal Control Committee", "Compensation Committee" and "Oil-Gas Energy Committee".
Furthermore, on a proposal made by the CEO, in agreement with the Chairman, it has appointed three General Managers (Chief Operating Officers) to head the three operating Divisions of Eni[4].
The Board of Directors, on a proposal made by the CEO, in agreement with the Chairman, subject to the prior approval of the Board of Statutory Auditors, has appointed the Company s Chief Financial Officer as the Officer in charge of preparing financial reports.
The Chief Operating Officers and the Chief Financial Officer, together with the Chief Corporate Operations Officer and the Executives which directly report to the CEO (Senior Executive Vice President of the Company) are permanent members of the Management Committee, which advises and supports the CEO.
Some of the organizational and management choices highlighted in the Report have been made in order to fulfill US legal requirements, with which the Company has been required to comply following its listing on the New York Stock Exchange ("NYSE").

Code of Ethics

The Board of Directors believes it is fundamentally important that the values and principles which guide Eni implemented in compliance with the relevant laws and in a context of fair competition, honesty, integrity, fairness and good faith as well as in accordance with the legitimate interests of all the stakeholders with which Eni comes into contact on a daily basis: shareholders, employees, suppliers, customers, commercial and financial partners, as well as local communities and institutions within the countries in which Eni operates.
These values are embedded in the new Eni Code of Ethics, approved by the Board of Directors at its meeting held on March 14, 2008 to replace the previous Business Conduct Code of 1998. The Code of Ethics fulfils the evolution of the regulatory framework, expands on the issues of human rights and sustainability, ensures compliance with international best practices and updates references in relation to Eni s new organizational structure. Everyone working for Eni, from the corporate bodies and management downwards, is specifically committed to complying and ensuring compliance with these principles in the context of their duties and responsibilities. Under no circumstances may the conviction that one is acting for the benefit of Eni justify behavior which conflicts with these principles. The Guarantor of the Code of Ethics defends and promotes these principles and presents a report on the implementation of the Code, on a half-yearly basis, to the Internal Control Committee as well as to the Board of Statutory Auditors, the Chairman and the CEO, who in turn report to the Board. With specific reference to corporate governance issues, the new Code refers to the main corporate governance rules contained in the Corporate Governance Code adopted by Eni[5], highlighting relations with shareholders and the market and defining the general principles to be applied when disseminating company information and in relations with the media.
The Code is also a general unwaivable principle of Model 231, of which it is an integral part: the synergies between the Code of Ethics and the Model are also emphasized by the allocation of Guarantor functions with respect to the Code of Ethics to the Eni Watch Structure, the latter being established by Model 231, with responsibility for promoting and verifying its implementation.
The Code of Ethics applies to all subsidiaries which are directly and indirectly controlled in Italy and abroad by Eni. Subsidiaries which are listed on the stock exchange

are clearly defined, both internally and externally, in order to ensure that all company activities are

and those of the gas sector which are subject to so-called unbundling regulations adopt the Code and adjust it as necessary, in accordance with their own

(4) "Exploration& Production", "Gas& Power" and "Refining& Marketing" Divisions.
(5) For further details, see the paragraph entitled "Compliance with the Corporate Governance Code of Borsa Italiana and Eni Code".

company peculiarities and the principle of managerial autonomy. Each subsidiary assigns Guarantor functions with respect to the Code of Ethics to its own Watch Structure.

The representatives specified by Eni in the corporate bodies of other investee companies, as well as in consortia and joint ventures, promote the principles and contents of the Code within their respective areas of responsibility.

Eni s commitment to disseminating the principles of the Code is further underlined by the creation, under the responsibility of the Guarantor of the Code of Ethics, of a specific "Code of Ethics Promotion Team". The Team s task is to promote knowledge and facilitate the implementation of the Code providing all the tools required to interpret and understand it. For this purpose, it promotes a variety of initiatives depending on the stakeholders involved. These initiatives also aim to stimulate observations on the Code so that it can be constantly updated to fulfill the needs of the social context in which Eni operates.

In particular, through a specific Promotion Plan, the Code of Ethics Promotion Team realized in 2009 various initiatives concerning dissemination and communication, training and participation of stakeholders.

For further details regarding dissemination and communication activities relating to the Code, see the "Sustainability" Section of the Eni website and the Sustainability Report[6].

Sustainability

Sustainability is an integral part of Eni s governance model and is driving a process of improvement centered on issues identified through dialogue with stakeholders and discussions about future energy scenarios.

Each Sustainability objective is pursued through projects and initiatives defined by Eni and its Subsidiaries and included in specific short and medium- term action plans. Planning, implementation and control is a process shared with the Business Units and Areas and approved by the company s highest decision-making bodies. The Board of Directors also has a key role in defining sustainability policies and approving the Sustainability Report, which is also submitted to the Shareholders Meeting. The audit firm certifies the Sustainability Report, verifying the correctness of the planning and management process for the activity as a whole and of the flow of data supplied by operating sites, which are subsequently consolidated and audited at level of Country, Company, Division, Corporate Management and Sustainability Unit. This certification process complies with the requirements of the ISAE 3000 standard, issued in 2004 by the International Auditing and Assurance Standard Board (IAASB), the same body that is assigned to issuing auditing principles.

The most significant initiatives carried out by Eni in recent years to ensure the sustainability of the governance system include in particular encouraging shareholders to participate in the life of the company, raising awareness among shareholders and the Board about issues connected with the model of sustainability and diversity in particular, as well as disseminating good governance practices according to the principles of the Code of Ethics.

Eni s commitment to sustainable development is also recognized by the leading financial Sustainability indexes. In 2009, the company s place was reconfirmed in the Dow Jones Sustainability Index and STOXX, where it has been since 2007. The company is also included in the *FTSE4GOOD* index and had its second place in the Accountability Rating Italy 2009 reconfirmed.

Moreover, Eni came first both in the Italian and world CSR Online Awards 2009, ranks drawn up by the financial communication company Lundquist. Finally, in June 2009 in New York, Eni s CEO was presented with the Foreign Policy Association s Corporate Social Responsibility Award. For further details, see the Sustainability Report and the Sustainability section of the Eni website[7].

Information about the shareholding structure[8]

Share capital structure and significant shareholdings

The share capital of Eni consists of ordinary registered shares. The shares are indivisible and each share gives

(6) http://www.eni.com/en_IT/sustainability/sustainability_swf.page
(7) http://www.eni.com/en_IT/sustainability/sustainability_swf.page
(8) The information regarding the ownership structure is provided in accordance with Article 123-bis, paragraph 1, of the Testo Unico della Finanza (Consolidated Law on Finance). For information regarding:
- the mechanism for the exercise of voting rights in any employee share scheme, where voting rights are not exercised directly by the employees, as required by letter e) of the aforementioned provision, see the paragraph entitled Shareholders meeting and rights ;
- agreements between companies and its Directors, which provide compensation in the event of a resignation or dismissal without just cause or if employment contracts are terminated following a takeover bid, as required by letter i) of the aforementioned provision, see the paragraph entitled Directors Remuneration ;
- rules applicable to the appointment and replacement of Directors, as required by letter l) of the aforementioned provision, see the paragraph entitled Appointment of the Board of Directors ;
- amendments to the By-laws required by letter l) of the aforementioned provision, see the paragraph entitled Shareholders meetings and rights .

one voting right. Owners of Eni shares may vote in the ordinary and extraordinary shareholders meetings of the company and may, in any case, exercise the corporate and financial rights which are ascribed to them by current regulations, in compliance with the limits imposed by the latter and by the Company s By-laws.
On December 31, 2009, the Company s share capital was Euro 4,005,358,876, fully paid-up and represented by 4,005,358,876 ordinary registered shares, each with a nominal value of euro 1.00.
In 1995, Eni issued an ADR (American Depositary Receipt) program for the US market. The ADR identifies the stock certificates representing shares of foreign companies traded in stock exchanges of the United States. Each Eni ADR represents two ordinary shares and is listed on the New York Stock Exchange[9].
Based on the information available and communications received in accordance with Article 120 of Legislative Decree No. 58/1998 (Testo Unico della Finanza - Italian Consolidated Law on Finance), Consob Resolution No. 11971/1999 (Regolamento Emittenti Consob - Consob Regulations on Issuers), on December 31, 2009 the shareholders who owned a more than 2% share of Eni s capital were:

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)	382,952,240	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	340,489	2,246,718,828	56.09
UK and Ireland	998	188,379,015	4.70
Other UE	4,603	523,822,062	13.08
USA and Canada	1,701	394,799,891	9.86
Rest of world	1,175	241,943,718	6.04
Own shares at the dividend date		382,952,240	9.56
Other		26,743,122	0.67
Total		**4,005,358,876**	**100.00**

(a) As of September 24, 2009, payment date of the interim dividend for fiscal year 2009 (ex-dividend date, September 21, 2009).

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	551,813,303	13.78
2%-3%	-	-	-

1%-2%	8	431,214,800	10.77
0.5%-1%	6	168,306,301	4.20
0.3%-0.5%	13	190,695,057	4.76
0.1%-0.3%	36	254,058,897	6.34
≤ 0.1%	348,900	1,186,131,879	29.61
Own shares at the dividend date		382,952,240	9.56
Other		26,743,122	0.67
Total		**4,005,358,876**	**100.00**

(a) As of September 24, 2009, payment date of the interim dividend for fiscal year 2009 (ex-dividend date, September 21, 2009).
(b) Afterwards, Intesa San Paolo Group reduced the percentage of shares held from 3.78% to 1.39%.

(9) For further details on ADR program see the Eni website section relative to "FAQ":http://www.eni.com/en_IT/investor-relation/investor-tools/investor-faq/investor-faq.shtml

Eni is not subject to management and coordination activities[10].

Shareholding limits and restrictions on voting rights
In accordance with Article 6 of the By-laws, and applying the special rules pursuant to Article 3 of Law Decree No. 332/1994, converted into Law No. 474 of 1994 (Law No. 474/1994), under no circumstances may any party own shares in the company which constitute a direct or indirect shareholding of more than 3% of the share capital. Exceeding this limit results in a ban on exercising the voting rights and any rights other than property rights relative to any shareholding that exceeds the limit.
Pursuant to Article 32 of the By-laws and the same laws mentioned above, shareholdings owned by the Ministry of the Economy and Finance, public bodies or organization controlled by them are exempt from this ban.
Finally, this special rule provides that the clause regarding shareholding limits will not apply if the limit is exceeded as a result of a take-over bid, provided that, as a result of the take-over, the bidder will own a shareholding of at least 75% of the share capital with the right to vote on resolutions concerning the appointment or dismissal of Directors[11].

Special powers of the State (Golden Share)
Pursuant to Article 6.2 of the By-laws and to the special rules set out in Law No. 474/1994, the Ministry of Economy and Finance, in agreement with the Ministry of Economic Development, holds special powers that can be exercised in accordance with the criteria set out in the Prime Ministerial Decree of June 10, 2004. These special powers are briefly the following:
a) objection to the purchase, by parties who are subject to the shareholding limit[12], of significant shareholdings, i.e. shareholdings that represent at least 3% of the share capital and consist of shares with the right to vote in ordinary shareholders meetings. The objection, duly justified, must be expressed if the transaction is deemed to be prejudicial to the vital interests of the State, within ten days of the date of the notification which Directors are required to send when a request is made for registration in the register of shareholders. During the period of time allowed for the right of objection to be exercised, the voting rights and any rights other than rights connected with the shares that represent the significant shareholding remain suspended. In the event of the right of objection being exercised, by means of a duly justified decision based on the actual prejudicial effect caused by the transaction to the vital interests of the State, the assignee will be forbidden from exercising its voting rights and any rights other than property rights connected with the shares that represent the significant shareholding, and will be required to assign these same shares within one year. In the event of a failure to comply, the Court, at the request of the Ministry of Economy and Finance, will order the sale of the shares representing the significant shareholding according to the procedures set out in Article 2359-*ter* of the Civil Code;
b) objection to the signing of agreements, as defined in Article 122 of the Consolidated Law on Finance, in the event that at least 3% of the share capital consisting of shares with the right to vote in ordinary shareholders meetings is represented in the agreements. For the purpose of allowing the right of objection to be exercised, Consob will inform the Ministry of the Economy and Finance of any significant agreements of which it has been notified under the terms of the aforementioned Article 122 of the Consolidated Law on Finance. The right of objection must be exercised within ten days of the date of Consob s notification. During the period of time allowed for the right of objection to be exercised, the voting rights and any rights other than property rights of the shareholders signing up to the agreement are suspended. If an objection decision is issued with due justification detailing the actual prejudicial effect of the aforesaid agreements to the vital interests of the State, the agreement will be null and void. If the conduct during the Shareholders Meeting of the shareholders bound by the agreement reveals that the undertakings given under an agreement pursuant to the aforesaid Article 122 of the Consolidated Law on Finance have been maintained, any resolutions passed with the casting vote of these same shareholders may be challenged;
c) vetoing, if duly justified by an actual prejudicial effect to the vital interests of the State, of resolutions to dissolve the Company, transfer the company, merge, demerge, transfer the registered office overseas, change the company purpose, amend the By-laws in a way that withdraws or modifies the powers detailed

property

(10) Article 19, paragraph 6, of Law Decree No. 78/2009, converted into Law No. 102/2009, states that the term *enti* (entities) in the reference contained in Article 2497, paragraph 1, of the Civil Code, regarding management and coordination, should be understood to refer to "legal entities other than the State that own a shareholding in the context of their business activities or for economic or financial purposes".

(11) According to Law No. 266 of 2005 (2006 Budget Law), to which a specific paragraph of this Report is dedicated, the same clause would cease to apply if rules regarding the issue of the shares or financial instruments for which the same law provides were included in the By-laws.

(12) These are the parties described in Article 6.1 of the By-laws, excluding those described in Article 32.2.

in letters (a), (b), (c) and the subsequent letter (d);
d) appointment of a Director with no right to vote in Board meetings.
Decisions to exercise the powers detailed in letters a), b) and c) may be challenged within sixty days, by the parties entitled to do so, before the Regional Administrative Court of Lazio.

Shares and participating financial instruments referred to in Law No. 266 of December 22, 2005
In order to "promote privatization and the spread of investment in shares" of companies in which the State has a significant shareholding, Article 1, paragraphs 381 to 384 of Law No. 266/2005 (2006 Financial Law) introduced the power to add provisions to the By-laws of privatized companies primarily controlled by the State, like Eni, which allow shares or participating financial instruments to be issued that grant the special meeting of its holders the right to request that new shares, even at par value, or new financial instruments be issued to them with the right to vote in ordinary and extraordinary Shareholders Meetings. Making this amendment to the By-laws would lead to the shareholding limit referred to in Article 6.1 of the By-laws being removed. At the present time, however, Eni s By-laws do not contain any such provision.

Agreements between shareholders
The Company is not aware of any agreements under the terms of Article 122 of the Consolidated Law on Finance.

Significant agreements that would become effective, be modified or be extinguished in the event of a change of control of Eni
Except as follows, Eni and its subsidiaries are not parties to any significant agreements that can be disclosed without causing serious prejudice to the Company and that would become effective, be modified or be extinguished in the event of a change in the identity of the shareholders who currently control Eni. Significant agreements are considered to be agreements that have been examined and approved by the Board of Directors because they come within its exclusive areas of responsibility, as stated below.
In particular, the agreements that come into this category relate to:
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 production, storage or distribution of natural gas in Argentina.

Proxies for capital increases, power of Directors to issue participating financial instruments and authorizations to purchase treasury shares
There are no provisions for proxies to be granted to the Board of Directors to carry out share capital increases pursuant to Article 2443.
The Directors have no powers to issue participating financial instruments.
In a resolution approved on April 29, 2008, the Shareholders Meeting authorized the Board of Directors, pursuant to Article 2357 of the Civil Code, subject to prior revocation of the non-implemented part of the previous authorization, to purchase treasury shares on the Electronic Stock Market within 18 months of the date of the resolution, up to a maximum of 400 million shares, with a nominal value of euro 1, and up to a total amount of euro 7.4 billion, including shares held in portfolio as of the date of the Shareholders Meeting, for a price no lower than their nominal value and no higher than the reference price recorded on the day before each individual purchase plus 5%.
The authorization expired on October 29, 2009[13]. On December 31, 2009, the treasury shares in Eni s portfolio amounted to 382,952,240, the equivalent of 9.56% of share capital of Eni.

Corporate Governance information[14]

Compliance with the Corporate Governance Code of Borsa Italiana and Eni Code
In a resolution of the Board of Directors approved on December 13, 2006, which conformed to a similar decision of January 20, 2000, Eni adhered to the new Corporate Governance Code for listed companies

(i) the Shareholders Agreements between Eni, Amorim Energia and Caixa Geral de Depòsitos for

(13) For further information, go to http://www.eni.com/en_IT/governance/shareholders/treasury-shares/treasury-shares.shtml

(14) The governance information is also provided in accordance with the requirements of Article 123-*bis,* paragraph 1, letters e), i), l), and paragraph 2, of the Consolidated Law on Finance.

promoted by Borsa Italiana, according to the version issued on March 14, 2006 ("Code of Borsa Italiana")[15].
In accordance with the Code of Borsa Italiana, Eni has adopted its own Corporate Governance Code (following the "Code" or "Eni Code") for the purpose of transposing its provisions, adapting them to the specific reality of Eni, clarifying some of them and at the same time enhancing and raising the general standards of governance of the Company.
The Eni Code is therefore a clear and comprehensive description of the Company s governance system that complies with the provisions of the Code of Borsa Italiana and with the Company s main documents.
In particular, the Code takes into account the fact that Eni is a parent company that is not controlled by any other company and is not subject to management or coordination by others. Equally, the Code takes into account the current provisions of the By-laws, which establish a traditional administration and control system (therefore eliminating the provisions regarding the single and dual models contained in the Code of Borsa Italiana), separating the posts of Chairman and CEO (which avoids the need for a lead independent Director to be appointed) and establishing specific provisions for the appointment and composition of the Board of Directors and the Board of Statutory Auditors.
In order to ensure greater transparency and intelligibility, the Eni Code deals directly with the various options envisaged by the Code of Borsa Italiana, without therefore referring to later documents (e.g. with regard to the decision not to redistribute or modify the functions of the Board s internal committees, to provide for a single Officer in charge of internal control, to provide for this Officer also to report to the CEO, not to assign Internal Auditing to external parties).
The provisions of the Code of Borsa Italiana that refer to the responsibilities of the Shareholders Meeting have been included as hopes or recommendations, since the Board cannot guarantee compliance with them.
Some of the generic recommendations of the Code of Borsa Italiana have been made specific, particularly those relating to the independence of Directors, adopting specific terms which identify "additional remunerations" that prejudice their independence and which define "close family members".
Finally, provisions have been included that raise the standard of governance proposed by the Code of Borsa an informed manner and autonomously, pursuing the primary objective of creating value for shareholders, taking into account the interest of other stakeholders;
- the minimum reporting frequency to the Board on the part of Directors with proxies has been reduced from three to two months;
- for the purposes of the self-assessment of the Board (board review), it is possible to utilize the services of a specialized external consultant in order to ensure that the implemented work is objective;
- the commitment of Directors and Auditors to stay in office until they are capable of ensuring sufficient time for implementing their tasks has been emphasized;
- it has been established that the internal Committees of the Board required by the Eni Code (with specific reference to the Committee for Internal Control and Compensation Committee) shall not consist of a number of Directors that represent a majority of the Board, so as not to alter the process for Board resolutions;
- provision has been made for an opinion to be issued by the Internal Control Committee in relation to rules for ensuring transparency as well as substantive and procedural fairness during transactions with related parties and transactions involving interests on the part of Directors. The Committee has also been ascribed a significant role in the preliminary phase of operations with related parties, in compliance with sector principles and best practices;
- for the appointment of the Officer in charge of internal control, the Board s proposal is made by the CEO in agreement with the Chairman. In a resolution approved on October 30, 2008, the Board of Directors provided for the proposal to be made after having also heard from the Internal Control Committee and for these appointment procedures also to apply to the Senior Executive Vice President of Internal Audit; it therefore appointed the latter, with the agreement of the Committee, as Eni s Officer in charge of internal control[16];
- provision has been made for at least two members of the Internal Control Committee to have adequate experience in the accounting and financial fields (the Code of Borsa Italiana only requires one).
As of December 13, 2006, the Board of Statutory Auditors has expressly complied with the relevant provisions of the Code.
Following the adoption of the Eni Code, the Board of

Italiana and in particular:
- the interest of all stakeholders has been established as a benchmark for Directors: Directors act and decide in

Directors also approved a number of resolutions implementing and specifying the provisions it contains.

(15) The Code of Borsa Italiana is available to the public on the www.borsaitaliana.it website at: http://www.borsaitaliana.it /borsaitaliana/ufficio-stampa/comunicati-stampa/2006/codiceautodisciplina.en_pdf.htm
(16) The Board thus confirmed a previous resolution of March 16, 2007.

In particular:
- the functions of the Board of Directors have been redefined. The Board maintains an absolutely central position with respect to the corporate governance system of the Company and retains wide-ranging responsibilities, particularly in terms of Company and Group organization and the internal control system;
- the most significant operations of the Company and its subsidiaries have been defined and presented for approval by the Board, which is required to pay particular attention to situations in which the Directors have personal or third party interests as well as to transactions with related parties;
- the Board of Directors also has a key role in defining sustainability policies and approving the Sustainability Report, which are also submitted to the Shareholders Meeting;
- subsidiaries that are of strategic importance (Snam Rete Gas SpA, Saipem SpA, Polimeri Europa SpA and Eni International BV) have been identified;
- the guidelines on the maximum number of offices held by Directors in other companies have been defined in order to ensure that Directors dedicate the time required to perform their duty effectively; the provisions set for the Executive Director are extended to cover the General Managers as well;
- the principle has been established of respect for the managerial independence of listed subsidiaries (currently, in Italy, Saipem SpA and Snam Rete Gas SpA) and the commitment on the part of Eni to comply with the provisions of the Code that relate to the shareholders of issuers. This principle has been subsequently extended, as a result of developments in the legal framework, to cover companies that are subject to separate administration and accounting systems (known as "unbundling") as required by specific regulation applicable (in addition to Snam Rete Gas SpA, for Italy, Italgas SpA and Stogit SpA[17]).

At its meeting on April 23, 2009, the Board of Directors also established the general governance principles that Eni applies, in its position as the shareholder, to its investee companies in Italy and overseas. For this purpose, it has issued Guidelines, complemented by specific implementation rules, aimed at establishing general principles, roles and organizational responsibilities for identifying governance and control systems and for the composition of company bodies and is that of the joint-stock company with a traditional administration and control system, while for overseas companies provision has been made for the adoption of legal forms that are similar to that of a joint-stock and/or limited liability company under Italian law. The auditing of investee companies in Italy and overseas must be entrusted to an audit firm. In order to ensure adequate representation of diversity in company bodies, particularly gender diversity, a monitoring project in Eni scenery has been launched.

The Eni corporate governance system therefore complies with the requirements of the Code of Borsa Italiana and also contains provisions that improve the standard of corporate governance. Further details of the implementation of the respective provisions will be provided in the rest of this Report.

The Eni Code is published in the Corporate Governance section of the Eni website[18]. In order to avoid making the text too burdensome to read, the "Comment" contained in the Code of Borsa Italiana does not appear but it is borne in mind by Eni in applying the Principles and Criteria.

Shareholders Meetings and rights[19]

The Shareholders Meeting, whether ordinary or extraordinary, has the power to pass resolutions according to the procedures and on the matters stated in the law and in the By-laws. In particular, the Ordinary Shareholders Meeting appoints and dismisses Directors and Statutory Auditors, determines their remuneration, approves the financial statements (closed on December 31 of each year) and appoints the audit firm and determines its remuneration. The Extraordinary Shareholders Meeting passes resolutions on changes to the By-laws and operations of an extraordinary nature, such as capital increases, mergers and demergers.

As regards the rules applicable to amendments to the By-laws, Eni complies with ordinary legislation, with the exception of the terms of the paragraph relating to the special powers of the State contained in this Report, to which reference should be made. It is also worth noting that Article 23.2 of the By-laws provides for the Board of Directors to pass resolutions regarding the adaptation of provisions in the By-laws to legal requirements.

The By-laws have also assigned the Board of Directors, the respective appointment criteria. In particular, the governance model chosen for the Italian companies pursuant to Article 2365, paragraph 2, of the Civil Code, responsibility for passing resolutions on mergers

(17) With effect from July 2009, Eni sold its shareholding in the two companies to Snam Rete Gas SpA.
(18) At the following address:
http://www.eni.com/en_IT/governance/governance-model-policies/eni-corporate-governance-code/eni-corporate-governance-code.shtml
(19) Information provided pursuant to Article 123-ii, paragraph 1, letters e) and l) with reference to changes to the By-laws, and paragraph 2, letter c), of the Consolidated Law on Finance.

by incorporation and proportional demergers of companies at least 90% of whose shares or units are owned by the Company, as well as on the establishment and closure of secondary offices.
In order to promote the attendance of shareholders at Shareholders Meetings, until the new provisions become effective[20], the convocation will be sent out by notice addressed to Borsa Italiana and published on the website and in the *Gazzetta Ufficiale*, as well as, in accordance with Article 13 of the By-laws and current legislation, in the daily newspapers *Il Sole 24 Ore*, *Corriere della Sera* and *The Financial Times*. Convocation notices must state the provisions of the By-laws that are relevant to the meeting, including, in particular, instructions on how to obtain proxy forms.
In order to speak at a Shareholders Meeting, notice must be submitted, at least two working days before the date of first convocation of the Shareholders Meeting, by an authorized financial broker. The entitled person may withdraw this notice, through the financial broker, thus losing the right to speak at the meeting.
In order to facilitate attendance by shareholders, the By-laws provide for votes to be cast by mail and establish specific facilities for collecting proxies.
Votes sent by mail, within the period established by law, may be revoked by means of an explicit declaration made known to the Company at least one day before the Shareholders Meeting. Anyone intending to attend the Shareholders Meeting as the legal or voluntary representative of shareholders or other persons entitled to attend must submit documentation that demonstrates their powers to the relevant department of the Company according to the terms and procedures stated in the convocation notice.
Furthermore, pursuant to Article 14 of the By-laws, in order to facilitate the collection of proxies from shareholders who are employees of the Company and its subsidiaries, and who are members of shareholders associations that fulfill the requirements of current relevant legislation, the associations in question are provided, according to terms and procedures agreed by their legal representatives, with spaces to be used for communication purposes and for the collection of proxies.
In accordance with the law and the By-laws, within five days of the convocation notice being published, shareholders who, whether jointly or individually, represent at least one fortieth of the share capital may submit a request for the list of additional matters to be discussed. The request must state the proposed matters (which must exclude any matters that may only be proposed by the Directors or are based on plans or reports drawn up by the Directors).
In order to ensure the orderly and efficient running of Shareholders Meetings and allow each shareholder to contribute to the matters being discussed, on December 4, 1998, the Shareholders Meeting approved the regulations for its meetings, which are available on the Eni website[21].
Shareholders Meetings are chaired by the Chairman of the Board of Directors or, in his stead, by the individuals named in the By-laws.
As part of the initiatives launched to stimulate the interest of shareholders and a greater degree of involvement, at the last Annual Shareholders Meeting (April 29-30, 2009) an interactive animation and a Shareholders Handbook were produced, available on the website[22], in order to provide clear and immediate information on the attendance procedures and the rights that can be exercised at these events which are so important for the life of the Company and its shareholders. Eni also intends to extend these initiatives to the Shareholders Meeting that will be convened to approve the financial statements for 2009, paying more attention, also communicative, to the relation with its shareholders.
During the Shareholders Meetings, the Board strives to ensure the greatest transparency of the matters discussed by shareholders, who are granted the opportunity to ask for information about the matters included in the agenda, this information being subsequently provided in accordance with the rules regarding inside information.

Board of Directors[23]

Composition

In accordance with Article 17 of the By-laws, the members of the Board of Directors vary between a minimum of three and a maximum of nine. The Ordinary Shareholders Meeting determines the number of members within these limits.
The By-laws state that minority shareholders may appoint a number of their own representatives on the Board that corresponds to three tenths of the total.

(20) For shareholders meetings whose convocation notices will be published after October 31, 2010, the new provisions will apply which transpose Directive 2007/36/EC on the convocation, contribution and voting rights of shareholders.
(21) At the following address: http://www.eni.com/en_IT/governance/shareholder-meeting/meeting-regulation/meeting-regulation.shtml
(22) At the following address: http://www.eni.com/en_IT/governance/shareholders/initiatives/initiatives.shtml
(23) Information also provided pursuant to Article 123-*bis*, second paragraph, letter d) of the Consolidated Law on Finance.

The Shareholders Meeting of June 10, 2008, set the number of Directors at nine, appointing the Board of Directors and Chairman of the Board for three financial years or in any case until the date of the Shareholders Meeting convened to approve the financial statements for the financial year 2010. On June 11, 2008 the Board of Directors appointed Paolo Scaroni Chief Executive Officer of Eni.
The Board consists of Roberto Poli (Chairman of the Board), Paolo Scaroni (Chief Executive Officer), 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 elected on the basis of the list submitted by the Ministry of the Economy and Finance, which owns 20.31% of the share capital.
Alberto Clô, Marco Reboa and Francesco Taranto were elected on the basis of the list submitted by the institutional investors, which owned a total of 1.10% of the share capital at the time.
Roberto Ulissi, Corporate Affairs and Governance Senior Executive Vice President of the Company was confirmed as Secretary of the Board of Directors.
Information is provided below on the personal and professional lives of the elected Directors.

ROBERTO POLI
Born in 1938. Chairman of Eni SpA since May 2002. Holds the post of Chairman of Poli e Associati SpA, a consultancy company in the fields of corporate finance, extraordinary operations, company acquisitions and restructuring plans. He is a Director of Mondadori SpA, Fininvest SpA, Coesia SpA, Maire Tecnimont SpA and Perennius Capital Partners SGR SpA. Between 1966 and 1998, he lectured in corporate finance at Università Cattolica del Sacro Cuore, in Milan. He has worked as extraordinary operations advisor for some of Italy s largest industrial groups. He was Chairman of Rizzoli-Corriere della Sera SpA and Publitalia SpA.

PAOLO SCARONI
Born in 1946. CEO of Eni SpA since June 2005. Director of Assicurazioni Generali SpA, LSEG plc (London Stock Exchange Group), Veolia Environnement (Paris), Board of Overseers of Columbia 1973, he joined the Saint Gobain Group, where he performed numerous managerial tasks in Italy and overseas until he was appointed President of the Glass Division in Paris in 1984. Between 1985 and 1996, he was Vice President and CEO of Techint and managed the privatizations of the subsidiaries SIV, Italimpianti and Dalmine. In 1996, he moved to the UK and joined Pilkington, working as CEO until May 2002. Between May 2002 and May 2005, he was CEO and General Manager of Enel. Between 2005 and July 2006 he was Chairman of Alliance Unichem (UK). In November 2007, he was honored by France as an Officer of the Legion of Honor.

ALBERTO CLÔ
Born in 1947. Director of Eni SpA since June 1999. Currently Director of Atlantia SpA, Italcementi SpA and De Longhi SpA Graduated in Political Sciences at the University of Bologna. Lecturer in Industrial Economics and Public Service Economics at the University of Bologna. In 1980, he founded the journal "Energia", of which he is editor. Author of books and over 100 essays and articles on the problems of the industrial economy and energy. Contributor to various daily newspapers and financial journals. Between 1995 and 1996 he was Minister of Industry and ad interim Minister of Foreign Trade and President of the Council of Industry and Energy Ministers of the European Union during the six-month Italian presidency. In 1996, he received the honor of "Cavaliere di Gran Croce" of the Republic of Italy.

PAOLO ANDREA COLOMBO
Born in 1960. Director of Eni SpA since June 2008. Graduated in Business Administration in 1984 at the Bocconi University, Milan. Qualified as a professional accountant in 1985 and Auditor. Lecturer in the Accounting Department of the Bocconi University, Milan. Founding partner of Borghesi Colombo & Associati, a specialized consultancy firm on corporate finance operations including taxation and business consultancy in the context of extraordinary operations as well as strategic and corporate governance consultancy. Director of Mediaset SpA, Ceresio SIM SpA and Versace SpA; Chairman of the Board of Statutory Auditors of Aviva Vita SpA and Interbanca SpA; Statutory Auditor of Sirti SpA, A. Moratti Sapa,

Business School, New York, and Director of the Teatro alla Scala Foundation. After graduating in Economics and Trade in 1969 at Bocconi University, Milan, and gaining initial work experience at Chevron for three years, he gained a Master s Degree in Business Administration from Columbia University, New York, and continued his career at McKinsey. In

Humanitas Mirasole SpA, Credit Agricole Assicurazioni Italia SpA and Iniziativa Gestione Investimenti SGR SpA. Between May 2002 and May 2005, he worked as Effective Statutory Auditor of Eni SpA. Between May 2005 and May 2008, he was Chairman of the Board of Statutory Auditors.

PAOLO MARCHIONI
Born in 1969. Director of Eni SpA since June 2008. Lawyer specialized in criminal and administrative law, counsel for defense in the Italian Supreme Court and superior jurisdictions. Advisor of public organizations, and commercial companies in matters of commercial, corporate, administrative and local government law. Mayor of the town of Baveno (VB) between April 1995 and June 2004. President of the Assembly of Mayors of Con.Ser.Vco between September 1995 and June 1999 and member of the Assembly of Mayors of ASL14, the management committee of the Verbano Health District, the Assembly of Mayors of the Waste Water Consortium of the Val d Ossola and the Assembly of Mayors of the Social Services Consortium of Verbano until June 2004. Councilor of the Municipality of Stresa (VB) between April 2005 and January 2008. Between October 2001 and April 2004, he was a Director of C.i.m. SpA, Novara (Goods Interport Centre) and, between December 2002 and December 2005, Director and member of the Executive Committee of Finpiemonte SpA. Between June 2005 and June 2008 he was a Director of Consip. Since June 2009, he has been Vice President of the Province of Verbano-Cusio-Ossola and provincial alderman for budgeting, property, legal affairs and production activities.

MARCO REBOA
Born in 1955. Director of Eni SpA since May 2005. Graduated in Business Administration at the Bocconi University, Milan. Professional Accountant and Auditor. Professor at the Faculty of Law of the Carlo Cattaneo University - LIUC - Castellanza, and author of numerous publications regarding corporate governance, economic assessment and budgeting. Works in Milan and is editor of the Rivista dei Dottori Commercialisti, an accountancy journal. Director of Luxottica Group SpA and Interpump Group SpA. Chairman of the Board of Statutory Auditors of Mediobanca SpA, Auditor of Gruppo Lactalis Italia SpA, Egidio Galbani SpA and Big Srl.

MARIO RESCA
Born in 1945. Director of Eni SpA since May 2002. In 2008, he was appointed by the government as General Director for the enhancement of Italian museums within the Italian Ministry for Cultural Heritage and Activities. Finanziaria (Fiat Group) and between 1976 and 1991 he was a partner in Egon Zehnder. During this period he served as a Director of Lancôme Italia, companies in the RCS Corriere della Sera Group and the Versace Group. Between 1995 and 2007, he was Chairman and CEO of McDonald s Italia. He has also been Chairman of Sambonet SpA, Kenwood Italia SpA, founding partner of Eric Salmon & Partners and President of the American Chamber of Commerce. In June 2002, he received the honor of Cavaliere del Lavoro.

PIERLUIGI SCIBETTA
Born in 1959. Director of Eni SpA since May 2005. Graduated in Economics and Business at La Sapienza University, Rome. Professional Accountant and Auditor, he has practiced at his own studio in Rome since 1990. He was Director of Gestore del Mercato Elettrico (GME) SpA, Istituto Superiore per la Previdenza e la sicurezza del lavoro (ISPESL), Nucleco SpA, FN SpA and Agenzia per l innovazione tecnologica (AGITEC) SpA, as well as a former Deputy Extraordinary Commissioner and Director of Ente per le Nuove Tecnologie, l Energia e l Ambiente (ENEA) and Effective Statutory Auditor of Consorzio smantellamento impianti del ciclo del combustibile nucleare.

FRANCESCO TARANTO
Born in 1940. Director of Eni SpA since June 2008. Currently Director of Cassa di Risparmio di Firenze SpA, Pioneer Global Asset Management SpA (Gruppo Unicredito) and Kedrios SpA Began his career in Milan, in 1959, at the offices of an exchange broker, subsequently working for Banco di Napoli between 1965 and 1982, where he held the post of deputy manager for the stock exchange and securities department. He has held numerous management posts in the asset management field, particularly as Director of securities funds at Eurogest, between 1982 and 1984, and general Director of Interbancaria Gestioni between 1984 and 1987. After moving to the Prime Group (1987-2000) he held the post of CEO of the parent company for many years. He is also a member of the steering council of Assogestioni and of the corporate governance committee for listed companies set up by Borsa Italiana. He was a Director of Enel between October 2000 and June 2008.

Chairman of Confimprese and Finbieticola Casei Gerola SpA. Director of Mondadori SpA. Graduated in Economics and Trade at the Bocconi University, Milan. Hired after graduating by Chase Manhattan Bank, in 1974 he was appointed Manager of Saifi

Appointment[24]

In order to ensure that the Board includes representatives of the minority shareholders, in accordance with the rules established by Law No.

(24) Information also provided pursuant to Article 123-*bis*, first paragraph, letter l) of the Consolidated Law on Finance.

474/1994[25] and in compliance with the provisions of the Consolidated Law on Finance[26], the By-laws provide for Directors to be appointed by list voting. In particular, pursuant to Article 17 of the By-laws and by virtue of the provisions of Law No. 474/1994, lists may be presented both by shareholders, either individually or together with others, representing at least 1% of the share capital, or by the Board of Directors. Each shareholder may present or contribute towards presenting, and vote for, a single list. The entities that control it, the companies controlled by them and those that are jointly controlled are not allowed to present, or contribute to presenting, other lists or to vote for them, not even through a third party or trust company. The lists, which must expressly identify candidates who fulfill the independence requirements, must be deposited at the registered office at least ten days before the date for which the Shareholders Meeting is first convened (twenty days if presented by the Board of Directors) and published in at least three national Italian daily newspapers, two of them financial, according to the requirements of Law No. 474/1994. The lists will also be forwarded to market management companies and published on the company s website. All candidates must fulfill the integrity requirements imposed by current laws. At the same time as each list is deposited, on pain of the list being considered inadmissible, the professional CV of each candidate must be presented together with statements in which they accept their candidacy and confirm that there are no reasons for ineligibility and incompatibility, and that they fulfill the honorability and any necessary independence requirements.
After the voting formalities have been completed, the appointment is implemented by drawing seven tenths of the Directors (rounded down to the nearest whole number in the event of a fraction), in the progressive order in which they are listed, from the list which won a majority of votes; the remaining ones being drawn from other lists which are not directly or indirectly connected with the shareholders that presented or voted for the list that came first in terms of the number of votes.
The list voting procedure only applies in the event of the whole Board of Directors being replaced.
For the appointment of Directors who were not elected by this method, for whatever reason, the Shareholders Meeting shall pass a resolution by the majority required by law in order to ensure that the composition of the Board complies with the law and the By-laws.
Pursuant to Article 6, paragraph 2, letter d) of the By-laws, in addition to the Directors appointed by the Shareholders Meeting, the Ministry of the Economy and Finance is entitled to appoint one non-voting Director in agreement with the Minister of Economic Development. This power has not be exercised.

Independence requirements
The Consolidated Law on Finance establishes that at least one of the Directors, or two if the Board consists of more than seven members, must fulfill the independence requirements established for the Statutory Auditors of listed companies by Article 1, paragraph 3, of the same act, and, if required by the By-laws, the additional requirements established in the Code of Ethics.
Article 17.3 of the Eni By-laws improves on these legal requirements by providing for at least one Director, if the Board consists of no more than five members, or at least three Directors, if the Board consists of more than five members, to fulfill the aforesaid independence requirements. The same provision of the By-laws also establishes an additional mechanism to the ordinary election system that in any case ensures the existence on the Board of the minimum number of independent Directors. Eni has done this to strengthen the presence of independent Directors on the Board.
In addition to the requirements of the Consolidated Law on Finance, in accordance with the Code of Borsa Italiana, Article 3 of the Eni Code identifies further independence requirements. These requirements are the same as those set out in the Code of Borsa Italiana, specified in three separate points:
- "subsidiaries of strategic importance" of which the Director may have been a significant exponent are identified on the basis of an assessment by the Board of Directors[27];
- the "additional remuneration" which impairs independence is identified as being 30% of the "fixed" remuneration payable to the Company s non-executive Directors[28];
- the "close family members" have been defined as family members and in-laws up to the second degree of kinship[29].
The Board of Directors takes into account all the above

(25) Article 4 of Law 474/1994 provides for the Board to be elected by list voting and for at least one fifth of Directors with voting rights to be reserved for the minority lists, rounded up to the nearest whole number in case of a fraction. Shareholders meetings whose convocation notices will be published after October 31, 2010 will be subject to the new provisions that transpose Directive 2007/36/EC, according to which the provisions of Articles 125-*bis*, 147-*ter* and 148 of the Consolidated Law on Finance will apply to privatized listed companies, subject to the proviso that at least one fifth of Directors are drawn from the minority lists.

(26) Article 147-*ter* of the Consolidated Law on Finance provides for the voting list mechanism and establishes that at least one of the members of the Board of Directors must be drawn from the minority list and that he/she must have won the majority of votes and is not connected directly or indirectly with the shareholders that presented or voted for the list which came first in terms of the number of votes.

(27) Criterion 3.C.1.b).

(28) Criterion 3.C.1.d).

(29) Criterion 3.C.1.h).

criteria in its periodic assessments of the independence of its non-executive members, prioritizing substance over than form.
Following the appointment, the non-executive Directors made the statements regarding fulfillment of the independence requirements and the Board verified that these existed, as required by current regulations and the Eni Code.
In accordance with the By-laws and the Eni Code, which require the fulfillment of independence requirements to be verified periodically, at its meeting on February 11, 2010, the Board of Directors confirmed, on the basis of the statements made and the information available to the Company, that the non-executive Directors Clô, Colombo, Marchioni, Reboa, Resca, Scibetta and Taranto are independent under the terms of the law and the By-laws, as well as the Eni Code[30]. Director Clô was confirmed as being independent, under the terms of the Eni Code as well, even though he has held the position for over nine years[31], because he has been appointed by the minority shareholders (specifically the institutional investors) and because of his recognized professional skills and independence of judgment.
The Board of Statutory Auditors has always verified, most recently at its meeting on February 11, 2010, the correct application of the criteria and procedures adopted by the Board for assessing the independence of its members.
The result of this assessment is summarized in the tables attached to this Report.
No lead independent Director has been appointed given the presence of a CEO and a Chairman with different roles.

Integrity requirements, reasons for ineligibility and incompatibility
The Consolidated Law on Finance requires individuals who perform administration and management functions in listed company to fulfill the integrity requirements established for the members of control bodies by the Regulation of the Minister of Justice issued in accordance with Article 148 of the same act[32]. Article 17.3 of the By-laws transposes this provision and establishes that all candidates for the post of Director must fulfill the integrity requirements established by current legislation. Directors are also required to fulfill the additional specific requirements established by the special rules applicable to them.
The same provision also requires the Board periodically to assess both the fulfillment of independence and integrity requirements of Directors and to verify that no reasons for ineligibility and incompatibility exist.
Also under the terms of Article 17.3 of the By-laws, if one of the Directors should not fulfill or no longer fulfill the independence or integrity requirements declared and required by legislation, or if there are reasons for ineligibility or incompatibility, the Board will declare the dismissal of the Director and arrange for him to be replaced or ask for the reason for incompatibility to be removed within an established period of time, on pain of forfeiture of the post. Appointed Directors must inform the Company if they no longer fulfill the independence and integrity requirements or if reasons for ineligibility or incompatibility should arise.
Following the appointment, the non-executive Directors made the statements regarding fulfillment of the integrity requirements imposed by legislation and the Board verified their existence, as required by current regulations and the Eni Code.
In accordance with the instructions contained in the By-laws and the Eni Code, which require that the fulfillment of requirements is verified periodically by the Board, at its meeting on February 11, 2010, on the basis of the statements made and the information available to the Company, the Board of Directors verified that the integrity requirements were fulfilled and that there were no reasons for incompatibility and ineligibility affecting any of the Directors, not even in relation to the banking and financial subsidiaries.

Guidelines of the Board of Directors on the maximum number of offices held by the Directors in other companies
By means of the resolution of June 11, 2008 (confirming the guidelines set by the previous Board) and as required by the Eni Code, the Board of Directors defined the general criteria pertaining to the maximum number of administration and control offices which can be held in other companies in order to ensure effective performance of the role of Director of Eni:
- an executive Director should not hold: (i) the office of executive Director in another listed company, whether Italian or foreign, or in a financial[33], banking or insurance company or in a company with net

(30) Despite being a non-executive Director, the Chairman of the Board cannot be declared independent under a strict interpretation of the requirements of the Code of Borsa Italiana because he is a significant representative of the company (Application Criterion 3.C.2).

(31) Director Clô was appointed for the first time in 1999.

(32) Ministerial Decree No. 162 of March 30, 2000.

(33) For the purpose assessing the maximum number of offices, financial companies are considered to be the financial intermediaries referred to in Article 106 of Legislative Decree 385/1993 (Banking Consolidation Act) and the companies that perform investment or collective savings management services under the terms of the Consolidated Law on Finance.

equity of over euro 10 billion and (ii) the office of non-executive Director or Statutory Auditor (or member of a controlling body) in more than three of the aforesaid companies;

- a non-executive Director, in addition to the office held in the company, should not hold: (i) the office of executive Director in more than one of the aforesaid companies and the office of non-executive Director or Statutory Auditor (or member of another controlling body) in more than three of the aforesaid companies, or (ii) the office of non-executive Director or Statutory Auditor in more than six of the aforesaid companies.

The limit on multiple offices excludes offices held in Eni Group companies.

If these limits are exceeded, the Directors will promptly inform the Board, which will assess the situation in light of the interests of the Company and will call upon the Director to take the consequent decisions. In any case, before taking up a post of Director or Statutory Auditor (or member of another controlling body) in another company that is not an investee company or a company which is directly or indirectly controlled by Eni, the executive Director must inform the Board of Directors, which will evaluate the compatibility of the office with the functions attributed to the executive Director and with the interests of Eni. The rules applicable to the executive Director also apply to Chief Operating Officers.

On the basis of the information supplied, following the appointments and at the meeting held on February 11, 2009, the Board of Directors verified that the Directors had complied with the aforementioned limits on multiple offices.

Detailed information about the number of offices held by the members of the Board with reference to the resolution on the number of offices that may be held is available in the table attached to this Report.

Responsibilities

The Board of Directors has the widest powers for the ordinary and extraordinary administration of the Company in relation to its purpose.

In a resolution dated June 11, 2008, the Board appointed Paolo Scaroni as CEO and Chief Operating Officer[34], entrusting him with the widest powers for the ordinary and extraordinary administration of the Company, while exclusively reserving the most important strategic, management body in the Eni Code.

In more detail, the Board:

1. Defines the system and rules of corporate governance of the Company and the Group. In particular and after consulting the Internal Control Committee, it adopts rules which ensure transparency as well as substantive and procedural correctness in transactions with related parties and in transactions in which a Director retains a personal interest or an interest on behalf of third parties; in addition, it adopts a procedure for the handling and disclosure of corporate information, with specific reference to inside information.
2. Establishes the internal committees of the Board with advisory and consulting functions and appoints their members, while establishing their tasks and remuneration and approving their regulations.
3. Assigns and revokes proxies to the CEO and to the Chairman, defining the limits and modalities for exercising these proxies in addition to determining after examining the proposals of the relative Committee and consulting with the Board of Statutory Auditors the remuneration associated with these proxies. May impart directives to the delegated bodies and implement itself any operations falling under the proxy.
4. Defines the fundamental guidelines pertaining to the organizational, administrative and accounting structure of the company, including the internal control system, of the primary subsidiaries and of the Group. Assesses the adequacy of the organizational, administrative and accounting structure formulated by the CEO, particularly in reference to modalities for managing conflicts of interest.
5. Defines, in particular, after having examined the proposals of the Internal Control Committee, the guidelines of the internal control system in order to ensure the identification, measurement, management and monitoring of the primary risks of the company and its subsidiaries. Assesses, on an annual basis, the adequacy, efficacy and effective functioning of the internal control system that is supervised by the CEO.
6. Defines on a proposal from the CEO the strategic guidelines and objectives of the company and the Group, including sustainability policies. Examines and approves the strategic, industrial and financial plans of the company and the Group as well as agreements of strategic nature for the company. Examines and approves the plan for non-profit

operational and organizational powers in addition to those that cannot be delegated by law. These powers specify the role established for the

(34) Paolo Scaroni was appointed CEO of the company for the first time on June 1, 2005.

operations of the company and approves operations not included within the plan whose cost exceeds euro 500,000.
7. Examines and approves the annual budgets of the divisions as well as of the company and the consolidated Group budget.
8. Examines and approves the half-year financial report and the interim reports of the company and the Group, in accordance with currently effective regulations. Examines and approves the Sustainability Report which must be presented to the Shareholders Meeting.
9. Receives information from Directors with proxies at the time of Board meetings and in any case at least on a bi-monthly basis relative to activities implemented during the exercising of proxies as well as on activities of the Group and atypical or unusual operations or with related parties of the company which have not been presented for examination and approval to the Board. In particular, it periodically receives information on a half-year basis along with justification for any modifications applied to investment operations which were previously approved by the Board, in accordance with point 12, letter b) and c) and on the basis of criteria established by the Board itself.
10. Receives periodical half-year information from the internal committees of the Board.
11. Assesses the general management trends of the company and of the Group on the basis of information received from Directors with proxies while paying particular attention to conflicts of interest and comparing attained results as reported in the financial statements and periodical accounting statements with budget estimates.
12. Examines and approves the operations of the company and its subsidiaries which are significant from a strategic, economic and financial perspective, particularly with regards to situations in which one or more Directors retain personal or third party interests as well as related parties transactions; In the case of listed companies, as well as companies subject to unbundling regulations, the Board must guarantee the principle of managerial autonomy. These provisions are applicable without prejudice to compliance with confidentiality obligations pertaining to commercial relations between the subsidiary and Eni or third parties, thereby protecting the interests of the subsidiary.
The following operations are considered significant in company mergers, spin-offs and liquidations, whose value exceeds 100 million Euro and without prejudice to the provisions of Article 23.2 of the By-laws;
b) investments in fixed asset whose value exceeds euro 300 million or even of smaller amount if of particular strategic value or in the case of specific risks;
c) exploration initiatives and portfolio operations in the E&P sector in new countries;
d) purchase and sale of goods and services other than those allocated for investments and gas supplies, for an overall price exceeding euro 1 billion excluding the purchase and sale of real estate and services included in ordinary administration or whose duration exceeds 20 years; gas supply contracts, or amendments to such contracts, for a minimum of three billion cubic meters per year and a ten-year duration;
e) financing to parties other than subsidiaries: (i) for amounts exceeding euro 200 million if in proportion to the shareholding quota or (ii) in the case of any amount if provided in favor of non-subsidiaries or for amounts that are not proportional to the shareholding quota;
f) the issue of personal or real securities to parties other than subsidiaries: (i) for amounts exceeding euro 200 million, if in the interest of the company or of subsidiaries, or in the interest of non-subsidiary companies, so long as the security is proportional to the shareholding quota, or (ii) in the case of any amount if provided in the interest of non-controlled subsidiaries or if the security is not proportional to the shareholding quota. For the issue of the securities pursuant to point (i) whose amount ranges between euro 100 and 200 million, the Board grants a joint proxy to the CEO and the Chairman;
g) Eni SpA intermediary agreements.
13. Appoints and dismisses on a proposal from the CEO and in agreement with the Chairman the Chief Operating Officers and grants their powers. If the CEO is appointed as the Chief Executive Officer, the proposal is made by the Chairman.
14. Appoints and dismisses on a proposal from the CEO, in agreement with the Chairman and following approval from the Board of Statutory Auditors the Officer in charge of preparing financial reports and ensures that the Officer is equipped with adequate powers and means in order to exercise his legally ascribed tasks in addition to monitoring the effective compliance with the administrative and accounting

nature:
a) acquisitions or sales of shareholdings, companies or company branches, mineral rights and real estate,

procedures formulated by this Officer.
15. Appoints and dismisses on a proposal from

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the CEO, in agreement with the Chairman and following a consultation from the Internal Control Committee an Officer in charge of internal control and an Senior Executive Vice President of Internal Audit in addition to defining their remuneration in accordance with the compensation policies of the company as well as approving the guidelines for the activities of these two managers.

16. Ensures that a manager is appointed for the body which manages shareholder relations.

17. Defines after having examined the proposals of the relative Committee the criteria for remunerating the top management of the Company and of the Group in addition to implementing the compensation plans on the basis of stocks or financial instruments deliberated by the Shareholders Meeting.

18. Resolves on a proposal from the CEO on the exercise of voting rights and on the appointment of members of corporate bodies of the primary subsidiaries. In the case of listed companies, the Board must guarantee compliance with the provisions of the Corporate Governance Code falling under the competence of the Shareholders Meeting.

19. Formulates the proposals to present to the Shareholders Meeting.

20. Examines and resolves on other issues which Directors with proxies believe it is appropriate to present to the Board due to their particular relevance or sensitivity.

In accordance with Article 23.2 of the By-laws, the Board also resolves: on merger by incorporation operations and proportional demergers operations of at least 90% directly owned subsidiaries; on the creation and closing of secondary offices; and on adjustments of the By-laws to regulatory requirements.

During the financial year, the Board may also resolve on the distribution to shareholders of advance interim dividends, as allowed by Article 29.3 of the By-laws.

At its meeting held on June 30, 2008, the Board granted proxies to the Chairman, Roberto Poli, to identify and promote integrated projects and international agreements of a strategic nature, in accordance with Article 24.1 of the By-laws. In accordance with Article 27 of the By-laws, the Chairman chairs the Shareholders Meeting, convenes and chairs meetings of the Board of Directors and verifies implementation of the resolutions passed by

At its meeting held on June 11, 2008, the Board identified Saipem SpA, Snam Rete Gas SpA, Eni International BV and Polimeri Europa SpA as subsidiaries of strategic importance for the purposes of the approval of transactions pursuant to point 12 of the aforementioned powers.

At its meeting held on January 18, 2010, the Board of Directors confirmed the appropriateness of the organizational, administrative and accounting structure of the Company, the main subsidiaries and the Group.

At its meeting held on March 11, 2010, the Board of Directors confirmed the appropriateness, effectiveness and efficient operation of Eni s internal control system as a whole. At the same meeting, pursuant to Article 154-bis of the Consolidated Law on Finance, the Board also verified compliance with the administrative and accounting procedures established by the Officer in charge of preparing financial report and also confirmed the appropriateness of the powers and resources assigned to him for the performance of his duties.

At its meeting held on February 12, 2009, with the approval of the Internal Control Committee, the Board approved the Guidelines on transactions involving interests of Directors (and Statutory Auditors) and those with related parties[35].

At its meeting held on February 25, 2010, the Board carried out a self-assessment of its composition and operation[36].

Meetings and running of meetings

At its meeting on September 10, 2009, the Board of Directors approved the regulations that established the procedures for convening and running its meetings. In particular, the Board is convened by the Chairman who in agreement with the CEO draws up the agenda and sends it to the Directors, effective Statutory Auditors and the Judge of the Court of Auditors delegated with the task of financially auditing Eni; the notice must be sent at least five days before the date set for the meeting. In cases of necessity and urgency, the convocation notice is sent at least 12 hours before the date set for the meeting. The By-laws allow meetings of the Board to take place by videoconferencing or teleconferencing, these methods being specifically governed by the regulations.

Normally, at the same time as the convocation notice is sent out, and in any case no less than three days before the Board.

the date of the meeting, the Directors, effective Statutory Auditors and the Judge of the Court of Auditors are provided with documentation on the

(35) For further details see the paragraph of the Report specifically dedicated to this topic.
(36) For further details see the paragraph of the Report specifically dedicated to this topic.

matters included in the agenda, with the exception of price-sensitive information, which is not included in any prior communication. Managers of the company and its subsidiaries are typically invited to attend Board meetings in order to provide information on specific topics pertaining to the agenda. Specific information is also provided on the individual sectors in which the Company and the Group are operating.
In accordance with the provisions of Article 2391 of the Italian Civil Code and of the Eni Code, before each item on the agenda of the Board meeting is discussed, each Director is required to report any personal or third party interests that he/she may have in relation to the topics or issues under discussion, specifying their nature, terms, origin and scope. Transactions in which a Director (or Statutory Auditor) retains an interest or is a related party are regulated by the Guidelines relative to transactions involving interests of Directors (or Statutory Auditors) and related parties transactions, approved on February 12, 2009 by the Board of Directors following consultation with the Internal Control Committe.
During 2009, the Board of Directors met 17 times for an average of 3 hours and 17 minutes at a time. In 2009, an average of 98.7% of Directors attended Board meetings and, in particular, 98.3% of independent Directors.
During the current financial year, as of March 11, 2010, 5 meetings have been held, including the one held on that date. A further 12 meetings are planned to take place before the end of the financial year.
The public is notified in advance, usually by the end of the financial year, of the dates of meetings of the Board of Directors to review the pre-final results, the financial statements and the intra-year accounting reports required by current legislation. These meetings also serve to determine the interim dividend payable for the year and to submit a proposal for balance of the dividend to the Shareholders Meeting along with the relative dates for dividend payment and detachment of the coupon. The financial calendar is available on the Eni website[37].
The Eni Code allows independent Directors to decide whether to meet in the absence of the other Directors for discussion of topics deemed relevant to the functioning of the Board. This express provision allowing such meetings to take place was requested by the independent Directors themselves in order to have greater flexibility to deal with actual requirements. In 2009, the independent Directors, in consideration of the frequency opportunities to meet, holding formal and informal meetings to hold discussions and exchange opinions.
The tables attached to this Report show each Director s percentage of attendance at meetings of the Board of Directors and meetings of the committees of which they are members.

Board Review

In accordance with international best practice and with the provisions of the Code of Borsa Italiana, as well as required by the Eni Code, for the fourth year running, the Board of Directors has launched a self-assessment program (board review) of the Board of Directors and the Board Committees.
The Board of Directors carried out the assessment, availing itself, as required by the Eni Code in order to ensure maximum objectivity to the assessment, of the assistance of a specialized external consultant: the company Spencer Stuart, appointed at the end of a formal tender.
Spencer Stuart s work related to: (i) the size, composition, operation and efficiency of the Board and of the Committees; (ii) identifying any elements that might hinder or improve the operation and efficiency of the Board itself; (iii) the effectiveness of the improvements undertaken following the previous board review and verification of the satisfaction of Directors with their achievement; (iv) comparison of procedures and practices adopted by the Eni Board with the best practices used by leading Italian and foreign companies.
The Board Review was based on a questionnaire prepared by the consultant and on detailed individual interviews with the Directors, carried out by the consultant. The results were presented to the Board, which discussed at its meeting on February 25, 2010.
First of all, the Board confirmed various areas of excellence, such as: (i) the proper size of the Board of Directors and constant attendance by Directors; (ii) the transparent presentation of topics during Board meetings, and the availability of management to provide all the required information during the meeting of the Board; (iii) satisfactory quantity and quality of the information provided, even in the period between the meetings of the Board, and the punctual updates received on legislative and regulatory developments; (iv) accurate minuting of meetings and decisions of the Board; (v) fruitful and accurate work carried out by

of the Board meetings, had numerous committees, particularly the Internal Control Committee and the Oil-Gas Energy Committee.

(37) At the following address: http://www.eni.com/en_IT/investor-relation/financial-calendar/financial-calendar.shtml

The Directors also convened to undertake, in a proper meeting, a detailed analysis of the results of the Board review and the comparison with the best practice, in particular in order to identify the most appropriate conditions to: (i) allow the Board to focus its attention on strategic and directive issues; and (ii) increase the value of contribution of non-executive Directors.

Induction program of the Board of Directors

In accordance with the provisions of the Eni Code relative to the effective and conscious implementation of each Director s role, Eni drew up, for the Board currently holding office, immediately after their appointment, an induction training plan (board induction) allowing the new Directors to acquire detailed knowledge of the activities and organization of the company, its industry and their role considering the specific characteristics of Eni. The program, which also involved the new members of the Board of Statutory Auditors, and to which the other members of the two company bodies were also invited, began on June 30, 2008, and was implemented by setting up a series of meetings dedicated to analyzing the identified themes in depth, with the involvement of senior managers and the participation of external speakers of acknowledged professionalism. The meetings covered the following topics: (i) responsibilities, duties, powers, composition and operation of the Board of Directors; (ii) the market and the relevant sector; (iii) organization; (iv) Group business; (v) business administration; (vi) sustainability and ethics of business administration; (vii) technological innovation. In 2009, more detailed examinations of business issues were carried out and are still under way. In this context, for example, Board meetings can be held in locations other than the registered offices of companies, even abroad, in order to increase knowledge of company operations.

Remuneration report

General Criteria

The Eni Remuneration System is intended to strengthen values, skills and competencies that are consistent with the culture and strategy of the company, recognizing the responsibilities assigned, the results achieved, the quality of professional contributions and the potentiality of development of the resource in the context of the relevant international remuneration markets.

the achievement of economic/financial, business development and operating targets established to ensuring the sustainability of results and the creation of value for shareholders over a medium to long-term period, in accordance with Eni s Strategic Plan.

The remuneration system is complemented by benefits, which consist of goods and services primarily associated with supplementary social security and health care.

Governance Rules

The remuneration of the Board Members is determined by the Shareholders Meeting.

Remuneration of the Board Members invested with particular powers (Chairman and Chief Executive Officer) is determined by the Board of Directors on proposal of the Compensation Committee after consultation with the Board of Statutory Auditors.

The general criteria for the remuneration of managers with strategic responsibilities[38] are approved by the Board of Directors, on proposal of the Compensation Committee, which examined the indications of the CEO.

Remuneration structure

On June 10, 2008, the Shareholders Meeting confirmed the structure and amounts established in 2005, fixing the annual remuneration due to the Chairman (euro 265,000) and the Board Members (euro 115,000) and the variable remuneration determined according to Eni s position in the reference year in terms of share performance, considering the dividend paid out, compared to that of the seven other largest international oil companies for market capitalization. The variable part of the remuneration is paid to the Chairman, in the amount of euro 80,000 or euro 40,000, and to the Board Members, in the amount of euro 20,000 or euro 10,000, depending on whether the performance of Eni shares is rated first or second or third or fourth in the reference year, respectively. In other cases, the variable part is not paid. On March 25, 2009, the Board of Directors verified that Eni rated fourth in 2008.

On June 11, 2008, the Board of Directors confirmed the structure and amounts established in 2006, deciding the remuneration of the Board Members attending the Committees established by the Board, excluding the Chairman and the CEO. For the Chairman of a Committee, the annual fee is euro 30,000, for the other members, the annual fee is euro 20,000. This amount

An important element of Eni s remuneration policy is the variable incentive systems associated with

decreases to euro 27,000 and euro 18,000 in case a member holds positions in more than one Committee. On June 10, 2008, the Shareholders Meeting resolved

(38) Managers who have been members of the Eni s Steering Committee, with the CEO and the General Managers of Eni s Divisions, and Eni Senior Executive Vice Presidents who report directly to the CEO.

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 remuneration structure of the Chairman, in relation to the powers delegated to him, consists of a fixed part and a variable part associated with the achievement of specific company objectives established for the previous financial year.
The remuneration structure of the CEO consists of a fixed component, based on the powers delegated to him, and an annual variable component associated with the achievement of specific company objectives (economic/financial, operating and strategic) established for the previous financial year and a variable long-term component composed by two separate plans with different company performance conditions, established over a three-year period and measured both in absolute terms and in relative terms compared to an oil industry peer group.
The remuneration structure of managers with strategic responsibilities and other managerial resources consists of a fixed remuneration, determined according to the role and responsibilities assigned, with reference to the levels applied to equivalent positions in large national and international companies (oil, industrial and services sectors) and with annual adjustments according to merit (continuity of individual performance) or promotion (progression in terms of role/responsibility), and a variable annual remuneration associated with the achievement of specific economic, financial and operating targets, and a variable long-term remuneration associated with company performance, measured over a three-year period.
In 2009, the variable annual remuneration of the Chairman and CEO was determined in accordance with Eni s objectives for 2008 as approved by the Board of Directors, on proposal of the Compensation Committee, defined in accordance with Eni s Strategic Plan and annual budget in terms of adjusted EBITDA, divisional operating performance, reduction in company costs and maintaining of position in sustainability indexes. The company results, assessed on a constant scenario basis, have been verified by the Compensation Committee and approved by the Board of Directors and have set out the score of 120 on a scale of 85 (minimum) - 130 (maximum), used for the purpose of determining the variable remuneration to be paid.
On March 25, 2009, the Board of Directors resolved to eliminate the Eni Stock Option Plan for 2009 and to maintain the Deferred Monetary Incentive Plan for the three-year period 2009-2011. This Plan, which is aimed at all managerial resources and is focused on certain business growth and operating efficiency targets, provides for an incentive to be paid after a period of three years in an amount connected with the achievement of annual EBITDA objectives (actual results vs. budget, on a constant scenario basis) defined for the reference three-year period.
In order to adopt an alternative incentive scheme to Stock Option Plan, the Compensation Committee defined a new long-term incentive plan for critical managerial resources that will be approved by the Board of Directors in 2010. In 2009 the Board of Directors approved a plan with similar characteristics for the CEO; this plan provides for an incentive to be paid after a period of three years in an amount connected with the variation of the adjusted net profit + DD&A (Depletion, Depreciation & Amortization), measured over the three-year period 2009-2011 in relative terms compared to the other six largest international oil companies for market capitalization.
In 2009, the vesting period of the long-term incentive plan assigned in 2006 expired. This plan consisted of a Deferred Monetary Incentive Plan, aimed at managerial resources, and a Stock Option Plan, aimed only at managerial resources holding positions that are more directly responsible for results and are of strategic interest. The Board of Directors, on March 25, 2009, based on the results achieved in 2006-2008, as verified by the Compensation Committee, resolved that: (i) with reference to the Deferred Monetary Incentive Plan, a multiplier of 143% should be applied to the amount awarded in 2006, calculated on the basis of the performance achieved in terms of Eni s EBITDA; (ii) with reference to the Stock Option Plan, a percentage of 47% of exercisable options, calculated on the basis of the performance achieved in terms of Eni s relative TSR, should be applied to the total amount granted in 2006.
The CEO, in his quality of General Manager, participated in both Plans.

In 2009, the remuneration structure of the Chairman, CEO, Divisional Chief Operating Officers and other managers with strategic responsibilities was the following:

(%)	Chairman	CEO	Divisional COO	Other managers with strategic responsibilities
Fixed remuneration	66	22	46	50
Annual variable remuneration (linked to performance)	34	27	32	31
Long-term variable remuneration (linked to performance) [(a)]		51	22	19
Total	100	100	100	100

(a) Evaluation of the deferred monetary incentive (discounted) for target result.

Remuneration earned by members of the Board of Directors, Statutory Auditors, Chief Operating Officers, 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, Chief Operating Officers and other managers with strategic responsibilities is reported in the table below. Remuneration earned by managers who held a position in 2009 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 Chief Operating Officers 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 Chief Operating Officers 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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(euro thousand)

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	765		400		1,165
Paolo Scaroni	CEO	01.01-12.31	04.2011	430	1	2,824	1,017	4,272
Alberto Clô	Director	01.01-12.31	04.2011	162		10		172
Paolo Andrea Colombo	Director	01.01-12.31	04.2011	96		10		106
Paolo Marchioni	Director	01.01-12.31	04.2011	107		10		117
Marco Reboa	Director	01.01-12.31	04.2011	163		10		173
Mario Resca	Director	01.01-12.31	04.2011	162		10		172
Pierluigi Scibetta	Director	01.01-12.31	04.2011	96		10		106
Francesco Taranto	Director	01.01-12.31	04.2011	153		10		163
Board of Statutory Auditors								
Ugo Marinelli	Chairman	01.01-12.31	04.2011	121				121
Roberto Ferranti (c)	Auditor	01.01-12.31	04.2011	84				84
Luigi Mandolesi	Auditor	01.01-12.31	04.2011	84				84
Tiziano Onesti (d)	Auditor	01.01-12.31	04.2011	84			40	124
Giorgio Silva	Auditor	01.01-12.31	04.2011	44				44
Divisional Chief Operating Officers								
Claudio Descalzi	Exploration & Production	01.01-12.31			3	772	734	1,509
Domenico Dispenza	Gas & Power	01.01-12.31			1	1,002	745	1,748
Angelo Caridi	Refining & Marketing	01.01-12.31			2	648	642	1,292
Other managers with strategic responsibilities (e)					15	4,179	4,266	8,460
				2,551	**22**	**9,895**	**7,444**	**19,912**

(a) The term of position ends with the Meeting approving financial statements for the year ending December 31, 2010.
(b) Based on the annual incentive plan related to performance achieved in 2008 (euro 6,283 thousand) and payment of the deferred monetary incentive granted in 2006 (euro 3,612 thousand).
(c) Compensation for the service is paid to the Ministry for Economy and Finance.
(d) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of AGI and Servizi Aerei.
(e) Managers who, during the year, have been members of Eni s Management Committee with the CEO and the Divisional Chief Operating Officers, and Eni Senior Executive Vice Presidents who report directly to the CEO (8 managers).

Long-Term Incentive Plan awarded to the CEO, the Divisional Chief Operating Officers and managers with strategic responsibilities

1. DEFERRED MONETARY INCENTIVE
The deferred bonus scheme approved for the 2009-2011 three-year period provides for the award of a basic 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 2009 to the CEO and to the Divisional Chief Operating Officers, and the total

monetary bonus to be paid after three years from grant amount awarded to the Company s managers with strategic responsibilities.

(euro thousand)

Name		Deferred bonus awarded
Paolo Scaroni	CEO and General Manager of Eni	787
Claudio Descalzi	COO of the E&P Division	340
Domenico Dispenza	COO of the G&P Division	350
Angelo Caridi	COO of the R&M Division	307
Other managers with strategic responsibilities [a]		1,612

(a) No. 8 managers.

With reference to Eni Board of Directors resolution not to implement the Eni stock option Plan for 2009 and the relevant commitment to the CEO of adopting an alternative incentive scheme with the same financial effectiveness, has been approved a new long-term monetary incentive plan in behalf of CEO to replace and compensate the Eni stock option Plan for 2009, whose value and characteristics are comparable with those of the former plan.

Performance conditions of this plan are set in terms of variation of the Adjusted Net Profit + Depletion Depreciation & Amortization (DD&A) measured on 2009-2011 three-year period and compared, in relative terms, to that of the other six largest international oil companies for market capitalization.

The amount of incentive assigned in 2009 is euro 2,716,391 and it ll be paid in 2012, after a three-year vesting period, in a percentage ranging from 0 to 130% of the amount assigned in 2009 in relation to the performance achieved in the reference three-year period.

2. STOCK OPTIONS

Following the decision of Eni s Board of Directors to discontinue any stock option plans from 2009, information reported herein on Eni s stock based compensation relates to plans adopted in previous years whereby options to purchase treasury shares were awarded for no consideration 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 provided that grantees had the 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.

The most recent stock option scheme covered the three-year period 2006-2008 and was approved on May 25, 2006, by the Shareholders Meeting that authorized the Board of Directors to dispose of 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 also provided 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 determined 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. Options may be exercised upon fulfillment of all conditions after three years from the award and within the next three years.

At December 31, 2009, a total of 19,482,330 options were outstanding for the purchase of an equal amount of ordinary shares nominal value euro 1.00 of Eni SpA, carrying an average strike price of euro 23.576.

The following is a summary of residual stock option activity as in 2009 there were no awards:

	2008			2009		
	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	**17,699,625**	**23.822**	**25.120**	**23,557,425**	**23.540**	**16.556**
New options granted	7,415,000	22.540	22.538			
Options exercised in the period	(582,100)	17.054	24.328	2,000	13.743	16.207
Options cancelled in the period	(975,100)	24.931	19.942	4,073,095	23.374	14.866
Options outstanding as of December 31	**23,557,425**	**23.540**	**16.556**	**19,482,330**	**23.576**	**17.811**
of which exercisable at December 31	**5,184,250**	**21.263**	**16.556**	**7,298,155**	**21.843**	**17.811**

(a) Market price relating to new rights assigned, rights exercised in the period and rights cancelled in the period correspond 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 outstanding stock options awarded in past years to Eni s CEO, Divisional Chief Operating Officers and other managers with strategic responsibilities.

Contents

		CEO and General Manager of Eni	**COO of E&P Division**	**COO of G&P Division**		**COO of R&M Division**		**Other managers with strategic responsibilities** [a]	
		Paolo Scaroni [b]	Claudio Descalzi	Domenico Dispenza		Angelo Caridi			
Options outstanding at the beginning of the period:									
- number of options		2,587,500	264,000	380,000	142,000 [c]	150,500	122,000 [d]	1,671,000	80,500 [e]
- average exercise price	(euro)	23.767	24.009	24.142	4.399	22.534	21.098	23.660	21.545
- average maturity in months		55	55	56	54	65	48	56	48
Options granted during the period:									
- number of options									
- average exercise price	(euro)								
- average maturity in months									
Options exercised at the end of the period:									
- number of options									35,600 [e]
- average exercise price	(euro)								17.519
- average market price at date of exercise	(euro)								22.264
Options expired during the period:									
- number of options		360,930	40,280	64,925			14,700 [d]	233,995	8,900 [e]
- average exercise price	(euro)	23.100	23.100	23.100			17.519	23.100	17.519
- average market price at date of exercise	(euro)	14.079	14.079	14.079			12.240	14.079	12.240
Options outstanding at the end of the period:									
- number of options		2,226,570	223,720	315,075	142,000 [c]	150,500	107,300 [d]	1,437,005	36,000 [e]
- average exercise price	(euro)	23.875	24.173	24.357	4.399	22.534	21.588	23.751	26.521
- average maturity in months		45	46	46	42	53	36	46	43

(a) No. 8 managers.

(b) The assignment to the CEO have been integrated in 2007 with a monetary incentive to be paid after three years in relation to the performance of Eni shares, equal to 80,500 options with a strike price of euro 27.451. Relating to the attribution of this incentive for 2006, equal to 96,000 options with a strike price of euro 23.100, the conditions for its payment were not fulfilled, since the price of Eni share resulted lower to the exercise-price at the end of the three-year vesting period.

(c) 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.

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

(e) Options on Saipem shares.

Indemnity upon termination

Upon expiry of the contract as employee of Eni, the CEO 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 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.

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.
In 2009 a provision of euro 244,435.07 has been accrued. 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

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 35 million for 2009 consisting of: (i) fees and salaries for euro 20 million; (ii) post-employment benefits for euro 1 million; (iii) other long-term benefits for euro 10 million; and (iv) fair value of stock option for euro 4 million.

Board Committees[39]

The Board has set up three internal committees, two of which are required by the Code of Borsa Italiana, with consulting and advisory functions: a) the Internal Control Committee, b) the Compensation Committee and c) the Oil-Gas Energy Committee. The composition, tasks and operation of the committees are governed by the Board, according to specific regulations, in compliance with the criteria outlined in the Eni Code.
The committees required by the Code (Internal Control Committee and Compensation Committee) consist of no fewer than three members, although the number of members must not exceed the majority of members of the Board. All the committees must consist of non-executive Directors, the majority of whom must be independent.
In performing their functions, the committees retain the right to access any information and company departments that are necessary to carry out their tasks. They are also provided with adequate financial resources and retain the right to avail themselves of external consultants according to terms established by the Board of Directors. Meetings of the committees may also be attended by non-members expressly invited to attend with reference to individual items on the meeting agenda. Meetings of the Internal Control Committee are attended by the Chairman of the Board of Statutory Auditors or an Effective Auditor appointed by him. Committee meetings are minuted by the respective Secretaries.
At the meeting held on June 11, 2008, the following non-executive Directors, all of them independent, were appointed as members of the committees:
- Internal Control Committee: Marco Reboa (Chairman), Francesco Taranto, Pierluigi Scibetta and Paolo Marchioni.
- Compensation Committee: Mario Resca (Chairman), Francesco Taranto, Alberto Clô and Paolo Andrea Colombo.
- Oil-Gas Energy Committee (OGEC): Alberto Clô (Chairman), Marco Reboa, Mario Resca, Paolo Andrea Colombo and Pierluigi Scibetta.

In accordance with the Code of Borsa Italiana, the Eni Code provides for the Board of Directors to determine whether to set up an Appointments Committee, particularly in cases where the Board finds that it is by the Shareholders Meeting on the basis of lists presented by shareholders.
The regulations of the three Committees are available on the Eni website.

Internal Control Committee

During 2009, the Committee met 20 times, and the meetings were attended on average almost by 94% of its members[40].
The composition, appointment and operating procedures, tasks, powers and resources of the Committee are governed by a specific regulation, a new version of which was approved by the Board of Directors at the end of December 2009 in order to update its content to the provisions of other company documents published since the previous version, which was produced in March 2007.
The following is a summary of the main topics examined during the year:
(i) the final statement on Eni s Internal Audit activities in 2008, the Integrated Audit Plan for 2009 and the Eni Internal Audit Budget for 2009, together with the respective periodic states of progress;
(ii) the final data for operations in 2008 and the 2009 Plan for Internal Auditing Functions of the subsidiaries Saipem and Snam Rete Gas;
(iii) the results of planned and non-planned audits issued by the Internal Audit Department of Eni as well as the outcomes from monitoring the state of execution of corrective actions planned by operational divisions for overcoming issues which emerged during the audit, including in-depth analysis of certain specific themes;
(iv) the results of audits implemented by the Internal Auditing Department of Eni in connection with specific requests made by Controlling Bodies;
(v) the periodic reports on reports, including anonymous ones, received by Eni and subsidiaries;
(vi) the report on Eni s Internal Control System produced by the Officer in charge of internal control;
(vii) the Guidelines adopted by Eni regarding transactions involving interests of Directors and related parties transactions;
(viii) the periodic report on activities carried out by the Eni SpA Watch Structure, including information on the functions of the Guarantor of the Code of Ethics, after meeting the members of the Structure itself, as required by Eni Model 231;

difficult for shareholders to draw up proposals for appointment, as can happen in a listed company with a diversified shareholder base. No such Committee has ever been set up because of the nature of the Company s shareholders and because, under the terms of the law and the By-laws, the Directors are appointed

(ix) reports relative to news/notifications of investigations on the part of bodies/authorities of the Italian or foreign governments with criminal jurisdiction or, in any case, retaining powers of

(39) Information provided pursuant to Article 123-*bis*, second paragraph, letter d) of the Consolidated Law on Finance.
(40) For further details of the tasks of the Internal Control Committee, see the "Internal Control System" paragraph of this Report.

judicial investigation with reference to crimes which could, even potentially, involve Eni or its direct or indirect subsidiaries both in Italy and abroad, or on the part of its Directors and/or employees;
(x) reports on developments regarding disputes considered to be of particular interest, particularly as regards the appropriateness of documentation supporting assessments of the potential liabilities that may be connected with these proceedings and the text of the respective disclosures to the market in the context of the annual and half-yearly financial report;
(xi) the Reports of the Officer in charge of preparing financial reports on the administrative and accounting structure of Eni as of December 31, 2008 and as of June 30, 2009, verifying the appropriateness of the powers and resources made available to the Chief Financial Officer as the Officer in charge of preparing financial reports. In this respect, the examination is focused on the main organizational changes that took place at the end of the second half of 2009 in the CFO area, particularly as regards administrative activities;
(xii) the Reports of the relevant Officer in charge of internal controls contained in the financial statement on December 31, 2008 and on June 30, 2009, and the update on November 30, 2009;
(xiii) the essential aspects of the Statutory and consolidated financial statements as of December 31, 2009, holding meetings with the most senior member of Eni s administrative functions, its main subsidiaries and the companies subject to so-called unbundling rules for this purpose, as well as the Chairmen or other members of the Board of Statutory Auditors of each company and the partners of the Auditing Company instructed to express an opinion on the individual financial statements; the representation in the financial statements of specific transactions and/or shareholdings; the draft consolidated half-year financial report as of June 30, 2009, with particular reference to the application of the IAS 36 international accounting standard to the assets of Eni s main areas of business; the reports of the audit firm on the Annual Financial Report for 2008 and the Half-Year Financial Report for 2009;
(xiv) the main aspects of the Annual Report on Form 20-F 2008 and the new developments associated with application of the International Financial Reporting Interpretation Committee (IFRIC) 12, the statement on the implementation of SOA activities and update on the 2009 Fraud Prevention Program;
(xv) the draft of the Report on Operations of the Directors pursuant to Article 2433-bis of the Italian Civil Code and relative to the interim dividends for the year 2009;
(xvi) the chapter on the Internal Control System to be inserted within the Corporate Governance Report of the 2008 financial statements;(xvii) the report on the reports presented by the audit firms on the 2008 Financial Statements, the auditing approach and strategy used in 2008 and 2009 and the audit firm s communication on the outcome of the auditing activities pertaining to the internal controls that oversee the process of drawing up Eni s consolidated financial statements for 2008 in accordance with section 404 of the Sarbanes-Oxley Act;
(xviii) the report on the tender launched in the second half of 2009 to assign the task of auditing the financial statements and internal control system of the Eni group, in accordance with the Sarbanes-Oxley Act, for the nine-year period 2010-2018;
(xix) the organization and control model adopted by Eni for the purpose of ensuring fulfillment of the requirements of AEEG VIS Resolution No. 109/2008 of December 11, 2009 regarding the ban on passing on the charge imposed by Article 81 of Decree Law No. 112 of June 25, 2008[41] ("Consumer Prices Control Model") in its prices;
(xx) the main aspects of the company s organizational model regarding Health, Safety and the Environment;
(xxi) updating of the Eni Guidelines pertaining to the management and control of financial risks;
(xxii) the results of the "Unbundling Implementation Program" launched in 2007, with particular reference to the organizational activities carried out and the formalities required to comply with relevant national and European regulations;
(xxiii) the main features of Eni s current regulatory system and the state of progress of improvements implemented by the company in mid-2009 to rationalize the management architecture and method, with a view to simplifying it and making it easier to use, while maintaining its effectiveness;
(xxiv) the main activities carried out by the working group on "Gas Metering Systems";
(xxv) the main aspects of Eni s Security activities, with particular reference to the organization, procedures and operational costs of the dedicated company structure;

(41) Turned into Law No. 133 of August 6, 2008.

(xxvi) the periodic Report on the disciplinary actions taken against illegal conduct on the part of employees drawn up by the relevant sections of the Human Resources and Organization departments in accordance with the company s regulations;
(xxvii) the main features of the ICT operation processes and main initiatives currently under way to strengthen the security of information systems and prevent computer crime and illegal data processing under the terms of Legislative Decree 231/2001.

Compensation Committee

Established by the Board of Directors in 1996, this committee advises the Board regarding the remuneration payable to Directors with proxies and to the members of the committees of Directors set up by the Board and, on instructions from the CEO, regarding: (i) Annual and long-term incentive plans; (ii) general criteria for the remuneration of executives with strategic responsibilities; (iii) objectives and results of the Performance and Incentive Plans.
During 2009, the Compensation Committee met 13 times, with a 96% attendance rate, and in particular it made proposals regarding: (i) Eni s 2008 results and 2009 objectives for the purposes of the Annual and Long-Term Incentive Plans; (ii) the variable remuneration of the Chairman, CEO and Directors based on the results achieved in 2008; (iii) the criteria of the remuneration policy for executives with strategic responsibilities; (iv) establishment of the 2009 Long-Term Monetary Incentive Plan for the CEO, to replace and compensate for the Eni Stock Option Plan; (v) establishment of the 2010 Long-Term Incentive Plan, to replace the Stock Option Plan, for critical managerial resources; (vi) establishment of the 2009-2011 Deferred Monetary Incentive Plan for managerial resources; (vii) 2009 implementation of the Deferred Monetary Incentive Plan and its assignment to the CEO.
The composition, appointment and operating methods, tasks, powers and resources of the Committee are governed by an appropriate regulation approved by the Board of Directors[42].

Oil-Gas Energy Committee

The Oil-Gas Energy Committee (OGEC) was established by the Board of Directors in order to monitor has advisory and consulting functions with respect to the Board of Directors, particularly in relation to drafting of the Group s Strategic Plans and verifying the consistency of operational policies adopted in the multi-year plans.
The OGEC met 10 times in 2009 with an 80% attendance rate on the part of its five member Directors. The meetings were also often attended by the Chairman and other Directors.
The Committee s first meetings of the year were aimed at monitoring the effects of the economic and financial crisis on the national and international energy market, in order to allow the Board of Directors to assess the potential impacts on Eni and take appropriate and prompt countermeasures.
The OGEC spent a considerable amount of time examining the scenario of oil and natural gas prices, which is important for strategic corporate planning and the assessment of investments. The committee s analysis of oil price formation mechanisms and the respective financial markets were particularly important.
During the year, the OGEC began to reflect on the fundamental challenges of the Strategic Master Plan, which are likely to have a very significant impact on market developments and therefore on Eni s business. For this purpose, two meetings were dedicated to the evolution of the gas market in Europe, which is characterized by great uncertainty about supply and demand.
The composition, appointment and operating methods, tasks, powers and resources of the Committee are governed by an appropriate regulation approved by the Board of Directors[43].

Chief Operating Officers of the Divisions

In accordance with Article 24 of the By-laws, the Board of Directors can appoint one or more Chief Operating Officers[44], establishing their powers, on a proposal from the CEO, in agreement with the Chairman, subject to their fulfillment of the integrity requirements imposed by the law being verified. The Board periodically assesses the integrity of the Chief Operating Officers on the basis of statements made by the Managers themselves. Any failure to fulfill the requirements leads to dismissal from their post.

trends and scenarios in the international energy markets and to analyze the competitive dynamics of these markets. OGEC

The Chief Operating Officers are also required to respect the instructions of the Board of Directors

(42) http://www.eni.com/en_IT/governance/committees/committees.shtml
(43) http://www.eni.com/en_IT/governance/committees/committees.shtml
(44) For further details, see the section of the website that also contains the company s organizational chart http://www.eni.com/en_IT/company/organisation-chart/organisation-chart.shtml

regarding the number of posts they may hold, in accordance with the rules applicable to the CEO.
The Board of Directors has appointed three Chief Operating Officers responsible for Eni s three operating divisions:
- **Claudio Descalzi**, Chief Operating Officer, Exploration & Production Division;
- **Domenico Dispenza**, Chief Operating Officer, Gas & Power Division;
- **Angelo Caridi**, Chief Operating Officer, Refining & Marketing Division.
At its meeting on February 10, 2010, the Board of Directors, based on the statements made, verified the fulfillment of the integrity requirements and also verified that the Chief Operating Officers complied with the rules on the maximum number of posts they may hold.

Board of Statutory Auditors

Responsibilities
Pursuant to the Consolidated Law on Finance, the Board of Statutory Auditors oversees the following: (i) the compliance with the law and the By-laws; (ii) the observance of the principles for correct administration, the suitability of the company s organizational structure, within each area of competence, the suitability of the internal control system and of the administrative-accounting system, as well as the accurate recording by the latter of the company s operations; (iii) the methods for complying with corporate governance regulations set forth in the Code of Borsa Italiana to which the company adheres; (iv) the adequacy of the provisions imposed on the subsidiaries by the company, in order to guarantee full compliance with legal reporting requirements.
Pursuant to the Consolidated Law on Finance, the Board of Statutory Auditors submits a documented proposal to the Shareholders Meeting concerning the granting of auditing responsibilities as well as compensation for the audit firm. In accordance with Eni s Code, the Board also monitors the independence of the audit firm, its compliance with all applicable regulatory provisions as well as the nature and size of non-auditing services provided to the Eni s Group either directly or through companies within its network. The outcomes of this monitoring activity are included in the Report which

On March 22, 2005, the Board of Directors, by virtue of the rights granted by the Stock Exchange Commission (SEC) to foreign issuers listed on the regulated US markets, has identified the Board of Statutory Auditors as the body that, since June 1, 2005, has been fulfilling, within the limits set forth by Italian laws, the responsibilities assigned to the Audit Committee of such foreign issuers by the Sarbanes-Oxley Act and by SEC regulations. On June 15, 2005, the Board of Statutory Auditors has approved the regulations concerning the fulfillment of the responsibilities assigned pursuant to the aforementioned U.S. regulations[45], the text of which is available on Eni s website[46].

Composition and appointments
In compliance with the provisions of the Consolidated Law on Finance, the Board of Statutory Auditors is composed of a minimum of three effective Statutory Auditors and two alternate Auditors.
Eni s By-laws provide for the Board of Statutory Auditors to be composed of five Statutory Auditors and two alternates, appointed by the Shareholders Meeting for a period of three years and re-electable at the end of their term.
Similarly to the Board of Directors and consistent with the applicable provisions, the By-laws provide for the auditors to be appointed by proportional representation (so-called "voto di lista") where the candidates are listed according to a progressive numbering; two Statutory Auditors and one alternate Auditor are selected from among the candidates of minority shareholders.
More specifically, the shareholders who represent, on their own or jointly with others, at least 1% of the share capital have the right to submit a list. Each shareholder may submit, or contribute to the submission of, and vote for, a single list. The subjects that control it, the companies controlled by them and those that are jointly controlled are neither allowed to submit, nor contribute to the submission of, other lists or to vote for them, not even through a third party or trust companies.
Eni applies special provisions, concerning the methods and the timeline for submitting and filing the lists, as set forth in Law No. 474/1994, that are partially different from those contained in the Consob Regulations on Issuers. However, in order to guarantee the utmost transparency of its election process, Eni has adopted the regulations issued by Consob and not included in the

shall be prepared pursuant to Article 153 of the Consolidated Law on Finance, and attached to the documentation accompanying the financial statements.

aforementioned special provisions by voluntarily applying and expressly providing for them in the By-laws (Article 28).

The lists must be accompanied by the following:

(45) These regulations were amended on March 30, 2007 in order to include the new provisions introduced by Legislative Decree 303/2006 to Article 159, paragraph 1 of the Consolidated Law on Finance, and by Eni s Code, as well as to make the necessary adjustments based on the organizational changes that have occurred since June 15, 2005 when the original regulations were approved.

(46) At the following address: http://www.eni.com/en_IT/governance/board-of-Statutory-auditors/board-of-Statutory-auditors.shtml

information on the shareholder or shareholders who are submitting the list; a declaration, from each candidate, stating compliance with the legal independence, integrity and professional requirements; their personal and professional *curricula*.

The lists shall be filed with the registered office at least ten days prior to the date of the first call of the Shareholders Meeting and published in three Italian daily newspapers, two of them financial, with national circulation. The lists are also forwarded to the market management company and published on the company s website.

The appointment procedure shall adopt the methods already described in the Board of Directors section.

The procedure of proportional representation (voto di lista) only applies in the event of the entire Board of Statutory Auditors being replaced. In the event of a replacement of an Auditor from the list that has received the majority of votes, the alternate Auditor from the same list fills the vacant position; in the event of a replacement of an Auditor from other lists, the alternate Auditor from those lists fills the vacant position.

Pursuant to Article 28.2 of the By-laws, in compliance with the provisions of the Consolidated Law on Finance, the Shareholders Meeting appoints as Chairman of the Board of Statutory Auditors one of the elected candidates from a list that did not receive the majority of votes.

On June 10, 2008, the Shareholders Meeting has appointed the following Auditors for a period of three years and in any case until the date when the Shareholders Meeting is convened to approve the 2010 financial statements: Ugo Marinelli, Chairman, Roberto Ferranti, Luigi Mandolesi, Tiziano Onesti and Giorgio Silva, effective Statutory Auditors, Francesco Bilotti and Pietro Alberico Mazzola, alternate Auditors. The Shareholders Meeting has also determined the pre-tax annual compensation for the Chairman of the Board of Statutory Auditors and of each Statutory Auditor, in the respective amounts of euro 115,000 and euro 80,000, in addition to reimbursement for any expenses incurred while performing auditing duties.

Roberto Ferranti, Luigi Mandolesi, Tiziano Onesti and Francesco Bilotti were elected from the list submitted by the Ministry of the Economy and Finances as holder of 20.30% of the share capital.

Ugo Marinelli, Giorgio Silva and Pietro Alberico Corporate Auditing in the department of Economics "Federico Caffé" at Roma Tre University, Rome. He is also a Professional Accountant and Auditor. He spent a large part of his career (from 1965 to 2000) at Arthur Andersen, where he occupied positions with increasing responsibilities at both the domestic and international levels. Expert in international accounting principles, he was a member of EFRAG - European Financial Reporting Advisory Group the technical advisory body of the European Commission for the endorsement of international accounting principles issued by IASB - International Accounting Standards Board. As a professional corporate business consultant, he specializes in risk management and internal control. He has held and continues to hold a number of positions in many companies. He is currently Chairman of the Board of Statutory Auditors of A.D. Moving SpA, of Società Energie Rinnovabili SpA and its subsidiary Società Energie Rinnovabili 1 SpA. He is also Chairman of Auditors of Civita and a member of the Board of Directors of Fingold SpA. Since June 2008, he has been Statutory Auditor and Chairman of the Board of Statutory Auditors of Eni.

ROBERTO FERRANTI

Born in 1947. He holds a degree in Economics and Business from "La Sapienza" University, Rome. He is a Professional Auditor. In 1987, he was appointed Director of Division VI of the General Inspectorate for Budget Policies General Accounting Office and in 1992, Director of Division II of the General Inspectorate for Budget Policies. In 1994, he took over as interim head of the Public Finance office at the General Inspectorate for Budget Policies and, since 1997, he has been serving as Director of the Public Finance office. He has participated in workgroups in charge of drafting sections of the General Report on the Italian Economy, and of auditing the Treasury statements of accounts. He has held teaching positions at the Italian General Accounting office. He was appointed Chairman of the Board of Statutory Auditors of Equitalia Piacenza SpA and of Equitalia Spezia SpA, and Auditor on the Board of Statutory Auditors of SIMEST SpA. He currently holds the following positions: Chairman of the Board of Auditors of Agenzia Nazionale Sicurezza Volo; member of the Board of Auditors of Federazione Italiana Nuoto; Chairman of the Board of Auditors of Registro Italiano

Mazzola were elected from the list submitted by the institutional investors, holders of 1.10% of the share capital.
Personal and professional information on the Statutory Auditors is provided here below.

UGO MARINELLI
Born in 1941. He holds a degree in Economics and Business from Luiss University, Rome. He lectures

Navale; member of the Board of Directors of Equitalia Cerit SpA di Firenze. Since July 2009, he has been holding the position of Chief Inspector General at the General Inspectorate for Accounting and Public Finance. He has been a Statutory Auditor of Eni since 2008.

LUIGI MANDOLESI
Born in 1943. After graduating in Economics and Business from Università La Sapienza di Roma, he took a position as a Certified Public Accountant and Accounting Specialist in 1966 and as a Certified Auditor in 1995. He was appointed Chairman of the Order of Accountants and Auditors of Rome, Rieti and Velletri and also held the position of Vice Chairman of the Order of Certified Public Accountants and Accounting Specialists of Rome, Rieti, Tivoli and Velletri. He is partner in the firm "Studio Commercialisti Associati Luigi e Massimo Mandolesi". He is Chairman of the Board of Auditors of Procter & Gamble Holding Srl, Finamca, Impreme, Albergo Centrale, Edev Italia and Edf en Italia; he is a Statutory Auditor of Altec, Pietro Mezzaroma e Figli, Larimart and Fondazione Luca Pacioli, and he is a member of the Board of Directors of Villa Margherita and Finconcordia. He has been a Statutory Auditor of Eni since 2008.

TIZIANO ONESTI
Born in 1960. He is a Certified Public Accountant and Certified Auditor. He holds a teaching position in Business Economics at Università degli Studi di Roma Tre and he is also a professor of General and Applied Accountancy at Università LUISS "Guido Carli" in Rome. He is the author of several publications on accounting and business economics and carries out, on an on-going basis, research and advance education activities. He is currently the scientific coordinator of the master degree program in Public Administration (MIFAP) at Università degli Studi di Foggia, and is a member of the scientific and editorial committees for several prestigious national journals. He is a corporate consultant to a number of premier Italian and multinational companies, specializing in the evaluation of companies and of their branches, in extraordinary transactions, in civil balance sheets and IAS/IFRS; he also carries out, within the areas of his competence, technical advisory activities, upon appointments by the parties or by the court in civil or penal proceedings. He has held and still holds positions as a member of Boards of Directors, as Statutory Auditor, as external Auditor and liquidator. He is Chairman of the Board of Auditors of AGI SpA, NewCo Rai International SpA; PM&Partners SpA SGR, Servizi Aerei SpA, as well as Chairman of the Board of Auditors of Agenzia

GIORGIO SILVA
Born in 1945, he holds a degree in Economics and Business from Università Cattolica del Sacro Cuore in Milano; he has been registered in the Register of Certified Public Accountants of Busto Arsizio since July 4, 1975 and in the Register of Varese since May 3, 1989. He has been a Chartered Accountant since 1981 and a Certified Auditor since 1995 (Ministerial Decree 12/04/1995 published in Gazzetta Ufficiale n. 31 bis of 21/4/1955). He held executive administrative positions in primary industrial companies from 1965 to 1973. He assumed an executive role in the tax section of the audit firm Peat Marwick & Mitchell (currently KPMG) in Milan from 1973 to 1976. In 1977, he joined Studio legale Tributario L. Biscozzi - A. Fantozzi, currently Studio Legale e Tributario Biscozzi Nobili, of which he is a founding partner. He held positions of Board Director in listed companies such as Gemina SpA, from 1996 to May 3, 1999; of Chairman of the Board of Auditors in Impregilo SpA from 1999 to May 2, 2005, and in ATC Trevisan Cometal SpA until May 7, 2008. The positions he currently holds are: Chairman of the Board of Auditors of Kedrios SpA, TSP - Tecnologie e Servizi per il Pubblico Srl; Statutory Auditor of the listed RCS Mediagroup SpA, Statutory Auditor of: Alitalia Compagnia Aerea Italiana SpA, CAI Second SpA, Air One SpA, Air One Cityliner SpA, Air One Technic SpA, SIA - SSB SpA, Hewlett Packard Italiana Srl, Bolton Alimentari SpA (he also holds the position as Alternate Auditor in Autogrill SpA, CAI First SpA, Nuova Sidap Srl; Auditor in Fondazione Corriere della Sera; Auditor in Fondazione Candido Cannavò per lo sport, and Auditor for the Provincia di Varese). He is a speaker at conventions and the author of numerous articles and publications on the taxation system. He is a member of the Eni Watch Structure overseeing compliance with Legislative Decree 631/2001 of RCS Mediagroup SpA and Luxottica SpA. He has been a Statutory Auditor of Eni since May 2005.

The personal and professional résumés of the Statutory Auditors are also available on Eni s Website, in the Corporate Governance section.

Independence, integrity and professional requirements, causes for ineligibility, incompatibility and dismissal

Autonoma per la gestione dell Albo dei Segretari Comunali e Provinciali. He is also a Statutory Auditor of Euler Hermes Siac SpA and liquidator of American Express Company SpA. He is an independent advisor of Gruppo Editoriale L Espresso SpA and of Fondo Pensione per il Personale della Banca di Roma. He has been a Statutory Auditor of Eni since 2008.

As stated in the Eni s Code, the Statutory Auditors act with autonomy and independence also towards the shareholders who have appointed them.

Pursuant to the Consolidated Law on Finance, the Statutory Auditors must meet specific independence requirements, as well as professional and integrity

requirements, as set forth in the regulations issued by the Ministry of Justice and the Ministry of Economy and Finance.
As for the professional requirements, Article 28 of the By-laws states that, as set forth in the aforementioned ministerial regulatory provisions, the requirements may be met also through a professional or teaching experience (of at least three years) in the business law, business economics and finance disciplines or through the exercise (for at least three years) of executive functions in the engineering end geology fields.
The Auditors in office must also be registered in the Registry of Certified Auditors.
The Statutory Auditors have stated for the first time, on the occasion of their appointment, to meet the requirements of independence, integrity and professionalism set forth in the applicable regulations, and the Board of Directors has completed the verification assignments conferred to them at the meeting of June 11, 2008. Subsequently and in compliance with the provisions of Eni s Code, aimed at ensuring that the Statutory Auditors satisfy the prerequisites of independence, also in accordance with the criteria provided for in the same Code for the Board of Directors, the Board of Statutory Auditors has verified, at the meeting of January 21, 2009 and January 18, 2010, that its members meet the afore mentioned requirements (independence, integrity and professionalism) and the Board of Directors, at the meetings of February 26, 2009 and February 11, 2010 respectively, has completed the verification assignment received.
Finally, pursuant to all applicable laws, the subjects who hold the same position in five other issuer companies, are not allowed to assume the role of member of the auditing body in any other issuer company. They may however be assigned other administrative and control functions in Italian companies, within the limits set forth by Consob and in compliance with internal corporate regulations. In compliance with this policy, entered into effect on June 30, 2008, each Statutory auditor has forwarded to Consob, in September 2008, a communication stating compliance with the aforementioned restrictions. In July 2009, the Statutory Auditors have submitted to Consob their annual report on the number of offices held and on the ranking associated with such offices.

Meetings attendance
The Statutory Auditors and the Directors are simultaneously provided with documentation on the items of the agenda to be discussed at the Board of Directors meeting, and the Board of Directors and the CEO shall report, at least every quarter or in any case, at the time of the Board of Directors meetings, on the activities performed and on the most relevant economic, financial activities and operations carried out by the company and by its subsidiaries, pursuant to Article 23.3 of the By-laws.
In compliance with the specifications of the Eni s Code, the Statutory Auditors must inform the Board of Directors and the other Auditors of any interest they may retain on their own or on behalf of third parties with respect to specific transactions of the company.
Corporate operations in which the Statutory Auditors retain an interest, or of which they are the related third parties, are regulated by specific Guidelines that were approved on February 12, 2009 by the Board of Directors following consultation with the Internal Control Committee.
The meetings of the Board of Statutory Auditors may be held by video or teleconference.
In 2008, the Board of Statutory Auditors met 26 times. The average duration of the meetings was approximately 3 hours and 48 minutes. In 2009, the average attendance at the meetings of the Board of Statutory Auditors was 91% of the members whereas the average attendance at the meetings of the Board of Directors was 95% of the members.
The tables attached to this report show the attendance of each Auditor at the meetings of the Board of Statutory Auditors and of the Board of Directors.

Internal Control System[47]

The internal control system is a set of rules, procedures and organizational structures aimed at creating healthy and sound company management that is consistent with established goals, by means of an adequate process for the identification, measurement, management and monitoring of the main risks. An effective internal control system contributes towards guaranteeing the protection of the company s assets as well as efficiency and efficacy of business transactions, reliability of financial reporting and compliance with laws and regulations.

(47) Information provided pursuant to Article 123-*bis*, second paragraph, letter b), of the Consolidated Law on Finance.

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The structure of the internal control system, is a part of the organizational and management model of the company and involves, in different roles, administrative bodies, watch structures auditing bodies[48], management and all personnel, in compliance with the principles of the Code of Borsa italiana and the framework of reference, "COSO Report"[49]. Each specific structuring of this system is integrated with the provisions of the Code of Ethics which provides for the following as fundamental values: the formal and substantive legitimacy of the behaviors of members of corporate bodies and of employees at any organizational level; accounting transparency; and the promotion of a corporate culture based on internal controls.
Eni is aware that the investors rely on the commitment of the corporate bodies, management and employees to maintain full compliance with the rules set forth in the corporate internal control system. Within this scope, Eni manages, by means of a set of internal regulations and in compliance with the provisions set forth in the Sarbanes-Oxley Act, the receipt through easily accessible communication channels the analysis and the handling of the reports of issues, even in confidential or anonymous form (whistle blowing), that are received by Eni and its subsidiaries and related to internal control, financial reporting, company administrative responsibility, frauds or other types of concerns[50].
According to Eni, the so-called "culture of risk and related control" contributes to characterize and affect the management s aptitude and choices in pursuing company objectives and reporting the outcomes. Eni is consistently committed to promote the development and pervasiveness by the company s employees of an awareness regarding internal control issues.
For the purposes of ensuring an effective and sound management of corporate operations, in compliance with pre-set strategies and objectives, Eni supports a risk prevention approach and focuses its choices and management activities on the reduction of the probability of the occurrence of negative events and their potential impact. To this end, Eni adopts strategies of risk management, depending on their nature and type such as mainly financial and industrial risks, compliance/regulatory risks, as well as other strategic and operational risks, such as country risks in oil & gas activities, and other risks related to exploration for and production of hydrocarbon. The methods by which management identifies, assesses, handles and monitors the specific risks associated with the company operations, are regulated by internal guidelines, rules, procedures and organizational provisions within the company s regulatory system, which being risk prevention-based, contribute to their containment. With specific regard to industrial[51] and financial risks, special control measures have been set forth and special regulations have been issued or are being issued within the CEO s area of competence, which will be periodically updated in order to guarantee an effective and transversal management of these types of risks. In addition, the development of risk assessment programs in specific areas contributes to further developing the sensibility of management with respect to risk management and contributes to the improvement and efficacy of decision-making processes.
In 2009, in line with the evolution of the company organizational model and consistent with the company s mission and values, Eni has undertaken initiatives to streamline and integrate its own regulatory system by simplifying it and easing its use for the purpose of higher overall efficacy. Similar initiatives were applied also to the ICT processes and are currently undergoing an assessment in terms of streamlining and integrating the risk management system.
The internal control system is subject, over time, to evaluation and updates in order to steadily guarantee its capacity to preside over the main areas of corporate risks, according to the typical issues of each operating segment and organizational structure, ready to take account of any new law or regulations. The main changes introduced in 2009 are part of a natural evolutionary process aimed at achieving "on-going improvements" of the efficacy and efficiency of the system itself. In particular, in response to the evolution of the applicable legislation, Model 231 was updated to include the types of offences recently added within the application scope of Legislative Decree No. 231 of

(48) For further information on the supervisory activities performed by the Board of Statutory Auditors in regard to the adequacy of the internal control system and of the administrative-accounting system, also as Audit Committee under US laws, see the paragraph "Board of Statutory Auditors - Responsibilities"

above and "Officer in charge of preparing financial reports and internal control system on financial reporting".

(49) See CoSO - Committee of Sponsoring Organizations of the Treadway Commission (1992), Internal Control. Integrated Framework. The adoption by Eni of the CoSO Report is mentioned in several documents, among which the most relevant are: Eni s organizational, management and control Model pursuant to Legislative Decree No. 231 of 2001 approved by the Board of Directors in the meetings of December 15, 2003, of January 28, 2004 and March 14, 2008; Guidelines on internal control system over corporate reporting Rules and Methods II Release approved by the Board of Directors on June 20, 2007, as well as all referenced best practices set forth by the Internal Audit.

(50) Eni guarantees full confidentiality of the identity of the people who reports issues of concern in good faith, and communicates the results of the assessment carried out on report cases to the top management of the company as well as to the appropriate control and supervisory bodies.

(51) The term "Industrial risks" refers specifically to risks that occurs from events which may cause damage to the company's asset (property) and/or to third parties, within the scope of their activities (causality), including damages suffered by the people involved in the production process.

2001, as detailed hereinafter, and a specific Control Model was adopted in order to prevent the application, to consumer prices, of the charge associated with the income surtax introduced by Legislative Decree No. 112 of 2008 (Consumer Prices Control Model).

Board of Directors

The Board of Directors retains a central role in internal control system by defining the basic principles to be applied to the organizational, administrative and accounting structure of the Company, of the main subsidiaries and of the Group; in this context, it defines, examined proposals submitted by the Internal Control Committee, the guidelines for the company s internal control system aimed at identifying, measuring, managing and monitoring the main risks to which the company and its subsidiaries are exposed. In the definition of these guidelines, the Board applies sector regulations and takes into adequate consideration the referenced models and the best national and international practices.

Finally, the Board assesses annually, with the support of the Internal Control Committee, the adequacy, efficacy and efficiency of the overall internal control system with respect to Eni s characteristics. In its meeting of March 11, 2010, the Board examined the Internal Control Committee s 2009 Report (updated on March 10, 2010) as well as the observations included therein on the status of Eni s internal control system and, at the conclusion of this review, the Board, also in consideration of the initiatives underway, assessed the overall internal control system adequate, effective and efficiently operating.

Internal Control Committee

The Internal Control Committee, established within Eni in 1994, is entrusted with providing consulting and advisory services to the Board of Directors as regards the internal control system. It is exclusively made up of non-executive, independent Directors provided with the professional qualification required by the responsibilities entrusted to them[52], and reports to the Board of Directors both on its activities and on the adequacy of the internal control system, at least once every six months, at the time of approval of the annual and half-year financial statements. The periodical reports, to be submitted to the Board of Directors, are prepared by charge of preparing financial reports, the Officer in charge of Internal Control and the Eni Watch Structure and, in general, must be based on the evidence acquired while performing its activities, which are:

- examining and assessing in conjunction with the Officer in charge of preparing financial reports and the Audit firm the correct utilization of accounting principles and their homogeneity for the drafting of the annual and half-year financial statements before approval by the Board of Directors;
- assisting the Board in defining the guidelines for the internal control system;
- providing an evaluation upon request by the CEO on specific aspects concerning the process used to identify the main risks related to the Company as well as on the planning, implementation and management of the internal control system;
- overseeing the activities of Internal Audit and of the Officer in charge of Internal Control; furthermore within this area of responsibility, the Committee examines: the proposal of the Audit Plan and its potential amendments during the financial year; the annual budget of the Internal Audit Department; the periodical reports and performance indicators on the activities of the Internal Audit Department;
- examining and assessing the following: (i) the outcomes of internal audit reports as well as any evidence on related monitoring activities on improvement actions on control system, planned after the audits are performed; (ii) evidence resulting from the periodical reports on the outcomes of the monitoring activities conducted on the internal control system over financial reporting, on its adequacy and actual application, as well as the adequacy of the powers and means assigned to the Officer in charge of preparing financial reports; (iii) communications and information received from the Board of Statutory Auditors and its members regarding the internal control system, also in reference to the outcomes of preliminary inquiries conducted by the Internal Audit department following reports received also in anonymous form (whistle blowing); (iv) evidence emerging from the reports and management letters submitted by the Audit Firm[53]; (v) periodical reports issued by Eni Watch Structure, also in its capacity as Guarantor of the Code of Ethics; (vi) evidence emerging from the periodical reports submitted by the Officer in charge of preparing financial reports

the Committee and must keep into consideration the content of the periodical reports prepared by the Officer in

and by the Officer in Charge of internal control; (vii) information on the internal control system as it relates to the company s

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(52) Unlike to the Code of Borsa Italiana, the Eni Code requires that at least two (and not only one) Committee members have adequate expertise in accounting and financial matters, to be assessed by the Board of Directors at the time of their appointment.

(53) Eni entrusted to the Board of Statutory Auditors, as set forth in the Code of Borsa Italiana, the role of Audit Committee under the SOA and therefore the task of reviewing the proposals submitted by Audit Firm in order to obtain the auditing mandate and monitor the efficacy of the accounting auditing process.

structure, also through periodical meetings with management, as well as enquiries and reviews carried out by third;
- performing other specific activities aimed at formulating analyses and opinions on topics falling under its competence and based on the Board s request for details, and in particular, providing an opinion on the rules concerning the transparency and substantial and procedural correctness of operations carried out with related third parties, as well as transactions where a Director of the Board retains a personal interest or an interest on behalf of third parties, and finally carrying out any additional task assigned within this scope, including the review and evaluation of specific types of transactions.

The activities performed by the Committee in 2009 are described in the dedicated paragraph above.

Chief Executive Officer

The Chief Executive Officer (CEO) is entrusted by the Board of Directors with overseeing the functioning of the internal control system. To this end, he identifies the main company risks and, in implementing the guidelines on to the internal control system approved by the Board, provides to their design, implementation and management. The CEO is also entrusted with monitoring the overall adequacy, efficiency and efficacy of the internal control system and ensuring that it is adjusted to Company s operations and applicable laws. With reference to the internal control system applied to financial reporting, these tasks are performed in compliance with the tasks assigned, by law, to the Officer in charge of preparing financial reports[54].

Eni s people - Management

As set forth in the Code of Ethics, the responsibility to implement an effective internal control system applies to all levels of Eni s organizational structure; therefore all Eni s people, according to their function and responsibilities are committed to define and actively participate in the correct functioning of the internal control system. The CEO and/or the Chief Operating Officers of Eni s Divisions, by exercising the powers entrusted to them by the Board of Directors, assigned to the managers responsible of their respective areas task, responsibilities and powers for ensuring an effective and efficient internal control in the performance of their

Officer in charge of internal control and internal audit

A primary role in monitoring and assessment process of the internal control system is performed by the Officer in charge of Internal Control, a position which, in Eni, is held by the Senior Executive Vice President of Internal Audit (Rita Marino), given the substantial identity of operational areas and the consequent strong link between the two roles.

Officer in charge of Internal Control

The Officer in charge of Internal Control is entrusted with the main task of (i) verifying that the internal control system is always adequate, fully operational and correctly functioning and (ii) providing evaluation on its adequacy.

The Officer in charge of Internal Control is appointed by the Board of Directors, on proposal of the CEO, in agreement with the Chairman of the Board of Directors, and after opinion of the Internal Control Committee[55].

The Board determines the compensation of the Officer in charge of Internal Control, in compliance with corporate policies and following consultation with the Internal Control Committee.

The Officer in charge of Internal Control is not responsible for any specific operational area, has direct access to information which may be useful for carrying out her tasks, is provided with the necessary tools for fulfilling her tasks, and reports, through the Internal Control Committee, to the Board of Directors, the Board of Statutory Auditors and the CEO by means of periodical reports.

On March 4, 2010, the Officer in charge of Internal Control has released its Annual Report on the internal control system (for the period between January 1 and December 31, 2009, updated as at the release date) and has also provided an evaluation on its adequacy based on the outcomes of the monitoring activities carried out in the relevant period by the Internal Audit Department, by the Officer in charge of Internal Control of the listed subsidiaries and by the Internal Audit Departments of the subsidiaries that are under the supervision of the Bank of Italy.

respective activities and in the pursuit of related business objectives.

Internal Audit Department

The Internal Audit Department is entrusted with the task of providing the following to the CEO and, through the Internal Control Committee, to the Board of Directors and to the Board of Statutory

(54) To this end, please see details in the following paragraph describing the responsibilities assigned to the Officer in charge of preparing financial reports.
(55) The Officer in charge of internal control was appointed for the first time in the meeting of March 16, 2007 and later reconfirmed by a resolution issued on October 30, 2008.

Auditors in its capacity as "Audit Committee" in accordance with US law: audits, analyses, assessments and recommendations pertaining to the design and functioning of, as well as compliance with, the internal control system of the company and of the Group, in order to promote its efficiency, and efficacy. The Internal Audit Department performs the activities, within its own area of responsibility, as regards Eni SpA and the subsidiaries in which ENI retains majority voting rights, with the exception of those with listed shares or those under the supervision of the Bank of Italy. Those subsidiaries have their own Internal Audit Departments.

The Senior Executive Vice President of Internal Audit, reports to the CEO who is entrusted with overseeing the functioning of the internal control system; the Internal Control Committee oversees the activities carried out by the Internal Audit which reports also to the Board of Statutory Auditors, in its capacity as "Audit Committee", pursuant to the laws of the Unites States. The methods for appointing/revoking the Senior Executive Vice President of Internal Audit are compliant with the provisions set forth in the Code of Ethics, as regards the Internal Control Manager, given the synergy between the two roles. The Internal Control Committee evaluates annually the upholding of the characteristics of honorability, competence and expertise of the Senior Executive Vice President of Internal Audit, as well as the absence of any causes of incompatibility, and provides the Board of Directors with its opinion on the compensation to be paid to the Senior Executive Vice President of Internal Audit upon proposal by the CEO in accordance with corporate policies.

Tasks, powers and means of the Internal Audit Department and information flows

Objectives, areas of intervention and functioning methods pertaining to the Internal Audit Department are defined in the "Internal Audit Charter", approved by the Board of Directors at the end of 2008 in line with the best practices.

The Internal Audit Department is entrusted with the powers and means adequate for performing its tasks in full operational independence also in terms of expenditure autonomy, availability of an adequate number of professionally competent resources, and access to information, data, archives and assets held by for professional practices and the Code of Ethics, performs the following main activities:

(i) Executes audit activities (operational, financial and compliance audit, with particular attention given to the provisions of Legislative Decree No. 231 of 2001), thus implementing the Annual Audit Plan formulated with a top-down risk based approach and approved by the Board of Directors together with the budget of the resources and, for the relevant aspects as set forth in Legislative Decree No. 231 of 2001, by the Eni Watch Structure.

(ii) Performs unplanned internal audit activities, upon request by the primary stakeholders of the internal control system and/or by the top management.

(iii) Monitors the implementation of corrective actions defined on the basis of audit activities.

(iv) Organizes and oversees the development and management of the information flows set up for receiving the reports, also in anonymous form, of which it keeps an updated archive, and conducts preliminary audits in compliance with applicable corporate procedures.

(v) Performs monitoring activities, as provided for in the 231 Model of Eni SpA. Within this specific area, the Internal Audit Department has started, in 2009, monitoring activities pertaining to HS, which, in compliance with the aforementioned Internal Audit Charter, provide for conducting independent assessments on the auditing, measurement and reporting activities, to be carried out by the competent HSE units.

(vi) Carries out independent monitoring activities performed for financial reporting, according to a plan communicated by the CFO and, starting in 2009, performs also independent monitoring activities for relevant operations in terms of "Consumer Prices Control Model", based on the Plan formulated by the General Manager of each Division.

(vii) Participates in corporate training regarding internal control issues.

The Internal Audit department ensures systematic and periodical reporting (quarterly summary reports and half-year reports) on the outcomes of its activities which are forwarded to the control and supervisory bodies and to upper management in order to enable them to perform their duties, in terms of control and assessment of the internal control system; in addition, it promptly informs the CEO and the control and supervisory bodies about

the company and by its subsidiaries.
According to this organizational model, the Internal Audit Department, by ensuring the preservation of the necessary conditions of independence, as well as of the required professional objectivity, skills and diligence in compliance with the set forth international standards serious deficiencies identified in the internal control system and about any circumstance that may compromise its own prerequisites of independence.

Officer in charge of preparing financial reports and internal control system applied to financial reporting

Officer in charge of preparing financial reports
Pursuant to Article 24 of the By-laws, in compliance with the provisions of Article 154-bis of the Finance Consolidation Act, the *Officer in charge of preparing financial reports* (Appointed Officer - AO) is appointed by the Board of Directors, upon proposal submitted by the CEO in agreement with the Chairman and upon favorable opinion issued by the Board of Statutory Auditors. The AO must be selected, in accordance with the provisions of the By-laws, from among subjects with at least three years of experience with the following:
(a) administration, control or management activities carried out at companies that are listed in the Italian, in other European Union states and in OECD countries regulated markets, and with a share capital of at least euro 2 million, or
(b) auditing activities carried out at the same types of companies listed under letter a), or
(c) professional activities with, or university teaching experience in, financial or accounting disciplines, or
(d) management experience developed at public or private enterprises operating in the financial, accounting or auditing sectors.

Tasks, powers and means of the Appointed Officer
In compliance with law provisions, the AO is responsible, within the internal control system, for the financial reporting and to this end, he/she sets forth the administrative and accounting procedures for drafting the periodical accounting documentation and any other financial reporting, certifying in accordance with the CEO and by means of a report on the financial statements of the year, on the half-year summary financial statements and on the consolidated financial statements the adequate and actual application of the Internal Control over the period to which these accounting documents refer. The Board of Directors oversees these activities, pursuant to Article 154-bis, in order to ensure that the AO has the powers and the means necessary to carry out the assigned tasks and that compliance with the aforementioned procedures is maintained. In the meeting of July 30, 2008, the Board (CFO) and has deemed as being adequate, for the purpose of performing his functions, the conferred expenditure powers, to be exercised independently from or jointly with the CEO, as well as the means at his disposal in terms of organizational structures and administrative, accounting and internal control systems.
In the meeting of March 11, 2010, the Board of Directors has confirmed the adequacy of the "powers and means" at the disposal of the CFO, in his capacity as AO, and has verified compliance of the procedures implemented by the AO with the applicable law.

Main characteristics of the risk management and internal control systems applied to the financial reporting process
The internal control system applied to financial reporting is a process aimed at providing a reasonable certainty on the reliability[56] of the financial reporting itself and on the capacity of the process set up for the preparation of the financial statements to produce financial reports compliant with generally accepted international accounting principles.
The "Guidelines on internal control system over corporate reporting" approved by the Board of Directors on June 20, 2007, define the rules and methods to be adopted in the planning, establishing and maintaining, over time, of the internal control system applied to Eni s financial reporting, as well as in the assessment process of its efficacy.
These Guidelines have been defined in compliance with the provisions of the aforementioned Article 154-bis of the Consolidated Law on Finance and with the provisions of the US Sarbanes-Oxley Act of 2002 (SOA), to which Eni must adhere as a company whose stocks are listed on the New York Stock Exchange (NYSE), formulated in accordance with the COSO Report ("Internal Control - Integrated Framework" published by the Committee of Sponsoring Organizations of the Treadway Commission).
The Guidelines are applicable to Eni SpA and to the subsidiaries in which Eni holds a direct or indirect interest, in compliance with international accounting principles and in consideration of their relevance in terms of the preparation of financial reporting. All subsidiaries, regardless of their relevance within the internal control system applied to Eni s financial reporting, refer to these Guidelines in setting up their

of Directors, upon favorable opinion issued by the Board of Statutory Auditors, has appointed to the position of AO Mr. Alessandro Bernini, Eni s Chief Financial Officer

own control system on financial reporting that better reflects the company s size and complexity of operation.

(56) Reliability (of the reporting): A reporting that meets the requirements of correctness and compliance with generally accepted accounting principles and includes the characteristics sets forth by the applicable laws and regulations.

The planning, set up and maintenance of the internal control system applied to financial reporting are guaranteed through: risk assessment, controls identification, controls evaluation and reporting.
The risk assessment process, based on a "top-down" approach, aims at identifying the organizational entities, the processes and the specific activities capable of generating risks of unintentional errors or of frauds, which may significantly affect the financial statements. In particular, the identification of the organizational entities under the internal control system applied to financial reporting, is based on the contribution, by the various entities, to the figures stated in the consolidated financial statements (assets, financial debt, net proceeds, taxable income) also in consideration of their relevance in terms of processes and specific risks[57]. Within the companies that are relevant to the control system applied to financial reporting, significant processes are subsequently identified upon an analysis of quantitative factors (processes that contribute to determining the financial statement items for amounts over a certain percentage of pre-tax profits) and of qualitative factors (e.g.: complexity in the accounting handling of financial operations; news and/or significant changes in the business conditions). Following identification of all relevant processes and activities, the potential risks are identified. The term "risk" refers to potential events that may compromise the achievement of the control system s objectives applied to financial reporting (e.g. financial statements). The identified risks are assessed in terms of their potential impact and probability of occurrence, based on qualitative and quantitative parameters and assuming the absence of a control system (inherent assessment). In particular, with reference to fraud risks[58], a risk assessment was performed based on a specific methodology used in the "Anti-fraud programs and controls" to which the aforementioned Guidelines refer.
In consideration of the relevant companies, of the processes and risks involved, a control system was set up on the basis of two fundamental principles: the application of the control system to all levels of the corporate organizational structure and in accordance with the assigned operating responsibilities, and the controls sustainability over time so as to ensure a performance that is integrated and compatible with operational requirements.
respect to the reference entity (Group/Division/single company), and provides for controls at the process level. The controls implemented at the entity level are organized in a checklist which, based on the model adopted in the COSO Report, focuses on five components (control environment, risk assessment, control activity, information systems and reporting, monitoring activities). Of particular importance are the control activities related to the scheduling of drafting and disseminating economic-financial operating results ("half-year and financial statement circular" and related timelines); the existence of organizational structures and of a regulatory body aimed at reaching the pre-set objectives as regards financial reporting (these controls provide, for example, for auditing and updating activities carried out through specialized corporate functions, as set forth in the Group s Regulations, with reference to the group s financial statements and Accounting Plan); training activities on accounting principles and an internal control system applied to financial reporting; and finally activities related to the reporting system for the management of the consolidation process (Mastro).
The controls at the process level are divided as follows: specific controls intended as a set of manual or automated activities aimed at preventing, identifying and correcting errors or irregularities that may occur in carrying out operational activities; pervasive controls intended as structural elements of the control system applied to financial reporting and aimed at defining the general conditions that would promote a correct execution and control of operational activities (e.g. segregation of incompatible tasks and general controls on information systems).
The "specific controls" consist in special procedures that define both the execution of corporate processes and the so-called "key controls", the absence or non-functioning of which would carry the risk of a relevant error or fraud in the financial statements that may not be detected by other forms of controls.
The controls at the entity and process level are subject to evaluation (monitoring) in order to assess, over time, the effectiveness of their design and their actual functioning. For this purpose, the following activities were provided for: ongoing monitoring assigned to the management group responsible for the relevant processes/activities and separate evaluations, assigned to the Internal Audit

The structure of the control system applied to financial reporting provides for controls implemented at the level of entities that operate in a transversal manner with Department which operates in compliance with a preset plan, formulated by the

(57) Among the entities under the internal control system, are some companies established and operating in compliance with the laws of countries that are not part of the European Union, to which the regulatory provisions of Article 39 of the Consob Market Regulations apply.

(58) Fraud: within Internal Control System, each act or intentional omission which generates a deceptive statement.

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CFO/AO, that defines the scope and the objectives of the interventions through agreed upon auditing procedures.
The monitoring activities enable the identification of deficiencies present in the control system applied to financial reporting, which are subject to evaluation in terms of probability and impact on Eni s financial reporting and, based on their relevance, are qualified as "deficiencies", "significant weak points" or "relevant deficiencies".
The results of these monitoring activities are included in periodical reports on the status of the control system applied to financial reporting, through the use of computerized tools in order to guarantee the tracking of the information collected on the effectiveness of the design and on the actual functioning of the controls. Based on this reporting activity, the CFO/AO prepares a report on the adequacy and actual implementation of the control system applied to financial reporting, which, after approval by the CEO, is submitted to the Board of Directors, following review by the Internal Control Committee and upon approval of the annual and half-year financial statements, in order to enable the execution of the required supervisory functions and of the appropriate evaluations, related to the internal control system applied to financial reporting. This report is also submitted to the Board of Statutory Auditors, in its capacity as Audit Committee in compliance with US regulations.
The CEO/AO is assisted, in his/her activities within ENI, by several other individuals whose tasks and responsibilities are defined in the aforementioned Guidelines. More specifically, control activities involve all levels of Eni s organizational structure, from business managers to executives to administrative Directors and the CEO. Within this organizational structure, the so-called "risk owner" assumes a particular relevance, as regards the internal control system, as he/she performs ongoing monitoring activities aimed at evaluating the design and effectiveness of specific and pervasive controls, as well as providing information to be used in the reports on monitoring activities and on any identified deficiencies, in order to promptly implement all necessary corrective actions.

Eni Watch Structure and Model 231

According to the Italian regulations pertaining to the to certain offences that are attempted or committed in Italy or abroad in the interest or for the benefit of the company. The companies may, in any case, adopt organizational, management and control models suitable to the prevention of possible offences.
With regards to this issue, Eni SpA s Board of Directors in its meetings of December 15, 2003 and January 28, 2004 has approved an organizational, managerial and control model pursuant to Legislative Decree No. 231 of 2001 (hereinafter, "Model 231") and has appointed the Eni Watch Structure. The composition of the Eni Watch Structure, initially consisting of only three members, was amended in 2007 with the addition of two external members, one of them appointed by the Chairman of the Eni Watch Structure and selected from among university professors and professionals of proven experience and expertise in economics and business management. The internal members are represented by the Senior Executive Vice President (or managers directly reporting to them) of Legal Affairs, Human Resources and the Internal Audit Departments.
The Eni Watch Structure carries out the following main activities: (i) monitors the efficacy of Model 231 of Eni SpA as well as all related implementation and updating activities; (ii) evaluates the effectiveness of Model 231 and ensures the maintenance over time of its sound and efficient functioning by proposing the necessary updates; (iii) monitors the progress of its application to the subsidiaries and promotes the dissemination and knowledge to the same of the methodologies and tools to be used for the Model s implementation (iv) approves the annual planning of all Eni SpA s supervisory activities, coordinates their implementation; and evaluates the results; (v) manages the reporting activities, working for this purpose with the Watch Structure of subsidiaries appropriate personnel and supervisory bodies. The synergies between Model 231 and the Code of Ethics, an integral part and underogable principle of Model 231, are evident in the assignment to Eni SpA s Watch Structure of the functions of Guarantor of the Code of Ethics. Similarly, each subsidiary assigns the functions of Guarantor of the Code of Ethics to its own Watch Structure. The Watch Structure of Eni SpA reports periodically on its activities to the Chairman, to the CEO who informs the Board of Directors by means of his/her own report on the execution of delegated powers to the Internal Control Committee and to the Board of

"administrative liability of legal entities deriving from offences", pursuant to Legislative Decree No. 231 of June 8, 2001 (hereinafter, "Legislative Decree No. 231 of 2001"), associations, including corporations, may be held liable and therefore charged with the payment of a penalty or placed under injunction, with regard

Statutory Auditors. These periodical reports are processed according to the evidence acquired while performing its activities.

Following the first approval of Model 231 and its subsequent updates in compliance with legislative developments, in the meeting of March 14, 2008, the

Board of Directors of Eni SpA, after consultation with the Board of Statutory Auditors, has approved its own update which has been implemented in accordance with corporate organizational changes, new legal requirements[59], new developments on the part of authorities and case law, issues resulting from the application of the Model (including any knowledge stemming from legal disputes), the practices of Italian and foreign companies with regards to the models, the outcomes of supervisory activity and the results of internal auditing activities.

Model 231 of Eni SpA, a set of principles and the point of reference for subsidiaries, is provided to each subsidiary so that they may adopt and/or update their own models. The subsidiaries listed on the stock exchange and those operating in the gas and electrical sectors, subject to unbundling regulations, adopt their own model and adjust it as necessary, in accordance with their own company characteristics and with the principle of managerial autonomy. The representatives identified, as indicated by Eni, within the corporate bodies of the subsidiaries as well as in consortia and joint ventures, promote the principles and contents of Model 231 within their respective areas of competence. Control provisions (based on general and specific standards) have been set forth in order to regulate corporate activities for the prevention of crimes, pursuant to Legislative Decree No. 231 of 2001. In addition, in compliance with the applicable law, a disciplinary system has been implemented to sanction infringements of Model 231 and failures to comply with corporate procedures. At the end of 2009, Eni has launched some initiatives aimed at streamlining and optimizing the organizational and operational structure of the watch structures of the subsidiaries, and at analyzing the process implemented by the subsidiaries themselves for the adoption of Model 231 while taking into consideration any developments in the regulatory system and in best practices.

The Board of Directors plays a primary role concerning Model 231 since, as mentioned earlier, it has reserved the right to approve it, to establish and appoint the members of the Watch Structure and to receive, through the CEO, periodical reports on its operations. On the other hand, the CEO is responsible for implementing and updating Model 231, pursuant to the powers conferred to him/her by the Model itself.

For this purpose, the CEO has set up a multifunctional Team ("Team 231") responsible for drafting/submitting proposals for updates. During 2009, the Team 231 has completed the update of Model 231 to include crimes pertaining to receiving stolen goods, recycling, and unlawful usage of money and properties of illegal origins, computer crimes and unlawful data processing, and will shortly implement new updates by adding new types of presumed crimes introduced by the legislature in 2009 (organized crimes, crimes against industry and commerce, infringements of copyrights, instigation not to make statements or to make false statements to judicial authorities).

In 2009, the rationale and methods to be applied to the planning and implementation of supervisory activities were defined in the areas of workplace safety and health for the prevention of "manslaughter or serious or very serious personal injuries, in violation of workplace safety and health laws", pursuant to the provisions of Legislative Decree No. 231/2001, to the principles and the content of Model 231 and to Eni SpA s Managing System Model HSE concerning internal assessments and controls. The activities were carried out by a dedicated multifunctional team, under the coordination of the Watch Structure of Eni SpA, which, in accordance with the tasks assigned by Model 231, shall promote, in 2010, the implementation in the subsidiaries of the principles defined for Eni s supervisory activities pertaining to HS.

For a correct implementation of Model 231, training and/or communication activities based on the type of recipient (including third party and the market) have been planned. A Web Based Training (WBT) on Model 231 has been planned for the year 2010 and will be provided specifically to managers/executives, corporate organizational communication groups and to key officers of Eni.

Model 231 and the Code of Ethics are published on Eni s web site and are available on the company s intranet network.

Anti-Corruption Policy

Of primary importance is the fight against corruption, which has been approved by Eni s Board of Directors and subsequently regulated with Anti-Corruption Guidelines and with the first two Auxiliary Anti-Corruption Procedures dealing specifically with joint-venture and intermediary agreements. Other

Auxiliary

(59) The current scope of application of Legislative Decree No. 231 of 2001 provides for the following: Offences against public authorities and public faith, (ii) corporate crimes, (iii) crimes associated with the subversion of public order, and financing of terrorism, (iv) offences against the person, (v) market abuse ("abuse of confidential information" and "market manipulation"), (vi) offences against individuals, Law No. 7 of 2006, (vii) transnational crimes, (viii) manslaughter and serious or very serious personal injury committed in violation of industrial accident laws and of the protection of industrial hygiene and health, (ix) crimes related to receiving stolen goods, recycling, and unlawful usage of money and properties of illegal origins, (x) computer crimes and unlawful data processing, (xi) organized crimes, (xii) offences against industry and commerce, (xiii) infringements of copyrights, (xiv) instigation to make false statements to judicial authorities.

Anti-Corruption Procedures, on specific subject matters, are currently under review. The Anti-Corruption Guidelines and Auxiliary Anti-Corruption Procedures aim at providing a systematic reference framework with anti-corruption regulations and procedures, already implemented by Eni over time, as well as at ensuring full compliance, by Eni and its employees, with the Code of Ethics, with Model 231 and with national and international anti-corruption laws. For this purpose, both the Anti-Corruption Guidelines and the Auxiliary Anti-Corruption Procedures are being adopted by all of Eni s subsidiaries, both in Italy and abroad, upon resolution issued by the Board of Directors (or by the corresponding body/function, if the governance of the subsidiary does not provide for the establishment of a Board). The internal regulations adopted by Eni, as regards this subject matter, provide for the involvement of Eni s Board of Directors or of the subsidiary company, in the approval phase of the most significant activities (such as the appointment of intermediaries). In compliance with international market best practices, an anti-corruption unit was also set up, within the Eni SpA s Legal Affairs Department, with the objective of providing legal advisory services and support, in anti-corruption matters, to Eni s business units and unlisted subsidiaries.

At the time of the adoption of this policy, a presentation event was held in order to provide Eni s personnel with information on the company s new and future initiatives aiming at a continuously more effective fight against, and prevention of corruption. An anti-corruption training program for the company s employees, currently under development, will be held in the course of the year and will consist of an information session, delivered through e-learning modules with an overview of the anti-corruption topic, and a series of interactive workshops for a more in-depth analysis on specific sub-topics.

Audit firm[60]

The auditing of Eni s financial statements is entrusted, in accordance with the law, to an audit firm, registered in the Consob special registry and appointed by the Board of Directors, upon a documented proposal submitted by the Board of Statutory Auditors.

In addition to the obligations set forth in national requires the issue of an assessment on the efficacy of the internal control system, applied to financial reporting, which oversees the preparation of the consolidated financial statements.

For the most part, the subsidiaries financial statements are subject to auditing by the same company that audits Eni s financial statements. In addition and for the purpose of issuing an assessment on the consolidated financial statements, Eni s audit firm assumes the responsibility for the work performed by other auditing companies as regards those subsidiaries financial statements which represent altogether an irrelevant part of the company s assets and consolidated turnover.

The current audit firm is PricewaterhouseCoopers SpA. Its first mandate of June 1, 2001, was later confirmed for three more years by the Shareholders Meeting held on May 28, 2004, and subsequently extended to the 2007-2009 financial years by the Shareholders Meeting held on May 24, 2007, pursuant to Legislative Decree No. 303/2006, since the maximum term of nine financial years provided for by the law had yet to be completed. Consequently, at the time of the approval of the financial statements of the 2009 financial year, PricewaterhouseCoopers SpA will have fulfilled its mandate and the Shareholders Meeting will appoint another audit firm.

During the course of its operations, the audit firm shall have access to the information and data in both printed and digital form, as well as to the archives and assets of the company and of its subsidiaries.

The single reference framework for the application to Eni s group of auditing regulations is represented by the Financial Statements Auditing Regulations (Normativa in materia di revisione dei bilanci) adopted by the Board of Directors as of April 3, 2008. These regulations include the new legislative provisions issued in the last few years[61] as well as the provisions issued by the appropriate control authorities (Consob and SEC). The regulations comply with the general framework of principles applied to the following: granting and revocation of the mandate; relations between the Group s primary and secondary Auditors; independence of the audit firm and reasons for incompatibility; reporting responsibilities and obligations of the audit firm; regulations applied to the reports to be submitted to the company, to Consob and SEC. In order to protect the independent nature of the Auditors, a monitoring system auditing regulations, Eni s listing on the New York Stock Exchange requires that the audit firm files an Annual Report on Form 20-F, in compliance with the auditing principles generally accepted in the United States, and of "non-auditing" tasks has been set up where, in general, the entrusted

(60) The audit firm, verified the redaction of this Report, renders an opinion according to Article 156, par. 4-*bis*, lett. d) of the Consolidated Law on Finance on the information provided according to Article 123-*bis*, par. 1, lett. c), d), f), l) and m), and par. 2, lett. b) of the same law. The audit report is published together with the Annual Financial Report.

(61) Law No. 262/2005 and Legislative Decree No. 303/2006 which have amended the Consolidated Law on Finance.

audit firm and the companies of its network, shall not be assigned tasks other than those pertaining to accounting audits, with few exceptions in the case of assignments that are not prohibited by Italian laws or the Sarbanes-Oxley Act. These assignments are approved by the Board of Directors of each company, following consultation with the Board of Statutory Auditors of that same company, and are subsequently authorized by Eni s Board of Statutory Auditors if such assignments are not included among those provided for in the applicable laws and regulations. Eni s Board of Statutory Auditors is, in any case, periodically informed of the tasks entrusted to the audit firm by the companies of the Group.

The following table shows total fees paid by Eni, its consolidated and non-consolidated subsidiaries and Eni s share of fees incurred by joint ventures for services provided by Eni audit for and its member firms, with respect to the years indicated:

Principal accountant fees and services	**2007**	**2008**	**2009**
(euro thousand)			
Audit fees	26,383	27,962	**30,748**
Audit-related fees	169	152	**276**
Tax fees	81	46	**51**
All other fees	120	1	**-**
	26,753	**28,161**	**31,075**

Court of Auditors

The financial management of Eni is subject to control by the Court of Auditors in order to protect public finances. This activity was carried out by the Judge of the Court of Auditors, Lucio Todaro Marescotti, succeeded by Raffaele Squitieri[62], appointed by resolutions issued on October 28, 2009 by the Council of the Presidency of the Court of Auditors.
The Judge of the Court assists at the meetings of the Board of Directors, of the Board of Statutory Auditors and of the Internal Control Committee.

Directors interests and transactions with related third parties

While awaiting the issue of the executive provisions of Article 2391-bis of the Italian Civil Code, the Board of Directors following consultation with the Internal Control Committee has adopted the Guidelines relative to transactions involving Directors and Auditors interests and related third parties in order to ensure

- has identified, on the basis of pre-determined criteria, the most relevant transactions with related third parties that fall under its decision-making area of competence;
- has assigned a decisive role to the independent Directors by providing for the involvement of the Internal Control Committee in the inquiry and deliberative phases of the aforementioned relevant transactions with the possibility to be assisted in carrying out these tasks by one or more experts appointed in its choice. The Committee plays also an important role in those transactions that do not fall within the area of the competence of the Board;
- has provided for a more in-depth inquiry into all transactions conducted with related third parties, regardless of deliberative powers, in order to ensure transparency as well as a substantial and procedural correctness of the transactions; this transparency must also be ensured in the subsequent deliberative phase.

Consequently, the approved Guidelines define the policies to be adopted by the Group in this area.
The number of relations of a commercial, financial and other nature with related third parties, the description of the type of most relevant transactions, the impact of these relations and transactions on the balance sheet, the

compliance with the principles of transparency and of formal and substantial correctness which govern these transactions in relation to the aforementioned transactions by the cited provisions and by the Code of Borsa Italiana.

By sharing the general principles set forth by Consob on this matter, Eni has incorporated them into its own procedures while also taking into account the market s best practices. More specifically, in the adopted Guidelines, the Board:

income statement and cash flow statements, are highlighted in the explanatory notes to the consolidated financial statements (Note 36 Relations with related third parties).

The Guidelines, as required by Eni s Code, also regulate transactions involving the interests of Directors/

(62) Alternate Judge is Amedeo Federici.

Auditors, thereby providing that:
- Directors and Auditors periodically issue a statement reporting the potential interests held by each party in relation to the company and to the Group, and they promptly notify the other Directors and the Board of Statutory Auditors about individual transactions with the Company in which they hold interests that are "external" to the company;
- the involved Directors normally do not take part in the discussion and in the resolutions issued by the Board with regard to relevant issues; at times they may even leave the meeting room.

In any case, the transactions in which the related third party is a Director or an Auditor, or other parties associated with them, are considered relevant and thus subject to more in-depth investigational and deliberative procedures, as well as to a resolution that the Board of Directors takes after consulting with the Internal Control Committee.

The text of the Guidelines is available on the website of the company, in the Corporate Governance section.

Relations with the shareholders and the market

From the start of the privatization process and in compliance with its Code of Ethics and Corporate Governance Code, Eni maintains an open and on-going communication with institutional investors, with retail shareholders and with the market in order to ensure the dissemination of complete, correct and timely information on its activity, with restrictions applied only to certain confidential information.

Information concerning periodical reports, the four year strategic plan, events and relevant operations is disseminated by means of press releases, meetings and conference calls with institutional investors, financial analysts and the press and is promptly disseminated to the public also through its website. In particular, presentations given by top-management and directed to the financial markets, that contain quarterly and yearly operating results and the four year strategy, are broadcast live from the website of the company, thus giving to the retail shareholders the opportunity to be informed in real time on the most significant market events. The recording of these events, the press releases disclosed to the market and published on the website with details on the main financial events of the following year. The pages "Eni on the Stock Markets" (Eni in Borsa), in the Investor Relations section of Eni s website[63] are constantly updated with information regarding dividends, securities prices, peer securities trends and main exchange codes.

Also available on the web site are the periodical reports, the press releases, the Report, the Governance Code and related procedures, Eni s By-Laws, communications to shareholders and bond holders, reports and documentation regarding the topics of the agenda of the Shareholders and Bondholders meetings, with the related minutes. The documentation is sent to anybody who may request it, also through the website[64].

The company has also agreed to fulfill the requests, which have emerged in recent Shareholders meetings, for an increasing involvement of the investors.

Eni is fully committed to make available to the public all information, as required by the law, and in addition all information related to its own Corporate Governance system, with particular attention given to keeping the content on the website consistently updated. A section of the website is dedicated to Eni s corporate governance, and the governance system is illustrated in a summary interactive diagram[65] as well as through additional detailed explanations. The site also provides a significant amount of documentation, easy to consult, including this Report, previous reports and all the documents mentioned in the Report. The efficacy of the communication provided by Eni through its corporate website has been rated of the best quality for two consecutive years (2008 and 2009), both at national and European levels[66], thanks to its capacity for guaranteeing a high level of disclosure through a clear, accessible and transparent presentation style. In particular, the corporate governance section has earned the highest score among Italian companies and the second highest among European companies[67].

Notwithstanding all regulatory and Statutory provisions, the project aiming at encouraging the interest and participation of the shareholders is progressing. In recent years, in fact, the objective to have companies not only respect the rights of the shareholders, but also promote their active participation by assisting them in exercising their rights, by communicating comprehensible and easily accessible information and by encouraging their and the live presentations are available at all times on the website. In the month of December, the financial calendar is participation in corporate activities, has been strongly stressed.

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(63) At the following address: http://www.eni.com/en_IT/investor-relation/eni-stock-markets/eni-stock.shtml

(64) At the following address: http://www.eni.com/en_IT/documentation/documentation.page?type=bil-rap&header=documentazione&doc_from=hpeni_header

(65) At the following address: http://www.eni.com/en_IT/governance/governance-model-policies/eni-corporate-governance-code/eni-corporate-governance-code.shtml

(66) This refers to the "H&H Webranking" which provides the most authoritative rankings on the quality of corporate communication through a website of the most important 100 Italian and 500 European companies.

(67) At the following address: http://www.eni.com/en_IT/governance/governance-model-policies/eni-governance-awards/eni-governance-awards.shtml

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The commitment to presenting Eni to the shareholders in the simplest and most intuitive way led to the idea of creating a section of the website[68] dedicated to direct communications including a Guide for the Shareholders and an overview of future initiatives. One of these initiatives is the presentation of the Shareholders Meeting held on April 30, 2009, for the approval of the 2008 financial statements and of the shareholders rights, by means of a simple and quick interactive animated film. Specific positions/functions within Eni ensure effective relations with institutional investors, shareholders and the media.
In particular, as set forth in the Eni s Code, the relations with institutional investors and financial analysts are handled by the Manager of Investor Relations; all related information is available on the Eni website and may be requested by e-mail at the address: investor.relations@eni.com.
The relations with the media are handled by the External Communication Manager; all related information is available on the Eni website and may be requested by e-mail at the address: ufficio.stampa@eni.com.
The relations with the shareholders are handled by the Company Secretary For Eni SpA Manager. All related information is available on the Eni website and may be requested by e-mail at the address segreteriasocietaria.azionisti@eni.com or by calling the toll free number 800940924 (outside of Italy: 80011223456).
The relations with the shareholders, as regards corporate governance matters, are handled by the Corporate Governance Systems and Policies Manager. All related information is available on the Eni website and may be requested by e-mail at the address: info.governance@eni.com.

Corporate information processing

In compliance with the provisions set forth in the Consolidated Law on Finance and in the Consob Regulations on Issuers, upon implementation of the European Directive on the so-called Market Abuse, the Board of Directors, on February 28, 2006, has approved procedures for communicating privileged information to the market, for creating a log of individuals with access to privileged information and for notifying about transactions carried out by previously identified March 28, 2006, and are available in the Corporate Governance section of the Eni website[69] Following is a summary of the approved procedures.

Communication to the market of documents and inside information

The "Procedure for advising the market of inside information and documents concerning the Group s issuer companies and their financial instruments", adopted in substitution of a previous policy dating back to 2002, sets forth the requirements for communicating inside information (materiality, clarity, homogeneity, information symmetry, consistency and timeliness) to the public and defines the rules for acquiring, from the subsidiaries, the data and information that are necessary to provide accurate and prompt reports to the Board and to the market on the events and circumstances that may materialize into inside information.
Furthermore, the procedure identifies the measures to be adopted in the event of an infringement of the provisions contained therein, also keeping into account the new types of offences that are subject to legal and administrative sanctions introduced by the Savings Protection Law. Eni s Code of Ethics defines the confidentiality obligations of the Group s employees with regard to the processing of confidential information.
The Directors and the Auditors ensure the confidentiality of the documents and of the information acquired during the course of their operations and comply with the procedure adopted by Eni concerning the internal management, as well as the communication to external parties, of such documents and information.

Register of persons having access to inside information

The "Procedure for keeping and updating the Register of Persons with access to inside information of Eni SpA", set up in compliance with the provisions of Article 115-bis of the Consolidated Law on Finance and with the executive provisions of the Consob Regulations on Issuers, defines the following: (i) the methods and terms for the registration in the Register (or removal from it) of individuals who, because of their work or professional activity or because of the functions carried out on behalf of Eni, have access, on a regular or occasional basis, to inside information; (ii) the methods "relevant subjects" and concerning the shares of the company (internal dealing). These procedures were subsequently updated to include the interpretations provided by Consob through a communication dated for communicating to the interested parties their registration in the Register, and/or their removal from it, with the related explanations.

(68) At the following address: http://www.eni.com/en_IT/governance/shareholders/initiatives/initiatives.shtml
(69) At the following address: http://www.eni.com/en_IT/governance/market-abuse/market-abuse-procedures/market-abuse-procedures.shtml

Internal Dealing

The "Procedure concerning identification of the relevant persons and the transactions carried out directly or through nominees in respect of shares issued by Eni SpA or other related financial instruments " (Internal Dealing Procedure) has replaced the previous policy on the subject matter, dating back to 2002, and is written in compliance with the provisions of Article 114, paragraph 7, of the Consolidated Law on Finance. The procedure, in accordance with the indications provided for in the Consob Regulations on Issuers (i) identifies the relevant subjects; (ii) defines the transactions on shares issued by Eni or other related financial instruments; (iii) sets forth the methods and terms for communicating to Eni the transactions that are carried out, as well as the terms for disclosing such communications to the public.

The procedure provides also, in addition to regulatory obligations, for certain periods of the year during which the subjects identified as "relevant" are not allowed to perform transactions (blocking periods). A similar principle has also been introduced in another internal procedure approved on December 23, 2008, concerning transactions carried out by the company on Eni s securities or on securities associated with Eni s securities. The Internal Dealing procedure was updated further on September 1, 2009 to include some organizational changes.

Following are the tables mentioned in the "Handbook for the preparation of the Report on Corporate Governance", issued in March 2004 by Assonime and Emittenti Titoli SpA.

Structure of the Board of Directors and its Committees

	Board of Directors					Internal Control Committee		Compensation Committee		Oil-Gas Energy 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											
Alberto Clô (*)		X	X	100	3			X	92	X	100
Paolo Andrea Colombo		X	X	100	6			X	92	X	100
Paolo Marchioni		X	X	100	0	X	80				
Marco Reboa (*)		X	X	100	3	X	100			X	100
Mario Resca		X	X	88.2	1			X	100	X	10
Pierluigi Scibetta		X	X	100	0	X	95			X	90
Francesco Taranto (*)		X	X	100	2	X	100	X	100		
Number of meetings in 2009	17					20		13		10	
Average duration of meetings	3h 17m					4h 36m		1h 46m		1h 31m	
Average attendance percentage	98.3%	98.7%				93.80%		96%		80%	

(a) Appointments as director or statutory auditor in other listed companies, also outside Italy, in financial, banking, insurance or large companies.

(*) Appointed by the minority list.

For presenting a list a shareholder or group of shareholders must hold at least 1% of voting shares in an ordinary shareholders meeting, unless new regulation coming into force.

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)]
Members				
Chairman				
Ugo Marinelli [(*)]	100	94	1	5
Auditors				
Roberto Ferranti	69	82	1	2
Luigi Mandolesi	96	100	1	10
Tiziano Onesti	96	100	2	18
Giorgio Silva [(*)]	92	100	2	12
Number of meetings in 2009	**26**	**17**		
Average duration of meetings	3h 48m			
Average attendance percentage	91%	95%		

(*) Appointed by the minority list.

(a) Including Eni SpA in accordance with Article 144-*quinquiesdecies* of "Regolamento Emittenti Consob".

(b) Including listed companies in accordance with Article 144-*quinquiesdecies* of "Regolamento Emittenti Consob".

For presenting a list a shareholder or group of shareholders must hold at least 1% of voting shares in an ordinary shareholders meeting, unless new regulation coming into force.

Other information to be disclosed under the Self-discipline Code

	Yes	**No**
System of delegated powers and transactions with related parties		
The Board of Directors delegated powers defining:		
a) limitations	X	
b) exercise	X	
c) periodicity of information	X	
The Board of Directors reserved examination and approval of relevant transactions (including transactions with related parties)	X	
The Board of Directors defined guidelines for identifying relevant transactions	X	
Such guidelines are described in the report	X	
The Board of Directors defined procedures for examination and approval of transactions with related parties	X	
Such procedures are described in the annual report	X	
Procedures for the latest appointment of Directors and Statutory Auditors		
Lists of candidate directors were deposited at least 10 days before the date set for appointment	X	
Lists were accompanied by sufficient information on candidates	X	
Candidates to the role of director disclosed information that qualified them as independent	X	
Lists of candidate auditors were deposited at least 10 days before the date set for appointment	X	
Lists were accompanied by sufficient information on candidates	X	

Meetings

The company approved regulations of meetings	X	
The regulations are attached to the report (indication of where to find it online is provided)	X	

Internal Control

The company appointed persons responsible for internal control	X	
Such persons do not report to managers of operating divisions	X	
Internal office responsible of internal control (Article 9.3 of the Code)	Internal Audit	

Investor relations

The company appointed an investor relations manager	X	
Information on investor relations manager (telephone, address, e-mail) and unit		

Eni SpA - Piazza Vanoni, 1 - San Donato Milanese (Milan) 20097 Italy - Tel: +39 02 52051651 - Fax +39 02 52031929 - investor.relations@eni.com

Commitment to sustainable development

The implementation of a sustainability model and relations with stakeholders

The sustainability model is part of Eni s governance system and allows to plan, manage and communicate Eni s commitment to sustainable development, focusing on the issues emerging from the assumptions on future energy scenarios and from dialogue with our stakeholders. The commitment to sustainable development is part of Eni s governance model and affects the development of our management system. The most significant actions taken in this direction in the past few years concerned the promotion of shareholders participation in the company s life, a stronger focus on issues of sustainability to be communicated to shareholders, the Board and the company itself and the dissemination of good governance practices in accordance with the principles stated in Eni s Code of Ethics.

In 2009 Eni s 231 Team updated Model 231 for the parts concerning crimes of receiving stolen goods, recycling and using moneys, goods and utilities deriving from illegal sources, crimes in IT and illegal data treatment, and will also take care of updating it with the new crimes introduced into Italian law in 2009.

During 2009 the Code Promotion Team carried out the implementation of a promotion plan that concerned: dissemination of the code to all those to whom Eni relates in its ordinary business activity, training activities and engagement of Eni s main stakeholders on this issue.

Relations with the Global Compact were enhanced in light of the strategic value of this initiative for multilateral cooperation and with the United Nations. In 2009, in particular, Eni prepared an analysis of the ten principles of Global Compact in terms of achieved results, future commitments and measurability of results.

With the aim of promoting transparency and fairness in dealings with the countries where it operates, in 2009 Eni continued to provide its contribution to the Extractive Industries Transparency Initiative (EITI) detailing the cash flows generated by its business activities in the countries participating in the Initiative in cooperation with the Italian Ministry for External Affairs with the aim of promoting the initiative in the countries that have not yet endorsed it.

As concerns human rights, after the completion of the experimental phase of the Human Rights Compliance Assessment (HRCA) methodology, in 2009 three new assessments were performed in industrial sites in Algeria, Egypt and Congo. In Nigeria and Kazakhstan, where pilot assessments were carried out, work continued for sharing results and analyzing recommendations on gaps recorded. As concerns security activities, in 2009, Eni designed and implemented a module on human rights in the framework of a training course addressed to security managers, along with a test training for staff of security agencies working for Eni. As concerns the provision of security services, Eni resolved to include specific provisions on the respect of human rights in its supply contracts.

Eni s commitment to sustainability is confirmed by its ranking in the major sustainability indexes. In 2009 Eni was included in the Dow Jones Sustainability Index, in the STOXX and in the FTSE4GOOD, in addition to ranking second in the Accountability Rating Italy 2009. Eni was also ranked first in the Italian and world rating of the CSR Online Award 2009. In June 2009 Eni s CEO received the Foreign Policy Association s Corporate Social Responsibility Award.

Eni s commitment for human resources in 2009 was focused on improvement actions based on the

climate analysis performed and on the updating of management and development tools with a special focus on feedback processes.
In the area of safety, the progressive improvement of performance indicators achieved also in 2009 confirms Eni s constant commitment to reducing the number of accidents involving employees and contractors and preventing and mitigating process risks. Eni also continued to work to improve the management of health protection, carried out with a "systemic" approach in all Eni sites in Italy and abroad, based on the development of a system for the integrated management of HSE issues.
The complexity and globality of the issues of sustainable development led Eni to cooperate actively with international organizations in the area of dissemination of sustainability.
In 2009 Eni requested CENSIS to perform a qualitative and quantitative survey addressed to Eni employees. The survey interviewed over 240 senior and junior managers and allowed to obtain an interesting view of the quality of the relations Eni holds with the countries where it operates, Italy included, as well as an overall view of its strengths and of the areas where improvement is required.
In 2009 Eni continued its work in consolidating relations with producing countries through the signing of agreements that integrate our traditional business with actions aimed at sustainable development. In 2009 Eni signed agreements in this sense in Angola, Kazakhstan, Congo, Egypt, Pakistan, Turkmenistan.
Eni has been committed for a long time to the protection of biodiversity and ecosystems by means of an organic approach to territories, that can highlight risks and opportunities related to a better management of resources, the enhancement of the environmental, cultural and social wealth of the countries where it operates.
The main objectives of Eni s commitment to customers and consumers are represented by its ability to combine efficiently its sustainability model with the offer provided to its customers and increasing its dialogue with consumers associations. In 2009 in fact, Eni developed various new projects aimed at improving the quality of the services rendered and customer satisfaction, as well as consolidating relations with consumers associations.
The fact of being active in different parts of the world requires Eni to invest consistently so that also local suppliers and contractors respect the principles upheld by Eni. In 2009 Eni focused on projects aimed at:
- improving and codifying qualifications and controls of supply chains (vendor management systems), including an improvement of management systems and auditing, in particular in the areas requiring greater attention (e.g. emerging countries, critical areas);
- monitoring and disseminating the respect of sustainability principles in the supply chain;
- improving data collection systems especially outside Italy.

Commitment to environmental protection and investment of resources in it are major strategic objectives for Eni. The projects approved for reaching by 2012 the goal of decreasing by 70% flaring emissions (from emissions registered in 2007) reached on average 80% of completion in 2009, while many water injection projects have been carried out.
Research and innovation are a basic part of our commitment to constantly improve our sustainability model. Technologies developed to date intend to favor access to new energy sources, improve their recovery from the soil and the efficiency of use while reducing environmental impact.
Eni s R&D is also addressed to the field of renewable energy sources, mainly solar energy and biofuels. In order to reach excellent results in this area and to overcome the current limitations to renewable sources by means of breakthrough solutions, Eni continued its policy of strategic alliances and cooperation based on the construction of a global network with major research centers while developing internal resources.

PEOPLE

To Eni the people working in its production system represent an asset to be safeguarded and enhanced with careful career paths. Accurate assessment and development of personnel, training initiatives customized to roles and persons, along with the respect of shared ethical values, are key factors for the creation of sustainable value in the long-term. Eni s main objectives for its human resources are:
- constantly updating management and development tools with a specific focus on feedback processes, addressing them to various population targets and extending them to all business units;
- investing on different types of population by identifying specific tools within a general policy aimed at a better integration and valorization of internal resources with a reduced recourse to new hiring;
- protecting, sharing and developing strategic know-how for supporting business strategies;
- supporting the engagement of personnel also with the introduction of additional welfare tools aimed at reconciling private and working life.

More detailed information on the management of human resources is found on Eni s website in the area People and in the Sustainability Report.

Employees

At December 31, 2009, Eni s employees totaled 78,417, with a decrease of 463 employees from December 31, 2008, down 0.6%, reflecting a 718 increase in employees hired and working outside Italy and a decrease of 718 employees hired in Italy.
Employees hired in Italy were 38,299 (48.9% of all Group employees). Of these, 34,794 were working in Italy, 3,282 outside Italy and 223 on board of vessels, with a 1,181 unit decrease from 2008. Declines were registered in all business segments due to efficiency actions and to the postponement to 2010 of some orders obtained by Saipem.
The process of improvement in the quality mix of employees continued in 2009 with the hiring of 1,163 persons, of which 491 with fixed-term contracts. A total of 672 persons were hired with open-end and with apprenticeship contracts, most of them with university qualifications (359 persons) and 282 persons with a high school diploma. During the year 2,357 persons left their job at Eni, of these 1,634 had an open-end contract and 491 a fixed-term contract.
Employees hired and working outside Italy were 40,118 (51.1% of all Group employees), with a 718 persons increase, of these approximately 650 employees were hired with fixed-term contracts in the Engineering & Construction segment due mainly to new contracts in Nigeria and Kazakhstan (Kashagan project), and 160 persons in the Exploration & Production segment, offset by downsizing in other segments, in particular in Hungary in the Gas & Power segment (Tigaz).

Employees at year end	(units)	2007	2008	2009	Change	% Ch.
Exploration & Production		9,023	10,891	**10,870**	(21)	(0.2)
Gas & Power		11,893	11,692	**11,404**	(288)	(2.5)
Refining & Marketing		9,428	8,327	**8,166**	(161)	(1.9)
Petrochemicals		6,534	6,274	**6,068**	(206)	(3.3)
Engineering & Construction		33,111	35,629	**35,969**	340	1.0
Other activities		1,172	1,070	**968**	(102)	(9.5)
Corporate and financial companies		4,701	4,997	**4,972**	(25)	(0.5)
		75,862	**78,880**	**78,417**	**(463)**	**(0.6)**

Organization

In 2009 Eni continued to upgrade its structures and organizational processes following guidelines consistent with the new corporate integrated model adopted by Eni. Among the most significant upgrading processes completed in 2009, the following are worth mentioning:
- the centralization of all administration activities of Eni SpA into a single company (through the sale of relevant business units to Sofid, which changed its name in Eni adfin) in order to guarantee greater homogeneity and standardization of administrative processes and to improve efficiency and quality of services rendered. In addition, two new units, reporting directly to the CFO, have been created for evaluating and managing Insurance, respectively. The former insurance unit has been eliminated with the new company taking up this role (Eni insurance) reporting directly to the CFO;
- a new structure has been given to the supply and procurement function, now called Global Procurement and Strategic Sourcing aimed at strengthening its presence outside Italy and optimizing the planning of procurement through a stronger integration with the requesting lines (to this end specific competence centers have been established that are made up of personnel from procurement and technical line reference persons);
- the reorganization of the Legal Department continued through the consolidation of a structure organized by geographical areas with a greater focus on compliance and antibribery issues (the new structure has been finalized on December 1, 2009 and started operating on January 1, 2010);
- the definition of a new structure for the Strategy and Development department, concerning in particular an improvement of direction and control of the areas of innovation and the integrated monitoring of long-term strategies;
- the start-up of new project called "Eni rules" aimed at defining a system of regulations and procedures oriented to processes, providing greater efficiency and flexibility in line with Eni s new organizational model.
The design phase has been completed in December 2009, along with the inception of pilot projects, while in the first part of 2010 Eni intends to launch a new information system supporting document consultation, provided also with a view by process.
As concerns business units, Eni continued to upgrade their organizational structures to better adjust to business requirements and industrial plans in order to maximize

Industrial risks and	efficiency and the protection of safety, health and the environment.

Management and development of human resources

The "Eni secondo te 2008" climate analysis was a great opportunity for collecting opinions and suggestions from Eni people, following which Eni launched and continued various initiatives aimed at improving communication, leadership and engagement also providing a stronger support to the effort at reconciling private and working life. These initiatives have been collected in a dedicated internet site that is going to be opened to users in 2010 in coincidence with the start-up of a new survey.
Eni continued the integration and revision of its various management and development tools that led to the definition of a new formalized feedback process related to the annual performance assessment. In 2009 Eni launched an "Eni excellence model" aimed at supporting managers in assessing resources and favoring the dissemination of a common language. The excellence model will be disseminated to all Eni people and will be used for evaluation and development actions. Eni continued the mapping of managers skills by means of its Management Review that keeps into account potential development and performance achieved. For resources with a high development potential specific methodologies have been applied for an in-depth evaluation of future allocations. These processes allowed to update the succession plan, a tool used by top management in its decisions concerning the more relevant managerial resources.
In 2009 in the area of compensation and benefits various projects have been set up for better integrating compensation and local situations and benchmarking compensation with competitors.
A relevant initiative concerned the updating of compensation policies addressed to international mobility of resources, a key factor for the development of businesses outside Italy.
Aimed at enhancing the benefit system, Eni started a communication program to support its offer of additional health and pension programs. Eni also started the definition of a global governance model to be applied internationally in the area of health and pension benefits.

employees, support individual motivation and favor widespread wellbeing. A total of 1,100 managers from all business areas participated to these initiatives that included also managers involved in the "360° feedback" project.
In addition, at the end of 2009, a training initiative was addressed to key managers and concerned assessment of and feedback to employees. The action will continue also in 2010.
In 2009, expenditure for training amounted to euro 49.2 million, of which euro 30.4 million in Italy and euro 18.8 million outside Italy. A total of 3,094,487 training hours were provided (1,423,051 in Italy and 1,674,436 outside Italy). In addition, 807,969 hours of training were provided to non consolidated companies outside Italy for an expenditure of euro 21.1 million.
Eni continued its work on the development of knowledge management systems by implementing dedicated IT systems supporting existing ones, increasing the number of persons addressed and creating new practice communities in the E&P and R&M divisions, in the HSE area and at Polimeri Europa. Also in the G&P division projects have been started for the creation of a knowledge management portal and the development of a practice community in the division and at EniPower.
In 2009, Eni inaugurated the 53rd academic year of the Scuola Mattei operating in research and post-graduate training in the fields of energy and the environment. From its foundation in 1957, the school trained over 2,600 young talents, of which 55% came from 110 countries in the world. In 2009-2010 the school hosts 59 students (28 from Italy and 31 from the rest of the world).
Special attention has been paid to internal communication to promote a more widespread and constant penetration of communication that favors the exchange of information and ideas. In 2009 the cascade program addressed to all Eni people and aimed at stressing the concept that the contribution of each person allows to reach corporate objectives, engaged 30,940 persons in 43 countries and consisted of 484 meetings in 103 sites.
All internal communication programs are published on myeni, the corporate intranet portal, a unified platform for sharing information with 31,700 registered employees. The program for extending myeni outside

Training and internal communication

Following the results of the "Eni secondo te" climate analysis performed in 2008, in 2009 various training activities have been carried out in order to develop leadership, improve relations between managers and

Italy continued and reached a total of over 5,400 users (up 34%). Other communication channels have also been increased by means of tools such as digital signage (a system of plasma screens centrally managed to disseminate news and

videos in real time), myeni news (a paper version for employees who do not use a computer); an internal communication network (an international network aimed at highlighting success experiences, disseminating information and providing a local base for cross company initiatives).
In 2009 the new welfare site has been launched, as a communication tool where employees find information on current and new initiatives aimed at enhancing and showing Eni s commitment to the issues of reconciling private and working life. New activities and services meeting the real and specific needs of Eni people are being elaborated, such as services supporting families and favoring an improved management of money and time.

Industrial relations

Industrial relations in 2009 have been characterized by a constant dialogue with workers unions that led to significant agreements concerning the reorganization of business units that touched Eni and its subsidiaries.
In particular agreements regulated the sale of the Administration business unit from Eni SpA to Eni adfin SpA and the transfer of mineral assets from the E&P division to three newcos, Società Padana Energia SpA, Società Adriatica Idrocarburi SpA and Ionica Gas SpA.
Dialogue and communication with workers unions also marked the completion of the reorganization of the G&P and R&M divisions started in the previous year. In 2009 the new collective contract for workers in the chemical industries was signed, while negotiations are underway for renewing the collective work contract of workers in the energy and oil and water industry.
With reference to the new fund integrating public health assistance for employees (FASIE), the process of integration with the pre-existing organizations has been completed, thus unifying all provisions related to reimbursement of personal health spending under specific tariffs and an insurance against death and illness for all employees that will be operating from January 2010.
Internationally, in March 2009, Eni and the International Federation of Chemical, Energy, Mine and General workers Union (ICEM) and the Italian Workers Unions signed an agreement on international industrial relations and corporate social responsibility. In June 2009, the

Health

Eni is committed to the protection of the health of its people, of the communities living in the areas where its plants are located and of all those that get in touch at various times with its activities.
In particular Eni adopted a systemic approach to all its activities in Italy and abroad based on a general framework of regulations on health and safety in line with OHSAS 18001.
In implementing this system, Eni carried out assessments of the local health situations and of any risks posed to workers health by means of:
- health risk assessments;
- health surveys;
- Occupational Health and Medical Support Gap Analysis - OH&MSA GA.

These methodologies represent the basis for developing local programs of work medicine, health assistance and management of emergencies.
In order to optimize health management Eni is implementing a documentation system extended to all business units by integrating all existing systems.
Eni confirms its serious commitment to prevention also outside Italy with actions geared on local regulations and Eni standards and signing service agreements with other companies active in areas where no generalized service is provided.
At European level Eni continued its work for applying the REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals, EC Regulation No. 197/2006). Eni estimates that about 150 products in its plants fall within the scope of this rule.

Safety

Eni has always been deeply engaged in the issue of the safety of its workers, of the people living in the areas where its industrial sites are located and of its producing assets.
Based on the evaluation of actions, benchmarking and performance, its short and medium-term strategy is updated every year and is addressed to:
- dissemination of a safety culture to all Eni people, this year mainly focused on process security;
- technological and operational support to business units;

European Works Council met in Lisbon for its 13th general meeting.

- compliance with recently enacted Italian safety laws, as improved by Legislative Decree No. 106 and analysis of its impact on Eni s activities;
- continuing improvement of performance in critical areas.

As a response to these policies, Eni started the following actions.

In the area of enhancing the safety culture of Eni people: a new project called Communicating safety, developed and promoted jointly by the corporate HSE department and the Internal Communication department, based on a careful survey of the most frequent accident causes, from which it emerged that a relevant portion (over 60%) of accidents is related to behaviors such as underestimation of risk, lack of concentration, etc. This project is directed to 11 business units, in about 100 sites, and addressed to employees and contractors for a total of about 60,000 persons. The first operating phase (teasing) started on December 18, 2009, anticipates the dissemination of messages on safety making use of well established media techniques: posters in the workplace, images and slogans that capture attention and accompany people on a route of awareness and motivation.

The application of a methodology for increasing awareness of middle management and workers called Leadership in safety, developed and successfully applied by Saipem in the past two years in refineries of the R&M division.

On the question of process safety a seminar has been organized for middle management and staff (for a total of 140 persons) aimed at exchanging knowledge and experiences integrated by lectures on the European approach to the issue. This initiative is part of the HSE training for top middle management that will be reported to employees through the cascade system.

As for technological support, business units have been provided with the INDACO database for the collection, management and dissemination of information on accidents, near misses and under standard operating conditions. The most relevant business units have started to feed in their data.

Support to business units includes also the simulation of accident trends (Congo, Italy) based on historical data, information on the developments of emergency management worldwide and participation to emergency drills and trials (Archimede, oil spills in the sea, with the cooperation of the Italian navy).

Among the actions for improving safety management, we like to mention: technical guidelines on monitoring contractors, guidelines for obtaining work permits, the updating of safety audits according to the most recent model, the developments in the 3TER software to an advanced version with better integration of georeferenced data of industrial sites.

After the earthquake in Abruzzo, Eni provided its valuable support to the civil works department with qualified professionals and appliances. Eni s new HSE emergency room and personnel from its emergency unit coordinated all the work required for guaranteeing the safety of plants and the distribution of refined products in the area affected by the quake.

This constant commitment led to a further improvement in safety indicators for Eni, confirming the positive trends of the past three years.

ENI ANNUAL REPORT / COMMITMENT TO SUSTAINABLE DEVELOPMENT

RELATIONS WITH TERRITORY AND COMMUNITIES

The model of cooperation and development in territories

One of the distinctive features of Eni s relations with the communities and territories where it operates ever since the early times of the "Mattei formula" consists in developing strategies for dialogue, cooperation and the creation of actions and projects for producing development paths that respect local specificities. The tools used by our company for implementing a cooperation model in the countries where it operates are the promotion of open and proactive dialogue with the main stakeholders, the definition of integrated agreements (Memorandum of understanding or Intent protocol) with subjects in countries or regions, the promotion of local content through the enhancement of local supply chains, the support of development initiatives for the self-determination of social and economic systems, the integrated charitable action of Eni foundation.

In 2009 Eni continued to consolidate its relations with producing countries, first of all through the definition of agreements that integrate its traditional business with actions aimed at promoting sustainable development in those countries. The actions carried out confirm Eni s commitment to the areas with greater strategic importance, with particular reference to Sub-Saharan Africa, where Eni has been present since the early sixties, in the most important producing countries such as Angola, Nigeria, the Republic of Congo, Gabon and Mozambique.

In 2009 Eni signed agreements in Angola, Kazakhstan, the Democratic Republic of Congo, Egypt, Pakistan, Turkmenistan. In February 2009 in Angola Eni signed with Sonangol the first agreements provided for by a Memorandum of Understanding relating to a contribution to the sustainable development of the country s energy infrastructure and the implementation of educational and training projects for local professionals. Within the cooperation agreement signed with the Egyptian Oil Ministry, Eni agreed to provide its infrastructure and the skills of Eni Corporate University for a joint training program for local professionals addressed to selected qualified resources. In November 2009 Eni signed a cooperation agreement with Turkmenistan for the provision of training to local resources.

In Italy Eni signed an addendum to the intent protocol with the Basilicata Region that implements actions for sustainable development and the management of an environmental monitoring system on upstream activities in Val d Agri with an investment of approximately euro 67 million to be paid by Eni in annual installments in the next 10 and 15 years, respectively. Eni also signed a protocol of intent with the Ministry of Education and the University of L Aquila for the project called "A bridge to innovation".

In 2009 expenditures for local development amounted to euro 98.6 million.

Engaging communities and knowing territories

In 2009 Eni started various initiatives for the development of local social and economic activities through the upgrading of local procurement, microcredit actions, local empowerment, vocational training and provision of infrastructure and basic services for communities.
In 2009 expenditure for local communities amounted to euro 70.4 million, over 60% of which was devoted to infrastructure and social actions.

Engaging communities and knowing territories

Eni acts as an integral part of the territories where it is present proactively opening areas of dialogue and communication with local communities. The engagement of local stakeholders is included in all phases of our business projects. In addition, in order to manage and monitor the effect of its activities on the areas, Eni performs feasibility studies and impact assessments. In order to improve these tools, in late 2009 Eni started a cooperation with the International Business Leaders Forum (IBLF) aimed at integrating the impact assessment criteria directly related to human rights in business practices (impact analysis).
In 2009 within Eni s E&P activities, various studies have been carried out for assessing and analyzing the environmental and social impacts, as well as the social and health risks (ESIA - Environmental and Social Impact Assessment, SIA - Social Impact Assessment, EIA - Environmental Impact Assessment, HIA - Health Impact Assessment, SBA - Social Baseline Assessment) in Algeria, Angola, Congo, Mali, Indonesia, Italy, Mozambique, Nigeria, Australia, India and Pakistan.

Development of territories

In Italy in 2009 in cooperation with FEEM and the Aaster consortium Eni continued the "Community Mission" project aimed at engaging local communities in actions and dialogue for fostering tourism.
Special attention was paid to the enhancement of tourism in particular focusing on small sized enterprises by means of the creation of an educational nature trail and the inauguration of an educational center dedicated to Energy and Territory in Calvello. In cooperation with Civita, Eni started a project for the enhancement of the historical and artistic heritage of 23 municipalities in Val d Agri and Val Camastra. Eni also cooperated in the creation of trails and tracks for a better knowledge of local natural beauties and, in cooperation with Shell and the local arts council Eni sponsors the restoration of a Roman villa at Barricelle.
In May 2009 Eni signed a protocol with the University of L Aquila and the Ministry of Education called "A bridge for innovation" aimed at supporting research and

Eni aims at creating opportunities for the territories where it operates respecting the directions chosen by local communities through integrated long-term programs and projects, as for example the Green River Project that started in 1987, and continues to support the development of local communities in the states of Nigeria where it operates.

fostering the economic recovery of the Italian city badly damaged by an earthquake in April 2009. Eni is providing human, financial and structural resources.

In 2009 in Kazakhstan Eni invested $7 million for the provision of vocational training for local employees and approximately $10 million in infrastructure, such as schools, hospitals, sports and arts centers aimed at fostering local social and economic development policies.

In Pakistan Eni continued in 2009 the Bhit Rural Support program with an investment of $420,000. The BSRP is a rural development program based on the promotion of local skills and on the engagement of the local community in the definition and implementation of activities such as vocational training, microcredit for starting new enterprises, creation and management of infrastructure for improving the life conditions of local communities, support of animal husbandry and agriculture.

In East Timor Eni continued its integrated rural development program started in 2008 in partnership with CARE, the international NGO, aimed at improving health and life conditions in 6 villages in the Bobonaro and Covalima districts. Over 100 courses of health and food education have been provided along with the supplies for planting 140 vegetable gardens and training 364 farmers.

Country	Areas /Activities 2009
Algeria	Construction of infrastructure for power generation from solar energy and water supply in cooperation with the Sonatrach-Tassili Foundation; at Setif, training and hiring of local staff for the restoration of the Roman Bacchus mosaic; sponsoring of the second pan-African cultural festival; environmental and social impact assessments.
Angola	Finalization of specific agreements included in the MoU among which a Cooperation Protocol for education signed with Sonangol.
Australia	Local empowerment actions and capacity building projects, support of local indigenous entrepreneurship; campaigns for the protection of women s and children s health; support and enhancement of indigenous culture; social impact assessments.
Republic of Congo	Construction of water infrastructure, agricultural development projects, construction of schools; creation of a Monitoring Committee and a Working Team for the "Oil Palm" pilot project.
Ecuador	Construction of roads and water supply mains; construction of health centers and schools; cooperation agreements with indigenous communities in the area of the Villano Project.
Egypt	Campaigns on road safety; provision of a training course on health and safety; support of health services; support of education by means of scholarships.
India	Social structure assessments in the Andaman Islands.
Indonesia	Construction of roads; support of agricultural development; sponsoring of projects for specialized surgery; enhancement of local cultural heritage; environmental and social impact assessments.
Italy	Basilicata Signed an Addendum to the Intent Protocol with the Basilicata Region; support to the development of tourism and start-up/improvement of relations with developing entrepreneurs; protection of natural beauties and construction of an educational nature trail; elaboration of the first social territorial balance of Val Camastra (FEEM); creation of a permanent seat of confrontation between Eni and local stakeholders; provision of training for journalists (with FEEM) and educational activities; restoration and enhancement of local cultural heritage; environmental and health impact assessments. L Aquila - signed an Intent Protocol for starting the project "A bridge for innovation". Ravenna - Social and economic impact assessments.
Kazakhstan	Construction of infrastructure for the health, education and community sectors, for gas and water supply; promotion of local empowerment actions fostering entrepreneurship; support to culture, training and education; social impact assessments.
Libya	Construction of infrastructure for the health and education sectors. Restoration of the existing museums and construction of a new visitor trail in the Archaeological Site of Sabratha;

	study on the management of urban, special and hospital waste; inauguration of a laboratory at the department of environmental engineering at the Sabratha - Seventh of April University; support to treatment programs for AIDS patients; environmental impact assessments.
Mali	Construction of water wells powered with solar energy for local communities; training of medical and paramedical staff; environmental and social impact assessments.
Mozambique	Restoration of water supply networks; provision of education and training; environmental impact assessments.
Nigeria	Signed a MoU concerning actions in education, power supply, health protection, infrastructure and protection of coastal areas; improvement of water supply and road networks, civil, health and education infrastructure; microcredit projects, development of human resources, support to farmers; scholarships; environmental impact assessments.
Norway	Construction of a bird watching center; design of an Arctic Slow Food Centre; educational projects for increasing learning of industry related subjects.
Pakistan	Signed partnership agreements for the 2010-2013 period with local NGOs; integrated projects for rural development by means of capacity building; construction of water mains, medical buildings and services; support to medical centers; training for promoting food safety, for computer use, teaching projects; social impact assessments.
East Timor	Integrated rural development projects fostering local entrepreneurship, health and safe nutrition, training and capacity building; health and nutrition education, children s rights and protection of children s and mothers health; environmental impact assessments.

Eni Foundation

In 2009 the Eni Enrico Mattei Foundation continued its work for solidarity actions in support of the health of women and children especially in Africa with the Salissa Mwana and Kento Mwana programs in Congo and Kamba Kiaxi in Angola. In 2009 in Congo nearly 5,000 pregnant women applied to the health centers that provide tests and protocols for the prevention of AIDS. In Angola approximately 150,000 children received care from a program sponsored by Eni.

Protection and enhancement of ecosystems

Eni has been committed for years to the protection of biodiversity and ecosystems through an organic approach that highlights risks and opportunities related to an improved management of resources, the protection of the environmental, cultural and social heritage of the countries where it operates.
As part of "Proteus 2012", an action promoted by UNEP (United Nations Environmental Program) - WCMC (World Conservation Monitoring Centre) endorsed by Eni in 2008, in 2009 Eni continued the collection of information within the World Database on Protected Areas (WDPA) aimed at mapping operating sites in terms of biodiversity so as to reduce the risks deriving from operations in these areas.
From 2009 Eni is also part of the Environmental Services, Tools & Markets Working Group promoted by Business for Social Responsibility (BSR) that is to date the most important business action for the comparison and analysis of the most updated tools and methods for evaluating ecosystemic services on the life cycle of industrial plants.

The culture of sustainable development

The promotion and support of culture as a lever for education and training of new generations have become a distinctive feature of Eni.
Eni supports research by participating in international service contracts), 17% was dedicated to training and 23% scholarships and other funding.
In May 2009, in L Aquila, a Protocol of Understanding was signed by the Italian Ministry of Education, University and Research, the University of L Aquila and Eni which launched the "Un ponte per l Innovazione" (A Bridge for Innovation) Project for the support and accommodation at structures belonging to the Eni Group of 50 PhD students and researchers from the university, also through study grants and project contracts aimed at allowing the continuation or start-up of study, teaching or research activities in the energy and environmental sectors.
Eni supports culture also by sponsoring projects based on criteria such as affinity with Eni s image and identity, links with areas of presence, adherence to Eni s business objective and high visibility, always keeping account of sustainability.
In 2009 Eni sponsored projects and events with a total expenditure of euro 16.6 million.

Eni was partner of the municipal museums of Venice and financed various events and exhibitions in Italy, such as the Mantova Festival and the Ravenna Festival. Eni was also a partner for the festival of the city and area of Ferrara centered on the issue of territory in all its aspects.
Through its Historical Archive in 2009 Eni conducted research on its brand. Cooperated to the shooting of a TV movie on the life of Enrico Mattei based on historical material provided by Rai and Lux Vide which received very positive reviews and great appreciation

projects and providing funds for scholarships. In 2009 Eni conferred to Eni Corporate University the management and coordination of all its activities in the area of education and research carried out with Italian and international academic institutions.
Eni s expenditures in this field in 2009 amounted to euro 28.5 million (49% in Italy and 51% abroad). Over half of co-operations concerned research activities (including from the public. It also participated to the European Oil and Gas Archives Network in Norway together with the main players of this industry (Total, ConocoPhillips and Hydro Statoil).

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Activities of the Eni Enrico Mattei Foundation

The Fondazione Eni Enrico Mattei (FEEM) that celebrated in 2009 twenty years of activity in the field of sustainable development is considered one of the international centers of excellence on the study of environmental and energy issues. FEEM supports Eni in actions favoring sustainable development, in particular in Basilicata by providing training, research and support to local activities.

The year 2009 was very important for research: as worldwide governments met in Copenhagen to define an agreement on policies for climate change (COP15), FEEM worked at defining indicators of sustainability in addition to GDP. This year has been important also for innovation in the promotion of research, dissemination of scientific results and communication, three factors that contributed to confirming the relevance and impact of FEEM.

In 2009 various cooperation agreements were confirmed with important Italian and international institutions such as the Fondazione Giorgio Cini in Venice and the Monitor Group in the USA.

RESPONSIBILITY TOWARDS THE ENVIRONMENT

Reference scenario

The impact of industrial activities on the environment is affected by an increasing number of stringent laws and regulations in Italy and Europe. In 2009 this trend was further confirmed. In Italy Law No. 68/2009 devolved authority to the government to approve before June 30, 2010 legislative decrees for adjusting and integrating the so called "Environmental Code" intended to collect and simplify all laws and regulations pertaining to the environment. A ministerial decree of December 17, 2009 defined a system to trace all waste. In Europe too the situation has changed. In April a new directive was published concerning the geological storage of carbon dioxide (2009/31/CE). On October 10, 2009 the new REACH discipline came into force. In November 2009, the European Union marked the official start of the new E-PRTR (European Pollutant Release and Transfer Register) where 2007 data of over 24,000 industrial facilities covering 65 different economic activities are stored. At the end of 2009 the new EMAS 1221/2009 regulation came in force. At the end of December the European Commission published a list of sectors and sub-sectors considered exposed to an increased risk of relocalization of carbon emissions.
Despite these trends in laws and regulations, Eni strives to carry out its activities going beyond the limits set by current laws. In all its facilities Eni employs reference best practices and guarantees high quality products while respecting the environment. Eni applies and promotes the most efficient environmental management systems, alerts its managers on the issues of the environment, makes use of state of the art technologies, provides training on environmental themes to its employees. Eni pursues the highest performance targets, extending its standards to its suppliers and contractors and at its foreign affiliates. More detailed information on the reduction of the environmental footprint is found on Eni s website in the area Sustainability and in the Sustainability Report.

Environmental management

Eni pursues the objective of a high environmental performance in all its activities by means of comprehensive certification programs of its HSE management system applied in all areas in line with its management model, as updated in January 2010.
In the spring of 2009, the US Environmental Protection Agency published an article "The Eni success story" describing the participation of Eni to the international initiative called M2M (Methane to Markets) and confirming our contribution to innovative actions for the reduction of methane emissions. This project promotes the recovery of methane and its use as clean energy source to favor economic growth and energy safety, improving the quality of air and reducing greenhouse gas emissions.
In 2009 Eni further improved its HSE planning and periodic control systems. The planning and analysis process led to the definition of improvement objectives for the main environmental aspects to be reached by means of specific innovative projects. The Eni PRTR project is nearing completion. The project consists in the implementation of a centralized information system for the areas of air, water, soil and waste in line with the European Regulation 166/2006/CE aimed at the creation of the European Register of Pollutant Release and

Transfer. This will lead to a unification, integration

and improvement of environmental management and of performance monitoring. This system, currently being released to business units will provide for the collection of environmental data for 2010.
In 2009 Eni obtained 5 integrated environmental authorizations (AIA) for 4 types of facility (refinery, power plant, platform, petrochemical plant), while the remaining facilities are still undergoing the relevant survey. As concerns certification, nearly all major production plants obtained the ISO 14001 certification. In Europe, Eni s main production facilities have applied for EMAS certification, while many foreign affiliates, petrochemical plants and gas pipelines obtained a OHSAS 18001 certification or ISO 9000 or both. In the Exploration & Production division, on a total of 37 companies, 23 obtained the ISO 14001 certification; in the petrochemical segment the ISO 14001 certification was completed for all production plants, as already done in the refining area. The electric segment expects to complete the ISO 14001 certification of all plants by 2010.
Know-how in the HSE area is managed also with the help of specific career paths aimed at enhancing the contribution of qualified resources conferring their competence and expertise.
These qualified professional resources are managed in a way that enables them to share information and knowledge, thus optimizing synergies among the various units.

Rational use of natural resources

The minimization of use of natural resources and the control of impacts that are priority objectives of a sustainable environmental management are achieved by adopting the best practices and technologies capable of ensuring a proper control of releases in the environment (air, waters, soils).
Eni constantly strives to reduce air emissions with the help of investments aimed at improving monitoring and reduction systems. By using the best available techniques, Eni s facilities show a good level of control of emission of primary pollutants (carbon monoxide, nitrogen oxides, sulphur dioxide, total particulate and use of energy in industrial processes guarantee the containment of all air emissions. Eni has been striving for years to use low environmental impact fuels and promotes the use of natural gas with ensuing benefits for air quality.
The rationalization of water consumption has been obtained by preferring integrated production cycles based on the treatment and recycling of process water.
In the Exploration & Production division, water injection projects allow to maintain field pressure, reducing the environmental impact of releasing process waters.
In 2009 re-injection of water increased due to projects carried out in Libya (in the Bouri field from June 2009,

aromatic compounds). Emissions of SO_2 and NO_x declined by 5% and 3%, respectively.
In addition, the development and adoption of programs of energy efficiency, aimed at optimizing the

in the Bu Attifel field is expected to come on line in the first quarter of 2010), Egypt (where a 50% share of reinjected water was reached from 40% in 2008), Algeria

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(expected to reach 100% at mid-2010), Indonesia (in 2008 all water had been reinjected at the Badak, Nilam and Semberah sites and in 2009 the project has been extended to Pamaguan and Mutiara) and Kazakhstan, where in the settlements built for the workers and the facilities of the offshore Kashagan project water treatment plants have been installed that reduced the amount of clear water required. In addition, in 2009, work continued to define the standard on the minimization of water consumption and discharge that already led to a 17% reduction in water consumption from 2008.
The management of waste deriving from production activities is obtained by optimizing production processes, identifying actions for reducing waste sent to landfills and by controlling also the operations of contractors. Eni continued the planning and management of divestment/decommissioning of industrial plants, the environmental reclaiming of soils and aquifers under approved and environmentally adequate processes and procedures.
Waste from production processes amounted to approximately 1.6 mmtonnes, in line with 2008.
In 2009 the Exploration & Production division following the assessment of waste management performed, published a standard for waste management planning addressed to all its affiliates and indicating the planning process to be carried out for each year and four-year period that will allow to monitor and plan the management of different kinds of waste, identifying all possible improvement actions.
In the Petrochemical segment, technical and management actions continued to reduce total waste produced, while Syndial applied a program for the management of reclaiming actions also intended to reduce waste production.
In order to protect the areas where Eni operates, responsibilities and operating modes aiming at reducing the negative impact of oil spills have been defined. Tools available include the recourse to external professionals and/or international organizations. Various projects in oil spill assessment/response/plan are underway or have been completed. In the R&M division in 2009 Eni continued to apply technical improvements for prevention and containment to its facilities with new actions planned to be carries out in the next few years.
In 2009, In the Exploration & Production segment a to sabotage, while the volumes deriving from accidents increased by 33%.
In line with the increasing attention for green remediation, Eni also invested in the concept of taking account of all the aspect of remediation also outside the specific site and is currently planning its reclaiming actions protecting the environment at sustainable cost and creating value for communities.

Climate change and emissions

Eni s action plan for the mitigation of climate change, finalized in 2009, is based on projects for the reduction of gas flaring, for energy saving and increasing efficiency of industrial plants and R&D projects aimed at the containment of CO_2 emissions.
In particular Eni aims at:
- reducing gas flaring: the E&P division confirmed in its industrial plan the gas flaring reduction target of 70% by 2012 from 2007 levels. In order to reach this objective capital expenditures will be dedicate to new and modern infrastructure for gas transport, more efficient power plants and gas liquefaction plants;
- increasing efficiency in all areas: from production (including gas flaring/venting) to transport and energy conversion to final uses; the G&P division cooperates with its final customers by providing technical consultancy for energy saving actions;
- feasibility studies and planning in the field of renewables (photovoltaic, biomass, wind energy);
- capture and geological confinement of CO_2: in October 2008 Eni and Enel signed a strategic agreement for a first integrated project for the capture, transport and geological sequestration of CO_2;
- promotion of methane as vehicle fuel with low environmental impact that also allows to reduce CO_2 emissions as compared to other fuels;
- participation in European emission trading schemes that, in addition to monitoring compliance, require a focus on technical, economic and financial aspects of this trade performed by a team responsible for the control of greenhouse gas emissions;
- constant updating of internal procedures: Eni is currently updating its Protocol for accounting and reporting greenhouse gas emission under the new rules imposed by current laws and best practices and the API compendium.

total of 287 oil spills were registered for a total of 21,547 barrels of oil spilled (increasing from the preceding two years). About 17% of all spills were due

Eni also signed a program agreement with the Ministry for the Environment within the environmental pact signed by other 10 large companies in Italy. Under this agreement approximately euro 450 million will be invested in the 2009-2013 period in the areas of energy saving, renewables, the distribution network for methane as vehicle fuel. Aim of this agreement is to save 160 ktoe/y of consumption and 459 ktoe CO_2/y from 2013. In 2009 total greenhouse gas emissions in CO_2 tonnes, including CO_2 emissions from combustion and processes, methane emissions (converted into CO_2 using the Global Warming Potential of 21) and flaring and venting emissions decreased by 8% from 2008. The most significant decrease in the Exploration & Production segment, which accounts for 50% of total Eni emissions and reduced its emissions by 13% from 2008, resulted from reductions in flaring (down 20%) and venting (down 9%).

THE FUTURE OF ENERGY AND INNOVATION

The future challenges of energy

The availability of energy is crucial in supporting social and economic development worldwide. The energy industry has to face the challenge of the growth of energy requirements and relevant issues of energy interdependence, security of supplies and environmental impact of fossil fuel production and use.
The question of interdependence is crucial because it deeply affects the relationships between producing and consuming countries and is bound to become even more relevant in the long-term.
The diversification of producing areas and energy sources represents a necessary step to cope with the question of interdependence and security of supplies.
The diversification of production areas and energy sources is not a question of scarcity of resources, but rather of limited access, technical complexity and high costs. Conventional hydrocarbon resources that are technically recoverable can support current production levels for a few decades.
But Western oil companies have limited access to economical and plentiful resources, that are directly controlled by state owned companies and local governments. This leads to a reduction in opportunities for Western companies that tend to explore borderline areas (ultra deep waters, Arctic areas, complex geological structures) that are costly and technically difficult to bring to production.
This situation is complemented by the fact that renewable sources currently satisfy only a portion of energy requirement worldwide 3% excluding biomass and waste due to the low energy density and power produced at high cost based on currently available in the medium-term the cost of renewable energy will remain high and not competitive with traditional sources. It is difficult to economically support an industry, like generation from renewable sources, that requires subsidization for growing, also because in some cases the policies aimed at boosting the use of these sources can produce an increase in costs that is too high both for consumers and producers.
Furthermore, although renewable sources are growing at a considerable rate, they start from a very low contribution to overall consumption and will not be able to meet a high share of requirements unless relevant technological breakthroughs are obtained, as is foreseeable in the long-term.
The prevalence of fossil sources in the overall energy mix brings to the forefront the problem of the environmental impact of energy production. About 60% of current CO_2 emissions from human activities (about 38 billion tonnes in 2004) derive from the energy segment.
In order to win these challenges, it is necessary to work on the cornerstones represented by technological innovation and energy efficiency, also developing new forms of cooperation with producing countries and national oil companies.
Eni pays special attention to these aspects that directly affect the supply and consumption of energy and are crucial for mitigating their negative impact on the environment.

A strategy for innovation

The consequences of the recent financial crisis and the related decline in energy consumption, environmental technologies. It is reasonable to assume that at least pressures for the containment of greenhouse gas

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emissions and the increase in use of renewable energy sources allow to outline a scenario without scarcity of oil and natural gas worldwide.
All this notwithstanding, the growth in consumption related to the accelerated industrialization of emerging countries, such as China and India, requires the development and dissemination of technologies that reduce the environmental impact of production and use of fossil fuels, leading to sustainable development.

Consistent with this vision, Eni launched in 2006 an innovation strategy based on the following lines:
i) the "Along with petroleum" program to reach technological leadership in the exploitment of solar energy and the production of biofuels;
ii) the launch of the Blue Sky fund for financing research projects characterized by high technical risk, whose results can provide significant returns within Eni s core business by means of technological discontinuities;
iii) a new approach to the enhancement and management of intellectual property, based on the recognition of the value of intellectual assets generated by R&D activities. In 2009 Eni filed 106 patent applications, with a 10% increase from 2008 and 54% from 2007. In particular, 24 applications were in the field of drilling and completion, geology/ geophysics of fields, engineering, mid/downstream; 3 applications concerned gas transport, 21 related to biofuels, catalysts and refining processes and the environment; 9 applications concerned solar energy and biomass and 15 concerned petrochemical technology;
iv) a new policy of strategic alliances and scientific cooperation projects with internationally renowned academic institutions and research centers aimed at reaching technological goals in less time and increasing knowledge and skills of Eni employees. An example is the research alliance with the Massachusetts Institute of Technology, Boston (USA), focused on innovative technology in the field of solar energy and on oil & gas issues and environmental sustainability. Eni also signed framework agreements with the Milan and Turin Polytechnic Schools and with the Italian Research Council (CNR);
v) establishment of the Eni Award for advanced research in the new frontiers of hydrocarbons, alternative and non conventional sources and environmental protection. The 2009 edition received 792 applications for its main increase from 2008 and 374% increase from its first edition in 2007. It received 82 application for the prize for research debut from post doc students in 25 Italian universities.

Results achieved in 2009

In 2009 overall expenditure in R&D amounted to approximately euro 207 million, excluding general and administrative expenses (euro 217 million in 2008 and euro 208 million in 2007).
At December 31, 2009, a total of 1,019 persons were employed in research and development activities (1,098 in 2008). The following table describes the main results achieved in research and innovation.

Exploration & Production division

Advanced exploration techniques
- **Depth Velocity Analysis (DVA):** Proprietary technology based on calculations on speed data from seismic prospecting for visualizing underground areas. In 2009 it has been successfully applied in Egypt and Angola.
- **Depositational models for meandering channel systems:** Proprietary technology based on geologic simulation codes that allows to build models on the more favorable conditions for hydrocarbon reservoirs. It has been successfully applied for the evaluation of mineral potential in fields in India and Angola.
- **Uncertainty estimation for thinly bedded reservoir:** This methodology has been successfully applied in Angola for estimating the production potential of a field as it allows to detail some parts of the subsoil.
- **Coil Shooting:** The interpretation of offshore seismic data collected with this technology (streamers pushed on spiraling routes instead of the traditional grid routes) confirmed the improvement that can be obtained in the definition of subsoil geology.

Drilling technologies
- **Dual casing running:** In 2009 this technology has been successfully applied in West Africa. It allows to drill a well with two different diameters and inserting casings with different diameters at the same time, thus reducing completion time and risks.

prize, an 82%

- **Radial drilling:** This technology, applied by Eni in a pioneering effort, allows to increase production in heavy oil fields reducing also its footprinting. Drilling is performed radially from the main well with small diameter bores.

Increase in recovery rates
- **Enhanced oil recovery with CO_2 injection:** In 2009 the research phase was completed and a field application is planned for 2010. CO_2 will be recovered from industrial plants near the fields.
- **Bright water injection:** This technology is based on an additive that is injected in the ground and selectively blocks the rock parts where water is present, thus potentially increasing the extraction of crude. A field test has been started with results scheduled for 2011.

Marketing of marginal gas resources
- **Gas to liquids (GtL):** The GtL project, started in 1996 with IFP-Axens, turns natural gas into distillates. In 2009 the life test for the industrial catalyst for Fischer-Tropsch synthesis in the pilot plant at the Sannazzaro refinery has been completed, while the design has been started of a plant with a 15 bbl/d capacity.
- **Monitoring of offshore pipelines (Dionisio project):** Eni is developing a proprietary technology based on vibro-acoustic systems (patent application filed) capable of detecting damage to underwater pipelines. In 2009 a prototype has been installed at a gas import terminal. Accidental impact to the offshore pipeline confirmed the potential of this approach.
- **TPI-intermediate pressure transport:** Eni is examining the potential and maturity of this transport option that seems to have a shorter time to market than the TAP technology (high pressure transport, based on grade X100 pipes, still showing criticalities). The TPI project was started in 2008 with the production of the first grade X80 pipes by some world leading manufacturers. In 2009 other pipes have been bought and agreements have been signed for their welding. Tests on a real scale simulating operating conditions have been started.

Conversion of heavy crude into lighter products (oil upgrading)
- **Eni Slurry Technology (EST):** The EST proprietary process consists in the conversion of heavy crudes and fractions into middle distillates for vehicles. As compared to the conversion technologies available on the market EST allows to fully convert feedstocks. In 2009 Eni continued testing this proprietary technology at the Taranto demonstration plant. Testing was mainly 23,000 bbl/d at the Sannazzaro refinery with start-up expected in 2012.
- **Flexible FCC (Fluid Catalytic Cracking)***:* A proprietary material the ERS-10 zeolite has been developed and used as additive in an FCC catalyst thus increasing the conversion of heavier fractions. In 2009 the catalytic results have been confirmed and cooperation has started with a leading firm in FCC catalyst production aimed at industrial testing in an Eni refinery.
- **Dual Catalyst Slurry System:** Aim of this project is to develop a catalyst that further increases the conversion of heavy residues into fuels. The development of a bi-functional catalyst is underway that hydrogenates and desulphorates feesdtocks and increases the cracking rate and nitrogen removal.
- **H_2S splitting:** Aim of this project is the enhancement of hydrogen sulphide contained in natural gas or by-product of refining obtaining hydrogen from it. A promising technology consists in the decomposition of H_2S by means of cold plasma into sulphur and hydrogen. Lab activities were completed in 2009. Tests will be performed in a pilot plant in 2010.
- **Downstream application of microwave technology for improving the features of heavy crude and cuts:** Lab studies have been performed aimed at testing the possibility of significantly and permanently reducing the viscosity of crude, residues and bitumen improving their handling and reducing the use of flux oil by applying microwaves. Based on the results reached, in 2009 two patent applications have been filed. For 2010 tests on a continuous reactor are scheduled.
- **Hydrogen:** SCT-CPO (Short Contact Time-Catalytic Partial Oxidation) is a reforming technology that can convert gaseous and liquid hydrocarbons (also derived from biomass) into synthetic gas (carbon monoxide and hydrogen). This technology can contribute to process intensification as it allows to produce synthetic gas and hydrogen using reactors up to 100 times smaller than those currently in use with relevant savings.

Petrochemicals

- **Basic petrochemicals:** A proprietary process for the selective hydrogenation of acetone to isopropylic alcohol has been successfully determined (the latter being later used for producing cumene).

aimed at validating the upgrading performance and the plant operation. Innovative solutions for maximizing process yields have been devised. Construction is underway of an industrial plant with a capacity of

- **Polyethylene:** The production of two new grades of LLDPE (linear low density polyethylene) has been transferred to industrial scale. These new polymers

are produced by means of a proprietary catalysis and are used in the production of plastic films. On a pilot plant new polyethylenes have been produced using a new proprietary catalyst, these are HDPE (high density polyethylene) and LLDPE provided with good physical and mechanical properties and better processability.
- **Elastomers:** In cooperation with a primary producer of lubricant base oils, at pilot level new butadiene-styrene copolymers have been produced with improved viscosity index. On a pilot scale new grades of SBR (styrene-butadiene rubber) have been produced that improved performance in terms of adhesion and resistance to heating in tire materials.
- **Styrenic polymers:** On a pilot scale we completed the validation of production of HIPS (shock resistant polystyrene) and ABS (acrylonitryl-butadiene-styrene polymer) with anionic radical single stage polymerization. At the Mantova plant we completed the first test production of a new EPS (continuous mass expandable polystyrene) in the new 38,000 tonnes/y plant with the new PE proprietary technology. At the Dunastyr site (Hungary) a white improved EPS type has been successfully industrialized that shows higher insulating power with unchanged mechanical properties (called VERDI) exclusively produced by PE.

Environment and efficiency

- **New formulas for fuels and lubricants:** The development of the new premium products of the Blu line has been completed. Tests were performed on engines and vehicles in order to optimize engine efficiency and reducing noxious emissions. Tests of the new premium gasoline were performed on new Fiat Multiair engines in the framework of an agreement with the Fiat research center. In 2009 two new lubricants that reduce consumption and emissions reached the commercial stage.
- **GHG program (green house gas):** Eni organized meetings with the people living in the area of Cortemaggiore aimed at informing them on the pending capture and sequestration of CO_2 in the subsoil of the municipality.
- **Zero waste:** For the treatment of oily and biological waste generated by the oil industry a thermal process is under study that allows for the gasification of slime that is turned into an inert residue. A patent application has capacity along with a feasibility study for an annual volume of 5,000 tonnes of slime.
- **Ensolvex process:** In the framework of the cleaning up of an area within the Gela refinery Eni plans to build an Ensolvex plant for the reclaiming of soil polluted by hydrocarbons within the limits imposed by the law. The design phase has been completed in 2009 and the plant is expected to be built by the first half of 2010.
- **En-Z-lite process:** In 2009 at the Taranto refinery a demonstration plant has been tested for removing organic compounds from water by means of adsorption on synthetic hydrophobic zeolites complying with the most stringent standards on MTBE and TPH levels as well as metal content. This technology can be used for treating underground waters and for steam production. A new system for regenerating zeolites has been patented.

Renewable energy sources

- **Green Diesel:** In 2009 tests have been started for using non-food feedstock in the Ecofining™ process, that has already been used with traditional vegetable oils at industrial level.
- **Biodiesel by means of micro algae:** The project aims at testing the technical and economic feasibility of a process based on the biofixation of CO_2 by means of micro algae for the purification of discharge waters with production of biomass that can be converted into biofuel. A pilot plant is nearing start-up at the Gela refinery.
- **Biodiesel from waste:** In the field of better use of biomass for energy production, Eni is developing an integrated thermal-fermenting process for the conversion of the organic fraction of urban waste into bio-oil.
- **Micro-organisms for diesel:** Aim of the project is the identification of micro-organisms that metabolize organic substances and produce lipids, optimal precursors of biodiesel. A yeast has been identified that can grow efficiently on all the sugars present in wood-cellulose biomass and accumulates lipids up to 75% of its weight, thus improving the results obtained in 2008 (60%).
- **Photoactive materials:** In 2009 the first samples were obtained of devices allowing to use a much smaller surface of silicon as compared to conventional photovoltaic technology, at parity of power produced, with a potential cost reduction for electricity generation.

been filed on this project. Basic design has been completed of pilot plant with a 50 kg/h

this result was obtained by using dull, transparent or colored plates including adequate substances playing a double role: converting solar light, concentrating and carrying light to the edges of the plate where silicon is located and converts radiating energy into electricity. The conversion of light is exerted on components of solar radiation that are usually underused by traditional silicon materials, converting them into radiation with a wavelength that can induce a photovoltaic effect. These results are expected to be consolidated in 2010 thus testing the reproducibility and stability of the process and preparing large prototypes.

Glossary

The glossary of oil and gas terms is available on Eni s web page at the address **www.eni.com**. Below is a selection of the most frequently used terms.

FINANCIAL TERMS

Dividend Yield Measures the return on a share based on dividends for the year. Calculated as the ratio of dividends per share of the year and the average reference price of shares in the last month of the year. Generally, companies tend to keep a constant dividend yield, as shareholders compare this indicator with the yield of other shares or other financial instruments (e.g. bonds).

Leverage Is a measure of a company s debt, calculated as the ratio between net financial debt and shareholders equity, including minority interests.

ROACE Return On Average Capital Employed Is the return on average capital invested, calculated as the ratio between net income before minority interests, plus net financial charges on net financial debt, less the related tax effect and net average capital employed.

TSR Total Shareholder Return Measures the total return of a share calculated on a yearly basis, keeping account of changes in prices (beginning and end of year) and dividends distributed and reinvested at the ex-dividend date.

OIL AND NATURAL GAS ACTIVITIES

Average reserve life index Ratio between the amount of reserves at the end of the year and total production for the year.

Barrel Volume unit corresponding to 159 liters. A barrel of oil corresponds to about 0.137 metric tons.

Boe (Barrel of Oil Equivalent) Is used as a standard unit measure for oil and natural gas. The latter is converted from standard cubic meters into barrels of oil equivalent using a coefficient equal to 0.00615.

Concession contracts Contracts currently applied mainly in Western countries regulating relationships between States and oil companies with regards to hydrocarbon exploration and production. The company holding the mining concession has an exclusive on mining activities and for this reason it acquires a right on hydrocarbons extracted, against the payment of royalties to the State on production and taxes on oil revenues.

Condensates These are light hydrocarbons produced along with gas, that condense to a liquid state at normal temperature and pressure for surface production facilities.

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Contingent resources Amounts of oil and gas estimated at a given date that are potentially recoverable by means of development projects that are not considered commercially recoverable due to one or more contingency.

Deep waters Waters deeper than 200 meters.

Development Drilling and other post-exploration activities aimed at the production of oil and gas.

Elastomers (or Rubber) Polymers, either natural or synthetic, which, unlike plastic, when stress is applied, return, to a certain degree, to their original shape, once the stress ceases to be applied. The main synthetic elastomers are polybutadiene (BR), styrene-butadiene rubber (SBR), ethylene-propylene rubber (EPR), thermoplastic rubber (TPR) and nitrylic rubber (NBR).

Enhanced recovery Techniques used to increase or stretch over time the production of wells.

EPC (Engineering, Procurement, Construction) A contract typical of onshore construction of large plants in which the contractor supplies engineering, procurement and construction of the plant. The contract is defined "turnkey" when the plant is supplied for start-up.

EPIC (Engineering, Procurement, Installation, Commissioning) A contract typical of offshore construction of complex projects (such as the installation of production platforms or FPSO systems) in which the global or main contractor, usually a company or a consortium of companies, supplies engineering, procurement, construction of plant and infrastructure, transport to the site and all preparatory activities for the start-up of plants.

Exploration Oil and natural gas exploration that includes land surveys, geological and geophysical studies, seismic data gathering and analysis, and well drilling.

FPSO vessel Floating, Production, Storage and Offloading system made up of a large capacity oil tanker including a large hydrocarbon treatment plant. This system, moored at the bow in order to maintain a geostationary position, is in fact a temporary fixed platform linking the underwater wellheads to the treatment, storage and offloading systems onboard by means of risers from the seabed.

Infilling wells Infilling wells are wells drilled in a producing area in order to improve the recovery of hydrocarbons from the field and to maintain and/or increase production levels.

LNG Liquefied Natural Gas obtained through the cooling of natural gas to minus 160°C at normal pressure. The gas is liquefied to allow transportation from the place of extraction to the sites at which it is transformed and consumed. One ton of LNG corresponds to 1,400 cubic meters of gas.

LPG Liquefied Petroleum Gas, a mix of light petroleum fractions, gaseous at normal pressure and easily liquefied at room temperature through limited compression.

Mineral Potential (Potentially recoverable hydrocarbon volumes) Estimated recoverable volumes which cannot be defined as reserves due to a number of reasons, such as the temporary lack of viable markets, a possible commercial recovery dependent on the development of new technologies, or for their location in accumulations yet to be developed or where evaluation of known accumulations is still at an early stage.

Mineral Storage Volumes of natural gas required for allowing optimal operation of natural gas fields in Italy for technical and economic reasons.

Modulation Storage Volumes of natural gas required for meeting hourly, daily and seasonal swings of demand.

Natural gas liquids Liquid or liquefied hydrocarbons recovered from natural gas through separation equipment or natural gas treatment plants. Propane, normal-butane and isobutane, isopentane and pentane plus, that used to be defined natural gasoline, are natural gas liquids.

Network Code A code containing norms and regulations for access to, management and operation of natural gas pipelines.

Offshore/Onshore The term offshore indicates a portion of open sea and, by induction, the activities carried out in such area, while onshore refers to land operations.

Olefins (or Alkenes) Hydrocarbons that are particularly active chemically, used for this reason as raw materials in the synthesis of intermediate products and of polymers.

Over/Underlifting Agreements stipulated between partners regulate the right of each to its share in the production of a set period of time. Amounts different from the agreed ones determine temporary Over/Underlifting situations.

Possible reserves Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

Probable reserves Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

Production Sharing Agreement Contract in use in non OECD countries, regulating relationships between States and oil companies with regard to the exploration and production of hydrocarbons. The mining concession is assigned to the national oil company jointly with the foreign oil company who has exclusive right to perform exploration, development and production activities and can enter agreements with other local or international entities. In this type of contract the national oil company assigns to the international contractor the task of performing exploration and production with the contractor s equipment and financial resources. Exploration risks are borne by the contractor and production is divided into two portions: "cost oil" is used to recover costs borne by the contractor, "profit oil" is divided between contractor and national company according to variable schemes and represents the profit deriving from exploration and production. Further terms and conditions may vary from one country to the other.

Proved reserves Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from know reservoirs, and under existing economic conditions. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

Reserves Quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project. Reserves can be: (i) developed reserves quantities of oil and gas anticipated to be through installed extraction equipment and infrastructure operational at the time of the reserves estimate; (ii) undeveloped reserves: oil and gas expected to be recovered from new wells, facilities and operating methods.

Reserve replacement ratio Measure of the reserves produced replaced by proved reserves. Indicates the company s ability to add new reserves through exploration and purchase of property. A rate higher than 100% indicates that more reserves were added than produced in the period. The ratio should be averaged on a three-year period in order to reduce the distortion deriving from the purchase of proved property, the revision of previous estimates,

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enhanced recovery, improvement in recovery rates and changes in the value of reserves in PSAs due to changes in international oil prices. Management also calculates this ratio by excluding the effect of the purchase of proved property in order to better assess the underlying performance of the Company s operations.

Ship-or-pay Clause included in natural gas transportation contracts according to which the customer for which the transportation is carried out is bound to pay for the transportation of the gas also in case the gas is not transported.

Strategic Storage Volumes of natural gas required for covering lack or reduction of supplies from extra-European sources or crises in the natural gas system.

Swap In the gas sector, the term is referred to a buy/sell contract between some counterparties and is generally aimed to the optimization of transport costs and respective commitments in purchasing and supplying.

Take-or-pay Clause included in natural gas purchase contracts according to which the purchaser is bound to pay the contractual price or a fraction of such price for a minimum quantity of the gas set in the contract also in case it is not collected by the customer. The customer has the option of collecting the gas paid and not delivered at a price equal to the residual fraction of the price set in the contract in subsequent contract years.

Upstream/Downstream The term upstream refers to all hydrocarbon exploration and production activities. The term downstream includes all activities inherent to the oil sector that are downstream of exploration and production activities.

Wholesale sales Domestic sales of refined products to wholesalers/distributors (mainly gasoil), public administrations and end consumers, such as industrial plants, power stations (fuel oil), airlines (jet fuel), transport companies, big buildings and households. They do not include distribution through the service station network, marine bunkering, sales to oil and petrochemical companies, importers and international organizations.

Workover Intervention on a well for performing significant maintenance and substitution of basic equipment for the collection and transport to the surface of liquids contained in a field.

ABBREVIATIONS

mmcf = million cubic feet
bcf = billion cubic feet
mmcm = million cubic meters
bcm = billion cubic meters
boe = barrel of oil equivalent
kboe = thousand barrel of oil equivalent
mmboe = million barrel of oil equivalent
bboe = billion barrel of oil equivalent
bbl = barrels
kbbl = thousand barrels
mmbbl = million barrels
bbbl = billion barrels
mmtonnes = million tonnes
ktonnes = thousand tonnes
/d = per day
/y = per year

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Balance sheet

(euro million)	Note	Dec. 31, 2008 Total amount	Dec. 31, 2008 *of which with related parties*	Dec. 31, 2009 Total amount	Dec. 31, 2009 *of which with related parties*
ASSETS					
Current assets					
Cash and cash equivalents	(1)	1,939		1,608	
Other financial assets held for trading or available for sale:	(2)				
- equity instruments		*2,741*			
- other securities		*495*		*348*	
		3,236		**348**	
Trade and other receivables	(3)	22,222	*1,539*	20,348	*1,355*
Inventories	(4)	6,082		5,495	
Current tax assets	(5)	170		753	
Other current tax assets	(6)	1,130		1,270	
Other current assets	(7)	1,870	*59*	1,307	*9*
Total current assets		**36,649**		**31,129**	
Non-current assets					
Property, plant and equipment	(8)	59,255		63,177	
Inventory - compulsory stock	(9)	1,196		1,736	
Intangible assets	(10)	7,697		8,057	
Equity-accounted investments	(11)	5,471		5,828	
Other investments	(11)	410		416	
Other financial assets	(12)	1,134	*356*	1,148	*438*
Deferred tax assets	(13)	2,912		3,558	
Other non-current receivables	(14)	1,881	*21*	1,938	*40*
Total non-current assets		**79,956**		**85,858**	
Assets held for sale	(25)	**68**		**542**	
TOTAL ASSETS		**116,673**		**117,529**	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(15)	6,359	*153*	3,545	*147*
Current portion of long-term debt	(20)	549		3,191	
Trade and other payables	(16)	20,515	*1,253*	19,174	*1,241*
Income taxes payable	(17)	1,949		1,291	
Other taxes payable	(18)	1,660		1,431	
Other current liabilities	(19)	3,863	*4*	1,856	*5*
Total current liabilities		**34,895**		**30,488**	
Non-current liabilities					
Long-term debt	(20)	13,929	*9*	18,064	
Provisions for contingencies	(21)	9,506		10,319	
Provisions for employee benefits	(22)	947		944	
Deferred tax liabilities	(23)	5,784		4,907	
Other non-current liabilities	(24)	3,102	*53*	2,480	*49*

Total non-current liabilities		**33,268**	**36,714**
Liabilities directly associated with assets held for sale	(25)		**276**
TOTAL LIABILITIES		**68,163**	**67,478**
SHAREHOLDERS' EQUITY	(26)		
Minority interest		**4,074**	**3,978**
Eni shareholders' equity			
Share capital		4,005	4,005
Reserves		40,722	46,269
Treasury shares		(6,757)	(6,757)
Interim dividend		(2,359)	(1,811)
Net profit		8,825	4,367
Total Eni shareholders' equity		**44,436**	**46,073**
TOTAL SHAREHOLDERS' EQUITY		**48,510**	**50,051**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**116,673**	**117,529**

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Profit and loss account

		2007		2008		2009	
(euro million)	Note	Total amount	*of which with related parties*	Total amount	*of which with related parties*	Total amount	*of which with related parties*
REVENUES							
Net sales from operations	(29)	87,204	*4,198*	108,082	*5,048*	83,227	*3,300*
Other income and revenues		833		728	*39*	1,118	*26*
Total revenues		**88,037**		**108,810**		**84,345**	
OPERATING EXPENSES	(30)						
Purchases, services and other		58,133	*3,777*	76,350	*6,298*	58,351	*4,999*
- of which non-recurring charge		*91*		*(21)*		*250*	
Payroll and related costs		3,800		4,004		4,181	
- of which non-recurring income		*(83)*					
OTHER OPERATING (CHARGE) INCOME		**(129)**	*10*	**(124)**	*58*	**55**	*44*
DEPRECIATION, DEPLETION, AMORTIZATION AND IMPAIRMENTS		**7,236**		**9,815**		**9,813**	
OPERATING PROFIT		**18,739**		**18,517**		**12,055**	
FINANCE INCOME (EXPENSE)	(31)						
Finance income		4,445	*49*	7,985	*42*	5,950	*27*
Finance expense		(4,554)	*(20)*	(8,198)	*(17)*	(6,497)	*(4)*
Derivative financial instruments		155		(427)		(4)	
		46		**(640)**		**(551)**	
INCOME (EXPENSE) FROM INVESTMENTS	(32)						