Year ended December 31	U.S. dollars per euro			
1999	1.18	1.00	1.06	1.01
2000	1.03	0.83	0.92	0.94
2001	0.95	0.84	0.90	0.89
2002	1.05	0.86	0.95	1.05
2003	1.26	1.04	1.13	1.26

(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		
December 2003	1.2597	1.1956	1.2597
January 2004	1.2853	1.2389	1.2452
February 2004	1.2848	1.2426	1.2441
March 2004	1.2431	1.2088	1.2292
April 2004	1,2358	1,1802	1,1975
May 2004	1.2274	1.1801	1.2217
June 2004 (through June 11, 2004)	1.2320	1.2011	1.2011

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 2003 will be paid by Eni SpA in euro in 2004 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 11, 2004 was U.S. dollars 1.2011 = euro 1.00.

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Risk Factors

Competition; Risks Deriving from the Influence of Italian Regulations on Certain Eni Business Segments

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 obtaining 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 open 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, including Eni, from fully deploying their growth plans in the electricity business according to schedule. 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 the national 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, construction and engineering industries. Such competition is primarily on the basis of technical expertise, quality and number of services and availability of technologically advanced facilities (for example vessels for offshore construction).

Cyclicality of Petrochemical Industry; Regional and Competitive Risks for Eni Petrochemical Activities

The petrochemical industry is subject to cyclical fluctuations in 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, 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 provide long term competitive advantages has weakened the competitiveness of petrochemicals operations in industrialized countries, including Eni's own petrochemical operations. Petrochemical operations in industrialized countries are also less competitive than those located 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. Lower crude oil prices have an adverse impact on Eni's results of operations.

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, 2003, approximately 70% 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 2003, approximately 28% 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 at least two sanctions from a six–sanction menu under certain circumstances against companies which engage in trade with or investment activities in Libya and Iran. The Sanctions Act is expected to expire on August 5, 2006. 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. Recently also the United States have been changing their attitudes towards Lybia as witnessed by the lifting of Lybian economic sanctions administered by the U.S. Treasury Department's Office of Foreign Assets Control on April 23, 2004. 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 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 all customers in Italy are free to chose their supplier of natural gas since the start of the year;
- until December 31, 2010 antitrust thresholds for 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 volumes of natural gas consumed in own operations. In accordance with article 19, line 4 of Legislative Decree No. 164/2000 the volumes of natural gas consumed in own operations by a company or its subsidiaries are excluded from the calculation of ceilings for sales to end customers and for volumes input into the Italian network to be sold in Italy;
- 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; and
- third parties are allowed to access infrastructure according to set conditions.

Eni's natural gas margin(1) *in Italy may decrease permanently compared to historical levels*

(1) For a definition of margin in this document, see "Glossary".

In order to meet the medium and long-term demand of natural gas, and 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 67.3 billion cubic meters of natural gas per year (Russia 28.5, Algeria 21.5, Netherlands 10, Norway 6 and Nigeria 1.5) 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 adversely affects 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.

Eni 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 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.

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

To date Eni's natural gas supply contracts have entailed the application of take-or-pay clauses only once in year 2003; the relevant cash outlay following the application of the pay clause on that circumstance was not material. See "Item 5 - Management expectations of operations". Natural gas imports for the next few years have been planned based on the highest flexibility allowed by long term 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 into 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 2003-2004 access priority is granted also for one third of the difference between maximum contractual daily amounts and average daily amounts. 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 inconsistent with the overall rationale of the European natural gas framework, especially with reference to Directive 98/30/CE and Legislative Decree No. 164/2000, which key provisions have been reaffirmed by the recently enacted Directive 2003/55/CE. See "Item 4 – Regulation – Natural Gas". 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".

Eni may be required to upgrade the infrastructure for natural gas import creating an oversupply of natural gas in the long term (beyond 2007)

On November 21, 2002 the Italian Antitrust Authority concluded an inquiry started on request of Blugas SpA concerning Eni's alleged violation of competition rules. The Antitrust Authority judged that Eni had violated these rules 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 outside of Italy and 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. 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 behaviours with specific attention to the upgrading of the transmission network or equivalent actions”. On February 19, 2004, Eni filed this report in which the company stated its commitment to increasing the level of competition in the national gas market, particularly through the upgrading of natural gas import pipelines from Austria and Tunisia on the condition that construction of new LNG terminals in Italy would not be commenced by third parties in the same time frame. With a decision of March 18, 2004, notified on March 26, 2004 , the Authority for Electricity and Gas started an infraction procedure against Eni having considered that the measures planned by Eni are not adequate to remove the infringing behaviour. According to Eni the construction of new LNG terminals would be a sufficient upgrading of the Italian natural gas infrastructure system in order to meet the expected growth in Italian natural gas demand over the long term (beyond 2007) while at the same time ensuring a sound level of market opening. In order to comply with the requests included in the Antitrust Authority's decision of November 21, 2002, Eni submitted to the Authority on June 18, 2004, a proposal entailing the sale to third parties of 2.3 billion cubic meters oer year of natural gas starting in 2004 through 2008 (for a total of 9.2 billion cubic meters of natural gas in this four-year period) before such natural gas enters the national transmission network, in accordance with a pro-rata mechanism. In its decision on June 24,2004, the Authority judged this proposal as adequate, if implemented, to the end the effects of the violation of competition rules hoghlighted in the November 21, 2002 decision. In its June 24, 2004 decision the Authority also extended to October 7, 2004 the deadline for closing the infraction procedure in order to allow Eni to implement its proposal. In the event of a negative outcome of this infraction procedure, should Eni be obliged to upgrade the import infrastructure from Austria and Tunisia in addition to the planned LNG terminal construction by third parties, this could led to a situation of oversupply of natural gas on the domestic market, which in turn would cause further pressure on Eni's natural gas margins. This situation is expected to occur presumably in 2008-2010 when this additional transport capacity should come on stream. On February 5, 2003 Eni filed a claim with the Regional Administrative Court of Lazio in Rome requesting the annulment of the ruling taken by the Antitrust Authority.

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

Eni cannot predict the final outcome of 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. On June 19, 2004, the findings of this inquiry were made publicly available. According to both Authorities, 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. Specifically, the Authorities state that the vertical integration of Eni in the supply and transport of gas has restricted the development of competition in Italy notwithstanding the antitrust ceilings introduced with Law 164/2000. It is further stated that the overall price of natural gas in Italy (in particular for the industrial sector) is higher than in other European countries. Accordingly, both authorities identified possible measures which in their opinion could enhance the level of competition in the natural gas market, among which the most important are: (i) the construction of new infrastructure for the import of natural gas; (ii) the creation of an independent transmission system operator (TSO) that owns and operates both the national high pressure transport grid and the storage of gas; and (iii) a framework for the assignment to third parties of natural gas volumes or natural gas contracts relating to Eni’s take-or-pay long term natural gas supply contracts. Management believes the institutional debate on the degree of competition in the Italian natural gas market to be an area of attention and cannot exclude negative impacts on Eni’s financial condition or results of operations in future years deriving from the developments of this matter. In particular, the implementation of any of the above measures designed to improve competition in the Italian natural gas market in the future may have a material adverse effect on Eni’s financial condition or results of operations.

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 petrochemical 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, 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 management, considering the actions already taken, the insurance policies to cover environmental risks and the provision for risks accrued, does not currently expect any material adverse effect upon Eni's consolidated financial statements as a result of its compliance with such laws and regulations, there can be no assurance that there will not be a material adverse impact on Eni's consolidated financial statements due to: (i) the possibility of as yet unknown contamination; (ii) the results of the on-going surveys and the other possible effects of statements required by Decree No. 471/1999 of the Ministry of Environment; (iii) the possible effect of future environmental legislation and rules, including Decree No. 367 of the Ministry of Environment, published on January 8, 2004, fixing new quality standards for aquatic environment and dangerous substances. This decree modifies completely the actual set of rules, because of the imposition of qualitative standards that can be reached only through considerable investments; (iv) the effect of possible technological changes relating to future remediation; (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

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, 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 of oil is generally immediate. However Eni's average realizations 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).

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, trends of natural gas margins in Eni primary distribution business tend to mitigate the impact of changes in oil prices on Eni's operating results due to different movements in prices of certain energy parameters to which natural gas purchase and sale prices are contractually indexed in different proportions and as measured over different reference periods. In secondary distribution of natural gas, despite the fact that all customers are eligible since 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.

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 the European economy as well as Eni's own structural weaknesses have prevented Eni's Petrochemical segment from returning to profitability in recent years due to the inability to transfer increases of oil-based feedstocks onto to selling prices. Due to industry conditions and weak economic growth in Europe, management does not expect any significant improvement in petrochemicals segment profitability over the foreseeable future.

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 a depreciation of the U.S. dollar versus the euro generally has an adverse impact on Eni results of operations.

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.

Interest Rates

Interest on Eni's financial 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 financial debt.

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 judgement;
- 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 production after the date of the estimates may require substantial upward or downward revisions;
- 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 particular the reserves estimates are subject to revision as prices fluctuate due to the cost recovery feature under certain Production Sharing Agreements (PSA); and
- the production performance of Eni reservoirs.

Many of these factors, assumptions and variables involved in estimating reserves are beyond Eni control and may prove to be incorrect over time. Accordingly, the estimated reserves could be materially different from the quantities of oil and natural gas that ultimately will be recovered. Additionally, any downward revision in Eni’s estimated quantities of reserves could have adverse consequences on Eni’s financial results, such as increased depreciation, depletion and amortization charges and/or impairment charges, which would reduce earnings and shareholders' equity.

Critical accounting estimates

The preparation of financial statements entails accounting estimates that are characterized by a high degree of uncertainty, complexity and judgement. Notwithstanding these critical accounting estimates are thoroughly applied and underlying amounts are fairly determined, management cannot rule out that in future years such estimates might be wrong 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”.

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Item 4. INFORMATION ON THE COMPANY

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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 76,521 employees as of December