ENI SPA
Form 6-K
May 04, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of April 2012

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

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

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

Form 20-F x Form 40-F o

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

Yes o No x

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

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SIGNATURES

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

Eni S.p.A.

Name: Antonio Cristodoro
Title: Head of Corporate Secretary's Staff Office

Date: April 30, 2012

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Eni: publication of the Board resolution relating to a bond issue

San Donato Milanese (Milan), April 3, 2012 - The minutes of the Board of Directors meeting of March 15, 2012 at which the issue of one or more bonds was approved, are available at the company s Registered Office in Rome, Piazzale Enrico Mattei, 1, and at Borsa Italiana S.p.A. (Italian Stock Exchange).

The document is also available online at www.eni.com and www.borsaitaliana.it.

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Annual Report on Form 20-F 2011

Rome, April 5, 2012 - Today, Eni s *Annual Report on Form 20-F* for the year ended December 31, 2011, has been filed with the U.S. Securities and Exchange Commission (SEC).

The Annual Report on Form 20-F 2011 is now available in the Publications section of Eni s website: www.eni.com.

Shareholders can receive a hard copy of Eni s Annual Report on Form 20-F 2011, free of charge, by filling in the request form found in the Publications section, or by emailing a request to segreteriasocietaria.azionisti@eni.com or to investor.relations@eni.com.

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Disclaimer

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

"Eni" means the parent company Eni SpA and its consolidated subsidiaries.

Ordinary Shareholders Meeting of April 30 and May 8, 2012.
The notice convening the meeting was published on "Il Sole 24 ore" and "Financial Times WWE" of March 22, 2012 and on "Milano Finanza" of March 30, 2012.

This Annual Report includes the report of Eni s Board of Directors and Eni s Consolidated Financial Statements for the year ended December 31, 2011, which have been prepared under the International Financial Reporting Standards (IFRS), as adopted by the European Union.

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Results

In 2011 Eni reported net profit of euro 6.86 billion. Adjusted net profit was euro 6.97 billion, up by 1.5% from a year ago driven by an excellent performance reported by the Exploration & Production Division on the back of a recovery in crude oil prices. This positive helped the Company withstand the impact of the production shut down in Libya and the sharp contraction in results of the Company s downstream businesses dragged down by the economic downturn.

Net cash generated by operating activities amounted to euro 14.38 billion. Proceeds from divestments amounted to euro 1.9 billion. These inflows enabled the Company to fund the major part of the financing requirements associated with capital expenditure and other investments of euro 13.8 billion and shareholders remuneration. The ratio of net borrowings to total equity was 0.46 at year end (0.47 at December 31, 2010).

Dividend for 2011

On the basis of the Company s robust results and sound fundamentals, a dividend of euro 1.04 per share (euro 1.00 per share in 2010) will be distributed to shareholders. The annual dividend includes euro 0.52 per share already paid as interim dividend in September 2011. Management reaffirms its commitment to deliver industry-leading returns to the Company s shareholders.

Oil and natural gas production

In 2011, Eni reported liquids and gas production of 1,581 kboe/d which was affected by the temporary shut down of the Company s activities in Libya. Excluding the impact of force majeure in Libya and lower entitlements in the Company s PSAs due to higher oil prices, production was in line with 2010. Eni targets to grow production at an average rate of more than 3% over the next four year period to achieve a plateau of 2.03 mmboe/d. This growth will be fuelled by our development projects in core areas and the Eni co-operation model.

Proved oil and natural gas reserves

Eni s net proved oil and gas reserves as of December 31, 2011 amounted to 7.09 bboe. The all-sources reserve replacement ratio was 142%, rising to 159% at constant prices, corresponding to a reserve life index of 12.3 years.

Natural gas sales

Natural gas sales of 96.76 bcm were barely unchanged from 2010. Volumes growth in European key markets driven by effective marketing initiatives enabled the Company to absorb the impacts of weak demand, rising competitive pressures and lower sales to importers to Italy due to the loss of Libyan supplies.

In the next four year plan, the Company targets to strengthen the Company s leadership on the European markets. A strong commercial franchise and service excellence in the domestic market, integration of recently-acquired assets, and renegotiation of long-term supply contracts will be the levers to achieve the sales target.

Exploration success

New discoveries have been the highlight of the year. The large Mamba discovery in Mozambique, with 40 Tcf of gas in place, opens up extraordinary development opportunities and is ideally placed to serve the fast-growing Asian gas markets.

The Skrugard and Havis oil and gas discoveries in the Barents Sea found a combined amount of 500 mmbbl of recoverable resources (Eni 30%). In Indonesia, the Jangkrik gas discovery in the operated Block Muara Bakau (Eni 55%) made it possible to double the resources of the area. Other significant exploratory successes were achieved in Angola, USA, Ghana and the appraisal of the Perla discovery in Venezuela. We added 1.1 billion boe to Eni s resource base.

Agreement with Gazprom

In March 2012, following their strategic partnership, Eni and Gazprom signed an agreement renegotiating the terms of certain long-term gas

supply contracts in Italy. The recognition of the associated economic effects will be retroactive to the beginning of 2011.

Restarted Libyan operations

In Libya Eni achieved a quick production restart, also reopening the GreenStream pipeline, leveraging our consolidated relationships with the Interim Transitional National Council and continued collaboration with the NOC. Production at the Company s Libyan sites is currently flowing at approximately 240 kboe/d. Management plans to achieve the pre-crisis production plateau of 280 kboe/d with full ramp-up by the second half of 2012.

Safety

In 2011 the injury frequency rate decreased by 22% and 15.9% relating to employees and contractors respectively, compared to the previous year. This positive trend progressed for the sixth consecutive year.

Inclusiveness

In 2011 Eni launched the second edition of "eni secondo te" climate analysis for collecting opinions and suggestions from over 32,000 employees in 47 countries. In 2011 women employees increased by 3.4% notwithstanding the decrease of the overall workforce by 1.6%.

Eni s participation to global governance on sustainability themes

Eni joined the Collective Action initiative against energy poverty within the LEAD program which involves global companies with an excellent track record in sustainability according to the Global Compact. By 2030 this initiative aims to: secure global access to modern energy services, double the energy efficiency growth rate and the share of renewable sources in the energy mix. Eni promoted the Task Force on Business Action which guarantees the contribution and the commitment of the private sector. Furthermore, Eni and the International Scientific and Professional Advisory Council of the United Nations Crime Prevention signed an international cooperation agreement between private and public sector for the research in anti corruption issues.

Technology Innovation

In 2011, in the field of scientific cooperation, Eni signed a new agreement with Stanford University. The agreement will develop a research program focused on oil&gas technologies and environmental issues for an overall expenditure of $10 million over the next four year.

Portfolio developments

Eni made the Final Investment Decision of the Perla giant gas field, located in the offshore Cardon IV Block in the Gulf of Venezuela.
In 2011 production start-up was achieved in eleven oil and gas fields which are expected to add approximately 80 kboe/d at plateau to medium-term production. Management expects that sanctioned oil&gas projects for the year will add up to approximately 140 kboe/d of production to our plateau in 2015. These projects included the signing of the final investment decisions and relevant gas supply agreements for the jointly-operated Samburgskoye and Urengoskoye giant fields in Siberia, in addition to the above mentioned Perla project.
In 2011, important deals were finalized in Ukraine, China, Algeria, South Africa, Libya, Angola and Venezuela.
The Gas & Power Division consolidated its leading market position by integrating the Altergaz customer portfolio in France and acquiring Nuon Belgium in Belgium.
Eni started the "green chemistry" project at its industrial site of Porto Torres, Sardinia, paving the way to a strategic shift in its petrochemicals activity away from the old, commoditized businesses in favor of growing Eni s presence in niche segments and innovative production. In this way, management is aiming at restoring the economic equilibrium of Polimeri Europa over the medium-term.
The Company s asset portfolio was rationalized by divesting its interests in the entities engaged in international gas transport from Northern Europe and Russia, and certain other marginal assets.

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Eni Annual Report / **Profile of the year**

Financial highlights		**2009**	**2010**	**2011**
Net sales from operations	(euro million)	83,227	98,523	**109,589**
Operating profit		12,055	16,111	**17,435**
Adjusted operating profit [(a)]		13,122	17,304	**17,974**
Net profit [(b)]		4,367	6,318	**6,860**
Adjusted net profit [(a)] [(b)]		5,207	6,869	**6,969**
Net cash provided by operating activities		11,136	14,694	**14,382**
Capital expenditures		13,695	13,870	**13,438**
Dividends to Eni shareholders pertaining to the period [(c)]		3,622	3,622	**3,767**
Cash dividends to Eni shareholders		4,166	3,622	**3,695**
Total assets at year end		117,529	131,860	**142,945**
Shareholders equity including non-controlling interest at year end		50,051	55,728	**60,393**
Net borrowings at year end		23,055	26,119	**28,032**
Net capital employed at year end		73,106	81,847	**88,425**
Share price at year end	(euro)	17.80	16.34	**16.01**
Number of shares outstanding at year end	(million)	3,622.4	3,622.5	**3,622.7**
Market capitalization [(d)]	(euro billion)	64.5	59.2	**58.0**

(a) For a detailed explanation of adjusted profits (net and operating), that exclude inventory holding gain/loss and special items, see paragraph "Reconciliation of reported operating profit and reported net profit to results on an adjusted basis".
(b) Profit attributable to Eni s shareholders.
(c) The amount of dividends for the year 2011 is based on the Board s proposal.
(d) Number of outstanding shares by reference price at year end.

Summary financial data [(*)]		**2009**	**2010**	**2011**
Net profit				
- per share [(a)]	(euro)	*1.21*	*1.74*	***1.89***
- per ADR [(a)] [(b)]	(USD)	*3.36*	*4.62*	***5.27***
Adjusted net profit				
- per share [(a)]	(euro)	*1.44*	*1.90*	***1.92***
- per ADR [(a)] [(b)]	(USD)	*4.01*	*5.04*	***5.36***
Leverage		0.46	0.47	**0.46**
Return On Average Capital Employed (ROACE)	(%)			
- reported		*8.0*	*10.0*	***9.7***
- adjusted		*9.2*	*10.7*	***9.9***
Return On Average Equity (ROAE)		9.6	13.0	**12.9**
Coverage		17.9	22.2	**15.4**
Current ratio		1.0	1.0	**1.1**
Debt coverage		48.3	56.3	**51.3**
Dividends pertaining to the year	(euro per share)	1.00	1.00	**1.04**
Pay-out	(%)	83	57	**55**
Dividend yield [(c)]	(%)	5.8	6.1	**6.6**

(*) See "Glossary" for indicators explanation.
(a)

Fully diluted. Ratio of net profit and average number of shares outstanding in the period. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by ECB for the period presented.

(b) One American Depositary Receipt (ADR) is equal to two Eni ordinary shares.

(c) Ratio of dividend for the period and the average price of Eni shares as recorded in December.

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Operating and sustainability data		2009	2010	2011
Employees at period end	(number)	77,718	79,941	**78,686**
of which:				
- women		*12,564*	*12,754*	***13,185***
- outside Italy		*42,633*	*45,967*	***45,516***
Female managers	(%)	17.0	17.7	**18.2**
Training hours	(thousand hours)	3,097	3,114	**3,327**
Employee injury frequency rate	(No. of accidents per million hours worked)	1.00	0.91	**0.71**
Contractor injury frequency rate		1.18	0.88	**0.74**
Oil spills	(barrels)	6,259	4,269	**7,295**
Oil spills due to sabotage and terrorism		15,288	18,695	**6,127**
GHG emission	(mmtonnes CO_2 eq)	57.69	60.64	**51.10**
R&D expenditures [(a)]	(euro million)	207	221	**191**
Expenditures for territory [(b)]		99	108	**102**
Exploration & Production				
Estimated net proved reserves of hydrocarbons (at year end)	(mmboe)	6,571	6,843	**7,086**
Average reserve life index	(year)	10.2	10.3	**12.3**
Production of hydrocarbons	(kboe/d)	1,769	1,815	**1,581**
Profit per boe [(c)]	($/boe)	8.14	11.91	**16.98**
Production cost per boe [(c)]		5.77	6.14	**7.28**
Cash flow per boe		23.70	25.52	**31.65**
Finding and development cost per boe [(d)]		28.90	19.32	**18.82**
Gas & Power				
Worldwide gas sales [(e)]	(bcm)	103.72	97.06	**96.76**
Customers in Italy	(million)	6.88	6.88	**7.10**
Electricity sold	(TWh)	33.96	39.54	**40.28**
Customer satisfaction index	(%)	83.7	87.4	**91.0**
Refining & Marketing				
Refinery throughputs on own account	(mmtonnes)	34.55	34.80	**31.96**
Retail market share	(%)	31.5	30.4	**30.5**
Retail sales of petroleum products in Europe	(mmtonnes)	12.02	11.73	**11.37**
Service stations in Europe at year end	(units)	5,986	6,167	**6,287**
Average throughput of service stations in Europe	(kliters)	2,477	2,353	**2,206**
Petrochemicals				
Production	(ktonnes)	6,521	7,220	**6,245**
Sales of petrochemical products	(ktonnes)	4,265	4,731	**4,040**
Average plant utilization rate	(%)	65.4	72.9	**65.3**
Engineering & Construction				
Orders acquired	(euro million)	9,917	12,935	**12,505**
Order backlog at year end	(euro million)	18,730	20,505	**20,417**

(a) Net of general and administrative costs.
(b) Includes investments for local communities, charities, association fees, sponsorships, payments to Eni Enrico Mattei Foundation and Eni Foundation.
(c) Related to consolidated entities.
(d) Three year average.
(e) Includes Exploration & Production natural gas sales amounting to 2.86 bcm (6.17 bcm and 5.65 bcm in 2009 and 2010 respectively).

Board of Directors

From left to right: Francesco Taranto, Alessandro Lorenzi, Alessandro Profumo, Paolo Marchioni, Paolo Scaroni (CEO and General Manager), Giuseppe Recchi (Chairman), Roberto Petri, Mario Resca, Carlo Cesare Gatto.

2011 was a year in which we made exceptional progress on our medium and long-term growth prospects. Exploration success has been the highlight of our performance year. The giant Mamba gas discovery offshore Mozambique, with up to 40 Tcf of gas in place, opens up extraordinary development opportunities and is ideally placed to serve the fast-growing Asian energy markets.

Other noticeable exploratory success was achieved in Block 15/06, offshore Angola, the Barents Sea, Indonesia, Ghana, the United States, in addition to a number of near field discoveries. Overall, we have added 1.1 billion boe to Eni s resource base.

We have broadened our growth options in unconventional resources by signing agreements in China, Algeria and Ukraine.

We achieved start-ups at eleven oil and gas fields which are expected to add approximately 80 kboe/d to our medium-term production plateau. We have also made good progress on our key projects for medium-term growth, signing the gas supply agreements and making the final investment decisions for the Perla field, offshore Venezuela, and our projects in the Yamal Peninsula in Russia, including the Samburgskoye and Urengoskoye fields. This technical and commercial progress alongside with the other sanctioned projects for the year will contribute approximately 140 kboe/d of new production to our plateau in 2015.

Another highlight of Eni s performance in 2011 was the quick operational recovery in Libya. Since the liberation men of Eni, as well as our sustainable business model which has built on our excellent relationships with local communities and established collaboration with Libyan Authorities.

To sum up, 2011 has been a brilliant year for the Exploration & Production Division, in spite of the temporarily disruption in Libya activities. We have laid down foundations for our future growth, and maintained continued focus on operational excellence and risk prevention, which are the drivers of value creation from the barrel, as well as steady commitment on cooperation with our host countries and local communities to deliver on the sustainability of our returns.

Our downstream businesses were hit by the economic downturn, which has sharpened in the last part of the year in Italy and Europe. Against this backdrop, we have taken steps to strengthen our competitive position in each of our businesses.

In the Gas & Power Division we continue our strategy of renegotiating our gas supply contracts. We closed the agreement with Sonatrach in 2011, and in March 2012, we reached a deal with Gazprom. The economic effects associated with the Russian contracts will be retroactive for the whole of 2011. We have strengthened our position in the most resilient retail segment through organic growth in Italy and the selective acquisition of Nuon in Belgium and Altergaz in France. In Italy we increased market share in the residential sector, exceeding the bar of 7 million clients for the first time, leveraging our strong commercial franchise and the of Tripoli in September, we have restarted all of our fields and re-opened the GreenStream, ramping up production faster than we had anticipated. Currently we are almost back to pre-crisis levels, and expect 2012 production from Libya of approximately 240 kboe/d, compared to the 110 kboe/d reported for the full year 2011 and 273 kboe/d produced in 2010.

It has been an extraordinary achievement that owns to the engagement and relentless efforts made by the women and

broadening of our "luce e gas" offer.

In the Refining & Marketing division we are concentrating our efforts on efficiency and cycle optimizations. In 2011 we exceeded our targets by achieving savings of euro 150 million. The Marketing business achieved good results, consolidating our leadership in the Italian market leveraging on successful commercial initiatives, the rebranding to eni of our service stations, the launch of innovative non-oil services and continued customer care.

In the Petrochemical business, we have started the "green

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chemistry" project at our industrial site of Porto Torres, Sardinia, paving the way to a strategic shift in our petrochemicals activity away from the old, commoditized businesses in favor of growing our presence in niche segments and innovative production, targeting to restore the economic equilibrium in the medium-term.
We have continued running our Company in accordance with our sustainable business model founded on the pillars of excellence, cooperation inclusiveness and responsibility. We developed our strategic know-how, progressed in the research and implementation of new technologies to minimize the environmental footprint of our operations, actively managed risks to employees and communities health and safety. This is confirmed also by the continuing improvement in achieved in the injury frequency rates of our operations.

Financial performance

In 2011, net profit attributable to Eni s shareholders was euro 6.86 billion. Adjusted net profit was euro 6.97 billion; an increase of 1.5% from 2010, driven by a robust performance delivered by the Exploration & Production Division (up 15.8%) and, to a lesser extent, by the Engineering & Construction Division (up 8.8%). These positives were partly offset by the impact of the Libyan Revolution on our hydrocarbon production and profitability of gas sales, as well as the sharp contraction in results reported by our downstream businesses hit by the downturn and increasing competitive pressure.
Return on Average Capital Employed (ROACE) calculated on an adjusted basis was 9.9%. Net cash generated by operating activities amounted to euro 14.38 billion. Proceeds from divestments amounted to euro 1.9 billion and mainly related to the divestment of the company s interests in the entities engaged in the international transport of gas from Northern Europe and Russia.
Main outflows were associated with capital expenditures of euro 13.44 billion to support organic growth and exploration activities, expenditures in joint venture initiatives of euro 0.36 billion, and dividend payments to Eni s shareholders amounting to euro 3.70 billion and to non-controlling interests (euro 0.55 billion). The ratio of net borrowings to total equity decreased to 0.46 from 0.47 at the end of 2010. On the basis of the Company s PSAs due to higher oil prices, production was in line with 2010.
Eni s net proved oil and gas reserves as of December 31, 2011 amounted to 7.09 bboe. The all-sources reserve replacement ratio was 142%, rising to 159% at constant prices, corresponding to a reserve life index of 12.3 years. Both indicators were impacted by a reduced contribution from Libya s production for the year.
The **Gas & Power** Division reported sharply lower operating profit, down by 37.6%, driven by a poor performance recorded by the Marketing business which reflected only a part of the benefits associated with the renegotiation of supply contracts, certain of which have been finalized after December 31, 2011, delaying the recognition of the associated economic effects. The marketing performance was driven by weak demand, rising competitive pressures and the disruption in Libyan gas availability. In spite of a shrinking demand and competition, we achieved steady sales volumes at 96.76 bcm, reflecting effective marketing initiatives. We grew in target European markets and international LNG sales, which trends helped offset declining sales to importers to Italy due to the loss of Libyan supplies and in Belgium.
The **Refining & Marketing** Division reported a deeper adjusted operating loss at euro 535 million, suffering from unprofitable refining margins and lower demand. We step up our efficiency and optimization measures to cope with a challenging trading environment. We cut volume throughputs by 8% to 32 mmtonnes. We increased our market share to 30.5% in the retail market in Italy (up 0.1 percentage point from 2010) supported by successful commercial initiatives and our strong brand, which softened the impact of reduced sales (down 3%).
The **Petrochemical** Division reported an operating loss of euro 276 million, driven by falling cracker margins and a substantial decrease in sales of commodities. The Company s niche productions, particularly elastomers and styrene, showed good resiliency in the face of the downturn, thanks to their technology content.
Saipem recorded strong results. Operating profit was euro 1.44 billion. Thanks to the new contracts acquired in the year, the order backlog remained at the record mark of euro 20 billion, which will ensure future growth and profitability.

sound results and coherently with our dividend policy, we are proposing a dividend of euro 1.04 per share, up 4% from 2010, to the Annual Shareholders Meeting.

The **Exploration & Production** Division reported operating profit of euro 16.1 billion, driven by crude oil prices. The big progress made by the Company in the last part of the year to put production back online in Libya helped absorb the impact of force majeure.
Oil and gas production was 1.58 mmboe/d. Excluding the impact of force majeure in Libya and lower entitlements in the Company s

Our investment plans and strategy to boost growth and returns

We expect the 2012 outlook to be a challenging one due to continuing signs of an economic slowdown, particularly in the Euro-zone, and volatile market conditions. International oil prices will be supported by robust demand growth from China and other emerging economies. For investment planning purposes Eni assumes a 2012 Brent price of $90 a barrel and a long-term price of $85 a barrel.
Recovery perspectives look poor in the gas sector. The recovery perspectives of gas demand are weak, while competition will

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continue pressuring profitability driven by oversupplies in the marketplace. In the Refining & Marketing Division we expect refining margins to remain at unprofitable levels, with fuel consumption expected to continue on a downward trend.
Against this backdrop, we confirm our growth strategy. Our priorities will be to profitably growth oil and gas production, strengthen and optimize our downstream businesses.
We expect to invest euro 59.6 billion in the next four year plan. This plan represents an increase of 11% compared to the previous one due to new important projects in the upstream business, mainly in Mozambique, Nigeria and Norway which will fuel our long-term growth.
The bulk of our capital budget (approximately 75%) will be deployed to achieve our ambitious growth production target of more than 3% on average in the next four years (adjusted for force majeure in Libya) in 2012) driving a plateau of 2.03 mmboe/d in 2015.
In the Gas & Power Division we target to recover a fair level of profitability leveraging on a competitive cost position thanks to contract renegotiation and risk management activities. We plan to regain market share in Italy and strengthen our leadership in the European gas markets. In the Refining & Marketing Division our strategy will focus on efficiency improvements, process optimization and selective capital expenditures, in order to make our refining business less vulnerable to the downs of the cycle. In our marketing operations we plan to strengthen our leadership in the Italian retail market and grow selectively in European markets. We expect significant improvements in the business performance driven by our planned initiatives.
In the Petrochemical division we are implementing a turnaround strategy to regain competitiveness, targeting the economic long-term sustainability.
Our favorable perspectives in the Engineering & Construction segment are underpinned by the availability of world class fleet, technologies and skills, as well as a robust order backlog.
In conclusion, in spite of a difficult global context, 2011 was a year in which our Company has created the premises of a new phase of sustainable growth above all leveraging on extraordinary exploration success. We have rapidly restarted our Libyan operations, reducing the impact of the Revolution on 2011 results.
In the downstream businesses, particularly exposed to the current economic downturn, we have taken steps to recover profitability shortly.
In the next four years, while the financial markets are expected to stabilize and the global economy to progressively recover, we see that Eni, thanks to its excellent strategic position, will continue to deliver industry-leading results and create sustainable value for its shareholders.

March 15, 2012

In representation of the Board of Directors

Giuseppe Recchi
Chairman

Paolo Scaroni
Chief Executive Officer and General Manager

The oil&gas industry is copying with a complex scenario featured by the global economic slowdown, particularly in the Euro-zone, and volatile market conditions for energy commodities. In the medium to long-term the main challenges will be driven by rising competitive pressures in accessing reserves by new players, stricter regulation addressing environmental preservation and mitigation of the climate risk, a growing importance of renewable sources as well as the role of unconventional resources in satisfying energy need.
Against this backdrop, Eni confirms its growth strategy and the adoption of a sustainable business model founded on the pillars of innovation, excellence, inclusiveness, integration, responsibility and cooperation in a framework of straightforward rules of corporate governance.
Eni believes that a sustainable business conduct contributes to both the achievement of industrial performance, and the mitigation of political, financial and operational risks. This strengthens Eni s role as a trustworthy and reliable partner, who is ready to capture new opportunities in the marketplace and able to manage the complexities of the environment.
Eni believes that those drivers will help the Company to create value to its shareholders and stakeholders. Eni has designed its industrial plan for the four-year period 2012-2015 along the following strategic guidelines: growing profitable oil and gas production in the upstream, strengthening market leadership in the European gas market, improving downstream oil efficiency, refocusing petrochemical operations and retaining top spots among the best-in-class engineering and construction players in the most technologically advanced segments.
In the medium-term, Eni intends to preserve a solid capital structure while continuing to invest to fuel profitable growth and reward investors. Management is targeting a net debt to equity ratio of less than 0.4 by the end of the plan period which takes into account a capital expenditure plan of euro 59.6 billion, of which 75% dedicated to upstream activities. Eni s ability to generate strong operating cash flows, investment selection and capital efficiency will underpin the Company s financial applied in complex environment, marginal fields and deep/ultra deep offshore areas.
Management is targeting to increase hydrocarbon production at an average rate of more than 3% over the next four years. Growth will be fuelled by increasing flows from Eni s core areas (in Sub-Saharan Africa in particular in Mozambique, Venezuela, Barents Sea, Yamal Peninsula in Russia, Kazakhstan, Iraq and Indonesia) leveraging Eni s vast knowledge of reservoirs and geological basins, as well as technical and producing synergies. Eni s exploration activity will play a vital role in securing access to new resources and the long-term business sustainability and we are planning to step up expenditures over the next four-year plan compared to our previous capital budget (an increase of approximately euro 2 billion). Management plans to achieve a sound balance between exploration projects in legacy areas vs. high risk/high reward basins. Eni intends to drive higher returns and manage the operational risk in its upstream operations by reducing the time to market of its portfolio of resources, increasing total volumes of operated production, as operatorship is seen to be the safest way to control risks, as well as selectively picking partners in non-operated joint-projects. Eni plans to monetize its reserves of associated gas in particular in Algeria, Angola, Congo, Iraq, Italy, Libya, Nigeria, Norway and Turkmenistan, targeting to cut the level of gas flaring by 80% from 2007 levels over the next four years-plan. Management is ready to invest approximately euro 4 billion to achieve that target.

In the **Gas & Power** Division, Eni plans to strengthen its leadership in the European gas markets in spite of increasing competitive pressures, oversupply and weak gas spot prices. Management intends to leverage on: (i) the renegotiation of the economic conditions of Eni s key supply contracts in order to improve the competitiveness of Eni s gas portfolio; (ii) extracting value from Eni s logistics assets and its presence at the continental hubs; (iii) developing an international commercial platform and a multi-country approach; (iv) boosting LNG sales; (v) enhancing of Eni s gas and power commercial offer (the so-called "luce e gas" offer), continuing service structure.

In the **Exploration & Production** Division, Eni intends to deliver organic production growth with increasing returns and reserve replacement. The Company s value proposition in its upstream operations will leverage on strengthening our leadership in core areas, increasing the volume of operated production and retaining a strong portfolio of long-term plateau fields. Eni will pursue further growth options by developing unconventional plays, gas-to-LNG projects and integrated gas projects. Eni s growth trajectory will be supported by its ongoing commitment in establishing and consolidating its partnerships with key host Countries, leveraging the Eni co-operation model.
Management expects that continuing technological innovation and competence build-up will drive production growth and increasing rates of reserve recovery, developing drilling techniques to be improvement and customer care through the adoption of systems and processes which best suit customers needs, mainly in retail markets.
Regulated businesses in Italy are committed to develop additional transport and storage capacity, focusing on improving infrastructure reliability and flexibility as well as efficient operations. In particular, EniPower is planning to upgrade the energy efficiency at proprietary plants in order to retain an index of CO_2 emissions below the target level of 415 gCO_2/kWheq.
We target to recover a fair level of profitability in the G&P Division. Eni will continue pursuing the OHSAS 18001 certification for its health and safety management systems at all its plants.

In the **Refining & Marketing** Division, Eni will strive to regain profitability against the backdrop of a depressed trading

environment. Eni will boost its refining operations by means of optimizations and integration of refinery cycles and cost and energy efficiencies. Eni will pursue strict capital discipline by focusing on projects intended to upgrade the complexity and reliability of our refineries, and to improve the environmental performance. In marketing operations, considering a weak demand outlook for fuels, management plans to strengthen Eni s leadership in the Italian retail market leveraging on commercial initiatives to best suit customers needs, a differentiated offer, process automation, enhancing non-oil activities, retaining customers and strengthening our brand. Abroad, Eni will grow selectively in target European markets and divest marginal assets.
Management plans to improve results of the Refining & Marketing Division by over euro 500 million within 2015, excluding any change in market context, through efficiency improvements. Eni expects to improve middle distillate yields to 50% (vs. 47% in 2011) and, in marketing, we are targeting a market share up to 30% in the Italian retail sector. Energy saving programs will be strengthened by implementing the Energy Management System at refinery plants in accordance with the ISO 50001 international standard. Eni will also invest euro 25.6 million to reduce SO_x and NO_x emissions by 2013 on a comparable production basis.

To cope with the structural challenges of **Petrochemical** business, management is implementing a strategic shift targeting to restore the economic equilibrium of Polimeri Europa over the medium-term. This new strategy features a gradual reduction of the exposure to the unprofitable, commoditized businesses in favor of growing the Company s presence in niche productions, particularly elastomers and specialities which have shown good profitability. Eni will pursue this goal by reconverting and restructuring loss-making plants, improving plant integration and flexibility, as well as optimization projects. Eni intends to growth its presence in green chemistry leveraging its joint venture project at Porto Torres in Sardinia which targets the restructuring of an obsolete plant into a modern and advanced facility for the production of environmentally-friendly chemicals. The licensing of Eni s proprietary technologies will support the establishment of strategic alliances with international partners. Over the next four years, Eni will make capital expenditure amounting to euro 1.7 billion, targeting plant upgrading and enhancement in the best positioned businesses, mainly in elastomers.

Engineering & Construction segment will consolidate its leading position in the Offshore and Onshore businesses leveraging the EPIC-oriented business model and outstanding relationships with the Majors and NOCs. Saipem will continue focusing on the execution of technologically-advanced mega-projects mainly located in frontier areas and complex environments, carefully selecting business opportunities. The upgrading of a world-class drilling and construction fleet, the availability of an important construction yard in Indonesian targeting offshore projects, as well as the expenditures made to boost local assets and logistic centers in key areas (in particular in Brazil) will support the competitive advantages.

Management believes that the achievement of Eni s projected targets and expected returns will be underpinned by Eni s operational excellence, synergies from integration and the development of integrated risk management capabilities intended to extract value from Eni s assets.
Operational excellence thanks to Eni s know-how and distinctive competences endorses a preventive business conduct when managing the environmental footprint of Eni s operations and risks to employees and communities health and safety. Continuing improvement in efficiency through innovation of business processes will enable the Company to reduce the energy intensity of its productions, optimize plants activities and achieve economies of scale in centralized services.

Integration will enable Eni to capture joint opportunities in the marketplace, reaping the benefits of synergies and maximizing asset returns. Particularly, the new business unit Eni trading will develop integrated risk management activities with a view of better coping with the increasingly volatile commodity markets.

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The overall uncertainty currently affecting world economy and Europe in particular affected the trends of the energy industry: a worsening scenario and high international oil prices are only two of the factors leading to declining oil demand in 2011. This trend reflects declining demand in OECD countries and sluggish growth in non-OECD countries, where, however, prospects are positive supported by demographic and industrial processes in addition to increasing income.

If on one side operators in the energy industry share the expectation that the current slow phase of world economy will impact the growth rate of energy demand in the medium-term, on the other one cannot immediately quantify the decline. At the same time, uncertainties in forecasting consumption growth may induce operators to apply more selective criteria to investments in production capacity.

Further uncertainty derives from the consideration that in the longer term energy policies focusing on efficiency may induce changes in the mix of primary energy sources.

We think, however, that without specific technological breakthroughs such policies will not be able to significantly reduce the share of fossil fuels employed in meeting global energy requirements.

In the wider context of sustainable development at the global level, a primary role will be played by access to energy for all. According to the UN Report "Resilient People, Resilient Planet: A Future Worth Choosing" presented on January 30, 2012 in Addis Ababa by the High-level Panel on Global Sustainability, over 1.3 billion people globally, or 20% of the world s population, lack access to reliable electricity, while 2.7 billion people still rely on traditional biomass use for their cooking needs. In the long-term ensuring universal access to modern energy services will be an achievable challenge but will require huge investments and great involvement of international institutions.

Another phenomenon underway is the shift of consumption to emerging and developing countries. In terms of global energy demand, non-OECD countries already cover over half of primary demand and soon these countries will also require growing oil volumes. In this context even the forecasts on capacity development in no-OPEC countries seem hampered by a decline in producing fields (mainly in the North Sea and the Gulf of Mexico) on one side, and the high investment costs related to the concentration of new opportunities in extreme environments, such as Arctic and deep offshore locations.

The current worldwide capacity for oil production is estimated at 3-4% due to the maturity of many oil basins. Overall, every year the oil industry must replace new capacity at an average of 3 million barrels/day of oil (more than the yearly production of the United Arab Emirates). Additional volumes are also required to meet increases in demand.

In order to produce these additional amounts the industry shall have to continue its exploration efforts in new mineral basins in harsh environments while improving production techniques.

A share of this increase in production will derive from secondary enhanced recovery techniques (Improved Oil Recovery and Enhanced Oil Recovery) that could increase the amount of oil extracted from all reservoirs.

In this context, technology will represent one of the major levers to face these challenges and at the same time will represent a competitive advantage for the international energy companies operating in a more and more competitive environment. The availability of innovative technologies can be a distinctive element for accessing new reserves also in cooperation with producing countries.

Unconventional oil and deep offshore fields represent a new relevant portion of potential non-OPEC capacity. New systems emerged recently, like tight oil also as a consequence of the great success of unconventional gas in the US profiting from advanced technologies and high oil prices. However, still quite a few constraints limit the production of tight oil such as the availability of means, the need for high investments, the need to keep in check possible environmental impact related to the intense drilling required by this kind of production.

The future prospects of natural gas consumption in developed countries are also quite uncertain, while positive and relatively certain forecasts concern the increase in consumption of natural gas in emerging

particular, the main driver of oil demand growth in emerging countries will be represented by the beginning of mass motorization.
Uncertainties exist also on the supply side of oil. OECD countries will continue to play a major role in the development of new production capacity. Long-term estimates indicate that 50% of additional supply of oil will be produced in Iraq and Saudi Arabia. In the medium-term, however, the scenario seems uncertain due to current geopolitical unrest, in particular in Iraq, affecting the actual achievement of production increase with immediate investments. The Iranian nuclear program and the evolution of the geopolitical scenario following the "Arab spring" in North Africa and the Near East (from which 30 and 20% of world oil and gas production derive, respectively) could affect investments for increasing production capacity.

countries, also due to the wide availability of this fuel, its flexibility and lower environmental impact, in addition to generally lower prices than other traditional alternatives. All these features make characterize natural gas as the raw material that can form a bridge for reaching a carbonless energy future. Gas will be indispensable for treading a path that combines wide access and lower CO_2 emissions, at least until renewable sources have reached technological maturity and play a larger role in the international energy scenario.
The current American scenario is evidence of the wide availability of low priced natural gas: the so called unconventional revolution succeeded in changing the American energy market in a couple of years. The United States have become virtually self sufficient by applying the so called

fracking technologies for the extraction of shale gas, leaving volumes of gas originally intended for the US market available doe sale to other countries. The escalation of non-conventional gas sales certainly raised new interest for gas and led many countries to start exploration in this specific segment. Although it is not yet possible to quantify the potential of unconventional reserves worldwide, certainly new discoveries could extend the residual life of this energy source. Increasing attention paid to unconventional hydrocarbon sources raised intense preoccupation for the social and environmental impact of this kind of extraction. It will therefore be crucial to develop techniques that minimize the impact of extracting, processing and transporting energy.

The progressive increase in complexity of new development projects (frontier areas and unconventional resources) will require increasing investments and technical skills. In order to seize the new opportunities, companies will need technical and managing skills adequate for the evolving situation.

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Eni s business model for the creation of sustainable value is founded on a wealth of distinctive assets, guidelines for industrial actions (drivers), deriving from strategic management choices consistent with the long-term nature of the business, the continuous interaction with all stakeholders in a framework of stringent and clear rules of governance. Within the implementation of the Company mission and the running of day-to-day operations, Eni s efforts are inspired by these key elements:

Cooperation in the development of the territories where we work, expressing the ability to understand local needs and the willingness to contribute to their fulfillment;

Integration of all activities along the energy supply chain, as a source of crucial synergies for facing market challenges and ensuring a competitive advantage;

Innovation as key element for accessing new energy resources, improving recovery from the subsoil and the efficiency of its use, ensuring respect for and responsible use of natural resources;

Excellence in running the operations, which hinges on making use of best practices, quality systems, advanced technology and safety systems to ensure full respect for the community and the environment;

Inclusion of all Eni people, with their broadly expressed diversity, which combines with health and safety protection in the workplace, as well as their personal development and involvement in the Company s goals;

Responsibility in terms of commitment to transparency in the business management, in the fight against corruption, and in the respect for human rights in every sphere of our work, being requisites for effective contribution toward the development of Countries and societies.

Eni believes that founding its way of operating on these distinctive elements together with its own business culture is the source of a long enduring competitive advantage.

Cooperation

new cooperation agreements were signed with Ukraine, China, Algeria, South Africa, Libya, Angola and Venezuela which are added to the existing Memorandum of Understanding (MoU). The equal position with producing Countries has enabled Eni to be seen as a reliable partner that unites the pursuit of corporate objectives with the offer of stable development solutions. Eni s cooperation model is the foundation of the long-lasting relationships it has with producing Countries. The case of Libya is an example: Eni has worked in Libya since 1959, when Agip obtained its first concession, in the south eastern Sahara desert. As a consequence of the 2011 revolution, regardless of the interruption of most of the Country s production, Eni kept its Wafa Field active, where the gas required to fuel the Tripoli power plants is produced along with meeting the needs of the local population for a total of about 50 thousand barrels per day. Also, thanks to the attention to the Country s needs, just a few months after the resolution of the conflict, production returned to pre-crisis levels. In Africa, with a production of about 1 mmboe/day, equal to 55% of Eni total production, the cooperation model s success is evident: after arriving in Egypt in 1954, Eni grew quickly, achieving a position of leadership both in Countries where it has traditionally had a presence such as North Africa, Angola, Nigeria and Congo and in the new producing Countries, such as Togo, Ghana, Gabon, South Africa and Mozambique, where in 2011 a new discovery of natural gas significant in Eni s history was made.

The cooperation model with producing Countries, or rather the will to invest with a long-term prospective and the flexibility of offering solutions to the requirements of the Countries, has been an integral part of corporate strategy from the very beginning. This is now transforming into ever greater integration among the Company development projects and the development of growth opportunities in the territories where Eni is hosted.

This approach has enabled the completion of important industrial agreements with strategic Countries, contributing to the achievement of the first operator position in Africa. In 2011

Within this framework Eni knew how to integrate the development of local energy systems with its own core business activities, seizing new opportunities and building the foundations for development in its host Countries, especially in those areas where energy poverty is a critical issue.

The Memorandum of Understanding (MoU) signed with PetroSA, the national oil company of Republic of South Africa, settles areas of cooperation both in South Africa in other Countries. These include joint initiatives for the import and supply of LNG destined for power production and GTL, as well as support for the construction of new power plants. Other examples may be found in operations in Nigeria and Congo Brazzaville, where Eni has been able to seize the great potential of the gas, which in the past was simply burned off and has invested in its recovery and the construction of power plants that today cover the majority of the local power requirements. The success of these interventions has attracted the attention of other Countries in the region. Many of the Memorandum of Understanding recently signed in Angola, Ghana, Togo and Mozambique include electrification projects.
Eni has also become a favored partner for projects concerning agriculture, health care and quality of life improvement for the communities where it is hosted.
In particular in 2011 Eni invested nearly euro 70 million for the start-up and completion of development projects in the communities of Countries where it operates, out of which more than euro 20 million went to the African continent.

Integration

Operating in an integrated manner along the entire energy supply chain has given us a heritage of solid and valuable skills and synergies being one of the keys to Eni s successful growth ensuring: competitiveness, flexibility, and a unique offering.

One of Eni s distinctive features is its integration of skills and operations throughout the energy supply chain. Its strong presence in the gas market, its operations in LNG, its industrial capabilities in power generation and refining with the strong support of world class engineering and construction capabilities enable Eni to oversee every phase of value creation from exploration for to marketing of hydrocarbons and to pursue linked opportunities and projects in the market.
Integration of all the activities along the entire oil&gas chain has become a key element in the development of Eni s cooperation model, which brings together traditional business with sustainability operations in the Eni to utilize the resources of a Country in a responsible way, guaranteeing the safety of people, environment and installations and contributing to local development supporting Countries in a more efficient use of their available energy resources.

Innovation

Technological innovation is a key element for the pursuit of long-term growth. Eni s commitment to technological research is aimed at reducing the time-to-market for new scientific discoveries in the traditional oil&gas sectors, at enhancing renewable energy, and at developing innovative methods of environmental conservation. More broadly, the possibility of developing innovative and ever safer technology enables Eni to be recognized as a reliable partner with many advantages in terms of competitiveness.

Eni is committed to the development and application of innovative technology and processes for the advanced recovery of hydrocarbons, enabling an increased recovery factor both from conventional deposits and from those containing unconventional oil resources (heavy crude and tar). In 2011, for example, a process that enabled additional recovery of oil from a field in North Africa was successfully tested. Through technological innovation, Eni is able to acquire the tools required to seize the best opportunities coming from the cutting edge of the market.
In particular, even though Eni s production is concentrated in areas with limited exposure to operational risk, it is also committed to the development of technology able to provide safe production even in extreme environments, in marginal fields and in deep/ultra-deep water fields.
For the purpose of taking advantage of even longer term innovative solutions, Eni confirms its commitment to the development of potentially breakthrough technology in the field of renewable energy (solar and biomass). Technological maturity achieved in some research programmes has enabled to proceed to their application. In particular in the solar field, it has been activated a project for the realization of a series of demonstration plants in Eni sites based on the technology of photoactive materials. Regarding the biomass, Eni s

territory.
In particular, integrated gas cycle management represents an opportunity for Eni from the economic, industrial and social viewpoint. The benefits generated by the integration of the business is well represented in Countries such as Congo, Nigeria and Angola, where, thanks to an integrated business at any stage of the energy chain and the ability to find win-win solutions through agreements, the presence of Eni is consolidated and activities have been undertaken to promote socio-economic development.
The integrated approach enables greater flexibility in relation with producing Countries, to whom Eni propose solutions that each and every time are adapted to the specific requirements for technology, infrastructure and economic growth of the local society. Integration is therefore a strong point: it enables

research is focused on the development of second and third generation bio-fuels. Furthermore Eni makes use of collaborations of research institutes both in Italy and abroad. Outsourcing towards Universities and research centers came to about euro 30 million in 2011, that is, nearly a third of total outside costs (excluding Saipem and PE). Among the more important collaborations, those with the Politecnico of Milano and Politecnico of Torino, with the CNR [the Italian National Research Council] and the alliance with MIT stand out. In addition to these partnerships, the new cooperation agreement with Stanford University signed in 2011, provides for an investment of more than dollars 10 million over the next four years.
Aware of the importance arising from new technological discoveries, in order to protect its intellectual property Eni has put into place an active management system that focuses on two aspects: maximize the protection of innovative solutions

generated from R&D projects in progress and rationalize existing projects in coherence with our business strategies. In 2011, 79 patent applications were filed.

Excellence

Eni is committed to continuous improvement of processes, competencies and products as a lever for the improvement of the performance and reliability of its plants with respect for health, safety and the environment.

Asset management leverages on proprietary technologies. Instrumentation, software and workflow are used in the E&P sector to improve the drilling and completion operator activities in extreme environments. Special attention is dedicated to operational and environmental safety, especially for deepwater wells and high temperature/high pressure (HTHP) applications, and to environmental risk monitoring and mitigation related to E&P activities.
The advanced technology used, constant training and the expertise of the technicians, online monitoring of operations from the main office, use of strict procedures and the supervision of their application have enabled the achievement over time of excellent safety performance figures with a blow-out frequency index (relative to all of the wells drilled onshore and offshore) equal to 0 in the period 2005-2011.

For Eni, operational excellence translates into continuous innovation of fuels aimed at offering the market high performance and environmental quality products in anticipation of ever more stringent regulations. The industrial scale start-up of the first plant

In order to reduce its impact on climate, Eni has had, for some time, a strategy in place that provides for the progressive abandonment of the practice of flaring in upstream processes and the development of annual energy efficiency programmes for all of its operational sectors.
The results of this strategy are evident by the CO_2 emission levels recorded in the various sectors.

In addition to the continuous reduction in fresh water consumption and the recycling of industrial and ground water in the downstream sector, Eni has mapped out its own operations in water stress zones to further optimize the use of water resources. Progress is also being made on increasing the re-injection of water produced in association with oil extraction. Identification of areas rich in biodiversity potentially affected by exploration and production work will enable improved integration of our commitment to biodiversity conservation and the responsible use of ecosystem resources for operational management.
Eni continues to promote operations aimed at ensuring the integrity of operational facilities through "asset integrity" projects, at raising standards and, where necessary, at starting up operational plant and management projects, in compliance with the most advanced international standards. Over the next 4 years all of our most significant operational facilities will be certified pursuant to the OHSAS 18001 standard. Furthermore the spread of a culture of safety has

using the proprietary EST technology will also enable the use of heavy crude oils whilst nearly eliminating production of waste products. This technological innovation will also enable the relaunch of the chemical industry through an offering of low environmental impact products and the production of bio plastics from vegetable raw materials.

continued with the implementation of Eni in Safety: an integrated programme of safety information and training activities. With regard to the additional operations for the spread of the know-how and the enhancement of the knowledge base in all of its businesses, Eni has an expertise management

system to place the knowledge heritage and excellent practices accumulated over time as common factors. In particular, in the Exploration & Production sector, during 2011, nearly 57 webinars were held involving 1,800 participants.
To improve risk prevention and mitigation, Eni has constantly maintained its commitment to training personnel on themes of safety and prevention of emergencies. During 2011 the emergency management mapping platform was upgraded enabling the display of geographic references for industrial facilities with significant accident risk and the positioning in real time of naval vessels and tanker trucks in service with Eni.
The protection of the health of workers and communities is guaranteed not only by way of improvement of industrial assets and their management but also through the development of guidelines and best practices on general and specific themes (exposure assessment), especially for emerging risks (e.g. artificial optical radiation and electromagnetic fields).
The Health Impact Assessment Project was started up with the objective of defining and applying standards for the assessment of the impact of new industrial activities on resident populations, fundamental aspects for construction authorizations and work start-up as well as for subsequent assessment of the wellbeing of the community.
The oil&gas sector requires complex and specific technical expertise often not available in the employment market. For this reason personnel training and expertise management become two fundamental organizational advantages that ensure expected business results.

Eni has developed ad hoc training programmes for each

Inclusion

The involvement and valorization of people and the creation of a work environment that offers everyone opportunities based on a transparent merit system without discrimination create the prerequisites for a suitable and timely response to market dynamics. Thanks to the skills of its employees and to their diversity, which Eni enhances inside its corporate structure, to its ability to integrate with different local contexts, Eni ensures a distinctive offering with significant advantages in terms of competitiveness.

Involvement of its people is fundamental to motivation and creation of a positive climate of reciprocal cooperation. With this view, in 2011 the second edition of the corporate climate analysis, "Eni secondo te" was drafted and issued. This was a survey aimed at gathering opinions on the Company as well as the expectations of its more than 32,000 employees in 47 Countries. 70.5% of all employees participated in this survey and based on the results that emerged, a transversal and directed programme of interventions will be set out.
The current economic difficulties have made it necessary to initiate processes of change and reorganization in the business for the purpose of achieving greater competitiveness. From this point of view, the industrial relations sector has undergone all of the different reorganization stages, even through new types of relations with union organizations. In this regard, with the objective of facilitating greater flexibility, efficiency and productivity, on May 26, 2011 a development and competitiveness agreement was signed with union organizations for a new industrial relations framework. The principles contained in the agreement minutes report were also confirmed in the "Green Chemistry" Protocol of Understanding for Porto Torres, signed at the office of the President of the Council of Ministers and relative to the industrial reconversion process of the Porto Torres facility.
The availability of open people capable of discussion and cooperation with the diversity found in Eni s many different operational contexts is pursued through an inclination toward inclusive management, fully mindful of diversity, able to value it and its different contributions. It is in this configuration that Eni renews its commitment to the valorization and empowerment of

sector of its business with the objective of supporting the development of skills required by the business. Overall 1,176,928 hours of technical-professional training have been given: an increase of 24% compared to 2010.

women for the purpose of defining objectives for their increased presence in the work force and development programmes as well as for appointments to management and supervisory positions within Eni s subsidiaries.
To promote international mobility the "Easy Landing" training program has been instituted for the development of international and multicultural skills among Eni people who will be exposed to living and working abroad for the first time. Also new training initiatives for the appreciation of

intercultural diversity have been started to enhance the proper management of correlated aspects. A series of operations have also been implemented for the valorization of local personnel representing 76.5% of employees abroad (44% of the total population).

To deal with the impact of the "skill shortage" on its project scheduling, Eni has kept the core competences in house, such as for example, geologists and engineers with broad experience. In these categories Eni has a turnover of about 1%, the lowest in the sector. In addition, aside from internal growth, any other gaps in professional personnel are filled by hiring qualified technicians recruited directly on the international market by Eni s international employer, Eirl.
Eirl is committed to the development of international careers with the intention of assigning valued professionals and at the same time responding to the requirements of Eni s business growth. Eirl brings motivated and qualified resources on-board wherever needed, with a specific focus on technical personnel, most of whom are qualified as mid-career Petro Technical Professionals.
Cooperation with the academic world continues with the activation of specific Oil & Gas Master s programmes at the Politecnico of Torino and the Università of Bologna.
Consistent with the principles of equity, people valorization and non-discrimination, the Eni s reward system has the objective of reinforcing the sense of engagement of Eni s personnel in the achievement of corporate business objectives and of rewarding values, ability and conduct coherent with corporate culture and strategy.
The reward model, applied worldwide, was updated in 2011, in relation to retention and overseas business development requirements, using policies differentiated by critical professional groups. New reward instruments critical professional resources will be implemented, beginning in 2012, updating remuneration offerings with respect to professional contribution enhancement objectives.

Responsibility

A risk management system that clearly establishes limits and responsibilities and operating methods based on the respect for the rules and the highest ethics are the foundation of responsible management. This approach enables Eni to be viewed as a reliable interlocutor, careful about keeping its reputation excellent and reducing potential risks. In practice, working responsibly takes shape in the implementation of strict financial discipline, using a selective approach in the choice of partners and investments along the entire value chain (suppliers and industrial partners) in the active contrast of corruption, and in respect for human rights.
The objective of maintaining a solid financial structure is pursued by way of balancing requirements for growth and remuneration whilst maintaining suitable financial flexibility. Ability to generate cash flow, discipline in the selection of investment projects, efficient use of capital and business strategy: these are the foundations of Eni s financial solidity. Eni intends to preserve the excellent balance between its own capital assets and those of third parties, continuing to invest in growth and guaranteeing high returns for its shareholders.
Eni is also committed to the pursuit of high levels of operational efficiency, applying the industry s operations management best practices, implementing the best organizational solutions for internal processes and suitably updating rules and standards of conduct, across all operational sectors and also specific to individual areas and in relation to changed operating and context requirements.
In the name of long lasting and stable relations, Eni seeks the highest levels of transparency and clarity in its affairs through the application of protective measures for clean and inclusive business deals. The fight against corruption, a priority, brings a double advantage: it reduces business risks and maximizes benefits in the countries where we work. The Company has been working on this issue for several years, explicitly prohibiting corrupt practices in its Code of Ethics, implementing a series of initiatives aimed at

aimed at more strengthening the business culture and adhering to the Global Compact and specifically taking part in its working group on the 10^{th} Principle.

In 2011 this commitment was strengthened through the work done by the Anti-Corruption Legal Support Unit (ACLSU), which took on the specialist legal counsel on the issue of anti-corruption for Eni people including its not-listed subsidiaries.

To reduce the risks to operations and reputation, the principles of transparency and propriety adopted by Eni have been extended

along the entire value chain. Eni uses procedures to qualify and select its partners that assess technical capabilities, ethical, economic and financial reliability to minimize the risks inherent in working with third parties. Eni demands compliance with all regulations of its business partners, including those against corruption.
In this context Eni has been promoting mediation and negotiation among the main players in the petroleum industry, with the aim of sharing the Company s anti-corruption policy along with the more significant international principles in regard. Examples of this are those initiatives undertaken in the Gulf of Mexico, in England and in Nigeria.
The Company has adopted supplier selection criteria that are equally as strict. In 2011 the implementation of structured supplier management systems for critical areas was carried out with the issue, diffusion and application of new contractual standards, in which there are also clauses addressing the issue of respect for human rights. Eni also continued its efforts in monitoring the conduct of the businesses that work for Eni, with specific reference to the protection of human rights, through the application of the SA8000 Standard. Subcontractors are also required to comply with Eni s Code of Ethics, the Model 231, the guidelines for protection and promotion of human rights as well as anti-corruption regulations.
In consideration of the high exposure to different local regulations and cultures, arising from the high number of Countries where Eni operates, the work on Human Rights Compliance Assessment has continued in those nations with an assessment performed in Pakistan. A specific Corporate level, inter-sector and interdepartmental work group was instituted to look into and resolve certain issues requiring improvement noted during local assessments. The Guiding Principles on Business and Human Rights, issued by the United Nations in June 2011 were also implemented.

Eni considers Corporate Governance as a fundamental value in its business model, regarding that good governance is a prerequisite for achieving its corporate mission while respecting standards of fairness and profitability: Eni s governance system has been designed to support a fiduciary relationship between the Company and its stakeholders and contribute in achieving stable results and creating long-term sustainable value in accordance with its business strategy. The Corporate Governance structure of Eni follows the traditional model, which confirming the role of the Shareholders Meeting assigns corporate management responsibility to the Board of Directors, supervisory functions to the Board of Statutory Auditors and accounts auditing to the audit firm[1]. The following picture provides an outline of Eni s Corporate Governance structure referred to December 31, 2011, updated as of March 15, 2012.

(1) For further information on this issue, see the Corporate Governance Report on the Governance section of Eni s website.

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The Board of Directors and the Board of Statutory Auditors are appointed by the Shareholders Meeting by list voting. The composition of Eni s corporate bodies keeps into consideration the need for representing different positions, skills and characteristics and that the persons serving in the Board are able to perform their duties with efficacy. In particular Eni s Board includes professionals and managers with varied qualifications and experiences capable of expressing different positions and making the Board complete and balanced. Three directors and two statutory auditors, one of them the Chairman of the Board of Statutory Auditors, are appointed by non controlling shareholders. In addition 8 out of 9 directors are non executive directors and 7 of these are provided with the independence requirements as per applicable laws and the Self-Discipline Code of Borsa Italiana of 2006, upheld by Eni.
The Board of Directors has the widest powers for the management of the company in relation to its purpose. The Board appointed a Chief Executive Officer and entrusted him with powers of administration in accordance with the By-laws, excluding the ones it reserved to itself, and granted to the Chairman, appointed by the Shareholders Meeting, proxies to identify and promote integrated projects and international strategic agreements according to By-laws. Among the powers reserved, the Board has identified the most important strategic, operational and organizational powers in addition to those that cannot be delegated by law. In particular it retains a central role in internal control and risk management and in the definition of guidelines for Corporate Governance[2], organization, administration and accounting in the Company, its main subsidiaries and the whole Group, assessing annually its adequacy, efficacy and actual functioning. The Board also reserved the definition of sustainability policies and sharing of relevant results to be submitted to the Shareholders Meeting by means of a system of integrated reporting capable of representing how good performance in sustainability contributes to the value creation in the long-term.
The remuneration policy of directors and top managers is designed to attract the best professionals and managers and to align their interests with the primary objective of creation of value for shareholders in the medium and long term. For this reason, the structure of top management remuneration is defined both in relation associated with the achievement of economic/financial, business development and operating targets established to ensuring the sustainability of results and the creation of value for shareholders over a medium to long-term period, in accordance with Eni s Strategic Plan[3].
The Board of Directors has created four internal committees with consulting and advisory functions: the Internal Control Committee, Compensation Committee[4], Nomination Committee and Oil-Gas Energy Committee. In particular, the Nomination Committee established in July 28, 2011, has the authority to propose and consult the Board in relation to appointment of the top management and of the members of governing bodies and the succession plans for Eni managers including the CEO.
In order for the Board to take mindful strategic decisions and to adequately monitor management activities, its members must individually and collectively receive full information with proper advance. Thus meetings of the Board are subject to specific procedures and are prepared with the assistance of the Secretary of the Board, of the Chairman, who holds a leading role and oversees the discussion so that each director can provide his valuable contribution to the overall functioning. In addition, in June 2011, Eni drew up a new induction training plan for new members of the Board and of the Board of Statutory Auditors also involving the other members of the two company bodies. Subjects of this induction have been Sustainability and business ethics with the aims at training directors and auditors capable of understanding how social and environmental issues affect the company s operations and how social and regulation trends can create new opportunities and risks. At the same time the Board has launched, for the sixth consecutive year, a self-assessment program (board review) of its members and functioning with the support of a specialized and independent external consultant. With the support of this consultant Eni s Board was the first in Italy to apply peer review processes to the assessment of the Board s activities, with members evaluating their mutual contribution to Board s activities.
Directors and members of other corporate bodies and all Eni persons are expected to comply with Eni s Code of Ethics (an integral part of Model 231) that prescribes rules for a fair and proper business conduct.
As concerns control, Eni has adopted an integrated and extensive internal control system based on bodies, tools

with the role and responsibility assigned to each of them, keeping into consideration industry wide benchmarks applicable to similar functions in a competitive panel, and with a balanced mix of fixed and variable items. An important element of Eni s remuneration policy is the variable incentive system and information flows leading to the top administration and control bodies. In this context Eni decided to implement a new model for integrated risk management in an effort at enriching its current organization.

(2) In particular, the composition of boards of unlisted subsidiaries and the definition of relevant appointing criteria have been part of initiatives aimed at promoting the inspiring principles of the recent laws enacted for a balanced representation of genders (so called Pink quotas): Eni recommended to anticipate to January 1, 2012 the application of this law and planned an induction plan for the new members of administration and control bodies of Eni s subsidiaries, men and women, with a specific focus on the contribution of diversity to these bodies.

(3) For further information, see Eni s Remuneration Report, available on the Company s website, where the Remuneration Policy is subject of consultative vote of the annual Shareholders Meeting.

(4) The Compensation Committee assists the Board on the issues of remuneration. For further information see Eni s Remuneration Report available on the Company s website.

The issues mentioned above, summarize the most important aspects of management and control activities typical of Eni s model and rules of governance, Eni is also committed to create an open and transparent communication channel with its shareholders and all other stakeholders, ensuring at the same time a constant commitment to the actual deployment of each and all shareholders rights. Eni is committed to make complete, timely, understandable and accessible information available to all.

Eni is the first company in Italy for market capitalization and is aware of its responsibility when expressing its proposals on corporate governance that can be useful for the Italian system, in line with the principles of its corporate governance policy. Eni intends to participate in the current debate on management and control of listed companies, issuing proposals (in terms of laws and self-discipline actions) that can increase the efficiency of the Italian system. The proposals firstly concern the Board of Directors and the main subjects who are part of it, paying particular attention to the strategic role of the Board, which requires also the appointment of Directors with the necessary professional requirements. Diversity of Directors (intended not only as gender diversity) is considered as a fundamental requirement for the correct composition of the Board of Directors. The need to ensure the continuity of the Board of Directors, led to suggest to phase the terminations of directors mandate (so-called staggered board), as faculty which may be left to the choice of each company. Functions of Committees of the Board of Directors are revised in the perspective of the strategic role of the Board, emphasizing at the same time the controlling duties of the Board of Statutory Auditors. Beside the rationalization of the Internal Control System, the demand for a well-articulated and effective risk management structure is underlined. A last group of proposals refers to shareholders, in order to achieve an higher involvement in the corporate life and, at the same time, improving their information. With reference to the Shareholders Meeting, regulations are considered in order to streamline procedures, avoiding initiatives of mere inconvenience. Initiatives aimed at promoting transparency of voting policies by institutional investors[5] are provided as well. The proposals, presented to the media on July 13, 2011, have been submitted to public debate open to the economic, financial, academic and institutional world; some of these solutions have been included in the Corporate Governance Code of listed companies of December 2011.

(5) For further information see the document "Eni proposals for Corporate Governance System" available on Eni s website.

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		2009	2010	2011
Employees injury frequency rate	(No. of accidents per million hours worked)	0.49	0.72	**0.41**
Contractors injury frequency rate		0.59	0.48	**0.41**
Fatality index	(No. of fatalities per 100 million hours worked)	1.77	7.90	**1.83**
Net sales from operations [(a)]	(euro million)	23,801	29,497	**29,121**
Operating profit		9,120	13,866	**15,887**
Adjusted operating profit		9,484	13,884	**16,077**
Adjusted net profit		3,878	5,600	**6,866**
Capital expenditure		9,486	9,690	**9,435**
Adjusted capital employed, net at year end		32,455	37,646	**42,024**
Adjusted ROACE	(%)	12.3	16.0	**17.2**
Profit per boe [(b)]	($/boe)	8.14	11.91	**16.98**
Opex per boe [(b)]		5.77	6.14	**7.28**
Cash Flow per boe		23.70	25.52	**31.65**
Finding & Development cost [(c)]		28.90	19.32	**18.82**
Average hydrocarbons realizations [(d)]		46.90	55.60	**72.26**
Production of hydrocarbons [(d)]	(kboe/d)	1,769	1,815	**1,581**
Estimated net proved reserves of hydrocarbons [(d)]	(mmboe)	6,571	6,843	**7,086**
Reserves life index [(d)]	(years)	10.2	10.3	**12.3**
All sources reserves replacement ratio [(d)]	(%)	96	125	**142**
Employees at year end	(units)	10,271	10,276	**10,425**
of which: *outside Italy*		*6,388*	*6,370*	***6,628***
Oil spills	(bbl)	6,259	3,820	**2,930**
Oil spills from sabotage and terrorism		15,288	18,695	**6,127**
Produced water re-injected	(%)	39	44	**43**
Direct GHG emissions	(mmtonnes CO_2 eq)	29.73	31.20	**23.59**
of which: *from flaring*		*13.84*	*13.83*	***9.55***
Community investment	(euro million)	67	72	**62**

(a) Before elimination of intragroup sales.
(b) Consolidated subsidiaries.
(c) Three-year average.
(d) Includes Eni s share of equity-accounted entities.

Performance of the year

In 2011 employee and contractor injury frequency rate declined by 43.1% and 14.6% from 2010, respectively.

Greenhouse gas emissions (total and from flared) reported a steep decline reflecting the completion of certain gas recovery projects in Nigeria and the reduction associated gas to feed the ramp-up of two turbo-generators in a power plant in Congo. Performance for the year was also impacted by lowered Libyan activities.

In 2011 the E&P Division reported an excellent performance amounting to euro 6,866 million of adjusted net profit (up 22.6% from 2010), reflecting higher oil prices and the rapid recovery of Libyan output.

Return on average capital employed calculated on an adjusted basis was 17.2% in 2011 (16% in 2010).

Giant discovery in Mozambique

The volume of natural gas discovered beyond expectation in Mozambique will lead to a new significant development opportunities in Far East Countries with an energy demand growth at fast pace. The Mamba South, Mamba North and Mamba North East exploration wells were drilled in Area 4 of the offshore Rovuma basin showing the mineral potential of gas in place up to 40 Tcf. This is the largest operated discovery in the Company s exploration history.

Restarted Libyan operations

The rapid restart of Eni s Libyan operations reduced the impact of the Revolution on 2011 results. Production at Eni s Libyan sites is currently flowing at approximately 240 kboe/d and management is targeting to achieve the pre-crisis production plateau of 280 kboe/d and full ramp-up by the second half of 2012. On December 20, 2011, Eni notified its counterpart in the Libyan petroleum contracts, NOC, the termination of the declaration of force majeure which had occurred in April 2011.

Start-up of Perla project in Venezuela

Signed a Gas Sales Agreement for developing the giant Perla gas discovery, containing over 17 Tcf of gas in place with the Venezuelan national oil company PDVSA. The development plan provides for three phases, targeting production of approximately 9 Tcf until 2036 or 1.2 mmcf/d at peak. The gas produced will be used locally and exported. The investment plan for the first development phase is estimated at $1.4 billion.

Portfolio

In spite of the year 2011 was marked by the Libyan crisis, the management continued to pursue our long-term growth strategy. Leveraging its established co-operation model, focusing on core areas and capturing opportunities in high risk/high reward basins, Eni laid foundations for a new development stage:

Signed with PetroChina a Memorandum of Understanding to promote joint projects in conventional and unconventional hydrocarbon plays in China and outside China. A similar agreement has been signed with Sinopec.

Achieved a cooperation agreement with Sonatrach to explore for and develop unconventional hydrocarbons, particularly shale gas plays in Algeria.

Signed a Memorandum of Understanding with South Africa s State-owned oil company PetroSA to promote common opportunities to jointly expand operations in conventional and unconventional hydrocarbons in South Africa and in Africa. Eni will also ensure long-term LNG supplies as well as flows of refined products to support the Country s economic development.

Re-affirmed with the Egyptian Authorities the upstream commitment in the Country, particularly in the Western Desert, the Mediterranean Sea and the Sinai basins. Agreed plans foresee drilling additional producing wells and the fast track of recent discoveries as well as an exploration plan including the drilling of 12 wells.

Acquired from Cadogan Petroleum plc an interest in two licenses for exploration and development in areas included in the Dniepr-Donetz basin in Ukraine.

Reached an agreement with MEO Australia to farm-in the Heron and Blackwood gas discoveries in the NT/P-68 permit, located in the Timor Sea. In addition, Eni acquired a 32.5% stake in the Evans Shoal gas discovery in the Timor Sea with approximately 7 Tcf of volumes of gas in place.

Awarded the Arguni I and the North Ganal operated gas exploration contracts located onshore and offshore Indonesia, respectively. The planned activities provide for the development of natural gas resources to feed existing LNG production plants nearby in both acquired areas.

Awarded the operatorship of the PL657 license (Eni s interest 80%) located in the Barents Sea nearby the Goliat operated field (Eni s interest 65%). Any exploratory success will be supported by the existing facilities reducing significantly time-to-market.

Signed with the Angolan authority the Production Sharing Contract to explore Block 35 (Eni operator with a 30% interest) located in an offshore high mineral potential basin.

New agreement of Karachaganak field in Kazakhstan

On December 14, 2011, the Republic of Kazakhstan and the contracting companies in the Final Production Sharing Agreement (FPSA) of the giant Karachaganak gas-condensate field reached an agreement to settle all pending claims. The agreement, effective from June 30, 2012 on satisfaction of conditions precedent, involves Kazakhstan s KazMunaiGas (KMG) acquiring a 10% interest in the project.
This will be done by each of the contracting companies transferring 10% of their rights and interest in the Karachaganak FPSA to KMG.

Production

In 2011 Eni reported liquids and gas production of 1,581 kboe/d, down by 12.9% from 2010, mainly due to a lowered output in Libya. Performance was also negatively impacted by lower entitlements in the Company s Production Sharing Agreements (PSAs) due to higher oil prices with an overall effect of approximately 30 kboe/d from 2010. Net of this effect and the above mentioned loss of Libyan output, production for the year was in line with 2010.

In the year oil spills from accidents declined by 23% from 2010, due to significant prevention activities undertaken.

In the year start-ups were achieved at eleven oil and gas fields which are expected to add approximately 80 kboe/d at plateau to Eni s medium-term production.

Made final investment decisions to develop large projects such as the jointly-operated Samburgskoye and Urengoskoye giant gas fields in Siberia, in addition to the above mentioned Perla project, as well as projects in Norway and the Gulf of Mexico which are expected to add 140 kboe/d at plateau in 2015.

Reserves

Estimated net proved reserves at December 31, 2011, were 7.09 bboe (up 3.6% from 2010) based on a 12-month average Brent price of $111 per barrel. All sources reserves replacement ratio was 142%. Excluding price effect, the replacement ratio would be 159%. The reserves life index is 12.3 years (10.3 years in 2010).

Capital expenditure

In 2011 capital expenditure amounted to euro 9,435 million to enhance assets in well established areas of Africa, the Gulf of Mexico and Central Asia. Exploration expenditure amounted to euro 1,210 million (up 19.6% from 2010) to execute a selective campaign with the completion of 56 new exploratory wells (28 net to Eni) and an overall commercial success rate of 42% (38.6% net to Eni). In addition 17 exploratory wells drilled are in progress at year end (9.9 net to Eni).

Exploration successes in the year contributed to increase our resource base by 1.1 bboe. New resources were, in addition to the above mentioned Mozambique discovery, the appraisal of Perla giant field in Venezuela, significant discoveries of Jangkrik North East (Eni operator with a 55% interest) in Indonesia and Skrugard/Havis (Eni s interest 30%) in the Barents Sea, the appraisal/discovery wells in Block 15/06 (Eni operator with a 35% interest) in the Angolan offshore, as well as other successes in the Gulf of Mexico, Ghana, Egypt, Pakistan, the United Kingdom and Nigeria.

Development expenditure was euro 7,357 million to fuel the growth of major projects in Norway, Kazakhstan, Algeria, the United States, Italy, Congo and Egypt.

In 2011 overall R&D expenditure of Exploration & Production Division amounted to approximately euro 90 million (euro 98 million in 2010).

Reserves

Overview

The Company has adopted comprehensive classification criteria for the estimate of proved, proved developed and proved undeveloped oil and gas reserves in accordance with applicable US Securities and Exchange Commission (SEC) regulations, as provided for in Regulation S-X, Rule 4-10. Proved oil and gas reserves are those quantities of liquids (including condensates and natural gas liquids) and natural gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Oil and natural gas prices used in the estimate of proved reserves are obtained from the official survey published and evaluation. Consequently, the estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revisions may be made to the initial booking of reserves due to analysis of new information.

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

Reserves Governance

Eni retains rigorous control over the process of booking proved reserves, through a centralized model of reserves governance.

The Reserves Department of the Exploration &

by Platt s Marketwire, except when their calculation derives from existing contractual conditions. Prices[1] are calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. Prices include consideration of changes in existing prices provided only by contractual arrangements. Engineering estimates of the Company s oil and gas reserves are inherently uncertain. Although authoritative guidelines exist regarding engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation Production Division is entrusted with the task of: (i) ensuring the periodic certification process of proved reserves; (ii) continuously updating the Company s guidelines on reserves evaluation and classification and the internal procedures; and (iii) providing training of staff involved in the process of reserves estimation. Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineering company, which has stated that those guidelines comply with the SEC rules[2]. D&M has also stated that the Company guidelines provide reasonable interpretation of facts and circumstances in line with generally accepted practices in the industry whenever SEC

(1) Year-end liquids and natural gas prices were used in the estimate of proved reserves until 2008.
(2) The reports of independent engineers are available on Eni website eni.com section Publications/Annual Report 2009.

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rules may be less precise. When participating in exploration and production activities operated by others entities, Eni estimates its share of proved reserves on the basis of the above guidelines.

The process for estimating reserves, as described in the internal procedure, involves the following roles and responsibilities: (i) the business unit managers (geographic units) and Local Reserves Evaluators (LRE) are in charge with estimating and classifying gross reserves including assessing production profiles, capital expenditure, operating expenses and costs related to asset retirement obligations; (ii) the petroleum engineering department at the head office verifies the production profiles of such properties where significant changes have occurred; (iii) geographic area managers verify the commercial conditions and the progress of the projects; (iv) the Planning and Control Department provides the economic evaluation of reserves; (v) the Reserves Department, through the Division Reserves Evaluators (DRE), provides independent reviews of fairness and correctness of classifications carried out by the above mentioned units and aggregates worldwide reserves data.

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

Staff involved in the reserves evaluation process fulfils the professional qualifications requested and maintains the highest level of independence, objectivity and confidentiality in accordance with professional ethics. Reserves Evaluators qualifications comply with international standards defined by the Society of Petroleum Engineers.

Reserves independent evaluation

Since 1991, Eni has requested qualified independent oil engineering companies[3] to carry out an independent evaluation of part of its proved reserves on a rotational basis. The description of qualifications of the persons primarily responsible for the reserves audit is included in the third party audit report[4]. In the preparation of their reports, independent evaluators rely, without independent verification, upon information furnished by Eni with respect to property interests, production, current costs of operations and development, sale agreements, prices and other factual information and data that were accepted as represented by the independent evaluators. These data, equally used by Eni in its internal process, include logs, directional surveys, core and PVT (Pressure Volume Temperature) analysis, maps, oil/gas/water production/injection data of wells, reservoir studies, technical analysis relevant to field performance, long-term development plans, future capital and operating costs.

In order to calculate the economic value of Eni s equity reserves, actual prices applicable to hydrocarbon sales, price adjustments required by applicable contractual arrangements and other pertinent information are provided. In 2011 Ryder Scott Company and DeGolyer and MacNaughton[4] provided an independent evaluation of 32% of Eni s total proved reserves at December 31, 2011[5], confirming, as in previous years, the reasonableness of Eni internal evaluation.

In the 2009-2011 three year period, 85% of Eni total proved reserves were subject to an independent evaluation. As at December 31, 2011, the principal Eni property not subjected to independent evaluation in the last three years was Kashagan (Kazakhstan).

Movements in estimated net proved reserves

Eni s estimated proved reserves were determined taking into account Eni s share of proved reserves of equity-accounted entities. Movements in Eni s 2011 estimated proved reserves were as follows:

(mmboe)	Consolidated subsidiaries	Equity-accounted entities	Total
Estimated net proved reserves at December 31, 2010	**6,332**	**511**	**6,843**
Extensions, discoveries and other additions, revisions of previous estimates, improved recovery and other factors, excluding price effect	279	645	924

Price effect		(96)		(1)		(97)	
Reserves additions, total			183		644		827
Purchases of mineral-in-place			2				2
Sales of mineral-in-place			(9)				(9)
Production for the year			(568)		(9)		(577)
Estimated net proved reserves at December 31, 2011			**5,940**		**1,146**		**7,086**
Reserves replacement ratio, all sources	(%)						142
Reserves replacement ratio, all sources and excluding price effect	(%)						159

(3) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott.
(4) The reports of independent engineers are available on Eni website eni.com section Publications/Annual Report 2011.
(5) Includes Eni s share of proved reserves of equity accounted entities.

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Additions to proved reserves booked in 2011 were 827 mmboe and derived from: (i) extensions, discoveries and other factors were 591 mmboe, with major increases booked in Russia, Venezuela, the United States and Angola; (ii) revisions of previous estimates were 228 mmboe mainly reported in Norway, Russia, Italy, Egypt, Kazakhstan and Iraq; (iii) improved recovery were 8 mmboe mainly reported in Norway and Algeria. The unfavorable effect of higher oil prices on reserve entitlements in certain PSAs and service contracts (down 97 mmboe) resulted from higher oil prices from one year ago (the Brent prices used in the reserves estimation process was $111 per barrel in 2011 compared to $79 per barrel in 2010). Higher oil prices also resulted in upward revisions associated with improved economics of marginal productions.
Sales of mineral-in-place (9 mmboe) resulted from the divestment of assets in Nigeria and the United Kingdom.
Acquisitions (2 mmboe) related to an additional interest in the Annamaria field in Italy and an interest in two licenses for exploration and development in Ukraine.
In 2011, Eni achieved an all-sources reserves replacement ratio[6] of 142%. Excluding price effects, the replacement ratio would be 159%. The reserves life index is 12.3 years (10.3 years in 2010).

Proved undeveloped reserves

Proved undeveloped reserves as of December 31, 2011 totaled 3,316 mmboe. At year-end, proved undeveloped reserves of liquids amounted to 1,539 mmbbl, mainly concentrated in Africa and Kazakhstan. Proved undeveloped reserves of natural gas amounted to 9,866 bcf, mainly located in Africa, Russia and Venezuela.
Proved undeveloped reserves of consolidated subsidiaries amounted to 1,284 mmbbl of liquids and 5,219 bcf of natural gas.
In 2011, total proved undeveloped reserves increased by 495 mmboe due to new projects sanctions and upwards and downwards revisions mainly related to contractual and technical revisions, price effect and portfolio operation. Approximately 500 mmboe were due to new projects sanctions, mainly in Russia, Venezuela and the United States.
During 2011, Eni converted 193 mmboe of proved undeveloped reserves to proved developed reserves due to development activities, production start-up and revisions. The main reclassifications to proved undeveloped reserves.
Reserves that remain proved undeveloped for five or more years are a result of several physical factors that affect the timing of the projects development and execution, such as the complex nature of the development project in adverse and remote locations, physical limitations of infrastructures or plant capacity and contractual limitations that establish production levels.
The Company estimates that approximately 0.8 bboe of proved undeveloped reserves have remained undeveloped for five years or more with respect to the balance sheet date, mainly related to: (i) the Kashagan project in Kazakhstan (0.4 bboe) with a reduction of 120 mmboe compared to 2010. Development activities are progressing and production start-up is targeted by the end of 2012, or in the early 2013. Such PUD reserves will be produced within the limits of the oil processing capacity that is planned to be available at end of Phase 1. For more details regarding this project please refer to "Main exploration and development projects-Kashagan"; (ii) some Libyan gas fields (0.27 bboe) where development completion and production start-up are planned according to the delivery obligations set forth in a long-term gas supply agreement currently in force. In order to secure fulfillment of the contractual delivery quantities, Eni will implement phased production start-up from the relevant fields, which are expected to be put in production over the next several years; and (iii) other minor projects where development activities are progressing.

Delivery commitments

Eni sells crude oil and natural gas from its producing operations under a variety of contractual obligations. Some of these contracts, mostly relating to natural gas, specify the delivery of fixed and determinable quantities.
Eni is contractually committed under existing contracts or agreements to deliver in the next three years mainly natural gas to third parties for a total of approximately 341 mmboe from producing assets located in Australia, Egypt, India, Indonesia, Libya, Nigeria, Norway, Pakistan, Tunisia and the United Kingdom.
The sales contracts contain a mix of fixed and variable pricing formulas that are generally referenced to the market price for crude oil, natural gas or other petroleum

developed reserves are related to the following fields/projects: Nikaitchuq (United States); MLE (Algeria); Denise, Belayim and Taurt (Egypt); M Boundi (Congo); Zamzama (Pakistan); Kitan (Australia); Karachaganak (Kazakhstan); Tyrihans (Norway).
In 2011, capital expenditure amounted to approximately euro 1.9 billion and were made to progress the development of proved

products.
Management believes it can satisfy these contracts from quantities available from production of the Company s proved developed reserves and supplies from third parties based on existing contracts. Production will account for approximately 69% of delivery commitments.
Eni has met all contractual delivery commitments as of December 31, 2011.

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

Estimated net proved hydrocarbons reserves [(a)]

Consolidated subsidiaries	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)
	2009			2010			2011		
Italy	**233**	**2,704**	**703**	**248**	**2,644**	**724**	**259**	**2,491**	**707**
Developed	*141*	*2,001*	*490*	*183*	*2,061*	*554*	*184*	*1,977*	*540*
Undeveloped	*92*	*703*	*213*	*65*	*583*	*170*	*75*	*514*	*167*
Rest of Europe	**351**	**1,380**	**590**	**349**	**1,401**	**601**	**372**	**1,425**	**630**
Developed	*218*	*1,231*	*432*	*207*	*1,103*	*405*	*195*	*995*	*374*
Undeveloped	*133*	*149*	*158*	*142*	*298*	*196*	*177*	*430*	*256*
North Africa	**895**	**5,894**	**1,922**	**978**	**6,207**	**2,096**	**917**	**6,190**	**2,031**
Developed	*659*	*3,486*	*1,266*	*656*	*3,100*	*1,215*	*622*	*3,070*	*1,175*
Undeveloped	*236*	*2,408*	*656*	*322*	*3,107*	*881*	*295*	*3,120*	*856*
Sub-Saharan Africa	**770**	**2,127**	**1,141**	**750**	**2,127**	**1,133**	**670**	**1,949**	**1,021**
Developed	*544*	*1,463*	*799*	*533*	*1,550*	*812*	*483*	*1,437*	*742*
Undeveloped	*226*	*664*	*342*	*217*	*577*	*321*	*187*	*512*	*279*
Kazakhstan	**849**	**2,139**	**1,221**	**788**	**1,874**	**1,126**	**653**	**1,648**	**950**
Developed	*291*	*1,859*	*614*	*251*	*1,621*	*543*	*215*	*1,480*	*482*
Undeveloped	*558*	*280*	*607*	*537*	*253*	*583*	*438*	*168*	*468*
Rest of Asia	**94**	**814**	**236**	**139**	**871**	**295**	**106**	**685**	**230**
Developed	*45*	*539*	*139*	*39*	*560*	*139*	*34*	*528*	*129*
Undeveloped	*49*	*275*	*97*	*100*	*311*	*156*	*72*	*157*	*101*
America	**153**	**629**	**263**	**134**	**530**	**230**	**132**	**590**	**238**
Developed	*80*	*506*	*168*	*62*	*431*	*141*	*92*	*385*	*162*
Undeveloped	*73*	*123*	*95*	*72*	*99*	*89*	*40*	*205*	*76*
Australia and Oceania	**32**	**575**	**133**	**29**	**544**	**127**	**25**	**604**	**133**
Developed	*23*	*565*	*122*	*20*	*539*	*117*	*25*	*491*	*112*
Undeveloped	*9*	*10*	*11*	*9*	*5*	*10*		*113*	*21*
Total consolidated subsidiaries	**3,377**	**16,262**	**6,209**	**3,415**	**16,198**	**6,332**	**3,134**	**15,582**	**5,940**
Developed	***2,001***	***11,650***	***4,030***	***1,951***	***10,965***	***3,926***	***1,850***	***10,363***	***3,716***
Undeveloped	***1,376***	***4,612***	***2,179***	***1,464***	***5,233***	***2,406***	***1,284***	***5,219***	***2,224***
Equity-accounted entities									
Rest of Europe								**2**	
Developed									
Undeveloped								*2*	
North Africa	**13**	**14**	**15**	**19**	**24**	**23**	**17**	**20**	**21**
Developed	*10*	*12*	*12*	*18*	*22*	*22*	*16*	*17*	*19*
Undeveloped	*3*	*2*	*3*	*1*	*2*	*1*	*1*	*3*	*2*
Sub-Saharan Africa	**7**	**85**	**22**	**6**	**118**	**28**	**22**	**338**	**83**
Developed	*4*	*5*	*5*	*4*	*4*	*5*	*4*	*4*	*4*
Undeveloped	*3*	*80*	*17*	*2*	*114*	*23*	*18*	*334*	*79*
Rest of Asia	**50**	**1,487**	**309**	**44**	**1,520**	**317**	**110**	**3,033**	**656**
Developed	*7*	*217*	*44*	*5*	*214*	*43*		*24*	*5*
Undeveloped	*43*	*1,270*	*265*	*39*	*1,306*	*274*	*110*	*3,009*	*651*
America	**16**	**2**	**16**	**139**	**22**	**143**	**151**	**1,307**	**386**
Developed	*13*		*13*	*25*	*6*	*26*	*25*	*8*	*26*

Undeveloped	*3*	*2*	*3*	*114*	*16*	*117*	*126*	*1,299*	*360*
Total equity-accounted entities	**86**	**1,588**	**362**	**208**	**1,684**	**511**	**300**	**4,700**	**1,146**
Developed	***34***	***234***	***74***	***52***	***246***	***96***	***45***	***53***	***54***
Undeveloped	***52***	***1,354***	***288***	***156***	***1,438***	***415***	***255***	***4,647***	***1,092***
Total including equity-accounted entities	**3,463**	**17,850**	**6,571**	**3,623**	**17,882**	**6,843**	**3,434**	**20,282**	**7,086**
Developed	2,035	11,884	4,104	2,003	11,211	4,022	1,895	10,416	3,770
Undeveloped	1,428	5,966	2,467	1,620	6,671	2,821	1,539	9,866	3,316

(a) From April 1, 2010, Eni has updated the natural gas conversion factor from 5,742 to 5,550 standard cubic feet of gas per barrel of oil equivalent.

Oil and gas production

In 2011 Eni reported liquids and gas production of 1,581 kboe/d, down by 12.9% from 2010. This reduction was driven by a lowered flow from Eni s activities in Libya, which was affected by the shut down of almost all the Company plants and facilities including the GreenStream pipeline throughout the peak of the Country s internal crisis. In the last part of the year the efforts made to restart the GreenStream pipeline and recover production enabled the Company to bring back online an average Libyan output of 110 kboe/d in the year, partly offsetting the impact of force majeure (down approximately 200 kboe/day). Performance was also negatively impacted by lower entitlements in the Company s PSAs due to higher oil prices with an overall effect of approximately 30 kboe/d compared to the previous year. Net of these effects, production for 2011 was in line with 2010. Ramp ups and start-ups were offset by lower-than-anticipated growth in Iraq and planned facility downtime.

Liquids production (845 kbbl/d) decreased by 152 kbbl/d, or 15.2% due to production losses in Libya and lower entitlements in the Company s PSAs as well as lower performance in Angola, Nigeria and the United Kingdom. These negatives were partly offset by start-ups/ramp-ups in: (i) Norway with higher production of Morvin (Eni s interest 30%) and Tyrihans (Eni s interest 6.23%) fields; (ii) Italy, due to start-up of Guendalina (Eni s interest 80%). and Capparuccia (Eni s interest 95%) fields; and (iii) Australia, due to start-up of Kitan (Eni operator with a 40% interest) field.

Natural gas production (4,085 mmcf/d) decreased by 455 mmcf/d (down 10.1%) due to production losses in Libya and lower performance in the United States. Organic growth was achieved in: (i) Congo and Norway due to better performance; and (ii) Egypt, due to start-up of Denise B (Eni s interest 50%) field and better performance of Tuna (Eni operator with a 50% interest) field.

Oil and gas production sold amounted to 548.5 mmboe. The 28.5 mmboe difference over production (577 mmboe) reflected mainly volumes of natural gas consumed in operations (21.1 mmboe). Approximately 63% of liquids production sold (302.6 mmbbl) was destined to Eni s Refining & Marketing Division (of which 26% was processed in Eni s refinery); about 31% of natural gas production sold (1,367 bcf) was destined to Eni s Gas & Power Division.

Eni s efficient management of operations in the production of oil and natural gas reduced by 23% in oil spills from accidents (equal to 2,930 barrels in 2011) and by 30% in the number of events (92 events in 2011). Oil spills from accidents are concentrated mainly in Algeria, Egypt and Nigeria, while oil spills from sabotage and terrorism are mainly recorded in Nigeria.

Productive wells

In 2011 oil and gas productive wells were 8,477 (3,136.1 of which represented Eni s share). In particular, oil productive wells were 5,810 (1,963.2 of which represented Eni s share); natural gas productive wells amounted to 2,667 (1,172.9 of which represented Eni s share).

The following table shows the number of productive wells in the year indicated by the Group and its equity-accounted entities in accordance with the requirements of the FASB Extractive Activities - Oil & Gas (Topic 932).

Productive oil and gas wells at Dec. 31, 2011 [(a)]

	2011	
	Oil wells	**Natural gas wells**

(units)	Gross	Net	Gross	Net
Italy	237.0	191.5	630.0	546.5
Rest of Europe	414.0	63.3	207.0	93.1
North Africa	1,357.0	651.8	144.0	56.0
Sub-Saharan Africa	2,952.0	562.6	479.0	32.1
Kazakhstan	89.0	28.9		
Rest of Asia	602.0	381.5	849.0	328.7
America	152.0	79.8	344.0	113.2
Australia and Oceania	7.0	3.8	14.0	3.3
	5,810.0	**1,963.2**	**2,667.0**	**1,172.9**

(a) Includes 2,304 gross (741.7 net) multiple completion wells (more than one producing into the same well bore). Productive wells are producing wells and wells capable of production. One or more completions in the same bore hole are counted as one well.

Oil and natural gas production [(a)] [(b)]

Consolidated subsidiaries	2009 Liquids (kbbl/d)	2009 Natural gas (mmcf/d)	2009 Hydrocarbons (kboe/d)	2010 Liquids (kbbl/d)	2010 Natural gas (mmcf/d)	2010 Hydrocarbons (kboe/d)	2011 Liquids (kbbl/d)	2011 Natural gas (mmcf/d)	2011 Hydrocarbons (kboe/d)
Italy	**56**	**652.6**	**169**	**61**	**673.2**	**183**	**64**	**674.3**	**186**
Rest of Europe	**133**	**655.5**	**247**	**121**	**559.2**	**222**	**120**	**537.9**	**216**
Croatia		95.5	17		45.3	8		29.9	5
Norway	78	273.7	126	74	271.6	123	80	284.0	131
United Kingdom	55	286.3	104	47	242.3	91	40	224.0	80
North Africa	**287**	**1,608.7**	**567**	**297**	**1,667.3**	**597**	**204**	**1,265.1**	**432**
Algeria	80	19.7	83	74	20.2	77	69	19.0	72
Egypt	91	793.7	230	96	755.1	232	91	800.7	236
Libya	108	780.4	244	116	871.1	273	36	423.2	112
Tunisia	8	14.9	10	11	20.9	15	8	22.2	12
Sub-Saharan Africa	**309**	**273.6**	**357**	**318**	**440.7**	**397**	**275**	**506.1**	**366**
Angola	122	28.6	127	110	31.1	115	92	32.8	98
Congo	97	27.3	102	98	67.9	110	87	119.1	108
Nigeria	90	217.7	128	110	341.7	172	96	354.2	160
Kazakhstan	**70**	**259.0**	**115**	**65**	**237.0**	**108**	**64**	**231.0**	**106**
Rest of Asia	**56**	**412.7**	**129**	**47**	**435.0**	**125**	**33**	**404.4**	**106**
China	7	8.2	8	6	6.7	7	7	5.0	8
India		3.7	1	1	36.6	8		19.6	4
Indonesia	1	72.7	15	1	65.5	13	1	58.6	12
Iran	35		35	21		21	6		6
Iraq				5		5	7		7
Pakistan	1	328.1	58	1	326.2	59	1	321.2	58
Turkmenistan	12		12	12		12	11		11
America	**71**	**424.7**	**145**	**60**	**396.0**	**132**	**55**	**334.0**	**115**
Ecuador	14		14	11		11	7		7
Trinidad & Tobago		67.0	12		63.6	12		56.7	10
United States	57	357.7	119	49	332.4	109	48	277.3	98
Australia and Oceania	**8**	**48.6**	**17**	**9**	**95.7**	**26**	**11**	**97.8**	**28**
Australia	8	48.6	17	9	95.7	26	11	97.8	28
	990	**4,335.4**	**1,746**	**978**	**4,504.1**	**1,790**	**826**	**4,050.6**	**1,555**
Equity-accounted entities									
Angola	3	0.7	3	3	0.8	3	3	1.9	4
Brazil							1		1
Indonesia	1	32.1	6	1	28.9	6	1	25.7	6
Tunisia	5	5.5	6	4	5.9	5	5	6.4	6
Venezuela	8		8	11		11	9		9
	17	**38.3**	**23**	**19**	**35.6**	**25**	**19**	**34.0**	**26**
Total	**1,007**	**4,373.7**	**1,769**	**997**	**4,539.7**	**1,815**	**845**	**4,084.6**	**1,581**

(a) From April 1, 2010, Eni has updated the natural gas conversion factor from 5,742 to 5,550 standard cubic feet of gas per barrel of oil equivalent.
(b) Includes volumes of gas consumed in operations (321, 318 and 300 mmcf/d in 2011, 2010 and 2009, respectively).

Drilling

Exploration

In 2011, a total of 56 new exploratory wells[7] were drilled (28 of which represented Eni s share), as compared to 47 exploratory wells drilled in 2010 (23.8 of which represented Eni s share) and 69 exploratory wells drilled in 2009 (37.6 of which represented Eni s share).
The following tables show the number of net productive, dry and in progress exploratory wells in the years indicated by the Group and its equity-accounted entities in accordance with the requirements of the FASB Extractive Activities-Oil & Gas (Topic 932).
The overall commercial success rate was 42% (38.6% net to Eni) as compared to 41% (39% net to Eni) and 41.9% (43.6% net to Eni) in 2010 and 2009, respectively.

Development

In 2011 a total of 407 development wells were drilled (186.1 of which represented Eni s share) as compared to 399 development wells drilled in 2010 (178 of which represented Eni s share) and 418 development wells drilled in 2009 (175.1 of which represented Eni s share). The drilling of 118 wells (39.5 of which represented Eni s share) is currently underway.
The following tables show the number of net productive, dry and in progress development wells in the years indicated by the Group and its equity-accounted entities in accordance with the requirements of the FASB Extractive Activities - Oil & Gas (Topic 932).

Exploratory well activity

	Net wells completed						Wells in progress at Dec. 31 (a)	
	2009		2010		2011		2011	
(units)	Productive	Dry (b)	Productive	Dry (b)	Productive	Dry (b)	Gross	Net
Italy		1.0		0.5			6.0	4.4
Rest of Europe	4.1	0.2	1.7	1.1	0.3	0.7	21.0	6.5
North Africa	4.8	3.8	9.3	8.1	6.2	3.4	21.0	15.7
Sub-Saharan Africa		2.7	2.3	4.7	0.6	2.6	63.0	18.6
Kazakhstan							13.0	2.3
Rest of Asia	2.3	3.9	1.0	2.8	0.2	7.6	16.0	6.9
America	1.0	3.8		6.3	2.5		11.0	3.3
Australia and Oceania	0.8	1.4	1.0	0.4		1.4		
	13.0	16.8	15.3	23.9	9.8	15.7	151.0	57.7

Development wells activity

	Net wells completed						Wells in progress at Dec. 31	
	2009		2010		2011		2011	
(units)	Productive	Dry (b)	Productive	Dry (b)	Productive	Dry (b)	Gross	Net
Italy	18.3		23.9	1.0	25.3		3	2
Rest of Europe	12.5		2.9	0.2	3.3	0.3	18	3.9

North Africa	40.7	0.4	44.3	0.3	55.9	1.1	27	12.5
Sub-Saharan Africa	35.8	1.9	28.0	2.5	28.2	1.0	28	6.6
Kazakhstan	3.8		1.8		1.3		13	2.2
Rest of Asia	38.6	4.3	41.7	1.8	39.2	2.5	12	5.4
America	15.6	1.0	27.6	0.5	27.6		17	6.9
Australia and Oceania	2.2		1.5		0.4			
	167.5	**7.6**	**171.7**	**6.3**	**181.2**	**4.9**	**118.0**	**39.5**

(a) Includes temporary suspended wells pending further evaluation.

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

Acreage

As of December 31, 2011, Eni s mineral right portfolio consisted of 1,106 exclusive or shared rights for exploration and development in 41 Countries on five continents for a total acreage of 254,421 square kilometers net to Eni of which developed acreage of 41,373 square kilometers and undeveloped acreage of 213,048 square kilometers.

In 2011, changes in total net acreage mainly derived from:

(i) new leases in Angola, Australia, Ghana, Indonesia, Nigeria, Norway and Ukraine for a total acreage of approximately 14,000 square kilometers; (ii) the total relinquishment of leases in Australia, China, Denmark, Indonesia, Italy, Libya, Pakistan, Nigeria, Saudi Arabia and Yemen, covering an acreage of 72,000 square kilometers; and (iii) the decrease in net acreage due to partial relinquishment or interest reduction in China, Congo, India and Mozambique for a total acreage of approximately 9,000 square kilometers.

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

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Oil and natural gas interests

	December 31, 2010	December 31, 2011						
	Total net acreage [(a)]	Number of interests	Gross developed acreage [(a)] [(b)]	Gross undeveloped acreage [(a)]	Total gross acreage [(a)]	Net developed acreage [(a)] [(b)]	Net undeveloped acreage [(a)]	Total net acreage [(a)]
EUROPE	**29,079**	**286**	**17,324**	**24,007**	**41,331**	**11,216**	**14,807**	**26,023**
Italy	**19,097**	**151**	**10,927**	**10,721**	**21,648**	**9,055**	**7,817**	**16,872**
Rest of Europe	**9,982**	**135**	**6,397**	**13,286**	**19,683**	**2,161**	**6,990**	**9,151**
Croatia	987	2	1,975		1,975	987		987
Norway	2,418	50	2,262	5,838	8,100	337	1,998	2,335
Poland	1,968	3		1,968	1,968		1,968	1,968
United Kingdom	1,151	74	2,110	789	2,899	807	207	1,014
Ukraine		2	50	49	99	30	15	45
Other Countries	3,458	4		4,642	4,642		2,802	2,802
AFRICA	**152,671**	**270**	**67,154**	**200,957**	**268,111**	**20,167**	**117,053**	**137,220**
North Africa	**44,277**	**112**	**31,781**	**36,772**	**68,553**	**13,877**	**16,655**	**30,532**
Algeria	17,244	39	2,261	17,358	19,619	815	8,250	9,065
Egypt	6,594	52	5,109	10,727	15,836	1,837	4,061	5,898
Libya	18,165	10	17,947	8,687	26,634	8,951	4,344	13,295
Tunisia	2,274	11	6,464		6,464	2,274		2,274
Sub-Saharan Africa	**108,394**	**158**	**35,373**	**164,185**	**199,558**	**6,290**	**100,398**	**106,688**
Angola	4,520	68	4,636	20,360	24,996	625	5,593	6,218
Congo	6,074	26	1,835	7,681	9,516	1,012	4,008	5,020
Democratic Republic of Congo	615	1		478	478		263	263
Gabon	7,615	6		7,615	7,615		7,615	7,615
Ghana	1,086	2		5,144	5,144		1,885	1,885
Mali	21,640	1		32,458	32,458		21,640	21,640
Mozambique	12,352	1		12,956	12,956		9,502	9,502
Nigeria	8,439	46	28,902	11,723	40,625	4,653	3,838	8,491
Togo	6,192	2		6,192	6,192		6,192	6,192
Other Countries	39,861	5		59,578	59,578		39,862	39,862
ASIA	**112,745**	**74**	**17,478**	**100,759**	**118,237**	**5,893**	**49,391**	**55,284**
Kazakhstan	**880**	**6**	**324**	**4,609**	**4,933**	**105**	**775**	**880**
Rest of Asia	**111,865**	**68**	**17,154**	**96,150**	**113,304**	**5,788**	**48,616**	**54,404**
China	18,232	10	200	5,326	5,526	39	5,326	5,365
India	10,089	13	206	25,364	25,570	109	9,097	9,206
Indonesia	12,912	12	1,735	27,106	28,841	656	17,063	17,719
Iran	820	4	1,456		1,456	820		820
Iraq	640	1	1,074		1,074	352		352
Pakistan	11,347	18	8,781	14,172	22,953	2,582	6,707	9,289
Russia	1,507	4	3,502	1,495	4,997	1,030	439	1,469
Saudi Arabia	25,844							
Timor Leste	6,470	4		8,087	8,087		6,740	6,740
Turkmenistan	200	1	200		200	200		200

Yemen	20,560							
Other Countries	3,244	1		14,600	14,600		3,244	3,244
AMERICA	**11,187**	**460**	**5,979**	**15,602**	**21,581**	**3,052**	**7,157**	**10,209**
Brazil	745	2	1,513	745	2,258	50	745	795
Ecuador	2,000	1	1,985		1,985	1,985		1,985
Trinidad & Tobago	66	1	382		382	66		66
United States	5,896	442	1,721	7,261	8,982	853	4,270	5,123
Venezuela	1,154	6	378	2,049	2,427	98	816	914
Other Countries	1,326	8		5,547	5,547		1,326	1,326
AUSTRALIA AND OCEANIA	**15,279**	**16**	**1,980**	**49,304**	**51,284**	**1,045**	**24,640**	**25,685**
Australia	15,241	15	1,980	48,540	50,520	1,045	24,602	25,647
Other Countries	38	1		764	764		38	38
Total	**320,961**	**1,106**	**109,915**	**390,629**	**500,544**	**41,373**	**213,048**	**254,421**

(a) Square kilometers.

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

Main exploration and development projects

Italy

In 2011 production started-up at the following fields: (i) Guendalina (Eni s interest 80%) flowing at the initial rate of approximately 3 kboe/d; (ii) Capparuccia (Eni s interest 95%) with production start-up at approximately 4 kboe/d.
During the year Eni finalized the purchase of an additional interest in the Annamaria field (Eni s interest 100%).
Development activities progressed at the Val d Agri concession (Eni s interest 60.77%) with the linkage of Cerro Falcone to the oil treatment center and sidetrack activity as well as upgrading of production facilities. Within the Intent Protocol with the Basilicata Region, the Environmental Observatory of Val d Agri for the monitoring of the quality of health and the environment in the area has been inaugurated.
Other activities concerned; (i) sidetrack and workover activities on Calpurnia, Daria (Eni s interest 51%), Barbara, Clara Nord (Eni s interest 51%) and Gela fields for the production optimization; (ii) integration and upgrading activities of compression and hydrocarbon treatment facilities at the Crotone power plant; (iii) completion of development activities at the Tresauro field (Eni s interest 45%).
During the year Eni renewed the VI Cooperation Agreement over the 2011-2014 period with the city of Ravenna to protect the coastline area.
In the R&D area, eleven applications of new technologies and four projects have been developed and applied on Italian assets. Cooperation projects are underway with 16 academic and research institutions in Italy with an overall expenditure of approximately euro 9 million.
In the Adriatic Sea a proprietary technology has been successfully applied on the Clara Est field for the characterization of thin layer fields and it identified approximately 3 mmboe of additional hydrocarbon volumes.

Rest of Europe

Development activities have been progressing at the Goliat field in the Barents Sea. Start-up is expected in 2013 with a production plateau at 100 kbbl/d. During the year Eni signed an intent protocol with Norwegian Authorities for the protection of biodiversity in the Goliat area. Within the procedures for coping with possible emergencies, Eni developed standards for testing dispersants and beach cleaners that could be used in case of oil spills near the coast. These emergency standards will be included in Norwegian laws and later presented internationally.
During the year Eni strengthened its cooperation and partnerships with Norwegian academic institutions for an upgrading of training activities for local professionals and technicians to be employed at the Goliat field and for the management of oil spills.
Development activities progressed to put in production discovered reserves near the Asgaard field (Eni s interest 14.82%) with the Marulk development plan (Eni operator with a 20% interest). Production started-up in early days of April 2012 and is expected to reach approximately 20 kboe/d (4 kboe/d net to Eni) on average during the year. Other ongoing activities aimed at maintaining and optimizing production at the Ekofisk field (Eni s interest 12.39%) by means of infilling wells, the development of the South Area, upgrading of existing facilities and optimization of water injection.

United Kingdom Exploration activities yielded positive results with the appraisal of Culzean discovery continuing (Eni s interest 16.95%).
Main development activities concerned: (i) the construction of production platform and drilling activities at the gas and liquids Jasmine field (Eni s interest 33%) with start-up expected at the end of 2012; (ii) Phase 2 development plan of the gas and liquids West Franklin field (Eni s interest 21.87%) with the construction of a well-head platform and linkage to the Elgin/Franklin treatment plant. Drilling activities are progressing with start-up expected in 2013; (iii) development activities at the oil and gas Kinnoul field (Eni s interest 16.67%). The drilling of producing subsea wells has been completed while the linkage to the production facilities of the Andrew field (Eni s interest 16.21%) is in progress. These facilities will be upgraded

Norway Exploration activities yielded positive results with the Skrugard and Havis oil and gas discoveries with recoverable reserves estimated at approximately 500 mmbbl in the PL532 license (Eni s interest 30%). Both fields are planned to be put in production by means of a fast-track synergic development.

Eni was awarded three exploration licenses in the Barents Sea: (i) the PL657 license (Eni operator with an 80% interest) in January 2012. In case of exploration success, the project will benefit from the nearby facilities of the Goliat operated field (Eni s interest 65%) thus significantly reducing time to market; (ii) in May 2011, the PL608 (Eni s interest 30%) license located near the Skrugard oil discovery and the PL226B license (Eni s interest 31%) located in high mineral potential basin.

The development plan of the Morvin field (Eni s interest 30%) has been completed with a production peak of 22 kboe/d reached in the year.

for the treatment of additional volumes. Start-up is expected in 2013; and (iv) concept definition activities for the Mariner heavy oil field proceed with target to submit the Field Development Plan and sanction the project early in 2013.

North Africa

Algeria Development activity progressed on the MLE and CAFC integrated project in Block 405b (Eni s interest 75%). The final investment decision of the projects was sanctioned (MLE in 2009; CAFC in 2010). The MLE development plan foresees the construction of a natural gas treatment plant with a capacity of 350 mmcf/d and of four export pipelines with linkage to the national grid system. These facilities will also receive gas from the CAFC field. Production start-up is expected in 2012. The CAFC project provides the construction of an oil treatment plant and will also benefit from synergies with MLE production facilities. Gas and oil production start-up of CAFC field are expected in 2012 and

2014, respectively. The overall Block 405b will target a production plateau of approximately 33 kboe/d net to Eni by 2015.
Other development activities concerned the El Merk project. Drilling activities progressed and the construction of treatment facilities is underway. The development program provides for the construction of a gas treatment plant with a capacity of approximately 600 mmcf/d, two oil trains with a capacity of 65 kbbl/d and three export pipelines with linkage to the national system for a production of approximately 11 kbbl/d net to Eni. Start-up is expected in 2013.

Egypt Exploration activities yielded positive results with near field activities in the: (i) Belayim concession (Eni s interest 100%) with three oil discovery wells (BB-10, BLNE-1 and EBLS-1) that were linked to the existing facilities; (ii) Abu Madi West development lease (Eni s interest 75%) with Nidoco West and Nidoco East gas discoveries. The linkage to the existing facilities was completed; (iii) Meleiha development lease (Eni s interest 56%) with the Aman SW, Dorra-1X and Melehia North-1X oil wells that were started-up; (iv) East Kanayis concession (Eni s interest 100%) with the Qattara Rim-3 and Qattara North-1 oil discoveries.
In 2011 production was started-up at the Denise B field in the El Temsah concession (Eni operator with a 50% interest), the second development phase of the homonymous field with the drilling of 3 other subsea wells linked to the production facilities in the area flowing initially at 7 kboe/d net to Eni. Production peak is expected at 14 kboe/d in 2012.
Main activities of the year were: (i) the upgrading of the El Gamil plant by adding new compression capacity to support production; (ii) the Seth project (Eni s interest 50%). The development activity provides the drilling of two wells and the installation of production platform. Start-up is expected in 2012.
Development of proprietary technologies progressed with the Eni Circulation Device technology to enhance hydraulic control in drilling activities, an innovative enhanced recovery technique (acoustic simulation) and a system for consolidating sands to keep production sand free.

Sub-Saharan Africa

In 2011, Eni was awarded the right to explore and the operatorship of the deep offshore Block 35, with a 30% interest. The agreement foresees the drilling of 2 commitment wells to be carried out in the first 5 years of the exploration phase. This deal was approved by the relevant authorities.
Within the activities for reducing gas flaring in Block 0 (Eni s interest 9.8%), activity progressed at the Nemba field in Area B. Completion is expected in 2013 reducing flared gas by approximately 85%. Other ongoing projects include: (i) the completion of linkage and treatment facilities at the Malongo plant; (ii) the installation of a second compression unit at the Nemba platform in Area B.
In the Area A the concept definition phase has been completed for the further development of the Mafumeira field. Project sanctioning is expected in 2012 with start-up in 2015.
Main projects underway in the Development Areas of former Block 15 (Eni s interest 20%) concerned: (i) the satellites of Kizomba Phase 1, with start-up expected by mid 2012 and peaking production at 100 kbbl/d (approximately 21 kbbl/d net to Eni) in 2013; (ii) drilling activity at the Mondo and Saxi/Batuque fields to finalize their development plan. The subsea facility of the Gas Gathering project has been completed and will provide for the collection of all the gas of the Kizomba, Mondo and Saxi/Batuque fields to be delivered to the A-LNG liquefaction plant.
Eni holds a 13.6% interest in the Angola LNG Limited (A-LNG) consortium responsible for the construction of an LNG plant with a processing capacity of approximately 1.1 bcf/d of natural gas and produce 5.2 mmtonnes/y of LNG and over 50 kbbl/d of condensates and LPG. The project has been sanctioned by relevant Angolan authorities. It envisages the development of 10,594 bcf of gas in 30 years. Exports start-up is expected in the second quarter of 2012. LNG is expected to be delivered to the United States market at the re-gasification plant in Pascagoula (Eni s capacity amounting to approximately 205 bcf/y) in Mississippi. A joint company has been established to assess further possible marketing opportunities.
In addition, Eni is part of the Gas Project, a second gas consortium with the Angolan national company and other partners that will explore further potential gas discoveries to support the feasibility of a second LNG

Angola Exploration activities yielded positive results in: (i) Block 2 (Eni s interest 20%) with the Garoupa-2 and Garoupa Norte 1 appraisal gas and condensates wells, within the Gas Project; (ii) Block 15/06 (Eni operator with a 35% interest) with the significant gas and condensates Lira discovery; (iii) in the same block with the Mukuvo-1 oil discovery and the Cinguvu-2 and Cabaça South East-3 appraisal wells containing oil. The discoveries of Block 15/06 increased the potential resources to be developed within two projects: the West Hub project, sanctioned in 2010, and the East Hub. Start-up is expected in 2014 and 2015, respectively.
Drilling and commitment activities were completed in advance of scheduled terms also thanks to the application of proprietary technologies. Eni Deep water dual casing running (e-dwdc™), Depth velocity analysis and Eni Circulation Device allowed enhancing the safety of drilling operations in deep water by means of accurate hydraulic control of the well and the real-time updating of subsurface data.

train or other marketing projects to deliver gas and associated liquids. Eni is technical advisor with a 20% interest.
A project is underway for the upgrade of primary health care services in the Luanda area by means of the rehabilitation of structures providing them with new equipment, among which a new center of nutrition and a network of day care centers.
In addition Eni supported vaccination campaigns in cooperation with the local health center also organizing training sessions for local personnel.

Congo In 2011, production started-up at the Libondo offshore field (Eni s interest 35%) with production of approximately 3 kboe/d net to Eni.
Activities on the M Boundi field (Eni operator with an 83% interest) moved forward with the application of advanced recovery techniques and a design to monetize associated gas within the activities aimed at zero gas flaring by 2012. In addition starting from 2009, Eni finalized long-term agreements to supply associated

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gas from the M Boundi field to feed three facilities in the Pointe Noire area: (i) a potassium plant under construction, owned by Canadian Company MAG Industries; (ii) the existing Djeno power plant (CED - Centrale Electrique du Djeno) with a 50 MW generation capacity; (iii) the recently built CEC Centrale Electrique du Congo power plant (Eni s interest 20%) with a 300 MW generation capacity. These facilities will also receive in the future gas from the offshore discoveries of the Marine XII permit. In 2011 M Boundi supply to the CEC and CED power plants was approximately 106 mmcf/d (17 kboe/d net to Eni). The RIT project progressed for the rehabilitation of the power grid from Pointe-Noire to Brazzaville within the integrated project to monetize gas in Congo.

In 2011 Eni signed with the local authorities a Memorandum of Understanding to improve people living conditions in the M Boundi area. The integrated project concerns health, education, environmental and economic development.

Other activities in the area concerned the optimization of producing fields by means of new technologies: (i) a drilling technique to increase the well-reservoir contact area at the Loango field (Eni s interest 50%) with an additional volumes of approximately 300 bbl/d; (ii) in the Zatchi field (Eni s interest 65%), a system for consolidating sands to keep production sand free.

The zero gas flaring has been achieved at the offshore Kitina field (Eni s interest 35.75%) following the completion of the second phase of the water alternate gas project.

Ghana Exploration activities yielded positive results with the Sankofa-2 appraisal well and the Gye Nyame discovery, both containing gas and condensates in the Offshore Cape Three Points license (Eni operator with a 47.2% interest). Exploration success was boosted by the application of proprietary technologies in the area of seismic imaging and drilling, such as Eni Circulation Device enhancing hydraulic control of activities. Possible development synergies are under evaluation.

During 2011 a project started for the fishing community of the Jomoro District that provides for better access to health services, support to local economy and training programs for improving management of economic activities by women and young people.

confirming a selective growth approach: (i) the purchase from GEC Petroleum Development Company (GDPC) of a 49% interest in Block OPL 2009 in addition to the awarding from the Nigerian Government of a 50% interest in Block OPL 245 as well as the relative license and operatorship; (ii) the divestment of a 5% interest in blocks OML 26 and OML 42; (iii) the divestment of a 40% interest in blocks OML 120 and 121. The transaction is subject to the approval of relevant authorities.

During the year facilities to supply electricity in eight villages located in the Niger Delta area were completed with a total expenditure of euro 1 million. The project provides for the construction of required infrastructure for reaching 17 additional local communities.

In blocks OMLs 60, 61, 62 and 63 (Eni operator with a 20% interest), activities aimed at guaranteeing production to feed gas to the Bonny liquefaction plant and flaring down progressed.

As part of supply to the Bonny liquefaction plant, the compression and gas export capacity at the Obiafu/Obrikom plant was increased to ensure 170 mmcf/d net to Eni of feed gas for 20 years for sixth train. To the same end the development plan progressed at the Tuomo field with early-production start-up in 2012.

Flaring down projects were completed at the Kwale and Obiafu/Obrikom production unit as well as the Ebocha oil center over the 2010-2011 period. The program includes also upgrading of the flowstation at the Idu field and the Ogbainbiri treatment plant with completion expected in 2012.

In block OML 28 (Eni s interest 5%) within the integrated oil and natural gas project in the Gbaran-Ubie area, the drilling program progressed. The development plan provides for the construction of a Central Processing Facility (CPF) with treatment capacity of approximately 1 bcf/d of gas and 120 kbbl/d of liquids.

The Forcados/Yokri oil and gas field (Eni s interest 5%) is under development as part of the integrated associated gas gathering project aimed at supplying gas to the domestic market through Escravos-Lagos pipeline system. First gas is expected in 2013.

Eni holds a 10.4% interest in Nigeria LNG Ltd responsible for the management of the Bonny liquefaction plant, located in the Eastern Niger Delta. The plant has a design treatment capacity of

Mozambique Exploration activities yielded positive results in Area 4 (Eni operator with a 70% interest) located in the Rovuma Basin with the following giant gas discoveries: (i) the Mamba South 1 exploration well with mineral potential estimated at 22.5 Tcf in place; (ii) the Mamba North 1 with mineral potential estimated at 7.5 Tcf; and (iii) the Mamba North East 1 with mineral potential estimated at 10 Tcf. Exploration success was boosted by the application of proprietary technologies in the area of seismic imaging. Wells have been drilled with Eni s proprietary technique deep water dual casing (e-dwdc™).

In the next two years up to 8 additional wells are expected to be drilled in the nearby areas in order to monetize the high potential of the Mamba reservoir.

Nigeria Exploration activities yielded positive results in Block OML 36 (Eni s interest 5%) with the Opugbene 2 appraisal well containing natural gas and condensates.

In 2011, Eni optimized its producing asset portfolio in Nigeria

approximately 1,236 bcf/y of feed gas corresponding to a production of 22 mmtonnes/y of LNG on six trains. The seventh unit is being engineered as it is in the planning phase. When fully operational, total capacity will amount to approximately 30 mmtonnes/y of LNG, corresponding to a feedstock of approximately 1,624 bcf/y. Natural gas supplies to the plant are provided under gas supply agreements with a 20-year term from the SPDC joint venture (Eni s interest 5%) and the NAOC JV, the latter operating the OMLs 60, 61, 62 and 63 blocks with an overall amount at the end of 2011 of 2,797 mmcf/d (267 mmcf/d net to Eni corresponding to approximately 48 kboe/d). LNG production is sold under long-term contracts and exported to European and American markets by the Bonny Gas Transport fleet, wholly owned by Nigeria LNG Co.

Eni holds a 17% interest in Brass LNG Ltd Company for the construction of a natural gas liquefaction plant to be built near the existing Brass terminal, 100 kilometers west of Bonny. This plant is expected to start operating in 2017 with a production capacity of 10 mmtonnes/y of LNG corresponding to 590 bcf/y (approximately 60 net to Eni) of feed gas on two trains for twenty years. Supplies to this plant will derive from the collection of associated gas from nearby producing fields and from the development of gas reserves in the onshore OMLs 60 and 61. The venture signed preliminary long-term contracts to sell the whole LNG production capacity. Eni acquired 1.67 mmtonnes/y of LNG capacity (corresponding to approximately 81 bcf/y). LNG will be delivered to the United States market mainly at the re-gasification plant in Cameron, in Louisiana, USA. Eni s capacity amounts to approximately 201 bcf/y. Front end engineering activities progressed. The final investment decision is expected in 2012.

Kazakhstan

Kashagan Eni holds a 16.81% working interest in the North Caspian Sea Production Sharing Agreement (NCSPSA). The NCSPSA defines terms and conditions for the exploration and development of the Kashagan field which was discovered in the Northern section of the contractual area in the year 2000 over an undeveloped area extending for 4,600 square kilometers. Management believes this field contains a large amount of hydrocarbon resources which will eventually be developed in phases.
The exploration and development activities of the Kashagan field and the other discoveries made in the contractual area are executed through an operating model which entails an increased role of the Kazakh partner and defines the international parties responsibilities in the execution of the subsequent development phases of the project. The North Caspian Operating Co (NCOC) BV participated by the seven partners of the consortium has taken over the operatorship of the project. Subsequently development, drilling and production activities have been delegated by NCOC BV to the main partners of the Consortium: Eni has retained the responsibility for the development of Phase 1 of the project (the so-called "Experimental Program") and the onshore part of Phase 2.
The Consortium is currently focused on completing Phase 1 and starting commercial oil production. Management estimates that Phase 1 was 90% completed as of end of December 2011. Tranches 1 and 2 of the scope of work which target commercial production will be incurred over a long time horizon and subsequently to the production start-up, management does not expect any material impact on the Company s liquidity or its ability to fund these capital expenditures. In addition to the expenditures for developing the field, further capital expenditures will be required to build the infrastructures needed for exporting the production to international markets.
Eni continues its commitment in the protection of the environment and ecosystems in the Caspian area with the completion of the first phase of the integrated program for the management of biodiversity. Eni s Ural River Park project is nearing completion and Eni s aim is to include it in the Man and Biosphere Program of UNESCO under the patronage of the Kazakh Ministry for Environmental Protection.
As of December 31, 2011, the aggregate costs incurred by Eni for the Kashagan project capitalized in the financial statements amounted to $6.7 billion (euro 5.2 billion at the EUR/USD exchange rate of December 31, 2011). This capitalized amount included: (i) $5.1 billion relating to expenditure incurred by Eni for the development of the oilfield; and (ii) $1.6 billion relating primarily to accrue finance charges and expenditures for the acquisition of interests in the North Caspian Sea PSA consortium from exiting partners upon exercise of pre-emption rights in previous years.
As of December 31, 2011 Eni s proved reserves booked for the Kashagan field amounted to 449 mmboe, recording a decrease of 120 mmboe compared to 2010 mainly due to higher marker Brent price and revisions. Eni s Extreme Lean Profile (x-lptTM) proprietary technology has been applied in drilling operations allowing to reduce costs and the environmental impact in drilling activities. In addition, Eni applied for the first time in a development well, an innovative safety valve installed in the casing and made with special steel resistant to corrosive conditions related of field fluids.

Karachaganak On December 14, 2011, the Republic of Kazakhstan (RoK) and the contracting companies of Karachaganak Final Production Sharing Agreement (FPSA) reached an agreement to settle all pending claims. The agreement, effective from June 30, 2012 on satisfaction of conditions precedent, involves Kazakhstan s KazMunaiGas (KMG) acquiring a 10% interest in the project. This will be done by each of the start-up reached approximately 98% at the end of the year. The Consortium continues to target the achievement of first commercial oil production by the end of 2012 or in the early 2013.

The project Phase 1 (Experimental Program) as sanctioned by the partners of the venture targets an initial production capacity of 150 kbbl/d. In 2014, the second train of treatment and compression facilities for gas re-injection will be completed and come online enabling to increase the production capacity up to 370 kbbl/d. The partners are planning to further increase available production capacity up to 450 kbbl/d by installing additional gas compression capacity for re-injection in the reservoir. The partners intend to submit the scheme of this additional gas compression activity to the relevant Kazakh Authorities in the course of 2012 in order to obtain approval to start the engineering design. The partners are currently assessing the Phase 2 of the development of the Kashagan field with a view of optimizing the development lay-out. The review is expected to be completed by 2012.

However, taking into account that future development expenditures

contracting companies transferring 10% of their rights and interest in the Karachaganak FPSA to KMG. The contracting companies will receive $1 billion net cash consideration ($325 million being Eni s share). In addition the agreement provides for the allocation of an extra nominal capacity of 2 million tonnes of oil per annum capacity for the Karachaganak project in the Caspian Pipeline Consortium export pipeline. The effects of the agreement on profit and loss and reserve and production entitlements will be recognized in the 2012 Financial Statements.

The fourth liquids stabilization train has been completed and allowed to increase export oil volumes through the Caspian Pipeline Consortium.

Phase 3 of the Karachaganak project is currently under study. The project is aimed at further developing of gas and condensates reserves by means of the installation of gas treatment plant and re-injection facilities to increase gas sales and liquids production. The development plan is currently in the phase of technical and

marketing discussion to be presented to the relevant Authorities.
In the area of water and energy management Eni is carrying out projects to support local communities. In particular the construction of the Aksai-Uralsk gas pipeline was completed.
Other planned activities include: (i) facilities to increase drinking water availability in the Berezovka area; (ii) construction of a power grid with the linkage to the Uralsk power station with a 54 MW generation capacity.
As of December 31, 2011, Eni s proved reserves booked for the Karachaganak field amounted to 500 mmboe based on a 32.5% working interest, corresponding to the pre-divestment share.
The 57 mmboe decrease derives from the price effect and production of the year in part compensated for upwards revisions.

Rest of Asia

Indonesia Exploration activities yielded positive results with Jangkrik North East gas discovery in the Muara Bakau block (Eni operator with a 55% interest), located in the Kutei basin.
In 2011, Eni was awarded two operated gas exploration licenses: (i) the Arguni I block with a 100% interest located onshore and offshore in the Bintuni basin near a liquefaction facility.
The agreement foresees seismic data acquisition and the drilling of 2 commitment wells to be carried out in the first three years of exploration phase; (ii) the North Ganal block, located offshore Indonesia near the relevant Jangkrik discoveries and the Bontang liquefaction terminal, in a consortium with other international oil companies. The commitment activity provides for seismic data acquisition and the drilling of one well in the first three years.
The development plan of the operated Jangkrik (Eni s interest 55%) and Jau (Eni s interest 85%)gas fields has been approved by relevant authorities. Planned development activities at the Jangkrik offshore field include drilling of production wells, installation of a Floating Production Unit for gas and condensate treatment and construction of a transport facility connecting to the existing onshore network linked to the Bontang liquefaction plant for gas, while condensates will be supplied to the treatment plants in the area.

Iran The formal hand over of operations to local partners at the Darquain project is almost completed. This was the sole Eni-operated project in the Country. When the final hand over of operations will be completed, Eni s involvements essentially will consist of being reimbursed for its past investments.

Iraq Development activities progressed at the Zubair oil field (Eni 32.8%). The project, lasting 20-years term with a further 5 years extension, foresees to gradually increase production to a target plateau level of 1.2 mmbbl/d by 2016 and provides for two phases: (i) Rehabilitation plan aimed at improving current operations and reducing production decline as well as appraisal of both producing and undeveloped discovered reservoirs; (ii) Enhanced Redevelopment Plan allowing to reach the scheduled targets The Water Agribusiness pilot project started in the Zubair area. The program is aimed at implementing a sustainable agricultural production model based on the reuse of water in agricultural activities creating producing units with low management costs also by means of higher energy efficiency. In addition the program aims at creating an international benchmark development model that will increase investment opportunities and promote employment.

Pakistan Exploration activity yielded positive results with: (i) the Kadanwari-27 exploration well, in the homonymous permit (Eni s interest 18.42%) which yielded up to approximately 50 mmcf/d of gas in test production; (ii) the Lundo discovery and Tajjal 4 appraisal well in the Gambat permit (Eni s interest 23.7%). The latter start-up is expected in 2012; (iii) the Misri Bhambroo exploration well located in the SW Miano II permit (Eni s interest 33.3%).
In 2011 development activities were aimed at reducing natural decline in: (i) the Bhit field (Eni operator with a 40% interest) where the installation of a compression facility was completed. Drilling activities and optimization of current production are underway to extend production plateau; (ii) the Zamzama field (Eni s interest 17.75%) where the first phase of the Front End Compression project has been completed. Two additional wells will be drilled in 2012; (iii) the Miano Front End Compression (Eni s interest 15%) and Badhra Field Compression (Eni operator with a 40% interest)

Start-up is expected in 2016. The Jau project provides for the drilling of production wells and the linkage to onshore plants via pipeline. Start-up is expected in 2016.
In 2011 the exploration activities related to the coal bed methane project progressed at the Sanga Sanga PSC (Eni s interest 37.8%). Predevelopment activities are underway exploiting the synergy opportunities provided by the existing production and treatment facilities also including the Bontang LNG plant. Start-up is expected in 2013. In November 2011 Eni signed with the national power company PT Perusahaan Listrik Negara a Memorandum of Understanding to supply approximately 494 kcf/d of CBM gas for at least 5 years (corresponding to approximately 180 mmcf/y) to feed a power plant. The contract is in the process of being finalized.
Within the activities carried out by Eni in support of local communities, medical and surgical interventions were directed to children in the area of East Kalimantan, near the Bukat permit (Eni operator with a 66.25% interest).

projects have been completed in 2011.
As a part of activity to support local communities, medical centers and drinking water distribution facilities have been built in the Bhit, Badhra and Kadanwari areas.
The innovative proprietary algorithms application for processing seismic data, such as the Common Reflection Surface Stack (e-crs™) allowed to improve the reservoir structure knowledge thus positioning successfully the Badhra 6 well.

Russia In September 2011, Eni signed a contract whereby Gazprom commits to purchase volumes of gas produced by the joint-venture Severenergia (Eni 29.4%) through the development of the Samburgskoye field. The agreement secured a final investment decision for the field development. Start-up is expected in 2012. In addition, the Final Investment Decision of the onshore gas and condensate Urengoskoye field (Eni s interest 29.4%) was sanctioned. Start-up is expected in 2014.

America

United States Exploration activities yielded positive results in the offshore block KC919 (Eni interest 25%) with the Hadrian North appraisal well containing oil and natural gas resources. The discovery allowed approving the development of the Greater Hadrian Area project.
In 2011 production started at: (i) the Appaloosa field (Eni s interest 100%) with a production of 7 kbbl/d through linkage to the Corral operated platform with a treatment capacity of 33 kbbl/d net to Eni; (ii) the Nikaitchuq operated field (Eni s interest 100%), located in North Slope basins offshore Alaska, with resources of 220 million barrels. Drilling continues as scheduled. Start-up was achieved with application innovative technologies: (i) Eni proprietary Circulation Device that allowed maximizing the horizontal part of wells also at low depths; (ii) completion by means of distributed temperature sensing and injection control devices to enhance the recovery factor; (iii) the first installation in the world of a submerged electrical pump completely extractible without employing workover plants. Development plan completion is expected in 2014 with an average production plateau at approximately 21 kbbl/d net to Eni in 2016.
The development activity progressed at the Alliance area (Eni s interest 27.5%), in the Fort Worth basin in Texas. This area, including gas shale reserves, was acquired in 2009 following a strategic alliance Eni signed with Quicksilver Resources Inc. Production plateau at 9 kboe/d net to Eni is expected in 2012. Other main activities included workover activities at the Goldfinger (Eni s interest 100%) and Spiderman (Eni s interest 36.7%) fields as well as the drilling of development wells in the Triton field (Eni s interest 75%).

Venezuela Planning activities progressed at the giant Junin 5 field (Eni s interest 40%) with 35 bbbl of certified heavy oil in place, located in the Orinoco oil belt. First oil is expected in 2012 with a production plateau in the first phase of 75 kbbl/d, targeting a long-term production plateau of 240 kbbl/d to be reached in 2018. The project provides for the construction of a refinery with a capacity of 350 kbbl/d that will allow also the treatment of intermediate streams from other PDVSA facilities. In 2011 upstream engineering contracts related to the processing plants Gas Sale Agreement was signed. EPC contracts for the project are being awarded. In addition, as part of the activities to support local communities, Eni started to build schools in the coastal area of the block.
The early production phase includes the utilization of the already successfully drilled wells and the installation of production platforms linked by pipelines to the onshore treatment plant.
The target production of approximately 300 mmcf/d is expected in 2014.
The development of Perla is currently planned to continue with two more phases by means of the drilling of additional wells and the upgrading of treatment facilities to reach a plateau production of 1,200 mmcf/d.
Planning activities progressed at the Corocoro producing field (Eni s interest 26%). In 2012 with the start-up of the Central Production Facility, Eni foresees to increase the current peak production of 48 kboe/d (approximately 11 net to Eni). The subsequent development phase will allow reaching production of over 51 kbbl/d in 2015.

Australia and Oceania

Australia In May 2011, Eni signed an agreement with MEO Australia Limited to farm-in the Heron and Blackwood gas discoveries in permit NT/P-68, located in the Timor Sea. Eni acquired a 50% stake and operatorship in the first gas discovery by financing exploration activities relating to the drilling of two appraisal wells. Eni was granted an option to earn a 50% stake in Blackwood discovery by performing seismic surveys and drilling one well in the area. The agreement also provides an option to acquire an additional 25% in both the discoveries by financing the development plan required to reach a Final Investment Decision (FID).
In November 2011, Eni acquired a 32.5% stake in the Evans Shoal gas discovery in the Timor Sea with approximately 7 Tcf of volumes of gas in place.
Production started at the Kitan oil field (Eni operator with a 40% interest) located between Timor Leste and Australia. Start-up was achieved by means of: (i) the completion of drilling activities in the deep offshore, whose positioning has been optimized with the application of innovative methods for seismic data developed by Eni (Depth Velocity Analysis, e-dva™ and Reverse Time Migration); (ii) the linkage to an FPSO plant (Floating Production Storage and

were awarded. Start-up of drilling activity is expected in 2012. Eni agreed to finance part of PDVSA s development costs for the early production phase up to $1.5 billion. In addition, Eni will secure a tranche of the Junin 5 bonus and an additional financing to PDVSA for a total of $500 million to fund the construction of a power station in the Guiria peninsula, confirming its commitment to sustainable development.
Pre-development and appraisal activities were completed at the large Perla gas field, located in the Cardon IV block (Eni s interest 50%) in the Gulf of Venezuela. The results of Perla 4 and 5 appraisal wells exceeded the initial resource estimation to more than 16,000 bcf. PDVSA owns a 35% back-in right to be exercised in the development phase, and at that time Eni will hold a 32.5% joint controlled interest in the company. The final investment decision for the first development phase was sanctioned in the year and a Offloading). Peak production of over 40 kbbl/d is expected in 2012.

Capital expenditure

Capital expenditure of the Exploration & Production Division (euro 9,435 million) concerned development of oil and gas reserves (euro 7,357 million) directed mainly outside Italy, in particular in Norway, Kazakhstan, Algeria, the United States, Congo and Egypt as well as blocks and interests in licenses awarded amounting to euro 754 million, mainly in Nigeria. Development expenditure in Italy concerned the well drilling program and facility upgrading in Val d Agri as well as sidetrack and workover activities in mature fields.

About 97% of exploration expenditure that amounted to euro 1,210 million were directed outside Italy in particular to Australia, Angola, Mozambique, Indonesia, Ghana, Egypt, Nigeria and Norway.
In Italy, exploration activities were directed mainly to the Adriatic offshore, Val d Agri and Po Valley.

In 2011 overall expenditure in R&D (euro 90 million) concerned mainly: (i) geophysical and geological technologies and petroleum system modeling to increase the exploratory successes; (ii) innovative technologies and processes for increasing in recovery rates of conventional and unconventional fields; (iii) drilling technologies for frontier areas in ultra-deep offshore basins and reservoirs with high temperatures/pressures to improve the efficiency and preserve high safety standards; (iv) enhancement in operational and environmental performance including energy efficiency and GHG sequestration. A total of 15 new patents applications were filed.

Capital expenditure (euro million)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Acquisition of proved and unproved properties	**697**		**754**	**754**	**..**
North Africa	351		57		
Sub-Saharan Africa	73		697		
Rest of Asia	94				
America	179				
Exploration	**1,228**	**1,012**	**1,210**	**198**	**19.6**
Italy	40	34	38	4	11.8
Rest of Europe	113	114	100	(14)	(12.3)
North Africa	317	84	128	44	52.4
Sub-Saharan Africa	284	406	482	76	18.7
Kazakhstan	20	6	6		
Rest of Asia	159	223	156	(67)	(30.0)
America	243	119	60	(59)	(49.6)
Australia and Oceania	52	26	240	214	..
Development	**7,478**	**8,578**	**7,357**	**(1,221)**	**(14.2)**
Italy	689	630	720	90	14.3
Rest of Europe	673	863	1,596	733	84.9
North Africa	1,381	2,584	1,380	(1,204)	(46.6)
Sub-Saharan Africa	2,105	1,818	1,521	(297)	(16.3)
Kazakhstan	1,083	1,030	897	(133)	(12.9)
Rest of Asia	406	311	361	50	16.1
America	706	1,187	831	(356)	(30.0)
Australia and Oceania	435	155	51	(104)	(67.1)
Other expenditure	**83**	**100**	**114**	**14**	**14.0**
	9,486	**9,690**	**9,435**	**(255)**	**(2.6)**

		2009	2010	2011
Employee injury frequency rate	(No. of accidents per million hours worked)	3.85	3.74	**2.33**
Contractors injury frequency rate		9.48	8.24	**8.38**
Net sales from operations [(a)]	(euro million)	30,447	29,576	**34,731**
Operating profit		3,687	2,896	**1,758**
Adjusted operating profit		3,901	3,119	**1,946**
Marketing		*1,721*	*733*	***(550)***
Regulated businesses in Italy		*1,796*	*2,043*	***2,112***
International transport		*384*	*343*	***384***
Adjusted net profit		2,916	2,558	**1,541**
EBITDA pro-forma adjusted		4,403	3,853	**2,565**
Marketing		*2,392*	*1,670*	***364***
Regulated businesses in Italy		*1,345*	*1,486*	***1,535***
International transport		*666*	*697*	***666***
Capital expenditure		1,686	1,685	**1,721**
Adjusted capital employed, net at year end		25,024	27,270	**27,660**
Adjusted ROACE	(%)	12.3	9.8	**5.6**
Worldwide gas sales [(b)]	(bcm)	103.72	97.06	**96.76**
LNG sales [(c)]		12.9	15.0	**15.7**
Customers in Italy	(million)	6.88	6.88	**7.10**
Gas volumes transported in Italy	(bcm)	76.90	83.31	**78.30**
Electricity sold	(TWh)	33.96	39.54	**40.28**
Employees at year end	(units)	11,404	11,245	**10,907**
Direct GHG emissions	(mmtonnes CO_2 eq)	14.60	15.79	**14.75**
Customer satisfaction index	(%)	83.7	87.4	**91.0**
Water consumption/withdrawals per kWheq produced (EniPower)	(cm/kWeq)	0.015	0.013	**0.014**

(a) Before elimination of intragroup sales.
(b) Include volumes marketed by the E&P Division of 2.86 bcm (6.17 and 5.65 bcm in 2009 and 2010, respectively).
(c) Refer to LNG sales of the G&P Division (included in worldwide gas sales) and the E&P Division.

Performance of the year

The injury frequency rate continued to improve (down 38% from 2010) thanks to enhanced training, information and sensitization of workers.

With regard to sales to residentials in Italy, Eni s customers satisfaction score (checked twice a year by the Authority for electricity and gas) increased to 91.0 (basis 100) in the first half of 2011 from an average 89.8 registered by the reference utility panel.

In 2011, adjusted net profit was euro 1,541 million, down 39.8% from 2010 due to a sharply lower operating performance of the Marketing business negatively impacted by weak demand and mounting competitive pressures fuelled by oversupply which squeezed selling margins and reduced volumes opportunities. The performance was also impacted by the disruption in Libyan gas availability, as well as by the unfavorable trends in energy parameters and unusual winter weather. Furthermore, the results reflected only a part of the benefits associated with the renegotiations of the supply contracts, certain of which have been finalized after 2011 year-end. These lower results were partly offset by the positive operating performance delivered by the International transport and Regulated businesses in Italy businesses.

Adjusted ROACE was 5.6% (9.8% in 2010).

Worldwide gas sales were basically stable at 96.76 bcm supported by commercial initiatives, despite lower consumption and competitive pressures. We grew in many European countries and in international LNG sales, while offtakes from importers into Italy of Libyan gas fell sharply and sales fell in Belgium.

Electricity sales of 40.28 TWh increased by 0.74 TWh from 2010, up 1.9%.

Natural gas volumes transported in Italy were 78.30 bcm, a decline of 6% from 2010 due to a steep decline in gas demand in Italy.

Capital expenditure amounted to euro 1,721 million for the development and upkeep of transport and distribution networks in Italy, increasing storage capacity and upgrading and improvement of efficiency standards in power generation.

In 2011, total R&D expenditure amounted to euro 2 million, net of overhead costs.

Agreements with Gazprom

In March 2012, within their strategic partnership Eni and Gazprom signed an agreement on the revision of long-term natural gas supply contracts from Russia to Italy with retroactive effect from January 2011. The parties also discussed the execution of a detailed plan for the commencement of construction of the South Stream gas pipeline with the Final Investment Decision (FID) to be taken by November 2012.

Divestment of international pipelines

In 2011, Eni finalized the divestment of its interests in importing pipelines of natural gas from Northern Europe (TENP and Transitgas) and Russia (TAG) as part of the agreements signed on September 29, 2010 with the European Commission. Total consideration amounted to approximately euro 1.5 billion. Eni s ship-or-pay contracts will be unaffected.

Brazil: divestment of interest in Gas Brasiliano Distribuidora

On July 30, 2011, after the approval of relevant Brazilian authorities, Eni finalized the divestment of its 100% interest in Gas Brasiliano Distribuidora, a company distributing and marketing natural gas in Brazil to Petrobras Gàs, a subsidiary of Petróleo Brasileiro ("Petrobras"). Total consideration was $271 million.

Belgium

In January 2012, Eni finalized the acquisition of Nuon Belgium NV and Nuon Power Generation Wallon NV, companies marketing gas and electricity mainly to residential and professional customers in Belgium, for an outlay of euro 214 million.

Gas volumes supplied outside Italy (76.16 bcm from consolidated companies), imported in Italy or sold outside Italy, represented approximately 90% of total supplies, an increase of 0.96 bcm, or 1.3%, from 2010, mainly reflecting higher volumes purchased from Russia (up 6.71 bcm), in particular of volumes directed to Italy (up 3.52 bcm) due in particular to the unavailability of Libyan gas, and higher volumes directed to Turkey (up 2.91 bcm) as a consequence of increased offtakes by the Turkish petroleum company Bota. Increased volumes were purchased also from the Netherlands (up 0.86

Marketing

Natural gas

Supply of natural gas

In 2011, Eni s consolidated subsidiaries supplied 83.38 bcm of natural gas, representing an increase of 0.89 bcm, or 1.1% from 2010.

bcm), and from Norway (up 0.82 bcm). Declines were recorded in gas purchases from Libya (down 7.04 bcm) due to the closure of the GreenStream pipeline, from Algeria (down 2.29 bcm) and from the UK (down 0.57 bcm).

Supplies in Italy (7.22 bcm) were substantially stable also due to higher domestic production that offset the decline of mature fields.

In 2011, main gas volumes from equity production derived from: (i) Italian gas fields (6.7 bcm); (ii) certain Eni fields located in the British and Norwegian sections of the North Sea (2.4 bcm); (iii) the United States (2.2 bcm); (iv) other European areas (Croatia with 0.3 bcm). Supplies from equity production fell sharply at the Wafa and Bahr Essalam fields (to 0.6 bcm) in Libya due to the impact of force majeure; in 2010 these two fields supplied 2.5 bcm net to Eni.

Considering also direct sales of the Exploration & Production

Division and LNG supplied from the Bonny liquefaction plant in Nigeria, supplied gas volumes from equity production were approximately 18 bcm representing 18% of total volumes available for sale.

Supply of natural gas (bcm)	2009	2010	2011	Change	% Ch.
ITALY	**6.86**	**7.29**	**7.22**	**(0.07)**	**(1.0)**
Russia	22.02	14.29	21.00	6.71	47.0
Algeria (including LNG)	13.82	16.23	13.94	(2.29)	(14.1)
Libya	9.14	9.36	2.32	(7.04)	(75.2)
Netherlands	11.73	10.16	11.02	0.86	8.5
Norway	12.65	11.48	12.30	0.82	7.1
United Kingdom	3.06	4.14	3.57	(0.57)	(13.8)
Hungary	0.63	0.66	0.61	(0.05)	(7.6)
Qatar (LNG)	2.91	2.90	2.90		
Other supplies of natural gas	4.49	4.42	6.16	1.74	39.4
Other supplies of LNG	1.34	1.56	2.34	0.78	50.0
OUTSIDE ITALY	**81.79**	**75.20**	**76.16**	**0.96**	**1.3**
Total supplies of Eni's consolidated subsidiaries	**88.65**	**82.49**	**83.38**	**0.89**	**1.1**
Offtake from (input to) storage	1.25	(0.20)	1.79	1.99	..
Network losses, measurement differences and other changes	(0.30)	(0.11)	(0.21)	(0.10)	(90.9)
AVAILABLE FOR SALE BY ENI'S CONSOLIDATED SUBSIDIARIES	**89.60**	**82.18**	**84.96**	**2.78**	**3.4**
Available for sale by Eni's affiliates	**7.95**	**9.23**	**8.94**	**(0.29)**	**(3.1)**
E&P volumes	**6.17**	**5.65**	**2.86**	**(2.79)**	**(49.4)**
TOTAL AVAILABLE FOR SALE	**103.72**	**97.06**	**96.76**	**(0.30)**	**(0.3)**

Sales of natural gas

Eni operates in a liberalized market where energy customers are allowed to choose the supplier of gas and, according to their specific needs, to evaluate the quality of services and offers. Overall Eni supplies approximately 3,000 customers including large companies, power generation companies, wholesalers

In 2011, sales of natural gas were 96.76 bcm, down 0.30 bcm or 0.3%. Sales included Eni s own consumption, Eni s share of sales made by equity-accounted entities and E&P sales in Europe and in the Gulf of Mexico. Despite a 6% decline in natural gas demand, sales volumes on the Italian market were substantially stable, at 34.68 bcm (up 0.39 bcm, or 1.1%) due to the positive effect of market initiatives taken that led to higher sales to industrial customers (up 0.80 bcm), wholesalers (up 0.32 bcm) and to the power generation segment (up 0.27 bcm). Sales on the Italian gas exchange and spot markets increased by 0.59 bcm. Lower sales volumes to the residential segment (down 0.72 bcm) reflected the effect of unusual weather condition on seasonal sales and competitive pressures.
Sales to shippers were down 5.20 bcm, or 61.6%, due to the impact of force majeure on Libyan supplies.
Sales on target markets in Europe of 49.74 bcm showed a positive trend, increasing by 7.9%, except for Benelux

and distributors of natural gas for automotive use. Residential users are 7.10 million and include households, professionals, small and medium sized enterprises, and public bodies located all over Italy.

(down 2.92 bcm) where competitive pressure, in particular in the wholesalers segment, reduced Eni s sale portfolio. The main increases were recorded in Turkey (up 2.91 bcm), due to increased offtakes by Bota, France (up 0.92 bcm) also due to the consolidation of Altergaz, UK/Northern Europe (up 0.88 bcm), Germany/Austria (up 0.80 bcm) and the Iberian Peninsula (up 0.37 bcm). Sales to markets outside Europe increased by 0.66 bcm, net of changes in consolidation related to volumes sold in the USA that in 2010 was included in E&P sales in Europe and the Gulf of Mexico, due to higher LNG sales in Argentina and Japan,

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offset in part by lower sales in Brazil following the divestment of Gas Brasiliano Distribuidora.

E&P sales in Europe and in the United States (2.86 bcm) declined by 2.79 bcm due to the above-mentioned reasons.

Gas sales by entity	(bcm)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Total sales of subsidiaries		**89.60**	**82.00**	**84.37**	**2.37**	**2.9**
Italy (including own consumption)		40.04	34.23	34.60	0.37	1.1
Rest of Europe		48.65	46.74	45.16	(1.58)	(3.4)
Outside Europe		0.91	1.03	4.61	3.58	..
Total sales of Eni's affiliates (net to Eni)		**7.95**	**9.41**	**9.53**	**0.12**	**1.3**
Italy			0.06	0.08	0.02	33.3
Rest of Europe		6.80	7.78	7.82	0.04	0.5
Outside Europe		1.15	1.57	1.63	0.06	3.8
E&P in Europe and in the Gulf of Mexico		**6.17**	**5.65**	**2.86**	**(2.79)**	**(49.4)**
WORLDWIDE GAS SALES		**103.72**	**97.06**	**96.76**	**(0.30)**	**(0.3)**

Gas sales by market	(bcm)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
ITALY		**40.04**	**34.29**	**34.68**	**0.39**	**1.1**
Wholesalers		5.92	4.84	5.16	0.32	6.6
Gas release		1.30	0.68		(0.68)	(100.0)
Italian gas exchange and spot markets		2.37	4.65	5.24	0.59	12.7
Industries		7.58	6.41	7.21	0.80	12.5
Medium-sized enterprises and services		1.08	1.09	0.88	(0.21)	(19.3)
Power generation		9.68	4.04	4.31	0.27	6.7
Residential		6.30	6.39	5.67	(0.72)	(11.3)
Own consumption		5.81	6.19	6.21	0.02	0.3
INTERNATIONAL SALES		**63.68**	**62.77**	**62.08**	**(0.69)**	**(1.1)**
Rest of Europe		**55.45**	**54.52**	**52.98**	**(1.54)**	**(2.8)**
Importers in Italy		10.48	8.44	3.24	(5.20)	(61.6)
European markets		44.97	46.08	49.74	3.66	7.9
Iberian Peninsula		*6.81*	*7.11*	*7.48*	*0.37*	*5.2*
Germany/Austria		*5.36*	*5.67*	*6.47*	*0.80*	*14.1*
Benelux		*15.72*	*14.87*	*11.95*	*(2.92)*	*(19.6)*
Hungary		*2.58*	*2.36*	*2.24*	*(0.12)*	*(5.1)*
UK/Northern Europe		*4.31*	*5.22*	*6.10*	*0.88*	*16.9*
Turkey		*4.79*	*3.95*	*6.86*	*2.91*	*73.7*
France		*4.91*	*6.09*	*7.01*	*0.92*	*15.1*
Other		*0.49*	*0.81*	*1.63*	*0.82*	*101.2*
Extra European markets		**2.06**	**2.60**	**6.24**	**3.64**	**140.0**
E&P in Europe and in the Gulf of Mexico		**6.17**	**5.65**	**2.86**	**(2.79)**	**(49.4)**
WORLDWIDE GAS SALES		**103.72**	**97.06**	**96.76**	**(0.30)**	**(0.3)**

LNG

included in worldwide gas sales) mainly concerned LNG

In 2011, LNG sales (15.7 bcm) increased by 0.7 bcm from 2010. In particular, LNG sales by the Gas & Power segment (11.8 bcm, from Qatar, Algeria and Nigeria marketed in Europe, in South America and the Far East.

LNG sales (bcm)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
G&P sales	**9.8**	**11.2**	**11.8**	**0.6**	**5.4**
Italy	0.1	0.2		(0.2)	(100.0)
Rest of Europe	8.9	9.8	9.8		
Outside Europe	0.8	1.2	2.0	0.8	66.7
E&P sales	**3.1**	**3.8**	**3.9**	**0.1**	**2.6**
Terminals:					
Bontang (Indonesia)	0.8	0.7	0.6	(0.1)	(14.3)
Point Fortin (Trinidad & Tobago)	0.5	0.6	0.4	(0.2)	(33.3)
Bonny (Nigeria)	1.4	2.2	2.5	0.3	13.6
Darwin (Australia)	0.4	0.3	0.4	0.1	33.3
	12.9	**15.0**	**15.7**	**0.7**	**4.7**

Power

Availability of electricity

Eni s power generation sites are located in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi, Ferrara and Bolgiano. In 2011, power generation was 25.23 TWh, down 0.40 TWh, or 1.6% from 2010, mainly due to lower production at the Brindisi plant, offset in part by increases at the Ravenna and Ferrara plants.
As of December 31, 2011, installed operational capacity was 5.3 GW (5.3 GW in 2010).
Power availability in 2011 was supported by the growth in

electricity trading activities (up 1.14 TWh, or 8.2%) due to higher volumes traded on the Italian power exchange benefiting from lower purchase prices.

Power sales

In 2011 electricity sales (40.28 TWh) were directed to the free market (66%), the Italian power exchange (22%), industrial sites (8%) and others (4%).
In 2011, electricity sales increased by 1.9% to due to growth in the client base and higher volumes traded on the Italian power exchange (up 1.54 TWh) despite weak domestic demand.

		2009	**2010**	**2011**	**Change**	**% Ch.**
Purchases of natural gas	(mmcm)	4,790	5,154	5,008	(146)	(2.8)
Purchases of other fuels	(ktoe)	569	547	528	(19)	(3.5)
Power generation	(TWh)	24.09	25.63	25.23	(0.40)	(1.6)
Steam	(ktonnes)	10,048	10,983	14,401	3,418	31.1

Availability of electricity (TWh)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Power generation	24.09	25.63	25.23	(0.40)	(1.6)
Trading of electricity [(a)]	9.87	13.91	15.05	1.14	8.2
	33.96	**39.54**	**40.28**	**0.74**	**1.9**
Free market	24.74	27.48	26.87	(0.61)	(2.2)
Italian electricity exchange	4.70	7.13	8.67	1.54	21.6
Industrial plants	2.92	3.21	3.23	0.02	0.6

Other [a]	1.6	1.72	1.51	(0.21)	(12.2)
Power sales	**33.96**	**39.54**	**40.28**	**0.74**	**1.9**

(a) Include positive and negative imbalances.

As a part of its activities selling natural gas and electricity with the aim of improving planning of commercial actions and monitoring technologies for energy efficiency, Eni developed **"eni kassandra meteo forecast"**, a proprietary system for forecasting temperatures from meteorological and climate data. The system has been validated in 2011 at European level and is going to be used in the management and sale of energy resources obtaining competitive advantages through the optimization of power generation activity at EniPower plants.

Regulated Businesses in Italy

Transport and regasification of natural gas

Volumes of gas transported in Italy were 78.30 bcm decreasing by

5.01 bcm from 2010 due to declining domestic demand. In 2011, the LNG terminal in Panigaglia (La Spezia) regasified 1.89 bcm of natural gas (1.98 bcm in 2010).

Gas volumes transported [a] and regasified in Italy (bcm)	2009	2010	2011	Change	% Ch.
Gas volumes transported	76.90	83.31	78.30	(5.01)	(6.0)
Gas volumes regasified	1.32	1.98	1.89	(0.09)	(4.5)

(a) Includes amounts destined to domestic storage.

With the aim of guaranteeing excellent quality standards and efficient transport services, as part of its activity of pipeline monitoring, Eni developed theoretical models of acoustic-elastic transmission in pipes used for gas and oil transport as well as algorithms for remote localization of impacts and fluid leaks along the pipe. The prototypal system of this monitoring technology will be applied on transport and production pipes in Eni plants in Italia, Tunisia and Nigeria. In addition, studies were also completed on new acoustic sensors with Wi-Fi remote control for sunken pipes at gas stations that cannot be checked with PIG (Pipeline Inspection Gauges), and radar technologies for remote monitoring of vibrations and pipe displacement.
Furthermore, in 2011 Eni completed the TPI (**Transport at Intermediate Pressure**) project dedicated to validate natural gas transport technologies by means of onshore high pressure

pipes in high grade structural steel. For the same volumes of gas transported with traditional solutions, the introduction of this technology allows to reduce the fuel gas required for pipe transport.

Storage

In 2011, 7.78 bcm (down 0.22 bcm from 2010) were input to the Company s storage deposits, while 7.53 bcm of gas were offtaken (slightly lower than one year ago). Storage capacity amounted to 15 bcm, of which 5 bcm were destined to strategic storage.
The share of modulation storage capacity used by third parties was about 78% (71% in 2010).

Storage		2009	2010	2011	Change	% Ch.
Total storage capacity:	(bcm)	13.9	14.2	15.0	0.8	5.6
- of which strategic storage		*5.0*	*5.0*	*5.0*		
- of which available storage		*8.9*	*9.2*	*10.0*	*0.8*	*8.7*
Available capacity: share utilized by Eni	(%)	30	29	22	(7)	(24.1)
Total offtake from (input to) storage:	(bcm)	16.52	15.59	15.31	(0.28)	(1.8)
- input to storage		*7.81*	*8.00*	*7.78*	*(0.22)*	*(2.8)*
- offtake from storage		*8.71*	*7.59*	*7.53*	*(0.06)*	*(0.8)*
Total customers	(No.)	56	60	104	44	73.3

Main development projects

Marketing

LNG

In 2011, LNG Shipping was awarded a "Green Plus" certification for its LNG carrier ships (LNG Portovenere and LNG Lerici), being this class assigned to ships provided with design, assets and operating procedures that improve performance while respecting the environment and go beyond the requirements of international conventions on eco-compatibility and GHG emissions.

USA - Cameron In consideration of a changed demand outlook, on March 1, 2010, Eni renegotiated certain terms of the contract with US company Cameron LNG, relating to the farming out of a share of regasification capacity of the Cameron terminal that was started-up in the third quarter of 2009. The new agreement provides that Eni will be entitled to a daily send-out of 572,000 mmbtu (approximately 5.7 bcm/y) and a dedicated storage capacity of 160 kcm, giving Eni more flexibility in managing seasonal swings in gas demand. Furthermore, keeping account of the current oversupply of the US gas market, the Brass project (West Africa) for developing gas reserves to fuel the Cameron plant has been rescheduled with start-up in 2017.

South Stream project

In September 2011, Eni and Gazprom within their strategic partnership signed a series of agreements in areas of common interest including the development of the South Stream project through the definition of terms for the participation to the project of gas operators Wintershall and EDF, each with a 15% stake. Gazprom and Eni hold 50% and 20% interests, respectively.
In March 2012, terms for the commencement of construction of the gas pipeline were also agreed with the Final Investment Decision (FID) expected by November 2012.

Regulated businesses in Italy

Reorganization of regulated businesses in Italy
Implementing the so-called Third Energy Package, on December 5, 2011 with effect from January 1, 2012, "Snam Rete Gas SpA" changed its company name in "Snam SpA". At the same date Snam SpA transferred the "transportation, dispatch, remote control and metering of natural gas" business unit to a new company that from January 1, 2012, took the name of Snam Rete Gas SpA. The reorganization of Regulated businesses in Italy based on Snam SpA as holding the 100% interest in the four companies operating the transport, re-gasification, storage and distribution of natural gas, intends to build an organizational model meeting the new legal provisions on the unbundling of transport activities as provided by Italian laws implementing European Directive No. 2009/73/EC. The AEEG (the Italian Authority for Electricity and Gas) is currently assessing the conformity to the law of the model adopted by Snam SpA.

Development of gas infrastructure in Europe
In January 2012, Snam and Fluxys G signed an agreement for the evaluation of future joint strategies aimed at seizing potential development opportunities concerning infrastructures in the gas sector in Europe. The agreement concerns transport, storage and regasification of natural gas, by means of projects aimed at strengthening flexibility and safety of supplies of present European infrastructure.
As a part of these agreements, on February 22, 2012, Snam and Fluxys G acquired from Eni a 16.41% interest

promotion of the use of energy from renewable sources, provides for the replacement of the present incentive system based on the so called "green certificates " (negotiable instruments issued by GSE - Gestore dei Servizi Energetici Manager of energy services corresponding to a given amount of CO_2 emissions) with a direct tariff incentive system. The decree provides for the gradual reduction of the share of electricity production currently covered by green certificates, until it is completely cancelled in 2015. The decree also affects the incentive mechanism of energy efficiency projects, by means of "white certificates" (or "Titoli di Efficienza Energetica" - TEE instruments of energy efficiency, that certify savings achieved) as it provides that the confirmation of these certificates is awarded to 30% of what would be attributed to a similar new plant, and also to power generation plants that started operations after April 1, 1999 and before March 7, 2007, for a 5 year-period and considered as co-generation plants according to laws in force at the time. Almost all installed power capacity of Eni plants meets these requirements.

Ministerial Decree of August 4, 2011 Criteria for the recognition of high yield co-generation and Ministerial Decree of September 5, 2011 Definition of a support system for high yield co-generation
With a Ministerial Decree of August 4, 2011, the Ministry for Economic Development, in agreement with the Ministry for the Environment, defined criteria for the definition and the recognition of high yield co-generation.
With a Ministerial Decree of September 5, 2011, the Ministry for Economic Development also provided a new incentive for co-generation plants proportional to savings of primary energy and recognized with the awarding of instruments of energy efficiency (the so-called "white certificates"), awarded by the GSE at a price defined by the Authority for Electricity and gas. This incentive is recognized for 10 years to plants that started operations after March 7, 2007, and extended to 15 years if power generation is combined with a remote heating network.

Sales tariff regulation in Europe
In France, starting from June 1, 2011, tariffs have been blocked by a new ministerial measure that cancelled

in Interconnector (UK) Ltd, a 51% interest in Interconnector Zeebrugge Terminal SCRL and a 10% interest in Huberator SA. The three companies manage the underwater gas pipeline linking the United Kingdom (Bacton) and Belgium (Zeebrugge), the Zeebrugge compression station near the Interconnector and the Zeebrugge hub trading platform, respectively. The total amount of the transaction is approximately euro 150 million and its finalization is subject to suspensive conditions. The closing of the transaction is expected by the second half of 2012.

Regulatory framework

Legislative Decree of March 3, 2011, No. 28 Implementation of Directive 2009/28/CE on the promotion of the use of energy from renewable sources

Legislative Decree No. 28/2011, representing the general law within which implementing rulings will be approved for the

tariff increases for the year for residential customers and allowed a lower increase than the one resulting from the application of the indexation formula for professional customers. In December 2011, the French Government passed a new indexation formula to be applied to tariff updates from January 1, 2012 that significantly increases (from 9.5% to 26%) the share related to spot prices. Similar measures concerning a block on tariffs paid by retail customers have been approved in Hungary.

For further details about the regulatory framework of G&P sector see "Risk factors" below.

Capital expenditure

In 2011, capital expenditure in the Gas & Power segment totaled euro 1,721 million and mainly related to: (i) developing and upgrading

Eni s transport network in Italy (euro 898 million); (ii) developing and upgrading Eni s distribution network in Italy (euro 337 million); (iii) developing and upgrading Eni s storage capacity in Italy (euro 294 million); (iv) completion of upgrading and other initiatives to improve flexibility of the combined cycle power plants (euro 87 million); (v) the upgrading plan of natural gas import infrastructure (euro 8 million).

Capital expenditure (euro million)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Italy	1,564	1,575	1,661	86	5.5
Outside Italy	122	110	60	(50)	(45.5)
	1,686	**1,685**	**1,721**	**36**	**2.1**
Marketing	**175**	**248**	**184**	**(64)**	**(25.8)**
Marketing	102	133	97	(36)	(27.1)
Italy	*12*	*40*	*45*	*5*	*12.5*
Outside Italy	*90*	*93*	*52*	*(41)*	*(44.1)*
Power generation	73	115	87	(28)	(24.3)
Regulated businesses in Italy	**1,479**	**1,420**	**1,529**	**109**	**7.7**
Transport	919	842	898	56	6.7
Distribution	278	328	337	9	2.7
Storage	282	250	294	44	17.6
International transport	**32**	**17**	**8**	**(9)**	**(52.9)**
	1,686	**1,685**	**1,721**	**36**	**2.1**

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		2009	2010	2011
Employee injury frequency rate	(No. of accidents per million hours worked)	3.18	1.77	**2.02**
Contractors injury frequency rate		4.35	3.59	**3.21**
Net sales from operations [(a)]	(euro million)	31,769	43,190	**51,219**
Operating profit		(102)	149	**(273)**
Adjusted operating profit		(357)	(171)	**(535)**
Adjusted net profit		(197)	(49)	**(262)**
Capital expenditure		635	711	**866**
Adjusted capital employed, net at year end		7,560	7,859	**8,600**
Adjusted ROACE	(%)	(2.6)	(0.6)	**(3.1)**
Refinery throughputs on own account	(mmtonnes)	34.55	34.80	**31.96**
Conversion index	(%)	60	61	**61**
Balanced capacity of refineries	(kbbl/d)	747	757	**767**
Retail sales of petroleum products in Europe	(mmtonnes)	12.02	11.73	**11.37**
Service stations in Europe at year end	(units)	5,986	6,167	**6,287**
Average throughput per service station in Europe	(kliters)	2,477	2,353	**2,206**
Retail efficiency index	(%)	1.61	1.53	**1.50**
Employees at year end	(units)	8,166	8,022	**7,591**
Direct GHG emissions	(mmtonnes CO_2 eq)	7.29	7.57	**7.23**
SO_x (sulphur oxide) emissions	(ktonnes SO_2 eq)	21.98	28.05	**23.07**
NO_x (nitrogen oxide) emissions	(ktonnes NO_2 eq)	7.35	7.96	**6.74**
Water consumption rate	(cm/tonnes)	35.99	28.36	**31.07**
Customer satisfaction index	(likert scale)	7.93	7.84	**7.74**

(a) Before elimination of intragroup sales.

Performance 2011

The injury frequency rate for Eni employees increased by 14% from 2010: in 2011, 26 accidents occurred.

In 2011, NO_x and SO_x emissions significantly declined (down 15% and down 18%, respectively) from 2010, due to the use of natural gas to replace fuel oil and to energy saving measures.

In 2011, this segment reported adjusted operating loss of euro 262 million worsening by euro 213 million from 2010, reflecting unprofitable refining margins due to rising costs for oil-based feedstock and for energy utilities linked to the former that could not be transferred to prices at the pump, also due to weak demand and excess capacity in the Mediterranean basin. Marketing results were positive but shrinking due to the decline in retail and wholesale demand for products.

Return on average capital employed on an adjusted basis was a negative 3.1% (-0.6% in 2010).

In 2011 refining throughputs were 31.96 mmtonnes, down 8.2% from 2010). In Italy, processed volumes decreased by 8.7%, reflecting the decision to cut throughputs at the Venice plant in response to an unfavorable market scenario and the impact of planned standstill at the other plants. Outside Italy, Eni s refining throughputs decreased by 5.3% in particular in the Czech Republic as a consequence of the relevant planned downtime at the Litvinov refinery.

Retail sales in Italy of 8.36 mmtonnes decreased by 3.1%, driven by lower consumption of gasoil and gasoline in an unfavorable market scenario with high competitive pressure. Eni s average retail market share for 2011 was 30.5%, up 0.1 percentage points from 2010.

Retail sales in the rest of Europe of 3.01 mmtonnes were down by 2.9% from 2010. Volume additions in Austria, reflecting the purchase of service stations, were offset by lower sales in Germany due to certain lease contract terminations, in France due to the rationalization of the network of service stations and in Eastern Europe due to declining demand.

Capital expenditure of euro 866 million related mainly to projects designed to improve the conversion capacity and flexibility of refineries, logistics, upgrade of the fuel distribution network in Italy and in the rest of Europe and initiatives in the field of health, safety and the environment.

In 2011 total expenditure in R&D in the Refining & Marketing Division amounted to approximately euro 32 million, net of general and administrative costs. In the year 8 patent applications were filed.

Supply and Trading

In 2011, a total of 59.02 mmtonnes of crude were purchased by the Refining & Marketing Division (68.25 mmtonnes in 2010), of which 27.64 mmtonnes from Eni s Exploration & Production Division. Volumes amounting to 20.44 mmtonnes were purchased on the spot market, while 10.94 mmtonnes were purchased under long-term supply contracts with producing Countries. Approximately 27% of crude purchased in 2010 came from Russia, 20% from West Africa, 11% from the North Sea, 11% from the Middle East, 9% from North Africa, 6% from Italy, and 16% from other areas. In 2011 some 32.10 mmtonnes of crude purchased were marketed, (down of approximately 4.07 mmtonnes, or 11.3%, from 2010). In addition, 4.26 mmtonnes of intermediate products were purchased (3.05 mmtonnes in 2010) to be used as feedstock in conversion plants and 15.85 mmtonnes of refined products (15.28 mmtonnes in 2010) were purchased to be sold on markets outside Italy (12.45 mmtonnes) and on the domestic market (3.40 mmtonnes) as a complement to available production.

Purchases (mmtonnes)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Equity crude oil					
Eni s production outside Italy	29.84	26.90	24.29	(2.61)	(9.7)
Eni s production in Italy	2.91	3.24	3.35	0.11	3.4
	32.75	**30.14**	**27.64**	**(2.50)**	**(8.3)**
Other crude oil					
Purchases on spot markets	14.94	20.95	20.44	(0.51)	(2.4)
Purchases under long-term contracts	19.71	17.16	10.94	(6.22)	(36.2)
	34.65	**38.11**	**31.38**	**(6.73)**	**(17.7)**
Total crude oil purchases	**67.40**	**68.25**	**59.02**	**(9.23)**	**(13.5)**
Purchases of intermediate products	2.92	3.05	4.26	1.21	39.7
Purchases of products	13.98	15.28	15.85	0.57	3.7
TOTAL PURCHASES	**84.30**	**86.58**	**79.13**	**(7.45)**	**(8.6)**
Consumption for power generation	(0.96)	(0.92)	(0.89)	0.03	3.3
Other changes [(a)]	(1.64)	(2.69)	(1.12)	1.57	58.4
	81.70	**82.97**	**77.12**	**(5.85)**	**(7.1)**

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

Refining

In 2011, refining throughputs were 31.96 mmtonnes, down 2.84 mmtonnes, or down 8.2% from 2010. In Italy, processed volumes decreased by 8.7% from 2010, reflecting the decision to cut throughputs at the Venice plant in response to an unfavorable market scenario and unexpected standstills, in addition to planned standstill at the other plants. Outside Italy, Eni s refining throughputs decreased by 5.3% (down approximately Total throughputs in wholly-owned refineries were 22.75 mmtonnes, down by 2.95 mmtonnes (down 11.5%) from 2010 determining a refinery utilization rate of 79%, declining from 2010 consistent with the unfavorable scenario. Approximately 22.3% of volumes of processed crude was supplied by Eni s Exploration & Production segment (15.8% in 2010) representing a 6.5 percentage point increase from 2010, corresponding to

280 ktonnes), mainly in the Czech Republic as a consequence of the planned downtime at the Litvinov refinery.

higher volume of approximately 1.52 mmtonnes.

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Availability of refined products (mmtonnes)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
ITALY					
At wholly-owned refineries	24.02	25.70	22.75	(2.95)	(11.5)
Less input on account of third parties	(0.49)	(0.50)	(0.49)	0.01	2.0
At affiliated refineries	5.87	4.36	4.74	0.38	8.7
Refinery throughputs on own account	**29.40**	**29.56**	**27.00**	**(2.56)**	**(8.7)**
Consumption and losses	(1.60)	(1.69)	(1.55)	0.14	8.3
Products available for sale	**27.80**	**27.87**	**25.45**	**(2.42)**	**(8.7)**
Purchases of refined products and change in inventories	3.73	4.24	3.22	(1.02)	(24.1)
Products transferred to operations outside Italy	(3.89)	(4.18)	(1.77)	2.41	57.7
Consumption for power generation	(0.96)	(0.92)	(0.89)	0.03	3.3
Sales of products	**26.68**	**27.01**	**26.01**	**(1.00)**	**(3.7)**
OUTSIDE ITALY					
Refinery throughputs on own account	**5.15**	**5.24**	**4.96**	**(0.28)**	**(5.3)**
Consumption and losses	(0.25)	(0.24)	(0.23)	0.01	4.2
Products available for sale	**4.90**	**5.00**	**4.73**	**(0.27)**	**(5.4)**
Purchases of refined products and change in inventories	10.12	10.61	12.51	1.90	17.9
Products transferred from Italian operations	3.89	4.18	1.77	(2.41)	(57.7)
Sales of products	**18.91**	**19.79**	**19.01**	**(0.78)**	**(3.9)**
Refinery throughputs on own account	**34.55**	**34.80**	**31.96**	**(2.84)**	**(8.2)**
of which: refinery throughputs of equity crude on own account	*5.11*	*5.02*	*6.54*	*1.52*	*30.3*
Total sales of refined products	**45.59**	**46.80**	**45.02**	**(1.78)**	**(3.8)**
Crude oil sales	**36.11**	**36.17**	**32.10**	**(4.07)**	**(11.3)**
TOTAL SALES	**81.70**	**82.97**	**77.12**	**(5.85)**	**(7.1)**

In May 2011, at the Sannazzaro de Burgondi refinery preliminary activities have started for the construction of the plant employing for the first time on an industrial scale **EST** (**Eni Slurry Technology**), created by Eni for the conversion of heavy oil residue into valuable products, gasoline and gasoil. As compared to available refining technologies, EST does not produce by-products but converts feedstock completely into distillates and allows to make valuable use of distillation

the Slurry Dual Catalyst pilot plant: this technology, based on the combination of two nanocatalysts could lead to a relevant breakthrough in the EST process, increasing its productivity and improving product quality.
In addition, at the Sannazzaro refinery the **Short Contact Time-Catalytic Partial Oxidation** project is underway for the production of hydrogen. This reforming technology transforms gaseous and liquid hydrocarbons (also derived from biomass) into synthetic gas (carbon monoxide and hydrogen).

In line with its industrial policies, Eni s commitment in refining aims at achieving operating excellence with particular attention paid to safety and health in its activities and the protection of the environment and strong relations with the people and the areas where it operates. To this end and to reduce the environmental impact of its activities in this field, in the third quarter of 2011 Eni started up a pilot plant for pyrolisis/gasification and inertitazion of industrial

residue of heavy and extra-heavy crude and non conventional resources.
In addition, as part of the **Total Conversion** project, successful results have been obtained from the continuous operation of

sludge (**Zero Waste project**) with capacity of 50 kg/h at the site of Centre for new materials development of in Rome.
Within its initiatives for the reduction of environmental impact of refining activities, a project is under way for the reduction of 1,400 tonnes/y of SO_2 and 120 tonnes/y of NO_x by means of better equipments installed at the Gela (construction of a new SRU - Sulphur Recovery Unit) and Sannazzaro (technical updating of plants) refineries. In addition, at the Livorno refinery work started for the construction of a water reuse plant with a capacity of 800 kcm/y, that will reduce the need for external water in the cooling circuit.

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Marketing of refined products

In 2011 retail sales of refined products (45.02 mmtonnes) declined by 1.78 mmtonnes from 2010, down 3.8%, due mainly to lower volumes sold to oil companies and traders in Italy and abroad.

Product sales in Italy and outside Italy by market (mmtonnes)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Retail	9.03	8.63	8.36	(0.27)	(3.1)
Wholesale	9.56	9.45	9.36	(0.09)	(1.0)
Petrochemicals	1.33	1.72	1.71	(0.01)	(0.6)
Other sales	6.76	7.21	6.58	(0.63)	(8.7)
Sales in Italy	**26.68**	**27.01**	**26.01**	**(1.00)**	**(3.7)**
Retail rest of Europe	2.99	3.10	3.01	(0.09)	(2.9)
Wholesale rest of Europe	3.66	3.88	3.84	(0.04)	(1.0)
Wholesale outside Italy	0.41	0.42	0.43	0.01	2.4
Other sales	11.85	12.39	11.73	(0.66)	(5.3)
Sales outside Italy	**18.91**	**19.79**	**19.01**	**(0.78)**	**(3.9)**
	45.59	**46.80**	**45.02**	**(1.78)**	**(3.8)**

Retail sales in Italy

In 2011, retail sales in Italy of 8.36 mmtonnes decreased by approximately 270 ktonnes, down 3.1%, driven by lower consumption of gasoil and gasoline, in particular in highway service station related to the decline in freight transportation. Average gasoline and gasoil throughput (2,173 kliters) decreased by approximately 149 kliters from 2010. Eni s retail market share for 2011 was 30.5%, up 0.1 percentage point from 2010.
At December 31, 2011, Eni s retail network in Italy consisted of 4,701 service stations, 159 more than at December 31, 2010 (4,542 service stations), resulting from the positive balance of acquisitions/releases of lease concessions (158 units), the opening of new service stations (14 units), partly offset by the closing of service stations with low throughput (13 units).
In 2011 even sales of premium fuels (fuels of the "eni blu+" line with high performance and lower environmental impact), despite the support of strong promotional campaigns were affected by the decline in domestic consumption and were lower than the previous year. In particular, sales of eni bludiesel+ amounted to approximately 493 mmtonnes (approximately 592 mmliters) with a decline of approximately 80 ktonnes from 2010 and represented 9% of volumes of gasoil 4,130 units (4,071 at 2010 year-end) covering approximately 88% of Eni s network. Retail sales of blusuper+ amounted to 62 ktonnes (approximately 83 mmliters), with a slight decrease from 2010, and covered 2.4% of gasoline sales on Eni s retail network (down 0.2% from a year ago). At December 31, 2011, service stations marketing blusuper+ totaled 2,703 units (2,672 at December 31, 2010), covering approximately 57% of Eni s network.
Within the development of **innovative fuels and bio-fuels**, in addition to the mentioned eni blu+ line, Eni is working at new catalysts for desulphuration for the optimization of gasoil quality and, with particular reference to bio-fuels, is studying the use of non food feedstocks deriving from biomass at the Donegani Research Center for its **Ecofining** proprietary technology, identifying new bio-components pro fuel, and evaluating their compatibility with engines.
With reference to the promotional initiative "you&eni", the loyalty program for customers launched in February 2010 for a three year period, the cards that made at least one transaction in the period were approximately 6.5 million at December 31, 2011. The average number of cards active monthly was approximately 2.6 million. Volumes sold to customers cumulating points on their

marketed by Eni s retail network. At December 31, 2011, service stations marketing bludiesel+ totaled

card were approximately 39% of total throughputs.

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Retail and wholesales sales of refined products	(mmtonnes)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Italy		**18.59**	**18.08**	**17.71**	**(0.37)**	**(2.0)**
Retail sales		**9.03**	**8.63**	**8.36**	**(0.27)**	**(3.1)**
Gasoline		3.05	2.76	2.60	(0.16)	(5.8)
Gasoil		5.74	5.58	5.45	(0.13)	(2.3)
LPG		0.22	0.26	0.29	0.03	11.5
Lubricants		0.02	0.03	0.02	(0.01)	(33.3)
Wholesale sales		**9.56**	**9.45**	**9.35**	**(0.10)**	**(1.1)**
Gasoil		4.30	4.36	4.18	(0.18)	(4.1)
Fuel Oil		0.72	0.44	0.46	0.02	4.5
LPG		0.35	0.33	0.31	(0.02)	(6.1)
Gasoline		0.12	0.16	0.19	0.03	18.8
Lubricants		0.09	0.10	0.10		
Bunker		1.38	1.35	1.26	(0.09)	(6.7)
Jet fuel		1.43	1.46	1.65	0.19	13.0
Other		1.17	1.25	1.20	(0.05)	(4.0)
Outside Italy (retail+wholesale)		**7.06**	**7.40**	**7.29**	**(0.11)**	**(1.5)**
Gasoline		1.89	1.85	1.79	(0.06)	(3.2)
Gasoil		3.54	3.95	3.82	(0.13)	(3.3)
Jet fuel		0.35	0.40	0.49	0.09	22.5
Fuel Oil		0.28	0.25	0.23	(0.02)	(8.0)
Lubricants		0.10	0.10	0.10		
LPG		0.50	0.49	0.50	0.01	2.0
Other		0.40	0.36	0.36		
		25.65	**25.48**	**25.00**	**(0.48)**	**(1.9)**

Retail sales in the Rest of Europe

Retail sales in the rest of Europe of approximately 3.01 mmtonnes were down 2.9% (approximately 90 ktonnes). Volume additions in Austria, reflecting the purchase of service stations, were offset by lower sales in Germany due to certain lease contract terminations, in France and in Eastern Europe due to declining demand.

consisted of 1,586 units, a decrease of 39 units from December 31, 2010 (1,625 service stations). The network evolution was as follows: (i) the closing of 41 low throughput service stations mainly in Austria and France; (ii) the negative balance of acquisitions/releases of lease concessions (17 units) with negative changes in particular in Germany, Austria and Switzerland; (iii) the purchase of 12 service stations, in particular in France and Germany; (iv) the opening of 7 new outlets. Average throughput (2,299 kliters) decreased by 142 kliters from 2010 (2,441 kliters).

Wholesale and other sales

Wholesale sales in Italy (9.36 mmtonnes) declined by approximately 90 ktonnes, down 1%, mainly due to a decline in demand from transports (with a sharp drop in gasoil sales)and industrial customers due to a generalized slowdown and strong competitive pressure which affected in particular bunkering and bitumen, but

At December 31, 2011 Eni s retail network in the rest of Europe

also LPG due to unusual weather conditions. Jet fuel and fuel oil sales increased, while gasoil sales dropped starkly in 2011. Average market share in 2011 was 28.3% (29.2% in 2010).

Supplies of feedstock to the petrochemical industry (1.71 mmtonnes) were basically in line with 2010 recording a slight decline of 10 ktonnes related to lower feedstock supplies due to lower demand from industrial customers.

Wholesale sales in the rest of Europe of approximately 3.84 mmtonnes declined by 1% from 2010 mainly in Hungary, Germany and the Czech Republic, while sales increased in

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Austria, Switzerland and France.
Other sales (18.31 mmtonnes) decreased by 1.29 mmtonnes, or 6.6%, mainly due to lower sales volumes to oil companies.

Non-oil

Eni was engaged in increasing its supply of non-oil products and services in its service stations in Italy by developing a chain of franchised outlets, in particular:
- "enicafè", a format present in 350 stations after the upgrading of bars and stores in its network;
- "enicafè&shop", a format including corners for the sale of food and car-care products in 200 Eni outlets.

In 2011 Eni also launched a new self-service option h.24 of food, non-food and personal care products by means of the installation of eni branded vending machines in 150 outlets with the aim of extending this service to over 1,000 outlets in the next two years.

Capital expenditure

In 2011, capital expenditure in the Refining & Marketing Division amounted to euro 866 million and regarded mainly: (i) refining, supply and logistics in Italy and outside Italy (euro 629 million), with projects designed to improve the conversion rate and flexibility of refineries, in particular the Sannazzaro refinery, as well as expenditures on health, safety and environmental upgrades; (ii) upgrade and rebranding of the refined product retail network in Italy (euro 168 million) and in the rest of Europe (euro 60 million).

Capital expenditure (euro million)	2009	2010	2011	Change	% Ch.
Italy	581	633	803	170	26.9
Outside Italy	54	54	63	9	16.7
	635	**687**	**866**	**179**	**26.1**
Refinery, supply and logistics	**436**	**446**	**629**	**183**	**41.0**
Italy	436	444	626	182	41.0
Outside Italy		2	3	1	..
Marketing	**172**	**246**	**228**	**(18)**	**(7.3)**
Italy	118	170	168	(2)	(1.2)
Outside Italy	54	76	60	(16)	(21.1)
Other	**27**	**19**	**9**	**(10)**	**(52.6)**
	635	**711**	**866**	**155**	**21.8**

Expenditures on health, safety and the environment amounted to euro 111 million.
A **process safety** project for the upgrade of refining activities with advanced technologies is under way. All refineries (5), plants and storage sites (23), laboratories (2) and sales areas in Italy (4) are ISO 14001 certified, refineries in Sannazzaro, Venice, Livorno, Taranto are EMAS certified.
In addition, from 2003 Eni has been carrying out **energy saving** projects that allowed in 2011 to save additional 42 ktoe, that summed to the previous efficiency actions means an annual Energy savings of 214 ktoe, equivalent to approximately 640 ktonnes of CO_2 avoided.
Accumulated savings are expected to reach 92 ktoe (266 ktonnes CO_2) in 2014. These achievements deriving from relevant investments contributed to obtaining the first certification in Italy under ISO 50001 on energy management.

Contents

		2009	2010	2011
Employee injury frequency rate	(No. of accidents per million hours worked)	2.34	1.54	**1.47**
Contractors injury frequency rate		8.12	5.94	**4.60**
Net sales from operations [(a)]	(euro million)	4,203	6,141	**6,491**
Basic petrochemicals		*1,832*	*2,833*	***2,987***
Polymers		*2,185*	*3,126*	***3,299***
Other sales		*186*	*182*	***205***
Operating profit		(675)	(86)	**(424)**
Adjusted operating profit		(426)	(113)	**(276)**
Adjusted net profit		(340)	(85)	**(208)**
Capital expenditure		145	251	**216**
Production	(ktonnes)	6,521	7,220	**6,245**
Sales of petrochemical products		4,265	4,731	**4,040**
Average plant utilization rate	(%)	65.4	72.9	**65.3**
Employees at year end	(units)	6,068	5,972	**5,804**
Direct GHG emissions	(mmtonnes CO_2 eq)	4.63	4.69	**4.12**
NMVOC (Non-Methane Volatile Organic Compounds) emissions	(tonnes)	3.83	3.30	**4.18**
SO_x (sulphur oxide) emissions	(ktonnes of SO_2 eq)	4.59	3.30	**3.18**
NO_x (nitrogen oxide) emissions	(ktonnes of NO_2 eq)	4.78	4.87	**4.14**
Recycled/reused water	(%)	81.6	82.7	**81.8**

(a) Before elimination of intragroup sales.

Performance of the year

In 2011 injury rates of employees and contractors continued to follow the positive trends of previous years (down 4.5% and 22.6%, respectively).

In 2011 emissions of greenhouse gases NMVOC, NO_x and SO_x decreased due to lower sale volumes and to energy saving interventions performed in the year.

In 2011 the percentage of reused water was approximately 80%, barely unchanged from previous years.

In 2011 the sector reported a significant increase in adjusted net loss (euro 208 million, down euro 123 million) from 2010, due to higher supply costs of oil-based feedstock which were not recovered in sale prices on end markets in a context of substantial decrease in demand.

Sales of petrochemical products were 4,040 ktonnes, down 691 ktonnes, or 14.6%, from 2010 due to lower demand.

Petrochemical production volumes were 6,245 ktonnes, decreased by 975 ktonnes, or down 13.5%, due to a decline in demand for petrochemical products in all business, with the only exception of elastomers (up 1%).

In 2011, the average plant utilization rate decreased from 72.9 to 65.3 due to reduced production in a phase of economic slowdown.

In 2011 overall expenditure in R&D amounted to approximately euro 32 million in line with the previous year. A total of new 13 patent applications were filed.

Bio-based chemicals

In June 2011 Eni, through its subsidiary Polimeri Europa, signed a cooperation agreement with Novamont SpA to convert Eni s Porto Torres chemical plant into an innovative bio-based chemical complex to produce bio-plastics and other bio-based products (bio-lubricants and bio-additives) for which significant growth is expected in the medium/long-term. The project will be supported by an integrated supply chain and raw materials of vegetable origin. Novamont will contribute with its technologies and skills in the bio-plastics and bio-based chemical sector. Eni will contribute to the joint entity with its Porto Torres plant, infrastructure and professional staff as well as its industry, technical-engineering and commercial know-how in the petrochemical sector. In addition, Eni aims to build a biomass power plant and to carry out a number of projects for the environmental restoration and clean-up activities. Eni plans to make capital expenditures totaling approximately euro 1.2 billion in the 2011-2016 period to execute the above mentioned projects, directly or through the joint entity.

Sales - production - prices

In 2011 **sales** of petrochemical products (4,040 ktonnes) decreased by 691 ktonnes (down 14.6%) from 2010, mainly due to a substantial decrease in demand reflecting the current economic downturn.

Petrochemical **production** (6,245 ktonnes) decreased by 975 ktonnes from 2010, or 13.5%. Main decreases were registered in basic petrochemicals and polyethylene while elastomer production achieved a slight increase (up 1.1%).
The mentioned demand decrease required unexpected outages in all the plants, in Italy and abroad. In Italy, relevant production decreases were registered at the Porto Torres plant (down 46.4%), as a result of the shutdown of the plant in connection with the start in the second half of 2011 of the mentioned bio-based project related to the conversion of the site.
Outside Italy, main decreases were registered at the Dunkerque site due to a slow restart after the expected shutdown and Feluy due to the closure of the polystyrene plant at the end of 2010.

Average unit sales prices increased by 20% from 2010 due to the positive impact of the oil price scenario (virgin naphtha prices increased by 31% from 2010). Also polymer prices registered a relevant increase, in particular elastomers (up 34%).
Notwithstanding the above mentioned increase in sales prices, unit margins reported a steep decline due to due to higher supply costs of oil-based feedstock which were not recovered in sales prices.

Product availability (ktonnes)	**2009**	**2010**	**2011**	**Change**	**% Ch.**
Basic petrochemicals	4,350	4,860	4,101	(759)	(15.6)
Polymers	2,171	2,360	2,144	(216)	(9.2)
Production	**6,521**	**7,220**	**6,245**	**(975)**	**(13.5)**
Consumption and losses	(2,701)	(2,912)	(2,631)	281	(9.6)
Purchases and change in inventories	445	423	426	3	0.7
	4,265	**4,731**	**4,040**	**(691)**	**(14.6)**

Business trends

Basic petrochemicals

Basic petrochemicals revenues (euro 2,987 million) increased by euro 154 million from 2010 (up 5.4%) in all main business segments due to the steep increase in average unit prices (olefins/aromatics up 20%, intermediates up 16%) as a result of an improved scenario, partly offset by lower volumes sold (down 18% on average).
In particular, a decline was reported in sales volumes of olefins (ethylene down 22%; butadiene down 57% due to the lack of raw material) and intermediates (down 21% on average, in particular phenol and acetone). at a pilot scale aimed at eliminating the coproduction of acetone, a dangerous and unwanted co-product.

Polymers

Polymer revenues (euro 3,299 million) increased by euro 173 million from 2010 (up 5.5%) due to increases in average unit prices (elastomers up 34%, styrene polymers up 12%; polyethylene up 11%). Sales volumes decreased on average by 11.5% (main decreases were registered in polyethylene, down 16%, latices down 15%, polibutadiene and thermoplastic rubbers down approximately 9%) due to a steep decline in demand.

Basic petrochemical production (4,101 ktonnes) decreased by 759 ktonnes from last year (down 15.6%), due to lower sales/demand of monomers. Lower ethylene production reflected facility downtimes in the Porto Marghera and Porto Torres plants. In addition, intermediates sales decreased (down 14%) due to unavailability of raw material and planned facility downtimes in the Mantova plant.
In the intermediates business a new technology was introduced

Sales of ABS and SBR rubbers showed an opposite trend, up 5% and 2%, respectively.
Polymer production (2,144 ktonnes) decreased by 216 ktonnes from 2010 (down 9%), mainly polyethylene (down 15%) due to the delay in the restart of the Dunkerque production lines, planned facility downtimes at Priolo, Ragusa and Gela in the last part of the year as well as a decline in demand.

In 2011 in the elastomer business technological innovations were industrially homologated trough the use of new grades of E-SBR rubbers for Tyre green application (low emissions) allowing to obtain higher performance products and new nitrilyc rubbers (NBR) to be used in the production of gloves, flexible pipes and washers, provided with a more efficient and non volatile anti oxidant, that allows to eliminate emissions in finishing operations. In the polyethylene business a new production line was started for the production of polymers with better organoleptic qualities for the food packaging industry.
In the styrene business a new additive was successfully tested that allows to improve the environmental footprint in the production of EPS (Expanded Polystyrene in continuous mass) reducing by 30% the formation of bromide by-products.

Capital expenditure

In 2011 capital expenditure amounted to euro 216 million (euro 251 million in 2010) and regarded mainly:
(i) upkeeping (euro 59 million);
(ii) plant upgrades (euro 53 million), mainly regarding the project "Management of fugitive emissions" aimed at identifying the number of sites of potential emissions where the Company operates, putting Polimeri Europa in a leading position at international level;
(iii) environmental protection, safety and environmental regulations (euro 46 million), including the achievement of ISO 14001, OHSAS 18001 certification for almost all the plants;
(iv) energy recovery (euro 42 million), mainly related to energy savings projects aimed at reducing CO_2 emissions.

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		2009	2010	2011
Employee injury frequency rate	(No. of accidents per million hours worked)	0.40	0.45	**0.44**
Contractors injury frequency rate		0.57	0.33	**0.21**
Fatality index	(No. of fatalities per 100 million hours worked)	0.86	2.14	**1.82**
Net sales from operations [(a)]	(euro million)	9,664	10,581	**11,834**
Operating profit		881	1,302	**1,422**
Adjusted operating profit		1,120	1,326	**1,443**
Adjusted net profit		892	994	**1,098**
Capital expenditure		1,630	1,552	**1,090**
Adjusted ROACE	(%)	15.4	14.0	**13.9**
Orders acquired	(euro million)	9,917	12,935	**12,505**
Order backlog		18,730	20,505	**20,417**
Employees at year end	(units)	35,969	38,826	**38,561**
Employees outside Italy	(%)	85.6	87.3	**86.5**
Local managers		41.1	45.3	**43.0**
Local procurement		47.0	61.3	**56.4**
Healthcare expenditures	(euro thousand)	25,205	19,506	**32,410**
Security expenditures		68,954	26,403	**50,541**
Direct GHG emissions	(mmtonnes CO_2 eq)	1.28	1.11	**1.32**

(a) Before elimination of intragroup sales.

Performance of the year

The percentage of managerial positions covered by local personnel is constantly higher than 40% of total managerial positions, except for Italy and France, reflecting however fluctuations due to the opening of new yards and short-term projects.

The overall amount of procurement was euro 8,740 million in 2011, of which euro 6,510 million related to operating projects, 56.4% of which was procured with local suppliers.

In 2011 the injury frequency rate improved from 2010 (down 2% and down 36% for employees and contractors, respectively).

Health and safety expenditures for individual protection equipment and medical assistance increased by 81% from 2010 (from euro 46 million to euro 83 million).

In 2011 the Engineering & Construction sector achieved a positive performance with an adjusted net profit amounting to euro 1,098 million, up euro 104 million, or 10.5%, from a year ago, mainly due to a higher turnover and increasing project profitability.

Return on average capital employed calculated on an adjusted basis was 13.9% in 2011 (14% in 2010).

Orders acquired amounted to euro 12,505 million (euro 12,935 million in 2010), of these projects to be carried outside Italy represented 91%, while orders from Eni companies amounted to 7% of the total.

Order backlog amounted to euro 20,417 million at December 31, 2011 (euro 20,505 million at December 31, 2010), of which euro 9,451 million to be carried out within 2012.

Capital expenditure amounted to euro 1,090 million (euro 1,552 million in 2010) mainly regarded the upgrading of the drilling and construction fleet.

In 2011 overall expenditure in R&D amounted approximately to euro 15 million in line with 2010. A total of 28 new patent applications were filed.

Activity areas

Engineering & Construction Offshore

In 2011 revenues amounted to euro 4,908 million, increasing by 10.4% from 2010, due to higher levels of activity in Northern Europe, Kazakhstan and Asia Pacific.
Orders acquired amounted to euro 6,131 million (euro 4,600 million in 2010).
Among the main orders acquired in 2011 were: (i) an EPIC contract for the expansion of the Basra oil center and related infrastructures within the Iraq Crude Oil Export Expansion Phase 2 project; (ii) an EPIC contract for the construction of the offshore infrastructures within the development of the offshore Arabiyah and Hasbah fields in the Arabian section of the Persian Gulf.
R&D activity was finalized at continuous improvement of innovative solutions for offshore fields. In particular, among the main innovations in 2011 were: (i) the project for a system for the transport of liquefied natural gas between two units of offshore Floating LNG; (ii) methodologies and innovative structures for the laying of offshore pipelines aiming at reducing their environmental impact at habitat restoration; (iii) in the field of renewable energies, activities connected to the realization in 2012 of a prototype of a submarine turbine moved by sea currents.

Engineering & Construction Onshore

In 2011 revenues amounted to euro 5,369 million, increasing by 13.6% from 2010, due to higher levels of activity in the Middle East, Canada and Australia.
Orders acquired amounted to euro 5,006 million (euro 7,744 million in 2010). Among the main orders acquired were: (i) the construction of a 39-km long high-speed/high-capacity railway from Treviglio to Brescia in northern Italy on behalf of Rete Ferroviaria SpA; (ii) an EPC contract for the construction of a Secondary Upgrader with a capacity of 43 kbbl/d of hydrotreated gasoil. The infrastructure will be part of the Horizon Oil Sands Project Hydrotreater Phase 2 in the Athabasca region, Alberta, Canada.
R&D activities for the year related mainly process technologies in the upstream and mid-downstream segments aimed in particular at: (i) increasing the productivity of the proprietary technology for the production of fertilizers (Snamprogetti™ Urea); (ii) reducing the environmental impact of Urea producing plants based on the recovery of ammonia; (iii) transport of CO_2 in the field of Enhanced Oil Recovery technologies for the development of onshore fields.

Offshore drilling

In 2011 revenues amounted to euro 833 million, increasing by 11.1% from 2010 mainly due to the entry in full activity of the Saipem 10000 and Saipem 12000 drilling vessels and of the Perro Negro 8 jack up.
Orders acquired amounted to euro 780 million (euro 326 million in 2010). Among the main orders acquired were: (i) a 2-year extension for the use of the Saipem 10000 drilling vessel; (ii) a 2-year extension for the use of the Saipem 12000 the drilling vessel.

Onshore drilling

In 2011 revenues amounted to euro 724 million, increasing by 9.5% from 2010 mainly due to higher utilization of equipments in South America and entry in operation of new plants in Kazakhstan.
Orders acquired amounted to euro 588 million (euro 265 million in 2010. Among the main orders acquired were: (i) a contract for the lease of nine rigs, with a contract duration between one and three years, in Saudi Arabia; (ii) contracts for the lease of fourteen rigs in Peru, Colombia and Bolivia with a contract duration between four months and two years.

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Orders acquired (euro million)	2009	2010	2011	Change	% Ch.
	9,917	12,935	12,505	(430)	(3.3)
Engineering & Construction Offshore	5,089	4,600	6,131	1,531	33.3
Engineering & Construction Onshore	3,665	7,744	5,006	(2,738)	(35.4)
Offshore drilling	585	326	780	454	139.3
Onshore drilling	578	265	588	323	121.9
of which:					
- Eni	3,147	962	822	(140)	(14.6)
- Third parties	6,770	11,973	11,683	(290)	(2.4)
of which:					
- Italy	2,081	825	1,116	291	35.3
- Outside Italy	7,836	12,110	11,389	(721)	(6.0)

Order backlog (euro million)	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	Change	% Ch.
	18,730	20,505	20,417	(88)	(0.4)
Engineering & Construction Offshore	5,430	5,544	6,600	1,056	19.0
Engineering & Construction Onshore	8,035	10,543	9,604	(939)	(8.9)
Offshore drilling	3,778	3,354	3,301	(53)	(1.6)
Onshore drilling	1,487	1,064	912	(152)	(14.3)
of which:					
- Eni	4,103	3,349	2,883	(466)	(13.9)
- Third parties	14,627	17,156	17,534	378	2.2
of which:					
- Italy	1,341	1,310	1,816	506	38.6
- Outside Italy	17,389	19,195	18,601	(594)	(3.1)

Capital expenditure

Capital expenditure of the Engineering & Construction segment amounted to euro 1,090 million mainly regarded: (i) construction of a new pipelayer, the ultra-deep Field Development Ship FDS2, activities for the conversion of a tanker into an FPSO and the construction of a new fabrication yard in Indonesia; (ii) activities for the completion of Saipem 12000, a new ultra deep water drilling ship, construction of the Scarabeo 8 and 9 semi-submersible rigs and of the Perro Negro 6 jack-up; (iii) realization/development of operating structures in the onshore drilling business unit.

Capital expenditure (euro million)	2009	2010	2011	Change	% Ch.
Engineering & Construction Offshore	691	706	400	(306)	(43.3)
Engineering & Construction Onshore	19	11	45	34	..
Offshore drilling	706	559	507	(52)	(9.3)
Onshore drilling	188	253	121	(132)	(52.2)
Other expenditure	26	23	17	(6)	(26.1)
	1,630	1,552	1,090	(462)	(29.8)

Profit and loss account

2009	(euro million)	2010	2011	Change	% Ch.
83,227	Net sales from operations	98,523	109,589	11,066	11.2
1,118	Other income and revenues	956	933	(23)	(2.4)
(62,532)	Operating expenses	(73,920)	(83,940)	(10,020)	(13.6)
(250)	*of which non-recurring items*	*246*	*(69)*		
55	Other operating income (expense)	131	171	40	30.5
(9,813)	Depreciation, depletion, amortization and impairments	(9,579)	(9,318)	261	2.7
12,055	**Operating profit**	**16,111**	**17,435**	**1,324**	**8.2**
(551)	Finance income (expense)	(727)	(1,129)	(402)	(55.3)
569	Net income from investments	1,156	2,171	1,015	87.8
12,073	**Profit before income taxes**	**16,540**	**18,477**	**1,937**	**11.7**
(6,756)	Income taxes	(9,157)	(10,674)	(1,517)	(16.6)
56.0	*Tax rate* (%)	*55.4*	*57.8*	*2.4*	
5,317	**Net profit**	**7,383**	**7,803**	**420**	**5.7**
	of which attributable to:				
4,367	**- Eni s shareholders**	**6,318**	**6,860**	**542**	**8.6**
950	- Non-controlling interest	1,065	943	(122)	(11.5)

Net profit

In 2011 **net profit attributable to Eni s shareholders** was euro 6,860 million, an increase of euro 542 million from 2010, or 8.6%. This increase was driven by an improved operating performance (up euro 1,324 million, or 8.2%) reported by the Exploration & Production Division which was boosted by higher oil prices and reflected lower extraordinary charges which were down by approximately euro 1 billion year-on-year. These positives were partly offset by lower results incurred by the downstream businesses. Also the Group net profit was boosted by a gain of euro 1,044 million recorded on the divestment of Eni s interests in the international pipelines which transports gas from Northern Europe and Russia. These positives were partly offset by higher net finance charges (down euro 402 million) and by higher income taxes (down euro 1,517 million) due to an increased Group tax rate which was up by 2.4 percentage points and an adjustment to deferred taxation amounting to euro 573 million due to the revision of the tax rate applicable to a Production Sharing Agreement (PSA) in the Exploration & Production Division.

Adjusted net profit

2009	(euro million)	2010	2011	Change	% Ch.
4,367	**Net profit attributable to Eni s shareholders**	**6,318**	**6,860**	**542**	**8.6**
(191)	Exclusion of inventory holding (gains) losses	(610)	(724)		
1,031	Exclusion of special items	1,161	833		
	of which:				
250	*- non-recurring items*	*(246)*	*69*		
781	*- other special items*	*1,407*	*764*		

5,207	**Adjusted net profit attributable to Eni s shareholders**[(a)]	**6,869**	**6,969**	**100**	**1.5**

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

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Adjusted net profit attributable to Eni s shareholders amounted to euro 6,969 million, an increase of euro 100 million from 2010, or 1.5%. Adjusted net profit was calculated by excluding an inventory holding profit of euro 724 million and net special charges of euro 833 million, thus totaling to a positive adjustment of euro 109 million.

Special charges of the operating profit mainly related to:
(i) impairment losses of euro 1,022 million, which were recorded to write down the book values of certain tangible and intangible assets to their lower value-in-use mainly in the refining and gas marketing businesses. In performing the impairment review, management assumed a reduced profitability outlook in these businesses driven by a deteriorating macroeconomic environment, volatility of commodity prices, and rising competitive pressures. Other impairment losses regarded a number of oil&gas properties in the Exploration & Production Division reflecting a changed pricing environment and downward reserve revisions, as well as a marginal line of business in the Petrochemical segment due to lack of profitability perspectives;
(ii) provisions for redundancy incentives (euro 209 million), including a liability which was taken in connection with the 2010-2011 personnel mobility program in Italy to reflect changed pension requirements as per Law Decree No. 201 of December 2011;
(iii) environmental and other provisions amounting to euro 274 million.

Special items in net profit included**:** (i) an impairment loss (euro 157 million) of an interest in a refinery plant in Eastern Europe reflecting a reduced profitability outlook; (ii) a deferred tax provision of euro 552 million following changes in the tax rate applicable to a Production Sharing Agreement, including an adjustment to the deferred taxation which was recognized as part of a business combination when the mineral interest was acquired by Eni; (iii) gains on the divestment of interests in the international gas transport pipelines (euro 1,044 million).

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

2009	(euro million)	**2010**	**2011**	**Change**	**% Ch.**
3,878	Exploration & Production	5,600	6,866	1,266	22.6
2,916	Gas & Power	2,558	1,541	(1,017)	(39.8)
(197)	Refining & Marketing	(49)	(262)	(213)	..
(340)	Petrochemicals	(85)	(208)	(123)	..
892	Engineering & Construction	994	1,098	104	10.5
(245)	Other activities	(216)	(225)	(9)	(4.2)
(744)	Corporate and financial companies	(699)	(787)	(88)	(12.6)
(3)	Impact of unrealized intragroup profit elimination [(a)]	(169)	(111)	58	
6,157	**Adjusted net profit**	**7,934**	**7,912**	**(22)**	**(0.3)**
	of which attributable to:				
950	- Non-controlling interest	1,065	943	(122)	(11.5)
5,207	**- Eni s shareholders**	**6,869**	**6,969**	**100**	**1.5**

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

The increase in the Group **adjusted net profit** reflected a higher adjusted net profit mainly reported by the Exploration & Production and Engineering & Construction Divisions. The Gas & Power, Refining &

- the **Engineering & Construction** business (up euro 104 million; or 10.5%) improved the operating performance (up euro 117 million; or 8.8%) owing to revenue growth and higher profitability of acquired

Marketing and Petrochemical Divisions each reported lower results:
- the **Exploration & Production** Division improved the adjusted net result (up euro 1,266 million, or 22.6%) driven by a better operating performance (up euro 2,193 million, or 15.8%), reflecting higher oil and gas realizations in dollar terms (up 40.3% and 7.7%, respectively). This trend was strong enough to fully absorb a reduced operating profit from the Libyan activities. In addition, in the last part of the year the Company made a big progress to put production back online and restart gas exportation, which helped to reduce the impact of force majeure declared during the peak of the Libyan crisis, and terminated on December 20, 2011. Full year results were impacted by the negative effect of the appreciation of the euro against the dollar (up 4.9%, for an overall impact of approximately euro 490 million);
orders;
- the **Gas & Power** Division reported a lower adjusted operating profit, down by euro 1,017 million, or 39.8% due to decline of euro 1,173 million, or 37.6%, in adjusted operating profit. The decrease was caused by the Marketing business which incurred an operating loss of euro 550 million, reversing prior-year profit of euro 733 million. The marketing performance was negatively impacted by weak demand and mounting competitive pressure fuelled by oversupply which squeezed selling margins and reduced volumes opportunities. The performance was also impacted by the disruption in the Libyan gas availability which affected both the supply mix and sales to shippers which import Libyan gas to Italy, as well as by unfavorable trends in energy parameters and exchange rates, unusual winter weather and a tariff freeze in certain European Countries. Furthermore, the results reflected

only a part of the benefits associated with the renegotiations of the supply contracts, certain of which have been finalized after December 31, 2011, delaying the recognition of the associated economic effects. In 2011, the negative performance of the Marketing business was partly offset by steady results recorded by the International transport activity and Regulated businesses in Italy;
- the **Refining & Marketing** Division reported sharply lower adjusted operating losses (from minus euro 49 million in 2010 to minus euro 262 million in 2011). This decrease reflected negative trends in the refining trading environment featured by depressed margins and poor demand for fuels due to weak underlying fundamentals. Management pursued initiatives intended to boost efficiency and optimize refinery cycles in order to cope with a challenging trading environment;
- the **Petrochemical** Division reported deeper operating losses (from minus euro 85 million in 2010 to minus euro 208 million in 2011). These trends were negatively impacted by falling product margins, with the cracker margin severely hit by higher supply costs of oil-based feedstock which were not recovered in sales prices on end markets, and a substantial decrease in demand due to expectations for a reduction in prices of petrochemical commodities.

In 2011, Eni s results were achieved on the back of stronger oil and gas realizations (up by 30% on average) with a 40% increase of the price of Brent crude benchmark compared to 2010. Refining margins remained at unprofitable levels (the marker Brent margin was $2.06 per barrel; down 22.6% from 2010) due to high feedstock costs which were only partially transferred to prices at the pump. Eni s margins decreased due to narrowing light-heavy crude differentials in the Mediterranean area dragging down the profitability of Eni s high conversion refineries. In Europe, gas spot prices increased by 37.7% compared with the depressed levels registered in 2010. This positive trend was not reflected in Eni s gas sale margins due to higher oil-linked supply costs and rising competitive pressure. Results were also affected by the appreciation of the euro vs. the US dollar (up 4.9%).

2009	(euro million)	2010	2011	% Ch.
61.51	Average price of Brent dated crude oil [(a)]	79.47	111.27	40.0
1.393	Average EUR/USD exchange rate [(b)]	1.327	1.392	4.9
44.16	Average price in euro of Brent dated crude oil	59.89	79.94	33.5
3.13	Average European refining margin [(c)]	2.66	2.06	(22.6)
3.56	Average European refining margin Brent/Ural [(c)]	3.47	2.90	(16.4)
2.25	Average European refining margin in euro	2.00	1.48	(26.0)
4.78	Price of NBP gas [(d)]	6.56	9.03	37.7
1.2	Euribor - three-month euro rate (%)	0.8	1.4	75.0
0.7	Libor - three-month dollar rate (%)	0.3	0.3	

(a) In USD dollars per barrel. Source: Platt s.

(b) Source: ECB.

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

(d) In USD per million BTU.

Analysis of Profit and Loss Account Items

Net sales from operations

2009	(euro million)	2010	2011	Change	% Ch.
23,801	Exploration & Production	29,497	29,121	(376)	(1.3)
30,447	Gas & Power	29,576	34,731	5,155	17.4

31,769	Refining & Marketing	43,190	51,219	8,029	18.6
4,203	Petrochemicals	6,141	6,491	350	5.7
9,664	Engineering & Construction	10,581	11,834	1,253	11.8
88	Other activities	105	85	(20)	(19.0)
1,280	Corporate and financial companies	1,386	1,365	(21)	(1.5)
(66)	Impact of unrealized intragroup profit elimination	100	(54)	(154)	
(17,959)	Consolidation adjustment	(22,053)	(25,203)	(3,150)	
83,227		**98,523**	**109,589**	**11,066**	**11.2**

In 2011, Eni s **net sales from operations** (euro 109,589 million) increased by euro 11,066 million from 2010 (up 11.2%) primarily reflecting higher realizations on oil, products and natural gas in dollar terms.

Revenues generated by the Exploration & Production Division (euro 29,121 million) were down by euro 376 million (down 1.3%) due to lower production volumes in Libya partly offset by higher realizations in dollar terms (oil up 40.3%; natural gas up 7.7%).

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Eni s average liquid realizations decreased by 1.50 $/bbl to 102.11 $/bbl due to the settlement of certain commodity derivatives relating to the sale of 9 mmbbl in 2011 (for further details see the disclosure on adjusted net profit of the Exploration & Production Division).

Revenues generated by the Gas & Power Division (euro 34.731 million) increased by euro 5.155 million (up 17.4%) due to higher spot and oil-linked gas prices which are reflected in Eni s revenues and increased volumes sold in Italy (up 0.39 bcm, or 1.1%) and in the key European markets (up 3.66 bcm, or 7.9%).

Revenues generated by the Refining & Marketing Division (euro 51,219 million) increased by euro 8,029 million (up 18.6%) mainly reflecting higher average selling prices of refined products partly offset by lower sales (down by 1.78 mmtonnes, or 3.8%).

Revenues generated by the Petrochemical Division (euro 6,491 million) increased by euro 350 million (up 5.7%) due to an average 20% increase in prices of petrochemicals commodities which were partly offset by a decline in volumes sold (down 15%, in particular polyethylene) due to weak demand.

Revenues generated by the Engineering & Construction business (euro 11,834 million) increased by euro 1,253 million, or 11.8%, from 2010, as a result of increased activities in the onshore and offshore Engineering & Construction businesses.

Operating expenses

2009	(euro million)	2010	2011	Change	% Ch.
58,351	Purchases, services and other	69,135	79,191	10,056	14.5
	of which:				
250	*- non-recurring items*	*(246)*	*69*		
537	*- other special items*	*1,291*	*275*		
4,181	Payroll and related costs	4,785	4,749	(36)	(0.8)
	of which:				
134	*- provision for redundancy incentives*	*423*	*209*		
62,532		**73,920**	**83,940**	**10,020**	**13.6**

Operating expenses (euro 83,940 million) increased by euro 10,020 million from 2010, up 13.6%.

Purchases, services and other costs (euro 79,191 million) increased by euro 10,056 million (up 14.5%) due to the higher supply costs of purchased oil, gas and petrochemical feedstocks reflecting trends in the energy trading environment. Purchases, services and other costs included **special charges** for an overall amount of euro 344 million mainly referring to special charges of euro 274 million relating environmental and other risk provisions, and a provision of euro 69 million relating an antitrust proceeding in the area of elastomers based on a recent decision of the European Court of Justice described in detail in the paragraph "Guarantees, commitments and risks - Legal proceedings" in the Notes to the Consolidated Financial Statements. In 2010, special charges for an overall amount of euro 1,291 Ministry for the Environment and other provisions. Non recurring gains amounting to euro 246 million related to the favorable outcome of an antitrust proceeding in the Gas & Power Division (euro 270 million), partly offset by the payment of a sanction amounting to $30 million following the transaction with the Nigerian Government in relation with the investigation related to the TSKJ consortium.

Payroll and related costs (euro 4,749 million) were substantially in line with the previous year (down by 0.8%). Higher unit labor cost in Italy and outside Italy (mitigated by the positive impact of exchange rates), and an increased average number of employees outside Italy (following higher activity levels in the Engineering & Construction business), were partly offset by a reduction in the average number of employees in Italy and a lowered provision for redundancy incentives, as 2010 million mainly referred to environmental provision related to a proposal for a global transaction on certain environmental issues (euro 1,109 million) filed with the Italian results included a liability which was taken in connection with the 2010-2011 personnel mobility program in Italy as per Law No. 223/1991.

Depreciation, depletion, amortization and impairments

2009	(euro million)	2010	2011	Change	% Ch.
6,789	Exploration & Production	6,928	6,251	(677)	(9.8)
981	Gas & Power	963	955	(8)	(0.8)
408	Refining & Marketing	333	351	18	5.4
83	Petrochemicals	83	90	7	8.4
433	Engineering & Construction	513	596	83	16.2
2	Other activities	2	2		
83	Corporate and financial companies	79	75	(4)	(5.1)
(17)	Impact of unrealized intragroup profit elimination	(20)	(23)	(3)	
8,762	**Total depreciation, depletion and amortization**	**8,881**	**8,297**	**(584)**	**(6.6)**
1,051	Impairments	698	1,021	323	46.3
9,813		**9,579**	**9,318**	**(261)**	**(2.7)**

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Depreciation, depletion and amortization (euro 8,297 million) decreased by euro 584 million from 2010 (down 6.6%) mainly in the Exploration & Production Division (down by euro 677 million, or 9.8%), due to lower production in Libya and the negative impact of the appreciation of the euro over the dollar (up 4.9%). The increase recorded in the Engineering & Construction business (up euro 83 million, or 16.2%) was due to vessels and rigs fleet brought into operation.

Impairment charges of euro 1,021 million mainly regarded impairment losses of refining plants, the goodwill allocated to the European Market cash generating unit in the Gas & Power Division, oil&gas properties in the Exploration & Production, as well as marginal lines of business in the Petrochemical segment. The breakdown of impairment charges by Division is shown in the table below:

2009	(euro million)	2010	2011	Change	% Ch.
576	Exploration & Production	123	189	66	53.7
	Gas & Power	436	145	(291)	(66.7)
346	Refining & Marketing	76	488	412	..
121	Petrochemicals	52	160	108	..
2	Engineering & Construction	3	35	32	..
6	Other activities	8	4	(4)	(50.0)
1,051		**698**	**1,021**	**323**	**46.3**

Operating profit

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

2009	(euro million)	2010	2011	Change	% Ch.
9,120	Exploration & Production	13,866	15,887	2,021	14.6
3,687	Gas & Power	2,896	1,758	(1,138)	(39.3)
(102)	Refining & Marketing	149	(273)	(422)	..
(675)	Petrochemicals	(86)	(424)	(338)	..
881	Engineering & Construction	1,302	1,422	120	9.2
(436)	Other activities	(1,384)	(427)	957	69.1
(420)	Corporate and financial companies	(361)	(319)	42	11.6
	Impact of unrealized intragroup profit elimination	(271)	(189)	82	
12,055	**Operating profit**	**16,111**	**17,435**	**1,324**	**8.2**

Adjusted operating profit

The breakdown of the adjusted operating profit by Division is provided below:

2009	(euro million)	2010	2011	Change	% Ch.
12,055	**Operating profit**	**16,111**	**17,435**	**1,324**	**8.2**
(345)	Exclusion of inventory holding (gains) losses	(881)	(1,113)		
1,412	Exclusion of special items	2,074	1,652		
	of which:				
250	*- non-recurring items*	*(246)*	*69*		
1,162	*- other special items*	*2,320*	*1,583*		
13,122	**Adjusted operating profit**	**17,304**	**17,974**	**670**	**3.9**
	Breakdown by Division:				
9,484	Exploration & Production	13,884	16,077	2,193	15.8
3,901	Gas & Power	3,119	1,946	(1,173)	(37.6)
(357)	Refining & Marketing	(171)	(535)	(364)	..

(426)	Petrochemicals	(113)	(276)	(163)	..
1,120	Engineering & Construction	1,326	1,443	117	8.8
(258)	Other activities	(205)	(226)	(21)	(10.2)
(342)	Corporate and financial companies	(265)	(266)	(1)	(0.4)
	Impact of unrealized intragroup profit elimination	(271)	(189)	82	
13,122		**17,304**	**17,974**	**670**	**3.9**

In 2011, Eni s **adjusted operating profit** amounted to euro 17,974 million, an increase of euro 670 million from 2010 (up 3.9%). Adjusted operating profit is calculated by excluding an inventory holding profit of euro 1,113 million and special charges of euro 1,652 million. The increase was mainly due to an improved operating performance recorded by the following Divisions:
- **Exploration & Production** (up euro 2,193 million, or 15.8%) driven by higher oil and gas realizations in dollar terms (oil up 40.3% and natural gas up 7.7%), which more than offset the lower operating results associated with the disruption in the Libyan output. Operating results were also affected by the negative impact of the appreciation of the euro vs. the US dollar (with an overall impact of euro 490 million);
- **Engineering & Construction** (up euro 117 million or 8.8%) driven by revenue gains and higher profitability of works executed.

These increases were partly offset by lower operating profit reported by the:
- **Gas & Power** Division, down euro 1,173 million, or 37.6%, from 2010. The main driver of this reduction was a poor performance of the Marketing activity which reported a loss of euro 550 million compared to a profit of euro 733 million in 2010. The Marketing loss reflected only a part of the benefits associated with the renegotiations of the supply contracts, certain of which have been finalized after December 31, 2011, delaying the recognition of the associated economic effects. The Marketing performance was negatively impacted by weak demand and mounting competitive pressures, as well as by the disruption occurred in the Libyan gas. These negatives were partly offset by the better operating performance of the increased result of the International Transport business (up by 12%) and the Regulated Businesses in Italy (up by 3.4%);
- **Refining & Marketing** Division with widening adjusted operating losses (from minus euro 171 million in 2010, to minus euro 535 million in 2011) driven by sharply lower refining margins and a weak demand for fuels against the backdrop of the economic downturn;
- **Petrochemical** Division (down by euro 163 million) due to lower unit margins and weaker sale volumes due to the economic downturn particularly in the last part of the year.

Finance income (expense)

2009	(euro million)	2010	2011	Change
(673)	**Finance income (expense) related to net borrowings**	**(727)**	**(881)**	**(154)**
(753)	- Finance expense on short and long-term debt	(766)	(922)	(156)
33	- Net interest due to banks	18	22	4
47	- Net income from receivables and securities for non-financing operating activities	21	19	(2)
(4)	**Income (expense) on derivatives**	**(131)**	**(112)**	**19**
40	- Derivatives on exchange rate	(111)	29	140
(52)	- Derivatives on interest rate	(39)	(141)	(102)
8	- Derivatives on securities	19		(19)
(106)	**Exchange differences, net**	**92**	**(111)**	**(203)**
9	**Other finance income (expense)**	**(148)**	**(174)**	**(26)**
163	- Income from equity instruments			
43	- Net income from receivables and securities for financing operating activities and interest on tax credits	75	77	2
(218)	- Finance expense due to the passage of time (accretion discount)	(251)	(247)	4
21	- Other	28	(4)	(32)
(774)		**(914)**	**(1,278)**	**(364)**
223	Finance expense capitalized	187	149	(38)
(551)		**(727)**	**(1,129)**	**(402)**

In 2011, **net finance expense** increased by euro 402 million from 2010 to euro 1,129 million, due to higher finance charges (down by euro 154 million) driven by the increased level of average net borrowings and higher costs of borrowing driven by movements in both key market benchmarks and spreads to the Company, particularly on euro-denominated loans (the Euribor rate was up by 0.6 percentage points). Higher losses were recognized in connection with fair value evaluation through profit and loss of certain derivative instruments on interest rates (down by euro 102 million) which did not meet all formal criteria to be designated as hedges under IFRS.

Lower negative exchange differences net (down by euro 203 million) were partly offset by gains on exchange rate derivatives (up euro 140 million, from a loss of euro 111 million to a gain of euro 29 million) recognized through profit and loss as lacking the formal criteria for hedge accounting.

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Net income from investments

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

2011 (euro million)	**Exploration & Production**	**Gas & Power**	**Refining & Marketing**	**Engineering & Construction**	**Other segments**	**Group**
Share of gains (losses) from equity-accounted investments	119	276	100	95	(46)	544
Dividends	491	99	69			659
Gains on disposal	(2)	1,112	11	2	2	1,125
Other income (expense), net	8	(3)	(163)		1	(157)
	616	**1,484**	**17**	**97**	**(43)**	**2,171**

In 2011, **net income from investments** amounted to euro 2,171 million and related to: (i) Eni s share of profit of entities accounted for with the equity method (euro 544 million), mainly in the Gas & Power and Exploration & Production Divisions; (ii) dividends received by entities accounted for at cost (euro 659 million), in particular relating to Nigeria LNG Ltd; (iii) gains on disposal of assets (euro 1,125 million) mainly related to a gain of euro 1,044 million recorded on the divestment of Eni s interests in the international pipelines which transport gas from Northern Europe and Russia and in Gas Brasiliano Distribuidora (euro 50 million); (iv) the impairment of an interest in a refining project in Eastern Europe (euro 157 million). The table below sets forth a breakdown of net income/loss from investments for 2011:

2009	(euro million)	**2010**	**2011**	**Change**
393	Share of gains (losses) from equity-accounted investments	537	544	7
164	Dividends	264	659	395
16	Gains on disposal	332	1,125	793
(4)	Other income (expense), net	23	(157)	(180)
569		**1,156**	**2,171**	**1,015**

The increase of euro 1,015 million from 2010 related to net gains on disposal of assets and higher profit and dividends from equity or cost-accounted entities in the Gas & Power and Exploration & Production Division.

Income taxes

2009	(euro million)	**2010**	**2011**	**Change**
	Profit before income taxes			
2,403	Italy	1,582	1,391	(191)
9,670	Outside Italy	14,958	17,086	2,128
12,073		**16,540**	**18,477**	**1,937**
	Income taxes			
1,190	Italy	841	998	157
5,566	Outside Italy	8,316	9,676	1,360
6,756		**9,157**	**10,674**	**1,517**
	Tax rate (%)			
49.5	Italy	53.2	71.7	18.5

57.6	Outside Italy	55.6	56.6	1.0
56.0		**55.4**	**57.8**	**2.4**

In 2011, **income taxes** were euro 10,674 million, up euro 1,517 million, or 16.7% from 2010, mainly reflecting higher income taxes currently payable by subsidiaries in the Exploration & Production Division operating outside Italy due to higher taxable profit.
The reported tax rate increased by 2.4 percentage points due to: (i) the recognition of higher deferred taxes (euro 573 million) due to a changed tax rate applicable to a Production Sharing Agreement, including an adjustment to deferred taxation which was recognized upon allocation of the purchase price as part of a business combination when the mineral interest was acquired by Eni; (ii) higher income taxes currently payable (euro 221 million) following enactment of new tax provisions for Italian subsidiaries as per Law No. 148 of September 2011, converting the Law Decree No. 138/2011. This Law increased the Italian windfall

tax levied on energy companies (the so-called Robin Tax) by 4 percentage points to 10.5% and enlarged its scope to include gas transport and distribution companies. These negatives were partly offset by the aforementioned gains on international transport interests (euro 1,044 million) which were non-taxable items, as well as lower non-deductible tax charges (in particular impairment of goodwill).
Adjusted tax rate, calculated as ratio of income taxes to net profit before taxes on an adjusted basis, was 56.2%, increasing from 2010 (54.4% in 2010), reflecting the higher percentage of taxable profit reported by the Exploration & Production Division.

Non-controlling interest
In 2011, non-controlling interest s share of profit was euro 943 million and mainly related to Saipem SpA (euro 552 million) and Snam Rete Gas SpA (euro 385 million).

Divisional performance[1]

Exploration & Production

2009		(euro million)	2010	2011	Change	% Ch.
9,120	**Operating profit**		**13,866**	**15,887**	**2,021**	**14.6**
364	Exclusion of special items:		18	190		
618	*- asset impairments*		*127*	*190*		
	- environmental charges		*30*			
(270)	*- gains on disposal of assets*		*(241)*	*(63)*		
31	*- provision for redundancy incentives*		*97*	*44*		
(15)	*- re-measurement gains/losses on commodity derivatives*			*1*		
	- other		*5*	*18*		
9,484	**Adjusted operating profit**		**13,884**	**16,077**	**2,193**	**15.8**
(23)	Net finance income (expense) [(a)]		(205)	(231)	(26)	
243	Net income (expense) from investments [(a)]		274	624	350	
(5,826)	Income taxes [(a)]		(8,353)	(9,604)	(1,251)	
60.0	*Tax rate*	(%)	*59.9*	*58.3*	*(1.6)*	
3,878	**Adjusted net profit**		**5,600**	**6,866**	**1,266**	**22.6**
	Results also include:					
7,365	- amortization and depreciation		7,051	6,440	(611)	(8.7)
	of which:					
1,551	exploration expenditure		1,199	1,165	(34)	(2.8)
1,264	*- amortization of exploratory drilling expenditure and other*		*802*	*820*	*18*	*2.2*
287	*- amortization of geological and geophysical exploration expenses*		*397*	*345*	*(52)*	*(13.1)*
	Average realizations					
56.95	Liquids [(b)]	($/bbl)	72.76	102.11	29.35	40.3
5.62	Natural gas	($/mmcf)	6.02	6.48	0.46	7.7
46.90	Total hydrocarbons	($/boe)	55.60	72.26	16.66	30.0

(a) Excluding special items.
(b) Includes condensates.

Adjusted operating profit for 2011 was euro 16,077 million, representing an increase of euro 2,193 million from 2010, up 15.8%, driven by higher oil and gas of oil and gas properties, reflecting a reduced outlook for prices and downward reserve revisions, provisions for redundancy incentives, as well as losses on fair value realizations in dollar terms (oil up 40.3% and natural gas up 7.7%), partly offset by the impact associated with the disruptions in the Libyan output occurred in 2011 and by the appreciation of the euro versus the dollar (approximately euro 490 million).

Special charges excluded from adjusted operating profit amounted to euro 190 million and related to impairment charges

evaluation of certain derivatives embedded in the pricing formulas of long-term gas supply agreements, and gains on disposal of non-strategic assets.

Special charges in net profit included an adjustment to deferred taxation of euro 552 million, following changes in tax rate applicable to a production sharing agreement (PSA).

In 2011 **liquids and gas realizations** increased on average

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

by 30% in dollar terms, driven by higher oil prices for market benchmarks (Brent crude price increased by 40%).

In 2011, **Eni s average liquids realizations** decreased by 1.50 $/bbl due to the settlement of certain commodity derivatives relating to the sale of 9 mmbbl in 2011. This was the last deal of a multi-year derivative transaction the Company entered into in order to hedge exposure to the variability in cash flows on 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.

Eni s average gas realizations increased at a slower pace (up 7.7%), due to time lags in oil-linked pricing formulae and weak spot prices in some areas (in particular the USA).

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

Liquids	(mmbbl)	**2010**	**2011**
Sale volumes		357.1	297.4
Sale volumes hedged by derivatives (cash flow hedge)		28.5	9.0
Total price per barrel, excluding derivatives	($/bl)	**74.09**	**103.61**
Realized gains (losses) on derivatives		(1.33)	(1.50)
Total average price per barrel		**72.76**	**102.11**

Gas & Power

2009		(euro million)	**2010**	**2011**	**Change**	**% Ch.**
3,687	**Operating profit**		**2,896**	**1,758**	**(1,138)**	**(39.3)**
326	Exclusion of inventory holding (gains) losses		(117)	(166)		
(112)	Exclusion of special items:		340	354		
	of which:					
	Non-recurring items		(270)			
(112)	Other special items:		610	354		
19	*- environmental provisions*		*25*	*10*		
27	*- asset impairments*		*436*	*145*		
(6)	*- gains on disposals of assets*		*4*	*(4)*		
115	*- risk provision*		*78*	*77*		
25	*- provision for redundancy incentives*		*75*	*40*		
(292)	*- re-measurement gains/losses on commodity derivatives*		*30*	*45*		
	- other		*(38)*	*41*		
3,901	**Adjusted operating profit**		**3,119**	**1,946**	**(1,173)**	**(37.6)**
1,721	*Marketing*		*733*	*(550)*	*(1,283)*	*..*
1,796	*Regulated businesses in Italy*		*2,043*	*2,112*	*69*	*3.4*
384	*International transport*		*343*	*384*	*41*	*12.0*
(15)	Net finance income (expense) [(a)]		19	33	14	
332	Net income (expense) from investments [(a)]		406	407	1	
(1,302)	Income taxes [(a)]		(986)	(845)	141	
30.9	*Tax rate*	(%)	*27.8*	*35.4*	*7.6*	
2,916	**Adjusted net profit**		**2,558**	**1,541**	**(1,017)**	**(39.8)**

(a) Excluding special items.

In 2011, the Gas & Power Division reported sharply associated economic effects. In addition, the Marketing lower **adjusted operating profit** down by euro 1,173 million from 2010 or 37.6%, to euro 1,946 million. The decrease was due to a loss incurred by the Marketing business to minus euro 550 million, compared to the prior-year profit of euro 733 million. This negative was only partly offset by positive results of the International Transport and the Regulated businesses in Italy. The loss of the Marketing business reflected only a part of the benefits associated with the renegotiations of the supply contracts, certain of which have been finalized after December 31, 2011, necessarily delaying the recognition of the business result did not take into account a gain of euro 44 million on certain commodity derivatives contracts which might be associated with sales of gas and electricity of the period (just as 2010 did not take account of a gain of euro 116 million relating to sales of the period). These derivatives did not meet the formal criteria to be designated as hedges under IFRS and treated in accordance with hedge accounting; therefore gains or losses associated with those derivatives cannot be brought forward to the reporting periods when the associated sales occur. However, in assessing the underlying performance of the Marketing business, management calculates the EBITDA pro-forma adjusted, which represents those derivatives as being hedges with associated gains and losses recognized in the reporting period when the relevant sales occur. Management believes that disclosing this measure is helpful in assisting investors to understand these particular business trends (see below). The EBITDA pro-forma adjusted also includes Eni s share of results of associates and confirms the magnitude of the decline of the business reflecting underlying business trends.

Special charges excluded from operating profit amounted to euro 354 million and mainly related to: (i) an impairment loss (euro 145 million) mainly recognized on the goodwill allocated to the European Market cash generating unit. In performing the impairment review of this business, management revised downwardly the profitability expectations driven by continuing margin pressure and declining sales opportunities against the backdrop of weak fundamentals; (ii) a loss on fair value evaluation of certain commodity derivatives (euro 45 million), which did not meet the formal criteria for hedge accounting; (iii) risk provisions (euro 77 million); and (iv) provisions for redundancy incentives (euro 40 million).

Marketing

In 2011, the Marketing business incurred an adjusted operating loss of euro 550 million, reversing the prior-year s profit of euro 733 million. The loss reflected only a part of the benefits associated with the renegotiations of the supply contracts, certain of which have been finalized after December 31, 2011, necessarily delaying the recognition of the associated economic effects.

The Marketing loss was driven by a recessionary environment and escalating competitive pressure fuelled by oversupplies in the marketplace. These trends explained the huge contraction reported in selling margins and heavy volume losses, particularly in Belgium.

In addition losses were related to: (i) the disruption in the supplies of Libyan gas, which negatively impacted both the supply mix, and sales to shippers; (ii) an unfavorable scenario for energy parameters and exchange rates and unusual weather conditions; (iii) a tariff freeze in certain European Countries.

These negatives were partly offset by the benefits associated with the renegotiation of a number of long-term supply contracts and supply optimization measures.

Performance for the year included a gain of euro 53 million recorded on certain commodity derivatives that the Company entered into to optimize economic margins.

Regulated businesses in Italy

In 2011, these businesses reported an adjusted operating profit of euro 2,112 million, up euro 69 million, or 3.4%. The Transport business results (down euro 25 million from 2010) reflected lower volumes transported. The Distribution business reported improved results (up euro 62 million), driven by a positive impact associated with a new tariff regime set by the Authority for Electricity and Gas intended to cover amortization charges. Also the Storage business reported an increase in adjusted operating profit (up euro 32 million), reflecting slightly higher volumes handled in storage fields.

International Transport

In 2011, this business reported an adjusted operating profit of euro 384 million representing an increase of euro 41 million from 2010, or 12%, mainly due to the circumstance that results of 2010 were affected by the occurred accident at the Swiss line of the import pipeline from Northern Europe.

Other performance indicators

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

2009	(euro million)	2010	2011	Change	% Ch.
4,403	**Pro-forma EBITDA adjusted**	**3,853**	**2,565**	**(1,288)**	**(33.4)**
2,392	Marketing	1,670	364	(1,306)	(78.2)
(133)	*of which: +/(-) adjustment on commodity derivatives*	*116*	*44*		
1,345	Regulated businesses in Italy	1,486	1,535	49	3.3

666	International transport	697	666	(31)	(4.4)

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization charges) on an adjusted basis is calculated by adding amortization and depreciation charges to adjusted operating profit, which is also modified to take into account the impact associated with certain derivatives instruments as detailed below. This performance indicator includes the adjusted EBITDA of Eni s wholly owned subsidiaries and Eni s share of adjusted EBITDA generated by certain associates which are accounted for under the equity method for IFRS purposes. The EBITDA reported by Regulated businesses in Italy is included according to Eni s share of equity in the parent company Snam SpA (55.53% as of December 31, 2011, which takes into account the amount of own shares held in treasury by the subsidiary itself) due to its listed company status. In order to calculate the EBITDA pro-forma adjusted, the adjusted operating profit of the Marketing business has been modified to take into account the impact of the settlement of certain commodity and exchange rate derivatives that do not meet the formal criteria to be classified as hedges under the IFRS. These are entered into by the Company in view of certain amounts of gas and electricity that the Company expects to supply at fixed prices during future periods. The impact of those derivatives has been allocated to the EBITDA pro-forma adjusted relating to the reporting periods during which those supplies at fixed prices are recognized. Management believes that the EBITDA pro-forma adjusted is an important alternative measure to assess the performance of Eni s Gas & Power Division, taking into account evidence that this Division is comparable to European utilities in the gas and power generation sector. This measure is provided in order to assist investors and financial analysts in assessing the divisional performance of Eni Gas & Power, as compared to its European peers, as EBITDA is widely used as the main performance indicator for utilities. The EBITDA pro-forma adjusted is a non-GAAP measure under IFRS.

Refining & Marketing

2009	(euro million)	2010	2011	Change	% Ch.
(102)	**Operating profit**	**149**	**(273)**	**(422)**	**..**
(792)	Exclusion of inventory holding (gains) losses	(659)	(907)		
537	Exclusion of special items:	339	645		
72	*- environmental provisions*	*169*	*34*		
389	*- asset impairments*	*76*	*488*		
(2)	*- gains on disposal of assets*	*(16)*	*10*		
17	*- risk provision*	*2*	*8*		
22	*- provision for redundancy incentives*	*113*	*81*		
39	*- re-measurement gains/losses on commodity derivatives*	*(10)*	*(3)*		
	- other	*5*	*27*		
(357)	**Adjusted operating profit**	**(171)**	**(535)**	**(364)**	**..**
75	Net income (expenses) from investments [(a)]	92	99	7	
85	Income taxes [(a)]	30	174	144	
..	Tax rate (%)	..	..	..	
(197)	**Adjusted net profit**	**(49)**	**(262)**	**(213)**	**..**

(a) Excluding special items.

In 2011, the Refining & Marketing Division reported sharply lower **adjusted operating losses** down to minus euro 535 million in 2011 from minus euro 171 million in 2010. The Division suffered from unprofitable refining margins due to rising costs for oil-based feedstock and energy utilities that could not be transferred to final prices pressured by weak demand and excess capacity in the Mediterranean basin. In addition, Eni s complex refineries were hit by shrinking price differentials between light and heavy crudes which reduced the conversion premium. These negatives were offset in part by efficiency enhancement measures, the optimization of supply activities and lower throughputs at the weakest refineries.

The Marketing results albeit positive, declined due to lower retail and wholesale demand for gasoline and gasoil, and other products destined to industries affected by the economic downturn and competitive pressure.

Special charges excluded from adjusted operating loss amounted to euro 645 million, and mainly related to impairment losses of refining plants due to the management s medium-term forecast that points to continuing weak fundamentals and unprofitable margins resulting in the projection of lower future cash flows. Other special charges for the period related to the impairment of a distribution network in Europe, provisions for redundancy incentives and environmental charges. These considerations also led to the impairment of an interest in a refining project in Eastern Europe reported as special charge of net profit (euro 157 million).

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Petrochemicals

2009	(euro million)	2010	2011	Change	% Ch.
(675)	**Operating profit**	**(86)**	**(424)**	**(338)**	**..**
121	Exclusion of inventory holding (gains) losses	(105)	(40)	65	
128	Exclusion of special items:	78	188		
	of which:				
	Non-recurring items		10		
128	Other special items:	78	178		
	- environmental provisions		*1*		
121	*- asset impairments*	*52*	*160*		
10	*- provision for redundancy incentives*	*26*	*17*		
(3)	*- re-measurement gains/losses on commodity derivatives*				
(426)	**Adjusted operating profit**	**(113)**	**(276)**	**(163)**	**..**
	Net income (expense) from investments [(a)]	1		(1)	
86	Income taxes [(a)]	27	68	41	
(340)	**Adjusted net profit**	**(85)**	**(208)**	**(123)**	**..**

(a) Excluding special items.

In 2011, the Petrochemical Division reported a deeper **adjusted operating loss** of euro 276 million, down by euro 163 million from the year-ago loss of euro 113 million. This trend was negatively impacted by falling product margins, with the cracker margin severely hit by higher supply costs of oil-based feedstock which were not recovered in sales prices on end markets pressured by weak demand for commodities. Also sale volumes were lower. **Special charges** excluded from adjusted operating loss of euro 188 million related mainly to impairment of marginal business lines due to lack of profitability perspectives, as well as to provisions for redundancy incentives.

Adjusted net loss grew by euro 123 million to a loss of euro 208 million in 2011.

Engineering & Construction

2009	(euro million)	2010	2011	Change	% Ch.
881	**Operating profit**	**1,302**	**1,422**	**120**	**9.2**
239	Exclusion of special items:	24	21		
	of which:				
250	Non-recurring items	24			
(11)	Other special items:		21		
2	*- asset impairments*	*3*	*35*		
3	*- gains on disposal of assets*	*5*	*4*		
	- provision for redundancy incentives	*14*	*10*		
(16)	*- re-measurement gains/losses on commodity derivatives*	*(22)*	*(28)*		
1,120	**Adjusted operating profit**	**1,326**	**1,443**	**117**	**8.8**
	Net finance income (expense) [(a)]	33		(33)	
49	Net income (expense) from investments [(a)]	10	95	85	
(277)	Income taxes [(a)]	(375)	(440)	(65)	
23.7	*Tax rate* (%)	*27.4*	*28.6*	*1.2*	
892	**Adjusted net profit**	**994**	**1,098**	**104**	**10.5**

(a) Excluding special items.

The Engineering & Construction Division reported an **adjusted operating profit** increased by 8.8% (up by euro 117 million), to euro 1,443 million. This improvement was driven by revenue growth and higher profitability of acquired orders, primarily in the Engineering & Construction onshore and offshore businesses, reflecting higher level of activities in Middle East, Canada and Australia, and in the offshore drilling business due to the fully operation of the drillships Saipem 10000 and 12000 and of the Perro Negro 8, which partly offset the negative impact of Scarabeo 5 planned maintenance.

Special charges excluded from adjusted operating profit amounted to euro 21 million and related mainly to impairment of equipment of the semi-submersible platform Scarabeo 8, provisions for redundancy incentives and to re-measurement gain on commodity derivatives.

Adjusted net profit was euro 1,098 million, up euro 104 million from 2010.

Other activities [a]

2009	(euro million)	2010	2011	Change	% Ch.
(436)	**Operating profit**	**(1,384)**	**(427)**	**957**	**..**
178	Exclusion of special items:	1,179	201		
	of which:				
	Non-recurring items		59		
178	Other special items:	1,179	142		
207	*- environmental provisions*	*1,145*	*141*		
5	*- asset impairments*	*8*	*4*		
(2)	*- gains on disposals of assets*		*(7)*		
(4)	*- risk provision*	*7*	*9*		
8	*- provisions for redundancy incentives*	*10*	*8*		
(36)	*- other*	*9*	*(13)*		
(258)	**Adjusted operating profit**	**(205)**	**(226)**	**(21)**	**(10.2)**
12	Net financial income (expense) [b]	(9)	5	14	
1	Net income (expense) from investments [b]	(2)	(3)	(1)	
	Income taxes [b]		(1)		
(245)	**Adjusted net profit**	**(216)**	**(224)**	**(8)**	**(3.7)**

(a) From 2010 certain environmental provisions incurred by the Parent Company Eni SpA due to inter-company guarantees on behalf of Syndial have been reported within the segment reporting unit "Other Activities". Prior-year data have been reclassified to allow result comparability.
(b) Excluding special items.

Corporate and financial companies [a]

2009	(euro million)	2010	2011	Change	% Ch.
(420)	**Operating profit**	**(361)**	**(319)**	**42**	**11.6**
78	Exclusion of special items:	96	53		
	- gains on disposal of assets		*(1)*		
38	*- provision for redundancy incentives*	*88*	*(6)*		
	- risk provision	*8*	*9*		
40	*- other*		*51*		
(342)	**Adjusted operating profit**	**(265)**	**(266)**	**(1)**	**(0.4)**
(525)	Net finance incomes (expenses) [b]	(530)	(932)	(402)	
	Net income (expense) from investments [b]		1	1	
123	Income taxes [b]	96	410	314	
(744)	**Adjusted net profit**	**(699)**	**(787)**	**(88)**	**(12.6)**

(a) From 2010 certain environmental provisions incurred by the Parent Company Eni SpA due to inter-company guarantees on behalf of Syndial have been reported within the segment reporting unit "Other Activities". Prior-year data have been reclassified to allow result comparability.
(b) Excluding special items.

Non-GAAP measures

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

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Furthermore, finance charges on finance debt, interest income, gains or losses deriving from the evaluation of certain derivative financial instruments at fair value through profit or loss (as they do not meet the formal criteria to be assessed as hedges under IFRS, excluding commodity derivatives), and exchange rate differences are all excluded when determining adjusted net profit of each business segment. The taxation effect of the items excluded from adjusted operating or net profit is determined based on the specific rate of taxes applicable to each of them. The Italian statutory tax rate is applied to finance charges and income (38% is applied to charges recorded by companies in the energy sector, whilst a tax rate of 27.5% is applied to all other companies). Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or US GAAP. Management includes them in order to facilitate a comparison of base business performance across periods, and to allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

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

Inventory holding gain or loss is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold calculated using the weighted average cost method of inventory accounting.

which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (Consob), non recurring material income or charges are to be clearly reported in the management s discussion and financial tables. Also, special items include gains and losses on re-measurement at fair value of certain non-hedging commodity derivatives, including the ineffective portion of cash flow hedges and certain derivatives financial instruments embedded in the pricing formula of long-term gas supply agreements of the Exploration & Production Division.

Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. In addition, gains or losses on the fair value evaluation of the aforementioned derivative financial instruments, excluding commodity derivatives and exchange rate differences are excluded from the adjusted net profit of business segments. Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment-operated assets, i.e., interest income on certain receivable financing and securities related to operations and finance charge pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration & Production Division). Finance charges or interest income and related taxation effects excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

Special items include certain significant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; or (ii) certain events or transactions

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

Contents

2011

(euro million)	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized intragroup profit elimination	Group
Reported operating profit	**15,887**	**1,758**	**(273)**	**(424)**	**1,422**	**(427)**	**(319)**	**(189)**	**17,435**
Exclusion of inventory holding (gains) losses		(166)	(907)	(40)					(1,113)
Exclusion of special items									
of which:									
Non-recurring (income) charges				**10**		**59**			**69**
Other special (income) charges:	**190**	**354**	**645**	**178**	**21**	**142**	**53**		**1,583**
- environmental charges		10	34	1		141			186
- asset impairments	190	145	488	160	35	4			1,022
- gains on disposal of assets	(63)	(4)	10		4	(7)	(1)		(61)
- risk provisions		77	8			9	(6)		88
- provision for redundancy incentives	44	40	81	17	10	8	9		209
- re-measurement gains/losses on commodity derivatives	1	45	(3)		(28)				15
- other	18	41	27			(13)	51		124
Special items of operating profit	**190**	**354**	**645**	**188**	**21**	**201**	**53**		**1,652**
Adjusted operating profit	**16,077**	**1,946**	**(535)**	**(276)**	**1,443**	**(226)**	**(266)**	**(189)**	**17,974**
Net finance (expense) income [(a)]	(231)	33				5	(932)		(1,125)
Net income from investments [(a)]	624	407	99		95	(3)	1		1,223
Income taxes [(a)]	(9,604)	(845)	174	68	(440)	(1)	410	78	(10,160)
Tax rate (%)	*58.3*	*35.4*	..		*28.6*				