

ENI SPA
Form 20-F/A
September 01, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 20-F /A
(Amendment No. 1)**

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE
SECURITIES EXCHANGE ACT OF 1934

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-14090

Eni SpA

(Exact name of Registrant as specified in its charter)

Republic of Italy

(Jurisdiction of incorporation or organization)

1, piazzale Enrico Mattei

00144 Rome

Italy

(Address of principal executive offices)

Alessandro Bernini

Eni SpA

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20097 Milan

Italy

Tel +39 02 52041730

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(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Shares	New York Stock Exchange*
American Depositary Shares	New York Stock Exchange
(Which represent the right to receive two shares)	* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares of euro 1.00 each

4,005,358,876

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

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EXPLANATORY NOTE

Eni SpA is filing this Amendment No. 1 to its Annual Report on Form 20-F for the year ended December 31, 2008, as filed with the U.S. Securities and Exchange Commission on May 14, 2009 ("Original Form 20-F") in order to include the earlier year of activities in the Company's consolidated statements of changes in shareholders' equity, which was inadvertently omitted in the Original Form 20-F.

Accordingly, this Amendment amends Item 18 of the Original Form 20-F to provide the 2006 consolidated statement of changes in shareholders' equity appearing on page F-5 of this Amendment.

This Amendment should be read in conjunction with the Original Form 20-F, which continues to speak as of the date that the Original Form 20-F was filed. Except as specifically noted above, this Amendment does not modify or update any disclosures in the Original Form 20-F. Accordingly, this Amendment does not reflect events occurring after the filing of the Original Form 20-F or modify or update any disclosures that may have been affected by subsequent events, including the results of operations, financial condition, cash flows or any forward-looking statements made in the Original Form 20-F.

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Omissis

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Omissis

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Not applicable.

Item 18. FINANCIAL STATEMENTS

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Item 19. EXHIBITS

Certifications:

12.1. Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act

12.2. Certification pursuant to Rule 13a-14(a) of the Securities Exchange Act

13.1. Certification furnished pursuant to Rule 13a-14(b) of the Securities Exchange Act (such certificate is not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference with any filing under the Securities Act)

13.2. Certification furnished pursuant to Rule 13a-14(b) of the Securities Exchange Act (such certificate is not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference with any filing under the Securities Act)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Eni SpA.

In our opinion, the accompanying consolidated balance sheets and the related consolidated profit and loss accounts, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows present fairly, in all material respects, the financial position of Eni SpA and its subsidiaries at December 31, 2008 and December 31, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008 in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing in Item 15 Controls and Procedures of the 2008 Annual Report to Shareholders. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records

that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers SpA

Rome, Italy
May 14, 2009

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(euro million)

	Note	Dec. 31, 2007		Dec. 31, 2008	
		Total amount	<i>of which with related parties</i>	Total amount	<i>of which with related parties</i>
ASSETS					
Current assets					
Cash and cash equivalents	(1)	2,114		1,939	
Other financial assets held for trading or available for sale:	(2)				
- <i>equity instruments</i>		2,476		2,741	
- <i>other securities</i>		433		495	
		2,909		3,236	
Trade and other receivables	(3)	20,676	1,616	22,222	1,539
Inventories	(4)	5,499		6,082	
Current tax assets	(5)	703		170	
Other current tax assets	(6)	833		1,130	
Other current assets	(7)	1,080		2,349	59
Total current assets		33,814		37,128	
Non-current assets					
Property, plant and equipment	(8)	46,919		55,833	
Other assets	(9)	563			
Inventory - compulsory stock	(10)	2,171		1,196	
Intangible assets	(11)	7,551		11,037	
Equity-accounted investments	(12)	5,639		5,471	
Other investments	(12)	472		410	
Other financial assets	(13)	923	87	1,134	356
Deferred tax assets	(14)	1,915		2,912	
Other non-current receivables	(15)	1,110	16	1,401	21
Total non-current assets		67,263		79,394	
Assets classified as held for sale	(26)	383		68	
TOTAL ASSETS		101,460		116,590	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(16)	7,763	131	6,359	153
Current portion of long-term debt	(21)	737		549	
Trade and other payables	(17)	17,116	1,021	20,515	1,253
Income taxes payable	(18)	1,688		1,949	
Other taxes payable	(19)	1,383		1,660	
Other current liabilities	(20)	1,556	4	4,319	4
Total current liabilities		30,243		35,351	
Non-current liabilities					
Long-term debt	(21)	11,330	16	13,929	9
Provisions for contingencies	(22)	8,486		9,573	
Provisions for employee benefits	(23)	935		947	
Deferred tax liabilities	(24)	5,471		5,742	
Other non-current liabilities	(25)	2,031	57	2,538	53
Total non-current liabilities		28,253		32,729	

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Liabilities directly associated with the assets classified as held for sale	(26)	97	
TOTAL LIABILITIES		58,593	68,080
SHAREHOLDERS EQUITY	(27)		
Minority interest		2,439	4,074
Eni shareholders equity			
Share capital		4,005	4,005
Reserves		34,610	40,722
Treasury shares		(5,999)	(6,757)
Interim dividend		(2,199)	(2,359)
Net profit		10,011	8,825
Total Eni shareholders equity		40,428	44,436
TOTAL SHAREHOLDERS EQUITY		42,867	48,510
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		101,460	116,590

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Table of Contents**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

(euro million except as otherwise stated)

	Note	2006		2007		2008	
		Total amount	<i>of which with related parties</i>	Total amount	<i>of which with related parties</i>	Total amount	<i>of which with related parties</i>
REVENUES							
Net sales from operations	(30)	86,105	3,974	87,256	4,198	108,148	5,048
Other income and revenues		783		827		720	39
Total revenues		86,888		88,083		108,868	
OPERATING EXPENSES							
Purchases, services and other	(31)	57,490	2,720	58,179	3,777	76,408	6,298
- <i>of which non-recurring charge</i>		239		91		(21)	
Payroll and related costs		3,650		3,800		4,004	
- <i>of which non-recurring income</i>				(83)			
Depreciation, depletion, amortization and impairments		6,421		7,236		9,815	
OPERATING PROFIT		19,327		18,868		18,641	
FINANCE INCOME (EXPENSE)							
Finance income	(32)	3,749	58	4,445	49	7,985	42
Finance expense		(3,971)	(18)	(4,554)	(20)	(8,198)	(17)
Derivative financial instruments		383		26	10	(551)	58
		161		(83)		(764)	
INCOME FROM INVESTMENTS							
Share of profit (loss) of equity-accounted investments	(33)	795		773		640	
Other gain (loss) from investments		108		470		733	
		903		1,243		1,373	
PROFIT BEFORE INCOME TAXES							
Income taxes	(34)	(10,568)		(9,219)		(9,692)	
Net profit		9,823		10,809		9,558	
Attributable to							
Eni		9,217		10,011		8,825	
Minority interest	(27)	606		798		733	
		9,823		10,809		9,558	
Earnings per share attributable to Eni (euro per share)							
Basic	(35)	2.49		2.73		2.43	
Diluted		2.49		2.73		2.43	

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY
(euro million)

	Eni shareholders equity											
	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Minority interest	Total shareholders equity
Balance at December 31, 2005	4,005	959	5,345	5,351	941	(4,216)	17,381	(1,686)	8,788	36,868	2,349	39,217
Net profit for the year									9,217	9,217	606	9,823
Gains (losses) recognized directly in equity												
Change in the fair value of available-for-sale securities					(13)					(13)		(13)
Change in the fair value of cash flow hedge derivatives					(15)					(15)		(15)
Foreign currency translation differences					(1,266)					(1,266)	(29)	(1,295)
					(28)	(1,266)				(1,294)	(29)	(1,323)
Total recognized income and (expense) for the year					(28)	(1,266)			9,217	7,923	577	8,500
Transactions with shareholders												
Dividend distribution of Eni SpA (euro 0.65 per share) in settlement of 2005 interim dividend of euro 0.45 per share								1,686	(4,086)	(2,400)		(2,400)
Dividend distribution of Eni SpA (euro 0.60 per share)								(2,210)		(2,210)		(2,210)
Dividend distribution of other companies											(222)	(222)
Payments by minority shareholders											22	22
Allocation of 2005 net profit							4,702		(4,702)			
Authorization of shares repurchase			2,000				(2,000)					
Shares repurchased							(1,241)			(1,241)		(1,241)
Treasury shares sold under incentive plans for Eni managers			(85)	54		85	21			75		75
Difference between the carrying amount and strike price of stock options exercised by Eni managers							7			7		7
			1,915	54		(1,156)	2,730	(524)	(8,788)	(5,769)	(200)	(5,969)
Other changes in shareholders equity												
Sale to Saipem Projects SpA of Snamprogetti SpA				247						247	(247)	(306)
Net effect related to the purchase of treasury shares by Saipem SpA											(306)	(306)

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and Snam Rete Gas SpA												
Purchase and sale to third parties of consolidated subsidiaries										(5)	(5)	
Cost related to stock options						14			14			14
Reclassification of reserves of Eni SpA	2	(5,224)		(2)	5,224							
Foreign currency translation differences on the distribution of dividends and other changes				(73)	(181)			(254)	2	(252)		
	2	(4,977)		(73)	(2)	5,057			7	(556)	(549)	
Balance at December 31, 2006	4,005	959	7,262	400	(398)	(5,374)	25,168	(2,210)	9,217	39,029	2,170	41,199

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY *continued*
(euro million)

Eni shareholders equity

	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Minority interest	Total shareholders equity
Balance at December 31, 2006	4,005	959	7,262	400	(398)	(5,374)	25,168	(2,210)	9,217	39,029	2,170	41,199
Net profit for the year									10,011	10,011	798	10,809
Gains (losses) recognized directly in equity												
Change in the fair value of available-for-sale securities				(4)						(4)		(4)
Change in the fair value of cash flow hedge derivatives				(1,370)						(1,370)		(1,370)
Foreign currency translation differences				25	(1,954)					(1,929)	(51)	(1,980)
				(1,349)	(1,954)					(3,303)	(51)	(3,354)
Total recognized income and (expense) for the year				(1,349)	(1,954)				10,011	6,708	747	7,455
Transactions with shareholders												
Dividend distribution of Eni SpA (euro 0.65 per share) in settlement of 2006 interim dividend of euro 0.60 per share								2,210	(4,594)	(2,384)		(2,384)
Interim dividend distribution of Eni SpA (euro 0.60 per share)								(2,199)		(2,199)		(2,199)
Dividend distribution of other companies											(289)	(289)
Payments by minority shareholders											1	1
Allocation of 2006 net profit							4,623		(4,623)			
Shares repurchased						(680)				(680)		(680)
Treasury shares sold under incentive plans for Eni managers			(55)	35		55	11			46		46
Difference between the carrying amount and strike price of stock options exercised by Eni managers							9			9		9
			(55)	35		(625)	4,643	11	(9,217)	(5,208)	(288)	(5,496)
Other changes in shareholders equity												
Net effect related to the purchase of treasury shares by Saipem SpA and Snam Rete Gas SpA											(201)	(201)
Cost related to stock option and stock grant					119		18			18	11	18
							(238)			(119)		(108)

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Foreign currency
translation differences on
the distribution of
dividends and other
changes

					119	(220)		(101)	(190)	(291)		
Balance at December 31, 2007	4,005	959	7,207	(914)	(2,233)	(5,999)	29,591	(2,199)	10,011	40,428	2,439	42,867

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Table of Contents**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY***continued*
(euro million)

	Eni shareholders equity											
	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Minority interest	Total shareholders equity
Balance at December 31, 2007	4,005	959	7,207	(914)	(2,233)	(5,999)	29,591	(2,199)	10,011	40,428	2,439	42,867
Net profit for the year									8,825	8,825	733	9,558
Gains (losses) recognized directly in equity												
Change in the fair value of available-for-sale securities (Note 27)				2						2		2
Change in the fair value of cash flow hedge derivatives (Note 27)				1,255						1,255	(52)	1,203
Foreign currency translation differences					1,066					1,066	11	1,077
				1,257	1,066					2,323	(41)	2,282
Total recognized income and (expense) for the year				1,257	1,066				8,825	11,148	692	11,840
Transactions with shareholders												
Dividend distribution of Eni SpA (euro 0.70 per share) in settlement of 2007 interim dividend of euro 0.60 per share								2,199	(4,750)	(2,551)		(2,551)
Interim dividend distribution of Eni SpA (euro 0.65 per share)								(2,359)		(2,359)		(2,359)
Dividend distribution of other companies											(297)	(297)
Payments by minority shareholders											20	20
Allocation of 2007 net profit							5,261		(5,261)			
Shares repurchased						(778)				(778)		(778)
Treasury shares sold under incentive plans for Eni managers			(20)	13		20	(1)				12	12
Difference between the carrying amount and strike price of stock options exercised by Eni managers							2			2		2
			(20)	13		(758)	5,262	(160)	(10,011)	(5,674)	(277)	(5,951)
Other changes in shareholders equity												
Net effect related to the purchase of treasury shares by Saipem SpA											(31)	(31)
Cost related to stock option and stock grant							18			18		18
Put option granted to Publigaz (the Distrigas minority shareholder)				(1,495)						(1,495)		(1,495)

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Minority interest recognized following the acquisition of Distrigas NV and Hindustan Oil Exploration Co Ltd										1,261	1,261	
Foreign currency translation differences on the distribution of dividends and other changes				(1)	198		(186)			11	(10)	1
				(1,496)	198		(168)			(1,466)	1,220	(246)
Balance at December 31, 2008 (Note 27)	4,005	959	7,187	(1,140)	(969)	(6,757)	34,685	(2,359)	8,825	44,436	4,074	48,510

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CONSOLIDATED STATEMENT OF CASH FLOWS
(euro million)

	Note	2006	2007	2008
Net profit of the year		9,823	10,809	9,558
Depreciation, depletion and amortization	(31)	6,153	7,029	8,422
Revaluations, net		(386)	(494)	2,560
Net change in provisions for contingencies		(86)	(122)	414
Net change in the provisions for employee benefits		72	(67)	(8)
Gain on disposal of assets, net		(59)	(309)	(219)
Dividend income	(33)	(98)	(170)	(510)
Interest income		(387)	(603)	(592)
Interest expense		346	523	809
Exchange differences		6	(119)	(319)
Income taxes	(34)	10,568	9,219	9,692
Cash generated from operating profit before changes in working capital		25,952	25,696	29,807
(Increase) decrease:				
- inventories		(953)	(1,117)	(801)
- trade and other receivables		(1,952)	(655)	(974)
- other assets		(315)	(362)	162
- trade and other payables		2,146	360	2,318
- other liabilities		50	107	1,507
Cash from operations		24,928	24,029	32,019
Dividends received		848	658	1,150
Interest received		395	333	266
Interest paid		(294)	(555)	(852)
Income taxes paid, net of tax receivables received		(8,876)	(8,948)	(10,782)
Net cash provided from operating activities		17,001	15,517	21,801
- of which with related parties	(37)	2,206	549	(62)
Investing activities:				
- tangible assets	(8)	(5,963)	(8,364)	(12,082)
- intangible assets	(11)	(1,870)	(2,229)	(2,480)
- consolidated subsidiaries and businesses		(46)	(4,759)	(3,634)
- investments	(12)	(42)	(4,890)	(385)
- securities		(49)	(76)	(152)
- financing receivables		(516)	(1,646)	(710)
- change in payables and receivables in relation to capital expenditures and capitalized depreciation		(26)	185	367
Cash flow from investments		(8,512)	(21,779)	(19,076)
Disposals:				
- tangible assets		231	165	318
- intangible assets		18	35	2
- consolidated subsidiaries and businesses		8	56	149
- investments		36	403	510
- securities		382	491	145
- financing receivables		794	545	1,293
- change in payables and receivables in relation to disposals		(8)	(13)	(299)
Cash flow from disposals		1,461	1,682	2,118

Net cash used in investing activities (*)		(7,051)	(20,097)	(16,958)
- of which with related parties	(37)	(686)	(822)	(1,598)

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CONSOLIDATED STATEMENT OF CASH FLOWS *continued*
(euro million)

	Note	2006	2007	2008
Proceeds from long-term debt		2,888	6,589	3,774
Repayments of long-term debt		(2,621)	(2,295)	(2,104)
Increase (decrease) in short-term debt		(949)	4,467	(690)
		(682)	8,761	980
Net capital contributions by minority shareholders		22	1	20
Net acquisition of treasury shares different from Eni SpA		(477)	(340)	(50)
Acquisition of additional interests in consolidated subsidiaries		(7)	(16)	
Sale of additional interests in consolidated subsidiaries		35		
Dividends paid to Eni's shareholders		(4,610)	(4,583)	(4,910)
Dividends paid to minority interest		(222)	(289)	(297)
Net purchase of treasury shares		(1,156)	(625)	(768)
Net cash used in financing activities		(7,097)	2,909	(5,025)
- of which with related parties	(37)	(57)	20	14
Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)		(4)	(40)	(1)
Effect of exchange rate changes on cash and cash equivalents		(197)	(160)	8
Net cash flow for the period		2,652	(1,871)	(175)
Cash and cash equivalents - beginning of year	(1)	1,333	3,985	2,114
Cash and cash equivalents - end of year	(1)	3,985	2,114	1,939

(*) Net cash used in investing activities included investments in certain financial assets to absorb temporary surpluses of cash or as part of our ordinary management of financing activities. Due to their nature and the circumstance that they are very liquid, these financial assets are netted against finance debt in determining net borrowings. For the definition of net borrowings, see "Item 5 Operating and Financial Review and Prospects".
Cash flows of such investments were as follows:

(euro million)	2006	2007	2008
Financing investments:			
- securities	(44)	(75)	(74)
- financing receivables	(134)	(970)	(99)
	(178)	(1,045)	(173)
Disposal of financing investments:			
- securities	340	419	145
- financing receivables	54	147	939
	394	566	1,084
Net cash flows from financing activities	216	(479)	216

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(euro million)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Effect of investment of companies included in consolidation and businesses			
Current assets	68	398	1,938
Non-current assets	130	5,590	7,442
Net borrowings	53	1	1,543
Current and non-current liabilities	(92)	(972)	(3,598)
Net effect of investments	159	5,017	7,325
Minority interests			(1,261)
Fair value of investments held before the acquisition of control		(13)	(601)
Sale of unconsolidated entities controlled by Eni	(60)		
Purchase price	99	5,004	5,463
less:			
<i>Cash and cash equivalents</i>	(53)	(245)	(1,829)
Cash flow on investments	46	4,759	3,634
Effect of disposal of consolidated subsidiaries and businesses			
Current assets	9	73	277
Non-current assets	1	20	299
Net borrowings	(1)	26	(118)
Current and non-current liabilities	(4)	(94)	(270)
Net effect of disposals	5	25	188
Gain on disposal	3	33	25
Minority interest			(1)
Selling price	8	58	212
less:			
<i>Cash and cash equivalents</i>		(2)	(63)
Cash flow on disposals	8	56	149

Transactions that did not produce cash flows

Acquisition of equity investments in exchange of businesses contribution:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Current assets	23		
Non-current assets	213	38	
Net borrowings	(44)	(4)	
Long-term and short-term liabilities	(53)		
Net effect of contribution	139	34	
Minority interest	(36)		
Gain on contribution	18		
Acquisition of investments	121	34	

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Basis of presentation

The Consolidated Financial Statements of Eni Group for the Annual Report on Form 20-F have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Oil and natural gas exploration and production activity is accounted for in conformity with internationally accepted accounting principles. Specifically, this concerns the determination of the amortization expenses using the unit-of-production method and the recognition of the production-sharing agreements and buy-back contracts. The Consolidated Financial Statements have been prepared on a historical cost basis except for certain items that under IFRS must be recognized at fair value as described in the summary of significant accounting policies paragraph.

The Consolidated Financial Statements include the accounts of Eni SpA and the accounts of controlled subsidiary companies where the company holds the right to directly or indirectly exercise control, determine financial and management decisions and obtain economic and financial benefits.

Immaterial subsidiaries are not consolidated. A subsidiary is generally considered to be immaterial when it does not exceed two of the following three limits: (i) total assets or liabilities: euro 3,125 thousand; (ii) total revenues: euro 6,250 thousand; and (iii) average number of employees: 50 units. Moreover, companies for which consolidation does not produce significant economic and financial effects are not consolidated. These are usually entities acting as sole-operator in the management of oil and gas contracts on behalf of companies participating in a joint venture. These are financed proportionately based on a budget approved by the participating companies upon presentation of periodical reports of proceeds and expenses. Costs and revenues and other operating data (production, reserves, etc.) of the project, as well as the obligations arising from the project, are recognized proportionally in the financial statements of the companies involved. The effects of these exclusions are immaterial¹.

Immaterial subsidiaries excluded from consolidation, jointly controlled entities, associates and other interests are accounted for as described below under the item "Financial fixed assets".

Subsidiaries' financial statements are audited by the independent auditors who examine and certify also the information required for the preparation of the Consolidated Financial Statements.

The 2008 Consolidated Financial Statements approved by Eni's Board of Directors on March 13, 2009 were audited by the independent auditor PricewaterhouseCoopers SpA (PwC). The independent auditor of Eni SpA, as the main auditor of the Group, is in charge of the auditing activities of the subsidiaries, unless this is incompatible with local laws, and, to the extent allowed under Italian legislation, of the work of other independent auditors.

Amounts in the notes to these financial statements are expressed in millions of euros (euro million).

Principles of consolidation

Interest in consolidated companies

Assets and liabilities, revenues and expenses related to fully consolidated subsidiaries are wholly incorporated in the Consolidated Financial Statements; the book value of interests in these subsidiaries is eliminated against the corresponding share of the shareholders' equity by attributing to each of the balance sheet items its fair value at the acquisition date.

When acquired, the net equity of controlled subsidiaries is initially recognized at fair value. The excess of the purchase price of an acquired entity over the total fair value assigned to assets acquired and liabilities assumed is recognized as goodwill; negative goodwill is recognized in the profit and loss account.

Equity and net profit of minority shareholders are included in specific lines of the financial statements; this share of equity is determined using the fair value of assets and liabilities, excluding any related goodwill, at the time when control is acquired.

The purchase of additional ownership interests in subsidiaries from minority shareholders is recognized as goodwill and represents the excess of the amount paid over the carrying value of the minority interest acquired.

Gains or losses associated with the sale of interests in consolidated subsidiaries are reflected in the profit and loss account for the difference between proceeds from the sale and the divested portion of net equity.

(1) According to the requirements of the Framework of international accounting standards, information is material if its omission or misstatement could influence the economic decisions that users make on the basis of the financial statements.

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Inter-company transactions

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are not eliminated since they are considered an impairment indicator of the asset transferred.

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are translated into the presentation currency using closing exchange rates for assets and liabilities, historical exchange rates for equity accounts and average rates for the period for the profit and loss account (source: Bank of Italy).

Cumulative exchange differences resulting from this translation are recognized in shareholders' equity under "Other reserves" in proportion to the group's interest and under "Minority interest" for the portion related to minority shareholders. Cumulative exchange differences are charged to the profit and loss account when the investments are sold or the capital employed is repaid.

Financial statements of foreign subsidiaries which are translated into euro are denominated in the functional currencies of the countries where the entities operate. The U.S. dollar is the prevalent functional currency for the entities that do not adopt euro.

Summary of significant accounting policies

The most significant accounting policies used in the preparation of the Consolidated Financial Statements are described below.

Current assets

Held for trading financial assets and available-for-sale financial assets are measured at fair value with gains or losses recognized in the profit and loss account under "Financial income (expense)" and as a component of equity within "Other reserves", respectively.

In the latter case, changes in fair value recognized under shareholders' equity are charged to the profit and loss account when they are impaired or realized. The objective evidence that an impairment loss has occurred is verified considering, inter alia, significant breaches of contracts, serious financial difficulties or the high probability of insolvency of the counterparty; asset write downs are included in the carrying amount².

Available-for-sale financial assets include financial assets other than derivative financial instruments, loans and receivables, held for trading financial assets, held-to-maturity financial assets and investments associated with a derivative financial instrument. The latter are stated at fair value with effects of changes in fair value recognized in the profit and loss account rather than in shareholders' equity (the so-called "fair value option") in order to ensure a match with the recognition in the profit and loss account of the changes in fair value of the derivative instrument³.

The fair value of financial instruments is determined by market quotations or, in their absence, by the value resulting from the adoption of suitable financial valuation models which take into account all the factors adopted by market operators and prices obtained in similar recent transactions in the market. Interests and dividends on financial assets stated at fair value with gains or losses reflected in the profit and loss account are accounted for on an accrual basis as "Financial income (expense)" and "Income (expense) from investments", respectively. When the purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned, the transaction is accounted for on the settlement date.

Receivables are carried at amortized cost (see item "Financial fixed assets" below). Transferred financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets are transferred together with the risks and rewards of the ownership.

Inventories, including compulsory stocks and excluding contract work in progress, are stated at the lower of purchase or production cost and net realizable value. Net realizable value is the estimated selling price less the costs to sell. The cost for inventories of hydrocarbons (crude oil, condensates and natural gas) and petroleum products is

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- (2) Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" and to IFRS 7 "Financial Instruments: Disclosures" that permit, with certain criteria met, an entity to reclassify held for trading and available-for-sale financial assets into financial instruments valued at cost or at amortized cost have not produced any effect for Eni.
 - (3) Regarding the investment in OAO Gazprom Neft see Note 2 - Other financial assets held for trading or available for sale.

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determined by applying the weighted-average cost method on a three-month basis; the cost for inventories of the Petrochemical segment is determined by applying the weighted-average cost on an annual basis.

Contract work in progress is measured using the cost-to-cost method whereby contract revenue is recognized based on the stage of completion as determined by the cost sustained. Advances are deducted from inventories within the limits of contractual considerations; any excess of such advances over the value of the inventories is recorded as a liability. Losses related to construction contracts are accrued for once the company becomes aware of such losses. Contract work in progress not yet invoiced, whose payment will be made in a foreign currency, is translated to euro using the current exchange rates at year end and the effect of rate changes is reflected in the profit and loss account.

Hedging instruments are described in the section "Derivative instruments".

Non-current assets

Property, plant and equipment⁴

Tangible assets, including investment properties, are recognized using the cost model and stated at their purchase or self-construction cost including any costs directly attributable to bringing the asset into operation. In addition, when a substantial period of time is required to make the asset ready for use, the purchase price or self-construction cost includes the borrowing costs incurred that could have otherwise been saved had the investment not been made. In the case of a present obligation for the dismantling and removal of assets and the restoration of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be borne at the moment the asset is retired. Changes in estimate of the carrying amounts of provisions due to the passage of time and changes in discount rates are recognized under "Provisions for contingencies"⁵.

Property, plant and equipment is not revalued for financial reporting purposes.

Assets carried under financial leasing or concerning arrangements that do not take the legal form of a finance lease but substantially transfer all the risks and rewards of ownership of the leased asset are recognized at fair value, net of taxes due from the lessor or, if lower, at the present value of the minimum lease payments. Leased assets are included within property, plant and equipment. A corresponding financial debt payable to the lessor is recognized as a financial liability. These assets are depreciated using the criteria described below. When the renewal is not reasonably certain, leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

Expenditures on renewals, improvements and transformations which provide additional economic benefits are capitalized to property, plant and equipment.

Tangible assets, from the moment they begin or should begin to be used, are depreciated systematically using a straight-line method over their useful life which is an estimate of the period over which the assets will be used by the company. When tangible assets are composed of more than one significant element with different useful lives, each component is depreciated separately. The amount to be depreciated is represented by the book value reduced by the estimated net realizable value at the end of the useful life, if it is significant and can be reasonably determined. Land is not depreciated, even when purchased with a building. Tangible assets held for sale are not depreciated but are valued at the lower of book value and fair value less costs of disposal.

Assets that can be used free of charge by third parties are depreciated over the shorter term of the duration of the concession and the useful life of the asset.

Replacement costs of identifiable components in complex assets are capitalized and depreciated over their useful life; the residual book value of the component that has been substituted is charged to the profit and loss account.

Expenditures for ordinary maintenance and repairs are expensed as incurred.

The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the carrying amounts for those assets may not be recoverable. The recoverability of an asset is assessed by comparing its carrying value with the recoverable amount represented by the higher of fair value less costs to sell

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- (4) Recognition and evaluation criteria of exploration and production activities are described in the section "Exploration and production activities" below.
 - (5) The company recognizes material provisions for the retirement of assets in the Exploration & Production business. No significant asset retirement obligations associated with any legal obligations to retire refining, marketing and transportation (downstream) and chemical long-lived assets are generally recognized, as undetermined settlement dates for asset retirements do not allow a reasonable estimate of the fair value of the associated retirement obligation. The company performs periodic reviews of its downstream and chemical long-lived assets for any changes in facts and circumstances that might require recognition of a retirement obligation.

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and value in use. If there is no binding sales agreement, fair value is estimated on the basis of market values, recent transactions, or the best available information that shows the proceeds that the company could reasonably expect to collect from the disposal of the asset. Value in use is the present value of the future cash flows expected to be derived from the use of the asset and, if significant and reasonably determinable, the cash flows deriving from its disposal at the end of its useful life, net of disposal costs. Cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. Oil, natural gas and petroleum products prices (and to prices for products which derive therefrom) used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years and management's long-term planning assumptions thereafter. Discounting is carried out at a rate that reflects a current market valuation of the time value of money and of those specific risks of the asset that are not reflected in the estimate of the future cash flows. In particular, the discount rate used is the Weighted Average Cost of Capital (WACC) adjusted for the specific country risk of the activity.

The evaluation of the specific country risk to be included in the discount rate is provided by external parties. WACC differs considering the risk associated with individual operating segments; in particular for the assets belonging to the Gas & Power and Engineering & Construction segments, taking into account the different risk compared with Eni, specific WACC rates have been defined (for Gas & Power segment on the basis of a sample of companies operating in the same segment; for Engineering & Construction segment on the basis of the market quotation); WACC used for impairments in the Gas & Power segment is adjusted to take into consideration the risk premium of the specific country of the activity while WACC used for impairments in the Engineering & Construction segment is not adjusted for country risk as most of the company assets are not located in a specific country. For the regulated activities, the discount rate to use for the measurement of value in use is equal to the rate of return defined by the Regulator. For the other segments, a single WACC is used considering that the risk is the same to that of Eni as a whole. Value in use is calculated net of the tax effect as this method results in values similar to those resulting from discounting pre-tax cash flows at a pre-tax discount rate deriving, through an iteration process, from a post-tax valuation. Valuation is carried out for each single asset or, if the realizable value of a single asset cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, the so-called "cash generating unit". When the reasons for their impairment cease to exist, Eni makes a reversal that is recognized in profit and loss account as income from asset revaluation. This reversed amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Intangible assets

Intangible assets are assets without physical substance, controlled by the company and able to produce future economic benefits, and goodwill acquired in business combinations. An asset is classified as intangible when management is able to distinguish it clearly from goodwill. This condition is normally met when: (i) the intangible asset arises from contractual or legal rights, or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged, either individually or as an integral part of other assets. An entity controls an asset if it has the power to obtain the future economic benefits generated by the underlying asset and to restrict the access of others to those cash flows.

Intangible assets are initially stated at cost as determined by the criteria used for tangible assets and they are not revalued for financial reporting purposes.

Intangible assets with a definite useful life are amortized systematically over their useful life estimated as the period over which the assets will be used by the company; the amount to be amortized and the recoverability of the carrying amount are verified in accordance with the criteria described in the section "Property, plant and equipment".

Goodwill and other intangible assets with an indefinite useful life are not amortized. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment at the level of the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure to which goodwill relates. When the carrying amount of the cash generating unit, including goodwill allocated thereto, exceeds the cash generating unit's recoverable amount, the excess is recognized as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill; any remaining excess to be allocated to the assets of the unit is applied

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pro-rata on the basis of the carrying amount of each asset in the unit. Impairment charges against goodwill are not reversed⁶. Negative goodwill is recognized in the profit and loss account.

Costs of technological development activities are capitalized when: (i) the cost attributable to the development activity can be reasonably determined; (ii) there is the intention, availability of funding and technical capacity to make the asset available for use or sale; and (iii) it can be demonstrated that the asset is able to generate future economic benefits. Intangible assets also include public to private service concession arrangements in which: (i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them and at what price; and (ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement. According to the terms of the agreements the operator has the right to operate the infrastructure, controlled by the grantor, in order to provide the public service^{7 8}.

Exploration and production activities⁹

Acquisition of mineral rights

Costs associated with the acquisition of mineral rights are capitalized in connection with the assets acquired (such as exploratory potential, probable and possible reserves and proved reserves). When the acquisition is related to a set of exploratory potential and reserves, the cost is allocated to the different assets acquired on the basis of the value of the relevant discounted cash flows.

Expenditure for the exploratory potential, represented by the costs for the acquisition of the exploration permits and for the extension of existing permits, is recognized under "Intangible assets" and is amortized on a straight-line basis over the period of the exploration as contractually established. If the exploration is abandoned, the residual expenditure is charged to the profit and loss account.

Acquisition costs for proved reserves and for possible and probable reserves are recognized in the balance sheet as assets.

Costs associated with proved reserves are amortized on a UOP basis, as detailed in the section "Development", considering both developed and undeveloped reserves. Expenditures associated with possible and probable reserves are not amortized until classified as proved reserves; in case of a negative result, the costs are charged to the profit and loss account.

Exploration

Costs associated with exploratory activities for oil and gas producing properties incurred both before and after the acquisition of mineral rights (such as acquisition of seismic data from third parties, test wells and geophysical surveys) are initially capitalized in order to reflect their nature as an investment and subsequently amortized in full when incurred.

Development

Development costs are those costs incurred to obtain access to proved reserves and to provide facilities for extracting, gathering and storing oil and gas. They are capitalized within property, plant and equipment and amortized generally on a UOP basis, as their useful life is closely related to the availability of feasible reserves. This method provides for residual costs at the end of each quarter to be amortized at a rate representing the ratio between the volumes extracted during the quarter and the proved developed reserves existing at the end of the quarter, increased by the volumes extracted during the quarter. This method is applied with reference to the smallest aggregate representing a direct correlation between investments and proved developed reserves.

Costs related to unsuccessful development wells or damaged wells are expensed immediately as losses on disposal. Impairments and reversal of impairments of development costs are made on the same basis as those for tangible assets.

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- (6) Impairment charges recognized in an interim period are not reversed also when, considering conditions existing in a subsequent interim period, they would have been recognized in a smaller amount or would not have been recognized.
 - (7) When the operator has a unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor, considerations received or receivable by the operator for construction or upgrade of the infrastructure are recognized as a financial asset.
 - (8) The accounting policy for service concession arrangement has been defined according to IFRIC 12 "Service concession arrangements" (IFRIC 12); the application of IFRIC 12 has determined for 2007 the reclassification of euro 3,218 million from the line item "Property, plant and equipment" to "Intangible assets"; the effects on profit and loss accounts are not material.
 - (9) IFRS do not establish specific criteria for hydrocarbon exploration and production activities. Eni continues to use existing accounting policies for exploration and evaluation assets previously applied before the introduction of IFRS 6 "Exploration for and evaluation of mineral resources".

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Production

Production costs are those costs incurred to operate and maintain wells and field equipment and are expensed as incurred.

Production-sharing agreements and buy-back contracts

Oil and gas reserves related to production-sharing agreements and buy-back contracts are determined on the basis of contractual clauses related to the repayment of costs incurred for the exploration, development and production activities executed through the use of company's technologies and financing (cost oil) and the company's share of production volumes not destined to cost recovery (profit oil). Revenues from the sale of the production entitlements against both cost oil and profit oil are accounted for on an accrual basis whilst exploration, development and production costs are accounted for according to the policies mentioned above.

The company's share of production volumes and reserves representing the profit oil includes the share of hydrocarbons which corresponds to the taxes to be paid, according to the contractual agreement, by the national government on the behalf of the company. As a consequence, the company has to recognize at the same time an increase in the taxable profit, through the increase of the revenues, and a tax expense.

Retirement

Costs expected to be incurred with respect to the retirement of a well, including costs associated with removal of production facilities, dismantlement and site restoration, are capitalized and amortized on a UOP basis, consistent with the policy described under "Property, plant and equipment".

Grants

Grants related to assets are recorded as a reduction of purchase price or production cost of the related assets when there is reasonable assurance that all the required conditions attached to them, agreed upon with government entities, have been met. Grants not related to capital expenditure are recognized in the profit and loss account.

Financial fixed assets

Investments

Investments in subsidiaries excluded from consolidation, jointly controlled entities and associates are accounted for using the equity method¹⁰. Subsidiaries, joint ventures and associates excluded from consolidation are accounted for at cost, adjusted for impairment losses if this does not result in a misrepresentation of the company's financial condition. When the reasons for their impairment cease to exist, investments accounted for at cost are re-valued within the limit of the impairment made and their effects are included in "Other income (expense) from investments".

Other investments, included in non current assets, are recognized at their fair value and their effects are included in shareholders' equity under "Other reserves"; this reserve is charged to the profit and loss account when it is impaired or realized. When investments are not traded in a public market and fair value cannot be reasonably determined, investments are accounted for at cost, adjusted for impairment losses; impairment losses may not be reversed¹¹.

The risk deriving from losses exceeding shareholders' equity is recognized in a specific provision to the extent the parent company is required to fulfill legal or implicit obligations towards the subsidiary or to cover its losses.

Receivables and financial assets to be held to maturity

Receivables and financial assets to be held to maturity are stated at cost represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees of agents or consultants, etc.). The initial carrying value is then adjusted to take into account capital repayments, devaluations and amortization of the difference between the reimbursement value and the initial carrying value. Amortization is carried

out on the basis of the effective internal rate of return represented by the rate that equalizes, at the moment of the initial revaluation, the current value of expected cash flows to the initial carrying value (so-called amortized cost method). Any impairment is recognized by comparing the carrying value with the present value of the expected cash flows discounted at the effective interest rate defined at the initial recognition, or at the

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- (10) In the case of step acquisition of a significant influence (or joint control), the investment is recognized at the acquisition date of significant influence (joint control) at the amount deriving from the use of the equity method assuming the adoption of this method since initial acquisition; the "step-up" of the carrying amount of interests owned before the acquisition of significant influence (joint control) is taken to equity.
 - (11) Impairment charges recognised in an interim period are not reversed also when, considering conditions existing in a subsequent interim period, they would have been recognized in a smaller amount or would not have been recognized.

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moment of its updating to reflect re-pricings contractually established. Receivables and financial assets to be held to maturity are recognized net of the allowance for impairment losses; when the impairment loss is definite the excess allowance for impairment losses is reversed. Changes to the carrying amount of receivables or financial assets in accordance with the amortized cost method are recognized as "Financial income (expense)".

Financial liabilities

Debt is carried at amortized cost (see item "Financial fixed assets" above).

Provisions for contingencies

Provisions for contingencies are liabilities for risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the timing or amount of future expenditure is uncertain. Provisions are recognized when: (i) there is a current obligation (legal or constructive) as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time. If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expenditures expected to be required to settle the obligation at a discount rate that reflects the company's average borrowing rate taking into account the risks associated with the obligation. The increase in the provision due to the passage of time is recognized as "Financial income (expense)".

When the liability regards a tangible asset (e.g. site restoration and abandonment), the provision is stated with a corresponding entry to the asset to which it refers; charges to the profit and loss account charge are made with the amortization process.

Costs that the company expects to bear in order to carry out restructuring plans are recognized when the company formally defines the plan and the interested parties have developed the reasonable expectation that the restructuring will happen.

Provisions are periodically updated to show the variations of estimates of costs, production times and actuarial rates; the estimated revisions to the provisions are recognized in the same profit and loss account item that had previously held the provision, or, when the liability regards tangible assets (i.e. site restoration and abandonment) with a corresponding entry to the assets to which they refer.

In the notes to the consolidated financial statements the following potential liabilities are described: (i) possible, but not probable obligations deriving from past events, whose existence will be confirmed only when one or more future events beyond the company's control occur; and (ii) current obligations deriving from past events whose amount cannot be reasonably estimated or whose fulfillment will probably not result in an outflow of resources embodying economic benefits.

Employee benefits

Post-employment benefit plans, including constructive obligations, are classified as either defined contribution plans or defined benefit plans depending on the economic substance of the plan as derived from its principal terms and conditions. In the first case, the company's obligation, which consists of making payments to the State or a trust or a fund, is determined on the basis of contributions due.

The liabilities related to defined benefit plans, net of any plan assets, are determined on the basis of actuarial assumptions and charged on an accrual basis during the employment period required to obtain the benefits.

The actuarial gains and losses of defined benefit plans are recognized pro-rata on service, in the profit and loss account using the corridor method, if and to the extent that net cumulative actuarial gains and losses unrecognized at the end of the previous reporting period exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of the plan assets, over the expected average remaining working lives of the employees participating to the plan.

Such actuarial gains and losses derive from changes in the actuarial assumptions used or from a change in the conditions of the plan.

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Obligations for long-term benefits are determined by adopting actuarial assumptions; the effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Treasury shares

Treasury shares are recorded at cost and as a reduction of equity. Gains resulting from subsequent sales are recorded in equity.

Revenues and costs

Revenues associated with sales of products and services are recorded when significant risks and rewards of ownership pass to the customer or when the transaction can be considered settled and associated revenue can be reliably measured. In particular, revenues are recognized for the sale of:

- crude oil, generally upon shipment;
- natural gas, upon delivery to the customer;
- petroleum products sold to retail distribution networks, generally upon delivery to the service stations, whereas all other sales are generally recognized upon shipment;
- chemical products and other products, generally upon shipment.

Revenues are recognized upon shipment when, at that date, significant risks are transferred to the buyer. Revenues from crude oil and natural gas production from properties in which Eni has an interest together with other producers are recognized on the basis of Eni's net working interest in those properties (entitlement method). Differences between Eni's net working interest volume and actual production volumes are recognized at current prices at year end.

Income related to partially rendered services is recognized in the measurement of accrued income if the stage of completion can be reliably determined and there is no significant uncertainty as to the collectability of the amount and the related costs. When the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Revenues accrued in the year related to construction contracts are recognized on the basis of contractual revenues with reference to the stage of completion of a contract measured on the cost-to-cost basis¹².

Requests of additional revenues, deriving from a change in the scope of work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the related amount; claims deriving from additional costs incurred for reasons attributable to the client are included in the total amount of revenues when it is probable that the counterparty will accept them.

Revenues are stated net of returns, discounts, rebates, bonuses and direct taxation. The exchange of goods and services of a similar nature and value do not give rise to revenues and costs as they do not represent sale transactions.

Costs are recorded when the related goods and services are sold, consumed or allocated, or when their future benefits cannot be determined. Costs associated with emission quotas, determined on the basis of the average prices of the main European markets at period end, are reported in relation to the amount of the carbon dioxide emissions that exceed the amount assigned; related revenues are recognized upon sale. Costs related to the purchase of the emission rights are taken to intangible assets net of any negative difference between the amount of emissions and the quotas assigned.

Operating lease payments are recognized in the profit and loss account over the length of the contract.

Labor costs include stock grants and stock options granted to managers, consistent with their actual remunerative nature. The instruments granted are recorded at fair value on the vesting date and are not subject to subsequent adjustments; the current portion is calculated pro-rata over the vesting period¹³. Fair value of stock options is determined using valuation techniques which consider conditions related to the exercise of options, current share prices, expected volatility and the risk-free interest rate. The fair value of the stock grants and stock options is recorded as a charge to "Other reserves".

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- (12) For service concession arrangements in which customers fees do not provide a distinction compensation for construction/update of the infrastructure and compensation for operating it and in the absence of external benchmarks which could be used to determine the respective fair value of these two items, revenues recognised during the construction phase are limited to the amount of the costs incurred.
- (13) For stock grants, the period between the date of the award and the date of assignation of stock; for stock options, the period between the date of the award and the date at which the option can be exercised.

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The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs borne for other scientific research activities or technological development, which cannot be capitalized, are included in the profit and loss account.

Exchange rate differences

Revenues and costs associated with transactions in currencies other than the functional currency are translated into the functional currency by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in currencies other than the functional currency are converted by applying the year end exchange rate and the effect is stated in the profit and loss account. Non-monetary assets and liabilities denominated in currencies other than the functional currency valued at cost are translated at the initial exchange rate; non-monetary assets that are re-measured to fair value, recoverable amount or realizable value are translated at the exchange rate applicable at the date of re-measurement.

Dividends

Dividends are recognized at the date of the general Shareholders Meeting in which they were declared, except when the sale of shares before the ex-dividend date is certain.

Income taxes

Current income taxes are determined on the basis of estimated taxable income. The estimated liability is included in "Income tax payables". Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using tax laws that have been enacted or substantively enacted at the balance sheet date and the tax rates estimated on an annual basis. Deferred tax assets or liabilities are provided on temporary differences arising between the carrying amounts of the assets and liabilities and their tax bases, based on tax rates (tax laws) that have been enacted or substantively enacted for future years. Deferred tax assets are recognized when their realization is considered probable. Deferred tax assets and liabilities are included in non-current assets and liabilities and are offset at a single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognized in the item "Deferred tax assets"; if negative, in the item "Deferred tax liabilities". When the results of transactions are recognized directly in shareholders equity, current taxes, deferred tax assets and liabilities are also charged to the shareholders equity.

Derivatives

Derivatives, including embedded derivatives which are separated from the host contract, are assets and liabilities recognized at their fair value which is estimated by using the criteria described in the section "Current assets". When there is objective evidence that an impairment loss has occurred (see "Current assets" paragraph) derivatives are recognized net of the allowance for impairment losses.

Derivatives are classified as hedging instruments when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge is high and is checked periodically. When hedging instruments cover the risk of variation of the fair value of the hedged item (fair value hedge, e.g. hedging of the variability of the fair value of fixed interest rate assets/liabilities) the derivatives are stated at fair value and the effects charged to the profit and loss account. Hedged items are consistently adjusted to reflect the variability of fair value associated with the hedged risk. When derivatives hedge the cash flow variation risk of the hedged item (cash flow hedge, e.g. hedging the variability on the cash flows of assets/liabilities as a result of the fluctuations of exchange rate), changes in the fair value of the derivatives considered effective are initially stated in equity and then recognized in the profit and loss account consistent with the economic effects produced by the hedged transaction. The changes in the fair value of derivatives that do not meet the conditions required to qualify for hedge accounting are shown in the

profit and loss account.

Economic effects of transactions, which relate to purchase or sales contracts for commodities entered into to meet the entity's normal operating requirements and for which the settlement is provided with the delivery of the goods, are recognized on an accrual basis (the so-called normal sale and normal purchase exemption or own use exemption).

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Financial statements

Assets and liabilities of the balance sheet are classified as current and non-current. Items of the profit and loss account are presented by nature¹⁴.

The statement of changes in shareholders' equity includes profit and loss for the year, transactions with shareholders and other changes in shareholders' equity.

The statement of cash flows is presented using the indirect method, whereby net profit is adjusted for the effects of non-cash transactions.

Use of accounting estimates

The company's Consolidated Financial Statements are prepared in accordance with IFRS. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities.

Estimates made are based on complex or subjective judgments and past experience of other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgments and estimates to be used in the preparation of the Consolidated Financial Statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved reserves, impairment of fixed assets, intangible assets and goodwill, asset retirement obligations, business combinations, pensions and other post-retirement benefits, recognition of environmental liabilities and recognition of revenues in the oilfield services construction and engineering businesses. Although the company uses its best estimates and judgments, actual results could differ from the estimates and assumptions used. A summary of significant estimates follows.

Oil and gas activities

Engineering estimates of the Company's oil and gas reserves are inherently uncertain. Proved reserves are the estimated volumes of crude oil, natural gas and gas condensates, liquids and associated substances which geological and engineering data demonstrate can be produced with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Although there are authoritative guidelines regarding the engineering criteria that must 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.

Field reserves will only be categorized as proved when all the criteria for attribution of proved status have been met. At this stage, all booked reserves will be classified as proved undeveloped. Volumes will subsequently be reclassified from proved undeveloped to proved developed as a consequence of development activity. The first proved developed bookings will occur at the point of first oil or gas production. Major development projects typically take one to four years from the time of initial booking to the start of production. Eni reassesses its estimate of proved reserves periodically. The estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revision may be made to the initial booking of reserves due to production, reservoir performance, commercial factors, acquisition and divestment activity and additional reservoir development activity. In particular, changes in oil and natural gas prices could impact the amount of Eni's proved reserves as regards the initial estimate and, in the case of Production-sharing agreements and buy-back contracts, the share of production and reserves to which Eni is entitled. Accordingly, the estimated reserves could be materially different from the quantities of oil and natural gas that ultimately will be recovered.

Oil and natural gas reserves have a direct impact on certain amounts reported in the Consolidated Financial Statements. Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense.

Depreciation rates on oil and gas assets using the UOP basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter.

Assuming all other variables are held constant, an increase in estimated proved developed reserves for each field decreases depreciation, depletion and amortization expense. Conversely, a decrease in estimated proved

(14) Further information on financial instruments as classified in accordance with IFRS is provided in Note 29 - Guarantees, commitments and risks "Other information about financial instruments".

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developed reserves increases depreciation, depletion and amortization expense. In addition, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is to be carried out. The larger the volume of estimated reserves, the lower the likelihood of asset impairment.

Impairment of assets

Eni assesses its tangible assets and intangible assets, including goodwill, for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable.

Such indicators include changes in the Group's business plans, changes in commodity prices leading to unprofitable performance, a reduced utilization of the plants and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities or significant increase of the estimated development costs. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products.

The amount of an impairment loss is determined by comparing the book value of an asset with its recoverable amount. The recoverable amount is the greater of fair value net of disposal costs and value in use. The estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment reviews are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate related to the activity involved.

For oil and natural gas properties, the expected future cash flows are estimated principally based on developed and non-developed proved reserves including, among other elements, production taxes and the costs to be incurred for the reserves yet to be developed. The estimated future level of production is based on assumptions concerning: future commodity prices, lifting and development costs, field decline rates, market demand and supply, economic regulatory climates and other factors.

Oil, natural gas and petroleum products prices used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years and management's long-term planning assumptions thereafter. The estimate of the future amount of production is based on assumptions related to the commodity future prices, lifting and development costs, market demand and to other factors. The discount rate reflects the current market valuation of the time value of money and of the specific risks of the asset not reflected in the estimate of the future cash flows.

Goodwill and other intangible assets with an indefinite useful life are not subject to amortization. The company tests such assets at the cash-generating unit level for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. In particular, goodwill impairment is based on the determination of the fair value of each cash-generating unit to which goodwill can be attributed on a reasonable and consistent basis. A cash generating unit is the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure. If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is less than the amount of impairment, assets of the cash generating unit are impaired on a pro-rata basis for the residual difference.

Asset retirement obligations

Obligations to remove tangible equipment and restore land or seabed require significant estimates in calculating the

amount of the obligation and determining the amount required to be recorded presently in the consolidated financial statements. Estimating future asset retirement obligations is complex. It requires management to make estimates and judgments with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal. In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the countries where Eni operates, as do political, environmental, safety and public expectations. The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the fair value of a liability for an asset retirement obligation in the period when it is incurred (typically, at the time the asset is installed at the production location). When liabilities are initially recorded, the related fixed assets are increased by an equal corresponding amount. The liabilities are increased with the passage of time (i.e. interest

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accretion) and any change in the estimates following the modification of future cash flows and discount rate adopted. The recognized asset retirement obligations are based on future retirement cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the risk-free rate of interest adjusted for the Company's credit costs.

Business combinations

Accounting for business combinations requires the allocation of the purchase price to the various assets and liabilities of the acquired business at their respective fair values. Any positive residual difference is recognized as "Goodwill". Negative residual differences are credited to the profit and loss account. Management uses all available information to make these fair value determinations and, for major business acquisitions, typically engages an independent appraisal firm to assist in the fair value determination of the acquired assets and liabilities.

Environmental liabilities

Together with other companies in the industries in which it operates, Eni is subject to numerous EU, national, regional and local environmental laws and regulations concerning its oil and gas operations, production and other activities. They include legislation that implements international conventions or protocols. Environmental costs are recognized when it becomes probable that a liability has been incurred and the amount can be reasonably estimated.

Management, considering the actions already taken, insurance policies to cover environmental risks and provision for risks accrued, does not expect any material adverse effect on Eni's consolidated results of operations and financial position as a result of such laws and regulations. However, there can be no assurance that there will not be a material adverse impact on Eni's consolidated results of operations and financial position due to: (i) the possibility of an unknown contamination; (ii) the results of the ongoing surveys and other possible effects of statements required by Decree No. 471/1999 of the Ministry of Environment concerning the remediation of contaminated sites; (iii) the possible effects of future environmental legislations and rules; (iv) the effects of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining Eni's liability, if any, as against other potentially responsible parties with respect to such litigations and the possible insurance recoveries.

Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, medical cost trends, estimated retirement dates and mortality rates. The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows: (i) discount and inflation rates reflect the rates at which benefits could be effectively settled, taking into account the duration of the obligation. Indicators used in selecting the discount rate include rates of annuity contracts and rates of return on high quality fixed-income investments. The inflation rates reflect market conditions observed country by country; (ii) the future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and promotion; (iii) healthcare cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends including healthcare inflation, changes in healthcare utilization and changes in health status of the participants; (iv) demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for individual employees involved, based principally on available actuarial data; and (v) determination of the expected rates of return on assets is made through compound averaging. For each plan, the distribution of investments among bonds, equities and cash and their specific average expected rate of return is taken into account. Differences between expected and actual costs and between the expected return and the actual return on plan assets routinely occur and are called actuarial gains and losses. Eni applies the corridor method to amortize its actuarial losses and gains. This method amortizes on a pro-rata basis the net cumulative unrecognized actuarial gains and losses at the end of the previous

reporting period that exceed 10% of the greater of: (i) the present value of the defined benefit obligation; and (ii) the fair value of plan assets, over the average expected remaining working lives of the employees participating in the plan.

Additionally, obligations for other long-term benefits are determined by adopting actuarial assumptions. The effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

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Contingencies

In addition to accruing the estimated costs for environmental liabilities, asset retirement obligation and employee benefits, Eni accrues for all contingencies that are both probable and estimable. These other contingencies are primarily related to litigation and tax issues. Determining appropriate amounts for accrual is a complex estimation process that includes subjective judgments.

Revenue recognition in the Engineering & Construction segment

Revenue recognition in the Engineering & Construction segment is based on the stage of completion of a contract as measured on the cost-to-cost basis applied to contractual revenues. Use of the stage of completion method requires estimates of future gross profit on a contract by contract basis. The future gross profit represents the profit remaining after deducting costs attributable to the contract from revenues provided for in the contract. The estimate of future gross profit is based on a complex estimation process that includes identification of risks related to the geographical region, market conditions in that region and any assessment that is necessary to estimate with sufficient precision the total future costs as well as the expected timetable. Requests of additional income, deriving from a change in the scope of work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the related amount. Claims deriving from additional costs incurred for reasons attributable to the client are included in the total amount of revenues when it is probable that the counterparty will accept them.

Recent accounting principles

Accounting standards and interpretations issued by IASB /IFRIC

IFRS 8 "Operating Segments" replaced IAS 14 "Segment Reporting". IFRS 8 sets out requirements for disclosure of information about the group segments that management uses to make decisions about operating matters. The identification of operating segments is based on internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess their performances. IFRS 8 comes into effect starting on January 1, 2009.

The revised IAS 1 "Presentation of Financial Statements" requires, among other things, a statement of comprehensive income that begins with the amount of net profit for the year adjusted with all items of income and expenses directly recognized in equity, but excluded from net income, in accordance with IFRS. The revised standard comes into effect starting on January 1, 2009.

The revised IAS 23 "Borrowing Costs" requires the removal of the option of immediately recognizing as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that take a substantial period of time to get ready for use or sale. The company is required to capitalize such borrowing costs as part of the cost of the asset. The revised standard comes into effect starting on January 1, 2009.

The revised IFRS 2 "Share-based payment" specifies the accounting treatment of all cancellations of a grant of equity instruments to employees. It also imposes that vesting conditions are only service and performance conditions required in return for the equity instruments issued. The revised standard comes into effect starting on January 1, 2009.

IFRIC 13 "Customer Loyalty Programmes" addresses how companies, which grant their customers loyalty, award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the credits. In particular IFRIC 13 requires companies to allocate some of the consideration received from the sales transaction to the award credits and their recognition at fair value. This

interpretation came into effect for annual periods beginning on or after July 1, 2008 (for Eni: 2009 financial statements).

Amendments to IAS 1 "Presentation of Financial Statements" and to IAS 32 "Financial Instruments: Presentation" define the conditions that the puttable instruments issued by companies have to meet in order to be classified as equity. Moreover it allowed the classification as equity of instruments issued by the company that impose on the company an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. The amendments to IAS 1 and IAS 32 come into effect starting on January 1, 2009.

"Improvements to IFRS", defined in the context of the annual process of "Improvements to IFRS" regards only changes to the existing standards with a technical and editorial nature. The provisions come into effect starting on January 1, 2009.

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On January 10, 2008, IASB issued a revised IFRS 3 "Business Combinations" and an amended version of IAS 27 "Consolidated and Separate Financial Statements". The revisions to IFRS 3 require, among other things, (i) the acquisition-related costs to be accounted for separately from the business combination and then recognized as expenses rather than included in goodwill, (ii) the recognition in the income statement of any change to contingent consideration, and (iii) the choice of the full goodwill method which means to treat the full value of the goodwill of the business combination including the share attributable to minority interest. In the case of step acquisitions, the revisions also relate to the recognition in the profit and loss account of the difference between the fair value at the acquisition date of the net assets previously held and their carrying amounts.

The amendments of IAS 27 require, among other things, that acquisitions or disposals of non-controlling interests in a subsidiary that do not result in the loss of control, shall be accounted for as equity transactions. By contrast, disposal of any interests that the parent retains in a former subsidiary may result in a loss of control. In this case, at the date when control is lost the remaining investment retained is increased/decreased to fair value with gains or losses arising from the difference between the fair value and carrying amount of the held investment recognized in the profit or loss account. The revised Standards shall be applied for annual periods beginning on or after July 1, 2009 (for Eni: 2010 financial statements).

On July 3, 2008, IFRIC issued IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" which defines the criteria for recognition and evaluation of hedges of a net investment in a foreign operation. In particular the interpretation defines, among other things, that the object of the hedge is the exchange differences between the functional currency of the foreign operation and the parent's functional currency and that the hedge instrument can be held by any Group company with the exception of the hedged foreign operation. This interpretation shall be applied for annual periods beginning on or after October 1, 2008 (for Eni: 2009 financial statements).

On November 27, 2008, IFRIC issued IFRIC 17 "Distributions of Non-cash Assets to Owner" which defines the criteria of recognition and evaluation of the distributions of assets other than cash when it pays dividends to its owner. It also applies in those situations in which an entity gives its owner a choice of receiving either non-cash assets or a cash alternative. In particular, an entity shall measure a liability to distribute non-cash assets as dividends to its owners at the fair value of the assets to be distributed. The liability, with any adjustments, is recognized as a contra to equity. When the entity settles the dividend payable, the difference, if any, between the carrying amount of the assets distributed and the fair value of the dividend payable is taken to profit or loss. This interpretation shall be applied for annual periods beginning on or after July 1, 2009 (for Eni: 2010 financial statements).

On January 29, 2008, IFRIC issued IFRIC 18 "Transfers of Assets from customers" which defines the criteria of recognition and evaluation of transfers of items of property, plant and equipment by service providers that receive such transfers from their customers. The interpretation is also applied in the cases in which the entity receives cash from a customer that must be used only to connect the customer to a network. When the definition of an asset is met, the asset is recognized at its fair value. When the connection is realized, the entity shall recognize the revenue for a period generally determined by the terms of the arrangement with the customer or, if the arrangement does not specify a term, over a period corresponding to the lower of the length of the supply and the useful life of the asset used to provide the ongoing service. This interpretation shall be applied for annual periods beginning on or after July 1, 2009 (for Eni: 2010 financial statements).

Eni is currently reviewing these new IFRS and interpretations to determine the likely impact on the Group's results.

Table of Contents**Notes to the Consolidated Financial Statements****Current assets****1 Cash and cash equivalents**

Cash and cash equivalents of euro 1,939 million (euro 2,114 million at December 31, 2007) included financing receivables originally due within 90 days for euro 616 million (euro 415 million at December 31, 2007). The latter were related to amounts on deposit with financial institutions accessible only on a 48-hour notice.

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale are set out below:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Investments	2,476	2,741
Securities held for operating purposes		
Listed Italian treasury bonds	229	257
Listed securities issued by Italian and foreign financial institutions	27	45
Non-quoted securities	3	8
	259	310
Securities held for non-operating purposes		
Listed Italian treasury bonds	168	109
Listed securities issued by Italian and foreign financial institutions	5	67
Non-quoted securities	1	9
	174	185
Total other securities	433	495
	2,909	3,236

Equity instruments of euro 2,741 million (U.S. \$3,815 million at December 31, 2008 exchange rate) comprised the carrying amount of a 20% interest in OAO Gazprom Neft acquired on April 4, 2007 following finalization of a bid within the Yukos liquidation procedure. This entity is currently listed at the London Stock Exchange where approximately 5% of the share capital is traded, while Gazprom currently holds a 75% stake. This accounting classification reflects the circumstance that Eni granted to Gazprom a call option on the entire 20% interest to be exercisable by Gazprom within 24 months from the acquisition date, at a price of U.S. \$3.7 billion equaling the bid price, adjusted by subtracting dividends distributed and adding possible share capital increases, a contractual remuneration of 9.4% on the capital employed and related financing expenses.

The existing shareholder agreements establish that the governance of the investee will be modified to allow Eni to exercise significant influence through participation in the financial and operating policy decisions of the investee in the case that Gazprom does not exercise its call option. The carrying amount of the interest equals the strike price of the call option as of December 31, 2008. Eni decided not to adjust the carrying amount of the interest to the market prices at the balance sheet date resulting in U.S. \$1,961 million for the following reasons: (i) if Gazprom decides to exercise the call option, the strike price will be equal to the current carrying amount; (ii) if Gazprom decides not to exercise the call option, Eni will be granted significant influence in the decision-making process of the investee and consequently will be in a position to account for the investee in accordance with the equity method of accounting provided by IAS 28 for interests in associates. Under the equity method, Eni is required to allocate the purchase price

to the corresponding interest in net equity and the residual amount to fair values of the investee's assets and liabilities. Subsequently, the carrying amount is adjusted to reflect Eni's share of losses and profits of the investee. Based on available information and the outcome of an impairment test performed also with the support of an independent consultant, the equity method assessment would result in an amount not lower than the current carrying amount of the interest.

Other securities of euro 495 million (euro 433 million at December 31, 2007) were available-for-sale securities. At December 31, 2007 and December 31, 2008, Eni did not own financial assets held for trading.

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The effects of the valuation at fair value of securities are set out below:

(euro million)	Value at Dec. 31, 2007	Changes recognized in the reserves of shareholders' equity	Value at Dec. 31, 2008
Fair value	2	3	5
Deferred tax liabilities		(1)	(1)
Other reserves of shareholders' equity	2	2	4

Securities held for operating purposes of euro 310 million (euro 259 million at December 31, 2007) were designed to provide coverage of technical reserves of Group's insurance company Eni Insurance Ltd for euro 302 million (euro 256 million at December 31, 2007).

The fair value of securities was determined by reference to quoted market prices.

3 Trade and other receivables

Trade and other receivables were as follows:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Trade receivables	15,609	16,444
Financing receivables:		
- for operating purposes - short-term	357	402
- for operating purposes - current portion of long-term receivables	27	85
- for non-operating purposes	990	337
	1,374	824
Other receivables:		
- from disposals	125	149
- other	3,568	4,805
	3,693	4,954
	20,676	22,222

Receivables are stated net of the allowance for impairment losses of euro 1,251 million (euro 935 million at December 31, 2007):

(euro million)	Value at Dec. 31, 2007	Additions	Deductions	Other changes	Value at Dec. 31, 2008
Trade receivables	595	251	(36)	(63)	747
Financing receivables		14		5	19
Other receivables	340	137	(26)	34	485
	935	402	(62)	(24)	1,251

The increase in trade receivables of euro 835 million was primarily related to the Gas & Power segment (euro 1,987 million), the Engineering & Construction segment (euro 513 million). These increases were partially offset by the

decrease related to the Refining & Marketing segment (euro 1,036 million), Petrochemicals (euro 459 million) and Exploration & Production segment (euro 115 million).

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Trade and other receivables were as follows:

(euro million)

	Dec. 31, 2008		
	Trade receivables	Other receivables	Total
Neither impaired nor past due	12,611	3,395	16,006
Impaired (net of the valuation allowance)	1,242	88	1,330
Not impaired and past due in the following periods:			
- within 90 days	1,812	502	2,314
- 3 to 6 months	231	68	299
- 6 to 12 months	248	294	542
- over 12 months	300	607	907
	2,591	1,471	4,062
	16,444	4,954	21,398

Trade receivables not impaired and past due primarily referred to high-credit-quality public administrations and other highly-reliable counterparties for oil, natural gas and chemical products supplies.

Allowances for impairment losses of traded receivables of euro 251 million (euro 98 million in 2007) primarily referred to Refining & Marketing segment (euro 72 million), Gas & Power segment (euro 65 million), Petrochemicals (euro 60 million) and Syndial SpA (euro 27 million). In comparison with 2007 the amount of the allowance is more than double as a consequence of the larger number of clients in financial difficulties after the worsening of general economic conditions over the last part of the year.

Allowances for impairment losses of other receivables of euro 137 million (euro 109 million in 2007) primarily referred to the Exploration & Production segment (euro 135 million) due primarily to impairment of certain receivables associated with cost recovery with respect to local state-owned co-venturers based on underlying petroleum agreements and modifications of the Company's interest in certain joint ventures.

Trade receivables included guarantees for work in progress for euro 213 million (euro 156 million at December 2007).

Other receivables for euro 227 million associated with cost recovery in the Exploration & Production segment are currently undergoing arbitration procedure. No impairment loss has been recognized as the Company and the third party are in the process of defining a transaction on amicable terms.

Receivables for financing operating activities of euro 487 million (euro 384 million at December 31, 2007) included euro 399 million due from not consolidated subsidiaries, joint ventures and associates (euro 246 million at December 31, 2007) and euro 47 million cash deposit to provide coverage of Eni Insurance Ltd technical reserves (euro 112 million at December 31, 2007). Receivables for financing non-operating activities amounted to euro 337 million (euro 990 million at December 31, 2007) of which euro 173 million related to the current portion of a restricted deposit held by Eni Lasmo Plc as a guarantee of a debenture and euro 88 million related to deposit of Eni Insurance Ltd. The decrease of euro 653 million related for euro 898 million to the discharge of a collateral cash deposit made by Eni SpA to guarantee certain cash flow hedging derivatives.

Other receivables were as follows:

(euro million)

Dec. 31, 2007 **Dec. 31, 2008**

Accounts receivable from:		
- joint venture operators in exploration and production	1,699	2,242
- Italian government entities	386	378
- insurance companies	253	146
	2,338	2,766
Prepayments for services	194	857
Receivables relating to factoring operations	182	171
Other receivables	979	1,160
	3,693	4,954

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Receivables deriving from factoring operations of euro 171 million (euro 182 million at December 31, 2007) were related to Serfactoring SpA and consisted primarily of advances for factoring operations with recourse and receivables for factoring operations without recourse.

Receivables with related parties are described in Note 37 - Transactions with related parties.

Because of the short-term maturity of trade receivables, the fair value approximated their carrying amount.

4 Inventories

Inventories were as follows:

(euro million)	Dec. 31, 2007					Dec. 31, 2008				
	Crude oil, gas and petroleum products	Chemical products	Work in progress	Other	Total	Crude oil, gas and petroleum products	Chemical products	Work in progress	Other	Total
Raw and auxiliary materials and consumables	861	299		809	1,969	466	263		1,155	1,884
Products being processed and semi finished products	74	27		15	116	48	17		3	68
Work in progress			553		553			953		953
Finished products and goods	1,962	703		17	2,682	2,528	557		92	3,177
Advances			179		179					
	2,897	1,029	732	841	5,499	3,042	837	953	1,250	6,082

Inventories increased by euro 583 million primarily due to: (i) an increase in the trade value of the inventories in the Gas & Power segment reflecting favorable trends in the gas price formulas (euro 661 million); and (ii) inclusion in consolidation of Distrigas NV (euro 322 million). Those increases were partially offset by a decrease of euro 718 million in the trade value of crude oil and petroleum products inventories in the Refining & Marketing segment primarily due to the impact of falling oil and petroleum product prices resulting in the recognition of a provision to write inventories down to their net realizable value at the year end.

Contract work in progress for euro 953 million (euro 553 million at December 31, 2007) are net of prepayments for euro 274 million (euro 577 million at December 31, 2007) within the limits of contractual considerations.

Inventories are stated net of the valuation allowance of euro 697 million (euro 75 million at December 31, 2007):

(euro million)	Value at Dec. 31, 2007	Additions	Deductions	Other changes	Value at Dec. 31, 2008
	75	628	(5)	(1)	697

The additions of euro 628 million (euro 9 million in 2007) primarily related to the Refining & Marketing segment (euro 402 million) and to Petrochemicals (euro 215 million) as a consequence of the alignment of the inventories to their net realizable values at the closing date.

Table of Contents**5 Current tax assets**

Current tax assets were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Italian subsidiaries	634	53
Foreign subsidiaries	69	117
	703	170

The euro 533 million decrease in the current income tax assets primarily referred to Eni SpA which has used the tax receivables to offset the tax payables for 2008 year (euro 554 million).

6 Other current tax assets

Other current tax assets were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
VAT	376	623
Excise and customs duties	316	167
Other taxes and duties	141	340
	833	1,130

7 Other current assets

Other current assets were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Fair value of non-hedging derivatives	629	1,608
Fair value of cash flow hedge derivatives	10	474
Other assets	441	267
	1,080	2,349

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The fair value of derivative contracts which do not meet the criteria to be classified as hedges under IFRS was as follows:

(euro million)	Dec. 31, 2007			Dec. 31, 2008		
	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Non-hedging derivatives on exchange rate						
Interest currency swap	170	821	291	141	403	200
Currency swap	69	1,596	2,881	202	2,654	1,712
Other	3	18	11	314	111	1,202
	242	2,435	3,183	657	3,168	3,114
Non-hedging derivatives on interest rate						
Interest rate swap	91	248	3,466	29	217	703
Other					4	
	91	248	3,466	29	221	703
Non-hedging derivatives on commodities						
Over the counter	12	75	22	864	1,270	2,709
Other	284	2	1,218	58	65	53
	296	77	1,240	922	1,335	2,762
	629	2,760	7,889	1,608	4,724	6,579

Fair value of the derivative contracts is determined using market quotations provided by the primary info-provider, or in the absence of market information, appropriate valuation methods used in the marketplace.

The increase in the fair value of the non-hedging derivatives of euro 979 million referred to the fair value of the derivatives deriving from the consolidation of Distrigas NV after the acquisition of control by the Gas & Power segment (euro 637 million).

Fair value of the cash flow hedges of euro 474 million referred to Distrigas NV (euro 293 million) and to Exploration & Production segment (euro 181 million). The Distrigas NV derivatives were designated to hedge surpluses or deficits of gas to achieve a proper balance in the gas portfolio and sales/purchases of amounts of gas and oil products at fixed price. Fair value related to the Exploration & Production segment referred to the fair value of the future sale agreements of the proved oil reserves with a deadline by 2009. Those derivatives were entered into to hedge exposure to variability in future cash flows deriving from the sale in the 2008-2011 period of approximately 2% of Eni's proved reserves as of December 31, 2006 corresponding to 125.7 mmBBL, decreasing to 79.7 mmBOE as of the end of December 2008 due to transactions settled in the year. These hedging transactions were undertaken in connection with acquisitions of oil and gas assets in the Gulf of Mexico and Congo that were executed in 2007.

Fair value of contracts expiring by 2009 is given in Note 20 - Other current liabilities; fair value of contracts expiring beyond 2009 is given in Note 15 - Other non-current receivables and in Note 25 - Other non-current liabilities. The effects of the evaluation at fair value of cash flow hedge derivatives are given in the Note 27 - Shareholders' equity and in the Note 32 - Finance income (expense).

The nominal value of cash flow hedge derivatives referred to purchase and sale commitments for euro 1,069 million and euro 3,130 million. Information on the hedged risks and the hedging policies is given in Note 29 - Guarantees, commitments and risks.

Other assets amounted to euro 267 million (euro 441 million at December 31, 2007) and included prepayments and accrued income for euro 63 million (euro 297 million at December 31, 2007), rentals for euro 31 million (euro 21 million at December 31, 2007), and insurance premiums for euro 11 million (euro 10 million at December 31, 2007).

Table of Contents**Non-current assets****8 Property, plant and equipment**

Analysis of tangible assets is set out below:

(euro million)	Net value at the beginning of the year	Investments	Depreciation	Impairments	Change in the scope of consolidation	Currency translation differences	Other changes	Net value at the end of the year	Gross value at the end of the year	Provisions for amortization and impairments
Dec. 31, 2007										
Land	442	4			28		123	597	627	30
Buildings	1,406	74	(98)	(3)	115	(3)	(152)	1,339	3,123	1,784
Plant and machinery	32,494	1,774	(4,642)	(37)	31	(1,530)	4,885	32,975	78,030	45,055
Industrial and commercial equipment	230	163	(112)		40	(8)	38	351	1,434	1,083
Other assets	328	86	(83)	(3)	1	(11)	23	341	1,361	1,020
Tangible assets in progress and advances	6,229	6,263		(97)	235	(648)	(666)	11,316	11,969	653
	41,129	8,364	(4,935)	(140)	450	(2,200)	4,251	46,919	96,544	49,625
Dec. 31, 2008										
Land	597	8			(7)		27	625	655	30
Buildings	1,339	101	(105)	(29)	(122)	7	(341)	850	3,055	2,205
Plant and machinery	32,975	3,486	(5,648)	(652)	1,299	123	4,535	36,118	86,714	50,596
Industrial and commercial equipment	351	180	(158)	(3)		1	230	601	1,722	1,121
Other assets	341	124	(83)	(6)	(13)	5	9	377	1,563	1,186
Tangible assets in progress and advances	11,316	8,183		(653)	2,344	414	(4,342)	17,262	18,481	1,219
	46,919	12,082	(5,994)	(1,343)	3,501	550	118	55,833	112,190	56,357

Capital expenditures of euro 12,082 million (euro 8,364 million at December 31, 2007) primarily related to the Exploration & Production segment (euro 7,611 million), the Engineering & Construction segment (euro 2,015 million), the Gas & Power segment (euro 1,318 million) and the Refining & Marketing segment (euro 941 million). Capital expenditures included capitalized finance expenses of euro 236 million (euro 180 million at December 31, 2007) essentially related to the Exploration & Production segment (euro 109 million), the Refining & Marketing segment (euro 44 million) and the Gas & Power segment (euro 42 million). The interest rate used for the capitalization of finance expense ranged from 3.5% to 5.1% (4.4% and 5.2% at December 31, 2007).

The depreciation rates used were as follows:

(%)	
	Buildings 2 - 10
	Plant and machinery 2 - 10
	Industrial and commercial equipment 4 - 33
	Other assets 6 - 33

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The break-down by segment of impairments amounting to euro 1,343 million (euro 140 at December 31, 2007) and the associated tax effect is provided below:

(euro million)	2007	2008
Impairment		
Exploration & Production	86	765
Refining & Marketing	52	292
Petrochemicals		279
Other segments	2	7
	140	1,343
Fiscal effect		
Exploration & Production	30	213
Refining & Marketing	19	108
Petrochemicals		88
Other segments		2
	49	411
Impairment net of the relevant fiscal effect		
Exploration & Production	56	552
Refining & Marketing	33	184
Petrochemicals		191
Other segments	2	5
	91	932

In assessing whether impairment is required, the carrying value of the asset is compared with its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Given the nature of Eni's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers are taking place. Consequently the recoverable amount used in assessing the impairment charges described below is value in use. Value in use is calculated by discounting the estimated cash flows determined on the basis of the best information available at the moment of the assessment deriving from: (i) the Company's four-year plan approved by the top management which provides information on expected oil and gas production, sales volumes, capital expenditures, operating costs and margins and industrial and marketing set-up, as well as trends in the main monetary variables, including inflation, nominal interest rates and exchange rates. For the subsequent years beyond the plan horizon, a real growth rate ranging from 0% to 2% has been used; (ii) the commodity prices have been assessed based on the forward prices prevailing in the market place as of the balance sheet date for the first four years of the cash flow projections and the long-term price assumptions adopted by the Company's management for strategic planning purposes for the following years (see "Basis of presentation").

Post-tax cash flows are discounted at the rate which corresponds for the Exploration & Production, Refining & Marketing and Petrochemicals segments to the Company's weighted average cost of capital, adjusted to consider the risks specific to each country of activity. The post-tax WACC used for impairment purposes has ranged from 8.5% to 12.5%. Post-tax cash flows and discount rates have been adopted as they result in an assessment that is substantially equal to a pre-tax assessment.

In the Exploration & Production segment the main impairments were associated to proved and unproved properties in Turkmenistan, Iran and Gulf of Mexico as a consequence of changes in the regulatory and contractual framework, cost increases, as well as a changed pricing environment.

In the Refining & Marketing segment the main impairments referred to: (i) refining plants due to a worsening pricing environment and specific plant factors (low complexity and high fixed operating costs); and (ii) the motorway retail network of service stations due to a worsening pricing environment, lower forecast volumes, increased motorway royalties and the commitments with the grantor to execute certain capital expenditures that bear no return.

In Petrochemicals the main impairments referred to: (i) aromatic plants of the Sicilian industrial base and of Porto Marghera due to lower expected profitability associated with a worsening margin environment; (ii) styrene plants of Mantova due to the structural drop of the demand by the users of polystyrene; and (iii) polyethylene plants of the Sicilian industrial base due to the low competitiveness of the product, to the drop of the demand and the competitive pressure.

Changes in the consolidation area of euro 3,501 million (euro 450 million at December 31, 2007) referred to the acquisition of control by the Exploration & Production segment of Burren Energy Plc (euro 2,543 million), First

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Petroleums Ltd (euro 757 million), Hindustan Oil Exploration Co (euro 199 million) and Eni Hewett Ltd (euro 118 million), the acquisition of control by the Gas & Power segment of Distrigas NV (euro 30 million) and the sale by Refining & Marketing of Agip España SA (euro 146 million). More information on acquisitions is included in the Note 28 - Other information.

Foreign currency translation differences of euro 550 million were primarily related to translation of entities accounts denominated in U.S. dollar (euro 1,374 million). This effect was partially offset by translation of entities accounts denominated in Norwegian kroner (euro 433 million) and British pounds (euro 308 million).

Other changes in the net book value of tangible assets (euro 118 million) referred to the initial recognition and change in the estimated amount of the costs for the dismantling and restoration of sites referring to the Exploration & Production segment (euro 620 million). This effect was partially offset by asset disposals for euro 318 million, of which euro 248 million related to oil and gas assets of the Exploration & Production segment.

The accumulated impairments amounted to euro 3,328 million and euro 4,692 million at December 31, 2007 and 2008, respectively.

At December 31, 2008, Eni pledged property, plant and equipment for euro 27 million primarily as collateral against certain borrowings (euro 52 million at December 31, 2007).

Government grants recorded as a decrease of property, plant and equipment amounted to euro 651 million (euro 682 million at December 31, 2007).

Assets acquired under financial lease agreements amounted to euro 163 million, of which euro 127 million related to a drilling platform by the Engineering & Construction segment, euro 25 million related to FPSO ships used by the Exploration & Production segment to support oil production and treatment activities and euro 11 million related to service stations in the Refining & Marketing segment.

Contractual commitments related to the purchase of property, plant and equipment are included in Note 29 - Guarantees, commitments and risks - Liquidity risk.

Property, plant and equipment under concession arrangements are described in Note 29 - Guarantees, commitments and risks - Assets under concession arrangements.

Table of Contents**Property, plant and equipment by segment**

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Property, plant and equipment, gross		
Exploration & Production	54,284	66,023
Gas & Power	17,438	18,944
Refining & Marketing	12,421	12,899
Petrochemicals	4,918	5,036
Engineering & Construction	5,823	7,702
Other activities	1,543	1,550
Corporate and financial companies	344	391
Elimination of intra-group profits	(227)	(355)
	96,544	112,190
Accumulated depreciation, amortization and impairment losses		
Exploration & Production	27,806	32,811
Gas & Power	6,179	6,863
Refining & Marketing	7,926	8,403
Petrochemicals	3,819	4,124
Engineering & Construction	2,310	2,548
Other activities	1,461	1,467
Corporate and financial companies	148	179
Elimination of intra-group profits	(24)	(38)
	49,625	56,357
Property, plant and equipment, net		
Exploration & Production	26,478	33,212
Gas & Power	11,259	12,081
Refining & Marketing	4,495	4,496
Petrochemicals	1,099	912
Engineering & Construction	3,513	5,154
Other activities	82	83
Corporate and financial companies	196	212
Elimination of intra-group profits	(203)	(317)
	46,919	55,833

9 Other assets

The carrying amount of the expropriated Dación assets (euro 563 million at December 31, 2007) have been reclassified in the item "Other non-current receivables" following the settlement agreement with the Republic of Venezuela. Under the terms of this agreement, Eni will receive cash compensation, a part of which has been already collected in the year, to be paid in seven yearly installments, yielding interest income from the date of the settlement. The net present value of this cash compensation is in line with the book value of assets, net of the related provisions.

10 Inventory - compulsory stock

Inventory - compulsory stock was as follows:

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(euro million)

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Crude oil and petroleum products	2,015	1,040
Natural gas	156	156
	<u>2,171</u>	<u>1,196</u>

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Compulsory stock was primarily held by Italian companies (euro 2,008 million and euro 1,184 million at December 31, 2007 and 2008, respectively) in accordance with minimum stock requirements set forth by applicable laws. The decrease of euro 975 million in crude oil and petroleum products is primarily due to the impairment for alignment of the inventories to the net realizable values recognized at year end (euro 724 million).

11 Intangible assets

Intangible assets were as follows:

(euro million)	Net value at the beginning of the year	Investments	Amortization	Changes in the scope of consolidation	Other changes	Net value at the end of the year	Gross value at the end of the year	Provisions for amortization and writedowns
Dec. 31, 2007								
Intangible assets with finite useful lives								
Exploration expenditures	409	1,682	(1,812)		470	749	1,509	760
Industrial patents and intellectual property rights	112	40	(81)		77	148	1,179	1,031
Concessions, licenses, trademarks and similar items	856	12	(83)	1		786	2,449	1,663
Service concession arrangements	3,183	168	(96)		(37)	3,218	5,699	2,481
Intangible assets in progress and advances	151	312			(86)	377	381	4
Other intangible assets	141	15	(24)	36	(10)	158	572	414
	4,852	2,229	(2,096)	37	414	5,436	11,789	6,353
Intangible assets with indefinite useful lives								
Goodwill	2,084				31	2,115		
	6,936	2,229	(2,096)	37	445	7,551		
Dec. 31, 2008								
Intangible assets with finite useful lives								
Exploration expenditures	749	1,907	(2,097)	326	77	962	2,286	1,324
Industrial patents and intellectual property rights	148	44	(85)		42	149	1,203	1,054
Concessions, licenses, trademarks and similar items	786	17	(93)	(15)	38	733	2,475	1,742
Service concession arrangements	3,218	230	(109)		(17)	3,322	5,837	2,515
Intangible assets in progress and advances	377	264			(61)	580	590	10
Other intangible assets	158	18	(52)	1,600	14	1,738	2,000	262
	5,436	2,480	(2,436)	1,911	93	7,484	14,391	6,907
Intangible assets with indefinite useful lives								
Goodwill	2,115			1,439	(1)	3,553		
	7,551	2,480	(2,436)	3,350	92	11,037		

Exploration expenditures of euro 962 million related to acquisition costs of unproved reserves other than probable and possible resources included in business combinations and the purchase of mineral rights. Main additions in the year included exploration drilling expenditures which were fully amortized as incurred for euro 1,715 million included within "investments" (euro 1,610 million at December 31, 2007).

Concessions, licenses, trademarks and similar items for euro 733 million primarily comprised transmission rights for natural gas imported from Algeria (euro 482 million) and concessions for mineral exploration (euro 189 million).

Service concession arrangements primarily refer to the Italian gas distribution activity (euro 3,111 million and euro 3,205 million at December 31, 2007 and 2008, respectively). Such activity is conducted on the basis of concessions granted by local public entities. At the expiry date of the concession, compensation is paid, defined by using criteria of business appraisal, to the outgoing operator following the sale of its own gas distribution network. Service tariffs for distribution are defined on the basis of a method established by the Authority for Electricity and Gas. Legislative Decree No. 164/2000 provides the grant of distribution service exclusively by tender, with a

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maximum length of 12 years. Government grants recorded as a decrease in service concession arrangements amounted to euro 657 million (euro 513 million at December 31, 2007).

Other intangible assets with finite useful lives of euro 1,738 million primarily referred to: (i) customer relationship and order backlog for euro 1,355 million recognized after the acquisition of control of Distrigas NV. These assets are amortized on the basis of the supply contract with the longest term (19 years) and the residual useful life of the sale contract (4 years); (ii) the development project of the gas storage capacity recognized after the acquisition of control of Eni Hewett Ltd (euro 208 million); (iii) royalties for the use of licenses by Polimeri Europa SpA (euro 72 million); and (iv) estimated costs for Eni's social responsibility projects in relation to oil development programs in Val d'Agri (euro 18 million) following commitments made with the Basilicata Region.

The depreciation rates used were as follows:

(%)	
Exploration expenditures	10 - 33
Industrial patents and intellectual property rights	20 - 33
Concessions, licenses, trademarks and similar items	7 - 33
Service concession arrangements	2 - 20
Other intangible assets	4 - 25

Changes in the consolidation area related to the intangible assets with a finite useful life of euro 1,911 million primarily related to the acquisition of control by the Gas & Power segment on Distrigas NV for euro 1,395 million (customer relationship for euro 1,216 million, order backlog for euro 165 million and software for euro 14 million), unproved reserves other than probable and possible resources recognized after the acquisition of control by the Exploration & Production segment on Burren Energy Plc for euro 326 million and the development project of the gas storage capacity recognized after the acquisition of control of Eni Hewett Ltd (euro 208 million).

Change in the consolidation area related to the intangible assets with an indefinite useful life (goodwill) of euro 1,439 million primarily refers to the acquisition of control by the Gas & Power segment on Distrigas NV (euro 1,245 million), the acquisition of control by the Exploration & Production segment on Burren Energy Plc (euro 89 million), on First Calgary Petroleum Ltd (euro 88 million) and on Eni Hewett (euro 39 million).

The carrying amount of goodwill at the end of the year was euro 3,553 million (euro 2,115 million at December 31, 2007). The break-down by operating segment is as follows:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Exploration & Production	158	266
Gas & Power	1,125	2,399
Refining & Marketing	86	142
Engineering & Construction	746	746
	2,115	3,553

Goodwill acquired through business combinations has been allocated to the cash generating units ("CGUs") that are expected to benefit from the synergies of the acquisition. The recoverable amount of the CGUs is the higher of: (i) fair value less costs to sell if there is an active market or recent transactions for similar assets within the same industry between knowledgeable and willing parties; and (ii) value-in-use determined by discounting the estimated future cash flows determined on the basis of the best pieces of information available at the moment of the assessment deriving from: (a) the Company's four-year plan approved by the top management which provides information on expected oil and gas production, sales volumes, capital expenditures, operating costs and margins and industrial and marketing

set-up, as well as trends in the main monetary variables, including inflation, nominal interest rates and exchange rates. For the subsequent years beyond the plan horizon, a real growth rate ranging from 0% to 2% has been used; (b) the commodity prices have been assessed based on the forward prices prevailing in the market place as of the balance sheet date for the first four years of the cash flow projections and the long-term price assumptions adopted by the Company's top management for strategic planning purposes for the following years (see Basis of presentation).

Value-in-use is determined by discounting post-tax cash flows at the rate which corresponds: (i) for the Exploration & Production and Refining & Marketing and Petrochemicals segments at the Company's weighted average cost of capital (post-tax WACC), adjusted to consider risks specific to each country of activity. WACC used for the impairment purposes has ranged from 8.5% to 12.5%; (ii) for the Gas & Power and Engineering

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& Construction segments at their specific WACC. For the Gas & Power segment it has been estimated on the basis of a sample of companies operating in the same segment, for the Engineering & Construction segment on the basis of market data. WACC used for impairments in the Gas & Power segment has been adjusted to take into consideration risks specific to each country of activity, while WACC used for impairments in the Engineering & Construction segment has not been adjusted as most of the company assets are not permanently located in a specific country. WACC used for impairment has ranged from 7.5% to 9% for the Gas & Power segment and it was 8% for the Engineering & Construction segment; and (iii) for the regulated activities in the Italian natural gas sector, the discount rates have been assumed equal to the rates of return defined by the Italian Authority for Electricity and Gas.

Post-tax cash flows and discount rates have been adopted as they result in an assessment that is substantially equal to a pre-tax assessment.

Goodwill has been allocated to the following CGUs:

Gas & Power

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Domestic gas market	743	743
Foreign gas market	67	1,341
- of which <i>Distrigas NV</i>		1,245
Domestic natural gas transportation network	305	305
Other	10	10
	<u>1,125</u>	<u>2,399</u>

Goodwill allocated to the CGU domestic gas market referred primarily to goodwill recognized following the purchase of minorities in Italgas SpA in 2003 through a public offering (euro 706 million). The key assumptions adopted for assessing the recoverable amount of the CGU which exceeds its carrying amount referred to commercial margins, forecast volumes, the discount rate and the growth rates adopted to determine the terminal value. Information on these drivers has been collected from the four-year-plan approved by the Company's top management while the terminal value has been estimated through the perpetuity method of the last-year-plan. The excess of the recoverable amount of the domestic gas market CGU over its carrying amount including the allocated portion of goodwill (headroom) would be reduced to zero under each of the following hypothesis: (i) a decrease of 20% in the projected commercial margins in each of the four years of the plan; (ii) a decrease of 20% in the expected volumes in each of the four years of the plan; (iii) an increase of 1.7 percentage points in the discount rate; and (iv) a negative real growth rate of 2%.

Goodwill allocated to the *Distrigas* CGU has been recognized following the acquisition of a controlling interest of 57.24% in the Belgian company in October 2008. The allocation is on a preliminary basis. When the price allocation is finalized, goodwill is expected to be allocated to the different CGUs that are expected to benefit from the synergies of the acquisition. At that time, it will be possible to determine any excess of the recoverable amount of the CGUs over their carrying amounts, including any allocated portion of goodwill, and define the hypothesis under which the headroom would be reduced to zero.

Goodwill allocated to the domestic natural gas transportation network CGU referred to the purchase of own shares by Snam Rete Gas SpA and it is equal to the difference between the purchase cost over the carrying amount of the corresponding share of equity. The recoverable amount of the CGU is assessed based on its Regulatory Asset Base (RAB) as recognized by the Italian Authority for Electricity and Gas and it is higher than its carrying amount, including the allocated goodwill. Management believes that no reasonably possible change in the assumptions adopted would cause the headroom of the CGU to be reduced to zero.

Table of Contents**Engineering & Construction**

The segment goodwill of euro 746 million was mainly recognized following the acquisition of Bouygues Offshore SA, now Saipem SA (euro 711 million) and was allocated to the following CGUs:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Offshore constructions	416	416
Onshore constructions	315	314
Other	15	16
	746	746

The key assumptions adopted for assessing the recoverable amount of the CGUs which exceeds the carrying amount referred to operating results, the discount rate and the growth rates adopted to determine the terminal value. Information on these drivers has been collected from the four-year-plan approved by the Company's top management while the terminal value has been estimated by using a perpetual growth rate of 2% applied to an average normalized terminal cash flow.

The following changes in each of the assumptions, all else being equal would cause the headroom of the Offshore construction CGU to be reduced to zero: (i) decrease of 52% of the operating result of the four years of the plan; (ii) increase of 6 percentage points of the discount rate; and (iii) negative real growth rate.

Changes in each of the assumptions, all else being equal that would cause the headroom of the Onshore construction CGU to be reduced to zero are greater than those of the Offshore construction CGU described above. As well, also the headroom for the Offshore and Onshore CGUs calculated by removing the normalization of the terminal cash flows results widely positive.

Other changes in goodwill of euro 1 million referred to impairments of euro 44 million of which euro 38 million primarily referred to Exploration & Production which has impaired the interest in goodwill recognized following the acquisition of Burren Energy Plc (euro 28 million) and of Lasmo Plc (euro 9 million). More information on acquisitions is included in the Note 28 - Other information.

12 Investments**Equity-accounted investments**

Equity-accounted investments were as follows:

(euro million)	<u>Value at the beginning of the year</u>	<u>Acquisition and subscriptions</u>	<u>Share of profit of equity-accounted investments</u>	<u>Share of loss of equity-accounted investments</u>	<u>Deduction for dividends</u>	<u>Currency translation differences</u>	<u>Other changes</u>	<u>Value at the end of the year</u>
Dec. 31, 2007								
Investments in unconsolidated entities controlled by Eni		144	4	10	(2)	(9)	(6)	141
Joint ventures		2,506	1,109	481	(130)	(351)	(132)	3,310
Associates		1,236	813	415	(3)	(220)	(42)	2,188
		3,886	1,926	906	(135)	(580)	(221)	5,639
Dec. 31, 2008								
		141	41	27	(6)	(5)	3	177

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Investments in unconsolidated entities controlled by Eni								
Joint ventures	3,310	47	536	(94)	(444)	(123)	25	3,257
Associates	2,188	289	198	(5)	(266)	35	(402)	2,037
	5,639	377	761	(105)	(715)	(85)	(401)	5,471

Acquisitions and subscriptions for euro 377 million related to the subscription of capital increase for euro 345 million, of which euro 254 million related to Angola LNG Ltd.

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Share of profit of equity-accounted investments and the decrease following the distribution of the dividends referred to the following companies:

(euro million)

	Dec. 31, 2007			Dec. 31, 2008		
	Share of profit of equity-accounted investments	Deduction for dividends	Eni's interest %	Share of profit of equity-accounted investments	Deduction for dividends	Eni's interest %
Unión Fenosa Gas SA	181	173	50.00	200	185	50.00
United Gas Derivatives Co	79	40	33.33	107	127	33.33
EnBW Eni Verwaltungsgesellschaft mbH	64	42	50.00	40	22	50.00
Trans Austria Gasleitung GmbH	43	28	89.00	39	28	89.00
Supermetanol CA	34	36	34.51	39	34	34.51
Galp Energia SGPS SA	255	126	33.34	39	88	33.34
Other investments	250	135		297	231	
	906	580		761	715	

The share of loss of equity-accounted investments of euro 105 million primarily related to Enirepsa Gas Ltd (euro 44 million) and Lipardiz - Construção de Estruturas Maritimas Lda (euro 40 million).

Other changes of euro 401 million are due to the exclusion from the equity-accounted investments and the inclusion in the consolidation area of Burren Energy Plc after the acquisition of control by the Exploration & Production segment (euro 592 million), the disposal of Gaztransport et Technigaz SAS (euro 115 million). These effects were partially offset by the inclusion in the equity-accounted investments of Angola LNG Ltd (euro 175 million).

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The following table sets out the net carrying amount relating to equity-accounted:

(euro million)	Dec. 31, 2007		Dec. 31, 2008	
	Net carrying amount	Eni's interest %	Net carrying amount	Eni's interest %
Investments in unconsolidated entities controlled by Eni:				
- Eni Btc Ltd	42	100.00	62	100.00
- other investments (*)	99		115	
	141		177	
Joint ventures:				
- Artic Russia BV	925	60.00	895	60.00
- Unión Fenosa Gas SA	507	50.00	499	50.00
- Blue Stream Pipeline Co BV	298	50.00	351	50.00
- EnBW Eni Verwaltungsgesellschaft mbH	256	50.00	268	50.00
- Azienda Energia e Servizi Torino SpA	162	49.00	166	49.00
- Eteria Parohis Aeriou Thessalonikis AE	154	49.00	158	49.00
- Toscana Energia SpA	133	49.38	136	49.38
- Raffineria di Milazzo ScpA	126	50.00	128	50.00
- Trans Austria Gasleitung GmbH	96	89.00	109	89.00
- Super Octanos CA	90	49.00	90	49.00
- Supermetanol CA	78	34.51	90	34.51
- Unimar Llc	71	50.00	65	50.00
- Eteria Parohis Aeriou Thessalias AE	41	49.00	42	49.00
- Transmediterranean Pipeline Co Ltd	47	50.00	40	50.00
- Transitgas AG	30	46.00	33	46.00
- Altergaz SA	18	27.80	25	38.91
- Lipardiz - Construção de Estruturas Maritimas Lda	88	50.00	10	50.00
- FPSO Mystras - Produção de Petróleo Lda	58	50.00	2	50.00
- other investments (*)	132		150	
	3,310		3,257	
Associates:				
- Galp Energia SGPS SA	911	33.34	862	33.34
- Angola LNG Ltd			453	13.60
- Ceska Rafinerska AS	325	32.44	323	32.44
- United Gas Derivatives Co	140	33.33	128	33.33
- ACAM Gas SpA	45	49.00	46	49.00
- Distribuidora de Gas del Centro SA	33	31.35	32	31.35
- Burren Energy Plc	592	24.90		
- other investments (*)	142		193	
	2,188		2,037	
	5,639		5,471	

(*) Each individual amount included herein did not exceed euro 25 million.

The net carrying amount of investments in not consolidated entities controlled by Eni, joint ventures and associates include the differences between purchase price and Eni's equity in investments of euro 615 million. Such differences primarily related to Unión Fenosa Gas SA (euro 195 million), EnBW - Eni Verwaltungsgesellschaft mbH (euro 187 million), Galp Energia SGPS SA (euro 106 million) and Ceska Rafinerska AS (euro 97 million).

Artic Russia BV (the former Eni Russia BV) held 100% interest in three Russian companies acquired on April 4, 2007 in partnership with Enel (Eni 60%, Enel 40%), following award of a bid for Lot 2 in the Yukos liquidation procedure. The three companies – OAO Arctic Gas, OAO Urengoil and OAO Neftegaztehnologiya – engage in exploration and development of gas reserves.

Eni and Enel granted to Gazprom a call option to acquire a 51% interest in the three companies to be exercisable by Gazprom within 24 months from the acquisition date. Eni assesses the investment in Artic Russia BV under the equity method as it jointly controls the three entities based on ongoing shareholder arrangements, therefore exercising significant influence in the financial and operating policy decisions of the investees. This 60% interest corresponds to the present ownership interest of Eni in the acquired companies determined by not taking

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into account the possible exercise of the call option by Gazprom. The carrying amount of the three entities is lower than the strike price of the call option with respect to the underlying stake. The strike price equals the bid price adjusted by subtracting dividends received and adding possible share capital increases, a contractual remuneration of 9.4% on the capital employed and additional financing expenses.

The fair value of listed investments was as follows:

	Shares	Ownership (%)	Price per share (euro)	Fair value (euro million)
Galp Energia SGPS SA	276,472,160	33.34	7.18	1,985
Altergaz SA	1,050,892	38.91	9.90	10

The table below sets out the provisions for losses included in the provisions for contingencies of euro 119 million (euro 135 million at December 31, 2007), primarily related to the following equity-accounted investments:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Charville - Consultores e Serviços Lda	31	33
Polimeri Europa Elastomeres France SA (under liquidation)	50	31
Industria Siciliana Acido Fosforico - ISAF - SpA (under liquidation)	28	27
Southern Gas Constructors Ltd	14	17
Other investments	12	11
	135	119

Other investments

Other investments were as follows:

(euro million)	Net value at the beginning of the year	Acquisition and subscriptions	Currency translation differences	Other changes	Net value at the end of the year	Gross value at the end of the year	Accumulated impairment charges
Dec. 31, 2007							
Investments in unconsolidated entities controlled by							
Eni	21	3	(1)	2	25	36	11
Associates	9			1	10	11	1
Other investments	330	190	(36)	(47)	437	443	6
	360	193	(37)	(44)	472	490	18
Dec. 31, 2008							
Investments in unconsolidated entities controlled by							
Eni	25	1		4	30	41	11
Associates	10			(6)	4	28	24
Other investments	437	5	11	(77)	376	382	6
	472	6	11	(79)	410	451	41

Investments in not consolidated entities controlled by Eni and associates are stated at cost net of impairment losses. Other investments, for which fair value cannot be reliably determined, were recognized at cost and adjusted for impairment losses.

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The net carrying amount of other investments of euro 410 million (euro 472 million at December 31, 2007) was related to the following entities:

(euro million)	Dec. 31, 2007		Dec. 31, 2008	
	Net carrying amount	Eni's interest %	Net carrying amount	Eni's interest %
Investments in unconsolidated entities controlled by Eni (*)	25		30	
Associates	10		4	
Other investments:				
- Interconnector (UK) Ltd	22	5.00	135	16.06
- Nigeria LNG Ltd	80	10.40	85	10.40
- Darwin LNG Pty Ltd	87	10.99	83	10.99
- Angola LNG Ltd	175	13.60		
- other (*)	73		73	
	437		376	
	472		410	

(*) Each individual amount included herein did not exceed euro 25 million.

Provisions for losses related to other investments, included within the provisions for contingencies, amounted to euro 44 million (euro 28 million at December 31, 2007) and were primarily in relation to the following entities:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Caspian Pipeline Consortium R - Closed Joint Stock Co	25	24
Burren Energy Ship Management Ltd (Cyprus)		17
Other investments	3	3
	28	44

Other information about investments

The following table summarizes key financial data, net to Eni, as disclosed in the latest available financial statements of not consolidated entities controlled by Eni, joint ventures and associates:

(euro million)	Dec. 31, 2007			Dec. 31, 2008		
	Not consolidated entities controlled by Eni	Joint ventures	Associates	Not consolidated entities controlled by Eni	Joint ventures	Associates
Total assets	1,247	7,781	4,252	1,361	7,761	4,020
Total liabilities	1,111	4,526	2,061	1,230	4,565	1,958
Net sales from operations	99	4,667	5,134	134	5,303	5,067
Operating profit	14	674	502	2	736	702
Net profit	14	318	410	20	490	690

The total assets and liabilities of not consolidated controlled entities of euro 1,361 million and euro 1,230 million, respectively (euro 1,247 million and euro 1,111 million at December 31, 2007) concerned for euro 923 million and

euro 923 million (euro 873 million and euro 873 million at December 31, 2007) entities for which consolidation does not produce significant effects.

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Table of Contents**13 Other financial assets**

Other financial assets were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Financing receivables:		
- receivables for financing operating activities	677	1,084
- receivables for financing non-operating activities	225	
	902	1,084
Securities:		
- securities held for operating purposes	21	50
	21	50
	923	1,134

Financing receivables are presented net of the allowance for impairment losses of euro 26 million (euro 24 million at December 31, 2007). Operating financing receivables of euro 1,084 million (euro 677 million at December 31, 2007) primarily concerned loans made by the Exploration & Production segment (euro 754 million), Refining & Marketing segment (euro 109 million) and Gas & Power segment (euro 76 million), as well as receivables for financial leasing (euro 128 million). Receivables for financial leasing related to the disposal of the Belgian gas network by Finpipe GIE, company included in the consolidation area after the acquisition of control by the Gas & Power segment of Distrigas NV. The following table shows principal receivable by maturity date, which was obtained by summing future lease payment receivables discounted at the effective interest rate, interest and the nominal value of future lease receivables:

(euro million)	<u>Maturity range</u>			Total
	<u>Within 12 months</u>	<u>Between one and five years</u>	<u>Beyond five years</u>	
Principal receivable	19	95	33	147
Interests	4	13	2	19
Undiscounted value of future lease payments	23	108	35	166

Receivables with a maturity date within one year are shown in current assets in the item trade receivables for operating purposes – current portion of long-term receivables in the Note 3 - Trade and other receivables.

Non-operating financing receivables of euro 225 million at December 31, 2007 concerning a restricted deposit held by Eni Lasmo Plc as a guarantee of a debenture have been reclassified to current assets in the item financing receivables for non operating purposes in the Note 3 - Trade and other receivables.

Receivables in currencies other than euro amounted to euro 827 million (euro 821 million at December 31, 2007).

Receivables due beyond five years amounted to euro 617 million (euro 509 million at December 31, 2007).

Securities of euro 50 million (euro 21 million at December 31, 2007), designated as held-to-maturity investments, are listed securities, issued by foreign governments (euro 30 million) and by the Italian Government (euro 20 million). The increase of euro 29 million referred to Banque Eni SA.

Securities with a maturity beyond five years amounted to euro 20 million.

The fair value of financing receivables and securities did not differ significantly from their carrying amount. The fair value of financing receivables has been determined based on the present value of expected future cash flows discounted at rates ranging from 1.9% to 3.9% (3.8% and 6.0% at December 31, 2007). The fair value of securities was derived from quoted market prices.

Table of Contents**14 Deferred tax assets**

Deferred tax assets were recognized net of deferred tax liabilities able to be offset for euro 3,468 million (euro 3,526 million at December 31, 2007).

(euro million)	Value at Dec. 31, 2007	Additions	Deductions	Currency translation differences	Other changes	Value at Dec. 31, 2008
	1,915	1,778	(767)	(43)	29	2,912

Deferred tax assets are described in Note 24 - Deferred tax liabilities.

15 Other non-current receivables

The following table provides an analysis of other non-current receivables:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Tax receivables from:		
- Italian tax authorities		
. income tax	486	24
. interest on tax credits	325	58
. Value Added Tax (VAT)	42	2
. other	11	
	864	84
- foreign tax authorities	30	28
	894	112
Other receivables:		
- in relation to disposals	7	780
- other non-current receivables	197	268
	204	1,048
Fair value cash flow hedge derivative instruments		197
Other asset	12	44
	1,110	1,401

The decrease of tax receivables of euro 782 million primarily referred to Eni SpA which obtained the reimbursement of the income tax and of the related interest of euro 746 million.

The other receivables related to disposals amounting to euro 780 million related to: (i) the receivable of euro 501 million recognized after the agreement settled with the Republic of Venezuela according to which Eni will receive a cash compensation for the expropriated Dación assets, for a part already received, to be paid in seven annual installments which yields interest income from the date of the settlement. More information is included in Note 9 - Other assets; and (ii) the receivable of euro 275 million related to the disposal of the interest of 1.71% in the Kashagan project to the local partner kazMunaiGas on the basis of the agreements defined with the international partners of the North Caspian Sea PSA and the Kashagan government, which are effective starting from January 1, 2008.

Fair value of the derivative contracts is determined using market quotations provided by primary info-provider, or in the absence of market information, appropriate valuation methods generally accepted in the marketplace.

Fair value of the cash flow hedge derivatives of euro 197 million referred to Distrigas NV (euro 105 million) and to the Exploration & Production segment (euro 92 million). Further information on cash flow hedge derivatives is given in Note 7 - Other current assets; fair value related to the contracts expiring beyond 2009 is given in Note 25 - Other non-current liabilities; fair value related to the contracts expiring in 2009 is indicated in Note 7 - Other current assets and in Note 20 - Other current liabilities. The effects of the evaluation at fair value of cash flow hedge derivatives are given in Note 27 - Shareholders' equity and in Note 32 - Finance income (expense).

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The nominal value of cash flow hedge derivatives referred to purchase and sale commitments for euro 64 million and euro 1,268 million. Information on the hedged risks and the hedging policies is given in Note 29 - Guarantees, commitments and risks.

Current liabilities**16 Short-term debt**

Short-term debt was as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Banks	4,070	2,411
Ordinary bonds	3,176	3,663
Other financial institutions	517	285
	<u>7,763</u>	<u>6,359</u>

Short-term debt decreased by euro 1,404 million primarily due to the balance of repayments and new proceeds (euro 1,652 million), partially offset by currency translation differences (euro 193 million) and changes in the consolidation area (euro 48 million) due to the acquisition of Distrigas NV by the Gas & Power segment (euro 76 million) and the disposal of Agip España SA by the Refining & Marketing segment (euro 28 million). Debt comprised commercial paper of euro 3,663 million (euro 3,176 million at December 31, 2007) mainly issued by the financial company Eni Coordination Center SA.

Short-term debt per currency is shown in the table below:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Euro	5,453	3,801
U.S. dollar	1,591	1,332
Other currencies	719	1,226
	<u>7,763</u>	<u>6,359</u>

In 2008, the weighted average interest rate on short-term debt was 4.2% (4.9% in 2007).

At December 31, 2008 Eni had undrawn committed and uncommitted borrowing facilities available of euro 3,313 million and euro 7,696 million, respectively (euro 5,006 million and euro 6,298 million at December 31, 2007). These facilities were under interest rates that reflected market conditions. Charges for unutilized facilities were not significant.

17 Trade and other payables

Trade and other payables were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Trade payables	11,092	12,590
Advances	1,483	2,916

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Other payables:		
- related to capital expenditures	1,301	1,716
- others	3,240	3,293
	4,541	5,009
	17,116	20,515

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The increase of euro 1,498 million in trade payables was primarily related to the Gas & Power segment (euro 1,417 million), the Engineering & Construction segment (euro 630 million), the Exploration & Production segment (euro 658 million) and was partly offset by a decrease relating to the Refining & Marketing segment (euro 942 million) and the Petrochemical segment (euro 251 million).

Advances of euro 2,916 million (euro 1,483 million at December 31, 2007) were related to advances on contract work in progress for euro 2,516 million (euro 996 million at December 31, 2007) and other advances for euro 400 million (euro 487 million at December 31, 2007).

Advances on contract work in progress were in respect of the Engineering & Construction segment.

Other payables were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Payables due to:		
- joint venture operators in exploration and production activities	1,624	2,007
- suppliers in relation to investments	1,015	1,057
- non-financial government entities	397	441
- employees	257	400
- social security entities	226	284
	3,519	4,189
Other payables	1,022	820
	4,541	5,009

Payables to related parties are described in Note 37 - Transactions with related parties.

The fair value of trade and other payables did not differ significantly from their carrying amount considering the short-term maturity of trade payables.

18 Income taxes payable

Income taxes payable were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Italian subsidiaries	247	808
Foreign subsidiaries	1,441	1,141
	1,688	1,949

Income taxes payable by Italian subsidiaries were affected by the fair value valuation of cash flow hedging derivatives (euro 291 million). This effect was recorded in the relevant provision within equity. Further information is provided in Note 7 - Other current assets, Note 15 - Other non-current receivables, Note 20 - Other current liabilities and Note 25 - Other non-current liabilities.

19 Other taxes payable

Other taxes payable were as follows:

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(euro million)

	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Excise and customs duties	804	920
Other taxes and duties	579	740
	<u>1,383</u>	<u>1,660</u>

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Table of Contents**20 Other current liabilities**

Other current liabilities were as follows:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Fair value of non-hedging derivatives	412	1,982
Fair value of cash flow hedge derivatives	911	452
Other liabilities	233	1,885
	1,556	4,319

Fair value of non-hedging derivative contracts was as follows:

(euro million)	Dec. 31, 2007			Dec. 31, 2008		
	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Non-hedging derivatives on exchange rate						
Currency swap	63	2,096	296	293	1,928	2,479
Interest currency swap	5	140		82	694	100
Other	7	76	1	327	151	1,197
	75	2,312	297	702	2,773	3,776
Non-hedging derivatives on interest rate						
Interest rate swap	24	722	401	134	641	3,002
	24	722	401	134	641	3,002
Non-hedging derivatives on commodities						
Over the counter	12	49	58	1,090	3,297	388
Other	301	1,187	28	56	66	119
	313	1,236	86	1,146	3,363	507
	412	4,270	784	1,982	6,777	7,285

Fair value of derivative contracts was determined by using market quotations reported by major market data providers, or, if no market information was available, on the basis of valuation models generally accepted in the marketplace.

The increase in the fair value of non-hedging derivatives of euro 1,570 million comprises the inclusion of the derivative contracts held by Distrigas NV which has been included in the consolidation area following the acquisition of control by the Gas & Power segment (euro 873 million).

The fair value of cash flow hedges amounted to euro 452 million (euro 911 million at December 31, 2007) and related to Distrigas NV for euro 415 million and the Exploration & Production segment for euro 37 million (euro 911 million at December 31, 2007). Further information on cash flow hedge derivatives is given in Note 7 - Other current assets. The fair value related to the contracts expiring in 2009 is given in Note 7 - Other current assets, in Note 15 - Other non-current receivables and in Note 25 - Other non-current liabilities. The effects of fair value valuation of cash flow hedging derivatives are given in Note 27 - Shareholders' equity and in Note 32 - Finance income (expense).

The nominal value of cash flow hedge derivatives referred to purchase and sale commitments for euro 989 million and euro 895 million, respectively (euro 1,399 million and euro 1,977 million at December 31, 2007).

Information on the hedged risks and the hedging policies is given in Note 29 - Guarantees, commitments and risks.

Other liabilities of euro 1,885 million (euro 233 million at December 31, 2007) comprised the put option granted to Publigaz (the Distrigas minority shareholder) to divest its 31.25% stake in Distrigas to Eni for a total amount of euro 1,495 million based on the same per-share price of the ongoing mandatory tender offer to minorities as part of the Distrigas acquisition as provided for the Shareholders Agreement signed by the two partners on July 30, 2008. This liability was recognized against the Group's net equity. In subsequent periods, changes in the put option value will be recognized against the profit and loss account.

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Table of Contents**Non-current liabilities****21 Long-term debt and current portion of long-term debt**

Long-term debt included the current portion maturing during the year following the balance sheet date (current maturity). The table below analyzes debt by year of forecasted repayment:

(euro million)	Maturity range	At December 31			Long-term maturity					
		2007	2008	Current maturity 2009	2010	2011	2012	2013	After	Total
Towards banks:										
- bank loans	2009-2019	6,073	6,896	145	2,503	600	2,584	324	740	6,751
- other bank loans at favorable rates	2009-2012	9	6	2	2	1	1			4
- other	2009-2010		101		101					101
		6,082	7,003	147	2,606	601	2,585	324	740	6,856
Ordinary bonds	2009-2037	5,386	6,843	360	844	133	40	1,602	3,864	6,483
Other financial institutions	2009-2020	599	632	42	180	63	62	55	230	590
		12,067	14,478	549	3,630	797	2,687	1,981	4,834	13,929

Long-term debt, including the current portion of long-term debt, of euro 14,478 million (euro 12,067 million at December 31, 2007) increased by euro 2,411 million. The increase mainly reflected the balance of payments and new proceeds of euro 2,466 million as well as the change in the consolidation area (euro 286 million) primarily due to the acquisition of First Calgary Petroleum Ltd by the Exploration & Production segment that accounts for euro 229 million.

This increase was offset by the negative impact of foreign currency translation differences and translation differences arising on debt taken on by euro-reporting subsidiaries denominated in foreign currencies which are translated into euro at year-end exchange rates (euro 383 million).

Debt from other financial institutions of euro 632 million included euro 161 million of finance lease transactions. The following table shows principal outstanding by maturity date, which was obtained by summing future lease payments discounted at the effective interest rate, interest and the nominal value of future lease payments:

(euro million)	Maturity range			Total
	Within 12 months	Between one and five years	Beyond five years	
Principal debt outstanding	134	22	5	161
Interests	3	5	2	10
Undiscounted value of future lease payments	137	27	7	171

Eni entered into long-term borrowing facilities with the European Investment Bank which were conditioned to the maintenance of certain performance indicators based on Eni's consolidated financial statements or a rating not inferior to A- (S&P) and A3 (Moody's). At December 31, 2007 and 2008, the amount of short and long-term debt subject to restrictive covenants was euro 1,429 million and euro 1,323 million, respectively. Furthermore, Saipem SpA entered

into certain borrowing facilities for euro 75 million with a number of financial institutions subordinated to the maintenance of certain performance indicators based on the consolidated financial statements of Saipem. Eni and Saipem are in compliance with the covenants contained in their respective financing arrangements.

Bonds of euro 6,843 million consisted of bonds issued within the Euro Medium Term Notes Program for a total of euro 6,391 million and other bonds for a total of euro 452 million.

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The following table analyses bonds per issuing entity, maturity date, interest rate and currency as at December 31, 2008:

	Amount	Discount on bond issue and accrued expense	Total	Currency	Maturity		% rate	
					from	to	from	to
(euro million)								
Issuing entity								
<i>Euro Medium Term Notes</i>								
Eni SpA	1,500	43	1,543	EUR		2013		4.625
Eni SpA	1,250	(5)	1,245	EUR		2017		4.750
Eni SpA	1,250	2	1,252	EUR		2014		5.875
Eni Coordination Center SA	682	7	689	GBP	2010	2019	4.875	6.125
Eni SpA	500	16	516	EUR		2010		6.125
Eni Coordination Center SA	366	1	367	YEN	2012	2037	1.150	2.810
Eni Coordination Center SA	350	10	360	EUR	2010	2028	2.876	5.441
Eni Coordination Center SA	183	2	185	USD	2013	2015	4.450	4.800
Eni Coordination Center SA	165	4	169	EUR	2009	2015		variable
Eni Coordination Center SA	34		34	CHF		2010		2.043
Eni Coordination Center SA	32	(1)	31	USD		2013		variable
	6,312	79	6,391					
<i>Other bonds</i>								
Eni USA Inc	287	3	290	USD		2027		7.300
Eni Lasmo Plc (*)	157	(6)	151	GBP		2009		10.375
Eni UK Holding Plc	11		11	GBP		2013		variable
	455	(3)	452					
	6,767	76	6,843					

(*) The bond is guaranteed by a restricted cash deposit recorded under non-current financial assets (euro 173 million).

As at December 31, 2008 bonds maturing within 18 months (euro 412 million) were issued by Eni Coordination Center SA for euro 261 million and by Eni Lasmo Plc for euro 151 million. During 2008, Eni SpA, Eni Coordination Center SA and Eni UK Holding Plc issued bonds for euro 1,499 million, euro 302 million and euro 11 million respectively.

The following table shows the currency composition of long-term debt and its current portion, and the related weighted average interest rates on total borrowings.

	Dec. 31, 2007 (euro million)	Average rate (%)	Dec. 31, 2008 (euro million)	Average rate (%)
Euro	9,973	4.4	12,284	4.2
U.S. dollar	900	8.6	912	6.1
British pound	882	6.2	859	6.2
Japanese yen	281	1.9	367	2.0
Other currencies	31	2.0	56	3.8
	12,067		14,478	

At December 31, 2008 Eni had undrawn committed long-term borrowing facilities of euro 1,850 million (euro 1,400 million at December 31, 2007). Interest rates on these contracts were at market conditions. Charges for unutilized facilities were not significant.

Fair value of long-term debt, including the current portion of long-term debt amounted to euro 15,247 million (euro 12,390 million at December 31, 2007) and consisted of the following:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Ordinary bonds	5,523	7,505
Banks	6,148	7,056
Other financial institutions	719	686
	<u>12,390</u>	<u>15,247</u>

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Fair value was calculated by discounting the expected future cash flows at rates ranging from 1.4% to 3.9% (3.8% and 6.0% at December 31, 2007).

At December 31, 2008 Eni pledged restricted deposits as collateral against its borrowings for euro 151 million (euro 198 million at December 31, 2007).

Analysis of net borrowings, as defined in the "Item 5 Operating and Financial Review and Prospects", was as follows:

(euro million)	Dec. 31, 2007			Dec. 31, 2008		
	Current	Non-current	Total	Current	Non-current	Total
A. Cash and cash equivalents	2,114		2,114	1,939		1,939
B. Available-for-sale securities	174		174	185		185
C. Liquidity (A+B)	2,288		2,288	2,124		2,124
D. Financing receivables	990	225	1,215	337		337
E. Short-term debt towards banks	4,070		4,070	2,411		2,411
F. Long-term debt towards banks	161	5,921	6,082	147	6,856	7,003
G. Bonds	263	5,123	5,386	360	6,483	6,843
H. Short-term debt towards related parties	131		131	153		153
I. Long-term debt towards related parties		16	16		9	9
L. Other short-term debt	3,562		3,562	3,795		3,795
M. Other long-term debt	313	270	583	42	581	623
N. Total borrowings (E+F+G+H+I+L+M)	8,500	11,330	19,830	6,908	13,929	20,837
O. Net borrowings (N-C-D)	5,222	11,105	16,327	4,447	13,929	18,376

Available-for-sale securities of euro 185 million (euro 174 million at December 31, 2007) were held for non-operating purposes.

Not included in the calculation above were held-to-maturity and available-for-sale securities held for operating purposes amounting to euro 360 million (euro 280 million at December 31, 2007), of which euro 302 million (euro 256 million at December 31, 2007) were held to provide coverage of technical reserves for Eni's insurance companies.

Financing receivables of euro 337 million (euro 1,215 million at December 31, 2007) were held for non-operating purposes.

Not included in the calculation above were financing receivables held for operating purposes amounting to euro 487 million (euro 384 million at December 31, 2007), of which euro 399 million (euro 246 million at December 31, 2007) were in respect of securities granted to non-consolidated subsidiaries, joint ventures and associates primarily in relation to the implementation of certain capital projects and a euro 47 million cash deposit to provide coverage of Eni Insurance Ltd technical reserves. At December 31, 2007, non-current financial receivables of euro 225 million were related to a restricted deposit held by Eni Lasmo Plc as a guarantee of a debenture; the financial receivable has been reclassified in the current portion for euro 173 million.

Table of Contents**22 Provisions for contingencies**

Provisions for contingencies were as follows:

(euro million)	Value at Dec. 31, 2007	Additions	Changes of estimated expenditures	Accretion discount	Reversal of utilized provisions	Reversal of unutilized provisions	Other changes	Value at Dec. 31, 2008
Provision for site restoration and abandonment	3,974		635	202	(113)	(8)	(116)	4,574
Provision for environmental risks	1,858	369		38	(333)	(9)	57	1,980
Provision for legal and other proceedings	716	90		1	(30)	(35)	70	812
Loss adjustments and actuarial provisions for Eni's insurance companies	418	1				(49)	34	404
Provisions for the supply of goods	187	115		6				308
Provision for taxes	213	39			(3)	(10)	21	260
Provision for losses on investments	163	21				(5)	(16)	163
Provisions for marketing and promotion initiatives	65	75			(57)	(2)		81
Provision for OIL insurance	80	14			(13)	(8)	(1)	72
Provision for restructuring or decommissioning	130						(114)	16
Provision for onerous contracts	50				(50)		4	4
Other (*)	632	418	(2)	2	(151)	(73)	73	899
	8,486	1,142	633	249	(750)	(199)	12	9,573

(*) Each individual amount included herein does not exceed euro 50 million.

The provision for site restoration and abandonment of euro 4,574 million primarily referred to the estimation of future costs relating to decommissioning of oil and natural gas production facilities at the end of the producing lives of fields, well-plugging, abandonment and site restoration (euro 4,494 million). The increase in the provision for the year amounted to euro 635 million and was primarily due to changes in the estimates of future costs made by subsidiaries in the Exploration & Production segment including Eni Norge AS (euro 183 million), Eni UK Ltd (euro 90 million) and Eni Petroleum Co Inc (euro 82 million) with a corresponding entry to fixed assets. Also an amount of euro 202 million was recognized through profit and loss as the accretion charge for the period.

The discount rates adopted ranged from 3.3% to 6.2% (from 4.2% to 6.2% at December 31, 2007). Other changes of euro 116 million related to negative currency translation differences which arose from the translation of financial statements denominated in currencies other than the euro (euro 157 million). Offsetting this effect was the acquisition of Eni Hewett Ltd by the Exploration & Production segment (euro 52 million).

The provision for environmental risks of euro 1,980 million primarily related to the estimated future costs of remediation in accordance with existing laws and regulations recognized by Syndial SpA (euro 1,382 million) and the Refining & Marketing segment (euro 454 million). The increase in the provision of euro 369 million was primarily related to Syndial SpA (euro 222 million) and the Refining & Marketing segment (euro 108 million). Specifically, Syndial SpA recognized the estimated cost of the remediation of the divested area of Crotone as the clean-up has become probable and the associated costs can be reliably estimated. The decrease of euro 333 million was related to the reversal of utilized provisions primarily by Syndial SpA (euro 194 million) and the Refining & Marketing segment (euro 93 million). Other changes of euro 57 million included the reclassification from the provision for restructuring or decommissioning made by the Refining & Marketing segment (euro 114 million).

The provision for legal and other proceedings of euro 812 million primarily included charges expected on failure to perform certain contractual obligations and estimated future losses on pending litigation including legal, antitrust and administrative matters. These provisions are stated on the basis of Eni's best estimate of the expected probable liability

and primarily relate to the Gas & Power segment (euro 452 million), Syndial SpA (euro 225 million) and the Petrochemical segment (euro 36 million). Other changes of euro 70 million were essentially related to the change in the consolidation area following the acquisition of Distrigas NV by the Gas & Power segment (euro 68 million).

Loss adjustments and actuarial provisions for Eni's insurance companies of euro 404 million represented the liabilities accrued for claims on insurance policies underwritten by Eni's insurance company, Eni Insurance Ltd.

Provisions for the supply of goods for euro 308 million related to Eni SpA and included the estimated costs of the supply contracts.

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The provision for taxes of euro 260 million primarily included charges for unsettled tax claims in connection with uncertain applications of the tax regulation for foreign subsidiaries of the Exploration & Production segment (euro 193 million).

The provision for losses on investments of euro 163 million was made with respect to losses on investments in entities incurred to date where the losses exceeded the carrying amount of the investments.

The provision for marketing and promotional initiatives amounted to euro 81 million and was made in respect of marketing initiatives involving awards and prizes to clients in the Refining & Marketing segment.

The provision for OIL insurance cover of euro 72 million included a mutual insurance provision for future increases in insurance charge as a result of past accidents that will be paid in the next 5 years by Eni for participating in the mutual insurance policy of Oil Insurance Ltd.

The provision for restructuring or decommissioning of unused production facilities of euro 16 million was primarily made for the estimated future costs of site restoration and remediation in connection with divestments and the closing of facilities in the Refining & Marketing segment (euro 10 million). Other changes of euro 114 million related to a reclassification to the provision for environmental risks made by the Refining & Marketing segment.

The provision for onerous contracts of euro 4 million related to contracts for which the termination or execution costs exceed the benefits. The reversal of utilized provisions related to Syndial SpA.

23 Provisions for employee benefits

Provisions for employee benefits were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
TFR	499	458
Foreign pension plans	219	223
Supplementary medical reserve for Eni managers (FISDE) and other foreign medical plans	99	98
Other benefits	118	168
	<u>935</u>	<u>947</u>

Provisions for indemnities upon termination of employment primarily related to the provisions accrued by Italian companies for employee termination indemnities ("TFR"), determined using actuarial techniques and regulated by Article 2120 of the Italian Civil Code.

The indemnity is paid upon retirement as a lump sum payment the amount of which corresponds to the total of the provisions accrued during the employee's service period based on payroll costs as revalued until retirement. Following changes in the regime, starting from January 1, 2007, the amount already accrued and the future benefits have been transferred to a pension fund or the treasury fund custodied by the Italian administration for post-retirement benefits (INPS). Companies with less than 50 employees can choose not to adopt the new scheme. Therefore, the allocation of future TFR provisions to pension funds or the INPS treasury fund determines that these amounts will be classified as costs to provide benefits under a defined contribution plan. Past unpaid amounts accrued as at December 31, 2006 for post-retirement indemnities under the Italian TFR regime continue to represent costs to provide benefits under a defined benefit plan and must be assessed based on actuarial assumptions.

Pension funds are defined benefit plans provided by foreign subsidiaries located mainly in Nigeria and in Germany. Benefits under these plans consisted of payments based on seniority and the salary paid in the last year of service, or alternatively, the average annual salary over a defined period prior to retirement.

Group companies provide healthcare benefits to retired managers. Liability to these plans and the current cost are limited to the contributions made by the company.

Other benefits primarily related to a deferred cash incentive scheme for managers and certain Jubilee awards. The provision for the deferred cash incentive scheme is assessed based on the likelihood that the company will

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reach planned targets and the employees will reach individual performance goals. Jubilee awards are benefits due following the attainment of a minimum period of service and, for the Italian companies, consist of an in-kind remuneration.

The value of employee benefits, estimated by applying actuarial techniques, consisted of the following:

(euro million)	<u>Foreign pension plans</u>					Total
	TFR	Gross liability	Plan assets	FISDE and other foreign medical plans	Other benefits	
2007						
Current value of benefit liabilities and plan assets at beginning of year	614	771	(440)	91	95	1,131
Current cost	13	13		1	38	65
Interest cost	23	32		4	2	61
Expected return on plan assets			(23)			(23)
Employee contributions			(126)			(126)
Actuarial gains (losses)	(52)	3	12	1	(1)	(37)
Benefits paid	(64)	(35)	18	(6)	(7)	(94)
Amendments	1	2				3
Curtailments and settlements	(62)	(201)	201			(62)
Currency translation differences and other changes	3	36	(4)	1	(9)	27
Current value of benefit liabilities and plan assets at end of year	476	621	(362)	92	118	945
2008						
Current value of benefit liabilities and plan assets at beginning of year	476	621	(362)	92	118	945
Current cost		21		1	48	70
Interest cost	25	28		5	5	63
Expected return on plan assets			(25)			(25)
Employee contributions		(1)	(41)			(42)
Actuarial gains (losses)	8	(11)	102	3	3	105
Benefits paid	(65)	(25)	20	(7)	(7)	(84)
Curtailments and settlements				(2)		(2)
Currency translation differences and other changes	(1)	169	(147)	2	1	24
Current value of benefit liabilities and plan assets at end of year	443	802	(453)	94	168	1,054

The gross liability for foreign employee pension plans of euro 802 million (euro 621 million at December 31, 2007) included the liabilities related to joint ventures operating in exploration and production activities for euro 67 million and euro 77 million at December 31, 2007 and 2008, respectively. A receivable of an amount equivalent to such liability was recorded. Other benefits of euro 168 million (euro 118 million at December 31, 2007) primarily concerned the deferred monetary incentive plan for euro 107 million (euro 69 million at December 31, 2007) and jubilee awards for euro 47 million (euro 40 million at December 31, 2007).

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The reconciliation of benefit obligations to plan assets was as follows:

(euro million)	TFR		Foreign pension plans		FISDE and other foreign medical plans		Other benefits	
	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008
Present value of benefit obligations with plan assets			439	610				
Present value of plan assets			(362)	(453)				
Net present value of benefit obligations with plan assets			77	157				
Present value of benefit obligations without plan assets	476	443	182	192	92	94	118	168
Actuarial gains (losses) not recognized	23	15	(33)	(126)	7	4		
Past service cost not recognized			(7)					
Net liabilities recognized in provisions for employee benefits	499	458	219	223	99	98	118	168

Costs charged to the profit and loss account were as follows:

(euro million)	TFR	Foreign pension plans	FISDE and other foreign medical plans	Other benefits	Total
2007					
Current cost	13	13	1	38	65
Interest cost	23	32	4	2	61
Expected return on plan assets		(23)			(23)
Amortization of actuarial gains (losses)	1	3			4
Effect of curtailments and settlements	(83)	41			(42)
	(46)	66	5	40	65
2008					
Current cost		19	1	48	70
Interest cost	25	28	5	5	63
Expected return on plan assets		(25)			(25)
Amortization of actuarial gains (losses)		1			1
Effect of curtailments and settlements			(2)		(2)
	25	25	4	53	107

The main actuarial assumptions used for the valuation of post-retirement benefit obligations at year-end and for the estimate of costs expected for 2009 were as follows:

(%)	TFR	Foreign pension plans	FISDE and other foreign medical plans	Other benefits
2007				
Discount rate	5.4	3.5-13.0	5.5	4.8-5.4
Expected return rate on plan assets		4.0-13.0		
Rate of compensation increase	2.7-3.0	2.0-12.0		2.7-4.0
Rate of price inflation	2.0	1.0-10.0	2.0	2.0

2008				
Discount rate	6.0	3.5-13.0	6.0	5.2-6.0
Expected return rate on plan assets		4.5-13.0		
Rate of compensation increase	2.7-3.0	2.4-13.0		2.7-4.0
Rate of price inflation	2.5	1.3-11.0	2.5	2.5

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With regards to Italian plans, demographic tables prepared by Ragioneria Generale dello Stato (RG48) were used. The expected return rate by plan assets has been determined by reference to quoted prices expressed in regulated markets.

Plan assets consisted of the following:

(%)	Plan assets	Expected return
Securities	6.9	6.6-8.9
Bonds	20.4	2.8-10.0
Real estate	1.8	5.4-15.0
Other	70.9	2.0-13.0
Total	100.0	

The effective return on plan assets amounted to a cost of euro 77 million (a profit of euro 11 million at December 31, 2007).

With reference to healthcare plans, the effects deriving from a 1% change of the actuarial assumptions of medical costs were as follows:

(euro million)	1% Increase	1% Decrease
Impact on the current costs and interest costs	1	(1)
Impact on net benefit obligation	10	(9)

The amount expected to be accrued to defined benefit plans for 2009 is euro 32 million.

The analysis of changes in the actuarial valuation of the net liability with respect to prior year deriving from the non-correspondence of actuarial assumptions with actual values recorded at year-end was as follows:

(euro million)	TFR	Foreign pension plans	FISDE and other foreign medical plans	Other benefits
2007				
Impact on net benefit obligation	(8)	6		
Impact on plan assets		3		
2008				
Impact on net benefit obligation	7	15	3	1
Impact on plan assets		(62)		

24 Deferred tax liabilities

Deferred tax liabilities were recognized net of offsettable deferred tax assets for euro 3,468 million (euro 3,526 million at December 31, 2007).

(euro million)	Value at Dec. 31, 2007	Additions	Deductions	Changes in the scope of consolidation	Currency translation differences	Other changes	Value at Dec. 31, 2008
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5,471	952	(2,335)	1,684	(38)	8	5,742
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Deferred tax liabilities and deferred tax assets consisted of the following:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Deferred tax liabilities	8,997	9,210
Deferred tax assets available for offset	(3,526)	(3,468)
	5,471	5,742
Deferred tax assets not available for offset	(1,915)	(2,912)
	3,556	2,830

The most significant temporary differences giving rise to net deferred tax liabilities were as follows:

(euro million)	<u>Value at Dec. 31, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Currency translation differences</u>	<u>Other changes</u>	<u>Value at Dec. 31, 2008</u>
Deferred tax liabilities:						
- accelerated tax depreciation	6,257	212	(895)	(60)	(148)	5,366
- site restoration and abandonment (tangible assets)	539	191	(30)	(32)	(14)	654
- capitalized interest expense	177	10	(15)		1	173
- application of the weighted average cost method in evaluation of inventories	731	335	(1,070)		83	79
- other	1,293	204	(325)	54	1,712	2,938
	8,997	952	(2,335)	(38)	1,634	9,210
Deferred tax assets:						
- site restoration and abandonment (provisions for contingencies)	(1,363)	(244)	17	45	(27)	(1,572)
- accruals for impairment losses and provisions for contingencies	(913)	(701)	235	3	(21)	(1,397)
- depreciation and amortization	(622)	(278)	48	(42)	(16)	(910)
- assets revaluation as per Laws No. 342/2000 and No. 448/2001	(788)		60		(7)	(735)
- carry-forward tax losses	(79)	(10)	37	1	(6)	(57)
- other	(1,676)	(545)	370	36	106	(1,709)
	(5,441)	(1,778)	767	43	29	(6,380)
Net deferred tax liabilities	3,556	(826)	(1,568)	5	1,663	2,830

Deferred tax assets are recognized for deductible temporary differences to the extent that is probable that sufficient taxable profit will be available against which part or all of the deductible temporary differences can be utilized. When future taxable profit is no longer deemed to be sufficient to absorb all existing deferred tax assets, any surplus is written off.

Other changes of euro 1,663 million included: (i) changes in the consolidation area for euro 1,456 million following of the acquisition made by the Exploration & Production segment of Burren Energy Plc (euro 733 million), of First Calgary Petroleum Ltd (euro 108 million), of Eni Hewett Ltd (euro 91 million) and of Hindustan Oil Exploration Co Ltd (euro 31 million), the acquisition made by the Gas & Power segment of Distrigas NV (euro 504 million) and the disposal done by the Refining & Marketing segment of Agip España SA (euro 11 million); and (ii) the recognition of the deferred tax effect against equity on the fair value evaluation of derivatives designated as cash flow hedge for euro 76 million. Further information on cash flow hedging derivatives is given in Note 7 - Other current assets, in Note 15 - Other non-current receivables and in Note 25 - Other non-current liabilities.

Italian taxation law allows the carry-forward of tax losses over the five subsequent years. Losses suffered in the first three years of the company's life can however be, for the most part, carried forward indefinitely. The tax rate applied by the Italian subsidiaries to determine the portion of carry-forwards tax losses to be utilized equaled 33%; 33.73% for foreign entities.

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Carry-forward tax losses of euro 1,024 million can be used in the following periods:

(euro million)	<u>Italian subsidiaries</u>	<u>Foreign subsidiaries</u>
2009	41	7
2010		12
2011		1
2012		
2013	6	3
Beyond 2013	3	14
Without limit	38	899
	88	936

Carry-forward tax losses of euro 171 million were expected to be offset against future taxable profit and were in respect of Italian subsidiaries for euro 88 million and of foreign subsidiaries for euro 83 million. Deferred tax assets recognized on these losses amounted to euro 29 million and euro 28 million, respectively.

25 Other non-current liabilities

Other non-current liabilities were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Fair value of cash flow hedge derivatives	1,340	499
Current income tax liabilities	215	254
Payables related to capital expenditures	22	
Other payables	295	55
Other liabilities	159	1,730
	2,031	2,538

The fair value of derivative contracts was determined by using market quotations reported by major market data providers, or, if no market information was available, on the basis of generally accepted methods for financial valuations.

The fair value of cash flow hedging derivatives amounted to euro 499 million (euro 1,340 million at December 31, 2007) and related to the Exploration & Production segment for euro 264 million (euro 1,340 million at December 31, 2007) and to Distrigas NV (euro 235 million).

Further information on cash flow hedging derivatives is given in Note 7 - Other current assets. The fair value related to the contracts expiring in 2009 is given in Note 7 - Other current assets, in Note 15 - Other non-current receivables and in Note 25 - Other non-current liabilities. The effects of the fair value valuation of cash flow hedging derivatives are given in Note 27 - Shareholders' equity and in Note 32 - Finance income (expense).

The nominal value of these derivatives referred to purchase and sale commitments for euro 1,878 million and euro 1,832 million, respectively (euro 2,804 million and euro 3,404 million at December 31, 2007).

Information on the hedged risks and the hedging policies is shown in Note 29 - Guarantees, commitments and risks.

The group's liability for current income taxes of euro 254 million (euro 215 million at December 31, 2007) was due as special tax (with a rate lower than the statutory tax rate), relating to the option to increase the deductible tax bases of certain tangible and other assets to their carrying amounts as permitted by the 2008 Budget Law.

Other liabilities of euro 1,730 million (euro 159 million at December 31, 2007) included advances received by Suez following the long-term supply of natural gas and electricity of euro 1,552 million.

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Table of Contents**26 Assets classified as held for sale and liabilities directly associated with the assets classified as held for sale**

Non-current assets held for sale and directly associated liabilities related to the disposal of Fertilizantes Nitrogenados de Oriente, a company specialized in the production of fertilizers.

27 Shareholders equity**Minority interest**

Minority interest and the attributable profit with reference to certain consolidated subsidiaries related to:

(euro million)	Net profit		Shareholders equity	
	2007	2008	Dec. 31, 2007	Dec. 31, 2008
Saipem SpA	514	407	1,299	1,560
Distrigas NV		74		1,162
Snam Rete Gas SpA	268	254	865	948
Hindustan Oil Exploration Co Ltd		(1)		128
Tigaz Tiszántúli Gázszolgáltató Részvénytársaság	1	(11)	79	65
Others	15	10	196	211
	798	733	2,439	4,074

Eni shareholders equity

Eni's net equity at December 31 was as follows:

(euro million)	Dec. 31, 2007	Dec. 31, 2008
Share capital	4,005	4,005
Legal reserve	959	959
Reserve for treasury shares	7,207	7,187
Cumulative foreign currency translation differences	(2,233)	(969)
Other reserves	(914)	(1,140)
Retained earnings	29,591	34,685
Treasury shares	(5,999)	(6,757)
Interim dividend	(2,199)	(2,359)
Net profit for the period	10,011	8,825
	40,428	44,436

Share capital

At December 31, 2008 the parent company's issued share capital consisted of 4,005,358,876 shares (nominal value euro 1 each) fully paid-up (the same amount at December 31, 2007).

On April 29, 2008 Eni's Shareholders Meeting declared a dividend distribution of euro 0.70 per share, with the exclusion of treasury shares held at the ex-dividend date, in full settlement of the 2007 dividend of euro 1.30 per share, of which euro 0.60 per share paid as interim dividend. The balance was paid on May 22, 2008 to shareholders on the register on May 19, 2008.

Legal reserve

This reserve represents earnings restricted from the payment of dividends pursuant to Article 2430 of the Italian Civil Code. The legal reserve has reached the maximum amount required by the Italian Law.

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Table of Contents**Reserve for treasury shares**

The reserve for treasury shares represents the reserve restricted to the purchase of own shares in accordance with the decisions of Eni's Shareholders' Meetings. The amount of euro 7,187 million (euro 7,207 million at December 31, 2007) included treasury shares purchased. The decrease of euro 20 million primarily concerned the sale and grant of treasury shares to Group managers following stock option and stock grants incentive schemes.

Cumulative foreign currency translation differences

The cumulative foreign currency translation differences arose from the translation of financial statements denominated in currencies other than euro.

Other reserves

Other reserves of negative amount were euro 1,140 million (at December 31, 2007 other reserves of negative amount were euro 914 million) and included:

a reserve of euro 247 million constituted following the sale by Eni SpA of Snamprogetti SpA to Saipem Projects SpA (now Saipem SpA) (same amount at December 31, 2007);

a reserve of euro 194 million (euro 181 million at December 31, 2007) deriving from Eni SpA's equity;

a reserve of euro 86 million (at December 31, 2007 a negative for euro 1,342 million) including the related tax, for the valuation at fair value of available-for-sale securities and cash flow hedge derivatives. Further information is given in Note 2 - Other financial assets held for trading or available for sale, Note 7 - Other current assets, Note 20 - Other current liabilities and Note 25 - Other non-current liabilities;

a negative reserve of euro 1,495 million related to the put option granted to Publigaz (the Distrigas minority shareholder) to divest its 31.25% stake in Distrigas NV valued at the same per-share price of the ongoing mandatory tender offer to minorities.

The valuation at fair value of securities available for sale and cash flow hedge derivatives, net of the related tax effect, consisted of the following:

(euro million)	Available-for-sale securities			Cash flow hedge derivatives			Total		
	Gross reserve	Deferred tax liabilities	Net reserve	Gross reserve	Deferred tax liabilities	Net reserve	Gross reserve	Deferred tax liabilities	Net reserve
Reserve as of December 31, 2006	8	(2)	6	1		1	9	(2)	7
Changes of the year 2007				(2,237)	867	(1,370)	(2,237)	867	(1,370)
Foreign currency translation differences				51	(26)	25	51	(26)	25
Amount recognized in the profit and loss account	(6)	2	(4)				(6)	2	(4)
Reserve as of December 31, 2007	2		2	(2,185)	841	(1,344)	(2,183)	841	(1,342)
Changes of the year 2008	3	(1)	2	964	(364)	600	967	(365)	602
Changes in the scope of consolidation				(68)	23	(45)	(68)	23	(45)
Foreign currency translation differences				48	(23)	25	48	(23)	25
Amount recognized in the profit and loss account				1,005	(402)	603	1,005	(402)	603
Reserve as of December 31, 2008	5	(1)	4	(236)	75	(161)	(231)	74	(157)
<i>of which: Eni Group</i>	<i>5</i>	<i>(1)</i>	<i>4</i>	<i>(128)</i>	<i>38</i>	<i>(90)</i>	<i>(123)</i>	<i>37</i>	<i>(86)</i>

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The ineffective portion of the change in fair value of cash flow hedging derivatives (time value component) entered into by the Exploration & Production segment consisted of the following:

(euro million)	Value at Dec. 31, 2007	Changes recognized in profit and loss account	Currency translation differences	Value at Dec. 31, 2008
	(56)	7	4	(45)

Treasury shares purchased

A total of 382,954,240 ordinary shares (348,525,005 at December 31, 2007) with nominal value of euro 1 each, were held in treasury, for a total cost of euro 6,757 million (euro 5,999 million at December 31, 2007). 23,557,425 treasury shares (35,423,925 at December 31, 2007) at a cost of euro 505 million (euro 768 million at December 31, 2007) were available for 2002-2005 and 2006-2008 stock option plans.

The decrease of 11,866,500 shares consisted of the following:

	Stock option	Stock grant	Total
Number of shares at December 31, 2007	34,521,125	902,800	35,423,925
Rights not assigned for the 2006-2008 stock option plan	(9,406,500)		(9,406,500)
Rights exercised	(582,100)	(893,400)	(1,475,500)
Rights cancelled	(975,100)	(9,400)	(984,500)
	(10,963,700)	(902,800)	(11,866,500)
Number of shares at December 31, 2008	23,557,425		23,557,425

At December 31, 2008, options outstanding were 23,557,425 shares. Options refer to the 2002 stock plan for 97,000 shares with an exercise price of euro 15.216 per share, to the 2003 stock plan for 231,900 shares with an exercise price of euro 13.743 per share, to the 2004 stock plan for 671,600 shares with an exercise price of euro 16.576 per share, to the 2005 stock plan for 3,756,000 shares with an exercise price of euro 22.512 per share, to the 2006 stock plan for 5,954,250 shares with an weighted average exercise price of euro 23.119 per share, to the 2007 stock plan for 5,492,375 with an weighted average exercise price of euro 27.451 per share and to the 2008 stock plan for 7,354,300 with an weighted average exercise price of euro 22.540 per share.

Information about commitments related to stock grant and stock option plans is included in Note 31 - Operating expenses.

Interim dividend

Interim dividend for the year 2008 amounted of euro 2,359 million corresponding to euro 0.65 per share, as decided by the Board of Directors on September 11, 2008 in accordance with Article 2433-bis, paragraph 5 of the Italian Civil Code; the dividend was paid on September 25, 2008.

Distributable reserves

At December 31, 2008 Eni shareholders equity included distributable reserves for euro 39,000 million.

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

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

28 Other information**Acquisitions***Burren Energy Plc*

On January 11, 2008, following a non-hostile takeover by means of a cash offer, Eni acquired control over the British oil company Burren Energy Plc (Burren). Burren held producing assets in Turkmenistan and Congo, and exploratory licenses in Egypt, Yemen and India. Total consideration for this transaction of euro 2,358 million, of which euro 14 million related to additional costs directly attributable to the combination, has been allocated to assets and liabilities on a definitive basis.

Hindustan Oil Exploration Co Ltd (HOEC)

On August 5, 2008, following the execution of a mandatory tender offer on a 20% stake of the HOEC share capital, Eni acquired control over the Indian company Hindustan Oil Exploration Co Ltd (HOEC). The mandatory offer was associated with Eni s acquisition of a 27.18% of HOEC as part of the Burren deal. Total consideration for this transaction of euro 107 million, with the exclusion of the minority interest, has been allocated to assets and liabilities on a preliminary basis because of the significant amount of time required for a more precise valuation.

Distrigas NV

On October 30, 2008, following the acquisition of a 57.243% majority stake from the French company Suez-Tractebel Eni acquired control over the Belgian company Distrigas NV. On December 30, 2008, Eni was granted authorization from the Belgian market authorities to execute a mandatory tender offer to the minorities of Distrigas. The deadline of the offer was March 19, 2009. Total consideration for this transaction of euro 2,751 million, of which euro 12 million related to additional costs directly attributable to the acquisition, with the exclusion of the minority interest, has been allocated to assets and liabilities on a preliminary basis because of the amount of time required for a more precise valuation.

First Calgary Petroleums Ltd

On November 21, 2008, following the acquisition of all of the common shares Eni gained control of First Calgary Petroleums Ltd, a Canadian oil and gas company with exploration and development activities in Algeria. Total consideration for this transaction of euro 605 million, of which euro 5 million related to additional costs directly attributable to the acquisition, has been allocated to assets and liabilities on a preliminary basis because of the amount of time required for a more precise valuation.

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On November 28, 2008, following the finalization of an agreement with the British company Tullow Oil Ltd Eni acquired a 52% stake and the operatorship of fields in the Hewett Unit and relevant facilities in the North Sea, with the aim to upgrade certain depleted fields in the area so as to achieve a gas storage facility. Total consideration for this transaction of euro 224 million has been allocated to assets and liabilities on a preliminary basis because of the amount of time required for a more precise valuation.

(euro million)	Burren Energy Plc		Hindustan Oil Exploration Co Ltd		Distrigas NV		First Calgary Petroleum Ltd		Eni Hewett Ltd	
	Pre-acquisition	Post-acquisition	Pre-acquisition	Post-acquisition	Pre-acquisition	Post-acquisition	Pre-acquisition	Post-acquisition	Pre-acquisition	Post-acquisition
Current assets	187	187	115	115	3,375	3,375	148	148	56	19
Property, plant and equipment	457	2,543	79	199	30	30	643	757	29	118
Intangible assets	47	326	8		1	1,395				208
Goodwill		89				1,245		88		39
Investments	56	53	1	1	112	112				
Other non-current assets	17	17			202	203			9	
Assets acquired	764	3,215	203	315	3,720	6,360	791	993	94	384
Current liabilities	62	100	37	37	1,796	1,796	45	45	17	17
Net deferred tax liabilities	36	733	(5)	31	30	504	15	108		91
Provisions for contingencies	14	24	4	3	80	80	3	6	44	52
Other non-current liabilities			17	17	88	88	229	229		
Liabilities acquired	112	857	53	88	1,994	2,468	292	388	61	160
Minority interest			79	120	748	1,141				
Eni's shareholders equity	652	2,358	71	107	978	2,751	499	605	33	224

29 Guarantees, commitments and risks**Guarantees**

Guarantees were as follows:

(euro million)	Dec. 31, 2007			Dec. 31, 2008		
	Unsecured guarantees	Other guarantees	Total	Unsecured guarantees	Other guarantees	Total
Consolidated subsidiaries		6,388	6,388		13,139	13,139
Unconsolidated entities controlled by Eni		150	150		151	151
Joint ventures and associates		5,896	6,995	6,027	1,075	7,102
Others		12	291	8	245	253
		5,908	13,824	6,035	14,610	20,645

Other guarantees issued on behalf of consolidated subsidiaries of euro 13,139 million (euro 6,388 million at December 31, 2007) primarily consisted of: (i) guarantees given to third parties relating to bid bonds and performance bonds for euro 7,004 million (euro 3,244 million at December 31, 2007), of which euro 5,965 million related to the Engineering

& Construction segment (euro 2,351 million at December 31, 2007); (ii) guarantees issued on behalf of Eni Gas & Power Belgium SA for euro 2,739 million related to the Share Purchase Agreement with Suez-Tractebel SA for the acquisition of a 57.24% majority stake in Distrigas NV; (iii) VAT recoverable from tax authorities for euro 1,248 million (euro 1,286 million at December 31, 2007); and (iv) insurance risk for euro 257 million reinsured by Eni (euro 259 million at December 31, 2007). At December 31, 2007 the underlying commitment covered by such guarantees was euro 10,202 million (euro 6,050 million at December 31, 2007).

Other guarantees issued on behalf of unconsolidated subsidiaries of euro 151 million (euro 150 million at December 31, 2007) consisted of letters of patronage and other guarantees issued to commissioning entities relating to bid bonds and performance bonds for euro 146 million (euro 144 million at December 31, 2007). At December 31, 2008, the underlying commitment covered by such guarantees was euro 79 million (euro 19 million at December 31, 2007).

Unsecured guarantees and other guarantees issued on behalf of joint ventures and associates of euro 7,102 million (euro 6,995 million at December 31, 2007) primarily concerned: (i) an unsecured guarantee of euro 6,001 million (euro 5,870 million at December 31, 2007) given by Eni SpA to Treno Alta Velocità - TAV - SpA for the proper and timely completion of a project relating to the Milan-Bologna train link by CEPAV (Consorzio Eni per

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1 Alta Velocità) Uno; consortium members, excluding unconsolidated entities controlled by Eni, gave Eni liability of surety letters and bank guarantees amounting to 10% of their respective portion of the work; (ii) unsecured guarantees, letters of patronage and other guarantees given to banks in relation to loans and lines of credit received for euro 871 million (euro 824 million at December 31, 2007), of which euro 716 million related to a contract released by Snam SpA (now merged into Eni SpA) on behalf of Blue Stream Pipeline Co BV (Eni 50%) to a consortium of international financial institutions (euro 677 million at December 31, 2007); and (iii) unsecured guarantees and other guarantees given to commissioning entities relating to bid bonds and performance bonds for euro 107 million (euro 119 million at December 31, 2007). At December 31, 2008, the underlying commitment covered by such guarantees was euro 983 million (euro 1,562 million at December 31, 2007).

Unsecured and other guarantees given on behalf of third parties of euro 253 million (euro 291 million at December 31, 2007) consisted primarily of: (i) guarantees issued on behalf of Gulf LNG Energy and Gulf LNG Pipeline and on behalf of Angola LNG Supply Service Llc (Eni 13.6%) as security against payment commitments of fees in connection with the re-gasification activity for euro 216 million (euro 204 million at December 31, 2007); and (ii) guarantees issued by Eni SpA to banks and other financial institutions in relation to loans and lines of credit for euro 19 million on behalf of minor investments or companies sold (euro 20 million at December 31, 2007).

At December 31, 2008 the underlying commitment covered by such guarantees was euro 232 million (euro 281 million at December 31, 2007).

Commitments and contingencies

Commitments and contingencies were as follows:

(euro million)	<u>Dec. 31, 2007</u>	<u>Dec. 31, 2008</u>
Commitments	200	205
Risks	1,520	1,660
	<u>1,720</u>	<u>1,865</u>

Other commitments of euro 205 million (euro 200 million at December 31, 2007) were essentially related to a memorandum of intent signed with the Basilicata Region, whereby Eni has agreed to invest euro 180 million in the future, also on account of Shell Italia E&P SpA, in connection with Eni's development plan of oil fields in Val d'Agri (euro 177 million at December 31, 2007).

Risks of euro 1,660 million (euro 1,520 million at December 31, 2007) primarily concerned potential risks associated with the value of assets of third parties under the custody of Eni for euro 1,273 million (euro 1,126 million at December 31, 2007) and contractual assurances given to acquirers of certain investments and businesses of Eni for euro 387 million (euro 376 million at December 31, 2007).

Risk factors**FOREWORD**

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

Financial risks are managed in respect of guidelines defined by the parent company, targeting to align and coordinate Group companies' policies on financial risks.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the Group's financial assets, liabilities or expected future cash flows. The Company actively manages market risk in accordance with a set of policies and guidelines that provide a centralized model of conducting finance, treasury and risk management operations based on three separate entities: the parent company's (Eni SpA) finance department, Eni Coordination Center and Banque Eni which is subject to certain bank regulatory

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restrictions preventing the Group's exposure to concentrations of credit risk. Additionally, in 2007, Eni Trading & Shipping was established and has the mandate to manage and monitor solely commodity derivative contracts. In particular Eni SpA and Eni Coordination Center manage subsidiaries' financing requirements in and outside of Italy, respectively, covering funding requirements and using available surpluses. All transactions concerning currencies and derivative financial contracts are managed by the parent company as well as the activity of trading certificates according to the European Union Emission Trading Scheme. The commodity risk is managed by each business unit with Eni Trading & Shipping ensuring the negotiation of hedging derivatives. Eni uses derivative financial instruments (derivatives) in order to minimize exposure to market risks related to changes in exchange rates and interest rates and to manage exposure to commodity prices fluctuations. Eni does not enter into derivative transactions on a speculative basis. The framework defined by Eni's policies and guidelines prescribes that measurement and control of market risk be performed on the basis of maximum tolerable levels of risk exposure defined in accordance with value-at-risk techniques. These techniques make a statistical assessment of the market risk on the Group's activity, i.e., potential gain or loss in fair values, due to changes in market conditions taking account of the correlation existing among changes in fair value of existing instruments. Eni's finance departments define maximum tolerable levels of risk exposure to changes in interest rates and foreign currency exchange rates, pooling Group companies risk positions. Eni's calculation and measurement techniques for interest rate and foreign currency exchange rate risks are in accordance with established banking standards, as established by the Basel Committee for bank activities surveillance. Tolerable levels of risk are based on a conservative approach, considering the industrial nature of the company. Eni's guidelines prescribe that Eni's Group companies minimize such kinds of market risks. With regard to the commodity risk, Eni's policies and guidelines define rules to manage this risk aiming at the optimization of core activities and the pursuing of preset targets of industrial margins. The maximum tolerable level of risk exposure is pre-defined in terms of value at risk in connection with trading and commercial activities, while the strategic risk exposure to commodity prices fluctuations – i.e. the impact on the Group's business results deriving from changes in commodity prices – is monitored in terms of value-at risk, albeit not hedged in a systematic way. Accordingly, Eni evaluates the opportunity to mitigate its commodity risk exposure by entering into hedging transactions in view of certain acquisition deals of oil and gas reserves as part of the Group's strategy to achieve its growth targets or ordinary asset portfolio management. The Group controls commodity risk with a maximum value-at-risk limit awarded to each business unit. Hedging needs from business units are pooled by Eni Trading & Shipping which also manages its own risk exposure. The three different market risks, whose management and control have been summarized above, are described below.

Exchange rate risk

Exchange rate risk derives from the fact that Eni's operations are conducted in currencies other than the euro (mainly in the U.S. dollar). Revenues and expenses denominated in foreign currencies may be significantly affected by exchange rates fluctuations due to conversion differences on single transaction arising from the time lag existing between execution and definition of relevant contractual terms (economic risk) and conversion of foreign currency-denominated trade and financing payables and receivables (transactional risk). Exchange rate fluctuations affect Group's reported results and net equity as financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro (translation risk). Generally, an appreciation of the U.S. dollar versus the euro has a positive impact on Eni's results of operations, and vice versa. Eni's foreign exchange risk management policy is to minimize economic and transactional exposures arising from foreign currency movements. Eni does not undertake any hedging activity for risks deriving from translation of foreign currency denominated profits or assets and liabilities of subsidiaries which prepare financial statements in a currency other than the euro, except for single transactions to be evaluated on a case-by-case basis. Effective management of exchange rate risk is performed within Eni's central finance departments which match opposite positions within Group companies, hedging the Group net exposure through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated at fair value on the basis of market prices provided by specialized sources. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be recognized as hedges in accordance with IAS 39. The VAR techniques are based on

variance/covariance simulation models and are used to monitor the risk exposure arising from possible future changes in market values over a 24-hour period within a 99% confidence level and a 20-day holding period.

Interest rate risk

Changes in interest rates affect the market value of financial assets and liabilities of the company and the level of finance charges. Eni's interest rate risk management policy is to minimize risk with the aim to achieve financial structure objectives defined and approved in the management's finance plans. Borrowing requirements of the Group's companies are pooled by the Group's central finance department in order to manage net positions and the funding of portfolio developments consistently with management's plans while maintaining a level of risk exposure within prescribed limits. Eni enters into interest rate derivative transactions, in particular interest rate swaps, to effectively manage the balance between fixed and floating rate debt.

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Such derivatives are evaluated at fair value on the basis of market prices provided from specialized sources. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be accounted for under the hedge accounting method in accordance with IAS 39. Value at risk deriving from interest rate exposure is measured daily on the basis of a variance/covariance model, with a 99% confidence level and a 20-day holding period.

Commodity risk

Eni's results of operations are affected by changes in the prices of commodities. A decrease in oil and gas prices generally has a negative impact on Eni's results of operations and vice-versa. Eni manages exposure to commodity price risk arising in normal trading and commercial activities in view of achieving stable margins. In order to accomplish this, Eni uses derivatives traded on the organized markets of ICE and NyMEX (futures) and derivatives traded over the counter (swaps, forward, contracts for differences and options) with the underlying commodities being crude oil, refined products or electricity. Such derivatives are evaluated at fair value on the basis of market prices provided from specialized sources or, absent market prices, on the basis of estimates provided by brokers or suitable evaluation techniques. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be recognized as hedges in accordance with IAS 39. Value at risk deriving from commodity exposure is measured daily on the basis of a historical simulation technique, with a 95% confidence level and a one-day holding period. The following table shows amounts in terms of value at risk, recorded in the first half of 2008 (compared with full year 2007) relating to interest rate and exchange rate risks in the first section, and commodity risk in the second section.

(Value at risk - parametric method variance/covariance; holding period: 20 days; confidence level: 99%)

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

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

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

(*) Amounts relating to the Gas & Power business also include results of Distrigas NV for the months of November and December 2008 based on the closing date of acquisition.

Credit risk

Credit risk is the potential exposure of the Group to losses in case counterparties fail to perform or pay amounts due. The Group manages differently credit risk depending on whether credit risk arises from exposure to financial counterparties or to customers relating to outstanding receivables. Individual business units are responsible for managing credit risk arising in the normal course of the business. The Group has established formal credit systems and processes to ensure that before trading with a new counterpart can start, its creditworthiness is assessed. Also credit litigation and receivable collection activities are assessed. The monitoring activity of credit risk exposure is performed

at the Group level according to set guidelines and measurement techniques that establish counterparty limits and systems to monitor exposure against limits and report regularly on those exposures. Specifically, credit risk exposure to multi-business clients and exposures higher than the limit set at euro 4 million are closely monitored. Monitoring activities do not include retail clients and public administrations. The assessment methodology assigns a score to individual clients based on publicly available financial data and capital, profitability and liquidity ratios. Based on those scores, an internal credit rating is assigned to each counterparty that is accordingly allocated to its proper risk category. The Group risk categories are comparable to those prepared by the main rating agencies on the marketplace. The Group's internal ratings are also benchmarked against ratings prepared by a specialized external source.

With regard to risk arising from financial counterparties, Eni has established guidelines prior to entering into cash management and derivative contracts to assess the counterparty's financial soundness and rating in view of optimizing the risk profile of financial activities while pursuing operational targets. Maximum limits of risk exposure are set in terms of maximum amounts of credit exposures for categories of counterparties as defined by the

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Company's Board of Directors taking into account the credit ratings provided by the primary credit rating agencies on the marketplace. Credit risk arising from financial counterparties is managed by the Group central finance departments, including Eni's subsidiary Eni Trading & Shipping which specifically engages in commodity derivatives transactions. Those are the sole Group entities entitled to be party to financial transactions due to the Group centralized finance model. Eligible financial counterparties are closely monitored to check exposures against limits assigned to each counterparty on a daily basis. Exceptional market conditions have forced the Group to adopt contingency plans and under certain circumstances to suspend eligibility to be a Group financial counterparty. Actions implemented also have been intended to limit concentrations of credit risk by maximizing counterparty diversification and turnover. Counterparties have been also selected on more stringent criteria particularly in transactions on derivatives instruments and with maturity longer than a three-month period. Eni has not experienced material non-performance by any counterparty. As of December 31, 2007 and 2008, Eni had no significant concentrations of credit risk.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Group may not be available, or the Group is unable to sell its assets on the market place as to be unable to meet short-term finance requirements and to settle obligations. Such a situation would negatively impact the Group results as it would result in the Company incurring higher borrowing expenses to meet its obligations or under the worst of conditions the inability of the Company to continue as a going concern. As part of its financial planning process, Eni manages the liquidity risk by targeting such a capital structure as to allow the Company to maintain a level of liquidity adequate to the Group's needs optimizing the opportunity cost of maintaining liquidity reserves also achieving an efficient balance in terms of maturity and composition of finance debt. The Group capital structure is set according to the Company's industrial targets and within the limits established by the Company's Board of Directors who are responsible for prescribing the maximum ratio of debt to total equity and minimum ratio of medium and long-term debt to total debt as well as fixed rate medium and long-term debt to total medium and long-term debt. In spite of ongoing tough credit market conditions resulting in higher spreads to borrowers, the Company has succeeded in maintaining access to a wide range of funding at competitive rates through the capital markets and banks. The actions implemented as part of Eni's financial planning have enabled the Group to maintain access to the credit market particularly via the issue of commercial paper also targeting to increase the flexibility of funding facilities. The above mentioned actions aimed at ensuring availability of suitable sources of funding to fulfill short-term commitments and due obligations also preserving the necessary financial flexibility to support the Group's development plans. In doing so, the Group has pursued an efficient balance of finance debt in terms of maturity and composition leveraging on the structure of its lines of credit particularly the committed ones.

At present, the Group believes it has access to sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.

As of December 31, 2008, Eni maintained short-term committed and uncommitted unused borrowing facilities of euro 11,099 million, of which euro 3,313 million were committed, and long-term committed unused borrowing facilities of euro 1,850 million.

These facilities were under interest rates that reflected market conditions. Fees charged for unused facilities were not significant. Eni has in place a program for the issuance of Euro Medium Term Notes up to euro 10 billion, of which euro 6,391 million were drawn as of the balance sheet date.

The Group has debt ratings of AA- and A-1+ respectively for the long and short-term debt assigned by Standard & Poor's and Aa2 and P-1 assigned by Moody's; the outlook is stable for both.

The tables below summarize the Group main contractual obligations for finance debt repayments, including expected payments for interest charges, and trade and other payables maturities.

Finance debt

(euro million)	Maturity year						Total
	2009	2010	2011	2012	2013	2014 and thereafter	
Non current debt	549	3,630	797	2,687	1,981	4,834	14,478
Current financial liabilities	6,359	-	-	-	-	-	6,359
	6,908	3,630	797	2,687	1,981	4,834	20,837
Interest on finance debt	502	469	412	383	336	791	2,893

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

In addition to finance debt and trade payables presented in the financial statements, the Group has in place a number of contractual obligations arising in the normal course of the business. To meet these commitments, the Group will have to make payments to third parties. The Company's main obligations are certain arrangements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. Such arrangements include non-cancelable, long-term contractual obligations to secure access to supply and transport of natural gas, which include take-or-pay clauses whereby the Company obligations consist of off-taking minimum quantities of product or service or paying the corresponding cash amount that entitles the Company to off-take the product in future years. Future obligations in connection with these contracts were calculated by applying the forecasted prices of energy or services included in the four-year business plan approved by the Company's Board of Directors and on the basis of the long-term market scenarios used by Eni for planning purposes to minimum take and minimum ship quantities.

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

Expected payments by period under contractual obligations and commercial commitments

(euro million)	Maturity year						Total
	2009	2010	2011	2012	2013	2014 and thereafter	
Operating lease obligations ⁽¹⁾	618	1,025	697	468	395	1,084	4,287
Decommissioning liabilities ⁽²⁾	269	35	61	18	256	8,830	9,469
Environmental liabilities	396	421	284	223	221	443	1,988
Purchase obligations ⁽³⁾	17,938	13,777	14,326	14,405	14,112	185,415	259,973
Gas							
- Natural gas to be purchased in connection with take-or-pay contracts	15,694	13,041	13,574	13,610	13,343	179,067	248,329
- Natural gas to be transported in connection with ship-or-pay contracts	539	537	545	549	528	3,151	5,849
Other take-or-pay and ship-or-pay obligations	139	135	126	111	106	838	1,455
Other purchase obligations ⁽⁴⁾	1,566	64	81	135	135	2,359	4,340
Other obligations	8	5	5	5	5	152	180
of which:							
- Memorandum of intent relating to Val d'Agri	8	5	5	5	5	152	180
	19,229	15,263	15,373	15,119	14,989	195,924	275,897

(1) Operating leases primarily regarded assets for drilling activities, time charter and long-term rentals of vessels, lands, service stations and office buildings. Such leases did not include renewal options. There are no significant restrictions provided by these operating leases which limit the ability of the Company to pay dividend, use assets or to take on new borrowings.

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- (2) Represents the estimated future costs for the decommissioning of oil and natural gas production facilities at the end of the producing lives of fields, well-plugging, abandonment and site restoration.
- (3) Represents any agreement to purchase goods or services that is enforceable and legally binding and that specifies all significant terms.
- (4) Mainly refers to arrangements to purchase capacity entitlements at certain re-gasification facilities in the U.S.

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The table below summarizes Eni's capital expenditure commitments for property, plant and equipment and capital projects at December 31, 2008. Capital expenditures are considered to be committed when the project has received the appropriate level of internal management approval. Such costs are included in the amounts shown.

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

Country risk

Substantial portions of Eni's hydrocarbons reserves are located in countries outside the EU and North America, certain of which may be politically or economically less stable than EU or North American. At December 31, 2008, approximately 70% of Eni's proved hydrocarbons reserves were located in such countries. Similarly, a substantial portion of Eni's natural gas supplies comes from countries outside the EU and North America. In 2008, approximately 60% of Eni's domestic supply of natural gas came from such countries. Developments in the political framework, economic crisis, social unrest can compromise temporarily or permanently Eni's ability to operate or to economically operate in such countries, and to have access to oil and gas reserves. Further risks related to the activity undertaken in these countries, are represented by: (i) lack of well established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavorable developments in laws and regulations leading to expropriation of Eni's titles and mineral assets, changes in unilateral contractual clauses reducing value of Eni's assets; (iii) restrictions on exploration, production, imports and exports; (iv) tax or royalty increases; and (v) civil and social unrest leading to sabotages, acts of violence and incidents. While the occurrence of these events is unpredictable, it is possible that they can have a material adverse impact on Eni's financial condition and results of operations. Eni periodically monitors political, social and economic risks of approximately 60 countries where it has invested, or, with regard to upstream projects evaluation, where Eni is planning to invest in order to assess returns of single projects based also on the evaluation of each country's risk profile. Country risk is mitigated in accordance with guidelines on risk management defined in the procedure "Project risk assessment and management". In the most recent years, unfavorable developments in the regulatory framework, mainly regarding tax issues, have been implemented or announced also in EU countries and in North America.

Operational risk

Eni's business activities conducted in and outside of Italy are subject to a broad range of laws and regulations, including specific rules concerning oil and gas activities currently in force in countries in which it operates. In particular, those laws and regulations require the acquisition of a license before exploratory drilling may commence and compliance with health, safety and environment standards. Environmental laws impose restrictions on the types, quantities and concentration of various substances that can be released into the environment and on discharges to surface and subsurface water. In particular Eni is required to follow strict operating practices and standards to protect biodiversity when exploring for, drilling and producing oil and gas in certain ecologically sensitive locations (protected areas). Breach of environmental, health and safety laws exposes employees to criminal and civil liability and in the case of violation of certain rules regarding safety on the workplace also companies can be liable as provided for by a general EU rule on businesses liability due to negligent or willful conduct on part of their employees as adopted in Italy with Law Decree No. 231/2001.

Environmental, health and safety laws and regulations have a substantial impact on Eni's operations and expenses and liabilities that Eni may incur in relation to compliance with environmental, health and safety laws and regulations are

expected to remain material to the group's results of operations or financial position in future years. Recently enacted regulation of safety and health of the workplace in Italy will impose a new array of obligations to the Company operations, particularly regarding contractors. New regulation prescribe that a company adopts certified operational and organizational systems whereby the Company can discharge possible liabilities due to a violation of health and security standards on condition that adopted operational systems and processes worked properly and were effective.

Eni has adopted guidelines for assessing and managing health, safety and environmental (HSE) risks, with the objective of protecting Eni's employees, the populations involved in its activity, contractors and clients, and the environment and being in compliance with local and international rules and regulations. Eni's guidelines prescribe the adoption of international best practices in setting internal principles, standards and solutions. The ongoing process for identifying, evaluating and managing HSE operations in each phase of the business activity and is performed through the adoption of procedures and effective pollution management systems tailored on the

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peculiarities of each business and industrial site and on steady enhancement of plants and process. Additionally, coding activities and procedures on operating phases allow reduce the human component in the plant risk management. Operating emergencies that may have an adverse impact on the assets, people and the environment are managed by the business units for each site. These units manage the HSE risk through a systematic way that involves having emergency response plans in place with a number of corrective actions to be taken that minimize damage in the event of an incident. In the case of major crisis, Divisions/Entities are assisted by the Eni Unit of Crises to deal with the emergency through a team which has the necessary training and skills to coordinate in a timely and efficient manner resources and facilities.

The integrated management system of health, safety and environmental matters is supported by the adoption of Eni's Model of HSE operations in all the Divisions and companies of Eni Group. This is a procedure based on an annual cycle of planning, implementation, control, review of results and definition of new objectives. The model is directed towards the prevention of risks, the systematic monitoring and control of HSE performance, in a continuous improvement cycle, also subject to audits by internal and independent experts. Major refining and petrochemical facilities of Eni are certified to international environmental standards, such as ISO14001, OHSAS 18001 and EMAS. Eni provides a program of specific training and development for HSE staff in order to:

- (i) promote the execution of behaviors consistent with guidelines;
- (ii) drive people's learning growth process by developing professionalism, management and corporate culture;
- (iii) support management knowledge and control of HSE risks.

Possible evolution of the Italian gas market

Legislative Decree No. 164/2000 opened the Italian natural gas market to competition, impacting on Eni's activities, as the company is engaged in all the phases of the natural gas chain. The opening to competition was achieved through the enactment of certain antitrust thresholds on volumes input into the national transport network and on volumes sold to final customers. These enabled new competitors to enter the Italian gas market, resulting in declining selling margins on gas. Other material aspects regarding the Italian gas sector regulation are the regulated access to natural gas infrastructure (transport backbones, storage fields, distribution networks and LNG terminals), the Code adopted by the Authority for Electricity and Gas on the issue of unbundling which forbids a controlling entity from interfering in the decision-making process of its subsidiaries running gas transport and distribution infrastructures and the circumstance that the Authority for Electricity and Gas is entrusted with certain powers in the matters of natural gas pricing and in establishing tariffs for the use of natural gas infrastructures. Particularly, the Authority for Electricity and Gas holds a general surveillance power on pricing in the natural gas market in Italy and the power to establish selling tariffs for supply of natural gas to residential and commercial users consuming less than 200,000 CM/y (qualified as non eligible customers at December 31, 2002 as defined by Legislative Decree No. 164/2000) taking into account the public goal of containing the inflationary pressure due to rising energy costs. Accordingly, decisions of the Authority on these matters may limit the ability of Eni to pass an increase in the cost of fuels onto final consumers of natural gas. As a matter of fact, following a complex and lengthy administrative procedure started in 2004 and finalized in March 2007 with Resolution No. 79/2007, the Authority finally established a new indexation mechanism for updating the raw material cost component in supplies to residential and commercial users consuming less than 200,000 CM/y, establishing, among other things: (i) that an increase in the international price of Brent crude oil is only partially transferred to residential and commercial users of natural gas in case international prices of Brent crude oil exceed the 35 dollars per barrel threshold; and (ii) that Italian natural gas importers including Eni must renegotiate wholesale supply contracts in order to take account of this new indexation mechanism.

Also certain provisions of law may limit the Company ability to set commercial margins. Specifically, Law Decree No. 112 enacted in June 2008 forbids energy companies like Eni to pass to prices to final customers higher income taxes incurred in connection with a supplemental tax rate of 5.5 percentage points introduced by the same decree on energy companies with a yearly turnover in excess of euro 25 million. The Authority for Electricity and Gas is in charge of monitoring compliance with the rule. The Authority has subsequently established with a set of deliberations

that energy companies have to adopt effective operational and monitoring systems certified by the Company CEO in order to prevent unlawful increases of final prices of gas.

In order to meet the medium and long-term demand for natural gas, in particular in the Italian market, Eni entered into long-term purchase contracts with producing countries. These contracts which contain take-or-pay clauses will ensure total supply volumes of approximately 62.4 BCM/y of natural gas to Eni by 2010 (excluding take-or-pay volumes coming from Distrigas acquisition which will be destined to supply the Belgian market). Despite the fact that an increasing portion of natural gas volumes purchased under said contracts is planned to be marketed outside Italy, management believes that in the long-term unfavorable trends in the Italian demand and supply for natural gas, also taking into account the start-up of new import capacity to the Italian market by Eni and third parties

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

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

The exploration and production of oil and natural gas requires high levels of capital expenditure and entails particular economic risks. It is subject to natural hazards and other uncertainties including those relating to the physical characteristics of oil or natural gas fields. Exploratory activity involves numerous risks including the risk of dry holes or failure to find commercial quantities of hydrocarbons. Developing and marketing hydrocarbons reserves typically requires several years after a discovery is made. This is because a development project involves an array of complex and lengthy activities, including appraising a discovery in order to evaluate its commerciality, sanctioning a development project and building and commissioning relating facilities.

As a consequence, rates of return of such long lead-time projects are exposed to the volatility of oil and gas prices and the risk of an increase in developing and lifting costs, resulting in lower rates of return. This set of circumstances is particularly important to those projects intended to develop reserves located in deep water and harsh environments, where the majority of Eni's planned and ongoing projects is located.

Managing sources of funds

Eni management makes use of the leverage as a financial measure to assess the soundness and efficiency of the Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards. Leverage is a measure of the company's level of indebtedness, calculated as the ratio between net borrowings and shareholders' equity, including minority interests. In the medium-term, management plans to target a level of leverage up to 0.4 which is intended to provide an efficient capital structure and the appropriate level of financial flexibility.

Table of Contents**Other information about financial instruments**

The carrying amount of financial instruments and relevant economic effect for the year 2008 consisted of the following:

(euro million)	Finance income (expense) recognized in		
	Carrying amount	Profit and loss account	Equity
Held-for-trading financial instruments			
Non-hedging derivatives ^(a)	(374)	(558)	
Held-to-maturity financial instruments			
Securities	50	2	3
Available-for-sale financial instruments			
Securities ^(a)	495	19	
Receivables and payables and other assets/liabilities valued at amortized cost			
Trade receivables and other ^(b)	22,446	(254)	
Financing receivables ^(a)	1,908	117	
Trade payables and other ^(c)	20,570	(53)	
Financing payables ^(a)	20,837	(607)	
Assets at fair value through profit or loss (fair value option)			
Investments ^(a)	2,741	241	
Net liabilities for hedging derivatives ^(d)	280	1,012	964

(a) Gains or losses were recognized in the profit and loss account within "Finance income (expense)".

(b) In the profit and loss account, impairments and losses on receivables were recognized within "Purchase, services and other" for euro 385 million whilst negative exchange differences arising from accounts denominated in foreign currency and translated into euro at year-end were recognized within "Finance income (expense)" for euro 100 million.

(c) Positive exchange differences arising from accounts denominated in foreign currency and translated into euro at year-end were recognized in the profit and loss account within "Finance income (expense)".

(d) Gains or losses were recognized in the profit and loss account within "Net sales from operations" and "Purchase, services and other" for euro 1,005 million within "Finance income (expense)" for euro 7 million (time value component).

Legal Proceedings

Eni is a party to a number of civil actions and administrative arbitral and other judicial proceedings arising in the ordinary course of business. Based on information available to date, and taking into account the existing risk provisions, Eni believes that the foregoing will not have an adverse effect on Eni's Consolidated Financial Statements. The following is a description of the most significant proceedings currently pending. Unless otherwise indicated below, no provisions have been made for these legal proceedings as Eni believes that negative outcomes are not probable or because the amount of the provision cannot be estimated reliably.

1. Environment**1.1 Criminal proceedings****ENI SPA**

(i) **Subsidence.** The Court of Rovigo conducted investigations concerning a subsidence phenomenon allegedly caused by hydrocarbon exploration and extraction activities in the Ravenna and North Adriatic area both on land

and in the sea. Eni appointed an independent and interdisciplinary scientific commission, composed of prominent and highly qualified international experts of subsidence caused by hydrocarbon exploration and extraction activities, with the aim of verifying the magnitude and effects and any actions appropriate to reduce or to neutralize any subsidence phenomenon in the area. This commission produced a study which excludes the possibility of any risk to human health or damage to the environment. The study also states that worldwide there are no instances of accidents of harm to public safety caused by subsidence induced by hydrocarbon production. It also shows that Eni employs the most advanced techniques for monitoring, measuring and controlling the soil. This proceeding is

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in the first level hearing stage. The Veneto Region, other local bodies and two private entities have been acting as plaintiffs. Eni was admitted as a defendant. The Court decided that the proceeding must be heard by the Court of Ravenna.

- (ii) **Alleged damage.** In 2002, the public prosecutor of Gela commenced a criminal investigation to ascertain alleged damage caused by emissions of the Gela plant, owned by Polimeri Europa SpA, Syndial SpA (formerly EniChem SpA) and Raffineria di Gela SpA. The judge for the preliminary hearing dismissed the accusation of adulteration of food products, while the proceeding for the other allegations regarding pollution and environmental damage remains underway. The trial ended in acquittal with regard to the general manager and officer pro tempore of the refinery. The sentence of the Gela Tribunal stated that the charges were lacking factual basis.
- (iii) **Alleged negligent fire in the refinery of Gela.** In June 2002, in connection with a fire at the refinery of Gela, a criminal investigation began concerning alleged negligent fire, environmental crimes and crimes against natural beauty. First degree proceedings ended with an acquittal sentence. In November 2007, the public prosecutors of Gela and of Caltanissetta filed an appeal against this decision.
- (iv) **Investigation of the quality of ground water in the area of the refinery of Gela.** In 2002, the public prosecutor of Gela commenced a criminal investigation concerning the refinery of Gela to ascertain the quality of ground water in the area of the refinery. Eni is charged of having breached environmental rules concerning the pollution of water and soil and of illegal disposal of liquid and solid waste materials. The preliminary hearing phase was closed for one employee who would stand trial, while the preliminary hearing phase is ongoing for other defendants. During the hearings the judge admitted as plaintiffs three environmental associations.
- (v) **Alleged negligent fire (Priolo).** The public prosecutor of Siracusa commenced an investigation regarding certain Eni managers who were previously in charge of conducting operations at the Priolo refinery (Eni divested this asset in 2002) to ascertain whether they acted with negligence in connection with a fire that occurred at the Priolo plants on April 30 and May 1-2, 2006. After preliminary investigations and based on the outcome of preliminary hearing the public prosecutor requested the opening of a proceeding against the mentioned managers for negligent behavior.
- (vi) **Groundwater at the Priolo site.** The Public Prosecutor of Siracusa (Sicily) has started an investigation in order to ascertain the level of contamination of the groundwater at the Priolo site. The Company has been notified that a number of its executive officers are being investigated who were in charge at the time of the events subject to probe, including chief executive officers and plant general managers of the Company's subsidiaries AgipPetroli SpA (now merged into the parent company), Syndial and Polimeri Europa. Probes on technical issues are ongoing as required by the Prosecutor.

ENIPOWER SPA

- (i) **Alleged unauthorized waste management activities.** In 2004, the public prosecutor of Rovigo commenced an investigation for alleged crimes related to unauthorized waste management activities in Loreo relating to the samples of soil used during the construction of the new EniPower power station in Mantova. The prosecutor requested the CEO of EniPower and the managing director of the Mantova plant at the time of the alleged crime to stand trial.
- (ii) **Air emissions.** The public prosecutor of Mantova commenced an investigation against two managers of the Mantova plant in connection with air emissions by the new power plant.

SYNDIAL SPA

- (i) **Porto Torres.** In March 2009, the Public Prosecutor of Sassari (Sardinia) resolved to commence a criminal trial against a number of executive officers and managing directors of companies engaging in petrochemicals operations at the site of Porto Torres, including the manager responsible for plant operations of the Company's fully-owned subsidiary Syndial. The charge involves environmental damage and poisoning of water and stuff destined to feeding. A preliminary hearing is scheduled in July 2009.

1.2 Civil and administrative proceedings

SYNDIAL SPA (FORMER ENICHEM SPA)

(i) **Alleged pollution caused by the activity of the Mantova plant.** In 1992, the Ministry of Environment summoned EniChem SpA (now Syndial SpA) and Edison SpA before the Court of Brescia. The Ministry requested, primarily, environmental remediation for the alleged pollution caused by the activity

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of the Mantova plant from 1976 until 1990, and provisionally, in case there was no possibility to remediate, the payment of environmental damages. Edison agreed on a settlement with the Ministry whereby Edison quantified compensation for environmental damage freeing from any obligation Syndial, which purchased the plant in 1989. Parties are working through a possible settlement of the matter.

- (ii) **Summon before the Court of Venice for environmental damages allegedly caused to the lagoon of Venice by the Porto Marghera plants.** On December 13, 2002, EniChem SpA (now Syndial SpA), jointly with Ambiente SpA (now merged into Syndial SpA) and European Vinyls Corporation Italia SpA, was summoned before the Court of Venice by the Province of Venice. The province requested compensation for environmental damages that were not quantified, allegedly caused to the lagoon of Venice by the Porto Marghera plants, which were already the subject of two previous criminal proceedings against employees and managers of the defendants. EVC Italia and Ineos presented an action to be indemnified by Eni's Group companies in case the alleged pollution is proved. The environmental damage has been assessed by an independent consultant who filed his advice to be discussed in a hearing set in October 2009.
- (iii) **Claim of environmental damages, allegedly caused by industrial activities in the area of Crotona, commenced by the President of the Regional Council of Calabria.** On April 14, 2003, the President of the Regional Council of Calabria, as Delegated Commissioner for Environmental Emergency in the Calabria Region, commenced an action against EniChem SpA (now Syndial SpA) with reference to environmental damages for approximately euro 129 million and damages for euro 250 million (plus interest and compensation) in connection with loss of income and damage to property allegedly caused by industrial activities in the area of Crotona. In addition, the Province of Crotona is acting as plaintiff, claiming damage for euro 300 million. With a decision in May 2007, the Court of Milan declared the invalidity of the power of proxy conferred to the Delegated Commissioner to act on behalf of the Calabria Region with the notice served to Syndial SpA and decided the liquidation of expenses born by the defendant. The Province of Crotona appealed this decision. The second instance court accepted this appeal and Syndial repealed this determination. On October 21, 2004, Syndial was convened before the Court of Milan by the Calabria Region which is seeking to obtain a condemnation of Syndial for a damage payment, should the office of the Delegated Commissioner for Environmental Emergency in the Calabria Region cease during this proceeding. The Calabria Region requested a damage payment amounting to euro 800 million as already requested by the Delegated Commissioner for Environmental Emergency in the Calabria Region in the proceeding commenced in 2003. This new proceeding is in the preliminary investigation stage. This proceeding was unified with the one opened by the Ministry of the Environment. Syndial filed a new project for the environmental remediation of the site to be approved by the Ministry and the body of public administrations and entities involved in the matter that expressed a first partial consent in January 2009. The environmental provision was consequently increased. In 2006, the Council of Ministers, Ministry for the Environment and the Delegated Commissioner for Environmental Emergency in the Calabria Region represented by the State Lawyer requested Syndial to appear before the Court of Milan to obtain the ascertainment, quantification and payment of damage (in the form of land, air and water pollution and therefore of the general condition of the population) caused by the operations of Pertusola Sud SpA in the Municipality of Crotona and in surrounding municipalities. The local authorities requested the ascertainment of Syndial's responsibility as concerns expenses borne and to be borne for the cleanup and reclamation of sites, currently quantified at euro 129 million. This proceeding concerns the same matter and damage claim as the proceedings commenced by the Delegated Commissioner for Environmental Emergency in the Calabria Region and the Calabria Region against Syndial in 2003 and 2004, respectively.
- (iv) **Summon for alleged environmental damage caused by DDT pollution in the Lake Maggiore.** With a temporarily executive decision dated July 3, 2008 the District Court of Turin sentenced the subsidiary Syndial SpA (former EniChem) to compensate for environmental damages that were allegedly caused when EniChem managed an industrial plant at Pieve Vergonte during the 1990-1996 period. Specifically, the Court sentenced Syndial to pay the Italian Ministry of the Environment compensation amounting to euro 1,833.5 million, plus legal interests that accrue from the filing of the decision. Syndial and Eni technical-legal consultants have considered the decision and the amount of the compensation to be without factual and legal basis and have

concluded that a negative outcome of this proceeding is unlikely. Particularly, Eni and its subsidiary deem the amount of the environmental damage to be absolutely ill-founded as the sentence has been considered to lack sufficient elements to support such a material amount of the liability charged to Eni and its subsidiary with respect to the volume of pollutants ascertained by the Italian Environmental Minister. As no development of the proceeding has occurred since the filing of the Court's decision, management has confirmed its stance of making no provision for this proceeding in accordance with accounting principles. Syndial will appeal against the ruling on Pieve Vergonte site of the District Court of Turin as soon as possible. Another administrative proceeding is ongoing regarding a ministerial decree enacted by the Italian Ministry for the Environment. The decree provides that Syndial executes the following tasks: (i) the upgrading of a

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hydraulic barrier to protect the site; and (ii) the design of a project for the environmental remediation of Lake Maggiore. The Administrative Court of Piemonte rejected Syndial's opposition against the outlined environmental measures requested by the Ministry of the Environment. However, the Court judged the prescriptions of the Ministry regarding the remediation of the site to be plain findings of an environmental enquiry to ascertain the state of the lake. Syndial has filed an appeal against the decision of the Court before an upper degree body, also requesting suspension of the effectiveness of the decision. The appeal has been put on hold considering that a plan to ascertain the environmental status of the site is going to be approved by all interested parties, including the Ministry and local municipalities.

- (v) **Action commenced by the Municipality of Carrara for the remediation and reestablishment of previous environmental conditions at the Avenza site and payment of environmental damage.** The Municipality of Carrara commenced an action before the Court of Genova requesting Syndial SpA to remediate and restore previous environmental conditions at the Avenza site and the payment of certain environmental damage which cannot be cleaned up as well as further damages of various types (e.g. damage to the natural beauty of this site). This request is related to an accident that occurred in 1984, as a consequence of which EniChem Agricoltura SpA (later merged into Syndial SpA), at the time owner of the site, carried out safety and remediation works. The Ministry of the Environment joined the action and requested environmental damage payment from a minimum of euro 53.5 million to a maximum of euro 93.3 million to be broken down among the various companies that ran the plant in the past. Syndial summoned Rumianca SpA, Sir Finanziaria SpA and Sogemo SpA, who ran the plant in previous years, in order to be guaranteed. A report produced by an independent expert appointed by the judge was filed with the Court. The findings of this report quantify the residual environmental damage at euro 15 million. With a sentence of March 2008, the Court of Genova rejected all claims made by the Municipality of Carrara and the Ministry of environment. Both plaintiffs filed an appeal against this decision in June 2008, requesting to all defendants cumulative damage amounting to euro 189.9 million. Syndial filed in the appeal hearing, disputing the plaintiffs' claims.
- (vi) **Ministry for the Environment Augusta harbor.** The Italian Ministry for the Environment with various administrative acts ordered companies running plants in the petrochemical site of Priolo to perform safety and environmental remediation works in the Augusta harbor. Companies involved include Eni subsidiaries Polimeri Europa and Syndial. Pollution has been detected in this area primarily due to a high mercury concentration which is allegedly attributed to the industrial activity of the Priolo petrochemical site. Polimeri Europa opposed said administrative actions, objecting in particular to the way in which remediation works have been designed and information on concentration of pollutants has been gathered. The Regional Administrative Court of Catania with its decision of July 2007 annulled the decision made by the Service Conference of the Ministry of the Environment concerning Priolo and the Augusta harbor. The Ministry and the municipalities of Augusta and Melilli filed a claim with an Administrative Court of the Sicily Region which accepted the claim. In January 2008 the Regional Court of Catania accepted two further claims on this matter, remitting to the European Union Court of Justice the correct application of the debated community principle on the matter of environmental responsibility. In June 2008 the Ministry for the Environment and the Municipalities of Melilli and Augusta filed an appeal against the decision of the Regional Court of Catania with the Administrative Justice Council. Syndial challenged the administrative acts of December 20, 2007 and March 6, 2008, also requesting the Court of Justice of the EU to decide on the correct application of the debated community principle. A review of the issue made by an independent consultant has been filed showing evidence supporting the thesis of the plaintiffs. The proceedings are still pending before the Administrative Court of Lazio.

ENI SPA

- (i) **Reorganization procedure of the airlines companies Volare Group, Volare Airlines and Air Europe.** On March 2009 Eni was notified of a bankruptcy claw-back as part of a reorganization procedure filed by the airlines companies Volare Group, Volare Airlines and Air Europe which commenced under the provisions of Ministry of Production Activities, on November 30, 2004. The request regarded the override of all the payments made by those entities to Eni and its subsidiary Sofid in the year previous to the insolvency declaration from November 30,

2003 to November 29, 2004, for a total estimated amount of euro 46 million.

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Table of Contents**2. Other judicial or arbitration proceedings****SYNDIAL SPA (FORMER ENICHEM SPA)**

(i) **Serfactoring: disposal of receivables.** In 1991, Agrifactoring SpA commenced proceedings against Serfactoring SpA, a company 49% owned by Sofid SpA and which is controlled by Eni SpA. The claim relates to an amount receivable of euro 182 million for fertilizer sales (plus interest and compensation for inflation), originally owed by Federconsorzi to EniChem Agricoltura SpA (later Agricoltura SpA - in liquidation), and Terni Industrie Chimiche SpA (merged into Agricoltura SpA - in liquidation), that has been merged into EniChem SpA (now Syndial SpA). Such receivables were transferred by Agricoltura and Terni Industrie Chimiche to Serfactoring, which appointed Agrifactoring as its agent to collect payments. Agrifactoring guaranteed to pay the amount of such receivables to Serfactoring, regardless of whether or not it received payment on the due date. Following payment by Agrifactoring to Serfactoring, Agrifactoring was placed in liquidation and the liquidator of Agrifactoring commenced proceedings in 1991 against Serfactoring to recover such payments (equal to euro 182 million) made to Serfactoring based on the claim that the foregoing guarantee became invalid when Federconsorzi was itself placed in liquidation. Agricoltura and Terni Industrie Chimiche brought counterclaims against Agrifactoring (in liquidation) for damages amounting to euro 97 million relating to acts carried out by Agrifactoring SpA as agent. The amount of these counterclaims has subsequently been reduced to euro 46 million following partial payment of the original receivables by the liquidator of Federconsorzi and various setoffs. These proceedings, which have all been joined, were decided with a partial judgment, deposited on February 24, 2004; the request of Agrifactoring has been rejected and the company has been ordered to pay the sum requested by Serfactoring and damages in favor of Agricoltura, to be determined following the decision. A final verdict on this issue is pending. Agrifactoring appealed this partial decision, requesting in particular the annulment of the first step judgment, the reimbursement of euro 180 million from Serfactoring along with the rejection of all its claims and the payment of all proceeding expenses. On June 2008, the trial was decided with a partial judgment that, reforming the previous judgment of the Court of Rome, granted the requests of Agrifactoring and condemned Serfactoring to reimburse to Agrifactoring in liquidation the amount of the receivables due from Federconsorzi and not collected as Federconsorzi went bankrupt. The Court resolved to appoint an independent accounting consultant to quantify the amount paid by Agrifactoring to Serfactoring and amounts paid by Federconsorzi to Agrifactoring. The hearing has been rescheduled to February 2010 in order to allow the Court to review the independent accounting consultant's advice. Syndial and Serfactoring have appealed the sentence with the Supreme Court of Appeal. Agrifactoring has presented a counter-recourse. Eni accrued a provision with respect to this proceeding.

ENI SPA

(i) **Fintermica.** Fintermica presented a claim against Eni concerning the management of the Jacorossi joint venture with reference to an alleged abuse of key roles played by Eni SpA in the joint venture, thus damaging the other partner's interest and the alleged dilatory behavior of Syndial in selling its interest in the joint venture to Fintermica. The parties decided to commence arbitration on the matter. The examining phase is ongoing and an independent assessment of this matter is being executed. The Board of Arbitrators issued a decision on November 26, 2008 condemning Eni and Syndial to compensate Fintermica for the damages suffered amounting to euro 5 million including monetary revaluation and accrued interest as of April 3, 2001.

SNAMPROGETTI SPA

(i) **CEPAV Uno and CEPAV Due.** Eni holds interests in the CEPAV Uno (50.36%) and CEPAV Due (52%) consortia that in 1991 signed two contracts with TAV SpA for the construction of two railway tracks for high speed/high capacity trains from Milan to Bologna (under construction) and from Milan to Verona (in the design phase). With regard to the project for the construction of the line from Milan to Bologna, an Addendum to the contract between CEPAV Uno and TAV was signed on June 27, 2003, redefining certain terms and conditions of the contract. Subsequently, the CEPAV Uno consortium requested a time extension for the completion of works and a claim amounting to euro 800 million. CEPAV Uno and TAV failed to solve this dispute amicably. CEPAV

Uno opened an arbitration procedure as provided for under terms of the contract on April 27, 2006. With regard to the project for the construction of a high-speed railway from Milan to Verona, in December 2004, CEPAV Due presented the final project, prepared in accordance with Law No. 443/2001 on the basis of the preliminary project approved by an Italian governmental authority (CIPE). As concerns the arbitration procedure requested by CEPAV Due against TAV for the recognition of costs incurred by the Consortium in the 1991-2000 ten-year period plus suffered damage, in January 2007, the arbitration committee determined the Consortium's right to recover the costs incurred in connection with the design activities performed. A technical independent survey is underway to assess the amount of compensation

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to be awarded to the Consortium as requested by the arbitration committee. TAV appealed the arbitration committee's determination. In April 2007, the Consortium filed with the second instance court of Rome an appeal against Law Decree No. 7 of December 31, 2007, that revoked the concessions awarded to TAV resulting in the annulment of arrangements signed between TAV and the Consortium to build the high-speed railway section from Milan to Verona. The European Court of Justice was requested to judge on this matter. In the meantime, TAV decided to not request the reimbursement of advances paid to the Consortium. Subsequently, Law 133/2008 re-established the concessions awarded to TAV resulting in the continuation of the arrangements between the consortium CEPAV Due and a new entity in charge of managing the Italian railway system.

3. Antitrust, EU Proceedings, Actions of the Authority for Electricity and Gas and of Other Regulatory Authorities

3.1 Antitrust

ENI SpA

- (i) Abuse of dominant position of Snam alleged by the Italian Antitrust Authority.** In March 1999, the Italian Antitrust Authority concluded its investigation started in 1997 and: (i) found that Snam SpA (merged in Eni SpA in 2002) abused its dominant position in the market for the transportation and primary distribution of natural gas relating to the transportation and distribution tariffs applied to third parties and the access of third parties to infrastructure; (ii) fined Snam for euro 2 million; and (iii) ordered a review of the practices relating to such abuses. Snam believes it has complied with existing legislation and appealed the decision with the Regional Administrative Court of Lazio requesting its suspension. On May 26, 1999, stating that these decisions are against Law No. 9/1991 and the European Directive 98/30/EC, this Court granted the suspension of the decision. The Authority did not appeal this decision. The decision on the merit of this dispute is still pending before the same Administrative Court.
- (ii) Formal assessment commenced by the Commission of the European Communities for the evaluation of alleged participation to activities limiting competition in the field of paraffin.** On April 28, 2005, the Commission of the European Communities commenced a formal assessment to evaluate the alleged participation of Eni and its subsidiaries in activities limiting competition in the field of paraffin. The alleged violation of competition is for: (i) the determination of and increase in prices; (ii) the subdivision of customers; and (iii) exchange of trade secrets, such as production capacity and sales volumes. After, the Commission requested information on Eni's activities in the field of paraffin and certain documentation acquired by the Commission during an inspection. Eni filed the requested information. On October 2008, the Commission of the European Communities issued the final decision on the matter condemning Eni to the payment of a sanction amounting to euro 29,120,000. Eni has filed for recourse against this decision that is fully covered by the accrued risk provision.
- (iii) Ascertainment by the European Commission of the level of competition in the European natural gas market.** As part of its activities to ascertain the level of competition in the European natural gas market, with Decision No. C (2006)1920/1 of May 5, 2006, the European Commission informed Eni that the Group companies were subject to an inquiry under Article 20, paragraph 4 of the European Regulation No. 1/2003 of the Council in order to verify the possible existence of any business conducts breaching European rules in terms of competition and intended to prevent access to the Italian natural gas wholesale market and to subdivide the market among few operators in the activity of supply and transport of natural gas. Similar actions have been performed by the Commission also against the main operators in natural gas in Germany, France, Austria and Belgium. In April 2007, the European Commission made public its decision to start a further stage of inquiry, as the elements collected supported its suspicion that Eni adopted behaviors leading to "capacity hoarding and strategic, in its view, underinvestment in the transmission system leading to the foreclosure of competitors and harm for competition and customers in one or more supply markets in Italy". On March 9, 2009 Eni received a Statement of Objections related to a proceeding under Article No. 82 of the EU Treaty and Article No. 54 of the

SEE agreement with reference to an alleged unjustifiable refusal of access to the TAG and TENP/Transitgas gas pipelines, that are interconnected with the Italian gas transport system through actions intended to "capacity hoarding, capacity degradation and strategic limitation of investment" with the effect of "hindering the development of a real competition in the downstream market and [...] harming the consumers". The European Commission envisages the possible imposition of a fine and of structural remedies. The Company is currently assessing the reasoning underlying the Commission's objections in order to ascertain whether the challenged actions are supported by evidence and may be qualified as infringement of the European competition rules. The Company will file its defensive memories within the proceeding. In addition, and following the aforementioned assessment, the Company may consider whether to voluntarily file a set of remedies to settle the proceeding as provided

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by Article No. 9 of the European Regulation No. 1/2003. Taking into account the numerous elements to be considered in determining the amount of the fine, the complex checks to carry out with respect to the Statement of Objections, and also the circumstance that the Commission's approval of the possible remedies, presented by Eni pursuant to European Regulation No. 1/2003, would settle the matter without imposing a fine, management believes that the liability is contingent upon the future events described and cannot be measured with reasonable reliability.

- (iv) **TTPC.** In April 2006, Eni filed a claim before the Regional Administrative Court of Lazio against the decision of the Italian Antitrust Authority of February 15, 2006 stating that Eni's behavior pertaining to implementations of plans for the upgrading of the TTPC pipeline for importing natural gas from Algeria represented an abuse of dominant position under Article 82 of the European Treaty and fined Eni. The initial fine amounted to euro 390 million and was reduced to euro 290 million in consideration of Eni's commitment to perform actions favoring competition including the upgrade of the gasline. Eni accrued a provision with respect to this proceeding. With a decision filed on November 29, 2006, the Regional Administrative Court of Lazio partially accepted Eni's claim, annulling such part of the Authority's decision where the fine was quantified. Eni is waiting for the filing of the motivations of the Court decision to ascertain the impact of said decision. Pending this development, the payment of the fine has been voluntarily suspended. In 2007, the Regional Administrative Court of Lazio accepted in part Eni's claim and cancelled the quantification of the fine based on the Antitrust Authority's inadequate evaluation of the circumstances presented by Eni. Eni filed an appeal with the Council of State, as did the Antitrust Authority and TTPC. Pending the final outcome, Eni awaits for the determination of the amount of the fine to be paid.
- (v) **Italian natural gas market.** On May 7, 2009, the Italian Antitrust Authority started a preliminary investigation against the Company and its fully-owned subsidiary Italgas and other operators engaging in the gas retail market in Italy. The investigation targets an alleged abuse of dominant position in the gas retail market in Italy associated with commercial practices intended to make it difficult for retail clients to change the supplier and the retrieval of data on volumes.

POLIMERI EUROPA SPA AND SYNDIAL SPA

- (i) **Inquiries in relation to alleged anti-competitive agreements in the area of elastomers.** In December 2002, inquiries were commenced concerning alleged anti-competitive agreements in the field of elastomers. These inquiries were commenced concurrently by European and U.S. authorities. At present, proceedings are pending before the European Commission regarding the CR and NBR products. In March 2007, the Commission sent to Eni, Polimeri Europa and Syndial a statement of objections, thus opening the second phase of this proceeding. In December 2007, the European Commission dismissed Syndial's position on CR and imposed on Eni and Polimeri a fine amounting to euro 132.16 million. The two companies have filed an appeal with the EU Court of First Instance against this decision and, at the same time, paid the fine in March 2008. Investigations relating to other elastomers products resulted in the ascertainment of Eni having infringed European competition laws in the field of synthetic rubber production (BR and ESBR). On November 29, 2006, the Commission fined Eni and its subsidiary Polimeri Europa for an amount of euro 272.25 million. Eni and its subsidiary filed claims against this decision before the European Court of First Instance in February 2007. The Commission filed a counter appeal. Pending the outcome, Polimeri Europa presented a bank guarantee for euro 200 million and paid the residual amount of the fine. In August 2007, Eni submitted a request for a negative ascertainment with the Court of Milan aimed at proving the non-existence of alleged damages suffered by tire manufacturers. With regard to NBR, an inquiry is underway also in the U.S., where class actions have also been commenced. On the federal level, the class action was abandoned by the plaintiffs. However, the federal judge has yet to acknowledge this abandonment. With regard to other products under investigation in the U.S., settlements were reached with both relevant U.S. antitrust authorities and the plaintiffs acting through a class action. Eni recorded a provision for these matters.

3.2 Regulation

TOSCANA ENERGIA CLIENTI SPA

Eni's subsidiary Toscana Energia Clienti SpA started an action against a customer regarding alleged lack of measurement of gas consumption due to inability to access a measurement facility at the customer's site, also in connection with the application of Resolution No. 229/2001 of the Italian Authority for Electricity and Gas. This customer has annual consumption in excess of 5,000 CM. The defendant has filed a counter-claim in relation to this proceeding. In the hearing of November 12, 2008 the judge resolved to partially accept the Eni's subsidiary reasons and to limit compensation to be paid to the defendant to only euro 1,475 with interests amounting to euro 90. The sum was paid while the defendant is evaluating the opportunity to appeal the sentence.

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DISTRIBUIDORA DE GAS CUYANA SA

(i) Formal investigation of the agency entrusted with the regulations for the natural gas market in Argentina.

Enargas started a formal investigation on some operators, among them Distribuidora de Gas Cuyana SA, a company controlled by Eni. Enargas stated that the company improperly applied conversion factors to volumes of natural gas invoiced to customers and requested the company to apply the conversion factors imposed by local regulations from the date of the default notification (March 31, 2004) without prejudice to any damage payment and fines that may be decided after closing the investigation. In April 2004 the company filed a defensive memorandum. On April 28, 2006, the company formally requested the acquisition of documents from Enargas in order to have access to the documents on which the allegations are based.

4. Tax Proceedings

ENI SPA

Dispute for the omitted payment of the municipal tax related to oil platforms located in territorial waters in the Adriatic Sea. With a formal assessment presented by the Municipality of Pineto (Teramo) in December 1999, Eni SpA has been accused of not having paid a municipal tax on real estate for the period from 1993 to 1998 on four oil platforms located in the Adriatic Sea which constitute municipal waters in front of the coast of Pineto. Eni was requested to pay a total of approximately euro 17 million including interest and a fine. Eni filed a claim against this request stating that the sea where the platforms are located is not part of the municipal territory and the tax application as requested by the municipality lacked objective fundamentals. The claim has been accepted in the first two degrees of judgment at the Provincial and Regional Tax Commissions. However, the Court overturned both judgments, declaring that a municipality can consider requesting a tax on real estate in the sea facing its territory and with the decision of February 2005 sent the proceeding to another section of the Regional Tax Commission in order to judge on the matters of the proceeding. This commission nominated a Board of Consultants, in order to make all the accounting/technical verifications necessary for the judgment. On December 28, 2005, the Municipality of Pineto presented the same request for the same platforms for the years 1999 to 2004. The total amount requested from Eni is euro 24 million including interest and penalties. Eni filed a claim against this request which was accepted by the first degree judge with a decision of December 4, 2007. Similar formal assessments related to Eni oil and gas offshore platforms were presented by the Municipalities of Falconara Marittima and Pedaso. The total amounts of those claims were approximately euro 6 million. The company filed appeal or is planning to appeal.

AGIP KARACHAGANAK BV

Claims concerning unpaid taxes and relevant payment of interest and penalties. In July 2004, relevant Kazakh Authorities informed Agip Karachaganak BV and Agip Karachaganak Petroleum Operating Co BV, shareholder and operator of the Karachaganak contract, respectively, on the final outcome of 2000 to 2003 tax audits. Both companies counterclaimed against the assessment and a preliminary agreement was reached on November 18, 2004. Final assessments have now been issued by the Kazakh Authorities, and payment has been made. The final amount assessed and paid was \$39 million net to Eni; this figure included taxes and interest. The companies continue to dispute the assessments and reserve the right to challenge their findings further.

5. Court Inquiries

(i) EniPower. In June 2004, the Milan Public Prosecutor commenced inquiries into contracts awarded by Eni's subsidiary EniPower and on supplies from other companies to EniPower. These inquiries were widely covered by the media. It emerged that illicit payments were made by EniPower suppliers to a manager of EniPower who was immediately dismissed. The Court presented EniPower (commissioning entity) and Snamprogetti (contractor of

engineering and procurement services) with notices of process in accordance with existing laws regulating the administrative responsibility of companies (Legislative Decree No. 231/2001). In its meeting of August 10, 2004, Eni's Board of Directors examined the aforementioned situation and Eni's CEO approved the creation of a task force in charge of verifying the compliance with Group procedures regarding the terms and conditions for the signing of supply contracts by EniPower and Snamprogetti and the subsequent execution of works. The Board also

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advised divisions and departments of Eni to cooperate fully in every respect with the Court. From the inquiries performed, no default in the organization emerged, nor deficiency in internal control systems. External experts have performed inquiries with regard to certain specific aspects. In accordance with its transparency and firmness guidelines, Eni will take the necessary steps in acting as plaintiff in the expected legal action in order to recover any damage that could have been caused to Eni by the illicit behavior of its suppliers and of their and Eni employees. In the meantime, preliminary investigations have found that both EniPower and Snamprogetti are not to be considered defendants in accordance with existing laws regulating the administrative responsibility of companies (Legislative Decree No. 231/2001). In August 2007, Eni was notified that the Public Prosecutor requested the dismissal of EniPower SpA and Snamprogetti SpA, while the proceeding continues against former employees of these companies and employees and managers of the suppliers under the provisions of Legislative Decree No. 231/2001. Eni SpA, EniPower and Snamprogetti presented themselves as plaintiffs.

- (ii) **Trading.** An investigation is pending regarding two former Eni managers who were allegedly bribed by third parties to favor the closing of certain transactions with two oil product trading companies. Within such investigation, on March 10, 2005, the public prosecutor of Rome notified Eni of two judicial measures for the seizure of documentation concerning Eni's transactions with the said companies. Eni is acting as plaintiff in this proceeding. The judge for preliminary hearings rejected most of the dismissal request, forcing the public prosecutor to continue with the criminal case.
- (iii) **TSKJ Consortium Investigations of the SEC and other Authorities.** The U.S. Securities and Exchange Commission (SEC), the U.S. Department of Justice (DoJ), and other authorities are investigating alleged improper payments made by the TSKJ Consortium to certain Nigerian public officials in relation to the construction of natural gas liquefaction facilities at Bonny Island in Nigeria. Snamprogetti Netherlands BV had a 25% participation in the TSKJ companies, with the remaining participations held by subsidiaries of Halliburton/KBR, Technip, and JGC. Snamprogetti SpA, the holding company of Snamprogetti Netherlands BV, was a wholly owned subsidiary of Eni until February 2006, when an agreement was entered into for the sale of Snamprogetti to Saipem SpA and Snamprogetti was merged into Saipem as of October 1, 2008. Eni holds a 43% participation in Saipem. In connection with the sale of Snamprogetti to Saipem, Eni agreed to indemnify Saipem for a variety of matters, including potential losses resulting from the investigations into the TSKJ matter. In February 2009, KBR and its former parent company, Halliburton, announced that they had reached a settlement with the SEC and DoJ with respect to the TSKJ matter as well as other unspecified matters. In connection with the settlement, KBR pleaded guilty to Foreign Corrupt Practices Act (FCPA) charges stemming from the TSKJ matter. KBR and Halliburton also agreed to pay a substantial fine and entered into civil settlements with the SEC. We understand that the DoJ and the SEC believe that representatives of the other members of the TSKJ Consortium were involved in the conduct that gave rise to the FCPA charges against KBR. Since June 2004, Eni and Saipem/Snamprogetti have been in discussions with, and have provided information in response to requests by, various regulators, including the SEC, the DoJ and the Public Prosecutor's office of Milan, in connection with the investigations.
- (iv) **Gas Metering.** On May 28, 2007, a seizure order (in respect to certain documentation) was served upon Eni and other Group companies as part of a proceeding brought by the Public Prosecutor at the Courts of Milan. The order was also served upon five top managers of the Group companies in addition to third party companies and their top managers. The investigation alleges behavior which breaches Italian criminal law, starting from 2003, regarding the use of instruments for measuring gas, the related payments of excise duties and the billing of clients as well as relations with the Supervisory Authorities. The allegation regards, inter alia, the offense contemplated by Legislative Decree of June 8, 2001, No. 231, which establishes the liability of the legal entity for crimes committed by its employee in the interests of such legal entity, or to its advantage. Accordingly, notice of the commencement of investigations was served upon Eni Group companies (Eni, Snam Rete Gas and Italgas) as well as third party companies. The Group companies are cooperating with the Supervising Authorities in the investigations.
- (v) **Agip KCO NV.** In November 2007, the public prosecutor of Kazakhstan informed Agip KCO of the start of an inquiry for an alleged fraud in the award of a contract to the Overseas International Constructors GmbH in 2005.

6. Settled Proceedings

ENI SPA

Inquiry of the Italian Authority for Electricity and Gas regarding information to clients about the right to pay amounts due for natural gas sales in installments. With Decision No. 228/2007, the Italian Authority for Electricity and Gas commenced a formal inquiry regarding information to clients about the right to pay amounts due

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for the natural gas sales in installments in order to possibly put a stop to the alleged infringement of the clients' rights and to impose a fine. In April 2008, the Authority concluded its inquiry and fined the Company by euro 3.2 million.

SYNDIAL SPA (FORMER ENICHEM SPA)

Criminal action commenced by the public prosecutor of Brindisi. In 2000, the public prosecutor of Brindisi commenced a criminal action against 68 persons who are employees or former employees of companies that owned and managed plants for the manufacture of dichloroethane, vinyl chloride monomer and vinyl polychloride from the early 1960s to date, some of which were managed by EniChem from 1983 to 1993. At the end of the preliminary investigation the public prosecutor asked for the dismissal of the case in respect of the employees and the managers of EniChem. Plaintiffs presented oppositions, but the prosecutor confirmed the request to dismiss the case with a decision of June 2008, the public prosecutor dismissed the accusation as unfounded and requested the closing of the proceeding.

AGIP KCO NV

In December 2007 the Kazakh tax authority filed a notice of tax assessment for fiscal years 2004 to 2006 to Agip KCO, operator of the Kashagan contract. Allegedly unpaid taxes, including interest and penalties, amounted to approximately U.S. \$235 million net to Eni and related to unpaid amounts and inapplicable deductions on value added tax and the default in applying certain withholding taxes on payments to foreign suppliers. The same notice also informed the companies party to the Kashagan contract that further assessments were pending on non-deductible costs for U.S. \$188 million net to Eni and higher taxable income on Kazakh branches for U.S. \$48 million net to Eni. The further assessments were subsequently issued, the company filed an appeal and a settlement was reached in October 2008 with the following outcome: the unpaid taxes net to Eni were agreed at U.S. \$24 million (U.S. \$235 million assessed). An adjustment to deductible costs was agreed at U.S. \$38 million net to Eni (U.S. \$188 million assessed) and it was further agreed that there would be no income taxable on Kazakh branches (U.S. \$48 million assessed).

Other risks and commitments

Parent company guarantees amounted to euro 11,110 million (euro 4,911 million at December 31, 2006) were issued in connection with certain contractual commitments for hydrocarbon exploration and production activities, quantified on the basis of the capital expenditures to be incurred. The increase of euro 6,199 million primarily related to commitments that Agip Caspian Sea BV in Kazakhstan had entered into for euro 5,605 million.

Under the convention signed on October 15, 1991 by Treno Alta Velocità - TAV SpA and CEPAV (Consortio Eni per l'Alta Velocità) Due, Eni committed to guarantee the execution of design and construction of the works assigned to the CEPAV Consortium (to which it is party) and guaranteed to TAV the correct and timely execution of all obligations indicated in the convention in a subsequent integration deed and in any further addendum or change or integration to the same. The regulation of CEPAV Due contains the same obligations and guarantees contained in the CEPAV Uno Agreement.

A commitment entered into by Eni USA Gas Marketing Llc on behalf of Cameron LNG for fulfilling certain obligations in connection with a regasification contract signed on August 1, 2005. This commitment is subject to a suspension clause and will come into force when the regasification service starts in a period included between October 1, 2008 and June 30, 2009 for an estimated total consideration of euro 226 million.

A commitment entered into by Eni USA Gas Marketing Llc on behalf of Gulf LNG Energy for the acquisition of unused regasification capacity (5.78 BCM/y) over a twenty-year period (2011-2031) for an estimated total consideration as high as \$1,400 million equal to euro 951 million.

A commitment entered into by Eni USA Gas Marketing Llc on behalf of Angola LNG Supply Service for the acquisition of regasified gas at the Pascagoula plant in the United States that will come into force when the

regasification service starts in a period included between 2011-2031.

Eni is liable for certain non-quantifiable risks related to contractual assurances given to acquirers of certain of Eni's assets, including businesses and investments, against certain contingent liabilities deriving from tax, social security contributions, environmental issues and other matters applicable to periods during which such assets were

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operated by Eni. Eni believes such matters will not have a material adverse effect on the Company's results of operations and liquidity.

Assets under concession arrangements

Eni operates under concession arrangements mainly in the Exploration & Production segment and in some activities of the Gas & Power segment and the Refining & Marketing segment. In the Exploration & Production segment contractual clauses governing mineral concessions, licenses and exploration permits regulate the access of Eni to hydrocarbon reserves. Such clauses can differ in each country. In particular, mineral concessions, licenses and permits are granted by the legal owners and, generally, entered into with government entities, State oil companies and, in some legal contexts, private owners. As a compensation for mineral concessions, Eni pays royalties and taxes in accordance with local tax legislation. Eni sustains all the operation risks and costs related to the production and development activities and it is entitled to the productions realized. In Product Sharing Agreement and in buy-back contracts, realized productions are defined on the basis of contractual agreements drawn up with State oil companies which hold the concessions. Such contractual agreements regulate the recovery of costs incurred for the exploration, development and operating activities (cost oil) and give entitlement to the own portion of the realized productions (profit oil). With reference to natural gas storage in Italy, the activity is conducted on the basis of concessions with a duration that does not exceed a twenty year duration and it is granted by the Ministry of Productive Activities to persons that are consistent with legislation requirements and that can demonstrate to be able to conduct a storage program that meets the public interest in accordance with the laws. In the Gas & Power segment the gas distribution activity is primarily conducted on the basis of concessions granted by local public entities. At the expiry date of the concession, compensation is paid, defined by using criteria of business appraisal, to the outgoing operator following the sale of its own gas distribution network. Service tariffs for distribution are defined on the basis of a method established by the Authority for Electricity and Gas. Legislative Decree No. 164/2000 provides the grant of distribution service exclusively by tender, with a maximum length of 12 years.

In the Refining & Marketing segment several service stations and other auxiliary assets of the distribution service are located in the motorway areas and they are granted by the motorway concession operators following a public tender for the sub-concession of the supplying of oil products distribution service and other auxiliary services. Such assets are amortized over the length of the concession (generally, 5 years for Italy). In exchange of the granting of the services described above, Eni provides to the motorway companies fixed and variable royalties on the basis of quantities sold. At the end of the concession period, all non-removable assets are transferred to the grantor of the concession.

Environmental regulations

Risks associated with the footprint of Eni's activities on the environment, health and safety are described in the risk section above, under the paragraph "Operational risks". Regarding the environmental risk, management does not currently expect any material adverse effect upon Eni's consolidated financial statements, taking account of ongoing remedial actions, existing insurance policies to cover environmental risks and the environmental risk provision accrued in the consolidated financial statements. However, management believes that it is possible that Eni may incur material losses and liabilities in future years in connection with environmental matters due to: (i) the possibility of as yet unknown contamination; (ii) the results of the ongoing surveys and the other possible effects of statements required by Decree No. 471/1999 of the Ministry of Environment; (iii) new developments in environmental regulation; (iv) the effect of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining Eni's liability, if any, as against other potentially responsible parties with respect to such litigation and the possible insurance recoveries.

Emission trading

Legislative Decree No. 216 of April 4, 2006 implemented the Emission Trading Directive 2003/87/EC concerning greenhouse gas emissions and Directive 2004/101/EC concerning the use of carbon credits deriving from projects for the reduction of emissions based on the flexible mechanisms devised by the Kyoto Protocol. This European emission trading scheme has been in force since January 1, 2005, and on this matter, on November 27, 2008, the National Committee for Emissions Trading Scheme (Ministry of Environment-Mse) published the Resolution 20/2008 defining emission permits for the 2008-2012 period. In particular, Eni was assigned permits corresponding to 127.2 mtonnes of carbon dioxide (approximately 25 mtonnes/y) in addition to approximately 7.4 million of permits expected to be assigned with respect to new plants in the five-year period 2008-2012. Emissions of carbon dioxide from Eni's plants were lower than permits assigned in 2008. Emission permits for 25.9

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million tonnes were assigned, against emissions of carbon dioxide of approximately 25.3 million tonnes, resulting in a surplus of 0.6 million tonnes.

30 Revenues

The following is a summary of the main components of "Revenues". For more information about changes in revenues, see "Item 5 Operating and Financial Review and Prospects".

Net sales from operations were as follows:

(euro million)	2006	2007	2008
Net sales from operations	85,957	87,103	107,843
Change in contract work in progress	148	153	305
	86,105	87,256	108,148

Net sales from operations were net of the following items:

(euro million)	2006	2007	2008
Excise taxes	13,762	13,292	13,142
Exchanges of oil sales (excluding excise taxes)	2,750	2,728	2,694
Services billed to joint venture partners	1,385	1,554	2,081
Sales to service station managers for sales billed to holders of credit cards	1,453	1,480	1,700
Exchanges of other products	127	121	83
	19,477	19,175	19,700

Net sales from operations by business segment and geographic area of destination are presented in Note 36 - Information by industry segment and geographic financial information.

Other income and revenues

Other income and revenues were as follows:

(euro million)	2006	2007	2008
Gains on price adjustments under overlifting/underlifting transactions	30	79	180
Lease and rental income	98	95	98
Gains from sale of assets	100	66	48
Contract penalties and other trade revenues	61	181	23
Compensation for damages	40	87	15
Other proceeds (*)	454	319	356
	783	827	720

(*) Each individual amount included herein does not exceed euro 50 million.

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The following is a summary of the main components of "Operating expenses". For more information about changes in operating expenses, see "Item 5 Operating and Financial Review and Prospects".

Purchases, services and other

Purchases, services and other included the following:

(euro million)	2006	2007	2008
Production costs - raw, ancillary and consumable materials and goods	44,661	44,884	58,712
Production costs - services	10,015	10,828	13,355
Operating leases and other	1,903	2,276	2,558
Net provisions for contingencies	767	591	900
Other expenses	1,089	1,095	1,652
	58,435	59,674	77,177
less:			
- capitalized direct costs associated with self-constructed assets - tangible assets	(783)	(1,325)	(645)
- capitalized direct costs associated with self-constructed assets - intangible assets	(162)	(170)	(124)
	57,490	58,179	76,408

Production costs-services included brokerage fees related to Engineering & Construction segment for euro 155 million (euro 39 million and euro 37 million in 2006 and 2007, respectively).

Costs incurred in connection with research and development activity recognized in profit and loss amounted to euro 216 million (euro 219 million and euro 189 million in 2006 and 2007, respectively) as they do not meet the requirements to be capitalized.

The item "Operating leases and other" included operating leases for euro 957 million (euro 860 million and euro 1,081 million in 2006 and 2007, respectively) and royalties on hydrocarbons extracted for euro 871 million (euro 823 million and euro 772 million in 2006 and 2007, respectively). Future minimum lease payments expected to be paid under non-cancelable operating leases were as follows:

(euro million)	2006	2007	2008
To be paid within 1 year	594	588	618
Between 2 and 5 years	1,474	1,401	2,585
Beyond 5 years	762	942	1,084
	2,830	2,931	4,287

Operating leases primarily concerned assets for drilling activities, time charter and long-term rentals of vessels, lands, service stations and office buildings. Such leases did not include renewal options. There are no significant restrictions provided by these operating leases which limit the ability of Eni to pay dividends, use assets or to take on new borrowings.

Increase of provisions for contingencies net of reversal of unutilized provisions amounted to euro 874 million (euro 767 million and euro 591 million in 2006 and 2007, respectively) and mainly regarded environmental risks for euro 360 million (euro 248 million and euro 327 million in 2006 and 2007, respectively), marketing initiatives awarding prizes to clients for euro 73 million (euro 44 million and euro 59 million in 2006 and 2007, respectively) and legal or

other proceedings for euro 55 million (euro 149 million and euro 79 million in 2006 and 2007, respectively). More information is included in Note 22 - Provisions for contingencies.

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Payroll and related costs were as follows:

(euro million)	2006	2007	2008
Wages and salaries	2,630	2,906	3,204
Social security contributions	691	690	694
Cost related to defined benefits plans and defined contributions plans	230	161	107
Other costs	305	275	282
	3,856	4,032	4,287
less:			
- capitalized direct costs associated with self-constructed assets - tangible assets	(99)	(109)	(148)
- capitalized direct costs associated with self-constructed assets - intangible assets	(107)	(123)	(135)
	3,650	3,800	4,004

Average number of employees

The average number and break-down of employees by category of Eni's subsidiaries were as follows:

(number)	2006	2007	2008
Senior managers	1,676	1,594	1,621
Junior managers	11,142	11,816	12,597
Employees	34,671	35,725	36,766
Workers	25,426	25,582	26,387
	72,915	74,717	77,371

The average number of employees was calculated as the average between the number of employees at the beginning and end of the period. The average number of senior managers included managers employed and operating in foreign countries, whose position is comparable to a senior manager status.

Stock-based compensation*Stock grant*

In 2008 residual rights for stock grant were exercised by managers of Eni SpA and its subsidiaries as defined in Article 2359 of the Civil Code as eligible to this compensation plan. Therefore at the balance sheet date there are no residual rights granted. Changes in the 2006, 2007 and 2008 stock grant plans consisted of the following:

	2006		2007		2008	
	Number of shares	Market price ^(a) (euro)	Number of shares	Market price ^(a) (euro)	Number of shares	Market price ^(a) (euro)
Stock grants outstanding as of January 1	3,127,200	23.460	1,873,600	25.520	902,800	25.120
New rights granted						
Rights exercised in the period	(1,236,400)	23.933	(966,000)	24.652	(893,400)	21.832
Rights cancelled in the period	(17,200)	23.338	(4,800)	26.972	(9,400)	22.683
Stock grants outstanding as of December 31	1,873,600	25.520	902,800	25.120		
of which exercisable at December 31	156,700	25.520	68,100	25.120		

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- (a) Market price relating to new rights granted, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on Mercato Telematico Azionario in the month preceding: (i) the date of the Board of Directors resolution regarding the stock grant assignment; (ii) the date on which the emission/transfer of the shares granted were recorded in the grantee's securities account; and (iii) the date of the unilateral termination of employment for rights cancelled), weighted with the number of shares. Market price of stock at the beginning and end of the year is the price recorded at December 31.

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Stock options plans are designed for managers of Eni SpA and its subsidiaries as defined in Article 2359 of the Civil Code, who are directly responsible for corporate results or for strategic positions, making them participate to an effective incentive plan.

2002-2004 and 2005 plans

Stock options plans provide the right for the assignee to purchase treasury shares with a 1 to 1 ratio after the end of the third year from the date of the grant (vesting period) and for a maximum period of five years. The strike price was determined to be the arithmetic average of official prices registered on the Mercato Telematico Azionario in the month preceding the grant date or, from 2003 onwards, the average carrying amount of treasury shares as of the day preceding the assignment, if greater.

2006-2008 plan

The 2006-2008 stock option plan has introduced a performance condition for the exercise of the options. At the end of each three-year period (vesting period) from the assignment, the Board of Directors determines the percentage of exercisable options, from 0 to 100, in relation to the Total Shareholders Return (TSR) of Eni's shares as benchmarked against the TSR delivered by a panel of the six largest international oil companies for market capitalization. Options can be exercised for a maximum period of three years. The strike price is calculated as the arithmetic average of official prices registered on the Mercato Telematico Azionario in the month preceding assignment.

At December 31, 2008, 23,557,425 options were outstanding for the purchase of 23,557,425 ordinary shares. The break-down of outstanding options was the following:

	Rights outstanding as of December 31	Average strike price (euro)
Stock option plan 2002	97,000	15.216
Stock option plan 2003	231,900	13.743
Stock option plan 2004	671,600	16.576
Stock option plan 2005	3,756,000	22.512
Stock option plan 2006	5,954,250	23.119
Stock option plan 2007	5,492,375	27.451
Stock option plan 2008	7,354,300	22.540
	23,557,425	

At December 31, 2008 the weighted-average remaining contractual life of the plans at December 2002, 2003, 2004, 2005, 2006, 2007 and 2008 was 1 year and 7 months, 2 years and 7 months, 3 years and 7 months, 4 years and 7 months, 3 years and 7 months, 4 years and 7 months and 5 years and 7 months, respectively.

Changes of stock option plans in 2006, 2007 and 2008 consisted of the following:

	2006			2007			2008		
	Number of shares	Average strike price (euro)	Market price ^(a) (euro)	Number of shares	Average strike price (euro)	Market price ^(a) (euro)	Number of shares	Average strike price (euro)	Market price ^(a) (euro)
Stock options as of January 1	13,379,600	17.705	23.460	15,290,400	21.022	25.520	17,699,625	23.822	25.120
New rights granted	7,050,000	23.119	23.119	6,128,500	27.451	27.447	7,415,000	22.540	22.538
Rights exercised in the period	(4,943,200)	15.111	23.511	(3,028,200)	16.906	25.338	(582,100)	17.054	24.328

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Rights cancelled in the period	(196,000)	19.119	23.797	(691,075)	24.346	24.790	(975,100)	24.931	19.942
Stock options outstanding as of									
December 31	15,290,400	21.022	25.520	17,699,625	23.822	25.120	23,557,425	23.540	16.556
of which exercisable at									
December 31	1,622,900	16.190	25.520	2,292,125	18.440	25.120	5,184,250	21.263	16.556

- (a) Market price relating to new rights granted, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on Mercato Telematico Azionario in the month preceding: (i) the date of the Board of Directors resolution regarding the stock grants assignment; (ii) the date in which the emission/transfer of the shares granted was recorded in the grantee's securities account; and (iii) the date in which the unilateral termination of employment for rights was cancelled), weighted with the number of shares. Market price of stock at the beginning and end of the year is the price recorded at December 31.

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The fair value of stock options granted during the years 2002, 2003, 2004 and 2005 was euro 5.39, euro 1.50, euro 2.01 and euro 3.33 per share, respectively. For 2006, 2007 and 2008 the weighted average considering options granted was euro 2.89, euro 2.98 and euro 2.60 per share, respectively.

The fair value was determined by applying the following assumptions:

		2002	2003	2004	2005	2006	2007	2008
Risk-free interest rate	(%)	3.5	3.2	3.2	2.5	4.0	4.7	4.9
Expected life	(years)	8	8	8	8	6	6	6
Expected volatility	(%)	43.0	22.0	19.0	21.0	16.8	16.3	19.2
Expected dividends	(%)	4.5	5.4	4.5	4.0	5.3	4.9	6.1

Costs of the year related to stock grant and stock option plans amounted to euro 25 million (euro 20 million and euro 27 million in 2006 and 2007, respectively).

Compensation of key management

Compensation of persons responsible for key positions in planning, direction and control functions of Eni Group, including executive and non-executive officers, general managers and managers with strategic responsibility (key management) amount to euro 23 million, euro 25 million and euro 25 million for 2006, 2007 and 2008 respectively, and consisted of the following:

(euro million)	2006	2007	2008
Wages and salaries	16	17	17
Post-employment benefits	1	1	1
Other long-term benefits	3	3	3
Stock grant/option	3	4	4
	23	25	25

Compensation of Directors and Statutory Auditors

Compensation of Directors amounted to euro 8.7 million, euro 8.9 million and euro 6.4 million for 2006, 2007 and 2008, respectively. Compensation of Statutory Auditors amounted to euro 0.686, euro 0.678 million and euro 0.634 million in 2006, 2007 and 2008, respectively. Compensation included emoluments and all other retributive and social security compensations due for the function of directors or statutory auditor assumed by Eni SpA or other companies included in the scope of consolidation, representing a cost for Eni.

Depreciation, depletion, amortization and impairments

Depreciation, depletion, amortization and impairments charges consisted of the following:

(euro million)	2006	2007	2008
Depreciation, depletion and amortization:			
- tangible assets	4,694	4,935	5,994
- intangible assets	1,462	2,096	2,436
	6,156	7,031	8,430
Impairments:			
- tangible assets	231	140	1,343
- intangible assets	54	67	53

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	285	207	1,396
less:			
- reversal of impairments - tangible assets	(17)		(2)
- reversal of impairment - intangible assets			(1)
- capitalized direct costs associated with self-constructed assets - tangible assets	(1)	(1)	(4)
- capitalized direct costs associated with self-constructed assets - intangible assets	(2)	(1)	(4)
	6,421	7,236	9,815

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Table of Contents**32 Financial income (expense)**

Finance income (expense) consisted of the following:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Finance income (expense)			
Finance income	3,749	4,445	7,985
Finance expense	(3,971)	(4,554)	(8,198)
	(222)	(109)	(213)
Gain (loss) on derivative financial instruments	383	26	(551)
	161	(83)	(764)

Net finance income (expense) consisted of the following:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Finance income (expense) related to net borrowings			
Interest due to banks and other financial institutions	(215)	(445)	(745)
Interest and other finance expense on ordinary bonds	(248)	(258)	(248)
Interest from banks	194	236	87
Interest and other income on financing receivables and securities held for non-operating purposes	62	55	82
	(207)	(412)	(824)
Exchange differences			
Positive exchange differences	2,496	2,877	7,339
Negative exchange differences	(2,648)	(2,928)	(7,133)
	(152)	(51)	206
Other finance income (expense)			
Income from equity instruments		188	241
Capitalized finance expense	116	180	236
Interest and other income on financing receivables and securities held for operating purposes	119	96	62
Interest on tax credits	17	31	37
Finance expense due to passage of time (accretion discount) ^(a)	(116)	(186)	(249)
Other finance income	1	45	78
	137	354	405
	(222)	(109)	(213)

(a) The item related to the increase in provisions for contingencies that are shown at present value in non-current liabilities.

Income from equity instruments of euro 241 million (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 (more information is included in Note 2 - Other financial assets held for trading or available for sale).

The fair value gain (loss) on derivative financial instruments consisted of the following:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Derivatives on exchange rate	313	120	(300)
Derivatives on interest rate	61	35	(127)

Derivatives on commodities	9	(129)	(124)
	383	26	(551)

Net loss from derivatives of euro 551 million (euro 383 million and euro 26 million of net gain in 2006 and 2007, respectively) was primarily due to the recognition in the profit and loss account of the change in fair value of derivatives that cannot be qualified as hedging instruments under IFRS. In fact, since these derivatives are entered

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into for amounts corresponding to the net exposure to exchange rate risk, interest rate risk or commodity risk, they cannot be linked to specific trade or financing transactions.

The lack of these formal requirements in order to assess these derivatives as hedging instruments under IFRS provides also the recognition in profit or loss of negative exchange translation differences on assets and liabilities denominated in currencies other than functional currency, as these translation effects cannot be offset by changes in fair value of derivative contracts.

Losses on commodity derivatives amounted to euro 124 million, included gain of euro 7 million related to the ineffective portion of the change in fair value of cash flow hedging derivatives (time value component) entered into by the Exploration & Production segment. Further information is given in Note 7 - Other current asset. The fair value of derivative contracts is provided in Note 7 - Other current asset, Note 15 - Other non-current receivables, Note 20 - Other current liabilities and Note 25 - Other non-current liabilities.

33 Income from investments**Share of profit (loss) of equity-accounted investments**

Share of profit (loss) of equity-accounted investments consisted of the following:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Share of profit of equity-accounted investments	887	906	761
Share of loss of equity-accounted investments	(36)	(135)	(105)
Decreases (increases) in the provision for losses on investments	(56)	2	(16)
	795	773	640

More information is provided in Note 12 - Investments.

Other gain (loss) from investments

Other gain (loss) from investments consisted of the following:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Gains on disposals	98	170	510
Dividends	25	301	218
Losses on disposals	(7)	(1)	(1)
Other income (expense), net	(8)		6
	108	470	733

Dividends of euro 510 million primarily related to Nigeria LNG (euro 453 million) and Saudi European Petrochemical Co - Ibn Zahr (euro 34 million).

Gains on disposals of euro 218 million primarily related to the sale of Gaztransport et Technigaz SAS (euro 185 million), Agip España SA (euro 15 million) and Padana Assicurazioni SpA (euro 10 million). Gains on disposals for 2007 of euro 301 million primarily related to the sale of Haldor Topsøe AS (euro 265 million) and Camom SA (euro 25 million). Gains on disposals for 2006 of euro 25 million primarily related to the sale of Fiorentina Gas SpA and

Toscana Gas SpA (euro 16 million).

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Table of Contents**34 Income taxes**

Income taxes consisted of the following:

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Current taxes:			
- Italian subsidiaries	2,007	2,380	1,916
- foreign subsidiaries of the Exploration & Production segment	6,740	6,695	9,744
- foreign subsidiaries	529	482	426
	9,276	9,557	12,086
Net deferred taxes:			
- Italian subsidiaries	230	(582)	(1,603)
- foreign subsidiaries of the Exploration & Production segment	1,095	246	(827)
- foreign subsidiaries	(33)	(2)	36
	1,292	(338)	(2,394)
	10,568	9,219	9,692

Current income taxes of euro 1,916 million were in respect of Italian subsidiaries for Ires (euro 1,408 million) and Irap (euro 307 million) and of foreign taxes (euro 201 million).

The effective tax rate was 50.3% (51.8% and 46.0% in 2006 and 2007, respectively) compared with a statutory tax rate of 38.2% (37.9% in 2006 and 2007, respectively) and calculated by applying a 33.0%¹⁵ tax rate (Ires) to profit before income taxes and 3.9% tax rate (Irap) to the net value of production as provided for by Italian laws.

The difference between the statutory and effective tax rate was due to the following factors:

(%)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Statutory tax rate	37.9	37.9	38.2
Items increasing (decreasing) statutory tax rate:			
- higher foreign subsidiaries tax rate	13.6	10.2	15.2
- changes in Italian statutory tax rate and adjustment of tax base of amortizable assets for Italian subsidiaries		(2.0)	
- impact pursuant to Law Decree No. 112 of June 25, 2008, the Budget Law 2008 and enactment of a renewed tax framework in Libya			(3.8)
- permanent differences and other adjustments	0.3	(0.1)	0.7
	13.9	8.1	12.1
	51.8	46.0	50.3

The increase in the tax rate of foreign subsidiaries primarily related to a 17.1 percentage points increase in the Exploration & Production segment (17.2% and 15% in 2006 and 2007, respectively).

The impact pursuant to Law Decree No. 112 of June 25, 2008, the Budget Law 2008 and enactment of a renewed tax framework in Libya of 3.8% consisted of the following: (i) 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) (euro 528 million). In fact, pursuant to the Law Decree No. 112 of June 25, 2008 (become Law No. 133/2008), energy companies in Italy are required from 2008 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 tax with a 16% rate on the difference

between the two amounts. Accordingly, profit and loss benefited from the difference between utilization of deferred tax liabilities accrued on hydrocarbons inventories and the one-off tax (euro 229 million), for a total positive impact of euro 176 million, which consider previously applicable statutory tax rate (Ires) of 33% pursuant to the Law Decree No. 112 of June 25, 2008 instead of 27.5% of the previous tax regime. This one-off tax will be paid in three annual installments of same amount, due from 2009 onwards; (ii) application of the Italian Budget Law for 2008 that provide 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

(15) Includes a 5.5% supplemental tax rate on taxable profit of energy companies in Italy (whose primary activity is the production and marketing of hydrocarbons and electricity and with annual revenues in excess of euro 25 million) effective January 1, 2008 and pursuant to the Law Decree No. 112 of June 25, 2008.

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applying a special rate of 6% (positive impact on profit and loss of euro 370 million; euro 290 million net of the special tax); (iii) 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 tax liabilities of euro 173 million; and (iv) the impact of above mentioned Law Decree No. 112/2008 on energy companies calculated by applying statutory tax rate (Ires) of 33% pursuant to the Law Decree No. 112 of June 25, 2008 instead of the previously applicable statutory tax rate (Ires) of 27.5% (euro 94 million).

In 2006 the increase in the tax rate of foreign subsidiaries relating the Exploration & Production segment included the application of a windfall tax introduced by the Algerian government with effect starting from August 1, 2006 (1.6 percentage points) and a supplemental tax rate introduced by the government of the United Kingdom relating to the North Sea productions with effect starting from January 1, 2006 (1 percentage point).

The adjustment to deferred tax assets and liabilities and to the 2007 tax rate for Italian subsidiaries were recognized in connection with certain amendments to the Italian tax regime enacted by the 2008 Budget Law. These included an option regarding the increase of the tax bases of certain tangible and other assets to their carrying amounts (euro 773 million) by paying a special tax (euro 325 million) and a lower statutory tax rate (Ires from 33% to 27.5%, Irap from 4.25% to 3.9%, euro 54 million).

In 2006 permanent differences mainly arose from certain charges that are not deductible because taken in connection with risk provisions arising from proceedings against the Italian Antitrust and other regulatory Authorities (0.4 percentage points).

35 Earnings per share attributable to Eni

Basic earnings per ordinary share are calculated by dividing net profit for the year attributable to Eni's shareholders by the weighted average number of ordinary shares issued and outstanding during the year, excluding treasury shares.

The average number of ordinary shares used for the calculation of the basic earnings per share outstanding at December 31, 2006, 2007 and 2008, was 3,698,201,896, 3,668,305,807 and 3,638,835,896 respectively.

Diluted earnings per share is calculated by dividing net profit for the year attributable to Eni's shareholders by the weighted average number of shares fully-diluted which includes issued and outstanding shares during the year, excluding treasury shares and including the number of shares that could be issued potentially in connection with stock-based compensation plans.

The average number of shares fully diluted used in the calculation of diluted earnings was 3,701,262,557, 3,669,172,762 and 3,638,854,276 for the years ending December 31, 2006, 2007 and 2008, respectively.

Reconciliation of the average number of shares used for the calculation for both basic and diluted earnings per share was as follows:

	2006	2007	2008
Average number of shares used for the calculation of the basic earnings per share	3,698,201,896	3,668,305,807	3,638,835,896
Number of potential shares following stock grant plans	1,070,676	302,092	
Number of potential shares following stock options plans	1,989,985	564,863	18,380
	3,701,262,557	3,669,172,762	3,638,854,276

Average number of shares used for the calculation of the diluted earnings per share

Eni's net profit	(euro million)	9,217	10,011	8,825
Basic earning per share	(euro per share)	2.49	2.73	2.43
Diluted earning per share	(euro per share)	2.49	2.73	2.43

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Table of Contents**36 Information by industry segment and geographic financial information****Information by industry segment**

(euro million)	Exploration & Production	Gas & Power	Refining & Marketing	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Intra-Group profits	Total
2006									
Net sales from operations ^(a)	27,173	28,368	38,210	6,823	6,979	823	1,174		
Less: intersegment sales	(18,445)	(751)	(1,300)	(667)	(771)	(520)	(991)		
Net sales to customers	8,728	27,617	36,910	6,156	6,208	303	183		86,105
Operating profit	15,580	3,802	319	172	505	(622)	(296)	(133)	19,327
Provisions for contingencies	153	197	264	30	(13)	236	(100)		767
Depreciation, amortization and writedowns	4,776	738	447	174	196	28	71	(9)	6,421
Share of profit (loss) of equity-accounted investments	28	509	194	2	66	(4)			795
Identifiable assets ^(b)	29,720	23,500	11,359	2,984	6,362	344	1,023	(666)	74,626
Unallocated assets									13,686
Equity-accounted investments	258	2,214	874	11	483	46			3,886
Identifiable liabilities ^(c)	9,119	5,284	4,712	806	3,869	1,940	1,619		27,349
Unallocated liabilities									19,764
Capital expenditures	5,203	1,174	645	99	591	72	88	(39)	7,833
2007									
Net sales from operations ^(a)	27,278	27,633	36,401	6,934	8,678	205	1,313		
Less: intersegment sales	(16,475)	(760)	(1,276)	(363)	(1,182)	(31)	(1,099)		
Net sales to customers	10,803	26,873	35,125	6,571	7,496	174	214		87,256
Operating profit	13,788	4,127	729	74	837	(444)	(217)	(26)	18,868
Provisions for contingencies	5	37	256	15	11	264	3		591
Depreciation, amortization and writedowns	5,626	687	491	116	248	10	68	(10)	7,236
Share of profit (loss) of equity-accounted investments	23	449	216		79	6			773
Identifiable assets ^(b)	33,435	24,530	13,767	3,427	8,017	275	854	(692)	83,613
Unallocated assets									17,847
Equity-accounted investments	1,926	2,152	1,267	15	230	49			5,639
Identifiable liabilities ^(c)	11,480	5,390	5,420	939	4,349	1,827	1,380		30,785
Unallocated liabilities									27,808
Capital expenditures	6,625	1,366	979	145	1,410	59	108	(99)	10,593
2008									
Net sales from operations ^(a)	33,318	36,936	45,083	6,303	9,176	185	1,331	75	
Less: intersegment sales	(19,067)	(873)	(1,496)	(398)	(1,219)	(29)	(1,177)		
Net sales to customers	14,251	36,063	43,587	5,905	7,957	156	154	75	108,148
Operating profit	16,415	3,933	(1,023)	(822)	1,045	(346)	(686)	125	18,641
Provisions for contingencies	155	237	206	2	36	99	165		900
Depreciation, amortization and writedowns	7,542	744	729	395	335	8	76	(14)	9,815
Share of profit (loss) of equity-accounted investments	173	413	16	(9)	43	4			640
Identifiable assets ^(b)	41,989	31,894	11,081	2,629	10,630	362	789	(641)	98,733

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Unallocated assets									17,857
Equity-accounted investments	1,787	2,249	1,227	25	130	53			5,471
Identifiable liabilities ^(c)	11,030	11,212	4,481	664	6,177	1,638	1,780	(75)	36,907
Unallocated liabilities									31,173
Capital expenditures	9,545	1,794	965	212	2,027	52	95	(128)	14,562

(a) Before elimination of intersegment sales.

(b) Included assets directly associated with the generation of operating profit.

(c) Included liabilities directly associated with the generation of operating profit.

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Inter-segment sales were conducted on an arm's length basis.

Geographic financial information*Assets and investments by geographic area of origin*

(euro million)	Italy	Other European Union	Rest of Europe	Americas	Asia	Africa	Other areas	Total
2006								
Identifiable assets ^(a)	37,339	10,037	3,200	2,987	6,341	14,190	532	74,626
Capital expenditures	2,529	713	436	572	1,032	2,419	132	7,833
2007								
Identifiable assets ^(a)	39,742	11,071	3,917	6,260	6,733	15,368	522	83,613
Capital expenditures	3,246	1,246	469	1,004	1,253	3,152	223	10,593
2008								
Identifiable assets ^(a)	40,432	15,065	3,561	6,149	10,561	22,044	921	98,733
Capital expenditures	3,674	1,660	582	1,240	1,777	5,153	476	14,562

(a) Includes assets directly related to the generation of operating profit.

Sales from operations by geographic area of destination

(euro million)	2006	2007	2008
Italy	36,343	37,346	42,909
Other European Union	23,949	23,074	29,341
Rest of Europe	6,975	5,507	7,125
Americas	6,250	6,447	7,218
Asia	5,595	5,840	8,916
Africa	5,949	8,010	12,331
Other areas	1,044	1,032	308
	86,105	87,256	108,148

37 Transactions with related parties

In the ordinary course of its business, Eni enters into transactions regarding:

- the exchange of goods, provision of services and financing with joint ventures, associates and non-consolidated subsidiaries;
- the exchange of goods and provision of services with entities directly and indirectly owned or controlled by the Government;
- transactions with the Cosmi Holding Group related to Eni SpA through a member of the Board of Directors related to certain acquisition of engineering, construction and maintenance services. Relevant transactions which were executed on an arm's length basis amounted to approximately euro 13 million, euro 18 million and euro 13 million in 2006, 2007 and 2008, respectively. At December 31, 2008 were outstanding receivables for euro 4 million and payables for euro 8 million;

- d) contributions to entities, controlled by Eni with the aim to develop solidarity, culture and research initiatives. In particular these related to: (a) Eni Foundation established by Eni as a non-profit entity with the aim of pursuing exclusively solidarity initiatives in the fields of social assistance, health, education, culture and environment as well as research and development. Transactions with Eni Foundation related to contribution of euro 200 million to the solidarity fund pursuant to Italian Law Decree No. 112/2008 and the payable of euro 100 million related to the part of the contribution that had not already been paid. Transactions in the past periods were not material; (b) Enrico Mattei Foundation established by Eni with the aim of enhancing, through studies, research and training initiatives, knowledge in the fields of

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economics, energy and environment, both at the national and international level. Transactions with Enrico Mattei Foundation were not material.

Transactions with related parties were conducted in the interest of Eni companies and, with exception of those with entities with the aim to develop solidarity, culture and research initiatives, on an arm's length basis.

Trade and other transactions with joint ventures, associates and non-consolidated subsidiaries as well as with entities directly and indirectly owned or controlled by the Government in the 2006, 2007 and 2008, respectively, consisted of the following:

Name	Dec. 31, 2006			2006			
	Receivables and other assets	Payables and other liabilities	Guarantees	Costs		Revenues	
				Goods	Services	Goods	Services
Joint ventures and associates							
ASG Scarl	7	40	80		88	1	1
Azienda Energia e Servizi Torino SpA	1	22			64	1	1
Bernhard Rosa Inh. Ingeborg Plöchinger GmbH	10					96	
Blue Stream Pipeline Co BV	34	19			193		1
Bronberger & Kessler Und Gilg & Schweiger GmbH	11					113	
CAM Petroli Srl	103					310	
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	87	87	5,654	16	2		304
Charville - Consultores e Serviços Lda	7		85			4	11
Eni Oil Co Ltd	5	96			59		
Fox Energy SpA	35					125	
Gasversorgung Süddeutschland GmbH	14				1	123	19
Gruppo Distribuzione Petroli Srl	19					54	
Karachaganak Petroleum Operating BV	23	70		29	129		7
Mangrove Gas Netherlands BV		1	52				
Mellitah Oil & Gas BV	28	90		7	72	8	2
Petrobrel Belayim Petroleum Co		3			181		
Promgas SpA	44	39		375		419	
Raffineria di Milazzo ScpA	9	12			237	109	
Rodano Consortile Scarl	3	14			54		1
RPCO Enterprises Ltd	13		104				12
Supermetanol CA		13		91			
Super Octanos CA		13		257			
Trans Austria Gasleitung GmbH	7	78		53	138		56
Transitgas AG		8			64		
Transmediterranean Pipeline Co Ltd		7			80		
Unión Fenosa Gas SA	1	7	61	93	7		
Other (*)	72	169	168	75	188	119	66
	533	788	6,204	996	1,557	1,482	481

Unconsolidated entities controlled by**Eni**

Agip Kazakhstan North Caspian Operating Co NV	27	132		18	16		57
Eni BTC Ltd			185				
Eni Timor Leste SpA			102				
Other (*)	20	30	8	1	4	8	4
	47	162	295	19	20	8	61
	580	950	6,499	1,015	1,577	1,490	542

Entities owned or controlled by the Government

Gruppo Alitalia	12					354	
Gruppo Enel	162	42		47	33	1,068	383
Other (*)	42	29		4	44	136	1
	216	71		51	77	1,558	384
	796	1,021	6,499	1,066	1,654	3,048	926

(*) Each individual amount included herein does not exceed euro 50 million.

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Name	Dec. 31, 2007			2007			
	Receivables and other assets	Payables and other liabilities	Guarantees	Costs		Revenues	
				Goods	Services	Goods	Services
Joint ventures and associates							
ASG Scarl	6	43	121		108		3
Bernhard Rosa Inh. Ingeborg Plöchinger GmbH	11					86	
Blue Stream Pipeline Co BV	19				183		1
Bronberger & Kessler und Gill & Schweiger GmbH	18					106	
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	84	70	5,870				263
CEPAV (Consorzio Eni per l'Alta Velocità) Due	1	1	64		1		1
Eni Oil Co Ltd	7	60			141	1	
Fox Energy SpA	49					139	
Gasversorgung Süddeutschland GmbH	54					195	4
Gruppo Distribuzione Petroli Srl	26					50	
Karachaganak Petroleum Operating BV	43	102		24	301		7
Mellitah Oil & Gas BV	10	137			105	1	6
OOO "EniNeftegaz"	215						1
Petrobel Belayim Petroleum Co		60			211		
Raffineria di Milazzo ScpA	17	21			245	118	5
Supermetanol CA		11		78			1
Super Octanos CA		18		201			1
Trans Austria Gasleitung GmbH	6	80		43	147		47
Transitgas AG		8			64		
Transmediterranean Pipeline Co Ltd		6			70		1
Unión Fenosa Gas SA	1		61			193	
Other (*)	120	127	56	76	374	172	118
	687	744	6,172	422	1,950	1,011	459
Unconsolidated entities controlled by Eni							
Agip Kazakhstan North Caspian Operating Co NV	49	111		11	534		52
Eni BTC Ltd			138				1
Other (*)	23	8	11	2	18	5	18
	72	119	149	13	552	5	71
	759	863	6,321	435	2,502	1,016	530
Entities owned or controlled by the Government							
Gruppo Alitalia	4					363	1
Gruppo Enel	384	8			245	894	408
GSE - Gestore Servizi Elettrici	124	63		239	37	870	7
Terna SpA	19	69		106	105		31
Other (*)	45	79		19	89	75	3

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	576	219		364	476	2,202	450
	1,335	1,082	6,321	799	2,978	3,218	980

(*) Each individual amount included herein does not exceed euro 50 million.

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Name	Dec. 31, 2008			2008					
	Receivables and other assets	Payables and other liabilities	Guarantees	Costs			Revenues		
				Goods	Services	Other	Goods	Services	Other
Joint ventures and associates									
Agiba Petroleum		11			60				
Altergaz SA	30						135		
ASG Scarl	2	25	49		57				
Bayernoil Raffineriegesellschaft mbH	3	4	1	6	62		4		
Bernhard Rosa Inh. Ingeborg Plöching GmbH	5						98		
Blue Stream Pipeline Co BV	23	17			171				1
Bronberger & Kessler und Gilg & Schweiger GmbH	12						175		
CEPAV (Consorzio Eni per l'Alta Velocità) Uno	95	37	6,001		17	3			397
CEPAV (Consorzio Eni per l'Alta Velocità) Due	4	1	64		1				1
Eni Oil Co Ltd	9	28			660				6
Fox Energy SpA	37			2			329		1
FPSO Mystras - Produção de Petróleo Lda				94		10			
Gasversorgung Süddeutschland GmbH	64						337		18
Gruppo Distribuzione Petroli Srl	20						111		
InAgip doo	24	45			116		3		35
Karachaganak Petroleum Operating BV	72	207		874	380	25			12
Mellitah Oil & Gas BV	10	121			329		2		4
Petrobel Belayim Petroleum Co		77			181				
Raffineria di Milazzo ScpA	11	4			276		135		3
Saipon Snc	4		58						12
Super Octanos CA		24		286					
Supermetanol CA		5		90					
Trans Austria Gasleitung GmbH	8	78		60	153				64
Transitgas AG		5			1	64			
Unión Fenosa Gas SA	1	25	62	25			257		1
Other (*)	231	115	18	36	319	46	71	129	8
	655	829	6,253	1,473	2,783	148	1,657	684	8
Unconsolidated entities controlled by Eni									
Agip Kazakhstan North Caspian Operating Co NV	144	166			720	11	1	367	10
Eni BTC Ltd			146						
Other (*)	22	18	4	2	20	2	4	6	4
	166	184	150	2	740	13	5	373	14
	831	1,013	6,403	1,475	3,523	161	1,662	1,057	22
Entities owned or controlled by the Government									

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Ferrovie dello Stato	4					417	2	
Gruppo Alitalia	153	12	13	223		941	380	
Gruppo Enel	19	7		27	1	57		
GSE - Gestore Servizi Elettrici	92	63	315		79	347	16	6
Terna SpA	33	35	14	128		12	83	10
Other (*)	28	72	33	88	5	72	2	1
	329	189	375	466	85	1,846	483	17
	1,160	1,202	6,403	1,850	3,989	246	3,508	1,540
								39

(*) Each individual amount included herein does not exceed euro 50 million.

Most significant transactions with joint ventures, associates and non-consolidated subsidiaries concerned:

- transactions related to the planning and the construction of the tracks for high speed/high capacity trains from Milan to Bologna with ASG Scarl, CEPAV (Consorzio Eni per l'Alta Velocità) Uno, and related guarantees;

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- acquisition of refining services from Bayernoil Raffineriegesellschaft mbH and Raffineria di Milazzo ScpA in relation to incurred costs;
- supply of oil products to Bernhard Rosa Inh. Ingeborg Plöchinger GmbH, Bronberger & Kessler und Gilg & Schweiger GmbH, Fox Energy Srl, Gruppo Distribuzione Petroli Srl and Raffineria di Milazzo ScpA on the basis of prices referred to the quotations on international markets of the main oil products, as they would be conducted on an arm's length basis;
- acquisition of FPSO from FPSO Mystras - Produção de Petròleo Lda;
- acquisition of natural gas transport services outside Italy from Blue Stream Pipeline Co BV, Trans Austria Gasleitung GmbH and Transitgas AG;
- guarantees issued on behalf of CEPAV (Consorzio Eni per l'Alta Velocità) Due in relation to contractual commitments related to the execution of project planning and realization;
- provision of specialized services in upstream activities and payables for investment activities from Agip Kazakhstan North Caspian Operating Co NV, Agiba Petroleum Co, Eni Oil Co Ltd, InAgip doo, Karachaganak Petroleum Operating BV, Mellitah Oil & Gas BV, Petrobel Belayim Petroleum Co and, only for Karachaganak Petroleum Operating BV supply of oil products; services are invoiced on the basis of incurred costs;
- sale of natural gas to Altergaz SA and Gasversorgung Süddeutschland GmbH;
- acquisition of petrochemical products from Supermetanol CA and Super Octanos CA on the basis of prices referred to the quotations on international markets of the main products;
- performance guarantees given on behalf of Unión Fenosa Gas SA in relation to contractual commitments related to the results of operations;
- guarantees issued in relation to the construction of an oil pipeline on behalf of Eni BTC Ltd.

Most significant transactions with entities owned or controlled by the Government concerned:

- sale of oil products with Alitalia and Ferrovie dello Stato;
- sale and transportation of natural gas, the sale of fuel oil and the sale and purchase of electricity and the acquisition of electricity transmission service with Enel;
- sale and purchase of electricity with GSE - Gestore Servizi Elettrici;
- sale and purchase of electricity and the acquisition of domestic electricity transmission service jointly with Terna SpA.

Financing transactions with joint ventures, associates and non-consolidated subsidiaries as well as with entities directly and indirectly owned or controlled by the Government in the 2006, 2007 and 2008, respectively, consisted of the following:

(euro million)	Dec. 31, 2006			2006	
	Receivables	Payables	Guarantees	Charges	Gains
Joint ventures and associates					
Blue Stream Pipeline Co BV		3	794	4	26
Raffineria di Milazzo ScpA			57		
Spanish Egyptian Gas Co SAE			323		
Trans Austria Gasleitung GmbH	41				6
Transmediterranean Pipeline Co Ltd	147				11
Other (*)	88	81	39	13	11
	276	84	1,213	17	54
Unconsolidated entities controlled by Eni					

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Other (*)	95	25	2	1	4
	95	25	2	1	4
	371	109	1,215	18	58

(*) Each individual amount included herein does not exceed euro 50 million.

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(euro million)	Dec. 31, 2007			2007		
	Receivables	Payables	Guarantees	Charges	Gains	Derivative financial instruments
Joint ventures and associates						
Blue Stream Pipeline Co BV		1	711		20	
Raffineria di Milazzo ScpA			60			
Trans Austria Gasleitung GmbH	65				3	
Transmediterranean Pipeline Co Ltd	97				9	
Other (*)	108	120	52	19	11	
	270	121	823	19	43	
Unconsolidated entities controlled by Eni						
Other (*)	114	26	1	1	6	
	114	26	1	1	6	
Entities owned or controlled by the Government						
GSE - Gestore Servizi Elettrici						10
						10
	384	147	824	20	49	10

(*) Each individual amount included herein does not exceed euro 50 million.

(euro million)	Dec. 31, 2008			2008		
	Receivables	Payables	Guarantees	Charges	Gains	Derivative financial instruments
Joint ventures and associates						
Bayernoil Raffineriegesellschaft mbH	131					
Blue Stream Pipeline Co BV			752		14	
PetroSucre SA	153					
Raffineria di Milazzo ScpA			70			
Trans Austria Gasleitung GmbH	186				7	
Transmediterranean Pipeline Co Ltd	103				6	
Other (*)	123	124	27	16	9	
	696	124	849	16	36	
Unconsolidated entities controlled by Eni						
Other (*)	115	38	1	1	6	
	115	38	1	1	6	
Entities owned or controlled by the Government						
GSE - Gestore Servizi Elettrici						58
						58
	811	162	850	17	42	58

(*) Each individual amount included herein does not exceed euro 50 million.

Most significant transactions with joint ventures, associates and non-consolidated subsidiaries included:

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- bank debt guarantee issued on behalf of Blue Stream Pipeline Co BV and cash deposit at Eni's financial companies;
- bank debt guarantee issued on behalf of Raffineria di Milazzo ScpA;
- financing loan to Bayernoil Raffineriegesellschaft mbH;
- receivable from PetroSucre SA following the contribution of Corocoro activities, still to be defined, in the new mixed company;
- the financing of the Austrian section of the gasline from the Russian Federation to Italy and the construction of natural gas transmission facilities and transport services with Trans Austria Gasleitung GmbH and Transmediterranean Pipeline Co Ltd, respectively.

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Most significant transactions with entities owned or controlled by the Government concerned the fair value of derivative financial instruments included in prices of electricity related to sale/purchase transactions with GSE - Gestore Servizi Elettrici.

Impact of transactions and positions with related parties on the balance sheet, net profit and cash flows

The impact of transactions and positions with related parties on the balance sheet, net profit and cash flows consisted of the following:

(euro million)	Dec. 31, 2006			Dec. 31, 2007			Dec. 31, 2008		
	Total	Related parties	Impact %	Total	Related parties	Impact %	Total	Related parties	Impact %
Trade and other receivables	18,799	1,027	5.46	20,676	1,616	7.82	22,222	1,539	6.93
Other current assets	855	4	0.47	1,080			2,349	59	2.51
Other non-current financial assets	805	136	16.89	923	87	9.43	1,134	356	31.39
Other non-current assets	994			1,110	16	1.44	1,401	21	1.50
Current financial liabilities	3,400	92	2.71	7,763	131	1.69	6,359	153	2.41
Trade and other payables	15,995	961	6.01	17,116	1,021	5.97	20,515	1,253	6.11
Other liabilities	634	4	0.63	1,556	4	0.26	4,319	4	0.09
Long-term debt and current portion of long-term debt	8,299	17	0.20	12,067	16	0.13	14,478	9	0.06
Other non-current liabilities	418	56	13.40	2,031	57	2.81	2,538	53	2.09

The impact of transactions with related parties on the profit and loss accounts consisted of the following:

(euro million)	Dec. 31, 2006			Dec. 31, 2007			Dec. 31, 2008		
	Total	Related parties	Impact %	Total	Related parties	Impact %	Total	Related parties	Impact %
Net sales from operations	86,105	3,974	4.62	87,256	4,198	4.81	108,148	5,048	4.67
Other income and revenues	783		..	827		..	720	39	5.42
Purchases, services and other	57,490	2,720	4.73	58,179	3,777	6.49	76,408	6,298	8.24
Financial income	3,749	58	1.55	4,445	49	1.10	7,985	42	0.53
Financial expense	(3,971)	(18)	0.45	(4,554)	(20)	0.44	(8,198)	(17)	0.21
Gain (loss) on derivative financial instruments	383		..	26	10	38.46	(551)	58	..

Transactions with related parties concerned the ordinary course of Eni's business and were mainly conducted on an arm's length basis.

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Main cash flows with related parties were as follows:

(euro million)	2006	2007	2008
Revenues and other income	3,974	4,198	5,087
Costs and other expenses	(2,720)	(3,777)	(6,298)
Net change in trade and other receivables and liabilities	162	(492)	351
Dividends and net interests	790	620	798
Net cash provided from operating activities	2,206	549	(62)
Capital expenditures in tangible and intangible assets	(733)	(779)	(2,022)
Investments	(20)	8	
Change in accounts payable in relation to investments	(276)	(8)	27
Change in financial receivables	343	(43)	397
Net cash used in investing activities	(686)	(822)	(1,598)
Change in financial liabilities	(57)	20	14
Net cash used in financing activities	(57)	20	14
Total financial flows to related parties	1,463	(253)	(1,646)

The impact of cash flows with related parties consisted of the following:

(euro million)	2006			2007			2008		
	Total	Related parties	Impact %	Total	Related parties	Impact %	Total	Related parties	Impact %
Cash provided from operating activities	17,001	2,206	12.98	15,517	549	3.54	21,801	(62)	..
Cash used in investing activities	(7,051)	(686)	9.73	(20,097)	(822)	4.09	(16,958)	(1,598)	9.42
Cash used in financing activities	(7,097)	(57)	0.80	2,909	20	0.69	(5,025)	14	..

38 Significant non-recurring events and operations

Non-recurring incomes (charges) consisted of the following:

(euro million)	2006	2007	2008
Curtailment of post-retirement benefits for Italian employees		83	
Risk provisions for proceedings against Antitrust authorities	(184)	(130)	(21)
Risk provisions for proceedings against the Italian Authority for Electricity and Gas	(55)	39	
	(239)	(8)	(21)

Non-recurring income related to a gain deriving from the curtailment of the provisions accrued by Italian companies for employee termination indemnities ("TFR") following the changes introduced by Italian Budget Law for 2007 and related decrees (euro 83 million). Non recurring charges for 2007 concerned risk provisions related to ongoing antitrust proceedings against the European Antitrust authorities (euro 130 million) in the fields of paraffin and elastomers.

In 2006 a risk provision was made in connection with a proceeding against the Italian Antitrust authority regarding the field of supplies of jet fuel (euro 109 million). In addition a risk provision was made for an inquiry before the European Antitrust authorities in the field of elastomers (euro 75 million). In 2006 certain fines were imposed by the Authority for Electricity and Gas regarding an inquiry relating to the use of storage capacity in thermal year 2005-2006 (euro 45 million) and an inquiry relating to an information requirement on natural gas supplying prices (euro 10 million).

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39 Positions or transactions deriving from atypical and/or unusual operations

In 2006, 2007 and in 2008 no transactions deriving from atypical and/or unusual operations were reported.

Recent developments

On April 7, 2009 Gazprom exercised its call option to purchase a 20% interest in OAO Gazprom Neft held by Eni following agreements between the two partners. The 20% interest in Gazprom Neft was acquired by Eni on April 4, 2007 as part of a bid procedure for the assets of bankrupt Russian company Yukos. The exercise price of the call option is equal to the bid price (U.S. \$ 3.7 billion) as adjusted by subtracting dividends distributed and adding the contractual yearly remuneration of 9.4% on the capital employed and related financing expenses. At the same time, Eni and Gazprom signed new cooperation agreements targeting certain development projects to be conducted jointly in Russia and other countries of interest. Terms of the call option granted to Gazprom to purchase a 51% interest in the share capital of OOO SeverEnergia, which owns 100% of the three abovementioned Russian companies engaging in gas development, are currently under review by Eni, Enel and Gazprom.

On March 19, 2009, a mandatory tender offer on the minorities of Distrigas was finalized. Shareholders representing 41.61% of the share capital of Distrigas tendered 292,390 shares on Eni's offer. Publigaz Scrl tendered its entire interest (31.25%). The transaction has been accounted in Eni financial statements as at March 31, 2009. On April 8, 2009 Eni paid to those shareholders cash consideration amounting to euro 1,991 million. Following the tender offer, Eni owns 98.86% of the share capital of Distrigas. The squeeze-out on the residual 1.14% of the share capital has been completed early in May. Consequently Eni holds all the shares of Distrigas except for one share belonging to the Belgian State with special powers. Distrigas shares has been delisted from Euronext Brussels. For further details on this transaction see "Item 4 Gas & Power".

On February 12, 2009, Eni's Board of Directors approved the divestment of 100% of Italgas SpA and Stocaggi Gas Italia SpA (Stogit) to Snam Rete Gas (50.03% owned by Eni) for total cash consideration of euro 4,720 million (euro 3,070 million and euro 1,650 million, respectively). The transaction will be financed by Snam Rete Gas through: (i) a rights issue up for a maximum of euro 3.5 billion (Eni has already committed to subscribe its relative share of the rights issue); and (ii) new medium to long-term financing for euro 1.3 billion. The main impacts expected on Eni's consolidated financial statements when the transaction closes will be: (i) a decrease of euro 1.5 billion in net borrowings and a corresponding increase in total equity as a consequence of the pro-quota subscription of the Snam Rete Gas capital increase by the minority shareholders; and (ii) a decrease in Eni's net profit equal to 45% of the aggregate net profit of Italgas and Stogit, with a corresponding increase in net profit attributable to minorities. From an industrial perspective the transaction, expected to close in July 2009, will create significant synergies in the regulated businesses segment and maximize the value of Italgas and Stogit due to the higher visibility of regulated businesses as a part of Snam Rete Gas. For further details on this transaction see "Item 4 Gas & Power".

By the end of May 2008, based on the approval of the full year dividend proposal made by the Company's Annual General Shareholders Meeting on April 30, 2009, Eni expects to pay the balance of the dividend for fiscal year 2008 amounting to euro 0.65 per share. Total cash out is estimated at euro 2.36 billion.

Table of Contents**Supplemental oil and gas information (unaudited)**

The following information pursuant to "International Financial Reporting Standards" (IFRS) is presented in accordance with Statement of Financial Accounting Standards No. 69, "Disclosures about Oil & Gas Producing Activities". Amounts related to minority interests are not significant.

Capitalized costs

Capitalized costs represent the total expenditures for proved and unproved mineral interests and related support equipment and facilities utilized in oil and gas exploration and production activities, together with related accumulated depreciation, depletion and amortization. Capitalized costs by geographical area consist of the following:

(euro million)	Italy	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
December 31, 2007								
Proved mineral interests	10,571	8,118	8,506	8,672	1,447	7,718	45,032	790
Unproved mineral interests	32	120	1,030	330	35	2,582	4,129	1,089
Support equipment and facilities	279	1,125	443	16	41	59	1,963	10
Incomplete wells and other	726	562	1,078	75	1,852	808	5,101	112
Gross capitalized costs	11,608	9,925	11,057	9,093	3,375	11,167	56,225	2,001
Accumulated depreciation, depletion and amortization	(7,440)	(4,960)	(5,340)	(5,670)	(445)	(4,909)	(28,764)	(345)
Net capitalized costs ^{(a) (b)}	4,168	4,965	5,717	3,423	2,930	6,258	27,461	1,656
December 31, 2008								
Proved mineral interests	10,772	10,116	11,368	7,499	2,130	8,954	50,839	813
Unproved mineral interests	32	638	2,267	316	1,051	2,908	7,212	928
Support equipment and facilities	283	1,205	520	16	51	71	2,146	14
Incomplete wells and other	1,374	1,006	1,443	159	2,631	1,797	8,410	267
Gross capitalized costs	12,461	12,965	15,598	7,990	5,863	13,730	68,607	2,022
Accumulated depreciation, depletion and amortization	(7,943)	(6,318)	(7,027)	(5,132)	(858)	(6,932)	(34,210)	(441)
Net capitalized costs ^{(a) (b)}	4,518	6,647	8,571	2,858	5,005	6,798	34,397	1,581

(a) The amounts include net capitalized financial charges totaling euro 441 million in 2007 and euro 537 million in 2008.

(b) The amounts do not include costs associated with exploration activities which are capitalized in order to reflect their investment nature and amortized in full when incurred. The application of the "Successful Effort Method" would have led to an increase in net capitalized costs of euro 2,547 million in 2007 and euro 3,308 million in 2008 for the consolidated companies and of euro 94 million in 2007 and euro 48 million in 2008 for joint ventures and associates.

(1) Eni's capitalized costs of the Kashagan field are determined based on Eni's share of 16.81% as of December 31, 2008 and 18.52% in the previous year.

(2) The amounts of joint ventures and associates as at December 31, 2007 and December 31, 2008 include 60% of the three Russian companies former Yukos purchased in 2007, for which Gazprom has a call option of 51%.

Table of Contents*Costs incurred*

Costs incurred represent amounts both capitalized and expensed in connection with oil and gas producing activities. Costs incurred by geographical area consist of the following:

(euro million)	Italy	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
2006								
Proved property acquisitions	139	10					149	
Unproved property acquisitions						3	3	
Exploration	128	270	471	174	25	280	1,348	26
Development ^(a)	1,120	892	956	478	595	766	4,807	31
Total costs incurred	1,387	1,172	1,427	652	620	1,049	6,307	57
2007								
Proved property acquisitions ^(b)		11	451			1,395	1,857	187
Unproved property acquisitions ^(b)			510			1,417	1,927	1,086
Exploration ^(b)	104	380	298	193	36	1,181	2,192	42
Development ^{(a) (b)}	320	1,047	1,425	518	744	1,185	5,239	156
Total costs incurred	424	1,438	2,684	711	780	5,178	11,215	1,471
2008								
Proved property acquisitions ^(b)		626	413		173	83	1,295	
Unproved property acquisitions ^(b)		384	655	33	647		1,719	
Exploration ^(b)	135	421	581	214	144	719	2,214	48
Development ^{(a) (b)}	644	1,388	1,884	850	1,208	1,593	7,567	163
Total costs incurred	779	2,819	3,533	1,097	2,172	2,395	12,795	211

(1) Eni's costs incurred of the Kashagan field are determined based on Eni's share of 16.81% as of December 31, 2008 and 18.52% in the previous year.

(2) The amounts of joint ventures and associates for December 31, 2007 and December 31, 2008 include 60% of the three Russian companies former Yukos purchased in 2007, for which Gazprom has a call option of 51%.

(a) Includes the abandonment costs of the assets for euro 1,170 million in 2006, euro 173 million in 2007 and euro 628 million in 2008 and euro 16 million for joint ventures and associates.

(b) Of which business combination:

(euro million)	Italy	North Africa	West Africa	North Sea	Caspian Area	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates
2007								
Proved property acquisitions				451			1,395	1,846
Unproved property acquisitions				510			1,334	1,844
Exploration				59			474	533
Development				10			345	355
Total				1,030			3,548	4,578
2008								
Proved property acquisitions				298		173	83	554
Unproved property acquisitions			384	560	33	647		1,624
Exploration			23	115		116	42	296
Development			132	4	52	156	77	421
Total			539	977	85	1,092	202	2,895

Results of operations from oil and gas producing activities

Results of operations from oil and gas producing activities, including gas storage services used to modulate the seasonal variation of demand, represent only those revenues and expenses directly associated with such activities, including operating overheads. These amounts do not include any allocation of interest expense or general corporate overhead and, therefore, are not necessarily indicative of the contributions to consolidated net earnings of Eni. Related income taxes are computed by applying the local income tax rates to the pre-tax income from producing activities. Eni is a party to certain Production Sharing Agreements (PSAs), whereby a portion of Eni's share of oil and gas production is withheld and sold by its joint venture partners which are state-owned entities, with proceeds being remitted to the state in satisfaction of Eni's PSA-related tax liabilities. Revenue and income taxes include such taxes owed by Eni but paid by state-owned entities out of Eni's share of oil and gas production.

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Results of operations from oil and gas producing activities by geographical area consist of the following:

(euro million)	Italy	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
2006								
Revenues								
Sales to consolidated entities	3,601	4,185	4,817	3,295	261	712	16,871	
Sales to third parties	184	3,012	967	983	721	1,873	7,740	120
Total revenues	3,785	7,197	5,784	4,278	982	2,585	24,611	120
Operation costs	(249)	(496)	(475)	(481)	(147)	(191)	(2,039)	(18)
Production taxes	(181)	(95)	(475)			(82)	(833)	(3)
Exploration expenses	(137)	(273)	(186)	(160)	(25)	(293)	(1,074)	(26)
D.D. & A. and provision for abandonment ^(a)	(457)	(795)	(737)	(684)	(80)	(895)	(3,648)	(43)
Other income and (expenses)	(315)	(569)	(190)	57	(89)	(283)	(1,389)	8
Pretax income from producing activities	2,446	4,969	3,721	3,010	641	841	15,628	38
Income taxes	(909)	(2,980)	(2,133)	(1,840)	(223)	(381)	(8,466)	(31)
Results of operations from E&P activities ^(b)	1,537	1,989	1,588	1,170	418	460	7,162	7
2007								
Revenues								
Sales to consolidated entities	3,171	3,000	4,439	3,125	296	512	14,543	
Sales to third parties	163	4,793	693	755	833	2,260	9,497	176
Total revenues	3,334	7,793	5,132	3,880	1,129	2,772	24,040	176
Operation costs	(248)	(542)	(499)	(579)	(142)	(271)	(2,281)	(27)
Production taxes	(188)	(91)	(473)			(28)	(780)	(6)
Exploration expenses	(108)	(385)	(291)	(193)	(36)	(764)	(1,777)	(42)
D.D. & A. and provision for abandonment ^(a)	(499)	(768)	(685)	(729)	(76)	(989)	(3,746)	(51)
Other income and (expenses)	(283)	(627)	(297)	(45)	(72)	(243)	(1,567)	(18)
Pretax income from producing activities	2,008	5,380	2,887	2,334	803	477	13,889	32
Income taxes	(746)	(3,102)	(1,820)	(1,419)	(284)	(241)	(7,612)	(49)
Results of operations from E&P activities ^(b)	1,262	2,278	1,067	915	519	236	6,277	(17)
2008								
Revenues								
Sales to consolidated entities	3,956	2,622	5,013	3,691	360	629	16,271	
Sales to third parties	126	7,286	1,471	121	1,288	2,928	13,220	265
Total revenues	4,082	9,908	6,484	3,812	1,648	3,557	29,491	265
Operation costs	(260)	(528)	(609)	(515)	(173)	(326)	(2,411)	(34)
Production taxes	(195)	(32)	(616)			(35)	(878)	(53)
Exploration expenses	(135)	(425)	(529)	(215)	(57)	(697)	(2,058)	(48)
D.D. & A. and provision for abandonment ^(a)	(551)	(1,120)	(1,115)	(782)	(331)	(1,490)	(5,389)	(84)
Other income and (expenses)	(420)	(936)	(279)	(63)	(286)	(270)	(2,254)	(15)
Pretax income from producing activities	2,521	6,867	3,336	2,237	801	739	16,501	31
Income taxes	(924)	(4,170)	(2,262)	(1,581)	(315)	(435)	(9,687)	(49)
Results of operations from E&P activities ^(b)	1,597	2,697	1,074	656	486	304	6,814	(18)

(a) Includes asset impairments amounting to euro 130 million in 2006, euro 91 million in 2007 and euro 770 million in 2008.

(b)

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The "Successful Effort Method" application would have led to an increase in results of operations of euro 220 million in 2006, euro 438 million in 2007 and euro 408 million in 2008 for the consolidated companies and of euro 15 million in 2006, euro 26 million in 2007 and no variation in 2008 for joint ventures and associates.

- (1) Eni's results of operations of the Kashagan field are determined based on Eni's share of 16.81% as of December 31, 2008 and 18.52% in the previous year.
- (2) The amounts of joint ventures and associates for December 31, 2007 and December 31, 2008 include 60% of the three Russian companies formerly part of Yukos purchased in 2007, for which Gazprom has a call option of 51%.

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Table of Contents*Average sale prices and production costs per unit of production*

(euro million)		Italy	North Africa	West Africa	North Sea	Caspian Area	Rest of World	Total
2006								
Average sales prices								
Oil and condensates per BBL	(\$)	55.22	60.99	61.55	62.18	53.18	57.15	60.09
Natural gas. per KCF		8.23	4.17	1.05	6.89	0.39	5.09	5.29
Average production costs per BOE		6.36	3.87	9.02	6.03	5.02	4.52	5.79
2007								
Average sales prices								
Oil and condensates per BBL	(\$)	62.47	67.86	69.77	69.40	59.34	68.63	67.70
Natural gas. per KCF		8.58	4.60	1.21	6.53	0.41	5.53	5.42
Average production costs per BOE		7.89	4.22	11.53	8.56	4.90	5.33	6.90
2008^(a)								
Average sales prices								
Oil and condensates per BBL	(\$)	84.87	84.71	91.58	71.90	80.43	82.06	84.05
Natural gas. per KCF		13.06	7.14	1.50	10.21	0.53	7.56	8.01
Average production costs per BOE		9.40	3.66	15.25	8.99	5.79	6.92	7.77

(a) In 2008 Eni's liquid realizations amounted to \$84.05 per barrel 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. This was part of a derivative transaction the Company entered into to hedge exposure to variability in future cash flows expected from the sale of a portion of the Company's proved reserves for an original amount of approximately 125.7 mmBBL in the 2008-2011 period, decreasing to 79.7 mmBBL by the end of December 2008.

Oil and natural gas reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological 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. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not of increases based upon future conditions.

Net proved reserves exclude royalties and interests owned by others.

Proved developed oil and gas reserves are proved reserves that can be estimated to be recovered through existing wells, equipment and operating methods.

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for completion.

Additional oil and gas reserves expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed, through production response, that increased recovery will be achieved.

Eni's proved reserves have been estimated on the basis of the applicable U.S. Securities & Exchange Commission regulation, Rule 4-10 of Regulation S-X and its interpretations and have been disclosed in accordance with Statement of Financial Accounting Standard No. 69. The estimates of proved reserves, developed and undeveloped, for the years ended December 31, 2006, 2007 and 2008 are based on data prepared by Eni. Since 1991 Eni has requested qualified

independent oil engineering companies to carry out an independent evaluation¹⁶ of its proved reserves on a rotation basis. Eni believes these independent evaluators to be experienced and qualified in the marketplace. In the preparation of their reports, these independent evaluators relied, without independent verification, upon information furnished by Eni with respect to property interest, 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. This information was the same used by Eni in determining proved reserves and include: log, directional surveys, core and PVT analysis, maps, oil/gas/water production/injection data of wells, reservoirs and fields, reservoir studies, technical analysis relevant to field performance, reservoir performance, budget data per field, long-term development plans, future capital and operating costs. In order to calculate the economic value of reserve NPV, actual prices received from hydrocarbon sales, instructions on future prices, and other pertinent information are provided. Accordingly, the work performed

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

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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. In particular, in 2008, a total of 1.5 BBOE of proved reserves, or about 22% of Eni's total proved reserves at December 31, 2008, have been evaluated. The results of this independent evaluation have essentially confirmed, as in previous years, the internal assessment. In the 2006-2008 three-year period, 77% of Eni's total proved reserves were subject to independent evaluations. In the last three years, the most important of Eni's properties as at December 31, 2008 which were not subject to an independent evaluation were: Bouri and Bu Attifel (Libya), Barbara (Italy), M'Boundi (Congo) and Elgin-Franklin (UK).

Eni operates under Production Sharing Agreements (PSAs) in several of the foreign jurisdictions where it has oil and gas exploration and production activities. Reserves of oil and natural gas to which Eni is entitled under PSA arrangements are shown in accordance with Eni's economic interest in the volumes of oil and natural gas estimated to be recoverable in future years. Such reserves include estimated quantities allocated to Eni for recovery of costs, income taxes owed by Eni but settled by its joint venture partners (which are state-owned entities) out of Eni's share of production and Eni's net equity share after cost recovery.

Proved oil and gas reserves associated with PSAs represented 53%, 46% and 54% of total proved reserves as of year-end 2006, 2007 and 2008, respectively, on an oil-equivalent basis.

Proved reserves associated with service and "Buy-Back" represented 2%, 1% and 2% of total proved reserves on an oil-equivalent basis as of year-end 2006, 2007 and 2008, respectively.

Oil and gas reserve quantities include: (i) oil and natural gas quantities in excess of cost recovery which the company has an obligation to purchase under certain PSAs with governments or authorities, whereby the company serves as producer of reserves. Reserve volumes associated with oil and gas deriving from such obligations represent 1.1%, 1.8% and 0.1% of total proved reserves as of year-end 2006, 2007 and 2008, respectively, on an oil-equivalent basis; (ii) volumes of natural gas used for own consumption; and (iii) volumes of natural gas held in certain of Eni's storage fields in Italy. Proved reserves attributable to these fields include: (a) the residual natural gas volumes of the reservoirs and (b) natural gas volumes from other Eni fields input into these reservoirs in subsequent periods. Proved reserves do not include volumes owned by or acquired by third parties. Gas withdrawn from storage is produced and thereby removed from proved reserves when sold.

Numerous uncertainties are inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Results of drilling, testing and production after the date of the estimate may require substantial upward or downward revision. In addition, changes in oil and natural gas prices have an effect on the quantities of Eni's proved reserves since estimates of reserves are based on prices and costs relevant at the date when such estimates are made. Consequently, reserves evaluation could also diverge significantly from oil and natural gas volumes which will be actually produced.

The following table presents yearly changes in estimated proved reserves, developed and undeveloped, of crude oil (including condensate and natural gas liquids) and natural gas for the years 2006, 2007 and 2008.

Table of Contents*Crude oil (including condensate and natural gas liquids)*

	Italy	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
Proved oil reserves								
(mmBBL)								
Reserves at December 31, 2005	228	961	936	433	778	412	3,748	25
Revisions of Previous Estimates ^(a)	15	61	(85)	20	72	(19)	64	1
Improved Recovery		49	41		14		104	1
Extensions and Discoveries		30	11		52	10	103	
Production	(28)	(119)	(117)	(65)	(23)	(38)	(390)	(3)
Sales of Minerals in Place ^(b)				(2)		(170)	(172)	
Reserves at December 31, 2006	215	982	786	386	893	195	3,457	24
Purchase of Minerals in Place			32			54	86	101
Revisions of Previous Estimates	28	(35)	(26)	14	(114)	(31)	(164)	20
Improved Recovery		9	12	1			22	1
Extensions and Discoveries		43	22	1		29	95	1
Production	(28)	(121)	(101)	(57)	(26)	(36)	(369)	(5)
Reserves at December 31, 2007	215	878	725	345	753	211	3,127	142
Purchase of Minerals in Place			32		32	4	68	
Revisions of Previous Estimates	(8)	56	80	(31)	238	56	391	4
Improved Recovery		7	25				32	1
Extensions and Discoveries	4	4	26	13	2	3	52	
Production	(25)	(122)	(105)	(51)	(30)	(38)	(371)	(5)
Sales of Minerals in Place					(56)		(56)	
Reserves at December 31, 2008	186	823	783	276	939	236	3,243	142

	Italy	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
Proved developed oil reserves								
(mmBBL)								
Reserves at December 31, 2005	149	697	568	353	266	298	2,331	19
Reserves at December 31, 2006	136	713	546	329	262	140	2,126	18
Reserves at December 31, 2007	133	649	511	299	219	142	1,953	26
Reserves at December 31, 2008	111	613	576	222	321	166	2,009	33

(a) Includes the redetermination of Eni's share in the Val d'Agri concession in Italy.

(b) Includes 170 mmBBL related to unilateral termination of OSA for Dación field by PDVSA.

(1) Eni's proved reserves of the Kashagan field are determined based on Eni's share of 16.81% as of December 31, 2008 and 18.52% in previous years.

(2) Reserves of joint ventures and associates as at December 31, 2007 and December 31, 2008 include 60% of the three Russian companies formerly part of Yukos purchased in 2007, for which Gazprom has a call option of 51%.

Table of Contents*Natural gas*

	Italy ^(a)	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
Proved natural gas reserves								
(BCF)								
Reserves at December 31, 2005	3,676	6,117	1,965	1,864	1,774	2,105	17,501	90
Purchase of Minerals in Place				4			4	
Revisions of Previous Estimates	36	154	31	53	183	47	504	(7)
Extensions and Discoveries	19	146	34	1		132	332	8
Production	(340)	(471)	(103)	(218)	(83)	(222)	(1,437)	(15)
Sales of Minerals in Place				(7)			(7)	
Reserves at December 31, 2006	3,391	5,946	1,927	1,697	1,874	2,062	16,897	68
Purchase of Minerals in Place			5			395	400	2,963
Revisions of Previous Estimates	(53)	250	74	67	(222)	6	122	5
Improved Recovery				3			3	
Extensions and Discoveries	4	89	213	7	205	89	607	
Production	(285)	(534)	(97)	(216)	(87)	(261)	(1,480)	(14)
Reserves at December 31, 2007	3,057	5,751	2,122	1,558	1,770	2,291	16,549	3,022
Purchase of Minerals in Place			6	8		114	128	
Revisions of Previous Estimates	56	1,163	45	(51)	773	55	2,041	6
Improved Recovery			4				4	
Extensions and Discoveries	5	38	2	25		42	112	
Production	(274)	(641)	(95)	(204)	(90)	(300)	(1,604)	(13)
Sales of Minerals in Place					(16)		(16)	
Reserves at December 31, 2008	2,844	6,311	2,084	1,336	2,437	2,202	17,214	3,015

	Italy ^(a)	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
Proved developed natural gas reserves								
(BCF)								
Reserves at December 31, 2005	2,704	3,060	1,289	1,484	1,618	1,004	11,159	70
Reserves at December 31, 2006	2,449	3,042	1,447	1,395	1,511	1,105	10,949	48
Reserves at December 31, 2007	2,304	3,065	1,469	1,293	1,580	1,256	10,967	428
Reserves at December 31, 2008	2,031	3,537	1,443	1,065	2,006	1,056	11,138	420

(a) Including approximately 760, 754, 749 and 746 BCF of natural gas held in storage at December 31, 2005, 2006, 2007 and 2008, respectively.

(1) Eni's proved reserves of the Kashagan field are determined based on Eni's share of 16.81% as of December 31, 2008 and 18.52% in previous years.

(2) Reserves of joint ventures and associates as at December 31, 2007 and December 31, 2008 include 60% of the three Russian companies formerly part of Yukos purchased in 2007, for which Gazprom has a call option of 51%.

Standardized measure of discounted future net cash flows

Estimated future cash inflows represent the revenues that would be received from production and are determined by applying year-end prices of oil and gas to the estimated future production of proved reserves. Future price changes are considered only to the extent provided by contractual arrangements. Estimated future development and production costs are determined by estimating the expenditures to be incurred in developing and producing the proved reserves at the end of the year. Neither the effects of price and cost escalations nor expected future changes in technology and

operating practices have been considered.

The standardized measure is calculated as the excess of future cash inflows from proved reserves less future costs of producing and developing the reserves, future income taxes and a yearly 10% discount factor.

Future cash flows as of December 31, 2006, 2007 and 2008 include amounts that Eni's Gas & Power segment and other gas companies pay for storage services, required to support market demand flexibility needs.

Future production costs include the estimated expenditures related to the production of proved reserves plus any production taxes without consideration of future inflation. Future development costs include the estimated costs of drilling development wells and installation of production facilities, plus the net costs associated with dismantlement and abandonment of wells and facilities, under the assumption that year-end costs continue without considering future inflation. Future income taxes were calculated in accordance with the tax laws of the countries in which Eni operates.

The standardized measure of discounted future net cash flows, related to the preceding proved oil and gas reserves, is calculated in accordance with the requirements of Statement of Financial Accounting Standard No. 69. The standardized measure does not purport to reflect realizable values or fair market value of Eni's proved reserves. An estimate of fair value would also take into account, among other things, hydrocarbon resources other than proved

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reserves, anticipated changes in future prices and costs and a discount factor representative of the risks inherent in the oil and gas exploration and production activity.

The standardized measure of discounted future net cash flows by geographical area consists of the following:

(euro million)	Italy	North Africa	West Africa	North Sea	Caspian Area ⁽¹⁾	Rest of World	Total consolidated subsidiaries	Total joint ventures and associates ⁽²⁾
At December 31, 2006								
Future cash inflows	43,495	64,381	34,935	24,821	33,825	14,766	216,223	1,038
Future production costs	(6,086)	(9,707)	(8,028)	(6,426)	(4,162)	(1,753)	(36,162)	(224)
Future development and abandonment costs	(6,739)	(5,383)	(2,865)	(2,265)	(3,103)	(1,473)	(21,828)	(79)
Future cash inflow before income tax	30,670	49,291	24,042	16,130	26,560	11,540	158,233	735
Future income tax	(10,838)	(24,639)	(14,141)	(10,901)	(7,649)	(3,824)	(71,992)	(227)
Future net cash flows	19,832	24,652	9,901	5,229	18,911	7,716	86,241	508
10% discount factor	(11,493)	(10,631)	(2,994)	(1,392)	(13,878)	(2,626)	(43,014)	(154)
Standardized measure of discounted future net cash flows	8,339	14,021	6,907	3,837	5,033	5,090	43,227	354
At December 31, 2007								
Future cash inflows	47,243	73,456	48,283	29,610	42,710	20,359	261,661	7,135
Future production costs	(5,926)	(11,754)	(9,875)	(6,670)	(4,997)	(2,782)	(42,004)	(1,249)
Future development and abandonment costs	(7,218)	(4,643)	(3,013)	(2,461)	(3,374)	(2,459)	(23,168)	(1,721)
Future cash inflow before income tax	34,099	57,059	35,395	20,479	34,339	15,118	196,489	4,165
Future income tax	(10,778)	(29,083)	(23,083)	(14,375)	(9,977)	(5,397)	(92,693)	(2,009)
Future net cash flows	23,321	27,976	12,312	6,104	24,362	9,721	103,796	2,156
10% discount factor	(13,262)	(11,143)	(3,953)	(1,600)	(17,480)	(3,356)	(50,794)	(1,265)
Standardized measure of discounted future net cash flows	10,059	16,833	8,359	4,504	6,882	6,365	53,002	891
At December 31, 2008								
Future cash inflows	46,458	62,785	22,344	16,056	22,199	13,622	183,464	4,782
Future production costs	(5,019)	(10,673)	(6,715)	(3,414)	(6,380)	(2,715)	(34,916)	(1,104)
Future development and abandonment costs	(6,805)	(6,153)	(3,868)	(2,166)	(5,114)	(1,897)	(26,003)	(1,845)
Future cash inflow before income tax	34,634	45,959	11,761	10,476	10,705	9,010	122,545	1,833
Future income tax	(11,329)	(27,800)	(5,599)	(7,621)	(2,781)	(1,901)	(57,031)	(1,032)
Future net cash flows	23,305	18,159	6,162	2,855	7,924	7,109	65,514	801
10% discount factor	(13,884)	(8,639)	(2,155)	(869)	(6,272)	(2,243)	(34,062)	(763)
Standardized measure of discounted future net cash flows	9,421	9,520	4,007	1,986	1,652	4,866	31,452	38

(1) Eni's standardized measure of discounted future of net cash flows of the Kashagan field is determined based on Eni's share of 16.81% as of December 31, 2008 and 18.52% in previous years.

(2) The amounts of joint ventures and associates as at December 31, 2007 and December 31, 2008 include 60% of the three Russian companies formerly part of Yukos purchased in 2007, for which Gazprom has a call option of 51%.

Table of Contents*Changes in standardized measure of discounted future net cash flows*

Changes in standardized measure of discounted future net cash flows for the years 2006, 2007 and 2008.

(euro million)	<u>2006</u>	<u>2007</u>	<u>2008</u>
Beginning of year	55,722	43,581	53,893
Beginning of year related to joint venture and associates	(371)	(354)	(891)
Beginning of year consolidated	55,351	43,227	53,002
Increase (decrease):			
- sales, net of production costs	(21,739)	(20,979)	(26,202)
- net changes in sales and transfer prices, net of production costs	4,097	34,999	(39,699)
- extensions, discoveries and improved recovery, net of future production and development costs	3,629	3,982	1,110
- changes in estimated future development and abandonment costs	(6,964)	(4,000)	(6,222)
- development costs incurred during the period that reduced future development costs	3,558	4,682	6,584
- revisions of quantity estimates	383	(2,995)	5,835
- accretion of discount	9,489	7,968	10,538
- net change in income taxes	3,060	(17,916)	21,359
- purchase of reserves in-place	10	3,521	476
- sale of reserves in-place	(1,252)		25
- changes in production rates (timing) and other	(6,395)	513	4,646
Net increase (decrease)	(12,124)	9,775	(21,550)
Standardized measure of discounted future net cash flows consolidates	43,227	53,002	31,452
Standardized measure of discounted future net cash flows joint ventures and associates	354	891	38
Standardized measure of discounted future net cash flows	43,581	53,893	31,490

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Amendment No. 1 to this annual report on its behalf.

Date: September 1, 2009

Eni SpA

/s/ANTONIO CRISTODORO

Antonio Cristodoro
Title: Deputy Corporate Secretary

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Certifications as separate documents filed as exhibits

EXHIBIT 12.1

Certification

I, Paolo Scaroni, certify that:

1. I have reviewed this annual report on Form 20-F/A of Eni SpA;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over

financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: September 1, 2009

/s/PAOLO SCARONI

Paolo Scaroni
Title: Chief Executive Officer

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Certification

I, Alessandro Bernini, certify that:

1. I have reviewed this annual report on Form 20-F/A of Eni SpA;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: September 1, 2009

/s/ALESSANDRO BERNINI

Alessandro Bernini
Title: Chief Financial Officer

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Certification Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, the undersigned officer of Eni SpA, a company incorporated under the laws of Italy (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the Annual Report on Form 20-F/A of the Company for the year ended December 31, 2008 (the "Report") fully complies with the requirements of section 13(a) or 15(d) as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 1, 2009

/s/PAOLO SCARONI

Paolo Scaroni
Title: Chief Executive Officer

The foregoing certification is not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference with any filing under the Securities Act.

Certification Pursuant to 18 U.S.C. Section 1350

For purposes of 18 U.S.C. Section 1350, the undersigned officer of Eni SpA, a company incorporated under the laws of Italy (the "Company"), hereby certifies, to such officer's knowledge, that:

(i) the Annual Report on Form 20-F/A of the Company for the year ended December 31, 2008 (the "Report") fully complies with the requirements of section 13(a) or 15(d) as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 1, 2009

/s/ALESSANDRO BERNINI

Alessandro Bernini
Title: Chief Financial Officer

The foregoing certification is not deemed filed for purpose of Section 18 of the Exchange Act and not incorporated by reference with any filing under the Securities Act.