

Exchange Rates

The following tables sets forth, for the periods indicated, certain information regarding the Noon Buying Rate in U.S. dollars per euro, rounded to the second decimal (Source: The Federal Reserve Board).

	High	Low	Average ⁽¹⁾	At period end
	(U.S. dollars per euro)			
Year ended December 31,				
2003	1.26	1.04	1.13	1.26
2004	1.36	1.18	1.24	1.35
2005	1.35	1.17	1.24	1.18
2006	1.33	1.19	1.26	1.32
2007	1.49	1.29	1.37	1.46

(1) Average of the Noon Buying Rates for the last business day of each month in the period.

	High	Low	At period end
	(U.S. dollars per euro)		
November 2007	1.49	1.44	1.47
December 2007	1.48	1.43	1.46
January 2008	1.49	1.46	1.48
February 2008	1.52	1.45	1.52
March 2008	1.58	1.52	1.58
April 2008	1.60	1.56	1.56
May 2008 (through May 14, 2008)	1.55	1.54	1.55

Fluctuations in the exchange rate between the euro and the dollar affect the dollar equivalent of the euro price of the Shares on the Telematico and the dollar price of the ADRs on the NYSE. Exchange rate fluctuations also affect the dollar amounts received by owners of ADRs upon conversion by the Depository of cash dividends paid in euro on the underlying Shares. The Noon Buying Rate on May 14, 2008 was \$1.55 per euro 1.00.

Risk Factors

Competition

There is strong competition worldwide, both within the oil industry and with other industries, to supply energy to the industrial, commercial and residential energy markets.

Eni encounters competition from other oil and natural gas companies in all areas of its operations.

- In the Exploration & Production business, Eni faces competition from both international oil companies and state run oil companies for obtaining exploration and development rights, particularly outside of Italy, and developing and applying new technology to maximize hydrocarbon recovery. If Eni fails to obtain new exploration and development acreage or to apply and develop new technology, its growth prospects and future results of operations and cash flows may be adversely affected. The current trend of the industry towards a reduction of the number of operators through takeovers or mergers may lead to stronger competition from operators with greater financial resources and a wider portfolio of development projects.
- Eni is increasingly in competition with state run oil companies who are partners of Eni in a number of oil and gas projects and titles in the host countries where Eni conducts its upstream operations. These state run oil companies can change contractual terms and other conditions of oil and gas projects in order to obtain a larger profit share from a given project, by this way reducing Eni’s profit share. For example, Sonatrach, the Algeria national oil company, is seeking to modify the contractual terms of certain PSAs in which Eni is party to achieve a redistribution of the tax burden of such PSAs. In fact, Sonatrach alleges that it is currently bearing part of the tax burden attributable to Eni following the enactment of certain modifications to the country’s tax regime. If this negotiation results in a negative outcome for Eni, the future profitability

of certain of Eni's PSAs in Algeria will be reduced. For more information on this matter see "Item 4 - Exploration & Production - Algeria".

- In Eni's Exploration & Production activities in Libya, which accounted for 14% of its liquids production and 15% of its gas production in 2007, the Company faces increasing competition from other international oil and gas companies. This competition has increased sharply in recent years following the ending of economic sanctions imposed on Libya by the United Nations and the U.S.
- In its domestic natural gas business, Eni faces an 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 Italian market to competition, limitations to the size of gas companies relatively to the market and third party access to infrastructures. Increasingly high levels of competition in the Italian natural gas market could possibly entail reduced natural gas selling margins (see below). In addition, Legislative Decree No. 164/2000 grants the Italian Authority for Electricity and Gas certain regulatory powers in matters of natural gas pricing and access to infrastructures. Outside of Italy, particularly in Europe, Eni faces competition from large well-established European utilities and other international oil and gas companies in growing its market share and acquiring or retaining clients. Furthermore a number of large clients, particularly electricity producers, in both the domestic market and other European markets are planning to enter the supply market of natural gas. At the same time, a number of national gas producers from countries with large gas reserves are planning to sell natural gas directly to final clients, which would threaten the market position of companies like Eni which resell gas purchased from producing countries to final customers. These developments may increase the level of competition in both the national and other European markets for natural gas and reduce Eni's operating profit.
- In its domestic electricity business, Eni competes with other producers and traders from Italy or outside of Italy who sell electricity in the Italian market.
- In retail marketing of refined products both in and outside Italy, Eni competes with third parties (including international oil companies and local operators such as supermarket chains) to obtain concessions to establish and operate service stations. Once established, Eni's service stations compete primarily on the basis of pricing, services and availability of non-petroleum products. In Italy, political and institutional forces are urging greater levels of competition in the retail marketing of fuels. Eni expects developments on this issue to further increase pressure on selling margins in the retail marketing of fuels.
- Competition in the oilfield services, construction and engineering industries is primarily based on technical expertise, quality and number of services and availability of technologically advanced facilities (for example, vessels for offshore construction).

The Company's failure or inability to respond effectively to competition could adversely impact the Company's growth prospects, future results of operations and cash flows.

Risks associated with the exploration and production of oil and natural gas

The exploration and production of oil and natural gas requires high levels of capital expenditures and entails particular economic risks. It is subject to natural hazards and other uncertainties including those relating to the physical characteristics of oil and natural gas fields. The production of oil and natural gas is highly regulated and is subject to conditions imposed 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. The oil and gas industry is subject to the payment of royalties and income taxes which tend to be higher than those payable in many other commercial activities.

Exploratory drilling efforts may not be successful

Drilling for oil and gas involves numerous risks including the risk of dry holes or failure to find commercial quantities of hydrocarbons. The costs of drilling, completing and operating wells are often uncertain, and drilling operations may be unsuccessful as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or fires, blow-outs and various forms of accidents, marine risks such as collisions and adverse weather conditions and shortages or delays in the delivery of equipment. Exploring or drilling in offshore areas, particularly in deep waters, is generally more complex and riskier than onshore areas; the same is true for exploratory activity in remote areas or in challenging environmental conditions such as those we are experiencing in the Caspian region or Alaska. Specifically, in the Caspian Region these complex environmental conditions resulted in higher drilling expenses as discussed under "Item 4 - Exploration & Production - Caspian Area". Failure to discover commercial quantities of oil and natural gas could have an adverse impact on Eni's future growth prospects, results of operations and liquidity. Because Eni plans to invest significant capital expenditures in executing high risk exploration projects, it is likely that Eni will incur significant exploration and dry hole expenses. High risk exploration projects include projects executed in deep and ultra-deep offshore and in new areas where the Company lacks installed production facilities. In particular Eni plans to explore for oil and gas offshore, frequently in deep water or at deep drilling depths, where operations are more difficult and costly than on land or at shallower

depths and in shallower waters. Deep water operations generally require a significant amount of time between a discovery and the time that Eni can produce and market the oil or gas, increasing both the operational and financial risks associated with these activities. In the case of the Company, risky exploration projects are conducted in the deep offshore of the Gulf of Mexico, Australia, Brazil, the Barents Sea, India, and offshore Ireland. In 2008, management plans to spend significant amounts of exploration expenditures in these areas that may result in significant dry hole expenses.

In addition, lack of essential equipment such as a shortage of deep water rigs could delay operations or increase exploration costs, thus increasing both operational and financial risks. Furthermore, failure to find additional commercial reserves could reduce future production of oil and natural gas which is highly dependent on the rate of success of exploratory activity.

Development projects bear significant operational risks which may adversely affect actual returns on such projects

Eni is involved in several development projects for the production of hydrocarbon reserves, principally offshore. Eni's future results of operations rely upon its ability to develop and operate major projects as planned. Key factors that may affect the economics of these projects include:

- the outcome of negotiations with co-venturers, governments, suppliers, customers or others including, for example, Eni's ability to negotiate favorable long-term contracts with customers; the development of reliable spot markets that may be necessary to support the development of particular production projects, or commercial arrangements for pipelines and related equipment to transport and market hydrocarbons. Furthermore, projects executed with partners and co-venturers reduce the ability of the Company to manage risks and costs, and Eni could have limited influence over and control of the operations, behaviors and performance of its partners;
- timely issuance of permits and licenses by government agencies;
- the Company's relative size compared to its main competitors which may prevent it from affording opportunities to participate in large-scale projects or affect its ability to reap benefits associated with economies of scale, for example by obtaining more favorable contractual terms by supplier of goods and services;
- the ability to design development projects so as to prevent the occurrence of technical inconvenience;
- delays in manufacturing and delivery of critical equipment, or shortages in the availability of such equipment, causing cost overruns and delays;
- risks associated with the use of new technologies and the inability to develop advanced technologies to maximize the recoverability rate of hydrocarbons or gain access to previously inaccessible reservoirs;
- changes in operating conditions and costs, including the sharp rise in procurement costs and costs for leasing third party equipment or purchase services such as drilling rigs and shipping that we have experienced in recent years as a result of industry-wide cost inflation, resulting in cost overruns;
- the actual performance of the reservoir and natural field decline; and
- the ability and time necessary to build suitable transport infrastructures to export production to final markets.

Furthermore, deep waters and other hostile environments, where the majority of Eni's planned and existing development projects are located, can exacerbate these problems. Delays and differences between scheduled and actual timing of critical events, as well as cost overruns may adversely affect completion, the total amount of expenditures to be incurred and start up of production from such projects and, consequently, actual returns. Finally, developing and market hydrocarbons reserves typically requires several years after a discovery is made. This is because a development project involving an array of complex and lengthy activities, including appraising a discovery in order to evaluate its commerciality, sanctioning a development project and building and commissioning related facilities. As a consequence, rates of return for such long-lead-time projects are exposed to the volatility of oil and gas prices which may be substantially lower with respect to prices assumed when the investment decision was actually made, leading to lower rates of return. For example, we have experienced increased budgeted expenditures and a substantial delay in the scheduling of production start up on the Kashagan field, where development is ongoing. Moreover, in July 2007 these matters triggered a dispute with the relevant Kazakh authorities. In January 2008, the Kazakh authorities and the partners of the consortium North Caspian Sea Production Sharing Agreement (NCSPSA), which conducts operations at the Kashagan field, reached a settlement of this dispute. The parties have agreed, among others, to the following terms: (i) the proportional dilution of the participating interests of all the international members of the Kashagan consortium, allowing the national Kazakh company KazMunayGas' stake to increase matching that of the four major shareholders at 16.81%, effective January 1, 2008. The Kazakh partner will pay to the other co-venturers an aggregate amount of U.S. \$1.78 billion; (ii) a value transfer package to be implemented through changes to the terms of the NCSPSA, the amount of which will vary in proportion to future levels of oil prices. Eni will contribute to the value transfer package according to its new participating interest in the project. See "Item 4 - Business Overview - Exploration & Production". If the Company is unable to develop and operate major projects as planned, it may have a material adverse effect on our results of operations and liquidity.

Inability to replace oil and natural gas reserves could adversely impact results of operations and financial condition

Eni's results of operations and financial condition are substantially dependent on its ability to develop and sell oil and natural gas. Unless the Company is able to replace produced oil and natural gas, its reserves will decline. Eni's proved reserves of subsidiaries declined by 6.1% in 2007 and by 5.8% in 2006. In addition, Eni's reserve replacement ratio was 38% in both 2007 and 2006, and 43% in 2005, meaning that the Company replaced less reserves than those produced. These reductions were greatly impacted by lower reserves entitlements in the Company's Production Sharing Agreements and similar contractual schemes. In accordance with such contracts, Eni is entitled to a portion of a field's reserves, the sale of which should cover expenditures incurred by the Company to develop and operate the field. The higher the reference prices for Brent crude oil used to determine year-end amounts of Eni's proved reserves, the lower the number of barrels necessary to cover the same amount of expenditures. See "Item 4 – Business Overview – Exploration & Production". Future oil and gas production is dependent on the Company's ability to access new reserves through new discoveries, application of improved techniques, success in development activity, negotiation with countries and other owners of known reserves and acquisitions. An inability to replace reserves could adversely impact future production levels and growth prospects, thus negatively affecting Eni's future results of operations and financial condition.

Lifting and development costs are trending up and this could reduce profit per BOE in the Exploration & Production segment

Profits per BOE in the Exploration & Production segment are being affected by a steady rising trend in lifting and development costs as a result of a number of industry-wide operating factors, including: (i) the increasingly high percentage of complex development projects in our portfolio (such as those in deep and ultra deep waters and in harsh environments, such as with the Kashagan field). These projects in complex environments bear higher lifting and development costs as compared to development projects located onshore and in traditional environments; (ii) continuing increases in the purchase prices of raw materials and services due to sector-specific inflation; and (iii) an increasingly severe shortage of specialized resources (such as engineers and other valuable technicians) and critical equipment (such as drilling rigs) especially in remote areas, leading to project delays and cost overruns. Eni's management expects this rising trend in lifting and development costs to continue in the foreseeable future, resulting in a continuing pressure on our profit margins per BOE.

Changes in crude oil and natural gas prices may adversely affect Eni's results of operations

The exploration and production of oil and gas is a commodity business with a history of price volatility. The single largest variable that affects the Company's results of operations and financial condition is crude oil prices. Eni generally does not hedge its exposure to variability in future cash flows due to crude oil price movements. As a consequence, Eni's profitability depends heavily on crude oil and natural gas prices.

Crude oil and natural gas prices are subject to international supply and demand and other factors that are beyond Eni's control, including among other things:

- (i) the control on production exerted by OPEC member countries which control a significant portion of the worldwide supply of oil and can exercise substantial influence on price levels;
- (ii) global geopolitical and economic developments, including sanctions imposed on certain oil-producing countries on the basis of resolutions of the United Nations or bilateral sanctions;
- (iii) global and regional dynamics of demand and supply of oil and gas;
- (iv) prices and availability of alternative sources of energy;
- (v) governmental and intergovernmental regulations, including the implementation of national or international laws or regulations intended to limit greenhouse gas emissions, which could impact the prices of hydrocarbons; and
- (vi) success in developing and applying new technology.

All these factors can affect the global balance between demand and supply for oil and prices of oil. Such factors can also affect the prices of natural gas because natural gas prices for the major part of our supplies are typically indexed to the prices of crude oil and certain refined petroleum products. Lower crude oil prices have an adverse impact on Eni's results of operations and cash flows from operations.

Furthermore, lower oil and gas prices over prolonged periods may also adversely affect Eni's results of operations and cash flows by: (i) reducing rates of return of development projects either planned or being implemented, leading the Company to reschedule, postpone or cancel development projects; (ii) reducing the Group's liquidity, entailing lower resources to fund expansion projects, further dampening the Company's ability to grow future production and revenues; and (iii) triggering a review of future recoverability of the Company's carrying amounts of oil and gas properties, which could lead to the recognition of significant impairments charges.

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 proved reserve estimates depends on a number of factors, assumptions and variables, among which the most important are the following:

- the quality of available geological, technical and economic data and their interpretation and judgment;
- projections regarding future rates of production and timing of development expenditures;
- whether the prevailing tax rules, other government regulations and contractual conditions will remain the same as on the date estimates are made;
- results of drilling, testing and the actual production performance of Eni's reservoirs after the date of the estimates which may require substantial upward or downward revisions; and
- changes in oil and natural gas prices which could affect the quantities of Eni's proved reserves because the estimates of reserves are based on prices and costs existing as of the date when those estimates are made. In particular the reserves estimates are subject to revisions as prices fluctuate due to the cost recovery mechanism under the Company's PSAs and similar contractual schemes.

Many of these factors, assumptions and variables involved in estimating proved reserves are beyond Eni's control and may change over time and impact the estimates of oil and natural gas reserves. Accordingly, the estimated reserves could be significantly different from the quantities of oil and natural gas that ultimately will be recovered. Additionally, any downward revision in Eni's estimated quantities of proved reserves would indicate lower future production volumes, which could adversely impact Eni's results of operations and financial condition.

Oil and gas activity may be subject to increasingly high levels of income taxes

In recent years, Eni has experienced adverse changes in tax regimes applicable to oil and gas operations in a number of countries where the Company conducts its upstream operations. For example, in 2006 changes were enacted in the rate of taxes applicable to profit before taxation for upstream operations in the United Kingdom and in Algeria. As a result, in its 2006 profit and loss account Eni recorded an aggregate expense of euro 526 million for higher taxes payable and adjustments to deferred tax liabilities.

Management believes that adverse changes are always possible in the tax regimes of any country in which Eni conducts its oil and gas operations, regardless of the level of stability of the political and legislative framework in each country. These adverse changes would translate into negative impacts on Eni's future results of operations and cash flows. Furthermore, the marginal tax rate in the oil and gas industry tends in the long-term to change in correlation with the price of crude oil which could make it difficult for Eni to translate higher oil prices into increased net profit.

Political Considerations

A substantial portion of our oil and gas reserves and gas supplies are located in politically, socially and economically unstable countries where we are exposed to material disruptions to our operations

Substantial portions of Eni's hydrocarbon reserves are located in countries outside the EU and North America, some of which may be politically or economically less stable than EU or North American countries. At December 31, 2007, approximately 70% of Eni's proved hydrocarbon reserves were located in such countries. Similarly, a substantial portion of Eni's natural gas supply comes from countries outside the EU and North America. In 2007, approximately 60% of Eni's supplies of natural gas came from such countries. See "Item 4 - Gas & Power - Natural Gas Supplies". Adverse political, social and economic developments in any of those countries may affect Eni's ability to continue operating in an economic way, either temporarily or permanently, and Eni's ability to access oil and gas reserves. Particularly Eni faces risks in connection with the following issues: (i) lack of well-established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavorable developments in laws, regulations and contractual arrangements leading for example to expropriations or forced divestitures of assets and unilateral cancellation or modification of contractual terms. A case in point was the expropriation of Eni's assets relating to the Daci n oilfield in Venezuela which occurred in 2006, following the unilateral cancellation of a service contract regulating oil activities in this field by the Venezuelan state oil company. For a discussion on developments for this matter see "Item 4 - Exploration & Production - Venezuela"; (iii) restrictions on exploration, production, imports and exports; (iv) tax or royalty increases (including retroactive claims); and (v) civil and social unrest leading to sabotages, acts of violence and incidents. For example, in 2007 we experienced continued social unrest in Nigeria leading to a number of disruptions at certain Eni oil producing facilities in the Country. As a consequence, our oil and gas production in the Country declined by an estimated amount of 25 KBOE/d from the previous year. In the first quarter of 2008, the Company has experienced a slow ramp up of production. See "Item 4 - Exploration & Production - Oil and Natural Gas Reserves"; and "Item 5 - Recent Developments". While the occurrence of these events is unpredictable, it is likely that the occurrence of such events could cause Eni to incur material losses or facility disruptions, by this way adversely impacting Eni's results of operations and cash flows.

Our activities in Iran could lead to sanctions under relevant U.S. legislation

Eni is currently conducting oil and gas operations in Iran. The legislation and other regulations of the United States of America impose sanctions on this country and may lead to the imposition of sanctions on any persons doing business in this country or with Iranian counterparties.

Under the Iran Sanctions Act of 1996 (as amended, "ISA"), which implements sanctions against Iran with the objective of denying it the ability to support acts of international terrorism and fund the development or acquisition of weapons of mass destruction, upon receipt by the U.S. authorities of information indicating potential violation of this act, the President of the United States is authorized to start an investigation aiming at possibly imposing sanctions from a six-sanction menu against any person found in particular to have knowingly made investments of U.S. \$20 million or more in any twelve-month period, contributing directly and significantly to the enhancement of Iran's ability to develop its hydrocarbons resources. Furthermore, the ISA envisages that the President of the United States is bound to impose sanctions against any persons that knowingly contribute to certain military programs of Iran, effective on June 6, 2006. Eni cannot predict interpretations of, or the implementation policy of the U.S. Government under, ISA with respect to Eni's current or future activities in Iran or other areas. Eni has incurred capital expenditures in excess of U.S. \$20 million in Iran in each of the last 8 years. Management expects to continue investing in Iran yearly amounts in excess of that threshold in the foreseeable future. Eni's current activities in Iran are primarily limited to carrying out residual development activities relating to certain buy-back contracts it entered into in 2000 and 2001 and no sanctions have ever been imposed on Eni's activities in the country.

Adding to Eni's risks arising from this matter, a bill to amend and extend the extra-territorial reach of the economic sanctions imposed by the United States with respect to Iran has been passed by the U.S. House of Representatives and may lead to the passage of new laws in this area. Iran continues to be designated by the U.S. State Department as a State sponsoring terrorism. For a description of Eni's operations in Iran see "Item 4 – Information on the Company – Exploration & Production – North Africa and Rest of World". It is possible that in future years Eni's activities in Iran may be sanctioned under relevant U.S. legislation.

We are aware of initiatives by certain U.S. states and U.S. institutional investors, such as pension funds, to adopt or consider adopting laws, regulations or policies requiring divestment from, or reporting of interests in, companies that do business with countries designated as state sponsors of terrorism. These policies could adversely impact investment by certain investors in our securities.

Cyclicalities of the Petrochemical Industry

The petrochemical industry is subject to cyclical fluctuations in demand, with consequential effects on prices and profitability exacerbated by the highly competitive environment of this industry. Eni's petrochemical operations have been in the past and may be adversely affected in the future by worldwide economic slowdowns and excess installed production capacity. Furthermore, Eni's petrochemical operations face increasing competition from Asiatic companies and national oil companies' petrochemical divisions which can leverage on certain long-term competitive advantages in terms of lower operating costs and feedstock purchase costs. In particular, Eni's petrochemical operations are located mainly in Italy and Western Europe where regulatory framework and public environmental sensitivity are generally more stringent than in other countries, especially Far East countries, resulting in higher operating costs of our petrochemical operation compared to the Company's Asiatic competitors due to the need to comply with applicable laws and regulations in environmental and other related matters.

Liberalization of the Italian Natural Gas Market

Legislative Decree No. 164/2000 opened up the Italian natural gas market to competition as from January 1, 2003. As a result, all customers in Italy are free to choose their supplier of natural gas. The decree, among other things, introduced rules which have a significant impact on Eni's activity, as the Company is present in all the phases of the natural gas chain; in particular:

- until December 31, 2010, antitrust thresholds are in place for gas operators in Italy as follows: (i) effective January 1, 2002, operators are prohibited to transmit into the national transport network imported or domestically produced gas volumes higher than a preset share of Italian final consumption. This share was 75% of total final consumption in the first year of regulation, decreasing by 2 percentage points per year to achieve a 61% threshold in terms of final consumption by 2009 (this share amounted to 65% in 2007); and (ii) effective January 1, 2003, operators are forbidden from marketing gas volumes to final customers in excess of 50% of overall volumes marketed to final customers. Compliance with these ceilings is verified annually by comparing actual average shares reached by any operator in a given three-year period for both volumes input and volumes marketed to customers to average shares permitted by the law for the same period. Actual shares are computed net of losses (in the case of sales) and volumes of natural gas consumed in own operations. Based on a bill passed by the Italian upper house, Eni expects that these antitrust thresholds will be renewed when they expire in 2010; and

- access to natural gas infrastructures is guaranteed to any natural gas operator on the basis of certain procedures that must be transparent and non discriminatory. Natural gas infrastructures comprise high pressure, high sized pipelines for transporting natural gas over long distances, certain depleted fields to store natural gas, regasification facilities and low pressure, small sized pipelines for distributing natural gas to residential and commercial clients located in urban centers. Tariffs to use these infrastructures are set by the Authority for Electricity and Gas, an independent governmental body.

Eni expects that a combination of regulatory effects and increasing competition will limit growth prospects and profitability of our natural gas business in Italy as discussed below.

Eni has been experiencing significant pressure on its natural gas margins¹ since the inception of the liberalization process in Italy. In addition, unfavorable trends in Italian demand and supply of gas could add further pressure

Since the inception of the liberalization process in the Italian natural gas market, Eni has been experiencing rising competition in its natural gas business leading to lower selling margins due to the entry of new competitors into the market. Certain competitors of Eni are supplied by the Company itself, generally on the basis of long-term contracts. In fact, in order to comply with the above mentioned regulatory thresholds relating to volumes supplied through the national transport network and sales volumes in Italy, Eni sold part of its gas availability under its take-or-pay supply contracts to third parties importing said volumes to Italy and marketing them to Italian customers. For more information on Eni's take-or-pay contracts, see "Item 4 – Gas & Power – Natural gas purchases".

Management expects Eni's gas selling margins in Italy to remain under pressure in the foreseeable future considering Eni's gas availability under its take-or-pay supply contracts, build-up of Eni's supplies to the above mentioned competitors and possibly new competitors entering the Italian market also in light of ongoing or planned capital projects intended to expand the transport capacity of import pipelines to Italy and to build new import infrastructures, particularly LNG terminals. In fact, Eni is currently implementing its plans to upgrade its natural gas import pipelines mainly from Algeria and Russia to Italy to achieve an increase of 16 BCM/y in import capacity reaching full operation in 2009, of which 10 BCM are expected to come online in 2008 (3.3 BCM are already operating; 6.6 BCM are expected to come online by year end). Further 3 BCM/y of new import capacity will be added by upgrading the GreenStream gasline from Libya with expected start up in 2012. A large portion of the new capacity deriving from Eni's upgrading projects has been or is planned to be sold to third parties. In addition, Eni expects a third party's new LNG terminal with an 8 BCM/y capacity to commence operations by end of 2008.

Despite the fact that an increasing portion of natural gas volumes purchased by Eni under its take-or-pay contracts is planned to be marketed outside Italy, management believes that in the long-term unfavorable trends in the Italian demand and supply for natural gas, also due to the possible implementation of all publicly announced plans for the construction of new supply infrastructures, and the evolution of Italian regulations of the natural gas sector, represent risk factors to the fulfillment of Eni's obligations in connection with its take-or-pay supply contracts and may result in a downward pressure on gas selling margins. Based on the foregoing, Eni's future results of operations and cash flows might be adversely affected.

Eni's growth prospects in Italy are limited by regulation

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 will not exceed the growth rate of natural gas demand in Italy.

Eni is committed to increasing natural gas sales in Europe. If Eni fails to achieve this target, future growth prospects may be adversely affected. Furthermore, Eni may be unable to fulfill its minimum take obligations under its take-or-pay purchase contracts and this could adversely impact results of operations and liquidity

Over the medium term, Eni plans to increase its natural gas sales in Europe leveraging on its natural gas availability under take-or-pay purchase contracts it has entered into with major natural gas producing countries (namely Russia, Algeria, Libya, Norway and the Netherlands). Should Eni fail to increase natural gas sales in Europe as planned due to poor strategy execution or competition, Eni's future growth prospects, results of operations and cash flows might be adversely affected also taking account that Eni might be unable to fulfill its contractual obligations to purchase certain minimum amounts of natural gas based on its take-or-pay purchase contracts currently in force.

Due to the regulated access to natural gas transport infrastructures in Italy, Eni may not be able to sell in Italy all the natural gas volumes it planned to import and, as a consequence, the Company may be unable to sell all the natural gas volumes which it is committed to purchase under take-or-pay contract obligations

Over the medium term, Eni has scheduled its import volumes of natural gas to Italy based on the assumption to use the purchase flexibility contractually provided by its take-or-pay purchase contracts during periods in which

(1) For a definition of margin see "Glossary".

demand is expected to peak. These import programs are also based on the assumption that Eni will obtain the necessary transport capacity on the Italian transport network. However, Eni's planning assumptions are inconsistent with current rules regulating the access to the Italian transport infrastructures as provided for by the Network Code currently in force which has been drafted in accordance with Decision No. 137 of July 17, 2002 of the Authority for Electricity and Gas. Such rules establish certain priority criteria for transport capacity entitlements at points where the Italian transport infrastructure connects with international import pipelines (the so-called entry points to the Italian transport system). Specifically, Eni's gas volumes purchased under take-or-pay contracts are entitled to a priority in the allocation of available transport capacity for amounts not exceeding average daily contractual volumes. Accordingly, Eni's purchase volumes exceeding average daily contractual volumes are not entitled to any priority in gaining access to the Italian transport infrastructures. The contractual flexibility represented by Eni's right to uplift daily volumes larger than average daily contractual volumes under its take-or-pay purchase contracts is used when demand peaks, usually during the wintertime. In the event congestion occurs at entry points to the Italian transport network, under current regulation available transport capacity would be entitled firstly to operators having a priority right, i.e. holders of take-or-pay contracts within the limits of average daily contractual volumes. Then any residual available transport capacity would be allocated in proportion to all pending capacity requests. Eni considers Decision No. 137/2002 to be inconsistent with the overall rationale of the European natural gas regulatory framework, especially with reference to Directive 98/30/CE (superseded and replaced by Directive 03/55/CE) and Legislative Decree No. 164/2000, and has opened an administrative procedure to repeal Decision No. 137/2002 before an administrative court. See "Item 4 - Regulation of the Italian Hydrocarbons Industry - Gas & Power". Eni cannot rule out a negative outcome for this matter. However, management believes that Eni's results of operations and cash flows could be adversely affected should market conditions in light of current regulatory constraints prevent Eni from selling its whole availability of natural gas purchased to fulfill its minimum take contract obligations (e.g. in case a congestion occurs at the entry points of the Italian transport infrastructure, Eni would be forced to uplift a smaller volume of gas than the minimum contractual take). See "Item 5 - Management Expectations of Operations".

The Italian Government, Parliament and the regulatory authorities in Italy and in Europe may take further steps to increase competition in the Italian natural gas market and such regulatory developments may adversely affect Eni's results of operations and cash flows

Italian institutional and political forces are urging a higher degree of competition in the Italian natural gas market and this may produce significant developments in this area. A brief description follows of certain recently enacted laws and certain proceedings before the Authority for Electricity and Gas and the Italian Antitrust Authority in order to allow investors to gain some insight into the complexity of this matter. For a full discussion of laws and procedures described herein see "Item 4 - Regulation of the Italian Hydrocarbons Industry - Gas & Power".

In 2003, Law No. 290 was enacted which prohibits Eni from holding an interest higher than 20% in undertakings owning natural gas transport infrastructure in Italy (Eni currently holds a 50.04% interest in Snam Rete Gas, which owns and manages approximately 97% of the Italian natural gas transport infrastructure). A decree is expected to be enacted by the Italian Prime Minister to establish the relevant provisions to implement this mandatory disposal. The deadline for the disposal, which was initially scheduled for December 31, 2008, is to be re-scheduled in a 24-month term starting from the date in which this decree from the Italian Prime Minister becomes effective. Currently, Eni is unable to predict any deadline of this disposal.

On the basis of a joint inquiry conducted from 2003 through June 2004 on the Italian natural gas market, the Authority for Electricity and Gas and the Italian Antitrust Authority (the "Antitrust Authority") concluded that the overall level of competition of the Italian natural gas market is unsatisfactory due to the dominant position held by Eni in many phases of the natural gas chain. According to both the Authority for Electricity and Gas and the Antitrust Authority, the vertical integration of Eni in the supply, transport and storage of gas has restricted the development of competition in Italy notwithstanding the antitrust ceilings introduced by Legislative Decree No. 164/2000. It was further stated that the price of natural gas in Italy (in particular for the industrial sector) is higher than in other European countries.

In November 2006, the Authority for Electricity and Gas concluded an inquiry concerning the competitive behavior of operators selling natural gas to residential and commercial customers. This inquiry acknowledged that the retailing market for natural gas in Italy lacked a sufficient degree of competition due to current commercial practices and the existence of both entry and exit barriers. The Authority plans to implement measures to improve competition in this market.

In November 2007, the Italian Authority for Electricity and Gas and the Italian Antitrust Authority opened an inquiry to gain insight into the functioning of the natural gas storage activity in Italy, particularly with regard to lack of investments by operators directed to expand capacity to store natural gas in Italy. Eni through its wholly-owned subsidiary Stogit Italia owns almost the entire storage capacity currently existing in Italy.

Management believes the institutional debate on the degree of competition in the Italian natural gas market and the regulatory activity to be areas of attention and cannot exclude negative impacts deriving from developments on these matters on Eni's future results of operations and cash flows.

Decisions of the Authority for Electricity and Gas on the matter of natural gas tariffs may diminish Eni's ability to determine the price at which it sells natural gas to customers

On the basis of certain legislative provisions, the Authority for Electricity and Gas ("the Authority") holds a general monitoring power on pricing in the natural gas market in Italy and the power to establish reference selling tariffs for supply of natural gas to residential users taking into account, among other things, the public interest goal of containing inflationary pressure due to rising energy costs. The decisions of the Authority on these matters may limit the ability of Eni to pass an increase in the purchase cost of natural gas on to the final consumers. Specifically, upon finalization of a complex lengthy administrative procedure started in 2004 and closed in March 2007, the Authority: (i) set the raw material cost component in supplies to residential users consuming less than 200,000 CM/y for the period from January 1, 2005 to June 30, 2006 - at the same time imposing to Italian natural gas importers (including Eni) to renegotiate supply contracts with resellers to residential users in order to take account of the impact of these new amounts; and (ii) confirmed the indexation mechanism for updating the raw material cost component in supplies to above mentioned users in force from July 1, 2006, establishing in particular that in case the international price of Brent crude oil decrease below the 20 dollars per barrel threshold or exceed the 35 dollars per barrel threshold the corresponding variations of the raw material cost are only partially transferred on to residential users of natural gas. Management cannot exclude the possibility that in the future the Authority could implement similar measures that may negatively affect Eni results of operations and liquidity. For more information on this issue (particularly the Authority's Decisions No. 248/2004, 134/2006 and 79/2007) see "Item 4 - Regulation - Gas & Power".

Antitrust and competition law

The Group's activities are subject to antitrust and competition laws and regulations in many countries of operations, especially in Europe. In 2007, Eni accrued significant provisions amounting to euro 130 million against pending antitrust proceedings before the European Commission. In previous years, Eni also recorded significant loss provisions against antitrust proceedings before the Italian Antitrust Authority, the Authority for Electricity and Gas and the European Commission. It is possible that the Group may incur significant loss provisions in future years relative to ongoing antitrust proceedings or possible new proceedings. The Group is particularly exposed to this risk in its natural gas and refining and marketing activities due to its large presence in these markets in Italy and in Europe. See Note 28 to the Consolidated Financial Statements for a full description of Eni's main ongoing antitrust proceedings.

Furthermore, based on the findings of antitrust proceedings, plaintiffs could seek payment to compensate for any alleged damages as a result of antitrust business practices on part of Eni. Both these risks could adversely affect the Group's future results of operations and cash flows.

Environmental, Health and Safety Regulation

Eni may incur material operating expenses and expenditures in relation to compliance with applicable environmental, health and safety regulations

Eni is subject to numerous EU, international, national, regional and local environmental, health and safety laws and regulations concerning its oil and gas operations, products and other activities. 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, as well as refining, petrochemicals and other Group operations, limit or prohibit drilling activities in certain protected areas, provide for measures to be taken to protect the safety of the workplace and health of communities involved by the company's activities, and impose criminal or civil liabilities for pollution resulting from oil, natural gas, refining, petrochemical and other Group's operations.

These laws and regulations may also restrict emissions and discharges to surface and subsurface water resulting from the operation of natural gas processing plants, petrochemical plants, refineries, pipeline systems and other facilities owned by Eni. In addition, Eni's operations are subject to laws and regulations relating to the production, handling, transportation, storage, disposal and treatment of waste materials. Environmental, health and safety laws and regulations have a substantial impact on Eni's operations. Management expects that the Group will continue to incur significant amounts of operating expenses and expenditures to comply with environmental, health and safety laws and regulations, also taking into account possible future developments in environmental regulations in Italy and in other countries where Eni operates, particularly the implementation of increasingly strict measures decided at both international and country level to reduce greenhouse gas emissions.

Eni's results of operations and financial condition are exposed to risks deriving from environmental, health and safety accidents and liabilities

Risks of environmental, health and safety incidences and liabilities are inherent in many of Eni's operations and products. Notwithstanding management's belief that Eni adopts high standards to ensure safety of its operations, it is always possible that incidents like blow-outs, spillovers, contaminations and similar events could occur that would result in damage to the environment, workers and communities. In particular, Eni is performing a number of remedial actions to restore certain industrial sites which were contaminated as a result of the Group's activities in previous years. Management expects other remedial actions to be implemented in future years. The Group has accrued risk provisions to cope with all existing environmental liabilities whereby both a legal or constructive obligation to perform a clean-up or other remedial actions is in place and the associated costs can be reasonably estimated. The accrued amount represents the management's best estimates of future environmental expenses to be incurred taking into account the probability that new and stricter environmental laws might be implemented and third parties' claims. Notwithstanding this, management believes that it is possible that in the future Eni may incur significant environmental expenses and liabilities in addition to the amounts already accrued due to: (i) the chance of as yet unknown contamination; (ii) the results of on-going surveys or surveys to be carried out on the environmental status of certain Eni's industrial sites as required by the applicable regulations on contaminated site; and (iii) the possibility that new litigation might arise.

Legal Proceedings

Eni is party to a number of civil actions and administrative proceedings arising in the ordinary course of the business. In addition to existing provisions accrued as of the balance sheet date to account for ongoing proceedings, it is possible that in future years Eni may incur significant losses in addition to amounts already accrued in connection with pending legal proceedings due to: (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses.

Risks related to Changes in the Price of Oil, Natural Gas, Refined Products and Chemicals

Operating results in Eni's Exploration & Production, Refining & Marketing, and Petrochemical segments are affected by changes in the price of crude oil and by movements in crude oil prices on margins of refined and petrochemical products.

Eni's results of operations are affected by changes in international oil prices

Overall, lower oil prices have a net adverse impact on Eni's results of operations. The effect of lower oil prices on Eni's average realizations for produced oil is generally immediate. Furthermore, Eni's average realizations for produced oil differ from the price of Brent crude marker primarily due to the circumstance that Eni's production slate, which also includes heavy crude qualities, has a lower API gravity compared with Brent crude (when processed the latter allows for higher yields of valuable products compared to heavy crude qualities, hence higher market price).

The favorable impact of higher oil prices on Eni's results of operations may be offset by different trends in margins for Eni's downstream businesses

The impact of changes in crude oil prices on Eni's downstream businesses, including the Gas & Power, the Refining & Marketing and the Petrochemical businesses, depends upon the speed at which the prices of gas and products adjust to reflect these changes. Wholesale margins in the Gas & Power business are substantially independent from fluctuations in crude oil prices as purchase and selling prices of natural gas are contractually indexed to prices of crude oil and certain refined products according to similar pricing schemes. However, quarterly performance and year-to-year comparability of results of Eni's natural gas business may be somewhat affected by the indexation mechanism of the raw material component in gas supplies to residential customers and certain resellers to residents in Italy in accordance with applicable regulations from the Italian Authority for Electricity and Gas as outlined above in the risk factor describing the "Liberalization of the Italian Natural Gas Market". Specifically, this indexation mechanism provides a certain time lag between movements in the price of crude oil and the related adjustment to the selling price of natural gas. For a detailed discussion of this indexation mechanism in Italy see "Item 4 - Regulation - Gas & Power - Natural gas prices".

In the Refining & Marketing and Petrochemical businesses a time lag exists between movements in oil prices and in prices of finished products.

Eni's results of operations are affected by changes in European refining margins

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 as outlined above. Furthermore, Eni's realized margins are also affected by relative price movements of heavy crude qualities vs. light crude qualities. In 2007, Eni's refining margins declined significantly compared to 2006 due to a weak trading environment exacerbated by the circumstances that price differentials between heavy crudes and light ones narrowed sharply resulting in a substantial reduction in the profitability of complex throughputs.

Eni's results of operations are affected by changes in petrochemical margins

Eni's margins on petrochemical products are affected by trends in demand for petrochemical products and changes in oil prices which influence changes in purchase costs of petroleum-based feedstock. Given the commoditized nature of Eni petrochemical products, it is difficult for the Company to transfer higher purchase costs for oil-based feedstock to selling prices to customers. In 2007, the profitability of Eni's petrochemical segment was significantly affected by lower selling margins for commodity petrochemical products due to higher purchase costs for oil-based feedstock that were not fully transferred to selling prices of products. Management's outlook for 2008 is also challenging, and management does not expect any significant improvement in the trading environment from 2007 and possibly a further contraction in margins on petrochemical products.

Risks from Acquisitions

Eni constantly monitors the oil and gas market in search of opportunities to acquire individual assets or corporations in order to achieve its growth targets or complement its asset portfolio. Acquisitions entail an execution risk – the risk that the acquirer will not be able to effectively integrate the purchased assets so as to achieve expected synergies. In addition, in the current high oil price environment, acquisitions entail a financial risk – the risk of not being able to recover the purchase costs of acquired assets, in case a prolonged decline in the market prices of oil and natural gas occurs. We also incur unanticipated costs or assume unexpected liabilities and losses in connection with companies or assets we acquire. If the integration and financial risks connected to acquisitions materialize our financial performance may be adversely affected.

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 are denominated in euros. Similarly, prices of Eni's petrochemical products are generally denominated in, or linked to, the euro, whereas expenses in the Petrochemical segment are denominated both in euros and U.S. dollars. Accordingly, a depreciation of the U.S. dollar against the euro generally has an adverse impact on Eni results of operations and liquidity because it reduces booked revenues by an amount greater than the decrease in dollar-denominated expenses. The Exploration & Production segment is particularly affected by movements in the U.S. dollar vs. the euro exchange rates. In 2007, Eni's operating profit in this business segment declined by an estimated amount of euro 1.4 billion due to a 9.2% depreciation of the U.S. dollar versus the euro. Based on current trends in the U.S. dollar vs. the euro exchange rates, management expects the operating profit of the Exploration & Production segment to be negatively affected in 2008.

Risks deriving from Eni's Exposure to Weather Conditions

Significant changes in weather conditions in Italy and in the rest of Europe from year to year may affect 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, as well as the comparability of results over different periods, may be affected by such changes in weather conditions. In 2007, operating profit in the Gas & Power business was negatively affected by unusually mild winter weather resulting in lower gas sales from a year ago.

Furthermore, our operations, particularly offshore production of oil and natural gas, are exposed to extreme weather phenomena that can result in material disruption to our operations and consequent loss or damage of properties and facilities.

Interest Rates

Interest on Eni's finance 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 finance expense in respect to its finance debt.

Critical Accounting Estimates

The preparation of financial statements requires management to make certain accounting estimates that are characterized by a high degree of uncertainty, complexity and judgment. These estimates affect the reported amount of the Company's assets and liabilities, as well as the reported amount of the Company's income and expenses for a given period. Although management believes these estimates to represent the best outcome of the estimation process, actual results could differ from such estimates, due to, among other things, the following factors: uncertainty, lack or limited availability of information; the availability of new informative elements, variations in economic conditions such as prices, significant factors (e.g. removal technologies and costs) and the final outcome of legal, environmental or regulatory proceedings. See "Item 5 – Critical Accounting Estimates".

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 75,862 employees as of December 31, 2007.

Eni, the former Ente Nazionale Idrocarburi, a public law agency, established by Law No. 136 of February 10, 1953, was transformed into a joint stock company by Law Decree No. 333 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 No. 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, 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; and
- San Donato Milanese (Milan), Piazza Ezio Vanoni, 1.

Internet address: www.eni.it.

The name of the agent of Eni in the United States is Viscusi Enzo, 666 Fifth Ave., New York, NY 10103.

Eni's principal segments of operations are described below.

Eni's Exploration & Production segment involves oil and natural gas exploration and field development and production, as well as LNG operations in 36 countries, including Italy, the UK, Norway, Libya, Egypt, Angola, Nigeria, Congo, the U.S., Kazakhstan, Russia and Australia. In 2007, Eni's production of oil and natural gas amounted to 1,684 KBOE/d on an available-for-sale basis. As of December 31, 2007, Eni's proved reserves of subsidiaries stood at 6,010 mmBOE; Eni's share of reserves of equity-accounted entities amounted to 668 mmBOE. In 2007, Eni's Exploration & Production segment reported net sales from operations (including inter-segment sales) of euro 27,278 million and operating profit of euro 13,788 million.

Eni's Gas & Power segment involves supply, transport, distribution and marketing of natural gas, as well as of LNG. This segment also includes the activity of power generation that enables Eni to extract further value from gas, diversifying its commercial outlets. In 2007, Eni's worldwide sales of natural gas amounted to 98.96 BCM, including 5.39 BCM of gas sales made directly by the Eni's Exploration & Production segment in Europe and the U.S.. Sales in Italy amounted to 56.13 BCM, while sales in European markets were 35.02 BCM that included 10.67 BCM of gas sold to certain importers to Italy. Through its 50.04 per cent-owned subsidiary Snam Rete Gas, Eni operates an Italian network of high and medium pressure pipelines for natural gas transport that is approximately 31,081-kilometer long, while outside Italy Eni holds capacity entitlements on a network of European pipelines extending for approximately 5,000 kilometers made up of high pressure pipelines to import gas from Russia, Algeria, Libya and North Europe production basins to European markets. Eni, through its 100 percent-owned