

The following table summarizes the status of treasury shares held by Eni as of December 31, 2002:

Period	Numbers of shares million	Average price euro	Total price million euro	Share capital %
2000	44.4	12.92	574	1.11
2001	110.0	13.58	1,494	2.75
2002	52.2	14.74	770	1.30
As of December 31, 2002	206.6	13.74	2,838	5.16

Material Contracts

None.

Exchange Controls

There are no exchange controls in Italy. Residents and non-residents of Italy may effect any investments, divestments and other transactions that entail a transfer of assets to or from Italy, subject only to the reporting, record-keeping and disclosure requirements described below. In particular, residents of Italy may hold foreign currency and foreign securities of any kind, within and outside Italy, while non-residents may invest in Italian securities without restriction and may export from Italy cash, instruments of credit or payment and securities, whether in foreign currency or euro, representing interest, dividends, other asset distributions and the proceeds of dispositions.

Updated reporting and record-keeping requirements are contained in recent Italian legislation which implements an EU directive regarding the free movement of capital. Such legislation requires that transfers into or out of Italy of cash or securities in excess of euro 10 thousand be reported in writing to the *Ufficio Italiano Cambi* (the Italian Exchange Office) by residents or non-residents that effect such transfers directly, or by banks, securities dealers or *Poste Italiane SpA* (Italian Mail) that effect such transactions on their behalf. In addition, banks, securities dealers or *Poste Italiane SpA* effecting such transactions on behalf of residents or non-residents of Italy are required to maintain records of such transactions for five years, which records may be inspected at any time by Italian tax and judicial authorities. Non-compliance with these reporting and record-keeping requirements may result in administrative fines or, in the case of false reporting and in certain cases of incomplete reporting, criminal penalties. The *Ufficio Italiano Cambi* will maintain reports for a period of ten years and may use them, directly or through other government offices, to police money laundering, tax evasion and any other crime or violation.

Taxation

The information set forth below is a summary only, and Italian, United States and other tax laws may change from time to time. Holders of shares and ADSs should consult with their professional advisors as to the tax consequences of their ownership and disposition of the shares and ADRs, including, in particular, the effect of tax laws of any other jurisdiction.

Italian Taxation

The following is a summary of the material Italian tax consequences of the ownership and disposition of shares or ADRs as at the date hereof and does not purport to be a complete analysis of all potential tax effects relevant to the ownership or disposition of shares or ADRs.

Income tax

The Italian tax system entitles domestic shareholders to benefit from a dividend tax credit equal to 56.25% of the gross amount of the dividends received. Pursuant to the reduction of income tax rate from 36% to 34% coming into force from January 1, 2003, pursuant to Law No. 289/2002, the tax credit will be equal to 51.51% of the gross amount of the dividend received with respect to distributions deliberated as from January 1, 2002.

Both dividends and their related tax credit are included in the taxable income and the latter reduces the tax due at the shareholder's level.

The other topics of the tax regime may be summarised as follows:

in principle, the dividend tax credit may not exceed the amount of taxes paid at the distributing company level;

in order to permit the transfer to the shareholder of some tax incentives, avoiding at the same time possible distortions deriving from the enjoyment of a full dividend tax credit at shareholder level, a dual basket system has been introduced;

the distributing company must keep, in its tax return, formal record of the tax effectively paid— basket A— and of taxes deemed only virtually levied—basket B. This latter refers to taxes which, although never paid, are considered under the new Italian provisions as having been paid for special cases;

the distributing company is required to reduce the amounts recorded for both baskets, upon dividend distribution, even if the recipient is not entitled to take advantage from the dividend tax credit (i.e., foreign shareholders);

dividends derived from basket B entitles a shareholder to a limited dividend tax credit that cannot be claimed for refund and/or carried forward.

Resident individuals owning less than 2% of the outstanding shares not related to the conduct of a business may elect for a substitute tax of 12.5% withheld at the source by the dividend paying agent. This being the case, the dividend is not to be included in the individual's tax return.

The same substitute tax is withheld when dividend is paid to pension funds and to certain real estate investment funds. Entities exempt from IRPEG (company income tax) are subject to the substitute tax at the rate of 27%.

Dividend paid to non residents are subject to the same substitute tax levied at source by the dividend paying agent at the rate of 27%.

Up to four-ninths of the tax withheld might be recovered by a non-resident shareholder from the Italian Tax Authorities upon provision of evidence of full payment of income tax on such dividend in his country of residence in an amount at least equal to the total refund claimed.

Such substitute tax may be reduced under the tax treaty in force between Italy and the country of residence of the Beneficial Owner of the dividend. In order to obtain the treaty benefit (reduced substitute tax rate) at the same time of payment, the Beneficial Owner must file an application to the dividend paying agent chosen by the Depositary stating the existence of the conditions for the applicability of the treaty benefit, together with a certification issued by the foreign Tax Authorities stating that the shareholder is a resident of that country for treaty purposes.

Based on the certification procedure required by the Italian Tax Authorities, the shareholder must obtain from the U.S. Internal Revenue Service (the «IRS») a certificate with respect to each dividend payment.

The request for that certificate must include a statement, signed under penalties for perjury, to the effect that the shareholder is a U.S. resident individual or corporation, and does not maintain a permanent establishment in Italy, and must set forth other required information. The normal time for processing requests for certification by the IRS is normally about six to eight weeks.

As an alternative to the direct application of the treaty benefit at the same time of payment, the foreign shareholder may provide for the filing of specific forms (certificate) with the Italian Tax Authorities, in order to obtain a refund of taxes withheld in excess of the withholding tax rate as provided for by the Treaty.

It should be specified that Italy has concluded income tax treaties with approximately 60 foreign countries, including all EU member states, Argentina, Australia, Brazil, Canada, Japan, New Zealand, Norway, Switzerland, the United States and some countries in Africa, the Middle East, and the Far East. Generally speaking, it should be noted that tax treaties are not applicable where the holder is a tax-exempt entity or, with few exceptions, a partnership or a Trust. For further details please refer to the relevant provisions set forth in the Italy-U.S. Tax Treaty.

Under the income tax convention between the United States and Italy, dividends derived and beneficially owned by a U.S. resident who holds less than 10% of Eni SpA's shares are subject to an Italian withholding or substitute tax at a reduced rate of 15%, provided that the dividends are not effectively connected with a permanent establishment in Italy through which the U.S. resident carries on a business or a fixed establishment in Italy through which such resident performs independent personal services.

In the absence of such conditions, or where the mentioned documentation has not been provided by the Beneficial Owner, the dividend paying agent will deduct from the gross amount of the dividend the substitute tax at the statutory rate of 27%. The recipient will then be entitled to claim from the Italian Tax Authorities the difference («treaty refund») between the domestic rate and the treaty one.

With respect to any dividend declared by the Company on or after July 1, 1998, pursuant to a change in Italian tax law as reflected in the Deposit Agreement, the Company will no longer be involved (i) in withholding amounts due by holders of ADSs to relevant taxing authorities in connection with any distributions relating to ADSs or (ii) in the procedures through which certain holders of ADSs may obtain tax rebates, credits, refunds or other similar benefits. Pursuant to the Deposit Agreement, the custodian and the Depositary have undertaken to use reasonable efforts to make and maintain arrangements to enable persons that are considered United States residents for purposes of applicable law to receive any rebates or tax credits (pursuant to treaty or otherwise) relating to distributions on the ADSs to which such persons are entitled. In addition, the Depositary has agreed to establish procedures to enable all holders to take advantage of any rebates or tax credits (pursuant to treaty or otherwise) relating to distributions on the ADSs to which such holders are entitled and to provide, at least annually, a written notice, in a form previously agreed to by the Company, to the holders of ADSs of any necessary actions to be undertaken by such Holders.

Transfer tax

As of January 1, 1998, Legislative Decree No. 435/97 has changed the previous rule introducing both new exemptions and new rates.

In general terms, no Italian transfer tax is payable in the following cases:

- contracts executed on regulated financial markets;
- contracts concerning shares of non-listed companies, executed between non-resident persons and banks or other authorised intermediaries (provided that certain conditions are met);
- contracts concerning listed shares even if not executed on regulated financial markets, between non-resident persons and banks or other authorized intermediaries or investment funds.

The mentioned exemption from transfer tax does not entail the application of stamp duty or registration tax.

To provide a more complete picture, transfer tax is currently payable at the following rates:

- Euro 0.072 for euro 51.65 (or fraction thereof) of the price at which the Shares or ADRs are transferred, when the transfer occurs directly between the contracting parties or through intermediaries other than those listed below.
 - Euro 0.025 for euro 51.65 (or fraction thereof) of the price at which the Shares or ADRs are transferred, when the transfer occurs between private individuals and a bank or between private individuals through an intermediary, such as an exchange agent, a bank, a stock broker, or a SIM.
 - Euro 0.0061 for euro 51.65 (or fraction thereof) of the price at which the Shares or ADRs are transferred, when the transfer occurs between banks, exchange agents or SIMs.
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Capital Gains Tax

Gains deriving from the sale of participations exceeding 2% of the voting rights or 5% of the share capital i.e. «substantial participations» are subject to a 27% substitute tax, while other gains are subject to a substitute tax at a 12.5% rate.

For gains deriving from the sale of non substantial participations, two different systems may be applied at the option of the shareholder as an alternative to the filing of the tax return:

the so-called «indirectly managed investment» system (*risparmio amministrato*), based on which intermediaries acting as shares depositaries shall apply a substitute tax (12.5%) on each gain, on a cash basis. If the sale of shares generated a loss, said loss may be carried forward up to the fourth following year; and

the so-called «directly managed investment» system (*risparmio gestito*) which is applicable when the shares form part of a portfolio managed by an Italian asset management company. The accrued net profit of the portfolio is subject to a 12.5% substitute tax to be applied by the portfolio.

Gains realized by non residents from non substantial participations in listed companies are deemed not to be realized in Italy and consequently are not subject to the capital gains tax.

On the contrary, gains realized by non-residents from substantial participations even in listed companies are deemed to be realized in Italy and consequently they are subject to the capital gains tax.

However double taxation treaties may eliminate the capital gains tax. Under the income tax convention between the United States and Italy, a U.S. resident will not be subject to the capital gains tax unless the shares or ADRs form part of the business property of a permanent establishment of the holder in Italy or pertain to a fixed establishment available to a shareholder in Italy for the purposes of performing independent personal services. U.S. residents who sell shares may be required to produce appropriate documentation establishing that the above-mentioned conditions of non-taxability pursuant to the convention have been satisfied.

Inheritance and Gift Tax

Pursuant to Law No. 383 of October 18, 2001, Italian inheritance and gift tax on transfer of shares or ADRs by reason of death or donation has been abolished with respect to successions opened and to gifts made from October 25, 2001. Transfer of shares or ADRs, even if held outside Italy, by reason of donation are subject to the ordinary Italian transfer tax on the value of the gift exceeding 180.759,91 euro, only if the donee is not the spouse, a direct descendant or a relative up to the fourth degree of the donor.

An anti avoidance rule has been provided by Law 383 for gift of assets (such as shares) which, if sold for consideration, would give rise to capital gain subject to substitute tax as per Decree No. 461 of November 21, 1997. In particular if the donee sells the shares for consideration within five years from the receipt thereof as gift, the substitute tax will apply on the capital gain determined as if the gift had never been given.

United States Taxation

The following is a summary of certain U.S. federal income tax consequences to U.S. Holders (as defined below) of the ownership and disposition of Shares or ADRs. This summary is addressed to U.S. Holders that hold Shares or ADSs as capital assets, and does not purport to address all material tax consequences of the ownership of Shares or ADSs. The summary does not deal with special classes of investors, such as tax-exempt entities, dealers in securities, traders in securities that elect to mark to market, certain insurance companies, broker-dealers, investors liable for alternative minimum tax, investors that actually or constructively own 10% or more of Eni SpA's Shares, investors that hold Shares or ADSs as part of a straddle or a hedging or conversion transaction and investors whose «functional currency» is not the U.S. dollar.

This summary is based on the tax laws of the United States (including the Internal Revenue Code of 1986, as amended, (the «Code»)) its legislative history, existing and proposed regulations thereunder, published rulings

and court decisions) as in effect on the date hereof, and which are subject to change (or changes in interpretation), possibly with retroactive effect. The summary is based in part on representations of the Depositary and assumes that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms. U.S. Holders should consult their own tax advisors to determine the U.S. federal, state and local and foreign tax consequences to them of the ownership and disposition of Shares or ADSs.

As used in this section, the term «U.S. Holder» means a beneficial owner of Shares or ADSs who or that is (i) a citizen or resident of the United States, (ii) a domestic corporation, (iii) an estate the income of which is subject to United States federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust.

The discussion does not address any aspects of United States taxation other than federal income taxation. In particular, U.S. Holders are urged to confirm their eligibility for benefits under the income tax convention between the United States and Italy with their advisors and to discuss with their advisors any possible consequences of their failure to qualify for such benefits.

In general, and taking into account the earlier assumptions, for the United States federal income tax purposes, U.S. Holders who own ADRs evidencing ADSs will be treated as owners of the underlying Shares. Exchanges of Shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

Dividends

Distributions paid on the shares generally will be treated as dividends for U.S. federal income tax purposes to the extent paid out of Eni SpA's current or accumulated earnings and profits as determined for U.S. federal income tax purposes, but will not be eligible for the dividends received-deduction generally allowed to corporations. To the extent that a distribution exceeds Eni SpA's earnings and profits, it will be treated, first, as a non-taxable return of capital to the extent of the U.S. Holder's tax basis in the shares or ADSs, and thereafter as a taxable gain on the sale or exchange of shares or ADSs. A U.S. Holder will be subject to U.S. federal taxation, on the date of actual or constructive receipt by the U.S. Holder (in the case of Shares) or by the Depositary (in the case of ADSs) with respect to the gross amount of any dividends, including any Italian tax withheld therefrom, without regard to whether any portion of such tax may be refunded to the U.S. Holder by the Italian tax authorities. If you are a noncorporate U.S. Holder, dividends paid to you after December 31, 2002 and before January 1, 2009 that constitute qualified dividend income will be taxable to you at a maximum tax rate of 15% provided that you hold the Shares or ADSs for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date and meet other holding period requirements. Dividends we pay with respect to the shares or ADSs will be qualified dividend income. The amount of any dividend (or treaty payment) paid in lire will equal the U.S. dollar value of the lire received, calculated by reference to the exchange rate in effect on the date the distribution is includible in income, regardless of whether the lire are converted into U.S. dollars and U.S. Holders may recognize foreign currency gain or loss upon the disposition of such lire measured by the differences between such U.S. dollar value and the amount realized on such disposition. Such gain or loss will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income.

Subject to certain conditions and limitations, Italian tax withheld from dividends will be treated as a foreign income tax eligible for credit against the U.S. Holder's U.S. federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available to a U.S. Holder under Italian law or under the income tax convention, the amount of tax withheld that is refundable will not be eligible for credit against your United States federal income tax liability. See «Italian Taxation—Income Tax,» above, for the procedures for obtaining a tax refund. For the purposes of computing the foreign tax credit, dividends paid on the Shares will be treated as income from sources outside the United States, but generally will be grouped separately, together with other items of «passive» or «financial services» income.
