	High	Low	At Period End
		U.S. dollars per euro	
April 2003	1.1180	1.0621	1.1180
May 2003	1.1853	1.1200	1.1766
June 2003 (through June 20, 2003)	1.1870	1.1616	1.1616

Fluctuations in the exchange rate between the euro and the dollar affect the dollar equivalent of the euro price of the Shares on Telematico and the dollar price of the ADSs on the NYSE. Cash dividends related to fiscal year 2002 will be paid by Eni SpA in euro in 2003 and exchange rate fluctuations will also affect the dollar amounts received by owners of ADSs upon conversion by the Depository of cash dividends paid in euro on the underlying Shares. The Noon Buying Rate on June 20, 2003 was U.S. dollars 1.1616 = euro 1.00.

Risk Factors

Competition

There is strong competition worldwide, both within the oil industry and with other industries, in supplying energy to the industrial, commercial and residential energy markets. A number of Eni’s competitors have merged or may have the intention to merge and so lead to possibly stronger competition from competitors with greater financial resources. In its Exploration & Production business, particularly outside Italy, Eni encounters competition from other major international oil companies for exploration and development rights. In its natural gas business, Eni encounters increasingly strong competition from both national and international natural gas suppliers, also following the impact of the liberalization of the Italian natural gas market introduced by Legislative Decree No. 164/2000 which provides for, among other things, the opening of the entire Italian market to competition by 2003, limits to the size of gas companies relative to the market and third parties access to transport infrastructure. In its electricity business, Eni competes with other producers from Italy or outside Italy which sell electricity on the Italian market. In addition an uncertain regulatory framework and delays in the authorization process for the construction of new power plants on the part of public administrations prevent operators, amongst which Eni, from fully deploying their growth plans in the electricity business according to scheduled time. Eni faces competition from several major international oil companies in its refinery and refined product marketing businesses. In the retail market, Eni competes with third parties both in Italy and outside Italy (including major international oil companies, companies owned by oil producing nations and local operators) to obtain concessions to establish and operate service stations. Once established, Eni’s service stations compete primarily on the basis of services and availability of non-petroleum products. In Italy plans for the upgrading and efficiency improvement of a service station network can advance only in accordance with the evolution of the regulatory framework, which lags behind that of other major European countries. Eni also faces significant competition from certain international operators in the oilfield services contracting and engineering industries. Such competition is primarily on the basis of technical expertise, quality and number of services, availability of technologically advanced facilities (for example vessels, drilling plants etc.) and price.

Cyclicality of Petrochemical Industry

The petrochemical industry is subject to cyclical fluctuations in supply and demand, with consequent effects on prices and profitability exacerbated by the highly competitive environment of the industry. Eni’s petrochemicals operations, which are located mainly in Italy with certain plants located also outside Italy, have been in the past and may in the future be adversely affected by worldwide excess installed production capacity, as well as by economic slowdowns in many industrialized countries. The dislocation of petrochemical activities to geographical areas like the Far East and oil producing countries which provides long term competitive advantages has weakened the competitiveness of petrochemicals operations in industrialized countries, amongst which Eni’s own petrochemical operations. Petrochemicals operations in industrialized countries are also less competitive than those in the above-mentioned areas due to stricter regulatory frameworks and growing environmental concerns which prevail in industrialized countries.

Political and Economic Considerations

The production of oil and natural gas requires high levels of capital expenditure and entails particular economic risks and opportunities. It is subject to natural hazards and other uncertainties including those relating to the physical characteristics of oil or natural gas fields.

The production of oil and natural gas is highly regulated and is subject to intervention by governments throughout the world in matters such as the award of exploration and production interests, the imposition of specific drilling and other work obligations, environmental protection measures, control over the development and abandonment of fields and installations, and restrictions on production. In addition, the oil and gas industry is subject to the payment of royalties and excise duties, which tend to be higher than those payable in respect of many other commercial activities.

Crude oil prices are subject to international supply and demand and other factors that are beyond Eni’s control. OPEC member countries control production of a significant portion of the worldwide supply of oil and can exercise substantial influence over its price levels. International geopolitical tensions and political developments, including sanctions imposed on certain oil-producing countries on the basis of resolutions of the United Nations, can also affect world supply and prices of oil. Such factors can also affect the prices of natural gas because such prices are typically tied to the prices of certain refined petroleum products. Higher crude oil prices have a favourable impact on Eni’s results of operations and lower crude oil gives an adverse impact.

Substantial portions of Eni's hydrocarbons reserves are located in countries outside the EU and North America, certain of which may be politically or economically less stable than EU or North American countries. At December 31, 2002, approximately 69% of Eni's proved hydrocarbons reserves were located in such countries. See «Item 4 — Exploration & Production — Oil and Natural Gas Reserves». Similarly, a substantial portion of Eni's natural gas supply comes from countries outside the EU and North America. In 2002, approximately 29% of Eni's domestic supply of natural gas came from such countries. See «Item 4 — Gas & Power — Natural Gas Supplies». In August 1996, the United States adopted the Iran and Libya Sanctions Act (the «Sanctions Act»). The Sanctions Act requires the President of the United States to impose certain enumerated sanctions under certain circumstances on companies which engage in trade with or investment activities in Libya. Under the Sanctions Act, sanctions against Libya are expected to be applied until the President of the United States decides that Libya has complied with UN resolutions No. 731 of 1992 and No. 883 of 1993. Recent signs of a new Libyan attitude to the solution of existing controversies have led the UN to suspend Resolutions No. 731 and 883. Eni cannot predict interpretations of, or the implementation policy of the U.S. Government with respect to the Sanctions Act. However, Eni does not believe that the Sanctions Act will have a material adverse effect on its financial condition or results of operations. For a description of Eni's operations in Libya and Iran see «Item 4 — Information on the Company — Exploration and Production — North Africa and Rest of the World.»

Liberalization of the Italian Natural Gas Market

Legislative Decree n. 164 dated May 23, 2000 introduced rules for the liberalization of the Italian natural gas market which management believes will have a significant impact on Eni's activity, as the company is present in all the phases of the natural gas chain. The decree, among other things, establishes:

- opening of the entire market to competition by 2003; this means that by then all customers are free to chose their supplier of natural gas;
- until December 31, 2010 antitrust thresholds to operators calculated as a percentage share of national consumption set as follows: (i) effective January 1, 2002 75% for imported or domestically produced natural gas volumes input in the national transport network and destined to sales; this percentage is to decrease by 2 percentage points per year until it reaches 61% in 2009; (ii) effective January 1, 2003 50% for sales to final customers. These ceilings are calculated on a three-year base net of losses (in the case of sales) and own consumption;
- the Authority for Electricity and Gas determines criteria for transport, dispatching, storage, use of LNG terminals and tariffs for natural gas for distribution by means of local networks;
- third parties are allowed to access infrastructure according to set conditions.

In order to meet the medium and long-term demand of natural gas in particular of the Italian market, Eni entered into long-term purchase contracts with producing countries that currently have a residual average term of approximately 17 years. Existing contracts, which in general contain take-or-pay clauses, will ensure a total of about

66 billion cubic meters of natural gas per year (Russia 28.5, Algeria 21.5, Netherlands 10 and Norway 6) by 2008. The above quantities are based on the annual contract quantity of the relevant contract. The average annual minimum quantity is approximately 85% of said quantities. In order to comply with the above mentioned regulatory thresholds relating to volumes input to the national transport network, Eni signed multi-annual contracts with third party importers to sell natural gas volumes exceeding said thresholds outside of the Italian territory; in prior years these volumes were imported into Italy and sold to Italian consumers by Eni. This change in the sale mix is structural and will adversely affect Eni’s results of operations. Further, management expects Eni’s margins on natural gas in Italy to come under pressure in future years due to the entry into the market of new competitors including the above mentioned third parties which purchase natural gas from Eni outside the Italian territory and resell it to Italian customers. Finally due to the antitrust threshold on direct sales in Italy, management expects Eni’s natural gas sales in Italy to increase at a rate that cannot exceed the growth rate of natural gas demand in Italy. Management believes all these developments might have a material adverse impact on Eni’s results of operations.

To date Eni’s natural gas supply contracts have not entailed the application of take-or-pay clauses. Natural gas imports for the next few years have been programmed based on the highest flexibility allowed by longterm supply contracts, assuming that access capacity to the Italian network will be available in accordance with said flexibility. However, this assumption may be inconsistent with the current network code as established by the Authority for Electricity and Gas with decision No. 137 of July 17, 2002, in implementation of article 24, line 5 of Legislative Decree No. 164/2000. Decision No. 137 established priority criteria for the entitlement of transmission capacity at entry points from international networks into the domestic network. Entitlement periods can last no longer than five years. In particular it recognises priority access to take-or-pay contracts entered into before 1998, within the limit of the average daily contractual quantity. There is therefore no guaranteed access priority for the whole contractual flexibility. In fact, take-or-pay contracts entered by Eni before 1998 envisage Eni’s right to withdraw daily amounts larger than the average daily contractual amount; this contractual flexibility provided by the difference between the maximum daily amount Eni is entitled to and the average contractual daily amount is used in particular in winter. In the event of congestion at entry points, natural gas volumes not receiving a priority are assigned available transmission capacity on a pro-rata basis. Decision No. 137 establishes a transitional regime according to which for thermal year 2002-2003 access priority is granted also for two thirds of the difference between maximum contractual daily amounts and average daily amounts. For the thermal year 2003-2004, priority will be granted for only one third of that difference. On November 6, 2002 Eni filed a claim with the Regional Administrative Court of Lombardia requesting the annulment of decision No.137/2002 as Eni considers this decision non consistent with the overall rationale of the European natural gas framework, especially with reference to Directive 98/30/CE and Legislative Decree No. 164/2000. In case of an unfavourable outcome of this matter, management believes that Eni’s results of operations could be negatively affected should market conditions prevent Eni from selling its whole availability of natural gas under take-or pay contract obligations. See »Item 5—Management Expectations of Operations».

On November 21, 2002 the Italian Antitrust Authority concluded the inquiry started on request of Blugas SpA concerning Eni’s alleged violation of competition rules, and acquitted Eni for the specific case of Blugas (deriving from the fact that in the spring-summer of 2001 Eni partially accepted Blugas’s request to access the network) but judged that Eni had abused of commanding position for having given, with the aim of respecting binding market thresholds, priority access to Italian purchasers with which Eni had entered supply contracts with volumes bought out of Italy supplied at entry points into the Italian network. The Antitrust Authority considers that these contracts infringe the rationale of article 19 of Legislative Decree No. 164/2000 which defines the limits for volumes to be input by a single operator into the national network. Given this infringing behavior and the lack of clarity of Italian regulations and Eni’s availability to increase the transmission capacity of gaslines outside Italy, the Antitrust Authority imposed on Eni a symbolic fine amounting to euro 1,000 and requested Eni to submit «a report indicating measures to be taken to eliminate infringing behaviors with specific attention to the upgrading of the transmission network or equivalent actions». Eni filed this report on March 6, 2003. On February 5, 2003 Eni filed a claim with the Regional Administrative Court of Lazio in Rome requesting the annulment of the measures taken by the Authority.

Eni cannot predict the final outcome on this matter and future developments in the more general institutional debate ongoing on the liberalization of the natural gas market in Italy as confirmed by the joint official inquiry regarding the Italian gas market started in March 2003 by the Authority for electricity and gas and the Antitrust Authority with the aim of acquiring elements and information useful to define actions to improve competition. Management believes this is an area of concern and cannot exclude negative impacts on Eni’ s results of operations in future years.

Environmental Regulation

Together with other companies in the industries in which it operates, Eni is subject to numerous EU, national, regional and local environmental laws and regulations concerning its oil and gas operations, products and other activities, including legislation that implements international conventions or protocols. In particular, these laws and regulations require the acquisition of a permit before drilling for hydrocarbons may commence, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with exploration, drilling and production activities, limit or prohibit drilling activities on certain protected areas, and impose criminal or civil liabilities for pollution resulting from oil, natural gas, refining and petrochemicals operations. These laws and regulations may also restrict air emissions and discharges to surface and subsurface water resulting from the operation of natural gas processing plants, petrochemicals plants, refineries, pipeline systems and other facilities that Eni owns. In addition, Eni’s operations are subject to laws and regulations relating to the generation, handling, transportation, storage, disposal and treatment of waste materials. Environmental laws and regulations have a substantial impact on Eni’s operations. Some risk of environmental costs and liabilities is inherent in particular operations and products of Eni, as it is with other companies engaged in similar businesses, and there can be no assurance that material costs and liabilities will not be incurred. Although Eni, considering the actions already taken, the insurance policies to cover environmental risks and the provisions for risks accrued, does not currently expect any material adverse effect upon its results of operations and financial position as a result of its compliance with such laws and regulations, there can be no assurance that this will be the case due to: (i) the possibility of as yet unknown contamination; (ii) the results of the on-going surveys and the other possible effects of Decree No. 471/99 of the Ministry of Environment (which implements Legislative Decree No. 22/97, the "Ronchi Decree"); (iii) the possible effect of future environmental legislation and rules; (iv) the effect of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining Eni's liability, if any, as against other potentially responsible parties with respect to such litigation and the possible insurance recoveries.

Risks deriving from changes in oil prices and in natural gas, refined and petrochemical products prices and margins (1)

Operating results in certain of Eni's businesses, particularly the Exploration & Production, Refining & Marketing, Gas & Power and Petrochemical segments are affected by changes in the price of oil and by their impact on prices and margins of natural gas and refined and petrochemical products. Overall, higher oil prices have a net positive impact on Eni's results of operations. The effect of higher oil prices on Eni's average realized price of oil is generally immediate. However Eni's average realized price for oil differs from the price of marker crude Brent due primarily to the circumstance that Eni's production slate, including also heavy crudes, has a lower API gravity compared with Brent crude (when processed the latter allows for higher yields of valuable products compared to heavy crudes, hence higher market price). In addition changes in relative prices of Brent crude oil and heavy crudes cause changes in the results of operations of Eni's Exploration & Production segment from one year to the year.

A time lag exists between movements in oil prices and movements in the prices and margins of natural gas and refined and petrochemical products. In particular, the prices under natural gas purchase and sale contracts, which generally are for multiyear terms, are typically updated automatically by reference to the market prices of certain refined products and oil during a prior period, and therefore tend to mitigate the impact of changes in oil prices on Eni's operating results. However, since Eni's natural gas purchase and sale contracts are indexed to different refined products and types of oil, in different proportions and as measured over different reference periods, and are denominated in different currencies, Eni's unit margins for natural gas may be significantly affected in the short term by variations in refined product and oil prices and exchange rates. In secondary distribution of natural gas, despite the passage of all customers from non eligible to eligible from January 1, 2003, the Authority for Electricity and Gas still establishes reference sale prices for non eligibile customers in order to allow for a gradual and regular transition to a free market, in accordance with the provisions of a Decree of the President of the Council of Ministers of October 31, 2002. In this segment, sale prices can be affected by Government regulations aimed at fighting inflation that limit the ability to transfer natural gas purchase costs onto the final sale price.

The results of operations of Eni’s Refining & Marketing segment are substantially affected by changes in European refining margins which reflect changes in relative prices of crude oil and refined products. Generally, a time lag exists between changes in oil prices and movements in refined products prices. In recent years the latter factor has more markedly influenced the trends in refining margins.

Eni’s petrochemical products margins are affected by trends in demand and changes in oil prices which influence changes in cost of petroleum-based feedstock. Generally, an increase in oil price determines a decrease in petrochemical products margins on the short term. Prolonged weakness of international economy as well as Eni’s own structural weaknesses have prevented Eni’s Petrochemical segment from returning to profitability in recent years. Due to industry conditions and weak economic growth, management does not expect any significant improvement in petrochemicals segment profitability over the foreseeable future.

Weather in Italy and Seasonality.

Significant changes in weather conditions in Italy from year to year may cause variations in demand for natural gas and some refined products; in colder years, demand is higher. Accordingly, the results of operations of the Gas & Power segment and, to a lesser extent, the Refining & Marketing segment, may be affected by such variations in weather conditions. In addition, Eni’s results of operations reflect the seasonality in demand for natural gas and certain refined products used in residential space heating, the demand for which is typically highest in the first quarter of the year, which includes the coldest months, and lowest in the third quarter, which includes the warmest months.

Exchange Rates.

Movements in the exchange rate of the euro against the U.S. dollar can have a material impact on Eni’s results of operations. Prices of oil, natural gas and refined products generally are denominated in, or linked to, U.S. dollars, while a significant portion of Eni’s expenses is denominated in euro. Similarly, prices of Eni’s petrochemical products generally are denominated in, or linked to, euro, whereas expenses in the Petrochemicals segment are denominated both in euro and U.S. dollars. Accordingly an appreciation of the U.S. dollar versus the euro generally has a positive effect on Eni results of operations, and vice-versa.

Interest Rates.

Interest on Eni’s debt is primarily indexed at a spread to benchmark rates such as the Europe Interbank Offered Rate, «EURIBOR» and the London Interbank Offered Rate, «LIBOR». As a consequence, movements in interest rates can have a material impact on Eni’s financial expense in respect of its net borrowings, which amounted to euro 11,141 million at December 31, 2002.

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Uncertainties in Estimates of Oil and Natural Gas Reserves

Numerous uncertainties are inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgement. Results of drilling, testing and production after the date of the estimate may require substantial upward and downward revision. In addition changes in oil and natural gas prices could have an effect on the quantities of Eni’s proved reserves because the estimates of reserves are based on prices and costs at the date when such estimates are made. In addition the reserves estimates are subject to revision as prices fluctuate due to the cost recovery feature under certain Production Sharing Agreements (PSA). Accordingly, the estimated reserves could be materially different from the quantities of oil and natural gas that ultimately will be recovered.

Item 4. INFORMATION ON THE COMPANY

History and Development of the Company

Eni SpA with its consolidated subsidiaries is engaged in the oil and gas, electricity generation, petrochemicals, oilfield services and engineering industries. Eni has operations in about 70 countries and 80,655 employees as of December 31, 2002.

Eni, the former Ente Nazionale Idrocarburi, a public law agency, established by Law 136 of February 10, 1953, was transformed into a joint stock company by Law Decree 333 of July 11, 1992 published in the Official Gazette of the Republic of Italy no. 162 of July 11, 1992 (converted into law on August 8, 1992, by Law 359, published in the Official Gazette of the Republic of Italy no. 190 of August 13, 1992). The shareholders’ meeting of August 7, 1992 resolved that the company be called Eni SpA. Eni is registered at the Companies Register of Rome, register tax identification number 00484960588, VAT number 00905811006, R.E.A. Rome no. 756453. Eni is expected to remain in existence until December 31, 2100; its duration can however be extended by resolution of the shareholders.

Eni’s registered head office is located at Piazzale Enrico Mattei 1, Rome, Italy (telephone number: +39-0659821). Eni branches are located in:

- San Donato Milanese (Milan), Via Emilia, 1;
- San Donato Milanese (Milan), Piazza Ezio Vanoni, 1;
- Gela (Sicily), Strada Provinciale, 82.

Internet address: www.eni.it

Eni’s principal segments of operations and subsidiaries are described below.

Agip SpA was merged into Eni SpA effective as of January 1, 1997 to become Eni’s Exploration & Production division. Eni conducts its exploration and production activities through its Exploration & Production division and certain operating subsidiaries. Eni’s exploration, development and production activities commenced in 1926, when Agip was formed by the Government with a mandate to explore for and develop oil and natural gas. Exploration & Production operations are principally conducted in Italy, North Africa, West Africa, the North Sea and the Gulf of Mexico; it also operates in areas such as Latin America, Australia, the Middle and Far East and the Caspian Sea where Eni has recently entered. In 2002, Eni produced 1,449,000 BOE/d of hydrocarbons and, at December 31, 2002, it had estimated proved reserves of 7,030 mmBOE with a life index of 13.2 years. In 2002, Eni’s Exploration & Production segment had net sales from operations (including intersegment sales) of euro 12,877 million and operating income of euro 5,175 million.

Snam SpA was merged into Eni SpA effective as of February 1, 2002 to become Eni’s Gas & Power division. Eni now conducts its natural gas and electricity generation activities through its Gas & Power division and certain operating subsidiaries. Eni natural gas supply, transmission and distribution activities commenced in the 1940s with the commercial sale of natural gas to industrial users in Northern Italy. In 2002, Eni’s primary distribution sales of natural gas totaled 52.56 billion cubic meters in Italy and 8.2 billion cubic meters in Europe. Primary distribution sales include sales to wholesalers, mainly local distribution companies, and large industrial and thermoelectric users which are supplied by a high and medium pressure gas pipeline network. Eni’s high and medium pressure gas pipeline network for primary distribution is about 30,000-kilometres long in Italy, while outside Italy Eni holds transmission rights on over 3,700 kilometers of high pressure pipelines. Effective on July 1, 2001 Eni’s natural gas transport network in Italy was conferred to Snam Rete Gas SpA. In December 2001 shares representing 40.24% of Snam Rete Gas capital were sold through an initial public offering with proceeds of euro 2.2 billion. Snam Rete Gas transports natural gas on behalf of Eni and third parties («shippers»); in 2002 transported volumes were 73.7 billion cubic meters, of which 19 billion on behalf of third parties. Eni operates directly in retail distribution (“secondary distribution”) of natural gas which includes almost exclusively sales made by local distribution companies to commercial and residential users through a low pressure gas pipeline network. Eni operates in secondary distribution in Italy through Italgas—the largest local distribution company in Italy—of wholly owned by Eni following the tender offer successfully closed in January 2003 and the subsequent squeeze-out of remaining minority shareholders. Eni also operates in secondary distribution activities outside Italy in Hungary through