ENI SPA
Form 6-K
May 04, 2009
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN ISSUER
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of April 2009

Eni S.p.A.
(Exact name of Registrant as specified in its charter)

Piazzale Enrico Mattei 1 - 00144 Rome, Italy
(Address of principal executive offices)

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

Form 20-F x Form 40-F o

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

Yes o No x

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

Table of Contents

TABLE OF CONTENTS

Table of Contents

SIGNATURES

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

Eni S.p.A.

Name: Antonio Cristodoro
Title: Deputy Corporate Secretary

Date: April 30, 2009

Table of Contents

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

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

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

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

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

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

Company Contacts:

Press Office: Tel. +39.0252031875 - +39.065982398
Freephone for shareholders (from Italy): 800940924
Freephone for shareholders (from abroad): +39. 800 11 22 34 56
Switchboard: +39-0659821

ufficio.stampa@eni.it
segreteriasocietaria.azionisti@eni.it
investor.relations@eni.it

Web site: www.eni.it

Table of Contents

Eni - Annual Report 2008

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

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

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

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

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

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Table of Contents

ENI SPA

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

ON FIRST AND SECOND CALL, RESPECTIVELY

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

The Italian text prevails over the translation into English

- 1 -

Table of Contents

ENI SPA

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

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

ITEM 1

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

To the Shareholders:

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

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

ITEM 2

ALLOCATION OF NET INCOME

To the Shareholders:

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

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

Table of Contents

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

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

The Chairman of the Board of Directors
ROBERTO POLI

Table of Contents
Contents

Table of Contents
Contents

Table of Contents
Contents

Table of Contents
Contents

Ordinary Shareholders Meeting of April 29 and 30, 2009

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

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

Disclaimer

This annual report contains certain forward-looking statements in particular under the section "Outlook" regarding capital expenditure, development and management of oil and gas resources, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management s ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document.

Table of Contents

Operating and financial review

Consolidated Financial Statements

Eni means the parent company Eni SpA and its consolidated subsidiaries

Results

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

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

Dividend

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

Oil and natural gas production

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

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

Proved oil and natural gas reserves

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

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

Natural gas sales

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

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

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

Distrigas NV acquisition

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

Portfolio developments

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

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

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

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

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

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

Kazakhstan - Kashagan Final Agreement

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

Divestment of Stogit and Italgas to Snam Rete Gas

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

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

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

Contents

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

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

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

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

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

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

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

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

Contents

THE ENI SHARE

To our Shareholders

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

Financial performance

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

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

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

Sustaining growth and shareholder returns

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sustainable development

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

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

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

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

March 13, 2009

In representation of the Board of Directors

Chairman

Chief Executive Officer and General Manager

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

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

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

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

External Auditors (10)
PricewaterhouseCoopers SpA

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

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

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

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

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

13

Contents

Final Agreement for the development project of the Kashagan oilfield

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

Portfolio

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

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

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

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

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

Partnership Agreement

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

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

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

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

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

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

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

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

Financial results

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

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

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

Production

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

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

Estimated net proved reserves

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

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

Exploration and development expenditures

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

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

Contents

Reserves

Reserve Governance

The Company has adopted comprehensive classification criteria for proved, proved developed and proved undeveloped oil and gas reserves in accordance with applicable U.S. Securities and Exchange Commission (SEC) regulations, as provided for in Regulation S-X, Rule 4-10. For unproved reserves (probable and possible reserves) and contingent resources (potentially reserves), Eni s resource classification system complies with the classifications and definitions adopted by the Society of Petroleum Engineers, the World Petroleum Congress and the American Association of Petroleum Geologists.

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under technical, contractual, economic and operating conditions existing at the time. Year-end liquids and natural gas prices used in the estimate of proved reserves under SEC criteria, are obtained from the official survey published by Platt s Marketwire for liquids; and contractual conditions existing at year-end as applied to reference benchmarks for natural gas. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Engineering estimates of the Company s oil and gas reserves are inherently uncertain. Although authoritative guidelines exist regarding engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Consequently, the estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revisions may be made to the initial booking of reserves due to analysis of new information concerning production, reservoir performance, commercial factors, acquisition and divestment activity and additional reservoir development activity. Field resources will only be categorized as proved reserves when all criteria for the attribution of proved status has been met, including technical, economic and commercial criteria. Proved reserves to which Eni is entitled under concession contracts are environment, the volume of entitlements necessary to cover the same amount of expenditures is lower.

Eni has always exercised rigorous control over the booking process of proved reserves. The Reserve Department of the Exploration & Production division is entrusted with the task of continuously updating the Company s guidelines concerning reserve evaluation, classification and monitoring the periodic determination process. Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineers company which has declared their compliance with applicable SEC rules. D&M has also stated that the company guidelines regulate situations for which the SEC rules lack details, providing a reasonable interpretation in line with the generally accepted practices in international markets.

Eni estimates its proved reserves on the basis of the mentioned guidelines, also when participating in exploration and production activities operated by other entities. The process for evaluating reserves involves: (i) business unit managers (geographic units) and Local Reserve Evaluators (LRE), who perform the evaluation and classification of technical reserves (production profiles, capital expenditure, operating costs and costs related to asset retirement obligations); (ii) geographic area managers at head offices and Division Reserve Evaluators (DRE) checking evaluations carried out by business unit managers; (iii) the Reserve Department, providing independent reviews of the fairness and correctness of classifications carried out by business units, who also aggregates worldwide reserve data and performs economic assessment of reserves, with the support of the Accounting Department, to calculate equity volumes. Moreover, the Reserve Department has the following responsibilities: to ensure the periodic certification process of reserves and to continuously update the Company guidelines on reserves evaluation and classification.

All personnel involved in the process of reserve evaluation are knowledgeable on SEC guidelines for proved reserves classification and have professional abilities adequate to the complexity of the task, expressing their judgment independently and respectful of professional ethics. In addition, a Reserve Evaluator is normally considered professionally qualified with respect to the international standards backed by the Society of Petroleum Engineers. Since 1991, Eni has determined by applying Eni s share of production to total proved reserves of the contractual area, in respect of the duration of the relevant mineral right. Proved reserves to which Eni is entitled under Production Sharing Agreements are calculated so that the sale of production entitlements should cover expenses incurred by the Group to develop a field (cost oil) and on the profit oil set contractually. A similar scheme applies to buy-back and service contracts. In a high oil price requested qualified independent oil engineering companies carry out and independent evaluation[1] of its proved reserves on a rotation basis.

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

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

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

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

Movements in estimated net proved reserves

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

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

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

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

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

Contents

ENI ANNUAL REPORT / OPERATING REVIEW

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

Excluding the price effect, the replacement ratio would be 83%.
Eni s estimated proved reserves would be 6,908 mmboe including the proved reserves of thee Russian gas companies on the basis of Eni s current interest 60%. The average reserve life index is 10.5 years.

Estimated net proved reserves pro-forma

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

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

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

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

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

Mineral right portfolio and exploration activities

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

Oil and natural gas interests

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

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

(a) Square kilometers.

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

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

Production

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

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

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

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

Contents

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

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

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

Main exploration and development projects

NORTH AFRICA

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

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

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

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

22

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

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

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

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

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

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

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

Contents

ENI ANNUAL REPORT / OPERATING REVIEW

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

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

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

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

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

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

NORTH SEA

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

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

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

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

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

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

CASPIAN AREA

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

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

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

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

26

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

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

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

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

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

REST OF WORLD

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

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

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

India In August 2008, Eni acquired control of the Indian company Hindustan Oil Exploration Limited (HOEC), following execution of a mandatory tender offer on a 20% stake of the HOEC share capital. The mandatory offer was associated with Eni s acquisition of a 27.18%

Main development activities concerned the PY1 gas field. Start-up is expected in 2009.

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

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

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

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

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

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

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

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

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

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

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

29

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

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

Capital expenditures

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

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

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

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

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

Storage

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

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

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

(5) Two of these are not yet operational.

Contents

ENI ANNUAL REPORT / OPERATING REVIEW

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

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

Distrigas acquisition

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

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

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

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

Partnership with Altergaz and strengthening of the position in France

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

Expansion on the Russian market of natural gas

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

TTPC upgrading

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

Financial results

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

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

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

Operating results

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

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

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

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

Contents

NATURAL GAS

Supply of natural gas

In 2008 Eni s consolidated subsidiaries, including Distrigas share amounting to 5.15 bcm, supplied 89.65 bcm of natural gas with a 5.85 bcm increase from 2007, up 7%.
Excluding the contribution of Distrigas, gas volumes supplied outside Italy (76.50 bcm from consolidated companies), imported in Italy or sold outside Italy, represented 91% of total supplies with an increase of 1.35 bcm from 2007, or 1.8%, mainly due to the growth registered on European markets in particular in the first months of the year, with higher volumes purchased: (i) from Algeria via pipeline (up 1.07 bcm); (ii) from Libya (up 0.63 bcm) in line with the growth of gas equity production; (iii) from the Netherlands (up 0.36 bcm); (iv) from Russia to Turkey (up 0.31 bcm) in line with the increased gas demand on the Turkish market.
Supplies in Italy (8 bcm) declined by 0.65 bcm from 2007, or 7.5%, due to lower domestic production. Supplies of Russian gas for the Italian market declined by 0.97 bcm mainly due to the implementation of agreements with Gazprom providing for Gazprom s entrance in the market of supplies to Italian importers and the corresponding reduction in Eni offtakes.
In 2008, main gas volumes from equity production derived from: (i) Italian gas fields (7.5 bcm); (ii) the Wafa and Bahr Essalam fields in Libya linked to Italy through the GreenStream pipeline. In 2008 these two fields supplied 3.2 bcm net to Eni; (iii) fields located in the British and Norwegian sections of the North Sea (2.3 bcm); (iv) other European areas (in particular Croatia with 0.6 bcm).
Considering also the direct sales of the Exploration & Production division in Europe and in the Gulf of Mexico and LNG supplied from the Bonny liquefaction plant in Nigeria, supplied gas volumes from equity production were approximately 21 bcm representing 21% of total volumes available for sale.

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

34

TAKE-OR-PAY

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

Sales of natural gas

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

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

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

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

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

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

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

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

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

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

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

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

LNG

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

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

Transport and regasification of natural gas

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

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

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

(a) Include amounts destined to domestic storage.

37

Development projects

MARKETING

Acquisition of Distrigas

Terms of the transaction

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

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

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

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

Strategic rationale

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

Disposal of consideration assets

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

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

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

France: acquisition of a stake in Gaz de Bordeaux SAS

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

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

Russia: supply contract to TGK-9

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

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

LNG

Qatar

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

Egypt

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

USA

Cameron

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

Pascagoula

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

REGULATED BUSINESSES IN ITALY

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

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

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

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

The transaction was based on transparency and market

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

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

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

Contents

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

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

Galsi

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

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

INTERNATIONAL TRANSPORT

TAG - Russia

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

TTPC - Algeria

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

Accident at the TMPC pipeline

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

Regulatory framework

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

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

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

POWER GENERATION

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

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

Electricity sales

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

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

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

Capital expenditures

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

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

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

42

Contents

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

(a) Before elimination of intragroup sales.

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

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

Financial results

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

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

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

Contents

Operating results

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

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

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

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

Supply and trading

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

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

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

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

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

Refining

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

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

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

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

45

Contents

Marketing of refined products

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

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

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

46

Retail sales in Italy

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

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

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

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

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

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

Retail sales of BluSuper amounted to 78 ktonnes (91

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

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

Retail sales outside Italy

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

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

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

Wholesale and other sales

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

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

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

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

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

Capital expenditures

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

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

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

(a) Before elimination of intragroup sales.

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

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

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

Contents

Sales - production - prices

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

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

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

Business Areas

Olefins

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

Aromatics and intermediates

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

Styrene and elastomers

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

Polyethylene

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

Capital expenditures

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

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

(a) Before elimination of intragroup sales.

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

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

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

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

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

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

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

52

Activity for the year

Among the main orders acquired in 2008 were:

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

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

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

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

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

Capital expenditures

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

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

Financial Review

PROFIT AND LOSS ACCOUNT

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

Net profit

In 2008 **Eni s net profit** was euro 8,825 million compared with euro 10,011 million a year ago, down euro 1,186 million, or 11.8%. This result was influenced by lower reported operating profit, which was down euro 227 million or 1.2%, as the weaker operating performance reported by Eni s downstream businesses was partly offset by an improved performance in the Exploration & Production division driven by the strong pricing environment experienced until September 2008. The full year result was reduced as both higher financial charges (down euro 681 million) and income taxes (down euro 473 million) were recorded, the latter associated with higher taxes currently payable recorded by subsidiaries of the Exploration & Production division operating outside Italy.

On the positive side, an adjustment was recorded relating to deferred tax for Italian companies and for Libyan activities reflecting new tax rules, effective from January 1, 2008 (for more details on tax matters see the following discussion under income taxes).

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

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

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

Adjusted net profit

Eni s adjusted net profit for the year was euro 10,201 million compared with euro 9,470 million a year ago, up euro 731 million, or 7.7%. Adjusted net profit is calculated by excluding an inventory holding loss of euro 723 million and special charges of euro 653 million net, resulting in an overall adjustment equal to an increase of euro 1,376 million.

Special charges mainly related to fixed asset impairments, environmental provisions, redundancy incentives, as well as provisions for risks on pending litigation. In addition, the Company incurred an expense in the form of a contribution of euro 200 million to the solidarity fund pursuant to Italian Law Decree No. 112/2008 to be used to subsidize the gas bills for residential uses of less affluent citizens. Special gains mainly regarded the abovementioned adjustments to deferred tax liabilities, and gains recorded on the divestment of certain assets in the Engineering & Construction and Refining & Marketing divisions.

Return On Average Capital Employed (ROACE) calculated on an adjusted basis was 17.6% (19.3% in 2007).

Eni s results for 2008 were achieved in a trading environment characterized by a significant increase in Eni s oil and gas realizations (up 28.1% on average) on the back of a favorable scenario until September with Brent prices up 33.7% from 2007.

Margins on gas sales were affected by an unfavorable trading environment also reflecting exchange rate movements. Refining activities were positively influenced by a strong margin environment (Brent refining margins were up 43.6%, to 6.49 $/bbl). A steep decline was registered in selling margins of commodity chemicals due to higher supply costs of oil-based feedstock that were not fully recovered in sales prices and weak demand. Eni s results were negatively affected by the 7.3% appreciation of the euro against the dollar.

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

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

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

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

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

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

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

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

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

56

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

Analysis of Profit and Loss Account Items

Net sales from operations

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

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

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

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

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

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

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

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

Operating expenses

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

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

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

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

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

Depreciation, depletion, amortization and impairments

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

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

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

58

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

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

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

Operating profit

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

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

Adjusted operating profit

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

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

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

59

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

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

Financial income (expense)

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

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

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

Contents

Net income from investments

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

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

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

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

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

Income taxes

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

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

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

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

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

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

Minority interest

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

Divisional performance[1]

Exploration & Production

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Gas & Power

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

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

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

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

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

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

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

Marketing

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

quarter.

Regulated businesses in Italy

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

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

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

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

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

Refining & Marketing

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

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

(a) Excluding special items.

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

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

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

Petrochemicals

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

(a) Excluding special items.

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

Contents

Engineering & Construction

2006	(million euro)	2007	**2008**	Change	% Ch.
505	**Operating profit**	**837**	**1,045**	**208**	**24.9**
3	Exclusion of special items	3	**(4)**		
	of which:				
	Non-recurring items	(4)			
3	Other special items	7	**(4)**		
1	*- assets impairments*				
	- gains on disposal of assets		***(4)***		
2	*- provisions for redundancy incentives*	*7*			
508	**Adjusted operating profit**	**840**	**1,041**	**201**	**23.9**