ENI SPA
Form 6-K
June 08, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

For the month of May 2005

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

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

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

Form 20-F x   Form 40-F o

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

Yes o   No x

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

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SIGNATURES

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

Eni S.p.A.

Name: Fabrizio Cosco
Title: Company Secretary

Date: June 1, 2005

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PRESS RELEASE

Eni: The Board of Directors delegates its powers and appoints Mr. Paolo Scaroni Chief Executive Officer

The Board of Directors of Eni has delegated today to the Chairman, Mr. Roberto Poli, powers for researching and promoting integrated projects and strategic international agreements, has appointed Mr. Paolo Scaroni Chief Executive Officer and has conferred him all the management powers of the Company with exception of the specific powers that the Board of Directors has retained, in addition to the powers that cannot be delegated according to the current legislation.

The Board of Directors has also appointed Mario Resca, Marco Pinto and Pierluigi Scibetta members of the Compensation Committee; Marco Reboa, Alberto Clô, Renzo Costi, Marco Pinto and Pierluigi Scibetta members of the Internal Control Committee; Alberto Clô, Dario Fruscio, Marco Reboa and Paolo Scaroni members of the International Oil Committee.

Chairman Roberto Poli and Directors Alberto Clô, Renzo Costi, Dario Fruscio, Marco Reboa, Mario Resca and Pierluigi Scibetta declared to meet the indipendence requirements stated by the article 3 of the Self-discipline Code of Borsa Italiana S.p.A..

Roma, June 1, 2005

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PRESS RELEASE

ENI: 2005 FIRST QUARTER

Record net income: euro 2.4 billion, up 22% (44% net of the gain on the disposal of Snam Rete Gas stake in 2004)

Revenues: euro 16.7 billion, up 20%

Operating income: euro 4.4 billion, up 39%

Hydrocarbon production: 1.7 million boepd, up 4.6%

Eni s Board of Directors examined today the Report on the First Quarter of 2005, prepared according to the evaluation and measurement criteria defined by the International Financial Reporting Standards[1], that shows **net income** of euro 2,445 million. Excluding the effect of the euro 308 million gain on the sale of approximately 9% of Snam Rete Gas share capital on the net income of the first quarter of 2004, net income increased by euro 752 million, up 44.4%, due mainly to a positive operating performance (up euro 1,235 million) registered in particular in Eni s core business, offset in part by higher income taxes (euro 500 million). Including this gain in 2004 first quarter, Eni s net income increased by euro 444 million, up 22.2%.

Daily hydrocarbon production amounted to 1,703,000 barrels of oil equivalent[2] (boe) increasing by 75,000 boe over the first quarter of 2004, up 4.6%. This increase reached 8.4% excluding lower production entitlements (62,000 boe) in Production Sharing Agreements due to the increase in international oil prices[3]. The share of production outside Italy was 84.4% (82.9% in the first quarter of 2004).

Operating income for the first quarter of 2005 totalled euro 4,387 million, an increase of euro 1,235 million over the first quarter of 2004, up 39.2%, due in particular to the increases registered in: (i) the **Exploration & Production** segment (euro 894 million, up 55.3%) related essentially to an increase in oil prices in dollars (Brent up 48.7%)[4] and higher hydrocarbon production sold (6.1 million boe, up 4.3%), whose effects were offset in part by the impact of the 4.9% depreciation of the dollar over the euro (approximately euro 140 million, partly due to the conversion of financial statements of subsidiaries denominated in currencies other than the euro);

(1) In application of IFRS, 2004 first quarter results of operations have been restated in order to allow for a homogeneous comparison.

(2) Includes Eni s share of production of joint ventures accounted for by the equity method from January 1, 2005 (formerly accounted for proportionally).

(3) In PSAs the national oil company awards the execution of exploration and production activities to the international oil company (contractor). The contractor bears the mineral and financial risk of the initiative and, when successful, recovers capital expenditure and costs incurred in the year (cost oil) by means of a share of production. This production share varies along with international oil prices. In certain PSAs changes in international oil prices affect also the share of production to which the contractor is entitled in order to remunerate its expenditure (profit oil).

(4) In the first quarter of 2005 Brent prices in euro increased by 42%.

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(ii) the **Petrochemical** segment (euro 153 million) related to a recovery in margins and to a better industrial performance; (iii) the **Refining & Marketing** segment (euro 144 million, up 115%) essentially due a higher profit on stocks[5] of euro 118 million related to higher hydrocarbon prices, an increase in refining margins (Brent margin was up 2.05 dollar/barrel, up 93%), whose effects were offset in part by lower processing at the Gela refinery following the damage caused by a sea storm to the docking infrastructure in December 2004.

Net sales from operations for the first quarter of 2005 amounted to euro 16,654 million, representing a euro 2,791 million increase over the first quarter of 2004, up 20.1%, due essentially to higher product prices and volumes sold in all of Eni s main operating segments, whose effects were partially offset by the impact of the depreciation of the dollar over the euro.

Net income from investments in the first quarter of 2005 amounted to euro 143 million. The euro 250 million decline was due essentially to the fact that in the first quarter of 2004 a gain on the sale of 9.054% of the share capital of Snam Rete Gas was recorded for euro 308 million; this factor was offset in part by improved results of operations of affiliates in the Gas & Power segment.

Net borrowings at March 31, 2005 amounted to euro 7,653 million, a euro 2,807 million decline over December 31, 2004, due mainly to the high cash flows generated by operating activities, influenced also by seasonality factors, whose effects were offset in part by: (i) financial requirements for capital expenditure and investment (euro 1,440 million); (ii) the effects of the conversion of financial statements of subsidiaries denominated in currencies other than the euro (approximately euro 270 million).

Capital expenditure amounted to euro 1,417 million (euro 1,685 in the first quarter of 2004) and concerned mainly: (i) development of hydrocarbons fields (euro 853 million) in particular in Libya, Kazakhstan, Angola, Nigeria, Iran and Egypt and exploration activities (euro 71 million); (ii) development and maintenance of Eni s natural gas transport and distribution network in Italy (euro 168 million); (iii) the continuation of the plan of power station construction (euro 80 million); (iv) the construction of the tar gasification plant at the Sannazzaro refinery, actions for improving plant efficiency and upgrade of the distribution network in Italy and in the rest of Europe (overall euro 66 million).

Adoption of IFRS

In the First Quarter Report: (i) the reconciliations required by IFRS 1, *First Adoption of International Financial Reporting Standards* are set forth with explanatory notes in the section "Effects of the adoption of IFRS". PricewaterhouseCoopers is preparing a full audit of the balances of such reconciliations. The results of this audit will be presented to the market as soon as available;

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(5) Changes in oil and petroleum product prices influence inventory evaluation leading to the recognition of profits or losses on stocks deriving from the difference of current costs of products sold and the value resulting from the application of the weighted-average cost method.

(ii) the accounting principles used for the preparation of the 2005 First Quarter Report are set forth in the section "Basis of presentation"; (iii) the section "Restatement of the income statement and reconciliation of net income for the first quarter of 2005" contains the mentioned restatement and reconciliations.

Management s expectations of operations

The following are the forecasts for Eni s key production and sales metrics in 2005:

- daily production of hydrocarbons is forecasted to grow over 2004 (1.62 million boe/day) in line with the planned compound average growth rate for the 2004-2008 period (over 5%) which takes into account the effects of the decline of mature fields. Increases will be achieved outside Italy (in particular in Libya, Angola, Iran, Algeria, Kazakhstan and Egypt) due to the reaching of full production of fields started up in late 2004 and start-ups planned for 2005;
- volumes of natural gas sold are expected to increase by 3% over 2004 (84.45 billion cubic meters[6]), due to higher sales expected in the rest of Europe (up 10%) in particular in Spain, Turkey, Germany and France;
- electricity production sold is expected to increase by about 50% (13.85 terawatthour in 2004) due to the coming on stream of new generation capacity (about 3 gigawatt) at the Brindisi and Mantova sites and the full commercial activity of the units installed in 2004 at the Ravenna, Ferrera Erbognone and Mantova plants. At year-end total installed generation capacity is expected to be approximately 4.3 gigawatt (3.3 gigawatt at December 31, 2004);
- refinery processing intake on own account is expected to decline by approximately 2% (37.68 million tonnes in 2004) due to the impact on the first months of 2005 of lower processing at the Gela refinery following the damage caused by a sea storm to the docking infrastructure in December 2004. The capacity utilization rate of Eni s refineries is expected at 100% (the same rate as 2004);
- sales of refined products on the Agip branded network in Italy are expected to remain stable, despite a decline in domestic consumption. In the rest of Europe the upward trend of sales is expected to continue also due to acquisitions.

In 2005 capital expenditure is expected to amount to approximately euro 7.5 billion; about 96% of capital expenditure will be made in the Exploration & Production, Gas & Power and Refining & Marketing segments.

Subsequent events

In April 2005 Eni concluded the sale procedure of a 90% interest in Italiana Petroli (IP) with a call-and-put option for the remaining 10% to be exercised in the second half of 2010. The transaction amounts to euro 186 million for 100% of the shares and will be submitted to the approval of the Italian Antitrust Authority. In 2004 IP sold 2.6 billion liters of fuels with an average throughput of 896,000 liters; at year end IP s network included 2,915 service stations, of these approximately 2,700 were leased.

(6) Include own consumption and Eni s share of sales of affiliates.

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Tables with the main operating and financial data of the 2005 First Quarter Report are attached to this press release.
This press release is available on the Eni Internet site: "www.eni.it".
The integral text of Eni s Report on the First Quarter of 2005 (unaudited) will be published at 6 pm.

San Donato Milanese, May 11, 2005

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Report on the first quarter 2005: main consolidated financial data

Income Statement

(million euro)

	First quarter			
	2004	2005	Ch.	% Ch.
Net sales from operations	13,863	**16,654**	2,791	20.1
Other income and revenues	203	**184**	(19)	(9.4)
Operating expenses	(9,796)	**(11,340)**	1,544	(15.8)
Depreciation, amortization and writedowns	(1,118)	**(1,111)**	7	0.6
Operating income	**3,152**	**4,387**	**1,235**	**39.2**
Net financial expense	(31)	**(80)**	(49)	(158.1)
Net income (expense) from investments	393	**143**	(250)	(63.6)
Income before income taxes	**3,514**	**4,450**	**936**	**26.6**
Income taxes	(1,403)	**(1,903)**	(500)	(35.6)
Income before minority interest	**2,111**	**2,547**	**436**	**20.7**
Minority interest	(110)	**(102)**	8	7.3
Net income	**2,001**	**2,445**	**444**	**22.2**

Condensed balance sheet

(million euro)

	31.12.2004	31.03.2005	Ch.
Net capital employed	**45,143**	**45,421**	**278**
Shareholders equity including minority interests	34,683	**37,768**	3,085
Net borrowings	10,460	**7,653**	(2,807)
Total liabilities and shareholders equity	**45,143**	**45,421**	**278**
Debt and bonds	12,542	**10,010**	(2,532)
short-term	5,256	**2,920**	(2,336)
long-term	7,286	**7,090**	(196)
Cash, cash equivalents and certain non operating financing receivables and securities	(2,082)	**(2,357)**	(275)
Net borrowings	**10,460**	**7,653**	**(2,807)**

Operating income by segment

(million euro)

	First quarter			
	2004	2005	Ch.	% Ch.
Exploration & Production	1,616	**2,510**	894	55.3
Gas & Power	1,551	**1,563**	12	0.8
Refining & Marketing	125	**269**	144	115.2
Petrochemicals	5	**158**	153	..
Other activities (1)	(96)	**(58)**	38	39.6
Corporate and financial companies	(49)	**(55)**	(6)	(12.2)
Operating income	**3,152**	**4,387**	**1,235**	**39.2**

(1) From January 1, 2005, the results of operations of the Engineering activity are included in the Other activities segment. In order to allow for a homogeneous comparison, data for the first quarter of 2004 have been reclassified accordingly.

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Reconciliation of reported operating income and net income at replacement cost, before special items

Information on net income and operating income at replacement cost before special items is not envisaged by either IFRS and U.S. GAAP, but Eni provides it with the intent to allow financial analysts to evaluate Eni s trading performance on the basis of their forecasting models.

(million euro)

	First quarter 2005	Elimination of profit (loss) on stock	Replacement cost operating income and net income	Special items	Replacement cost operating income and net income before special items
Operating income					
Exploration & Production [1]	2,510		2,510	31	2,541
Gas & Power	1,563	(52)	1,511	24	1,535
Refining & Marketing	269	(143)	126	26	152
Petrochemicals	158	1	159	0	159
Other activities	(58)		(58)	9	(49)
Corporate and financial companies	(55)		(55)	2	(53)
	4,387	**(194)**	**4,193**	**92**	**4,285**
Net income	**2,445**	**(122)**	**2,323**	**62**	**2,385**

(1) Net of the elimination of unrealized profit on stocks (euro 52 million) on oil and natural gas volumes sold to the Refining & Marketing and Gas & Power segments, not yet sold to third parties.

(million euro)

	First quarter 2005	Elimination of profit (loss) on stock	Replacement cost operating income and net income	Special items	Replacement cost operating income and net income before special items
Operating income					
Exploration & Production [1]	1,616		1,616	41	1,657
Gas & Power	1,551	(56)	1,495	8	1,503
Refining & Marketing	125	(25)	100	(2)	98
Petrochemicals	5		5	2	7
Other activities	(96)		(96)	13	(83)
Corporate and financial companies	(49)		(49)	1	(48)
	3,152	**(81)**	**3,071**	**63**	**3,134**
Net income	**2,001**	**(51)**	**1,950**	**(296)**	**1,654**

(1) Net of the elimination of unrealized profit on stocks (euro 49 million) on oil and natural gas volumes sold to the Refining & Marketing and Gas & Power segments, not yet sold to third parties.

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Operating income and net income by segment before special items

(million euro)

	First quarter			
	2004	2005	Ch.	% Ch.
Exploration & Production	1,657	**2,541**	884	53.3
Gas & Power	1,503	**1,535**	32	2.1
Refining & Marketing	98	**152**	54	55.1
Petrochemicals	7	**159**	152	..
Other activities	(83)	**(49)**	34	(41.0)
Corporate and financial companies	(48)	**(53)**	(5)	10.4
Operating income	**3,134**	**4,285**	**1,151**	**36.7**
Net income	**1,654**	**2,385**	**731**	**44.2**

Special items

(million euro)

	First quarter	
	2004	2005
Mineral asset impairment and other asset impairment	110	**34**
Environmental provisions	4	**25**
Provision relating to the purchase of green certificates for year 2003 (EniPower)	0	**7**
Provision for redundancy incentives	10	**7**
Net gains on E&P portfolio rationalization	(75)	**0**
Other	14	**19**
Special items of operating income	**63**	**92**
Expense (income) from investments	(308)	***3***
- Gain on the sale of a 9.054% stake of Snam Rete Gas	*(308)*	***0***
Non-recurring items before taxes	**(245)**	**95**
Taxes on special items	(51)	**(33)**
Total special items	**(296)**	**62**

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PRESS RELEASE

Eni: the agreement with Sonatrach for the expansion of the Algeria-Italy gas pipeline becomes effective starting from May 15 2005

The new capacity of 3.2 billion cubic metres will be at entire disposal of third operators

Eni and the Algerian company Sonatrach have reached the agreement for the expansion of the Trans Tunisian Pipeline Company (TTPC) pipeline carrying natural gas from Algeria to Sicily through Tunisia.

The agreement sets the increase up to 3.2 billion cubic metres of annual transport capacity starting from 2008 and up to further 3.3 annual billion cubic metres starting from 2012.

The transport capacity of the import line from Algeria today is around 27 billion of annual cubic metres and will reach 33.5 billion of annual cubic metres in 2012.

The investment for the expansion of the TTPC pipeline amounts to 330 million euro and will be entirely financed by Eni. The additional transport capacity will be completely put at the disposal of third importers in Italy.

Sonatrach will carry out investments aimed at reinforcing with an equivalent capacity the pipelines extending from Algeria to the boarder with Tunisia.

The agreement also sets the corporate and contractual re-organization of the Transmediterranean Pipeline Company Limited (TMPC), the company equally owned by Eni and Sonatrach owning the TMPC subsea pipeline linking the Tunisian coast to the Italian grid.

The TTPC and TMPC pipelines were built in late 70s for the transport to Italy of the natural gas following the first agreement signed between the two companies and were expanded in early 90s. The TTPC pipeline crosses the Tunisian territory from Oued Saf Saf, point of delivery of gas to the Algerian border, to Cap Bon, on the Sicilian Channel, where it connects with the TMPC pipeline. It extends for 742 km (with two pipes of 48"-diameter, 371 km length each) and it is equipped with three compression stations.

The TMPC pipeline crosses the Sicilian Channel from Cap Bon to Mazara del Vallo, point of entrance in Italy. It extends for 775 km (with five pipes of 20"/26"-diameter, 155 km length each).

S. Donato Milanese (MI), May 24, 2005

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PRESS RELEASE

Eni: Shareholders Meeting approved 2004 financial statements, resolved to pay a dividend of 0.90 euro per share and appointed the new Board of Directors

Eni announces that the Shareholders Meeting held on 27 May 2005 resolved to approve:

- the financial statements of Eni S.p.A. at 31 December 2004 which disclose a net income of euro 4,684,165,491.89;
- the allocation of net income as follows:
  - to the "Legal reserve" the amount required for it to reach one fifth of the share capital subscribed at the date of the Meeting;
  - to the payment of a dividend of euro 0.90 per share for the outstanding shares at the ex-dividend date, thus excluding treasury shares in portfolio at said date;
  - to the "Available reserve" the amount remaining following the proposed allocations;
- the payment of dividends as from June 23, 2005, being the ex-dividend date June 20, 2005;
- the continuation of the share buy-back program for a period of 18 months from the date of the shareholders resolution up to a maximum of 400 million treasury shares with a nominal value of euro 1 each for a total amount of not more than euro 5,400 million and for a price which is not lower than their nominal value and not higher than 5% over the reference price registered on the business day prior to each purchase, on the Mercato Telematico Azionario managed by Borsa Italiana S.p.A.;
- the use of up to 7,043,400 treasury shares as follows:
  - up to 1,600,000 shares available for the 2003-2005 stock grant plan;
  - up to 5,443,400 shares to implement the 2005 stock option plan. Said shares will be sold at the higher of the arithmetic average of official prices recorded on the Mercato Telematico Azionario in the month preceding the date of their granting and the average cost of treasury shares on the day preceding the granting date to those managers of Eni SpA and its subsidiaries, as defined in art. 2359 of the Civil Code, who are in the positions that most contribute to the Group s performance and are of strategic interest to the Group ("Grantees"). The Grantees will be selected by the Board of Directors on the basis of the evaluation criteria used by Eni.

As regards the expiry of the term of office of the Board of Directors appointed by the shareholders meeting held on May 30, 2002, the Meeting has set at 9 the number of Directors and appointed as Directors for a three year period Messrs.: Roberto Poli, Chairman, Alberto Clô, Renzo Costi, Dario Fruscio, Marco Pinto, Marco Reboa, Mario Resca, Paolo Scaroni and Pierluigi Scibetta.

With the exception of Marco Pinto, the Directors have all declared that they possess the qualification of independence as defined in the Code of Self-discipline of listed companies.

The Shareholders Meeting also resolved to approve: (i) the determination of the fixed amount of the annual compensation to be paid to the Chairman of the Board of Directors and to each Director at euro 265,000 and euro 115,000 respectively, in addition to the reimbursement of the expenses incurred because of the office; (ii) the determination of a variable amount not higher than euro 80,000.00 for the Chairman of the Board of Directors and euro 20,000.00 for the Directors.

As regards the expiry of the term of office of the Board of Statutory Auditors appointed during the Meeting held on May 30, 2002, the shareholders Meeting has appointed as statutory auditors for a three-year term Messrs.: Paolo Andrea Colombo, Chairman; Filippo Duodo, Statutory Auditor; Edoardo Grisolia, Statutory Auditor; Riccardo

Perotta, Statutory Auditor; Giorgio Silva, Statutory Auditor; Francesco Bilotti, Alternate Auditor, Massimo Gentile, Alternate Auditor.

The Shareholders' Meeting also resolved to approve the determination of the annual compensation to be paid to the Chairman of the Board of Statutory Auditors and each statutory auditor at euro 115,000 and euro 80,000.00, respectively plus the reimbursement of the expenses incurred.

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The curriculum vitae of the Directors and Auditors appointed by the Shareholders' Meeting are attached to this press release and are found also at www.eni.it.

Rome, May 27, 2005

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Directors

Roberto Poli
He was born in Pistoia in 1938. He was appointed Chairman of Eni S.p.A. in May 2002. He is currently President of Poli e Associati S.p.A., a consulting firm for corporate finance, mergers, acquisitions and reorganisations. From 1966 to 1998 he was Professor of Business Finance at the Università Cattolica, Milan. He is partner of one of the most important firms for corporate finance and legal affairs. He is Director in important companies such as Fininvest S.p.A., Mondadori S.p.A., Merloni Termosanitari S.p.A., G.D. S.p.A. and Brafin S.A.P.A. He was advisor for extraordinary finance operations of some of the most important Italian companies. He was appointed President of Rizzoli-Corriere della Sera S.p.A and Publitalia S.p.A.

Paolo Scaroni
He was born in Vicenza in 1946. He is graduate in economics and commerce (1969) of the Bocconi University, Milan. After earning a master's degree in business administration from Columbia University, New York and working as a consultant at McKinsey, in 1973 he joined the Saint Gobain Group. There he held a number of executive positions in Italy and abroad before being appointed in 1984 head of the "flat glass" Division at the main office in Paris and thus taking charge of all of the Saint Gobain Group's activities in this industry worldwide. From 1985 to 1996 he worked at Techint, serving as vice-chairman and chief executive officer and managing the privatization of SIV, Italimpianti and Dalmine for the company. In 1996 he joined Pilkington, holding until May 2002 the position of chief executive officer of the parent company, located in Great Britain. From May 2002 to May 2005 he has been Enel s chief executive officer and general manager. He serves in Italy as director of "Il Sole 24 Ore" and Marzotto, member of the executive committee of Confindustria and Chairman of Unindustria Venezia and abroad as chairman of the board of directors of Alliance UniChem as well as member of the supervisory board of ABN AMRO Bank and the board of the Business School at Columbia University, New York.

Alberto Clô
He was born in 1947 in Bologna, where he graduated in Political Science. In 1987 he became Associate Professor of Industrial Economy at Bologna University. In 1980 he founded the magazine "Energia", of which he is Editor. He is the author of many books and more than 100 essays and articles on industrial and energy economics and co-operates with several newspapers and economics magazines. In 1995 and 1996 he was Minister of Industry and Minister of Foreign Trade ad interim. He was also President of the European Union Board of Industry and Energy Ministers under the Italian Chairmanship half-year period. In 1996 he was awarded the title of Knight of Great Cross to the merit of the Italian Republic. In 1997 he was appointed Director of GTP Holding S.p.A., in 2001 President of the Scientific Committee of Eni Corporate University and in 2003 Director of ASM Brescia S.p.A. and Società Autostrade S.p.A.. In 2004 he was appointed Director of Italcementi S.p.A. and De Longhi S.p.A. He published: "Eni 1953-2003" (2004) and "Energia e Tecnologia" (2005). Since May 1999 he is Director of Eni S.p.A..

Renzo Costi
He was born in 1937 in Reggio Emilia. He is an attorney. He served as a magistrate from 1964 to 1968 and is currently Professor of Companies Law at the University of Bologna. He was founder, and currently is co-editor, of the magazines "Giurisprudenza commerciale", "Banca Impresa e Società" and "Banca, Borsa e Titoli di Credito". He is the author of several books on legal issues. He is Board member of Editrice Il Mulino S.p.A. Since May 1999 he is Director of Eni S.p.A..

Dario Fruscio
He was born in Longobardi (CS) in 1937. He is a chartered accountant, public auditor and consultant; he is Professor of Economy and Management at the University of Pavia and taught at the Accademia Nazionale della Guardia di Finanza of Bergamo. Since May 2002 he is Director of Eni S.p.A..

Marco Pinto
He was born in Rome in 1962. He is graduated in law at the University "La Sapienza", Rome.
He is Magistrate and Notary Public. He held many positions as judge in the Regional Administrative Courts and the Council of State. From December 2004 he is Professor of the Higher School of Economy and Finance and Head of the Economic Sciences Department. From 1994 he holds the position of Legal Counsel and head of the Legislative Department of the Ministry of Economy and Finance. From December 2004 to April 2005 he was Head of the staff of the Vice-President of the Ministers Council. Since May 2005 he is Director of Eni S.p.A..

Mario Resca
He was born in Ferrara in 1945. He is President of McDonald's Italia S.p.A. and Italia Zuccheri S.p.A. (formerly Eridania S.p.A.), National Board member of U.P.A. (Union of Associated Advertising Operators), Chairman of the American Chamber of Commerce in Italy and Confimprese, Director of Mondadori S.p.A. and member of the Board of liquidators of Cirio Del Monte group in extraordinary administration. He is Chairman of the RMCH Children s Foundation. In 2002 he has been appointed Knight of Labour. As graduate he worked for Chase Manhattan Bank. In 1974 he was appointed Director of Biondi Finanziaria (Fiat Group) and from 1976 to 1991 he was partner of Egon Zehnder. In this period he was appointed Director of Lancôme Italia, and of companies belonging to Rizzoli-Corriere della Sera Group and Versace Group. He served also as President of Sambonet S.p.A., Kenwood Italia S.p.A. and was founding partner of Eric Salmon & Partners. Since May 2002 he is Director of Eni S.p.A..

Marco Reboa
He was born in Milan in 1955 and was awarded a bachelor's degree in Business Administration in Bocconi University, Milan. He is a chartered accountant, public auditor and Professor at the Libero Istituto Universitario Carlo Cattaneo di Castellanza. He is the author of several publications on corporate governance, economic and legal issues. He is currently Board member of Seat PG S.p.A., Interpump S.p.A., IMMSI S.p.A., Intesa Private Banking and Nextra SGR S.p.A.. He is Statutory Auditor in Autogrill S.p.A. and Galbani S.p.A..

Pierluigi Scibetta
He was born in Florence in 1959. He is a chartered accountant and auditor. He was appointed director and auditor in numerous public entities and companies. In 2003 he was appointed Director of Istituto Superiore per la previdenza e la sicurezza del lavoro - I.S.P.E.S.L. (the State Agency for the employees safety), Gestore del Mercato Elettrico S.p.A. and Ente per le nuove tecnologie, l energia e l ambiente ENEA (the State Agency for technologies, energy and environment). In 2004 he was appointed Director of Nucleco S.p.A.. He is Professor of energetic engineering in the University of Perugia. He is author of numerous texts and essays of political economics and administrative law.

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Statutory Auditors

Paolo Andrea Colombo
He was born in Milan in 1960. Graduated in Economics at the University Bocconi of Milan, he is a chartered accountant and auditor. He carries out activities as chartered accountant and collaborates with the legal firm Provasoli. He acts as legal and tax advisor for important Italian companies; he has also been appointed Director and Auditor in companies belonging to Mediaset Group, Banca IntesaBci Group, Credit Suisse Group and Pirelli-Telecom Group. He is author of many publications regarding legal and commercial issues. Since May 2002 he is effective Statutory Auditor.

Filippo Duodo
He was born in Venice in 1939. Graduated in Economics, he is a chartered accountant and auditor. He carries out activities as chartered accountant and serves as Liquidator and Judicial Commissary. He was Auditor and Chairman of the Statutory Auditors of Banca Popolare di Venezia, Compagnia Finanziaria di Investimento S.p.A., companies of Benetton Group, Biosearch S.p.A. and Snamprogetti S.p.A... He is Chairman of the Statutory Auditors of Banca Meridiana S.p.A., of Sviluppi Immobiliari S.p.A. and Consorzio CEPAV DUE. He served also as Chairman of the Permanent Conference of Chartered Accountants of the Tre Venezie and Chairman of the Association of Chartered Accountants of the Tre Venezie. Since 1999 he is effective Statutory Auditor of Eni S.p.A..

Edoardo Grisolia
He was born in Rome in 1947. Graduated in Economy at the University "La Sapienza", Rome. He is an auditor. From 1967 to 1974 he held positions in the Economy and Finance Minister. From 2002 he is Head of the Financial Audit Department of the Public Administrations. He is Director of Cassa Depositi e Prestiti S.p.A., auditor of SIMEST S.p.A. and Cassa Nazionale di Previdenza e Assistenza Forense (the Pension and assistance Fund for the Italian Lawyers), member of the administrative committee of ISAE, and Auditor of Acquedotto Pugliese S.p.A., the Foundation Teatro La Scala and ISVAP.

Riccardo Perotta
He was born in Milan in 1949. He is a chartered accountant and auditor; he is Associate Professor of Corporate Methodologies and Quantitative Determinations at the University Bocconi, Milan. He carries out activities as a corporate finance and tax advisor for Italian and foreign companies; he is Statutory Auditor in many companies, also listed, such as: Banca d Intermediazione Mobiliare IMI S.p.A. (Chairman), ECS International Italia S.p.A., Gewiss S.p.A. (Chairman), Mediaset S.p.A. and Snam Rete Gas S.p.A. (Chairman). Since May 2002 he is effective Statutory Auditor of Eni S.p.A..

Giorgio Silva
He was born in Samarate (Varese) in 1945. He is a chartered accountant and auditor. He was manager at KPMG Peat Marwick S.p.A. of Milan from 1975 to 1976. He was a founding associate of the Tax and Legal firm L. Biscozzi - A. Fantozzi (currently, Tax and Legal firm Biscozzi - Nobili). He is Chairman of Statutory Auditors of: Bolton Manitoba S.p.A., Collistar S.p.A., Hewlett Packard Italiana S.r.l., Industrie Ilpea S.p.A. and TSP S.p.A.; he is also Statutory Auditor in many companies such as: Acquedotto Nicolay S.p.A., Actalis S.p.A., Fisia Italimpianti S.p.A., Heinz Italia S.r.l., Ilva S.p.A. e SSB S.p.A.. He is member of board of directors of Amplifin S.p.A. and Miotir S.p.A.. Since May 2002 he is alternate Statutory Auditor.

Francesco Bilotti
He was born in Marano Principato (CS) in 1941. Graduated in Law at the University "La Sapienza", Rome. Auditor, Lawyer and Professor of legal and economic matters in high schools. He holds positions of responsibility in the Minister of Economics and Finance. He held the offices of: Chairman of the Board Auditor of the Mediocredito Piemontese and Fondo Interbancario di Garanzia, effective Auditor of Credito Cinematografico e Teatrale - B.N.L.

(Department of entertainment financing of B.N.L.) and CONSIP S.p.A. He is currently effective auditor of the Consap S.p.A. and SICOT S.r.l. and Vice-Chairman for the agevolated financing of the Mediocredito Centrale S.p.A.

Massimo Gentile

He was born in Rome in 1963 where he graduated in Economics at the University La Sapienza.
He is a chartered accountant and auditor. He founded the Tax and Legal firm Massimo Gentile with offices in Milan and Pomezia (Rome). He is also Statutory Auditor or Director in many companies, also listed.

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PRESS RELEASE

ENI: information on the outcome of the audit performed by Eni s external auditors on the reconciliations required by International Financial Reporting Standards (IFRS)

PricewaterhouseCoopers issued its full audit on the IFRS reconciliation tables of Eni s consolidated balance sheet at January 1, 2004 and at December 31, 2004, and of Eni s consolidated income statement for the year ended on December 31, 2004 and relevant explanatory notes, published on May 11, 2005 in the 2005 First Quarter Report in the section "Effects of the application of IFRS".

In its report PricewaterhouseCoopers states: "In our opinion the IFRS reconciliation tables ( ) were prepared in accordance with the criteria and principles defined by Consob".

This press release is disseminated as requested by Consob communication DME/5025723 of April 15, 2005.

This press release and the report on the full audit are available on Eni s web site at www.eni.it

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San Donato Milanese (MI), May 30, 2005

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Report on the First Quarter of 2005

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May 11, 2005

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Summary financial data

(million euro)

	First quarter			
	2004	2005	Change	% Ch.
Net sales from operations	13,863	**16,654**	2,791	20.1
Operating income	3,152	**4,387**	1.235	39.2
Net income	2,001	**2,445**	444	22.2
Capital expenditure	1,685	**1,417**	(268)	(15.9)

Due to the seasonality in demand for natural gas and certain refined products and the changes in a number of external factors affecting Eni s operations, such as prices and margins of hydrocarbons and refined products, Eni s results of operations and changes in average net borrowings for the first quarter of the year cannot be extrapolated for the full year.

Summary operating data

	First quarter			
	2004	2005	Change	% Ch.
Daily production:				
oil (thousand barrels)	1,016	**1,100**	84	8.3
natural gas [(1)] (thousand boe)	612	**603**	(9)	(1.5)
hydrocarbons [(1)] (thousand boe)	**1,628**	**1,703**	**75**	**4.6**
Sales of natural gas to third parties (billion cubic meters)	24.94	**24.78**	(0.16)	(0.6)
Own consumption of natural gas (billion cubic meters)	0.81	**1.25**	0.44	54.3
	25.75	**26.03**	**0.28**	**1.1**
Sales of natural gas of Eni s affiliates (Eni s share) (billion cubic meters)	2.06	2.64	0.58	28.2
Total sales and own consumption of natural gas (billion cubic meters)	**27.81**	**28.67**	**0.86**	**3.1**
Natural gas transported on behalf of third parties in Italy (billion cubic meters)	6.89	**8.34**	1.45	21.0
Electricity production sold (terawatthour)	2.51	**4.98**	2.47	98.4
Sales of refined products (million tonnes)	12.73	**12.30**	(0.43)	(3.4)
Sales of petrochemicals products (thousand tonnes)	1,209	**1,372**	163	13.5

(1) Includes natural gas volumes consumed in operations (34,000 and 40,000 boe/day in the first quarter of 2004 and 2005, respectively).

Key market indicators

	First quarter			
	2004	2005	Change	% Ch.
Average price of Brent dated crude oil [(1)]	31.95	**47.50**	15.55	48.7
Average EUR/USD exchange rate [(2)]	1.250	**1.311**	0.061	4.9
Average price in euro of Brent dated crude oil	25.56	**36.23**	10.67	41.7
Average European refining margin [(3)]	2.21	**4.26**	2.05	92.8
Average European refining margin in euro	1.77	**3.25**	1.48	83.8
Euribor - three-month euro rate (%)	2.1	**2.1**	0.00	0.0

(1) In US dollars per barrel. Source: Platt s Oilgram.

(2) Source: ECB.

(3) In US dollars per barrel FOB Mediterranean Brent dated crude oil. Source: Eni calculations based on Platt s Oilgram data.

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Basis of presentation

Eni s accounts at March 31, 2005 unaudited, have been prepared in accordance with the criteria defined by the Commissione Nazionale per le Società e la Borsa (CONSOB) in its regulation for companies listed on the Italian Stock Exchange.

Financial information relating to income statement data are presented for the first quarter of 2005 and for the first quarter of 2004. Financial information relating to balance sheet data are presented at March 31, 2005 and December 31, 2004. Tables are comparable with those of 2004 financial statements and the first half report.

Eni s accounts at March 31, 2005 have been prepared in accordance with the evaluation and measurement criteria contained in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and adopted by the European Commission according to the procedure set forth in article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

The reference international accounting principles used for the preparation of the 2005 first quarter report are described in the section Significant accounting and reporting policies and at present[1] are expected to be used also in the preparation of Eni s financial statements for 2005.

In order to allow for a homogeneous comparison, income statement information for the first quarter of 2004 and balance sheet information at December 31, 2004 have been restated according to the IFRS (see sections Reconciliation of 2004 income statement and net income to IFRS and Effects of the adoption of IFRS below).

The reconciliations required by IFRS 1, First Adoption of International Financial Reporting Standards are set forth with explanatory notes in the section Effects of the adoption of IFRS . PricewaterhouseCoopers is preparing a full audit of the balances of such reconciliations. The results of this audit will be presented to the market along as soon as available.

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(1) As indicated in the section Significant accounting and reporting policies below, the criteria adopted for the preparation of the first quarter report may not coincide with the IFRS guidelines applicable on the December 31, 2005 due to future decisions of the European Commission as regards the approval of international accounting standards or the issue of new principles, interpretations or implementation guidelines issued by the IASB or the International Financial Reporting Interpretation Committee (IFRIC).

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financial review

Income statement

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Net sales from operations	13,863	**16,654**	2,791	20.1
Other income and revenues	203	**184**	(19)	(9.4)
Operating expenses	(9,796)	**(11,340)**	(1,544)	(15.8)
Depreciation, amortization and writedowns	(1,118)	**(1,111)**	7	0.6
Operating income	**3,152**	**4,387**	**1,235**	**39.2**
Net financial expense	(31)	**(80)**	(49)	(158.1)
Net income from investments	393	**143**	(250)	(63.6)
Income before income taxes	**3,514**	**4,450**	**936**	**26.6**
Income taxes	(1,403)	**(1,903)**	(500)	(35.6)
Income before minority interest	**2,111**	**2,547**	**436**	**20.7**
Minority interest	(110)	**(102)**	8	7.3
Net income	**2,001**	**2,445**	**444**	**22.2**

Eni s **net income** for the first quarter of 2005 totaled euro 2,445 million excluding the euro 308 million effect of the gain on the disposal of about 9% of Snam Rete Gas share capital recorded in the first quarter of 2004 an increase of euro 752 million over the first quarter of 2004, up 44.4% due essentially to a positive operating performance (up euro 1,235 million) registered in particular in Eni s core business, offset in part by higher income taxes (euro 500 million). Including this gain in the first quarter of 2004, Eni s net income increased by euro 444 million, up 22.2%.

Operating income

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Exploration & Production [(1)]	1,616	**2,510**	894	55.3
Gas & Power	1,551	**1,563**	12	0.8
Refining & Marketing	125	**269**	144	115.2
Petrochemicals	5	**158**	153	..
Other activities [(2)]	(96)	**(58)**	38	39.6
Corporate and financial companies	(49)	**(55)**	(6)	(12.2)
Operating income	**3,152**	**4,387**	**1,235**	**39.2**
Elimination of profit (loss) on stock	81	**194**	113	139.5
Replacement cost operating income	**3,071**	**4,193**	**1,122**	**36.5**

(1) Net of the elimination of unrealized profit on stock (euro 49 million in the first quarter of 2004 and euro 57 million in the first quarter of 2005) on oil and natural gas volumes sold to the Refining & Marketing and Gas & Power segments not yet sold to third parties.

(2) From January 1, 2005, the results of operations of the Engineering activity are included in the Other activities segment. In order to allow for a homogeneous comparison, data for the first quarter of 2004 have been reclassified accordingly.

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Eni s operating income for the first quarter of 2005 totaled euro 4,387 million, an increase of euro 1,235 million over the first quarter of 2004, up 39.2%, due mainly to the increases registered in:

- the Exploration & Production segment (euro 894 million, up 55.3%) related essentially to an increase in oil prices in dollars (Brent up 48.7%)[2] and higher hydrocarbon production sold (6.1 million boe, up 4.3%), whose effects were offset in part by the impact of the 4.9% depreciation of the dollar over the euro (approximately euro 140 million, partly due to the conversion of financial statements of subsidiaries denominated in currencies other than the euro);
- the Petrochemical segment (euro 153 million) related to a recovery in margins and to a better industrial performance;
- the Refining & Marketing segment (euro 144 million, up 115%) essentially due to a higher profit on stock[3] of euro 118 million, related to higher hydrocarbon prices and an increase in refining margins (Brent margin was up 2.05 dollar/barrel, up 93%), whose effects were offset in part by lower processing at the Gela refinery following the damage caused by a sea storm to the docking infrastructure in December 2004.

Analysis of income statement items

Net sales from operations

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Exploration & Production	3,265	**4,552**	1,287	39.4
Gas & Power	5,582	**6,662**	1,080	19.3
Refining & Marketing	5,834	**6,901**	1,067	18.3
Petrochemicals	1,093	**1,534**	441	40.3
Other activities	654	**645**	(9)	(1.4)
Corporate and financial companies	181	**217**	36	19.9
Consolidation adjustment	(2,746)	**(3,857)**	(1,111)	40.5
	13,863	**16,654**	**2,791**	**20.1**

(2) In the first quarter of 2005 Brent prices in euro increased by 42%.

(3) Changes in oil and petroleum product prices exert influence on inventory evaluation leading to the recognition of profits or losses on stocks deriving from the difference of current prices of products sold and the value resulting from the application of the weighted-average cost method.

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Eni s **net sales from operations** (revenues) for the first quarter of 2005 amounted to euro 16,654 million, representing a euro 2,791 million increase over the first quarter of 2004, up 20.1%, due essentially to higher product prices and volumes sold in all of Eni s main operating segments, whose effects were partially offset by the impact of the depreciation of the dollar over the euro.

Revenues generated by the Exploration & Production segment (euro 4,552 million) increased by euro 1,287 million, up 39.4%, essentially due to higher prices realized in dollars (oil up 42.8%, natural gas up 16.7%) and higher hydrocarbon production sold (6.1 million boe, up 4.3%) whose effects were partially offset by the appreciation of the euro over the dollar.

Revenues generated by the Gas & Power segment (euro 6,662 million) increased by euro 1,080 million, up 19.3%, essentially due to increased natural gas prices and increased electricity production sold (2.47 terawatthour, up 98.4%), whose effects were offset in part by the appreciation of the euro over the dollar.

Revenues generated by the Refining & Marketing segment (euro 6,901 million) increased by euro 1,067 million, up 18.3%, essentially due to higher international prices for refined products, whose effects were offset in part by the appreciation of the euro over the dollar and the effect of the sale of activities in Brazil in August 2004.

Revenues generated by the Petrochemical segment (euro 1,534 million) increased by euro 441 million, up 40.3% due essentially to an average 30% increase in selling prices.

Revenues by geographic area

(million euro)	First quarter	
	2004	2005
Italy	**7,402**	**8,629**
Rest of European Union	3,898	**4,288**
Rest of Europe	843	**992**
Africa	497	**1,185**
Americas	847	**682**
Asia	327	**845**
Other areas	49	**33**
Total outside Italy	**6,461**	**8,025**
	13,863	**16,654**

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Operating expenses

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Purchases, services and other	9,197	**10,729**	1,532	16.7
Payroll and related costs	599	**611**	12	2.0
	9,796	**11,340**	**1,544**	**15.8**

Operating expenses for the first quarter of 2005 (euro 11,340 million) increased by euro 1,544 million compared to the first quarter of 2004, up 15.8%, essentially due to: (i) higher prices for oil-based and petrochemical feedstocks and for natural gas; (ii) higher provisions to the risk reserve (euro 52 million), in particular for environmental charges in the Refining & Marketing segment (euro 25 million). These increases were partially offset by the effect of the conversion of financial statements of subsidiaries denominated in currencies other than the euro and of the sale of refined products and LPG distribution activities in Brazil in August 2004.

Labor costs (euro 611 million) increased by euro 12 million, up 2%, due mainly to an increase in unit labor cost in Italy, whose effects were offset in part by a decline in the average number of employees in Italy, the effect of the sale of refined product distribution activities in Brazil and of the conversion of financial statements denominated in currencies other than the euro.

Employees

(units)	Dec. 31, 2004	March 31, 2005	Change
Exploration & Production	7,477	**7,486**	9
Gas & Power	12,843	**12,531**	(312)
Refining & Marketing	9,224	**9,187**	(37)
Petrochemicals	6,565	**6,655**	90
Other activities	9,422	**9,099**	(323)
Corporate and financial companies	3,437	**3,517**	80
	48,968	**48,475**	**(493)**
Saipem (1)	21,632	**21,732**	100
Total	**70,600**	**70,207**	**(393)**

(1) Affiliate on which Eni exercises control but that is not included in consolidation (see Effects of the adoption of IFRS, below).

As of March 31, 2005, employees were 48,475, with a decrease of 439 employees over December 31, 2004, down 1%. Of these 443 were hired and working in Italy and 50 outside Italy.

The 443 employee decline in Italy was related for 462 employees to changes in consolidation (Acque Potabili and Acquedotto di Savona, a total of 288 employees and Servizi Tecnici di Porto Marghera, 174 employees), whose effects were offset in part by the positive balance of hiring and dismissals (19 employees).

In the first quarter of 2005 a total of 363 employees was hired, of these 251 on open-end contracts (133 with university degrees, of these 98 newly graduated), and 344 employees were dismissed (of these 170 employees on open-end contracts).

Depreciation, amortization and writedown

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Exploration & Production	682	**736**	54	7.9
Gas & Power	143	**161**	18	12.6
Refining & Marketing	119	**121**	2	1.7
Petrochemicals	29	**31**	2	6.9
Other activities	12	**8**	(4)	(33.3)
Corporate and financial companies	23	**20**	(3)	(13.0)
Total amortization and depreciation	**1,008**	**1,077**	**69**	**6.8**
Writedowns	110	**34**	(76)	(69.1)
	1,118	**1,111**	**(7)**	**(0.6)**

Depreciation and amortization charges (euro 1,077 million) increased by euro 69 million, up 6.8% mainly in the following segments: (i) Exploration & Production (euro 54 million) related to higher production, increased costs for development activities and expenditure aimed at maintaining production levels in mature fields, whose effects were offset in part by the impact of the conversion of financial statements of subsidiaries denominated in currencies other than the euro; (ii) Gas & Power (euro 18 million) due to the coming on stream of new power generation capacity.

Writedowns (euro 34 million) concerned essentially the impairment of mineral assets in the Exploration & Production segment (euro 31 million). Also in the first quarter of 2004 writedowns (euro 110 million) concerned mainly mineral assets (euro 107 million).

In the first quarter of 2005 **net financial expense** (euro 80 million) increased by euro 49 million over the first quarter of 2004, due to higher charges related to the recording at fair value of derivative financial instruments and to higher interest rates on dollar loans on the London interbank market (Libor up 1.7 percentage points), whose effects were offset in part by a decrease in average net borrowings.

Net income from investments in the first quarter of 2005 amounted to euro 143 million and concerned essentially: (i) Eni s share of income of affiliates accounted for with the equity method (euro 128 million), in particular Saipem (euro 23 million) and affiliates in the Gas & Power (euro 64 million) and Refining & Marketing (euro 10 million) segments; (ii) dividends received by affiliates accounted for at cost (euro 10 million); (iii) gains on disposal (euro 5 million).

The euro 250 million decline in net income from investments was due essentially to the fact that in the first quarter of 2004 the gain on the sale of 9.054% of the share capital of Snam Rete Gas was recorded for euro 308 million; this factor was offset in part by improved results of operations of Galp (Eni s interest 33.34%), Blue Stream Pipeline Co (Eni s interest 50%) and GVS (Eni s interest 50%).

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Consolidated balance sheet

(million euro)	Dec. 31, 2004	March 31, 2005	Change
Net capital employed	**45,143**	**45,363**	**220**
Shareholders equity including minority interests	34,683	**37,710**	3,027
Net borrowings	10,460	**7,653**	(2,807)
Total liabilities and shareholders equity	**45,143**	**45,363**	**220**
Debt and bonds	12,542	**10,010**	(2,532)
short-term	5,256	**2,920**	(2,336)
long-term	7,286	**7,090**	(196)
Cash	(2,082)	**(2,357)**	(275)
Net borrowings	**10,460**	**7,653**	**(2,807)**

The depreciation of the euro over other currencies, in particular the US dollar (at March 31, 2005 the EUR/USD exchange rate was down 4.8% over December 31, 2004) determined with respect to 2004 year-end an estimated increase in the book value of net capital employed of about euro 820 million, in net equity of about euro 550 million and in net borrowings of about euro 270 million as a result of the conversion of financial statements of subsidiaries denominated in currencies other than the euro at March 31, 2005.

Net borrowings at March 31, 2005 amounted to euro 7,653 million, a euro 2,807 million decline over December 31, 2004, mainly due to cash flows generated by operating activities, influenced also by seasonality factors, whose effects were offset in part by: (i) financial requirements for capital expenditure and investments (euro 1,440 million); (ii) the effects of the conversion of financial statements of subsidiaries denominated in currencies other than the euro (approximately euro 270 million).

Debts and bonds amounted to euro 10,010 million, of which euro 2,920 million were short-term (including the portion of long-term debt due within twelve months for euro 936 million) and euro 7,090 million were long-term.

Net equity at March 31, 2005 (euro 37,710 million) increased by euro 3,027 million over December 31, 2004, due essentially to net income before minority interest (euro 2,547 million) and the effect of the conversion of financial statements of subsidiaries denominated in currencies other than the euro (euro 550 million).

In the period from January 1 to March 31, 2005 a total of 2.71 million own shares were purchased for a total of euro 52.3 million (on average euro 19.286 per share). From the beginning of the share buy-back plan (September 1, 2000) Eni purchased 237.5 million own shares, equal to 5.93% of its share capital, for a total of euro 3,290 million (on average euro 13.852 per share).

Capital expenditure

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Exploration & Production	1,191	**1,053**	(138)	(11.6)
Gas & Power	338	**265**	(73)	(21.6)
Refining & Marketing	85	**66**	(19)	(22.4)
Petrochemicals	14	**13**	(1)	(7.1)
Other activities	13	**6**	(7)	(53.8)
Corporate and financial companies	44	**14**	(30)	(68.2)
	1,685	**1,417**	**(268)**	**(15.9)**

In the first quarter of 2005 capital expenditure amounted to euro 1,417 million, of which 97% related to the Exploration & Production, Gas & Power and Refining & Marketing segments. The decline over the first quarter of 2004 (euro 268 million, down 15.9%) was due to: (i) the completion of relevant projects (in particular South Pars in Iran, the onshore section and the treatment plants of the Libya Gas project and the Greenstream pipeline); (ii) the effect of the appreciation of the euro over the dollar.

Capital expenditure of the Exploration & Production segment amounted to euro 1,053 million and concerned essentially development (euro 853 million) directed mainly outside Italy (euro 804 million), in particular Libya (the Bahr Essalam project), Kazakhstan, Angola (fields in Block 15), Nigeria, Iran and Egypt. Development expenditure in Italy (euro 49 million) concerned in particular the continuation of work for well drilling, plant and infrastructure in Val d Agri and sidetrack and infilling work in mature areas. Exploration expenditure amounted to euro 71 million, of which about 94% was directed outside Italy. Outside Italy exploration concerned in particular the following countries: Norway, Indonesia, Egypt and the United States. In Italy essentially the onshore of Sicily and Central Italy. In addition a further 1.85% stake in the Kashagan project was purchased with an expenditure of euro 119 million (see Exploration & Production).

Capital expenditure in the Gas & Power segment totaled euro 265 million and related essentially to: (i) development and maintenance of Eni s primary transmission and distribution network in Italy (euro 148 million); (ii) the continuation of the construction of combined cycle power plants (euro 80 million) in particular at Brindisi and Mantova; (iii) development and maintenance of Eni s natural gas distribution network in Italy (euro 20 million).

Capital expenditure in the Refining & Marketing segment amounted to euro 66 million and concerned: (i) refining and logistics (euro 36 million), in particular the construction of the tar gasification plant at the Sannazzaro refinery and efficiency improvement actions; (ii) the upgrade of the refined product distribution network in Italy (euro 14 million); (iii) the upgrade of the distribution network in the rest of Europe and the purchase of service stations (euro 8 million).

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Management s expectations of operations

The following are the forecasts for Eni s key production and sales metrics in 2005:

- daily production of hydrocarbons is forecasted to grow over 2004 (1.62 million boe/day) in line with the planned compound average growth rate for the 2004-2008 period (over 5%) which takes in account the effects of the decline of mature fields. Increases will be achieved outside Italy (in particular in Libya, Angola, Iran, Algeria, Kazakhstan and Egypt) due to the reaching of full production of fields started up in late 2004 and start-ups planned for 2005;
- volumes of natural gas sold are expected to increase by 3% over 2004 (84.45 billion cubic meters[4]), due to higher sales expected in markets in the rest of Europe (up 10% in particular in Spain, Turkey, Germany and France);
- electricity production sold is expected to increase by about 50% (13.85 terawatthour in 2004) due to the coming on stream of new generation capacity (about 3 gigawatt) at the Brindisi and Mantova sites and the full commercial activity of the units installed in 2004 at the Ravenna, Ferrera Erbognone and Mantova plants. At year-end total installed generation capacity is expected to be approximately 4.3 gigawatt (3.3 gigawatt at December 31, 2004);
- refinery processing intake on own account is expected to decline by approximately 2% (37.68 million tonnes in 2004) due to the impact on the first months of 2005 of lower processing at the Gela refinery following the damage caused by a sea storm to the docking infrastructure in December 2004. The capacity utilization rate of Eni s plants is expected to remain at 100% (the same rate of 2004);
- sales of refined products on the Agip branded network in Italy are expected to remain stable, despite a decline in domestic consumption. In the rest of Europe the upward trend of sales is expected to continue also due to acquisitions.

In 2005 capital expenditure is expected to amount to approximately euro 7.5 billion; about 96% of capital expenditure will be made in the Exploration & Production, Gas & Power and Refining & Marketing segments.

Subsequent events

In April 2005 Eni concluded the sale procedure of a 90% interest in Italiana Petroli (IP) with a call-and-put option for the remaining 10% to be exercised in the second half of 2010. The transaction amounts to euro 186 million for 100% of the shares and will be submitted to the approval of the Italian Antitrust Authority. In 2004 IP sold 2.6 billion liters of fuels with an average throughput of 896,000 liters; at year end IP s network included 2,915 service stations, of these approximately 2,700 were leased.

(4) Include own consumption and Eni s share of sales of affiliates.

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Exploration & Production

(million euro)	First quarter			
	2004	**2005**	**Change**	**% Ch.**
Operating income (1)	**1,616**	**2,510**	**894**	**55.3**

(1) Net of the elimination of unrealized profit on stock (euro 49 million in the first quarter of 2004 and euro 57 million in the first quarter of 2005) on oil and natural gas volumes sold to the Refining & Marketing and Gas & Power segments not yet sold to third parties.

Operating income for the first quarter of 2005 totaled euro 2,510 million, representing a euro 894 million increase over the first quarter of 2004, up 55.3%, due mainly to: (i) higher average realizations in dollars (oil up 42.8%, natural gas up 16.7%); (ii) higher hydrocarbon production sold (6.1 million boe, up 4.3%); (iii) lower impairment of mineral assets (euro 76 million). These positive factors were offset in part by: (i) the effect (approximately euro 140 million) of the appreciation of the euro over the dollar (up 4.9%); (ii) the fact that in the first quarter of 2004 gains on the sale of mineral assets were recorded (euro 75 million); (iii) higher production costs and amortization related to higher costs of development activities and capital expenditure aimed at maintaining production levels in mature fields.

	First quarter			
	2004	**2005**	**Change**	**% Ch.**
Daily production of hydrocarbons (thousand boe)	**1,628**	**1,703**	**75.0**	**4.6**
Italy	278	**265**	(13.0)	(4.7)
North Africa	367	**432**	65.0	17.7
West Africa	301	**327**	26.0	8.6
North Sea	334	**290**	(44.0)	(13.2)
Rest of world	348	**389**	41.0	11.8
Hydrocarbon production sold (million boe)	**143.3**	**149.4**	**6.1**	**4.3**

In the first quarter of 2005 daily hydrocarbon production amounted to 1,703,000 boe[5], increasing by 75,000 boe over the first quarter of 2004, up 4.6%. This increase was 8.4% without taking into account the price effect on PSAs[6]. Production increases were registered in particular in Libya, Angola, Iran, Kazakhstan, Italy (oil), Algeria and Australia. These increases were partly offset by: (i) declines in mature fields mainly in Italy (natural gas) and the United Kingdom; (ii) lower production entitlements (62,000 boe) in PSAs related to higher international oil prices; (iii) the effect of the divestment of assets in 2004 (30,000 boe). The share of production outside Italy was 84.4% (82.9% in the first quarter of 2004).

Daily production of oil and condensates (1,100,000 barrels) increased by 84,000 barrels over the first quarter of 2004, up 8.3%, due to increases registered in: (i) Angola, due to the reaching of full production of fields in the Kizomba A area in Block 15 (Hungo and Chocalho, Eni s interest 20%) and the start-up of the Bomboco field

(5) Includes Eni s share of production of joint ventures accounted for with the equity method from January 1, 2005 (formerly accounted for proportionally).

(6) In PSAs the national oil company awards the execution of exploration and production activities to the international oil company (contractor). The contractor bears the mineral and financial risk of the initiative and, when successful, recovers capital expenditure and costs incurred in the year (cost oil) by means of a share of production. This production share varies along with international oil prices. In certain PSAs changes in international oil prices affect also the share of production to which the contractor is entitled in order to remunerate its expenditure (profit oil).

located in area B of Block 0 (Eni s interest 9.8%); (ii) Libya, due to the reaching of full production at the Wafa (Eni s interest 50%) and Elephant fields (Eni s interest 33.33%); (iii) Iran, due to reaching of full production at the South Pars field Phases 4-5 (Eni operator with a 60% interest) and production increases at the Dorood (Eni s interest 45%) and Darquain (Eni operator with a 60% interest) fields; (iv) Kazakhstan, in the Karachaganak field (Eni co-operator with a 32.5% interest) due to higher exports from the Novorossiysk terminal on the Russian coast of the Black Sea; (v) Italy, due to increased production in the Val d Agri due to the reaching of full production of the fourth treatment train of the oil center; (vi) Algeria, due to the reaching of full production at the Rod and satellite fields (Eni operator with a 63.96% interest); (vii) Australia, due to the reaching of full production at the Bayu Undan field (Eni s interest 12.04%). These increases were partly offset by declines of mature fields in particular in the United Kingdom and by the effect of the divestment of assets carried out in 2004.

Daily production of natural gas (603,000 boe) decreased by 9,000 boe over the first quarter of 2004, down 1.5%, due essentially to declines of mature fields in particular in Italy and the United Kingdom and the effect of the divestment of assets. These negative factors were offset in part by increases registered in: (i) Libya, due to the reaching of full production at the Wafa field (Eni s interest 50%); (ii) Pakistan, due to the start-up of the Rehmat field (Eni s interest 30%); (iii) Nigeria, also due to the start-up of the Cawthorne Channel and Forcados/Yokri fields (Eni s interest 5%).

Hydrocarbon production sold amounted to 149.4 million boe. The 3.9 million boe difference over production was due essentially to own consumption of natural gas (3.6 million boe).

Main events of the first quarter of 2005

Within the North Caspian Sea PSA for the development of the Kashagan field, on March 31, 2005 Eni and the other partners in the consortium, except for one, purchased proportionally to their respective work interest the 16.67% share of British Gas that left the project, following the exercise of the pre-emptive right in May 2003. All partners then sold 50% of this interest to the Kazakh national company Kazmunaygaz, new partner in the PSA with an 8.335% interest. Eni s interest in the operated project increased from 16.67% to 18.52% after the purchase. At March 31, 2005 contracts for the development of this field had been awarded for a total of dollar 6.7 billion.

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Gas & Power

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Operating income	**1,551**	**1,563**	**12**	**0.8**
Elimination of profit (loss) on stock	56	**52**	(4)	(7.1)
Replacement cost operating income	**1,495**	**1,511**	**16**	**1.1**

Replacement cost operating income in the first quarter of 2005 amounted to euro 1,511 million, a euro 16 million increase over the first quarter of 2004, up 1.1%, due mainly to: (i) an increase in natural gas volumes sold (0.28 billion cubic meters including own consumption, up 1.1%) and distributed; (ii) higher results in natural gas transport activities in Italy and outside Italy. These positive factors were offset in part by: (i) a provision to the risk reserve (euro 20 million); (ii) lower margins on natural gas sales and lower natural gas distribution tariffs, due mainly to the impact of the new tariff system following decision No. 170/2004[7] of the Authority for Electricity and Gas, whose effects were offset in part by the different trends in the energy parameters to which natural gas sale and purchase prices are contractually indexed (due also to the different time intervals of contracts).

Power generation activities generated an operating income of euro 15 million, with a decline of euro 25 million, down 62.5% due mainly to: (i) the impact of decisions of the Authority for Electricity and Gas[8]; (ii) higher fixed costs related in particular to maintenance (euro 16 million); (iii) the provision for charges for the purchase of green certificates for 2003 following the decision of the Regional Administrative Court of Lombardia[9] (euro 7 million). These negative factors were offset in part by an increase in electricity production sold (2.47 terawatthour, up 98.4%).

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(7) Decision No. 170/2004 defines the method for determining natural gas distribution tariffs in the second regulated period (October 1, 2004-September 30, 2008); in particular the new tariff system sets the rate of return of invested capital at 7.5% (as compared to 8.8% in the first regulated period) and the price cap at 5% of operating costs and amortization charges (as compared to 3% for total costs). The Regional Administrative Court annulled this decision with a decision on February 16, 2005; the Authority filed an urgent claim with the Council of State, that on March 8 suspended the Court s decision, pending its own final decision.

(8) In order to favor the functioning of the Electricity exchange started on April 1, 2004, the Authority issued certain decisions that changed the regulation of the electricity market. In particular: (i) decisions No. 5/2004 and No. 235/2004 reorganized the time frames that represents the main reference for the determination of selling prices in bilateral contracts (they are now more homogenous and consistent with the dynamics of domestic consumption; the previous ones provided for higher tariffs in winter months); (ii) decision No. 48/2004 introduced a charge that producers must pay for the use of transmission capacity and an unbalancing charge (art. 40). EniPower filed a claim against article 42 of decision No. 48/2004 and subsequent related decisions with the Regional Administrative Court of Lombardia which will be discussed on June 14, 2005.

(9) With a judgment of April 12, 2005, the Regional Administrative Court of Lombardia rejected the claim filed by EniPower against the decision of the Gestore della Rete di Trasmissione Nazionale SpA GRTN that denied the nature of cogeneration production for the combined production of electricity and heat of Eni s power stations at Livorno, Ravenna and Brindisi. This obliges the company to purchase so called green certificates to cover production from these plants in 2003.

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	First quarter			
	2004	2005	Change	% Ch.
Sales of natural gas (billion cubic meters)				
Italy	**17.92**	**17.12**	**(0.80)**	**(4.5)**
Wholesalers	6.86	**5.43**	(1.43)	(20.8)
Gas release		**0.59**	0.59	..
End customers	11.06	**11.10**	0.04	0.4
Industrial users	*3.48*	***3.32***	*(0.16)*	*(4.6)*
Thermoelectric users	*3.93*	***3.96***	*0.03*	*0.8*
Residential	*3.65*	***3.82***	*0.17*	*4.7*
Rest of Europe	**6.78**	**7.43**	**0.65**	**9.6**
Extra Europe	**0.24**	**0.23**	**(0.01)**	**(4.2)**
Total sales to third parties	**24.94**	**24.78**	**(0.16)**	**(0.6)**
Own consumption	**0.81**	**1.25**	**0.44**	**54.3**
	25.75	**26.03**	**0.28**	**1.1**
Sales of natural gas of Eni s affiliates (net to Eni)	**2.06**	**2.64**	**0.58**	**28.2**
Europe	*1.93*	***2.48***	*0.55*	*28.5*
Outside Europe	*0.13*	***0.16***	*0.03*	*23.1*
Total sales and own consumption of natural gas (billion cubic meters)	**27.81**	**28.67**	**0.86**	**3.1**
Transport of natural gas in Italy (billion cubic meters)	**22.29**	**23.70**	**1.41**	**6.3**
Eni	15.40	**15.36**	(0.04)	(0.3)
Third parties	6.89	**8.34**	1.45	21.0
Electricity production sold (terawatthour)	**2.51**	**4.98**	**2.47**	**98.4**

In the first quarter of 2005 natural gas sales (28.67 billion cubic meters, including own consumption and Eni s share of sales of affiliates) increased by 0.86 billion cubic meters over the first quarter of 2004, up 3.1%, due mainly to higher sales in markets in the rest of Europe (1.20 billion cubic meters, up 13.8%) and higher own consumption of natural gas for power generation (0.44 billion cubic meters, up 54.3%), whose effects were offset in part by lower sales in Italy (0.80 billion cubic meters, down 4.5%).

In a more and more competitive market, natural gas sales in Italy (17.12 billion cubic meters) decreased by 0.80 billion cubic meters over the first quarter of 2004, down 4.5%, due mainly to a decline in sales to wholesalers (down 1.43 billion cubic meters) and to industries (down 0.16 billion cubic meters), also related to the fact that part of supplies (0.59 billion cubic meters) to operators in these sectors in particular wholesalers was carried out in accordance with certain decisions of the Antitrust Authority (so called gas release)[10]. These declines were offset in part by higher sales to residential and commercial users (up 0.17 billion cubic meters), also related to weather conditions.

Natural gas sales in the rest of Europe (7.43 billion cubic meters) increased by 0.65 billion cubic meters, up 9.6%, due to increases registered in: (i) sales under long-term supply contracts with Italian operators of the natural gas market (0.49 billion cubic

(10) In June 2004 Eni agreed with the Antitrust Authority to sell a total volume of 9.2 billion cubic meters of natural gas (2.3 billion cubic meters/year) in the four thermal years from October 1, 2004 to September 30, 2008 at the Tarvisio entry point into the Italian network.

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meters), also due to reaching of full supplies from Libyan fields; (ii) supplies to the Turkish market via the Blue Stream gasline (0.22 billion cubic meters); (iii) Germany, related to increase in supplies to Eni s affiliate GVS (Eni s interest 50%) and to a German operator (overall 0.17 billion cubic meters); (iv) France, related to the beginning of gas marketing activities (0.15 billion cubic meters).

Own consumption[11] amounted to 1.25 billion cubic meters, increasing by 0.44 billion cubic meters over the first quarter of 2004, up 54.3%, due mainly to higher supplies to EniPower (0.47 billion cubic meters), due to increased electricity production.

Sales of natural gas by Eni s affiliates, net to Eni and net of Eni s supplies, amounted to 2.64 billion cubic meter, increasing by 0.58 billion cubic meters over the first quarter of 2004, up 28.2%, and concerned: (i) GVS with 1.33 billion cubic meters; (ii) Galp Energia (Eni s interest 33.34%) with 0.38 billion cubic meters; (iii) Unión Fenosa Gas (Eni s interest 50%) with 0.37 billion cubic meters; (iv) volumes of natural gas (0.37 billion cubic meters) treated at the Nigeria LNG Ltd liquefaction plant (Eni s interest 10.4%) in Nigeria, destined to US and European markets.

Eni transported 8.34 billion cubic meters of natural gas on behalf of third parties in Italy, an increase of 1.45 billion cubic meters over the first quarter of 2004, up 21% due to increased domestic demand.

Electricity production sold amounted to 4.98 terawatthour, with an increase of 2.47 terawatthour, up 98.4%, due to the full commercial operation of the Ravenna (up 1.26 terawatthour) and Ferrera Erbognone (up 0.75 terawatthour) plants.

(11) In accordance with article 19, line 4 of Legislative Decree No. 164/2000, the volumes of natural gas consumed in operations by a company or its subsidiaries are excluded from the calculation of ceilings for sales to end customers and from volumes input into the Italian network to be sold in Italy.

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Refining & Marketing

(million euro)	First quarter			
	2004	**2005**	**Change**	**% Ch.**
Operating income	**125**	**269**	**144**	**115.2**
Elimination of profit (loss) on stock	25	**143**	118	472.0
Replacement cost operating income	**100**	**126**	**26**	**26.0**

Replacement cost operating income in the first quarter of 2005 amounted to euro 126 million, a euro 26 million increase over the first quarter of 2004, up 26%, due mainly to higher refining margins (the margin on Brent was up 2.05 dollars/barrel, up 93%), whose effects were offset in part by lower processing at the Gela refinery related to a natural event (see below) and the effect of the appreciation of the euro over the dollar. This positive factor was offset in part by higher provisions for environmental charges (euro 25 million). Operating income of marketing activities in Italy was in line with that of the first quarter of 2004.

(million tonnes)	First quarter			
	2004	**2005**	**Change**	**% Ch.**
Sales	**12.73**	**12.30**	**(0.43)**	**(3.4)**
Retail sales Italy	2.55	**2.52**	(0.03)	(1.2)
Retail sales rest of Europe	0.80	**0.83**	0.03	3.7
Retail sales Brazil	0.28	**0.00**	(0.28)	(100.0)
Wholesale sales Italy	2.56	**2.53**	(0.03)	(1.2)
Wholesale sales outside Italy	1.39	**1.10**	(0.29)	(20.9)
Other sales	5.15	**5.32**	0.17	3.3

In the first quarter of 2005 refinery intake processing on own account in Italy and outside Italy (8.44 million tonnes) decreased by 0.21 million tonnes over the first quarter of 2004, down 2.4%, due mainly to lower processing at the Gela refinery following the damage caused by a sea storm to the docking infrastructure in December 2004 and the effect of the maintenance standstill of the Porto Marghera refinery and lower processing on third party refineries. These decreases were offset in part by higher processing outside Italy (0.13 million tonnes, up 13%) in particular at Ceska Rafinerska (Eni s interest 16.33%).

Total intake processing on wholly owned refineries amounted to 5.87 million tonnes (5.88 million tonnes in the first quarter of 2004) with a balanced capacity utilization rate of 93% (in line with the first quarter of 2004).

In the first quarter of 2005 sales of refined products (12.30 million tonnes) decreased by 0.43 million tonnes over the first quarter of 2004, down 3.4%, mainly due to the divestment of activities in Brazil in August 2004 (0.74 million tonnes) offset in part by higher sales to oil companies and traders in Italy (0.15 million tonnes) and of marine fuel (0.15 million tonnes).

Sales of refined products on retail markets in Italy (2.52 million tonnes) were in line with those of the first quarter of 2004; the effect of the sale/closure of service stations within the network rationalization process and the negative balance (19 units) of

acquisitions/releases of lease concessions was almost entirely offset by higher sales in service stations with higher throughput. At March 31, 2005, Eni s retail distribution network in Italy consisted of 7,221 service stations (of these 4,329 were Agip branded and 2,892 IP branded), 23 less than at December 31, 2004.

Sales of refined products on retail markets in the rest of Europe (0.83 million tonnes) increased by 0.03 million tonnes over the first quarter of 2004, up 3.7%, in particular in Germany and Spain. At March 31, 2005, Eni s retail distribution network in the rest of Europe consisted of 1,900 service stations, 4 more than at December 31, 2004.

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Petrochemicals

(million euro)	First quarter			
	2004	2005	Change	% Ch.
Operating income	**5**	**158**	**153**	**..**
Elimination of profit (loss) on stock		**(1)**	(1)	..
Replacement cost operating income	**5**	**159**	**154**	**..**

In the first quarter of 2005 replacement cost operating income amounted to euro 159 million with a euro 154 million increase over the first quarter of 2004, due mainly: (i) an increase in margins, in particular in basic petrochemicals (cracker margin) and polyethylene related to increases in prices higher than in the cost of oil-based feedstocks, related to a positive trend in demand as well as to an improved industrial performance; (ii) higher volumes sold (163 million tonnes, up 13.5%).

(thousand tonnes)	First quarter			
	2004	2005	Change	% Ch.
Sales	**1,209**	**1,372**	**163**	**13.5**
Basic petrochemicals	634	**811**	177	27.9
Styrenes and elastomers	264	**266**	2	0.8
Polyethylenes	311	**295**	(16)	(5.1)

Sales of petrochemical products (1,372,000 tonnes) increased by 163,000 tonnes, up 13.5% over the first quarter of 2004, due essentially to higher sales of olefins (up 20.9%), aromatics (up 9.2%) and elastomers (up 3.2%) related to a recovery in demand, and intermediates (up 70.4%), also related to the fact that acetone and phenol sales declined in the first quarter of 2004 following a standstill due to an accident occurred at the Porto Torres dock. These positive effects were offset in part by a decline in polyethylenes (down 5.1%) due to lower LLDPE availability related to the standstill of the Priolo plant and to a decline in demand related to expected price declines.

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Effects of the adoption of IFRS[12]

Starting in 2005, companies with securities listed on a regulated market of a Member State of the European Union are required to prepare their consolidated financial statements in accordance with IFRS.

At the transition date (January 1, 2004), that corresponds to the beginning of the first comparative period, companies have to prepare a balance sheet that:

- recognizes all and only the assets and liabilities defined as such by the new accounting standards;
- evaluates assets and liabilities with the values that would have been determined if the new accounting standards had been applied from the initial recognition (retrospective application);
- reclassifies items in accordance with IFRS.

The effects of the adjustment of opening balances of assets and liabilities to the new accounting standards have been recognized under shareholders equity, taking into account the fiscal effect that is recognized under deferred tax assets or liabilities.

In application of IFRS 1 follows the indication of: (i) balance sheet for 2003 restated under IFRS; (ii) income statement for 2004 restated under IFRS; (iii) balance sheet for 2004 restated under IFRS; (iv) reconciliation between shareholders equity, including minority interest, for 2003 and 2004 reported under Italian GAAP and shareholders equity under IFRS; (v) reconciliation between net income for 2004 reported under Italian GAAP and IFRS.

The restatement/reconciliation tables have been prepared only for the transition to IFRS adopted by the European Commission. Given this specific aim, the information provided in this section is not intended to substitute the wider comparative information that will be provided in the first complete financial statements under IFRS.

PricewaterhouseCoopers is preparing a full audit of the balances of such reconciliations. The results of this audit will be presented to the market as soon as available.

The reference international accounting principles are described in the section Significant accounting and reporting policies . In particular, the data presented in the reconciliation tables could change to reflect future orientations of the European Commission about the adoption of IFRS or new pronouncements by the IASB or by the IFRIC.

The main exemptions provided by IFRS 1 adopted by Eni in its first application of IFRS relate to the decision not to restate business combinations, and the definition of January 1, 2005 as the transition date for the first application of IAS 32 and IAS 39, related to the evaluation of financial instruments, including derivatives.

(12) According to the provisions of paragraph 5 of the Preface to International Financial Reporting Standards, IFRS represent the principles and interpretations adopted by the IASB, formerly International Accounting Standard Committee (IASC) and include: (i) International Financial Reporting Standards (IFRS); (ii) International Accounting Standards (IAS); (iii) interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and by the Standing Interpretation Committee (SIC) adopted by the IASB. The term International Financial Reporting Standards was adopted by the IASB for all standards published after May 2003.

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Balance sheet at December 31, 2003

The following is the restatement of 2003 balance sheet items under IFRS:

(million euro)	2003	Exclusion of Saipem	Exclusion of joint ventures	Pro-forma	Adjustments	IFRS
Non-current assets						
Net fixed assets	36,360	(1,696)	(191)	34,473	3,241	37,714
Intangible assets	3,610	(847)	-	2,763	(6)	2,757
Investments	3,160	600	198	3,958	(40)	3,918
Other non-current assets (liabilities)	(35)	186	9	160	(33)	127
	43,095	**(1,757)**	**16**	**41,354**	**3,162**	**44,516**
Net working capital						
Inventories	3,293	(307)	(10)	2,976	734	3,710
Reserve for deferred taxation	(275)	3	39	(233)	(994)	(1,227)
Reserve for contingencies	(5,708)	92	1	(5,615)	27	(5,588)
Other operating assets (liabilities)	2,011	1,291	133	3,435	145	3,580
	(679)	**1,079**	**163**	**563**	**(88)**	**475**
Reserve for employee termination indemnities	(555)	31	2	(522)	26	(496)
Net capital employed	**41,861**	**(647)**	**181**	**41,395**	**3,100**	**44,495**
Shareholders equity including minority interest	28,318(1)	(749)	-	27,569	3,196	30,765
Net borrowings	13,543	102	181	13,826	(96)	13,730
Total liabilities and shareholders equity	**41,861**	**(647)**	**181**	**41,395**	**3,100**	**44,495**

(1) Net of treasury shares in portfolio at that date for euro 3,164 million (IFRS require that treasury share be deducted from shareholders equity).

Summarizing, the application of IFRS determined an increase in net capital employed of euro 2.6 billion, in shareholders equity of euro 2.4 billion and of net borrowings of euro 0.2 billion. As for the exclusion of Saipem and its subsidiaries, Italian GAAP allow for the line-by-line consolidation of an affiliate on which the parent company exercises control at its Annual General Meeting due to a substantial ownership interest despite the fact that the parent company does not hold the majority of voting rights. Under IFRS, and under U.S. GAAP, these investments are accounted for under the equity method. In application of this standard, Eni excluded from consolidation Saipem SpA in which Eni held 43.29% of voting shares at December 31, 2004 (42.94% of share capital). Saipem s exclusion from consolidation determined a decrease in net capital employed of euro 647 million and in minority interest of euro 749 million, as well as an increase in net borrowings of euro 102 million related to the net cash position of this segment (loans provided from Group financial companies are recorded under other assets and liabilities).

As for joint ventures, Italian GAAP and IFRS allow for consolidation on a proportional basis or accounting under the equity method. Until 2004 Eni consolidated joint ventures in the Exploration & Production and Oilfield Services, Construction and Engineering segments on a proportional basis. From 2005, adopting the IFRS principle of homogeneous application of accounting criteria to similar situations and keeping into account the fact that U.S. GAAP do not allow consolidation on a proportional

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basis, joint ventures are accounted for under the equity method. The exclusion of joint ventures from consolidation determines an increase in net capital employed and in net borrowings of euro 181 million related to the fact that the total of excluded companies have a net positive financial position and therefore their shareholders equity is higher than their net capital employed.

2004 Income statement

The following is the restatement of income statement items under IFRS:

(million euro)	**2004**	**Exclusion of Saipem**	**Exclusion of joint ventures**	**Restatement of extraordinary items**	**Pro-forma**	**Adjustments**	**IFRS**
Net sales from operations	58,382	(3,685)	(502)	-	54,195	79	54,274
Other income and revenues	1,298	(38)	(5)	79	1,334	12	1,346
Purchases, services and other	(39,092)	2,453	364	(623)	(36,898)	693	(36,205)
Payroll and related costs	(3,264)	740	38	(54)	(2,540)	8	(2,532)
Depreciation, amortization and writedowns	(4,861)	237	54	(18)	(4,588)	(165)	(4,753)
Operating income	**12,463**	**(293)**	**(51)**	**(616)**	**11,503**	**627**	**12,130**
Financial income (expense) and exchange differences, net	(95)	42	(5)	-	(58)	(55)	(113)
Income (expense) from investments	229	71	26	608	934	(82)	852
Income before extraordinary items and income taxes	**12,597**	**(180)**	**(30)**	**(8)**	**12,379**	**490**	**12,869**
Net extraordinary expense	(56)	-	-	56	-	-	-
Income before income taxes	**12,541**	**(180)**	**(30)**	**48**	**12,379**	**490**	**12,869**
Income taxes	(4,653)	66	30	(48)	(4,605)	(859)	(5,464)
Income before minority interest	**7,888**	**(114)**	**-**	**-**	**7,774**	**(369)**	**7,405**
Minority interest	(614)	114	-	-	(500)	154	(346)
Net income	**7,274**	**-**	**-**	**-**	**7,274**	**(215)**	**7,059**

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Balance sheet at December 31, 2004

The following is the restatement of 2004 balance sheet items under IFRS:

(million euro)	2004	Exclusion of Saipem	Exclusion of joint ventures	Pro-forma	Adjustments	IFRS
Non-current assets						
Net fixed assets	37,616	(1,690)	(206)	35,720	3,239	38,959
Intangible assets	3,190	(803)	-	2,387	92	2,479
Investments	3,282	618	189	4,089	102	4,191
Other non-current assets (liabilities)	(200)	135	2	(63)	5	(58)
	43,888	**(1,740)**	**(15)**	**42,133**	**3,438**	**45,571**
Net working capital						
Inventories	3,320	(387)	(14)	2,919	1,050	3,969
Reserve for deferred taxation	(565)	21	58	(486)	(1,853)	(2,339)
Reserve for contingencies	(6,102)	96	2	(6,004)	174	(5,830)
Other operating assets (liabilities)	2,743	1,278	138	4,159	136	4,295
	(604)	**1,008**	**184**	**588**	**(493)**	**95**
Reserve for employee termination indemnities	(590)	34	2	(554)	31	(523)
Net capital employed	**42,694**	**(698)**	**171**	**42,167**	**2,976**	**45,143**
Shareholders equity including minority interest	32,466(1)	(843)	-	31,623	3,060	34,683
Net borrowings	10,228	145	171	10,544	(84)	10,460
Total liabilities and shareholders equity	**42,694**	**(698)**	**171**	**42,167**	**2,976**	**45,143**

(1) Net of treasury shares in portfolio at that date for euro 3,229 million (IFRS require that treasury share be deducted from shareholders equity).

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Reconciliation of 2003 shareholders equity

The following is the reconciliation of 2003 shareholders equity, including minority interest, determined under Italian GAAP to IFRS:

(million euro)

Items (*)

	2003 Shareholders equity	**28,318**
1.	Different useful lives of gas pipelines, compression stations, distribution networks and other assets	1,570
2.	Different recognition of deferred tax	1,233
3.	Application of the weighted-average cost method instead of LIFO in inventory evaluation	479
4.	Different criteria of capitalization of financial charges	394
5.	Different recognition of the reserve for contingencies	227
6.	Effect of the capitalization of estimated costs for asset retirement obligations	152
7.	Underlifting	61
8.	Write-off of the difference between nominal and present value of deferred taxation in business combinations	(514)
9.	Adjustment of tangible and intangible assets	(166)
10.	Employee benefits	(79)
11.	Effects on investments accounted for under the equity method	(40)
	Other net adjustments	(121)
		3,196
	Exclusion of Saipem	(749)
	Net changes	**2,447**
	Shareholders equity under IFRS	**30,765**

(*) Each number refers to the illustration provided in the following section "Description of main changes".

Contents

Reconciliation of 2004 shareholders equity

The following is the reconciliation of 2004 shareholders equity, including minority interest, determined under Italian GAAP to IFRS:

(million euro)

Items (*)

	2004 Shareholders equity	**32,466**
1.	Different useful lives of gas pipelines, compression stations, distribution networks and other assets	1,501
2.	Different recognition of deferred tax	563
3.	Application of the weighted-average cost method instead of LIFO in inventory evaluation	677
4.	Different criteria of capitalization of financial charges	393
5.	Different recognition of the reserve for contingencies	269
6.	Effect of the capitalization of estimated costs for asset retirement obligations	215
7.	Underlifting	87
8.	Write-off of the difference between nominal and present value of deferred taxation in business combinations	(470)
9.	Adjustment of tangible and intangible assets	(129)
10.	Employee benefits	(73)
11.	Effects on investments accounted for under the equity method	100
12.2	Amortization of goodwill	61
	Other net adjustments	(134)
		3,060
	Exclusion of Saipem	(843)
	Net changes	**2,217**
	Shareholders equity under IFRS	**34,683**

(*) Each number refers to the illustration provided in the following section "Description of main changes".

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Reconciliation of 2004 consolidated net income

The following is the reconciliation of 2004 consolidated net income determined under Italian GAAP to IFRS:

(million euro)

Items [(*)]

	2004 consolidated net income under Italian GAAP	**7,274**
1.	Different useful lives of gas pipelines, compression stations, distribution networks and other assets	(70)
2.	Different recognition of deferred tax	(671)
3.	Application of the weighted-average cost method instead of LIFO in inventory evaluation	199
4.	Different criteria of capitalization of financial charges	(3)
5.	Different recognition of the reserve for contingencies	35
6.	Effect of the capitalization of estimated costs for asset retirement obligations	63
7.	Underlifting	33
8.	Write-off of the difference between nominal and present value of deferred taxation in business combinations	38
9.	Adjustment of tangible and intangible assets	39
10.	Employee benefits	7
11.	Effects on investments accounted for under the equity method	142
12.	Other changes in 2004 results under IFRS	(150)
12.1	Adjustment on gain from sale of a 9.054% interest in Snam Rete Gas	(211)
12.2	Amortization of goodwill	61
	Other net adjustments	(31)
	Effect of IFRS adjustment on minority interest [(1)]	154
	Net changes	**(215)**
	Shareholders equity under IFRS	**7,059**

(*) Each number refers to the illustration provided in the following section "Description of main changes".

(1) This adjustment derives from the attribution of their share of IFRS adjustments to minority interest.

Description of main changes

The following is a description of the main changes introduced in the balance sheet of Eni for 2003, whose effects are reflected in the income statement and balance sheet of Eni s 2004 financial statements.

1. Different useful lives of gas pipelines, compression stations, distribution networks and other assets

This change concerns essentially the natural gas transport pipelines, compression stations and distribution networks that until 1999 were depreciated in accordance with Italian practice applying rates established by tax authorities (10%, 10% and 8%, respectively) both in statutory and consolidated financial statements. In consolidated financial statements prepared in accordance with U.S. GAAP, these assets were depreciated at a 4% rate, based on the international estimate of a 25-year long useful life.

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The useful life of gas pipelines, compression stations and distribution networks was changed in 2000 following a determination of tariffs for natural gas sale by the Italian Authority for Electricity and Gas which set the useful life of gas pipelines at 40 years, that of compression stations at 25 years and that of distribution networks at 50 years. Therefore, considering this change as a revision of previous estimates, starting in 2000 the value of these assets, net of amortization reserves at December 31, 1999, was depreciated based on their residual useful life both under Italian and U.S. GAAP.

For the first application of IFRS, the adoption of the retrospective method implies the adoption of the new principles as if they had always been applied using the best information available at each time frame. Therefore, the book value of gas pipelines, compression stations and distribution networks, at January 1, 2004 was restated by using until 1999 the internationally accepted rate of 25 years, from 2000 onwards the residual value was depreciated according to the useful lives estimated by the Authority.

Consistent with this approach, the book value of tanker ships at January 1, 2004 was restated due to the revision of their useful life using until 2001 the internationally accepted rate of 20 years; from 2002 onwards their residual value was depreciated according to an estimated useful life of 30 years defined after their conferral from Snam SpA to LNG Shipping SpA.

Under Italian GAAP the book value of complex assets is divided according to various tax categories on the basis of the depreciation rate tables contained in a Decree of the Ministry of Economy and Finance. Under IFRS the components of a complex asset, that have different useful lives, are recorded separately in order to be depreciated according to their useful life; land parcels, that cannot be depreciated, are recorded separately even when they are bought along with buildings.

The restatement determined an increase in fixed assets of euro 2,563 million as a contra to shareholders equity (euro 1,570 million) and to the reserve for deferred taxation (euro 993 million).

The application of IFRS determined a decrease in 2004 earnings of euro 70 million.

2. Different recognition of deferred tax

The euro 1,233 million increase in shareholders equity was determined in particular by the following causes.

2.1 Recognition of deferred tax assets on the revaluation of assets (Law 342/2000)

Under Italian GAAP deferred tax assets are recorded if recoverable with reasonable certainty .

Under IFRS deferred tax assets are recorded if their recovery is more likely than not.

In 2000 Snam SpA, now merged into Eni SpA, revalued its assets as permitted by Law 342/2000 aligning their book value to their fair value. On this revaluation of depreciable assets Eni paid a special rate tax (19% instead of the statutory 34% rate), thus recording a deferred tax asset. Eni s transport assets were conferred in 2001 to Snam Rete Gas SpA. The revaluation carried out had no impact on Eni s consolidated financial statements; but a timing difference arose between the taxable value and the book

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value which led, in accordance with Italian GAAP, to the recognition of a provision for deferred tax assets that amounted to euro 629 million at December 31, 2003, corresponding to 19%[13] of depreciation estimated in the 2004-2007 plan on the deductible timing difference.

Under IFRS, deferred taxes are to be recognized on the entire timing difference at the current statutory tax rate (37.25%).

The application of this principle determined an increase in deferred tax assets of euro 828 million as a contra to shareholders equity.

The application of IFRS determined a decrease in 2004 earnings of euro 266 million related to the reversal[14] of tax assets related to the share of depreciation for fiscal purposes that is in excess of the depreciation of the useful life of the relevant assets.

2.2 Recognition of deferred tax assets on Stogit s inventories

In 2003 Stoccaggi Gas Italia SpA (Stogit), applying Law 448/2001, realigned the fiscal value to the higher book value of assets received upon contribution in kind. In the consolidated financial statements these assets were stated at their book value, this determined a timing difference over the fiscal values from which a deferred tax asset of euro 287 million was recognized in the consolidated financial statements. A portion of the timing difference concerns the inventories of natural gas; however, in 2003 consolidated financial statements the deferred tax asset related to the timing difference on natural gas inventories was not recognized on the assumption that its recoverability was not reasonably certain at the end of the concession, if not renewed.

The application of IFRS determined the recognition of deferred tax assets of euro 259 million, as a contra to shareholder s equity.

In 2004 consolidated financial statements deferred tax assets on the timing difference on inventories were recognized because Law 239/2004 allowed to determine the year of the recoverability[15]; this led to a decrease in 2004 earnings calculated under IFRS.

2.3 Other effects of the different recognition of deferred tax assets

The application of the more likely than not criterion rather than that of the reasonable certainty of recoverability of other deductible timing differences determined the recognition of deferred tax assets of euro 146 million as a contra to shareholders equity.

These deferred tax assets were recognized in the 2004 consolidated financial statements because the conditions for their recognition were met; this led to a decrease in 2004 earnings calculated under IFRS.

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(13) Keeping into account the later conferral of assets to Eni s subsidiary Snam Rete Gas SpA, the timing difference was considered analogous to that deriving from the cancellation of intra-group profits; under Italian GAAP the adopted 19% rate is equal to taxes paid by the conferring entity, not to the taxes recoverable by the receiving entity, Snam Rete Gas SpA.

(14) The term reversal means the charging to income statement of the provisions for deferred tax assets made in previous periods, due to the cancellation of the timing difference that determined them due, e.g., to the charging to income statement of technical-economic amortization after the completion of the depreciation allowed by fiscal laws or the fiscal recognition of expense previously recorded under the undeductible reserve for contingent liabilities.

(15) Article 1, paragraph 61 states: Holders of natural gas underground storage concessions cannot benefit of more than 2 renewals lasting 10 years if they complied with their storage plans and all the duties included in the said concessions . Formerly Law 170/1970 stated: concessions can be renewed for 10 year periods .

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3. Application of the weighted-average cost method instead of LIFO

Under Italian GAAP the cost of inventories may be determined with the weighted-average cost method or with the FIFO or LIFO methods. Until 2004 Eni adopted the LIFO method, in its evaluation of crude oil, natural gas and oil products inventories applied on an annual basis.

IFRS do not allow the use of the LIFO method; they allow the FIFO method and the weighted-average cost.

The application of the weighted-average cost on a three-month basis in the evaluation of crude oil, natural gas and refined products inventories determined an increase in the value of inventories of euro 764 million[16] as a contra to shareholders equity (euro 479 million) and to the deferred tax reserve (euro 285 million).

With the application of the LIFO method, changes in oil and refined products prices had no impact on the evaluation of inventories, that was affected only by declines in volumes. With the adoption of the weighted-average cost, changes in oil and refined products prices have a direct effect with the recognition of profit or loss on stock deriving from the difference between the current cost of products sold and the cost deriving from the application of the weighted-average cost method.

The application of IFRS determined an increase in 2004 earnings of euro 199 million related to an increase in prices.

4. Different criteria of capitalization of financial charges

Under Italian GAAP financial charges are capitalized when incurred within the amount not financed by internally-generated funds or contribution by third parties.

Under IFRS, when a relevant time interval is necessary until the capital good is ready for use, financial charges can be capitalized as an increase of the asset book value for the amount of financial charges that could have been saved if capital expenditures had not been made.

The application of this principle determined an increase in the book value of fixed assets of euro 615 million as a contra to shareholders equity (euro 394 million) and to the deferred tax provision (euro 221 million).

The application of IFRS determined a decrease in 2004 earnings of euro 3 million (the effect of higher amortization was offset only in part by an increase in capitalized financial charges).

5. Different recognition of the reserve for contingencies

Under Italian GAAP the reserve for contingencies concerns costs and charges of a determined nature, whose existence is certain or probable, but whose amounts or occurrence are not determinable at the period-end. The reserve for contingencies is stated on an undiscounted basis.
Under IFRS a provision to the reserve for contingencies is made only if there is a current obligation considered probable as a consequence of events occurred before period-end deriving from legal or contractual obligations or from behaviors or

(16) Of these, euro 30 million related to stored gas, recorded under fixed assets.

announcements of the company that determine valid expectations in third parties (implicit obligations), provided that the amount of the liability can be reasonably determined. When the financial effect of time is significant and the date of the expense to clear the relevant obligation can be reasonably determined, the estimated cost is discounted on the basis of the risk-free rate of interest and adjusted for the Company s credit cost.

As for the provision to the reserve for redundancy incentives, IFRS require the preparation of a detailed formalized restructuring plan, indicating at least the activities, locations, categories and approximate number of employees concerned by the restructuring. The plan must be started-up or properly communicated to the involved parties before period-end, generating the expectation that the company will meet its obligations.

As for provisions for catastrophic risks, Padana Assicurazioni SpA, in application of rules imposed by the Minister of Industry on June 15, 1984, makes integrative provisions for the risk of earthquakes, seaquakes, volcanic eruptions and similar events. These integrative provisions are not allowed by IFRS in absence of a current obligation.

As for the reserve for periodic maintenance, under IFRS these costs are capitalized when incurred as a separate component of the asset and are depreciated according to their useful lives, as they do not represent a current obligation.

As a consequence of the absence of a current obligation, the application of this principle determined a reversal of the reserve for contingencies of euro 285 million as a contra to shareholders equity (euro 227 million), to the deferred tax reserve (euro 36 million) and to a decrease in other assets (euro 22 million) referred to the portion of re-insured risks.

The application of IFRS determined an increase in 2004 earnings of euro 35 million.

6. Effect of the capitalization of costs for asset retirement obligations

Under Italian GAAP, site restoration and abandonment costs are allocated annually in a specific reserve so that the ratio of the allocations made and the amount of estimated costs equals the percentage of depreciation of the relevant asset. In particular in the Exploration & Production segment, the costs estimated to be incurred at the end of production activities for the site abandonment and restoration are accrued so that the ratio of the reserve and the amount of estimated costs correspond to the ratio of cumulative production at period-end and proved developed reserves at period-end plus cumulative production.

Under IFRS, estimated site restoration and abandonment costs are recorded in a specific reserve as a contra to the relevant asset; when the financial effect of time is relevant, the estimated cost is recorded considering the present value of the costs to be incurred calculated using a rate representative of the Company s credit cost. The cost assigned to the different relevant components of the asset is recognized in the income statement through the amortization process. The reserve, and consequently the assets book value, is periodically adjusted to reflect the changes in the estimates of the costs, of the timing and of the discount rate.

The application of this principle determined an increase in fixed assets of euro 254 million, in shareholders equity of euro 152 million, in the reserve for deferred tax of euro 158 million, and a decrease in the reserve for site abandonment and restoration of euro 56 million.

The application of IFRS determined an increase in 2004 earnings of euro 63 million.

7. Underlifting

In the Exploration & Production segment joint venture agreements regulate, among other things, the right of each partner to withdraw its own share of production volumes available in the period.

Higher production volumes withdrawn as compared to net working interest volume determine the recognition of a credit by a partner who has withdrawn lower production volumes as compared to its net working interest volume.

Under Italian GAAP, this credit is evaluated on the basis of production costs; under IFRS it is evaluated at current prices at period end.

The application of this principle determined an increase in other assets of euro 78 million as a contra to shareholders equity (euro 61 million) and to the reserve for deferred tax (euro 17 million).

The application of IFRS determined an increase in 2004 earnings of 33 euro million.

8. Write-off of the difference between nominal and present value of deferred taxation in business combinations

Under Italian GAAP the difference between the present value of deferred taxes included in the determination of the fair value of net assets acquired as part of a business combination and related deferred tax liabilities recognized at nominal value (difference) is recognized under the item accrued assets.

Under IFRS this difference is recognized under Goodwill ; however, in the event of the first applications goodwill can be adjusted only in case of specific circumstances that do not occur in this case. This difference is therefore written off because it cannot be considered an asset under IFRS.

The application of this principle determined a decrease in shareholders equity of euro 514 million as a contra to deferred tax assets.

The application of IFRS determined an increase in 2004 earnings of euro 38 million.

9. Adjustment of tangible and intangible assets

The euro 166 million decrease in shareholders equity related in particular to the following aspects.

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9.1 Intangible assets
Under Italian GAAP costs for extraordinary company transactions, costs for the start-up or expansion of production activities and costs for the establishment of a company or for issuance of capital stock can be capitalized.

IFRS require these costs to be charged against the income statement, except for establishment and issuance of capital stock of the parent company that are recognized as a decrease in shareholders equity net of the relevant fiscal effect.

Under Italian GAAP costs for software development can be capitalized under certain circumstances. IFRS pose more stringent conditions for their capitalization.

The application of these principles determined the write-off of intangible assets for euro 91 million as a contra to a decrease in shareholders equity (euro 58 million) and the recognition of deferred tax assets (33 euro million).

The application of IFRS determined an increase in 2004 earnings of euro 33 million.

9.2 Revaluation of assets
Under Italian GAAP revaluation of tangible assets is allowed under specific law provisions within the limit of their recovery value.

IFRS prohibit this kind of tangible asset revaluation.

The application of this principle determined a decrease in tangible assets of euro 75 million as a contra to a decrease in shareholders equity (euro 54 million) and the recognition of deferred tax assets (euro 21 million). The decrease in fixed assets takes into account the restatement of gains/losses on disposal on the basis of the historical cost and the recalculation of amortization until December 31, 2003.

The application of IFRS determined an increase in 2004 earnings of euro 5 million.

9.3 Pre-development costs
Under Italian GAAP costs related to preliminary studies, researches and surveys aimed at testing different options for development of hydrocarbon fields are recognized under tangible assets.

Under IFRS these costs are considered exploration costs and are expensed when incurred.

The application of this principle determined the write-off of capitalized pre-development costs for euro 71 million as a contra to a decrease in shareholders equity (euro 54 million) and the recognition of deferred tax liabilities (euro 17 million).

The application of IFRS determined an increase in 2004 earnings of euro 1 million.

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10. Employee benefits
Under Italian GAAP employee termination benefits are accrued during the period of employment of employees, in accordance with the law and applicable collective labor contracts.

Under IFRS employee termination benefits (e.g. pension payments, life insurance payments, medical assistance after retirement, etc.) are defined on the basis of post employment benefit plans that due to their mechanisms feature defined contributions plans or defined benefit plans. In the first case, the company s obligation consists in making payments to the state or to a trust or a fund.

Plans with defined benefits are pension, insurance or healthcare plans which provide for the company s obligation, also in the form of implicit obligation (see item 5), to provide non formalized benefits to its former employees[17]. The related discounted charges, determined with actuarial assumptions[18], are accrued annually on the basis of the employment periods required for the granting of such benefits.

The application of this principle determined a decrease in shareholders equity of euro 79 million, the recognition of deferred tax assets (euro 53 million) and a decrease in employee termination indemnities (euro 26 million) as a contra to an increase in the reserve for contingent losses of euro 158 million, referred in particular to charges for medical assistance granted upon termination and to pension plans outside Italy.

The application of IFRS determined an increase in 2004 earnings of euro 7 million.

11. Effects on investments accounted for under the equity method
Joint ventures and affiliates are accounted for under the equity method. The application of IFRS to the initial balance at January 1, 2004 of assets and liabilities of these companies determined a decrease in investments of euro 40 million as a contra to shareholders equity.

The application of IFRS determined an increase in 2004 earnings of euro 142 million related essentially to the elimination of the amortization of goodwill (see item 12.2).

12. Other changes in 2004 result under IFRS
The euro 150 million decrease in 2004 earnings related in particular to the following aspects.

12.1 Adjustment on gain from sale of a 9.054% interest in Snam Rete Gas
Due to the application of IFRS, net shareholders equity to be compared with the sale price for determining the gain on the sale of a 9.054% interest in Snam Rete Gas carried out in 2004 increased by euro 2,335 million related essentially to an increase

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(17) Given the uncertainties related to their payment date, employee termination indemnities are considered as a defined benefit plan.

(18) Actuarial assumptions concern, among other things, the following variables: (i) level of future salaries; (ii) death rates of employees; (iii) turn-over rate of employees; (iv) share of participants with successors entitled to benefits (e.g. spouses and children); (v) for medical assistance plans, frequency of requests for reimbursement and future changes in medical costs; (vi) interest rates.

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in the book value of natural gas pipelines (see item 1) and deferred tax assets (see item 2.1).

Therefore the application of IFRS determined a decrease in 2004 earnings of euro 211 million.

12.2 Amortization of goodwill

Under Italian GAAP goodwill is amortized on a straight-line basis in the periods of its expected utilization, provided it is no longer than five years; in case of specific conditions related to the kind of company the goodwill refers to, goodwill can be amortized for a longer period not exceeding 20 years.

Under IFRS goodwill cannot be amortized, but it is subject to a yearly evaluation in order to define the relevant impairment, if needed.

The application of IFRS determined an increase in 2004 earnings of euro 61 million.

Restatement of income statement and reconciliation of net income for the first quarter of 2004

Eni s results of the first quarter of 2005 were compared with those of the corresponding period of 2004 under IFRS. The following is the restatement of income statement items at March 31, 2004 under IFRS and the reconciliation of net income at March 31, 2004 with that deriving from the application of IFRS, not audited by PricewaterhouseCoopers.

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Income statement at March 31, 2004

The following is the restatement of income statement items at March 31, 2004 under IFRS:

(million euro)	Report on the first quarter of 2004	Exclusion of Saipem	Exclusion of joint venture	Restatement of extraordinary items	Pro-forma	Adjustments	IFRS
Net sales from operations	14,710	(763)	(115)	-	13,832	31	13,863
Other income and revenues	196	(2)	-	9	203	-	203
Purchases, services and other	(9,804)	469	85	(19)	(9,269)	72	(9,197)
Payroll and related costs	(774)	175	8	(10)	(601)	2	(599)
Depreciation, Amortization and writedowns	(1,155)	62	10	-	(1,083)	(35)	(1,118)
Operating income	**3,173**	**(59)**	**(12)**	**(20)**	**3,082**	**70**	**3,152**
Financial income (expense) and exchange differences net	(34)	11	-	-	(23)	(8)	(31)
Income (expense) from investments	30	13	7	519	569	(176)	393
Income before extraordinary items and income taxes	**3,169**	**(35)**	**(5)**	**499**	**3,628**	**(114)**	**3,514**
Net extraordinary income (expense)	499	-	-	(499)	-	-	-
Income before income taxes	**3,668**	**(35)**	**(5)**	**-**	**3,628**	**(114)**	**3,514**
Income taxes	(1,358)	13	5	-	(1,340)	(63)	(1,403)
Income before minority interest	**2,310**	**(22)**	**-**	**-**	**2,288**	**(177)**	**2,111**
Minority interest	(165)	22	-	-	(143)	33	(110)
Net income	**2,145**	**-**	**-**	**-**	**2,145**	**(144)**	**2,001**

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Reconciliation of consolidated net income at March 31, 2004

The following is the reconciliation of consolidated net income at March 31, 2004 with that deriving from the application of IFRS:

(million euro)
Items (*)

	2004 consolidated net income under Italian GAAP	**2,145**
1.	Different useful lives of gas pipelines, compression stations, distribution networks and other assets	(14)
2.	Different recognition of deferred tax	(66)
3.	Application of the weighted-average cost method instead of LIFO in inventory evaluation	(16)
4.	Different criteria of capitalization of financial charges	2
5.	Different recognition of the reserve for contingencies	-
6.	Effect of the capitalization of estimated costs for asset retirement obligations	15
7.	Underlifting	34
8.	Write-off of the difference between nominal and present value of deferred taxation in business combinations	9
9.	Adjustment of tangible and intangible assets	2
10.	Employee benefits	2
11.	Effects on investments accounted for under the equity method	35
12.	Other changes in 2004 results under IFRS	(192)
12.1	Adjustment on gain from sale of a 9.054% interest in Snam Rete Gas	(211)
12.2	Amortization of goodwill	19
	Other net adjustments	12
	Effect of IFRS adjustment on minority interest (1)	33
	Net changes	**(144)**
	Shareholders equity under IFRS	**2,001**

(*) Each number refers to the illustration provided in the section "Description of main changes" above.

(1) This adjustment derives from the attribution of their share of IFRS adjustments to minority interest.

basis of presentation

Following the application of EU Regulation 1606/2002 approved by the European Parliament and Council on July 19, 2002, starting in 2005 companies with securities listed on a regulated stock market of a Member State of the European Union are required to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), approved by the European Commission. In its Report on the First Quarter of 2005[19] Eni used evaluation and

(19) Based on the dispositions contained in Consob Decision No. 14990 of April 14, 2005, the information in the Quarterly Report has been prepared in accordance with the indications of Appendix 3D of the Listed Companies regulations (Consob Regulation No. 11971 of May 14, 1999 as amended); for this reason, the International Accounting Standard guidelines on intermediate financial statements (IAS 34 Interim financial reporting) have not been used.

measurement criteria that it intends to apply to its 2005 consolidated financial statements. The criteria described in this paragraph may not coincide with the IFRS guidelines applicable on the December 31, 2005 due to future decisions of the European Commission as regards the approval of International Accounting Standards or the issue of new principles, interpretations or implementation guidelines issued by the IASB or IFRIC.

The consolidated financial statements of Eni have been prepared in accordance with IFRS issued by the IASB and adopted by the European Commission following the procedure contained in article 6 of the EU Regulation No. 1606/2002 by the European Parliament and Council on July 19, 2002. Given their compatibility with IFRS, specific criteria for hydrocarbons exploration and production have been followed particularly those related to the internationally applied Unit-Of-Production and Production Sharing Agreement methods of accounting.

The consolidated financial statements include the statutory accounts of Eni SpA and of all Italian and foreign companies in which Eni SpA holds the right to directly or indirectly exercise control, determining financial and management decisions, and to reap economic and financial benefits. Affiliates on which the parent company exercises control at these affiliates general shareholders meeting due to a substantial ownership interest are excluded from consolidation (article 2359, subparagraph 1, line 2 of the Italian Civil Code considers this kind of affiliates as controlled subsidiary).

Insignificant subsidiaries are not included in the scope of consolidation. A subsidiary is considered insignificant when it does not exceed two of these limits: (i) total assets or liabilities: euro 3,125,000; (ii) total revenues euro 6,250,000; (iii) average number of employees: 50 units. Moreover, companies, for which the consolidation does not produce significant economic and financial effects, are not included in the scope of consolidation. Such companies generally represent subsidiaries that work on account of other companies as the sole operator in the management of upstream oil contracts; these companies are proportionally financed, on the basis of the budgets approved, by the companies involved in the project, to which the company periodically reports costs and revenues following the management activity of the project. Costs and revenues and other operating data (production, reserves, etc.) of the project, as well as the obligations arising from the project, are recognized proportionally in the financial statements of the companies involved. The effects of these exclusions are not material[20].

Subsidiaries excluded from consolidation, joint ventures, affiliated companies and other interests are accounted for as described below under the heading Financial fixed assets .

Considering their materiality, amounts are stated in million euro.

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(20) According to the dispositions of the Framework of international accounting standards, Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements.

Principles of consolidation

Interests in companies included in consolidation

Assets and liabilities, expense and income related to fully consolidated companies are wholly incorporated into the consolidated balance sheet; the accounting value of these interests is eliminated against the corresponding fraction of the shareholders equity of the companies owned, attributing to each item of the balance sheet the current value at the date of acquisition of control. Any positive residual difference is recognized under Goodwill . Negative residual differences are charged against income.

Fractions of shareholders equity and of net income of minority interest are recognized under specific items in the income statement. Minority interest is determined based on the current value attributed to assets and liabilities at the date of the acquisition of control, excluding any related goodwill.

Inter-company transactions

Income deriving from inter-company transactions unrealized towards third parties are eliminated when significant. Receivables, payables, income and expenditure as well as guarantees, commitments and risks between consolidated companies are eliminated. Inter-company losses are not eliminated, since they reflect an actual decrease in the value of divested assets.

Foreign currency translation

Financial statements of consolidated companies denominated in currencies other than the euro are converted to euro applying: (i) exchange rates prevailing at year-end to assets and liabilities; (ii) the historic exchange rates to equity accounts; (iii) the average rates for the period (source: Ufficio Italiano Cambi) to income statement accounts.

Exchange rate differences from conversion deriving from the application of different exchange rates for assets and liabilities, shareholders equity and income statement are recognized under the item Reserve for exchange rate differences within shareholders equity for the portion relating to the Group and under the item Minority interest for the portion related to minority shareholders .

Financial statements of foreign subsidiaries which are translated into euro are denominated in their functional currencies.

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Evaluation criteria

The most significant evaluation criteria used for the preparation of the consolidated financial statements are shown below.

Fixed assets

Tangible assets[21]

Tangible assets are stated at their purchase or production cost including ancillary costs which can be directly attributed to them that are required to make the asset ready for use. In addition, when a substantial amount of time is required to make the asset ready for use, the purchase price or production cost includes the financial expenses that would have theoretically been saved had the investment not been made. The purchase or production costs is net of Government grants that are recorded in a contra asset account when authorized, if all the required conditions have been met.

In case of current obligations for the dismantling, removal of assets and the reclamation of sites, the stated value includes, as a contra to a specific reserve, the estimated (discounted) costs to be borne at the moment the asset is retired. Revisions of estimates for these provisions are recognized under Reserves for contingencies .

No revaluation is allowed even in application of specific laws.

Assets carried in financial leasing are stated among the tangible assets, as a contra to the financial payable to the lessor, and depreciated using the criteria detailed below. When the redemption is not reasonably certain, assets carried in financial leasing are depreciated over the period of the lease if shorter than the useful life of the asset.

Tangible assets are amortized systematically over the duration of their useful life taken as an estimate of the period for which the assets will be used by the company. When the tangible asset comprises more than one significant element with different useful lives, the amortization is carried out for each component. The amount to be depreciated is represented by the book value reduced by the presumable net realizable value at the end of the useful life, if it is significant and can be reasonably determined. Land is not depreciated, even if bought together with a building as well as tangible disposal assets which are valued at the lower of book value and fair value less costs to sell.

Assets that can be used free of charge are depreciated over the shorter of the duration of the concession and the asset useful life.

Renewals, improvements and transformations which extend asset lives are capitalized.

The costs for the substitution of identifiable components in complex assets are capitalized and depreciated over their useful life; the residual book value of the component that has been substituted is charged to the income statement. Ordinary maintenance and repair costs are expensed when incurred.

(21) Recognition and evaluation criteria of exploration and production activities are described in the section Exploration and production activities below.

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When events occur that lead to a presumable reduction in the book value of tangible assets, their recoverability is checked by comparing their book value with the realizable value, represented by the greater of fair value less costs to sell and replacement cost.

In the absence of a binding sales agreement, fair value is estimated on the basis of market values, of recent transactions, or of the best available information that shows the proceeds that the company could reasonably expect to collect from the asset s disposal.

Replacement cost is determined by discounting the expected cash flows deriving from the use of the asset and, if significant and reasonably determinable, the cash flows deriving from its disposal at the end of its useful life. Cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. The discounting is carried out at a rate that takes into account the implicit risk in the sector.

Valuation is carried out for each single asset or, if the realizable value of a single assets cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, so called cash generating unit.

When the reasons for their impairment cease to exist, Eni reverses previously recorded impairment charges and records an income as asset revaluation in the income statement of the relevant year. This asset revaluation is the lower of the fair value and the book value increased by the amount of previously incurred writedowns net of related amortization that would have been made had the impairment not been made.

Intangible assets

Intangible assets include assets which lack physical consistence that are identifiable, controlled by the company and able to produce future economic benefits, and goodwill acquired in business combinations.

Intangible assets are stated at cost determined with the criteria used for tangible assets. No revaluation is allowed even in application of specific laws.

Intangible assets with a defined useful life are amortized systematically over the duration of their useful life taken as an estimate of the period for which the assets will be used by the company; the recoverability of their book value is checked using the criteria shown in the section Tangible Assets .

Goodwill and other intangible assets with indefinite useful life are not amortized. The recoverability of their carrying value is checked at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. With reference to goodwill, this check is performed at the level of the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure that included said goodwill. Depreciations may not be revaluated.

Costs regarding technological development activities are stated in the assets when: (i) the cost attributable to the intangible asset can be reasonably determined; (ii) there is the intention, the availability of funding and the technical capacity to make the

asset available for use or sale; (iii) it can be shown that the asset is able to produce future economic benefits.

Exploration and production activities

Acquisition of mineral rights
Costs associated with the acquisition of mineral rights are capitalized in connection with the assets acquired (exploratory potential, probable and possible reserves, proved reserves). When the acquisition is related to a set of exploratory potential and reserves, the cost is allocated to the different assets acquired on the basis of the value of the relevant discounted cash flow.

Expenditures for the exploratory potential, represented by the costs for the acquisition of the exploration permits and for the extension of existing permits, are recognized under Intangible assets and are amortized on a straight-line basis over the period of the exploration contractually established. If the exploration is abandoned, the residual expenditure is charged to the income statement.

Acquisition expenditures for proved reserves and for possible and probable reserves are recognized under Intangible assets or Tangible assets depending on the nature of the underlying. Expenditures associated with proved reserves are amortized on a Unit-Of-Production (UOP) basis, as detailed in the section Development , considering both developed and undeveloped reserves. Expenditures associated with possible and probable reserves are not amortized until classified as proved reserves; in case of negative result the expenditures are charged to the income statement.

Exploration
Costs associated with exploratory activities for oil and gas producing properties incurred both before and after the acquisition of mineral rights (such as acquisition of seismic data from third parties, test wells and geophysical surveys) are capitalized, to reflect their nature of investment, and amortized in full when incurred.

Development
Development costs are those costs incurred to obtain access to proved reserves and to provide facilities for extracting, gathering and storing oil and gas and are capitalized and amortized generally on a UOP basis, as their useful life is closely related to the availability of feasible reserves. This method provides for residual expenditures to be amortized through a rate representing the ratio between the volumes extracted during the period and the proved developed reserves existing at the end of the period, increased of the volumes extracted during the period. This method is applied with reference to the smallest aggregate representing a direct correlation between investment and proved developed reserves.

Costs related to unsuccessful development wells or damaged wells are expensed immediately as loss on disposal.

Writedowns and revaluations of development costs are made on the same basis as those for tangible assets.

Production
Production costs are costs to operate and maintain wells and field equipment and are expensed as incurred.

Retirement
Costs expected to be incurred with respect to well retirement, including costs associated with removal of production structures, dismantlement and site restoration, are capitalized and amortized on a Unit-of-Production basis. See paragraph on tangible assets.

Financial fixed assets

Investments in subsidiaries excluded from consolidation, joint ventures and affiliates are accounted for using the equity method. If it does not result in a misrepresentation of the company s financial condition and consolidated results, subsidiaries excluded from consolidation may be accounted for at cost, adjusted for permanent impairment of value.

Other investments are recognized at their fair value and their effects are charged to shareholders equity. When fair value cannot be reasonably ascertained, investments are accounted for at cost, adjusted for permanent impairment of value.

When the reasons for their impairment cease to exist, investments accounted for at cost are revaluated within the limit of the impairment made and their effects are charged to the income statement.

The risk deriving from losses exceeding shareholders equity is recognized in a specific reserve to the extent the parent company is required to fulfil legal or implicit obligations towards the subsidiary or to cover its losses.

Receivables and financial assets that must be maintained until expiry are stated at cost represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees of agents or consultants, etc.). The initial carrying value is then corrected to take into account capital repayments, devaluations and amortization of the difference between the reimbursement value and the initial carrying value; amortization is carried out on the basis of the effective internal rate of return represented by the rate that equalizes, at the moment of the initial revaluation, the current value of expected cash flows to the initial carrying value (so-called amortized cost method).

Current assets

Inventories, except for those relating to contract work in progress, are stated at the lower of purchase or production cost and market value represented by the proceeds the company expects to collect from the sale of the inventories in the normal course of business.

The cost for inventories of hydrocarbons (crude oil, condensates and natural gas) and petroleum products is determined by applying the weighted-average cost method on a three-month basis; the cost for inventories of the Petrochemical segment is determined by applying the weighted-average cost on an annual basis.

Contract work in progress is recorded on the basis of contractual considerations by reference to the stage of completion of a contract measured on the cost-to-cost basis. Advances are subtracted from inventories within the limit of contractual considerations; any excess of such advances over the value of work performed is recorded as a liability. Losses related to construction contracts are accrued for as soon as the company becomes aware of such losses. Contract work in progress not yet invoiced, whose payment is agreed in a foreign currency, is translated to euro using the current exchange rates at year-end and the effects are recorded in the income statement. Hedging instruments are shown in the section Derivative Instruments .

When the conditions for the purchase or sale of financial assets provide for the settlement of the transaction and the delivery of the assets within a given number of days determined by entities controlling the market or by agreements (e.g. purchase of securities on regulated markets), the transaction is entered at the date of settlement.

Financial assets held for trading and financial assets available for disposal are stated at fair value and the economic effects charged, respectively, to the income statement item Financial Income (Expense) and the shareholders equity item Other reserves .

Receivables are stated at their amortized cost (see above Financial fixed assets).

Transferred financial assets are eliminated when the transaction, together with the cash flows deriving from it, lead to the substantial transfer of all risks and benefits associated to the property.

Treasury shares

Treasury shares are recorded at cost and as a reduction of shareholders equity.

Provisions for contingencies

Provisions for contingencies concern risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the amount or date of occurrence remains uncertain. Provisions are made when: (i) it is probable the existence of a current obligation, either legal or implicit, deriving from a past event; (ii) it is probable that the fulfilment of that obligation will be expensive; (iii) the amount of the obligation can be accurately estimated. Provisions are stated at the value that represents the best estimate of the amount that the company would reasonably pay to fulfil the obligation or to transfer it to third parties at year-end. When the financial effect of time is significant and the payment date of the obligations can be reasonably estimated, the provisions are discounted; the increase in the provision linked to the passing of time is charged to the income statement in the item Financial Income (Expense) .

When the liability regards a tangible asset (e.g. site restoration and abandonment), the provision is stated as a contra to the asset to which it refers; the income statement charge is made with the amortization process.

The costs that the company expects to bear to carry out restructuring plans are recognized in the year in which the company formally defines the plan and the

interested parties have developed the reasonable expectation that the restructuring will happen.

The provisions are periodically updated to show the variations of estimates of costs, production times and actuarial rates; the estimate revisions of the provisions are recognized in the same income statement item that had previously held the provision, or, when the liability regards tangible assets (i.e. site restoration and abandonment) as a contra to the assets to which they refer.

In the Notes to the Financial Statements the following potential liabilities are described: (i) possible (but not probable) obligations deriving from past events, whose existence will be confirmed only when one or more future events beyond the company s control occur; (ii) current obligations deriving from past events whose amount cannot be reasonably estimated or whose fulfilment will probably be not expensive.

Employee post-employment benefits

Post employment benefit plans are defined on the basis of plans, even if not formalized ones, that due to their mechanisms feature defined contributions plans or defined benefit plans. In the first case, the company s obligation, consisting in making payments to the State or to a trust or a fund, is determined on the basis of due contributions.

The liabilities related to defined benefit plan[22], net of any plan assets, are determined on the basis of actuarial assumptions and charged to the relevant year consistently with the employment period required to obtain the benefits; the evaluation of liabilities is made by independent actuaries.

The actuarial gains and losses of defined benefit plans, deriving from a change in the actuarial assumptions used or from a change in the conditions of the plan, are charged to the income statement, proportionally through the residual average working life of the employees participating to the plan, in the limits of the share of the discounted profit/loss not charged beforehand, that exceeds the greater of 10% of liabilities and 10% of the fair value of the plan assets (corridor method).

Financial liabilities

Debt is shown at amortized cost.

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(22) Given the uncertainties related to their payment date, employees termination indemnities are considered as a defined benefit plan.

Revenues and costs

Revenues from sales of products and services rendered are recognized upon transfer of risks and advantages associated to the property or upon settlement of the transaction. In particular, revenues are recognized:

- for crude oil, generally upon shipment;
- for natural gas, when the natural gas leaves Eni s distribution network and is delivered to the customer;
- for petroleum products sold to retail distribution networks, generally upon delivery to the service stations, whereas all other sales are generally recognized upon shipment;
- for petrochemical products, generally upon shipment.

Revenues are recognized upon shipment when the risks of loss are transferred to the acquirer at that date.

Revenues from the sale of crude oil and natural gas produced in properties in which Eni has an interest together with other producers are recognized on the basis of Eni s working interest in those properties (entitlement method). Differences between Eni s net working interest volume and actual production volumes are recognized at current prices at period-end.

The allowances of revenues related to partially rendered services are recognized with respect to the accrued considerations, if it is possible to reasonably determine the state of completion and there are no relevant uncertainties concerning the amounts and the existence of the revenue and related costs; differently they are recognized within the limits of the recoverable costs incurred.

The considerations accrued in the period related to construction contracts are recognized on the basis of contractual considerations by reference to the stage of completion of a contract measured on the cost-to-cost basis. The requests of additional considerations, deriving from a change in the scope of the work, are included in the total amount of considerations when it is probable that the customer will approve the variation and the relevant amount; claims deriving for instance from additional costs incurred for reasons attributable to the client are included in the total amount of considerations when it is probable that the counterpart will accept them.

Revenues are stated net of returns, discounts, rebates and bonuses, as well as directly related taxation. Exchanges of goods and services with similar nature and value do not give rise to revenues and costs as they do not represent sale transactions.

Costs are recognized when the related goods and services are sold, consumed or allocated, or when their future useful lives cannot be determined.

Labor costs include stock grants and stock options granted to managers since January 1, 2003, consistently with their actual remunerative nature. The cost is determined based on the fair value of the rights awarded to the employee; the portion relevant to the year is calculated pro rata over the period to which the incentive refers (vesting period)[23]. The fair value of stock grants is represented by the current value of the

(23) For stock grants, the period between the date of the award and the date of assignation of stock; for stock options, period between the date of the award and the date on which the option can be exercised.

shares at the date of the award, reduced by the current value of the expected dividends in the vesting period.

The fair value of stock options is the value of the option calculated with the Black-Scholes method that takes into account the exercise conditions, current price of the shares, expected volatility and the risk-free rate. The fair value of the stock grants and stock options is shown in a contra to Available reserves .

The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs borne for other scientific research activities or technological development, are generally considered current costs and expensed as incurred.

Exchange rate differences

Revenues and costs concerning transactions in foreign currency are stated at the exchange rate on the date that the transaction is completed.

Monetary assets and liabilities in foreign currency are converted into euro by applying the year-end exchange rate and the effect is stated in the income statement. Non-monetary assets and liabilities in foreign currency valued at cost are stated at the initial exchange rate; when they are evaluated at fair value, at recoverable value or realizable value, the exchange rate applied is that of the day of recognition.

Dividends

Dividends are recognized at the date of the general shareholders meeting declaring them.

Income taxes

Current income taxes are determined on the basis of the estimated taxable income; the estimated liability is recognized in the item Taxes payable . Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets or liabilities are recognized for temporary differences between the financial reporting and tax bases of assets and liabilities. Deferred tax assets are recognized when their realization is probable.

Deferred tax assets and liabilities are recorded under non-current assets and liabilities and are offset at single entity level if referred to offsettable taxes. The balance of the offset, if positive is recognized in the item Deferred tax assets and if negative in the item Deferred tax liabilities . When the results of transactions are recognized directly in the shareholders equity, current taxes, deferred tax assets and liabilities are also recognized in the shareholders equity.

Derivatives

Derivatives are assets and liabilities recognized at their fair value.

Derivatives are classified as hedging instruments when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge is high and is checked periodically. When hedging instruments cover the risk of variation of the fair value of the hedged item (fair value hedge; e.g. hedging of the variability on the fair value of fixed interest rate assets/liabilities), the derivatives are stated at fair value and the effects charged to the income statement; consistently the hedged items are adjusted to reflect the variability of fair value associated with the hedged risk. When derivatives hedge the cash flow variation risk of the hedged item (cash flow hedge; e.g. hedging the variability on the cash flows of assets/liabilities as a result of the fluctuations of exchange rate), variations in the fair value of the derivatives are initially stated in net equity and then stated in the income statement consistently with the economic effects produced by the hedged transaction. The variation of the fair value of derivatives that do not meet the conditions required to qualify as hedging instruments are shown in the income statement.

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Mission

Eni is one of the most important integrated energy companies in the world operating in the oil and gas, power generation, petrochemicals, oilfield services construction and engineering industries. In these businesses it has a strong edge and leading international market positions.

Eni s objective is to create new value to meet its shareholders expectations through the continuous improvement of cost efficiency and the quality of its products and services and through the attention to the needs of its employees and the commitment to a sustainable growth pattern also encompassing the careful assessment of the environmental impact of its activities and the development of innovative and efficient technologies.

To achieve this objective Eni relies on the managerial and technical capabilities as well as the continuous development of its workforce, and on an increasingly lean and entrepreneurial organization.

Countries of activity

EUROPE

Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Switzerland,Turkey, United Kingdom

CIS

Azerbaijan, Georgia, Kazakhstan, Russia

AFRICA

Algeria, Angola, Cameroon, Chad, Congo, Egypt, Guinea Bissau, Libya, Morocco, Nigeria, Senegal, Somalia, South Africa, Sudan, Tunisia

MIDDLE EAST

Iran, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates

CENTRAL ASIA

India, Pakistan

SOUTH EAST ASIA AND OCEANIA

Australia, China, Indonesia, Malaysia, Papua-New Guinea, Singapore, Taiwan, Thailand, Vietnam

AMERICAS

Argentina, Brazil, Canada, Dominican Republic, Ecuador, Mexico, Peru, Trinidad & Tobago, United States, Venezuela

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This Annual Report includes the report of Eni s Board of Directors to shareholders and Eni s consolidated financial statements for the year ended December 31, 2004, which have been presented in a format generally used internationally.
Eni s General Meeting convened on May 26 and 27, 2005 approves Eni SpA s 2004 Annual Report which has not been included herein.

March 30, 2005

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profile of the year

Results of the year

In 2004, Eni s net income totaled euro 7,274 million, an increase of euro 1,689 million over 2003, up 30.2%, due mainly to a positive operating performance (up euro 2,946 million). Eni s operating income of euro 12,463 million is the highest ever achieved by Eni, euro 1.7 billion higher than the previous record of 2000

Dividend

The increase in earnings and in cash flows generated by operations, along with a sound balance sheet structure, allow Eni to distribute to shareholders a dividend of euro 0.90 per share, with a 20% increase over 2003. Pay-out amounts to approximately 47%

Hydrocarbon production in the year and future targets

Hydrocarbon production was over 1.6 million boe/day, a 4% increase over 2003 (6.4% without taking into account the price effect in Production Sharing Agreements - PSA); in the fourth quarter of 2004 production reached 1.7 million boe/day. Eni intends to maintain a strong production growth rate in the medium-term, leveraging in particular on the contribution of the great projects underway and targeting a production level of approximately 2 million boe/day in 2008, with a compound average growth rate higher than 5%

Proved reserves of hydrocarbons

Eni s proved reserves of hydrocarbons at December 31, 2004 amounted to 7,218 million boe with a reserve replacement ratio of 132% before the effects of higher realized oil prices in PSAs and of asset divestment; this average declines to 91% after these effects. In the medium-term reserve replacement will be supported by the relevant mineral potential of Eni s assets located in core areas such as the Caspian Sea, West Africa, North Africa and the Norwegian section of the North Sea. The average reserve life index was 12.1 years

The Kashagan oil field s development plan

Within the development plan for the Kashagan field (Eni operator with a 16.67% interest) in the Kazakh offshore section of the Caspian Sea, contracts for a total of over dollar 5 billion were awarded. The development plan, approved by the Kazakh authorities on February 25, 2004, to be implemented in multiple phases, aims at the production of up to 13 billion barrels of oil reserves by means of partial reinjection of gas from 2008 with an expenditure of dollar 29 billion (5 billion being Eni s share). Production plateau is targeted at 1.2 million barrels/day

The Western Libyan Gas integrated project started-up

The Western Libyan Gas integrated project was started-up. This is the most important integrated project ever achieved in the Mediterranean basin and concerns natural gas produced in Libyan fields exported and marketed on European markets. When fully operational in 2006, volumes produced and transported via the underwater Greenstream gasline which started operations in October, will amount to 8 billion cubic meters/year (4 of which net to Eni) already booked by operators under long-term contracts

Expansion strategy of natural gas activities

Sales of natural gas, including own consumption and Eni s share of sales of affiliates, reached 84.5 billion cubic meters (up 7.8% over 2003), in line with Eni s strategy of international expansion in natural gas in markets with interesting growth prospects. In 2008 Eni targets sales of about 94 billion cubic meters with a compound average growth rate of 2.8%

Development plans for power generation

Eni continued its plan for expanding its power generation capacity targeting 5.3 gigawatt of installed capacity in 2007. In 2004 a total of 1.3 gigawatt were installed, thus increasing Eni s installed capacity to 3.3 gigawatt at year end. When fully operational the new combined cycle gas fired plants will allow to consume over 6 billion cubic meters per year of natural gas produced by Eni

Rationalization and selective growth in downstream oil

In the downstream oil business Eni sold its activities in the distribution of refined products and LPG in Brazil, and continued the rationalization of its Agip branded retail network in Italy, which led average throughput to reach over 2.5 million liters (up 4.5% over 2003). In Italy Eni sold approximately 13.8 billion liters. With over 4.4 billion liters, sales in the rest of Europe increased by over 15% thanks to the selective growth strategy pursued

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Selected consolidated financial data (million euro)

		2000	2001	2002	2003	2004
Net sales from operations		47,938	49,272	47,922	51,487	**58,382**
Operating income		10,772	10,313	8,502	9,517	**12,463**
Net income		5,771	7,751	4,593	5,585	**7,274**
Net cash provided by operating activities		10,583	8,084	10,578	10,827	**12,362**
Capital expenditure		5,431	6,606	8,048	8,802	**7,503**
Investments		4,384	4,664	1,366	4,255	**316**
Shareholders equity including minority interest		24,073	29,189	28,351	28,318	**32,466**
Net borrowings		7,742	10,104	11,141	13,543	**10,228**
Net capital employed		31,815	39,293	39,492	41,861	**42,694**
Net income per share	(euro per share)	1.44	1.98	1.20	1.48	**1.93**
Dividend	(euro per share)	0.424	0.750	0.750	0.750	**0.90**
Dividends paid (1)		1,664	2,876	2,833	2,828	**3,388**
Pay-out	(%)	29	37	62	51	**47**
Return On Average Capital Employed (ROACE)	(%)	21.5	23.9	13.7	15.6	**18.8**
Debt to equity ratio		0.32	0.35	0.39	0.48	**0.31**
Number of shares outstanding at period end (2)	(million)	3,956.7	3,846.9	3,795.1	3,772.3	**3,770.0**
Market capitalization (3)	(billion euro)	54.0	54.0	57.5	56.4	**69.4**

(1) Per fiscal year. 2004 data are estimated.

(2) Excluding own shares in portfolio.

(3) Number of outstanding shares by reference price at period end.

Forward-looking statements

Certain disclosures contained in Eni s financial statements are forward-looking statements. By their nature forward-looking statements involve risk and uncertainty. The factors described herein could cause actual results of operations and developments to differ materially from those expressed or implied by such forward-looking statements.

Key market indicators

		2000	2001	2002	2003	2004
Average price of Brent dated crude oil (1)		28.39	24.46	24.98	28.84	**38.22**
Average EUR/USD exchange rate (2)		0.924	0.896	0.946	1.131	**1.244**
Average price in euro of Brent dated crude oil		30.73	27.30	26.41	25.50	**30.72**
Average European refining margin (3)		3.99	1.97	0.80	2.65	**4.02**
Average European refining margin in euro		4.32	2.20	0.85	2.34	**3.23**
Euribor - three-month euro rate	(%)	4.4	4.3	3.3	2.3	**2.1**

(1) In US dollars per barrel. Source: Platt s Oilgram.

(2) Source: BCE.

(3) In US dollars per barrel FOB Mediterranean Brent dated crude oil. Source: Eni calculations based on Platt s Oilgram data.

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Selected operating data

		2000	2001	2002	2003	2004
Exploration & Production						
Proved reserves of hydrocarbons at period end	(million boe)	6,008	6,929	7,030	7,272	**7,218**
Average reserve life index	(years)	14.0	13.7	13.2	12.7	**12.1**
Daily production of hydrocarbons	(thousand boe)	1,187	1,369	1,472	1,562	**1,624**
Gas & Power						
Sales of natural gas to third parties	(billion cubic meters)	62.63	63.72	64.12	69.49	**73.43**
Own consumption of natural gas	(billion cubic meters)	2.00	2.00	2.02	1.90	**3.70**
		64.63	**65.72**	**66.14**	**71.39**	**77.13**
Sales of natural gas of affiliates and relevant companies (Eni s share)	(billion cubic meters)	0.82	1.38	2.40	6.94	**7.32**
Total sales and own consumption of natural gas	(billion cubic meters)	65.45	67.10	68.54	78.33	**84.45**
Natural gas transported on behalf of third parties in Italy	(billion cubic meters)	9.45	11.41	19.11	24.63	**28.26**
Electricity production sold	(terawatthour)	4.77	4.99	5.00	5.55	**13.85**
Refining & Marketing						
Refined products available from processing	(million tonnes)	38.89	37.78	35.55	33.52	**35.75**
Standard capacity of wholly-owned refineries at period end	(thousand barrels/day)	664	664	504	504	**504**
Utilization rate of standard capacity of wholly-owned refineries	(%)	99	97	99	100	**100**
Sales of refined products	(million tonnes)	53.46	53.24	52.24	50.43	**53.54**
Service stations at period end (in Italy and outside Italy)	(units)	12,085	11,707	10,762	10,647	**9,140**
Average throughput per service station	(thousand liters per year)	1,555	1,621	1,674	1,771	**1,967**
Petrochemicals						
Production	(thousand tonnes)	8,532	9,609	7,116	6,907	**7,118**
Sales	(thousand tonnes)	5,616	6,113	5,493	5,266	**5,299**
Oilfield Services Construction and Engineering						
Orders acquired	(million euro)	4,726	3,716	7,852	5,876	**5,784**
Order backlog at period end	(million euro)	6,638	6,937	10,065	9,405	**8,521**
Employees at period end	(units)	69,969	72,405	80,655	76,521	**71,497**

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letter to our shareholders

Your company has achieved in 2004 the best operating result of its history, confirming its standing among the most profitable oil majors. This performance rewards Eni s commitment to growth, strict financial discipline, healthy management policy and fruitful team work.

Roberto Poli, Chairman	**Vittorio Mincato, Managing Director**

Contents

Left, Eni s Board of Directors
seated (from left to right):
Mario Giuseppe Cattaneo, Mario Resca,
Dario Fruscio, Renzo Costi,
Guglielmo Claudio Moscato,
Alberto Clô;
standing (from left to right):
Roberto Poli, Vittorio Mincato

Above, Eni s Board of Statutory
Auditors (from left to right):
Luigi Biscozzi, Filippo Duodo, Riccardo
Perotta, (standing) Andrea Monorchio,
Paolo Andrea Colombo, the Magistrate
of the Court of Accounts delegate
inspector, Luigi Schiavello

In 2004, Eni s net income totaled euro 7.3 billion, an increase of euro 1.7 billion over 2003 (up 30.2%) due mainly to a positive operating performance (up euro 2.9 billion) in particular in its core oil business. Eni s operating income of euro 12.5 billion is euro 1.7 billion higher than the previous record of 2000. This positive performance was achieved also with the contribution of the petrochemical business that generated income after many years of losses.

Leverage went from 0.48 at December 31, 2003 to 0.31 at December 31, 2004.

The macro-economic scenario contributed to the improvement in results. The average price of Brent in 2004 was 38.2 dollars/barrel (up 32.5% over 2003). The effect of the increase in oil prices was offset in part by the depreciation of the dollar over the euro (down 10%). In fact, the price of Brent in euro had a smaller increase (up 20.5%), which damaged European companies as compared to those operating in the dollar area.

The results achieved allow us to propose to the Shareholders Meeting a dividend amounting to euro 0.90 per share, increasing by euro 0.15 (up 20%) over 2003. Pay-out is about 47% (51% in 2003). Starting in 2005, the company will distribute dividends every six months.

In 2004 total return to shareholders[1] was 28.5% (4.3% in 2003).

The results of 2004 by segment

In the Exploration & Production segment, daily hydrocarbon production amounted to 1,624,000 boe increasing by 62,000 boe over 2003 (up 4%). In the fourth quarter, daily production reached 1,704,000 boe.

Eni s proved reserves of hydrocarbons at December 31, 2004 amounted to 7,218 million boe, slightly decreasing over December 31, 2003 (down 0.7%). The reserve replacement ratio of 132%, before the effects of higher realized oil prices in Production Sharing Agreements and of asset divestment, declined to 91% after these effects. The average reserve life index was 12.1 years (12.7 in 2003).

In 2004 the development plan for the Kashagan oil field in the Kazakh offshore section of the Caspian Sea was approved. The plan aims at the production of up to 13 billion barrels of oil reserves by means of partial reinjection of gas with an expenditure of dollar 29 billion (5 billion being Eni s share). Production start-up is expected in 2008. In Saudi Arabia Eni (operator with a 50% interest) was awarded a licence for exploration, development and production of non associated natural gas in the C area, covering approximately 52,000 square kilometers.

(1) Return on a share calculated according to its price performance in the year, the dividends distributed and the effect of reinvesting dividends in the same shares at the ex-dividend date.

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In the Gas & Power segment, despite a more and more competitive context with increasing regulatory constraints, sales of natural gas (84.5 billion cubic meters) increased by 6.1 billion cubic meters over 2003 (up 7.8%).

Sales of electricity (13.8 TWh) increased by 8.3 TWh over 2003 (up 150%) due to the full commercial operations of the first combined cycle generation unit and the start-up of the second and third units at the Ferrera Erbognone power plant, as well as the start-up of new generation capacity at the Ravenna power plant.

In the Refining & Marketing segment, Eni continued the upgrading process of its refining system aimed at maintaining Eni s position as top performer in Italy in terms of efficiency, flexibility and product quality.

In marketing Eni continued the strategic repositioning of its distribution network in Italy aimed at seizing the opportunities deriving from the changes in consumers attitudes and attracting new customers by providing premium price products that anticipate European quality standards. In the rest of Europe Eni s selective development strategy showed its results with increasing sales and a consolidation of market share in target areas. Retail and wholesale sales of refined products (28.8 million tonnes) increased by 760,000 tonnes (up 2.7%).

In 2004 capital expenditure amounted to euro 7.5 billion. Of these 94% were directed to the oil & gas business and concerned large projects aimed at supporting growth and the long-term sustainability of the business, in particular:

- the development of the Wafa and Bahr Essalam fields in Libya, the first one started production in August 2004 and the second expected to start-up in mid-2005;
- the development of fields in Iran where Eni is operator;
- participation in the development of the oil fields in the Kizomba A and B areas in the deep waters of Angola, the first one started production in August 2004 and the second expected to start-up in late 2005;
- development of the Kashagan field in the Kazakh offshore;
- upgrade and maintenance of Eni s natural gas transport and distribution network;
- the completion of the Greenstream gasline, that started operations in October and when fully operational, will allow to import 8 billion cubic meters of natural gas per year (4 billion net to Eni), already booked under long-term contracts;
- the continuation of the plan for power generation capacity build-up;
- the construction of the tar gasification plant at the Sannazzaro refinery, actions on refineries and the upgrade of Eni s fuel distribution network.

The energy scenario

2004 was an extremely uncertain year on markets. Various causes determined the increase in oil and gas prices, with Brent prices reaching over 50 dollars/barrel. Some of the factors that supported the increase the increase in consumption in China and in the United States of America, the reduction in spare production capacity in OPEC countries, the decline in production growth rates in non-OPEC countries and the continuation of warfare in Iraq could continue to support price increases. The high level of prices in the first months of 2005 tends to confirm this hypothesis.

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As compared to 2003, the energy market is quite different and the forecasting of oil and gas price scenarios has become more difficult. The major oil companies agree on an upward revision of equilibrium prices in the medium-long term.

Despite the increases in oil prices, world economy in 2004 continued its strong expansion. Demand kept on increasing, especially in Asia, where economic activity is supported by strong capital expenditure related to the tax and monetary stimuli of the past few years.

In the 2005-2008 period the development prospects of world economy suggest that the increase in demand for oil remains high, but slightly lower than in 2004 (up 3.2% over 2003).

Demand will grow more in non-OECD areas, in particular Asia is expected to absorb more than half the increase in world consumption of oil products. China will confirm its leadership in the area, despite the fact that it represents an unknown element on markets because any decrease in growth rates might impact heavily on oil prices, as it happened in 1998.

Production in CIS countries will contribute significantly to the increase in supply from non-OPEC countries, related to the increases in production expected in Russia and Azerbaijan in the next few years. Russia alone will cover more than half the increase of CIS countries.

The higher production increases in OPEC countries will be achieved by Nigeria, Kuwait, the United Arab Emirates and Iran.

OPEC s market share is expected to remain stable (about 40%). In the short-term OPEC s spare production capacity declined to about 3 million barrels/day, excluding Iraqi capacity.

The negative impact related to a possible decrease in spare capacity is exacerbated by the concentration of production in fields producing heavy crudes or crudes with high sulphur content. This affects the price differentials between heavy and light crudes and, in the long-term, capital expenditure choices in refining.

Objectives and Strategies

The strong cash flows generated by major oil companies in 2004 ironically highlighted the most critical problem currently faced by the oil industry: the scarcity of good investment opportunities and the resulting difficulty in replacing reserves. In fact, with the high income generated many oil companies announced higher dividends and significant buy-back of their own shares aimed at giving back to shareholders the extra cash flows earned, but they could not avoid being criticized for the low expenditure in exploration and production of hydrocarbons and in treatment and transport infrastructure.

If on the one side the aim of increasing production levels is a must for the oil industry where size represents an asset not only for the scale economies it provides, but especially because it allows to expand the basis of traditional basins through very large projects without compromising short-term returns on the other, the difficulty encountered by the majors in renewing their mineral portfolio by internal lines is quite evident. A possible option is that the increase in profits and the need for an adequante investment policy lead to a period of mergers and acquisitions aimed at supporting business in the long-term.

In the past six years Eni s production increase represented 56% of the production level attained in the preceding 45 years of its history, with growth rates higher than the average achieved by the oil industry. Today Eni s main objective is still the growth in oil and gas production, with a parallel increase in midstream investment (oil and gas pipelines, liquefaction and regasification plants) to support this growth.

A strict discipline in allocating financial resources is still a basic tenet, as well as the control of results of strategies implemented in the short term, because there are no industrial success stories based on the destruction of value in the short-medium term.

Eni s 2005-2008 Strategic Plan envisages a further strong growth in oil and gas in order to reach the size of oil major.

In Exploration & Production, the main objectives are:

- further increase in hydrocarbon daily production to 2 million boe in 2008 with an annual average growth rate higher than 5% one of the most ambitious in this industry leveraging on the start-up of some large development projects (gas in Libya, deep waters in Angola, Nigeria and Iran) and the completion of the Val d Agri development plan;
- replacement ratio higher than 100% to guarantee the long-term sustainability of the business;
- improved operating efficiency in the exploration for hydrocarbons and the development of resources discovered, leveraging on the selection of exploration projects, geographic concentration of production, rationalization of marginal assets or assets with low development prospects, strengthening of operator role.

In Gas & Power, the main objectives are:

- increase in sales in Europe up to 92 billion cubic meters in 2008, of these 49.5 billion in Italy (82.6 and 54.1 in 2003 respectively);
- maintaining Eni s leadership in Italy, supported also by the development of power generation and the completion of EniPower power stations (5.3 gigawatt of installed capacity by 2008);
- growth in liquefied natural gas (LNG) with the objective of exploiting Eni s natural gas reserves and entering markets with high growth potential (United States and Far East).

In Refining & Marketing, the main objectives are:

- consolidation of top performer position in refining in Italy, with specific focus on efficiency and high quality products, anticipating future requirements set by European rules;
- completion of the strategic repositioning of the Italian distribution network through closure or sale of marginal service stations and development of non oil activities;
- development of distribution activities in Europe in order to reach leading or co-leading positions in target regional markets. Expansion will be powered by excellence in terms of service stations standards, quality and average throughput.

Eni s presence in oilfield services, construction and engineering activities is a distinctive characteristic as compared to other major global oil companies. Available skills cover the whole life cycle of projects, both offshore and onshore from the design phase (concept, basic and front-end engineering) to the actual construction (project management, detail engineering, procurement and erection).

They provide an indispensable contribution in terms of know-how, project and risk management skills, credibility and international standing. The main objectives of this segment are:

- development of innovative and distinctive technologies;
- consolidation of competitive positioning in the area of large EPC offshore projects;
- development in the leased FPSO and offshore LNG terminal businesses;
- support to Eni s capital expenditure projects with Snamprogetti as owner s engineer.

For the petrochemical segment, the strategic lines of Eni s 2005-2008 plan are:

- enhancement of assets in Italy aimed at the improvement of efficiency and competitivity;
- cooperation projects in basic chemicals and plastics, especially with companies provided with good cost positioning.

In the field of R&D, Eni s 2005-2008 plan identifies the projects that are liable to have an effective industrial application focusing on key technologies, that can contribute to enhancing Eni s assets and seizing new development opportunities.

R&D will focus on: (i) clean fuels; (ii) management of sulphur and hydrogen sulphide; (iii) management of greenhouse gases. Research projects currently underway concern in particular: (i) the upgrading of non conventional crudes (Eni Slurry Technology - EST); (ii) high pressure gas transmission; (iii) gas to liquids technologies (GTL). Further studies are underway for: (i) hybrid automotive systems; (ii) distributed generation; (iii) consequences and opportunities of the Kyoto Protocol.

As concerns human resources, following the guidelines outlined by the previous plans, activities will focus on the management of complexity through the enhancement of technical and professional know-how. To this end Eni plans the following:

- training and communication initiatives for the development of managers skills and behaviours consistent with the reference context;
- completion and consolidation of the strategic planning of skills, through which managers are expected to keep track of the medium to long-term availability of resources capable of supporting the company s growth process and designing initiatives for the future;
- full dissemination of knowledge management systems to support managers in the achievement of business objectives;
- training for excellence as a support to strategic business initiatives.

All industries, but in particular those involved with energy, operate in a context that has become increasingly aware of the importance of the protection of health, safety and most of all of the environment. Many stakeholders exert a strong pressure on companies and influence their activities. Among these, shareholders and institutional investors (especially ethical funds) pay special attention, along with the creation of value, to the ability of a company to operate in the medium and long-term in a framework of sustainability, conciliating economic with environmental and social objectives. There is a growing request for attention to the environment both in the definition of strategies and in the management of operations. Eni s response to these external expectations is based on three guidelines:

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- active participation in the design and definition of regulations and implementation of new rules in the HSE area;
- definition and development of responses to the question of climate change within the European system of emission trading;
- development of an HSE management system.

In the 2005-2008 period Eni intends to improve its corporate social responsibility management which corresponds to the commitment to the conciliation of industrial activities with stakeholders expectations and therefore to understanding and managing the risks generated by the context and the type of industrial activities performed. The main actions will concern:

- improvement of its ability in managing stakeholders expectations by means of methods meeting the highest standards and international best practices such as the Global Compact Initiative of the United Nations, that Eni joined in 2001;
- adoption of policies, guidelines and management systems, with the relevant monitoring tools, for the new critical issues (human rights, security, transparency);
- integration of its risk management system with variables deriving from consultations with stakeholders and evaluation of the impact of operations;
- dissemination and strengthening of a CRS culture through institutional training.

Eni s long-term development strategy is mainly upstream driven with particular attention paid to the development of integrated upstream-downstream projects (e.g. valorization of remote gas, upgrading of non conventional crudes) that can represent an engine for development and the entrance in new markets.

With the approval of financial statements for 2004, the mandate conferred to this Board in 2002 expires. These three past years proved quite important in the history of Eni. Here are the main accomplishments of this three-year term:

- daily hydrocarbon production increased by 19% (from 1,369,000 to 1,624,000 boe/day);
- proved hydrocarbon reserves, despite the effect of price increases on PSAs, portfolio rationalization and increased production, increased by 4.2% (from 6.9 to 7.2 billion boe);
- total natural gas sales increased by 24% (from 82.3 to 102.2 billion cubic meters);
- in the three-year period capital expenditure and investments amounted to euro 30.3 billion; despite this relevant amount of expenditure, leverage declined from 0.35 to 0.31;
- in the three-year period about 6,200 persons have been hired by Eni, of them about 2,000 with university degrees.

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These achievements are the product of the cohesion, dedication and accountability of Eni s employees that proved concretely that they know how to carry out the tasks set for them. To them go the Board s warmest thanks.

March 30, 2005

for the Board of Directors

Roberto Poli, Chairman

Vittorio Mincato, Managing Director

BOARD OF DIRECTORS (1)

Chairman

Roberto Poli (2)

Managing Director

Vittorio Mincato (3)

Directors

Mario Giuseppe Cattaneo, Alberto Clô, Renzo Costi, Dario Fruscio, Guglielmo Antonio Claudio Moscato, Mario Resca

BOARD OF STATUTORY AUDITORS (7)

Chairman

Andrea Monorchio

Statutory Auditors

Luigi Biscozzi, Paolo Andrea Colombo, Filippo Duodo, Riccardo Perotta

Alternate Auditors

Fernando Carpentieri, Giorgio Silva

GENERAL MANAGERS

Exploration & Production Division

Stefano Cao (4)

Gas & Power Division

Luciano Sgubini (5)

Refining & Marketing Division

Angelo Taraborelli (6)

MAGISTRATE OF THE COURT OF ACCOUNTS

DELEGATE INSPECTOR

Luigi Schiavello (8)

Alternate

Angelo Antonio Parente (9)

External Auditors (10)

PricewaterhouseCoopers SpA

The powers of the Chairman and of the Managing Director, the composition and powers of the Internal Control Committee, Compensation Committee and International Oil Committee are presented in the Corporate governance and responsibility chapter in the section Corporate Governance in the Report of the Directors.

(1) Appointed by the Shareholders Meeting held on May 30, 2002 for a three-year period. The Board of Directors expires at the date of approval of the financial statements for the 2004 financial year.
(2) Appointed by the Shareholders Meeting held on May 30, 2002
(3) Powers conferred by the Board of Directors on June 5, 2002
(4) Appointed by the Board of Directors on November 14, 2000

(5) Appointed by the Board of Directors on January 30, 2001

(6) Appointed by the Board of Directors on April 14, 2004

(7) Appointed by the Shareholders Meeting held on May 30, 2002 for a three-year period, expiring at the date of approval of the financial statements for the 2004 financial year (the Chairman, Mr. Andrea Monorchio, was appointed by a Decree of the Minister of Economy and Finance in agreement with the Minister of Productive Activities on May 29, 2002, as per article 6.2.d of Eni s By-laws)

(8) Duties assigned by resolution of the Governing Council of the Court of Accounts on June 24-25, 2003

(9) Duties assigned by resolution of the Governing Council of the Court of Accounts on May 27-28, 2003

(10) Position assigned by the Shareholders Meeting of May 28, 2004 for a three-year term

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exploration & production

Hydrocarbon production amounted to over 1.6 million boe/day with a 4% increase over 2003 (6.4% without taking into account the effect on prices in PSAs[1]); in the fourth quarter of 2004 production amounted to 1.7 million boe/day. Eni intends to maintain a strong production growth rate in the medium-term leveraging in particular on the contribution of the great projects underway and targeting a production level of approximately 2 million boe/day in 2008, with a compound average growth rate of over 5%

Eni s proved hydrocarbon reserves amounted to 7,218 million boe with a replacement rate of 132% without taking into account the effects of higher realized oil prices in PSAs and asset divestment; this average declines to 91% after these effects. In the medium-term the replacement of reserves will be supported by the relevant mineral potential of Eni s assets located in core areas such as the Caspian Sea, West and North Africa and the Norwegian section of the North Sea. The average reserve life index is 12.1 years

Within the development plan of the Kashagan field (Eni operator with a 16.67% interest) in the Kazakh offshore of the Caspian Sea contracts for over 5 billion dollars were awarded. The development plan, approved by the Kazakh authorities on February 25, 2004, to be implemented in multiple phases aims at the production of recoverable reserves[2] up to 13 billion barrels by means of partial reinjection of natural gas by 2008 with a total expenditure amounting to dollar 29 billion (dollar 5 billion being Eni s share). Production plateau is targeted at 1.2 million barrels/day. Appraisal activities performed confirmed the mineral potential of the discoveries made in the area under contract

Within the Western Libyan Gas Project production started at the onshore gas and liquid Wafa field, while development of the offshore Bahr Essalam field is underway with start-up expected in 2005. The two fields will have a target production of 10 billion cubic meters/year of natural gas, of which 8 billion (Eni s interest is 50%) will reach European markets through the underwater Greenstream gasline

In Iran the South Pars phases 4 and 5 gas and condensate field was started up. Target production is 20 billion cubic meters/year

Streamlining of Eni s mineral portfolio aimed at increasing the value of assets by focusing on strategic areas and leaving marginal ones, continued with the sale of proved and unproved property mainly in the North Sea, Italy, Azerbaijan, Gabon and Mauritania

(1) For the definition of PSA, see Glossary, below.

(2) For the definition of recoverable reserves, see Glossary, below.

(million euro)

	2002	2003	2004
Revenues	12,877	12,746	**15,349**
Operating income	5,175	5,746	**8,017**
Expenditure for exploration and new initiatives	902	635	**499**

Acquisitions of proved and unproved property	317	31	
Expenditure in development and capital goods	4,396	5,015	**4,413**
Investments	31	1,076	**46**
Employees at period end (units)	7,715	7,718	**7,705**

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Proved oil and natural gas reserves

Proved oil and gas reserves are the estimated quantities of crude oil (including condensates and natural gas liquids) and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing technical, contractual, economic and operating conditions as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Eni has always held direct control over the booking of proved reserves. The Reserve Department of the Exploration & Production Division, reporting directly to the General Manager, is entrusted with the task of keeping reserve classification criteria (criteria) constantly updated and of monitoring their periodic process of estimate. The criteria follow the United States rules issued through the Financial Accounting Standard Board and the Security and Exchange Commission as well as, on specific issues non regulated by rules, the consolidated practice recognized by qualified reference institutions. The current criteria applied by Eni have been examined by DeGolyer and MacNaughton (D&M) an independent oil engineers company, which confirmed that they are compliant with the SEC rules. D&M also stated that the criteria regulate situations for which the SEC rules are less precise, providing a reasonable interpretation in line with the generally accepted practices in international markets. Eni estimates its proved reserves on the basis of the mentioned criteria also when it participates to exploration and production activities operated by other entities.

From 1991 Eni has requested qualified independent oil engineers companies to carry out an independent evaluation[3] of its proved reserves on a rotative basis. In particular in 2004 a total of 2.2 billion boe of proved reserves, or about 30% of Eni s total proved reserves at December 31, 2004, have been evaluated. The results of this independent evaluation confirmed Eni s evaluations, as they did in past years. In the 2003-2004 two-year period independent evaluations concerned 63% of Eni s total proved reserves; in particular evaluations concerned all the new development projects, including Kashagan, and most large-sized mature fields.

Further information on reserves are provided in Note 29 to Eni s consolidated financial statements - Additional financial statement disclosures required by U.S. GAAP and the SEC - Supplemental oil and gas information for the exploration and production activities - Oil and natural gas reserves .

Eni s proved reserves of hydrocarbons at December 31, 2004 totaled 7,218 million boe (oil and condensates 4,008 million barrels; natural gas 3,210 million boe) slightly decreasing (down 0.7%) over December 31, 2003. The reserve replacement ratio was 132% without taking into account the effects of higher realized oil prices in PSAs[4] (161 million boe) and asset divestment (81 million boe); this average declines to 91% after these effects. Before the effect of prices in PSAs proved reserves booked in the year were 782 million boe. The average reserve life index is 12.1 years (12.7 at December 31, 2003).

(3) From 1991 to 2002 to DeGolyer and MacNaughton, from 2003 also to Ryder Scott.

(4) In PSAs the national oil company awards the execution of exploration and production activities to the international oil company (contractor). The contractor bears the mineral and financial risk of the initiative and, when successful, recovers capital expenditure and costs incurred in the year (cost oil) by means of a share of production. This production share varies along with international oil prices. In certain PSAs changes in international oil prices affect also the share of production to which the contractor is entitled in order to remunerate its expenditure (profit oil).

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The following table describes the evolution of proved reserves in 2004.

(million boe)

Proved reserves at December 31, 2003		7,272
Extensions and discoveries, revisions of previous estimates and improved recovery	782	
Production	(594)	188
		7,460
Effect of higher oil prices in PSAs		(161)
Sales of minerals in place		(81)
Proved reserves at December 31, 2004		**7,218**

After the PSAs price effect, proved reserves booked in 2004 (621 million boe) derived from: (i) extensions and discoveries (329 million boe) in particular in Kazakhstan, Egypt, Libya, Australia, Angola and the United Kingdom; (ii) revisions of previous estimates (227 million boe) in particular in Egypt, Libya, Iran, Congo, Pakistan, Angola and Norway, offset in part by decreasing revisions in Kazakhstan and Algeria related to the PSAs price effect, and the United States; (iii) improved recovery (65 million boe) in particular in Angola and Algeria. These increases offset in part the decline related to production for the year (594 million boe) and sales of minerals in place in the British section of the North Sea, Italy, Gabon, Azerbaijan, the Netherlands and Egypt (81 million boe).

Estimated proved developed reserves at December 31, 2004, amounted to 4,300 million boe (2,471 million barrels of oil and condensates and 1,829 million boe of natural gas), representing 60% of total estimated proved reserves (58% at December 31, 2003).

Proved reserves of hydrocarbons applicable to long-term supply agreements with foreign governments in mineral assets where Eni is operator represented approximately 10% of all proved reserves at December 31, 2004 (8% at December 31, 2003).

Mineral right portfolio and exploration activities

As of December 31, 2004, Eni s portfolio of mineral rights consisted of 919[5] exclusive or shared rights for exploration and development in 34 countries on five continents, for a total net acreage of 234,180[6] square kilometers (242,635 at December 31, 2003). Of these, 41,997 square kilometers concerned production and development (43,879 at December 31, 2003). Outside Italy net acreage decreased by 1,881 square kilometers due to the divestment of assets in Gabon, Mauritania, Senegal, the British section of the North Sea, the Netherlands and Egypt, and releases, in particular in Australia, Congo and Taiwan. Increases were registered in Saudi Arabia, Indonesia, Norway and Russia. In Italy net acreage declined by 6,575 square kilometers due to the divestment of assets, whose effects were offset in part by the awarding of 7 new concessions.

A total of 66 new exploratory wells were drilled (29.5 of which represented Eni s share), as compared to 105 exploratory wells completed in 2003 (43 of which represented Eni s share). Overall success rate was 52.1% as compared to 46.7% in 2003; the success rate of Eni s share of exploratory wells was 57.3% as compared 45.7% in 2003.

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(5) Of these, 5 are owned through affiliates for initiatives in Saudi Arabia, Russia and Spain.

(6) Of these 27,421 square kilometers are owned through affiliates for initiatives in Saudi Arabia, Russia and Spain.

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Mineral portfolio rationalization

Within the rationalization strategy of its asset portfolio, aimed at increasing its value by focusing on strategic areas with good growth potential and leaving marginal areas, Eni defined the following agreements:

- the sale of Eni s interests in Blocks T (Eni operator with an 88.74% interest) and B (Eni operator with an average 70.2% interest) located in the British section of the North Sea off the Scottish coast to Canadian Natural Resources Ltd for euro 158 million. The T Block includes the Tiffany, Tony and Thelma producing fields, while the B Block includes the Balmoral, Stirling and Glamis fields;
- the sale of the entire share capital of Stargas SpA to Gas Plus for euro 139 million. Stargas (Eni s interest 100%) is a newly-established company, to which the Società Petrolifera Italiana (Eni s interest 99.96%) business was transferred that included: (i) 42 natural gas and condensate production concessions and 3 exploration permits, located mainly in the production areas of Fornovo Taro, Montecorsaro, Lucera and Policoro in central-southern Italy; (ii) gas transmission and treatment infrastructure; (iii) real estate; (iv) Eni s 81.63% interest in Reggente;
- the sale to the Russian company Lukoil for euro 114 million of Eni s entire stake (50%) in LukAgip, the remaining 50% owned by Lukoil itself, holder of a 10% interest in the Shakh Deniz field under development in the Azeri Caspian Sea and some minority stakes in companies operating in the transport and sale of gas in Azerbaijan, as well as a 24% interest in the onshore Meleiha field, in Egypt, operated by Eni;
- the sale of Eni s interest in the Markham and JC3 gas fields located in the southern section of the North Sea to CH4 Energy Ltd for euro 39 million;
- the sale of Eni s proved and unproved property in Gabon consisting of its interests in the offshore Limande oil field (Eni operator with an 80% interest) and in three offshore exploration permits M Polo, Chaillu and Meboun (Eni operator with a 50% interest) to the independent oil company Perenco for euro 23 million;
- the sale of exploration permits in Mauritania and marginal interests located offshore in the Gulf of Mexico.

The transactions described above entailed proceeds of euro 548 million.

Production

In 2004 daily hydrocarbon production amounted to 1,624,000 boe increasing by 62,000 boe over 2003, up 4%, due to: (i) production increases registered mainly in Nigeria, Angola, Kazakhstan, Pakistan, Libya and Egypt; (ii) the start-up of fields in Angola, Australia, Algeria and Libya. These increases were partly offset by: (i) declines in mature fields mainly in Italy and the United Kingdom; (ii) lower production entitlements (38,000 boe) in PSAs related to higher international oil prices; (iii) the effect of the divestment of assets (13,000 boe). The share of production outside Italy was 83.3% (80.8% in 2003).

Daily production of oil and condensates (1,034,000 barrels) increased by 53,000 barrels over 2003, up 5.4%, due to increases registered in: (i) Nigeria, due to the start-up of the Okpoho field (Eni s interest 100%) and the reaching of full production of the Abo (Eni operator with a 50.19% interest) and the Nase-EA (Eni s interest 12.86%) fields; (ii) Angola, due to the reaching of full production at the Xicomba field and the start-up of the fields of the Kizomba A area in Block 15 (Eni s interest 20%); (iii) Kazakhstan, in the Karachaganak field (Eni co-operator with a 32.5% interest) due to the beginning of exports from the Novorossiysk terminal on the Russian coast of the Black Sea; (iv) Venezuela, due to the fact that in early 2003 production had been interrupted during a general strike; (v) Australia, due to the reaching of full production at the Woollybutt field (Eni operator with a 65%

interest) and the start-up of the Bayu Undan field (Eni s interest 12.04%); (vi) Libya, due to the start-up of the Wafa (Eni s interest 50%) and Elephant (Eni s interest 33.33%) fields; (vii) Algeria, due to the start-up of the Rod and satellite fields (Eni operator with a 63.96% interest). These increases were partly offset by declines of mature fields in particular in the United Kingdom and by the effect of the divestment of assets. In Italy the production decline of mature fields (in particular Villafortuna/Trecate, Ragusa and Aquila) was offset in part by higher production in Val d Agri notwithstanding the standstills related to the connection of the fourth treatment train of the oil center.

Daily production of natural gas (590,000 boe) increased by 9,000 boe over 2003, up 1.5%, due essentially to increases registered in: (i) Pakistan due to the reaching of full production at the Sawan (Eni s interest 23.68%) and Bhit (Eni operator with a 40% interest) fields; (ii) Egypt for the increase in local demand; (iii) Libya, due to the start-up of the Wafa field (Eni s interest 50%); (iv) Kazakhstan, Norway (reaching of full production of the Mikkel field, Eni s interest 14.9%) and Nigeria. These increases were offset in part by declines in mature fields in particular in Italy and the United Kingdom and the effects of divestments.

Hydrocarbon production sold amounted to 576.5 million boe. The 18.1 million boe difference over production was due essentially to own consumption of natural gas (13.9 million boe) and lower withdrawals as compared to allotted shares (over/underlifting[7]) outside Italy for 4 million boe.

About 70% of oil and condensate production sold (374.3 million barrels) was destined to Eni s Refining & Marketing segment (70% in 2003). About 40% of natural gas production sold (32.9 billion cubic meters) was destined to Eni s Gas & Power segment (43% in 2003).

(7) Agreements between partners regulate the right to withdraw proportional production volumes in the period. Higher or lower production volumes withdrawn as compared to entitlements determine a temporary over or underlifting.

Proved hydrocarbon reserves [1]

(million boe)

	2002	2003	2004	Change	% Ch.
Italy	**1,199**	**996**	**890**	**(106)**	**(10.6)**
oil and condensates	255	252	**225**	(27)	(10.7)
natural gas	944	744	**665**	(79)	(10.6)
North Africa	**2,033**	**2,024**	**2,117**	**93**	**4.6**
oil and condensates	1,072	1,080	**993**	(87)	(8.1)
natural gas	961	944	**1,124**	180	19.1

West Africa	**1,287**	**1,324**	**1,357**	**33**	**2.5**
oil and condensates	1,022	1,038	**1,056**	18	1.7
natural gas	265	286	**301**	15	5.2
North Sea	**825**	**912**	**807**	**(105)**	**(11.5)**
oil and condensates	498	529	**450**	(79)	(14.9)
natural gas	327	383	**357**	(26)	(6.8)
Rest of World	**1,686**	**2,016**	**2,047**	**31**	**1.5**
oil and condensates	936	1,239	**1,284**	45	3.6
natural gas	750	777	**763**	(14)	(1.8)
Total	**7,030**	**7,272**	**7,218**	**(54)**	**(0.7)**
oil and condensates	3,783	4,138	**4,008**	(130)	(3.1)
natural gas	3,247	3,134	**3,210**	76	2.4

(1) From January 1, 2004 in order to conform to the practice of other international oil companies, Eni unified the conversion rate of natural gas from cubic meters to boe. The new rate adopted is 0.00615 barrels of oil per one cubic meter of natural gas. In the past Eni used a rate of 0.0063 for natural gas produced in Italy and 0.0061 for natural gas produced outside Italy. The change introduced does not affect the amount of proved reserves recorded in boe at December 31, 2003 and has a negligible impact on production expressed in boe in 2004.

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Main exploration and development projects

North Africa

Algeria in Block P 404 area B (Eni s interest 25%) in the Berkine North East area, near the Ourhoud field, the BKNE-B-2 appraisal well confirmed the presence of hydrocarbons at a depth of about 3,000 meters.

In October 2004 production of the ROD and satellites oilfields (Eni s interest 63.96%) in early production in the Bir Rebaa oil center started with a flow of 8,000 barrels/day. These fields are located in Blocks 401a/402a and 403a/403d. In December 2004 the treatment plant started operations with a capacity of 80,000 barrels/day and production net to Eni is expected to reach a 28,000 barrels/day peak in 2005.

In December 2004 the REC field located near the Bir Rebaa oil center started production at an initial level of over 2,000 barrels/day net to Eni.

Egypt Hydrocarbons were discovered in the following concessions: (i) Sinai 12 leases (Eni s interest 50%) located offshore in the Gulf of Suez, where the BMW-1 exploration well found four oil mineralized levels and was linked to existing production facilities; (ii) Ras el Barr (Eni s interest 25%) located offshore in the Nile Delta, where the Taurt-1 and Taurt-2 exploration wells found gas mineralized levels; (iii) Ashrafi (Eni s interest 50%) located in the Gulf of Suez where the Ashrafi H 1X Dir and Ashrafi J-1X Dir showed oil mineralized levels. The first well was linked to existing production facilities. In the Port Fouad concession (Eni s interest 50%) two gas discoveries were made with the Anshuga 1 and Gambari 1 wells.

Development activities are ongoing in the natural gas fields located in the following concessions in the Nile Delta offshore: (i) North Port Said (Eni s interest 50%) where the Nouras A and Nouras B fields started production. Construction work continued at the Barboni development platform and for the extension of the El Gamil terminal. In 2004 daily production of gas increased from 7 to 9.9 million cubic meters/day net to Eni; (ii) Baltim (Eni s interest 25%) where work continued for the installation of the Baltim North platform and relevant onshore facilities at Abu Madi, whose completion is expected by the end of

Daily hydrocarbon production [1]

(thousand boe/day)

	2002	2003	2004	Change	% Ch.
Italy	**316**	**300**	**271**	**(29)**	**(9.7)**
oil and condensates	86	84	**80**	(4)	(4.8)
natural gas	230	216	**191**	(25)	(11.6)
North Africa	**354**	**351**	**380**	**29**	**8.3**
oil and condensates	252	250	**261**	11	4.4
natural gas	102	101	**119**	18	17.8
West Africa	**237**	**260**	**316**	**56**	**21.5**
oil and condensates	222	236	**285**	49	20.8

natural gas	15	24	**31**	7	29.2
North Sea	**308**	**345**	**308**	**(37)**	**(10.7)**
oil and condensates	213	235	**203**	(32)	(13.6)
natural gas	95	110	**105**	(5)	(4.5)
Rest of World	**257**	**306**	**349**	**43**	**14.1**
oil and condensates	148	176	**205**	29	16.5
natural gas	109	130	**144**	14	10.8
Total	**1,472**	**1,562**	**1,624**	**62**	**4.0**
oil and condensates	921	981	**1,034**	53	5.4
natural gas	551	581	**590**	9	1.5

(1) Includes natural gas consumed in operations (38,000 and 26,000 boe/day in 2004 and 2003 respectively).

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2005 in order to reach the contract production level of 6 million cubic meters per day (1.8 million net to Eni); (iii) El Temsah (Eni operator with a 25% interest) where the project includes four phases. Production is expected to start in the first quarter of 2005 from the recently installed Temsah 4 platform (phase 2) which will allow to offset the production decline related to an accident occurred in August to the Temsah NW platform. Peak production at 5.2 million cubic meters/day is expected in 2008.

Libya In January 2004, early production started at the Elephant oil field (Eni s interest 33.33%) in the NC-174 permit, about 860 kilometers south of Tripoli. Activities underway include: (i) drilling and workover of the 51 development wells envisaged by the project; (ii) construction of a new 725-kilometer long pipeline connecting the field with the Mellitah terminal. The first and second treatment trains started operating in April and August respectively with a 100,000 barrels/day capacity each. Peak production is expected in 2007 with 27,000 barrels/day net to Eni.

Within the Western Libya Gas project, in July production of oil and in August of gas and condensates started at the Wafa onshore field in permit NC-169A. By year-end production reached 45,000 boe/day net to Eni. Development is underway of the Bahr Essalam field located in the NC-41 permit in the Mediterranean offshore, where production is expected to start in mid-2005. Peak production from the two fields at 240,000 boe/day (124,000 boe/day net to Eni) is expected in 2006.

Supply in Italy of natural gas through the underwater Greenstream gasline linking Mellitah to Sicily started on October 1 as planned. The gasline will allow the export of 8 billion cubic meters per year of natural gas to be sold to third parties in Italy (4 billion being Eni s share - see, Gas & Power - Development projects).

West Africa

Angola The exploration license for Block 14 (Eni s interest 20%) has been extended to March 1, 2007.

In Block 14K/A-IMI (Eni s interest 10%), deriving from the unitization of areas formerly belonging to Block 14 and to Block Haute Mer (Congo), the Lianzi 1 well yielded 12,000 barrels/day of high quality oil in test production.

In May 2004 the extension until December 31, 2030 of the exploration and production license for Block 0 - Cabinda (Eni s interest 9.8%) was approved. In this area development of the oil and condensate North Sanha and Bomboco fields continued. The project provides for the drilling of 50 wells and the installation of an FPSO (Floating Production Storage Offloading) vessel for the export of LPG that is going to be the largest in the world for LPG. Gas cycling on North Sanha will reduce gas flaring by 50%. Production started in January 2005 and is expected to peak at 100,000 barrels/day (6,000 net to Eni) in 2007.

The BBLT project is underway and provides for the development of the Benguela, Belize, Lobito and Tomboco oilfields at a depth between 300 and 500 meters in Block 14 (Eni s interest 20%), the drilling of 50 wells and the installation of a Compliant Tower on which production facilities will be installed. Production is scheduled to start in 2006, reaching a peak of 214,000 barrels/day (34,000 net to Eni) in 2008.

In August 2004 the Hungo and Chocalho oil fields started production within Phase A of the development project for the fields discovered in the area called Kizomba in Block 15 (Eni s interest 20%) in the Angolan offshore at a water depth of about 1,500 meters. A total of 59 wells will be drilled and complemented by an underwater system connected to a Tension Leg Platform linked to an FPSO vessel, that is the largest in the world in its class with a treatment capacity of 250,000 barrels/day. Production is expected to peak at 43,000 barrels/day net to Eni by 2006.

In this same area Phase B is underway under a scheme similar to that of Phase A, aimed at the development of the Kissanje and Dikanza fields. Production is expected to start in the fourth quarter of 2005 and to peak at 250,000 barrels/day (43,000 net to Eni) by 2007.

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In Block 15 in 2004 the Mondo project was approved within Phase C of the development of the Kizomba area.

Congo In February 2004 an oil discovery was made in the Mer Très Profonde Sud permit (Eni s interest 30%) with the Pegase Nord Marine 1 exploration well which yielded 14,000 barrels/day in test production from four mineralized levels. Drilling was performed with the Saipem 10000 vessel and reached the final depth of 3,900 meters.

In 2004 evaluation of the mineral potential of blocks operated by Eni continued.

Nigeria Three discoveries were made in onshore production areas: (i) in the OML 63 permit (Eni operator with a 20% interest) with the Osiama Creek South 1 Dir and 2 Dir wells both containing oil; (ii) in the OML 74 permit (Eni s interest 12.86%) with the JK G-1x well containing oil and gas.

Development continued in the OML 60 and 61 permits (Eni operator with a 20% interest) intended to supply natural gas to the Bonny liquefaction plant (Eni s interest 10.4%); when these fields are fully operational, Eni s gas supplies to the plant will amount to 24.1 million cubic meters/day.

Engineering activities (FEED) concerning the construction of the second Brass LNG liquefaction plant (Eni s interest 17%) were started. Eni will supply 24.1 million cubic meters/day for the first two trains.

Construction continued of the Kwale-Okpai power station (IPP project - Eni operator with a 20% interest) which will be fired from the first quarter of 2005 with gas from the Kwale fields located in the OML 60 permit, that will supply 2 million cubic meters/day of gas when fully operational. The project is part of the Nigerian Government and Eni s plan of zero gas flaring.

Development of the Bonga oil field (Eni s interest 12.5%) continued. The field is located in the offshore OML 118 permit at a water depth between 950 and 1,150 meters. Exploration, still underway, was successful with the Bonga West well that found various mineralized levels. Production is expected to start in late 2005, with a peak flow of 190,000 barrels/day (21,000 net to Eni) in 2007.

In the offshore OML 119 permit (Eni operator of the service contract), in January 2004 the FPSO Mystras started operations. Drilling, connection and production start-up of the Okpoho platform were completed. Production from the Okono and Okpoho oil fields amounted to about 55,000 barrels/day (27,000 net to Eni).

Eni also holds a 5% interest in the SPDC joint venture, the largest oil joint venture in the country relating to 36 onshore blocks. The major development projects underway are Cawthorne Channel and Forcados/Yokri aiming at drilling infilling wells in producing fields and expanding existing production facilities. In March 2005 natural gas production started at Cawthorne Channel (3.8 million cubic meters/day), in October at Forkados/Yokri (2.3 million cubic meters/day) destined to the Bonny liquefaction plant. Oil production from the two fields is expected to peak at 90,000 barrels/day of oil (5,000 net to Eni) in 2006.

North Sea

Norway In June 2004 Eni was awarded four exploration licenses (PL324, PL329, PL325 and PL323) in the Norwegian Sea, the latter two as operator with a 40% interest. According to Eni these licenses have great mineral potential and represent a new opportunity for Eni's strengthening strategic positioning in Norway.

Development of the Kristin gas and oil field (Eni s interest 9%) located in the PL134 permit in the Haltenbanken area in the Norwegian Sea continued. Production from Kristin is expected to start in October 2005 and to peak at 211,000 boe/day (19,000 net to Eni) in 2006. In the same permit the Linerle exploration well was successfully drilled at the final depth of 2,317 meters.

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In the PL128 permit (Eni s interest 11.5%) development is underway of the (mainly oil) Svale and Staer fields. Their proximity to the Norne production and transport infrastructure (Eni s interest 6.9%) allows for synergies. Production is expected to start in late 2005 and to peak at 6,000 barrels/day net to Eni in 2006.

United Kingdom In the P/362 permit Block 29/5b (Eni s interest 21.87%) in the British section of the North Sea development of the West Franklin field is underway with the drilling of two wells that will be linked to the production facilities of the Elgin/Franklin platform. Production is expected to start in 2005.

Rest of world

Saudi Arabia In March 2004 Eni, in a consortium, was awarded an exploration license (Eni operator with a 50% interest) for exploration, development and production of natural gas in the so called C area covering approximately 52,000 square kilometers in the Rub al Khali basin. The project provides for geophysical surveys and the drilling of 4 exploration wells in a period of five years. In case of commercial discoveries, the contract term of the production phase will last 25 years, with a possible extension to a maximum of 40 years. The gas discovered will be sold to the domestic market for power generation, sea water desalinization for drinking purposes and as a feedstock to petrochemical plants. Condensates and LPG extracted from the gas will be exported to international markets. This project marks Eni s return to upstream activities in a country where it had operated in the early 1970s.

Australia In June 2004 in the WA-25-L permit (Eni is operator with a 65% interest) near the WA-234-P permit where the Woollybutt field is located, drilling of the Scallybutt-1 appraisal well started and identified hydrocarbon reserves on the western side of Woollybutt. Evaluations are underway for defining the amount of additional reserves present.

In February 2004 production started from the offshore gas and liquid Bayu Undan field (Eni s interest 12.04%) located in the Zoca 91/12-13 Block in the international cooperation area between Australia and East Timor, at a water depth of 80 meters. In 2004 the field produced about 6,000 barrels/day net to Eni. Production is scheduled to peak at about 160,000 barrels/day (18,000 net to Eni) in 2009.

In November 2004 Eni signed a 20-year contract for the supply of 21.3 billion cubic meters of gas to Alcan, an aluminum manufacturing company. The gas will be produced at the Blacktip field (Eni s interest 46.15%) in the Bonaparte offshore basin. Sales are expected to start in 2007.

Croatia Joint development of the Marica, Ika, Ida, Annamaria, Ivana C and Katarina gas fields is underway in the Adriatic offshore (Eni s interest 50%). In November 2004 the Marica field started production at 2,000 boe/day net to Eni. The fields in full production will peak at 10,000 boe/day net to Eni in 2007.

Indonesia In the Ganal exploration area (Eni s interest 20%) in the Kutei basin, the Gehem-2 and Gehem-3 exploration wells, drilled to a total depth of 5,360 and 5,000 meters, respectively, confirmed the extension of the gas and condensates bearing strata already identified by the previous well Gehem-1 and identified a new oil bearing area. According to the development plan, gas produced will be sent to the Bontang liquefaction plant. This project is the first step of the Kutei Master Plan for the integrated development of all discoveries in the area (also Gehem, Gada, Gula and Ranggas).

The exploration well Gula-3 was drilled at a depth of 5,335 meters and represents the appraisal of the Gula discovery, which allowed to identify further gas beating strata.

Iran In 2004 production of the natural gas and condensate South Pars field phases 4 and 5 (Eni is operator with a 60% interest) started. The project provides for: (i) the drilling of 24 wells; (ii) the installation of two offshore platforms in waters about 70 meters deep and of facilities for transporting the raw gas onshore; (iii) the construction of an onshore gas center at Assaluyeh for the separation of ethane, propane, butane and condensates. At the end of 2004 production amounted to over 20 million cubic meters of gas per day and is expected to reach 20 billion cubic meters/year of gas and, after the separation, one million tonnes/year of propane and butane and 80,000 barrels/day of condensates. In December

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production of liquids started with about 30,000 barrels/day net to Eni. A production peak of 53,000 barrels/day net to Eni is expected in 2008.

Development continued at the Darquain oil field (Eni operator with a 60% interest) located onshore about 50 kilometers north east of Abadan. The first phase was completed with the drilling of 8 wells, the construction of an oil center with relevant facilities and the meeting of the production target set at 50,000 barrels/day (about 4,000 net to Eni). The second development phase providing for the drilling of 19 additional wells and the expansion of the oil center capacity to 165,000 barrels/day by means of gas injection was started. A production peak at approximately 17,000 barrels/day net to Eni is expected in 2007.

The development of the Dorood oilfield (Eni s interest 45%) near the Kharg island continued. The completion of drilling is expected in 2006. Production is expected to peak at 85,000 barrels/day (10,000 barrels/day net to Eni) at the end of 2005.

Kazakhstan Eni is operator with a 16.67% interest of the North Caspian Sea PSA in a consortium composed by seven international oil companies. The consortium aims at exploration and production of hydrocarbons in the offshore area where the Kashagan field was discovered; this field is considered the most important discovery in the world in the past thirty years. On February 25, 2004 the development plan for Kashagan was approved by the Kazakh authorities. The plan, which will be implemented in multiple phases, aims at the production of 7 to 9 billion barrels of recoverable reserves, extendible to 13 billion barrels through partial gas reinjection. Production is expected to start in 2008 at an initial level of 75,000 barrels/day and to increase to 450,000 barrels/day at the end of the first development phase. Production plateau is targeted at 1.2 million barrels/day. The total capital expenditure is estimated at dollar 29 billion (5 billion being Eni s share), excluding the capital expenditure for the construction of the infrastructure for exporting production to international markets, for which various options are under scrutiny by the consortium. One of these options includes the laying of a pipeline connecting Kashagan with the Baku-Tiblisi-Cehyan pipeline now in the final phase of construction (Eni s interest 5%). Contracts for a total of over dollar 5 billion were awarded for the construction of infrastructure for developing the field and for offshore production (drilling, treatment and reinjection of sour gas for maximizing the oil yield) and onshore treatment plants. The most advanced techniques are going to be applied in the construction of the planned plants in order to cope with high pressures in the field and the presence of hydrogen sulphide.

In July 2004, the testing of the Kairan-1 exploration well was successfully completed. This is the last of the 6 commitment wells planned. In 2004 appraisal activities in the contract area gave positive results both on Kashagan and on Aktote (one of the four discoveries

Exploration activities

made). In October 2004, the testing of the first development well (KEA-01-Dir) of Kashagan was successfully completed.

On May 16, 2003 the partners in the consortium, except for one, exercised their pre-emptive rights for the purchase in proportional shares of the 16.67% interest held by British Gas that intends to divest it. The finalization of this transaction is subject to authorization by the relevant Kazakh authorities and would allow Eni to increase its share in the project from 16.67% to 20.372%. The Kazakh Government, however, expressed its interest to acquiring the whole share of British Gas.

Eni with a 32.5% interest is co-operator with British Gas of the Karachaganak project in a consortium composed of four international oil companies. The development of the natural gas and condensate field is organized by stages, in accordance with a Final Production Sharing Agreement. On June 9, Eni made its first oil shipment from Karachaganak to the Novorossiysk terminal on the Russian coast of the Black Sea through the Caspian Pipeline Consortium (in which Eni holds transport rights up to 3 million tonnes/year). In the last months of 2004 production of liquids reached 232,000 barrels/day (70,000 net to Eni).

United States In the deep offshore of the Gulf of Mexico two appraisal wells were drilled: Ulysses in the Mississippi Canyon 583/2 Block (Eni s interest 29.375%) and St. Malo in the Walker Ridge 678 Block (Eni s interest 1.25%) which confirmed the existence of recoverable reserves.

In the Green Canyon 298 Block (Eni s operator with a 100% interest) the Allegheny South oil field was discovered (Eni s interest 100%). Production is expected to start in 2005 with the use of the existing infrastructure of the nearby Allegheny field.

Development is underway of the Timon and K2 fields in the unitized Green Canyon 563-562 Blocks (Eni operator with an 18.17% interest). Production is expected to start in 2005, peaking at 32,000 boe/day (5,000 net to Eni) by year-end.

Italy

Exploration activities yielded positive results with the onshore wells operated by Eni: (i) Civita 1 Dir (Eni s interest 70%) a gas bearing well located in the Civita concession in central Italy; (ii) Tresauro 1 Dir (Eni s interest 45%) in the Tresauro concession in Sicily containing oil; (iii) Monte dell Aquila 1 Dir (Eni s interest 100%) in the Bronte S. Nicola concession in Sicily containing gas and condensates. The latter well will be linked to the existing production facilities. The drilling of the Monte Guzzo 1 Dir well (Eni s interest 25%), non operated by Eni, was successful and showed gas deposits.

Two significant seismic acquisitions were made in the Sicily Channel in the area of the Panda field for a total area of 800 square kilometers and in north-western Sicily in the Casteltermini permit for a total area of 200 square kilometers.

In the Val d Agri in September 2004 the fourth treatment train of the oil center was started-up and allowed to increase production from 55,000 to 67,000 boe/day net to Eni. Production currently derives from the first 18 producing wells of the 38 planned. Production is expected to peak at 104,000 boe/day (73,000 net to Eni) in 2006.

The Ministry of Productive Activities awarded to Eni the Casa Schillaci concession (Eni s interest 100%) where the Pizzo Tamburino gas and liquids field was discovered. An EPC contract is being awarded for the development of the field, with start-up expected in 2005 and peak production of 1,200 boe/day in 2006.

In the Villafortuna/Trecate field (Eni s interest 100%) the Villafortuna 1 bis Dir well was drilled for the recovery of residual reserves. Production was increased by 3,000 barrels/day.

Production maintenance actions were performed on the offshore Barbara E-G, Emilio and Agostino (Eni s interest 100%) and Regina (Eni operator with a 75% interest) fields

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through the drilling of infilling wells and sidetrack activities, increasing production by about 4 million cubic meters/day.

During 2004 development resumed at the Naide field with the installation of a platform, the laying of a pipe linking it with Cervia and the drilling of a development well.

Capital expenditure

Capital expenditure of the Exploration & Production segment amounted to euro 4,912 million and concerned primarily development expenditure (euro 4,369 million, euro 4,969 million in 2003) mainly directed outside Italy (euro 3,991 million): in particular in Libya (the Wafa and Bahr Essalam project), Iran (the South Pars project, phases 4 and 5), Angola (fields in Block 15), Kazakhstan, Egypt, Nigeria and Norway. Development expenditure in Italy (euro 378 million) concerned in particular the continuation of the drilling program and work for plant and infrastructure in Val d Agri and sidetrack and infilling activities in mature areas. Exploration expenditure amounted to euro 499 million (euro 635 million in 2003), of which about 90% was directed outside Italy. Outside Italy exploration concerned in particular the following countries: Egypt, United States, Nigeria, Norway, Indonesia and Kazakhstan. In Italy essentially the onshore of Sicily and Central Italy. Further euro 17 million (Eni s share) were expensed by affiliates for exploration projects in Saudi Arabia, Russia and Spain. Expenditure for capital goods amounted to euro 44 million.

Storage

Natural gas storage activities are performed by Stoccaggi Gas Italia SpA (Stogit) to which such activity was conferred on October 31, 2001 by Eni SpA and Snam SpA, in compliance with article 21 of Legislative Decree No. 164 of May 23, 2000, which provided for the separation of storage from other activities in the field of natural gas.

Storage services are provided by Stogit through eight storage fields located in Italy, based on ten storage concessions[8] vested by the Ministry of Productive Activities.

In 2004 Stogit increased its storage capacity and the share of capacity used by third parties, that reached more than 50%. From the beginning of its operations Stogit markedly increased the number of customers served and the share of revenues from third parties: from a nearly negligible amount, the latter accounted for 38% of total revenues in 2004.

Stogit provides to the market an increasingly wide range of services and reached a high qualitative level in services rendered.

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(8) Two of these are not yet operational.

	2002	2003	2004
Available capacity:			

- modulation and mineral	(billion cubic meters)	7.1	7.1	**7.5**
- share utilized by Eni	(%)	66	53	**47**
- strategic	(billion cubic meters)	5.1	5.1	**5.1**
Total customers	(no.)	20	30	**39**
Modulation and mineral service customers	(no.)	14	24	**29**

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gas & power

With the starting of operations of the Greenstream underwater gasline in October 2004, supplies of natural gas from Libyan fields started and, when fully operational in 2006, will reach 8 billion cubic meters/year (of which 4 billion net to Eni), already booked under long-term contracts with operators of this segment

Natural gas sales, including own consumption and Eni s share of sales of affiliates, reached 84.5 billion cubic meters (up 7.8% over 2003) in line with Eni s strategy of international expansion in markets characterized by interesting growth prospects. Eni targets sales of approximately 94 billion cubic meters in 2008, with a compound annual growth rate of 2.8%

Eni continued its program for developing its electricity generation capacity targeted at 5.3 gigawatts of installed power by 2007 with total capital expenditure amounting to approximately euro 2.2 billion (of which 1.6 were already expensed). When fully operational the new gas fired combined cycle plants will allow to consume over 6 billion cubic meters of natural gas produced by Eni. In 2004, about 1.3 gigawatts were installed at the Ferrera Erbognone, Ravenna and Mantova power stations, thus bringing Eni s total installed capacity to 3.3 gigawatts

Within its strategy of international expansion in natural gas, Eni and its partners in Nigeria LNG (Eni s interest 10.4%) have approved expenditure plans for the construction of the sixth train for LNG production at the Bonny treatment plant, that, when fully operational in 2007, will have a production capacity of 26.5 billion cubic meters/year. This initiative will allow Eni to fully exploit its natural gas reserves in Nigeria

Eni sold a 9.054% interest in Snam Rete Gas, also in accordance with Law No. 290/2003 which prohibits companies operating in the natural gas sector to hold interests higher than 20% in companies owning national gas transmission networks, starting July 1, 2007

(million euro)

	2002	2003	2004
Revenues [(1)]	15,297	16,068	**17,258**
Operating income	3,244	3,627	**3,463**
Capital expenditure	1,315	1,760	**1,446**
Investments	158	3,156	**177**
Employees at period end (units)	13,317	12,982	**12,843**

(1) Before elimination of intersegment sales.

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natural gas

Supply of natural gas

In 2004, Eni s Gas & Power division supplied 76.72 billion cubic meters of natural gas, with a 5.56 billion cubic meters increase over 2003, up 7.8%, related to higher volumes purchased outside Italy (6.42 billion cubic meters), offset in part by lower production volumes supplied in Italy (0.86 billion cubic meters). Natural gas volumes supplied outside Italy (65.42 billion cubic meters) represented 85% of total supplies (83% in 2003).

Outside Italy increases concerned purchases from Russia for Italy (1.70 billion cubic meters) also due to the reaching of full operation of the long-term supply contract signed in 1996 with Gazexport, from Russia for Turkey (0.97 billion cubic meters) related to the supply contract with the Turkish company Botas, from Algeria, the Netherlands, Libya and Norway (up 2.33, 1.04, 0.55 and 0.30 billion cubic meters, respectively). LNG purchases from Algeria declined (0.71 billion cubic meters) due to lower supplies from Sonatrach related to an accident occurred in early 2004 at the Skikda liquefaction plant, which reduced its treatment capacity.

In 2004, a total of 0.93 billion cubic meters of natural gas were withdrawn from the storage sites of Stoccaggi Gas Italia SpA (Eni s interest 100%) as compared to 0.84 billion cubic meters in 2003.

Natural gas supplies

(billion cubic meters)

	2002	2003	2004	Change	% Ch.
Italy	**12.67**	**12.16**	**11.30**	**(0.86)**	**(7.1)**
Russia for Italy	18.62	18.92	**20.62**	1.70	9.0
Russia for Turkey		0.63	**1.60**	0.97	154.0
Algeria	16.35	16.53	**18.86**	2.33	14.1
Netherlands	7.55	7.41	**8.45**	1.04	14.0
Norway	4.83	5.44	**5.74**	0.30	5.5
Croatia	0.31	0.65	**0.68**	0.03	4.6
United Kingdom	1.48	1.98	**1.76**	(0.22)	(11.1)
Hungary	3.05	3.56	**3.57**	0.01	0.3
Libya		0.00	**0.55**	0.55	
Algeria (LNG)	1.92	1.98	**1.27**	(0.71)	(35.9)
Others (LNG)	0.30	0.72	**1.00**	0.28	38.9
Other supplies via gasline		0.00	**0.08**	0.08	
Other supplies	0.03	0.04	**0.04**	0.00	0.0
Others outside Europe	0.96	1.14	**1.20**	0.06	5.3
Outside Italy	**55.40**	**59**	**65.42**	**6.42**	**10.9**
Total supplies	**68.07**	**71.16**	**76.72**	**5.56**	**7.8**
Withdrawals from (inputs to) storage	(1.43)	0.84	**0.93**	0.09	10.7
Network losses and measurement differences	(0.50)	(0.61)	**(0.52)**	**0.09**	(14.8)

Available for sale	**66.14**	**71.39**	**77.13**	**5.74**	**8.0**

Take-or-pay

In order to meet the medium and long-term demand for natural gas, in particular of the Italian market, Eni entered into long-term purchase contracts with producing countries that currently have a residual average term of approximately 16 years. Existing contracts, which in general contain take-or-pay clauses, will ensure a total of about 67.3 billion cubic

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meters of natural gas per year (Russia 28.5, Algeria 21.5, Netherlands 9.8, Norway 6 and Nigeria LNG 1.5) by 2008. The average annual minimum quantity (take-or-pay) is approximately 85% of said quantities. Despite the fact that increasing volumes of natural gas available were sold outside Italy, the expected development of Italian demand and supply of natural gas in the medium and long-term and the evolution of regulations in this segment represent a risk element in the management of take-or-pay contracts.

In 2003 Eni withdrew about 540 million cubic meters less than its minimum offtake obligation; these lower withdrawals were compensated for by higher withdrawals in 2004.

Sales of natural gas

Natural gas sales (84.45 billion cubic meters, including own consumption and Eni s share of sales of affiliates) increased by 6.12 billion cubic meters over 2003, up 7.8%, due mainly to higher sales in the rest of Europe (4.33 billion cubic meters).

In a more and more competitive market, natural gas sales to third parties in Italy (50.39 billion cubic meters) decreased by 0.47 billion cubic meters over 2003, down 0.9%, due mainly to a decline in sales to wholesalers (down 1.18 billion cubic meters), also related to the different impact of weather conditions, and to industries (down 0.78 billion cubic meters), and the fact that in the fourth quarter part of sales (0.54 billion cubic meters) to operators in these segments in particular wholesalers were made in accordance with a certain decisions of the Antitrust Authority (so called gas release)[1]. These declines were offset in part by higher sales to thermoelectric users (up 0.89 billion cubic meters).

Natural gas sales in the rest of Europe (21.87 billion cubic meters) increased by 4.33 billion cubic meters (up 24.7%), due to increases registered in: (i) sales under long-term supply contracts with Italian operators of the natural gas market (1.71 billion cubic meters), also due to the start-up of supplies from Libyan fields in the fourth quarter of 2004; (ii) supplies to the Turkish market via the Blue Stream gasline (0.97 billion cubic meters); (iii) Spain (0.60 billion cubic meters) related to increased supplies to the electric company Iberdrola and to the start-up of supplies to Eni s affiliate Unión Fenosa Gas (Eni s interest 50%); (iv) Germany, related to the start-up of supplies to Eni s affiliate GVS (Eni s interest 50%) and to a German operator (overall 0.56 billion cubic meters); (v) the United Kingdom related to gas marketing activities (0.27 billion cubic meters); (vi) France, related to the beginning of gas marketing activities (0.15 billion cubic meters).

Own consumption[2] amounted to 3.70 billion cubic meters (1.90 billion cubic meters in 2003) and concerned essentially supplies to EniPower (2.61 billion cubic meters), to Polimeri Europa (0.34 billion cubic meters) and to Eni s Refining & Marketing segment (0.25 billion cubic meters).

Sales of natural gas by Eni s affiliates (net to Eni and net of Eni s supplies) amounted to 7.32 billion cubic meter, increasing by 0.38 billion cubic meters over 2003, up 5.5%, and concerned: (i) GVS with 3.37 billion cubic meters; (ii) Galp Energia (Eni s interest 33.34%) with 1.34 billion cubic meters; (iii) volumes of natural gas (1.48 billion cubic meters) treated at the Nigeria LNG Ltd liquefaction plant (Eni s interest 10.4%) in Nigeria, sold by the latter to US and European markets.

(1) Eni agreed with the Antitrust Authority to sell a total volume of 9.2 billion cubic meters of natural gas (2.3 billion cubic meters/year) in the four thermal years from October 1, 2004 to September 30, 2008 at the Tarvisio entry point into the Italian network.
(2) In accordance with article 19, paragraph 4 of Legislative Decree No. 164/2000, the volumes of natural gas consumed in operations by a company or its subsidiaries are excluded from the calculation of ceilings for sales to end customers and from volumes input into the Italian network to be sold in Italy.

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Natural gas sales

(billion cubic meters)

	2002	2003	2004	Change	% Ch.
Italy [(1)]	**50.43**	**50.86**	**50.39**	**(0.47)**	**(0.9)**
Wholesalers	17.02	15.36	**14.18**	(1.18)	(7.7)
Gas release			**0.54**	0.54	
End customers	33.41	35.50	**35.67**	0.17	0.5
Industrial users	14.43	13.17	**12.39**	(0.78)	(5.9)
Thermoelectric users	12.48	15.03	**15.92**	0.89	5.9
Residential	6.50	7.30	**7.36**	0.06	0.8
Rest of Europe	**12.77**	**17.54**	**21.87**	**4.33**	**24.69**
Outside Europe	**0.92**	**1.09**	**1.17**	**0.08**	**7.34**
Total sales to third parties	**64.12**	**69.49**	**73.43**	**3.94**	**5.7**
Own consumption	2.02	1.90	**3.70**	1.80	94.7
Total sales to third parties and own consumption	**66.14**	**71.39**	**77.13**	**5.74**	**8.0**
Sales of natural gas of Eni s affiliates and relevant companies [(2)] (net to Eni)	**2.40**	**6.94**	**7.32**	**0.38**	**5.5**
Europe	1.93	6.23	**6.60**	0.37	5.9
Outside Europe	0.47	0.71	**0.72**	0.01	1.4
Total sales of natural gas	**68.54**	**78.33**	**84.45**	**6.12**	**7.8**

(1) The breakdown by customer in this table is based on the type of contract and therefore does not correspond to the breakdown of sales to wholesalers and end customers envisaged in Legislative Decree No. 164/2000.
(2) Include also sales of Nigeria LNG Ltd (Eni s interest 10.4%).

Transmission and regasification of natural gas

Natural gas volumes transported [(1)]

(billion cubic meters)

	2002	2003	2004	Change	% Ch.
Eni	**54.56**	**51.74**	**52.15**	**0.41**	**0.8**
On behalf of third parties	**19.11**	**24.63**	**28.26**	**3.63**	**14.7**
Enel	8.28	9.18	**9.25**	0.07	0.8
Edison Gas	4.61	7.49	**8.00**	0.51	6.8
Others	6.22	7.96	**11.01**	3.05	38.3
	73.67	**76.37**	**80.41**	**4.04**	**5.3**

(1) Include amounts destined to domestic storage.

Eni transported 80.41 billion cubic meters of natural gas in Italy, an increase of 4.04 billion cubic meters over 2003, up 5.3%, due to increasing domestic demand (3.8%) and higher withdrawals from storage.

Natural gas volumes transported on behalf of third parties (28.26 billion cubic meters) increased by 3.63 billion cubic meters, up 14.7%.

In 2004 Eni s LNG terminal in Panigaglia regasified 2.07 billion cubic meters of natural gas (3.5 billion cubic meters in 2003) discharging 68 tanker ships (123 in 2003). The significant decline in volumes regasified can be attributed to the mentioned accident occurred at Sonatrach s LNG production plant in Skikda, Algeria.

Development projects

Galp

On March 31, 2004 the Portuguese Government, Eni, Energias de Portugal (EdP), Rete Eletrica National (REN), Parpublica and Galp Energia (Galp) defined agreements for: (i) Eni s exit from refining and marketing of refined products in Portugal; (ii) Eni s focusing its interests in natural gas through the purchase of a 49% stake in Gas de Portugal after the spin-off by Galp Energia of its transport and distribution network; the remaining 51% interest owned by EdP.

On December 9, 2004 the European Commission refused to authorize this transaction considering that it would have strengthened EdP s dominant position on the Portuguese electric market; this brought to an end the agreements of March 31, 2004 and revived the agreements signed in 2000 by Eni and the Portuguese Government on the management of Galp.

In order to evaluate possible alternatives to the transactions defined on March 31, 2004, in January 2005 Eni and the Portuguese Government defined a new agreement which postpones Eni s right to increase its interest in Galp (call option).

In 2004, Galp Energia sold about 4.4 billion cubic meters of natural gas to about 820,000 customers through a network of high, medium and low pressure pipelines about 11,700-kilometer long. Galp s assets include among others interests in two import infrastructures, the Transmaghreb pipeline and the Sines LNG terminal, which provide an access to the Iberian market.

Demerging of Italgas

On June 23, 2004, Eni s Board of Directors approved the demerger of Italgas, with assignment to Eni of the interests held by Italgas in Italian companies engaged in the sale of natural gas to the residential segment (including the 100% interest in Italgas Più) and foreign natural gas distribution companies (including 40% in Tigaz), as well as the incorporation of Italgas Più into Eni. Italgas, with headquarters in Turin, continues to manage the distribution network. As a result of the incorporation of Italgas Più, Eni will have direct access to the approximately 5 million customers supplied by the company in Italy, optimizing its commercial structure. This operation is in line with the scope of the Public Tender Offer launched in November 2002 for Italgas shares, aiming at integrating commercial and development policies within Eni natural gas business, and simplifies the Group s shareholding structure.

Greenstream

On October 1, 2004 the Greenstream underwater gasline, a new natural gas import line to Italy, started operations. The underwater pipeline, 520-kilometer long with a 32-inch diameter, linking Mellitah on the Libyan coast to Gela in Sicily, was laid by Saipem s Castoro 6 vessel at a maximum depth of 1,130 meters. When fully operational in 2006 it will transport 8 billion cubic meters/year of natural gas from Libyan fields (4 billion being Eni s share) already booked under long-term contracts with operators of the natural gas market.

In the October-December 2004 period, it carried approximately 0.5 billion cubic meters of natural gas.

Nigeria LNG

Eni holds a 10.4% interest in Nigeria LNG Ltd (NLNG) that manages the Bonny (Nigeria) natural gas liquefaction plant and exports LNG. This interest allows Eni to market its proved reserves of Nigerian natural gas. The plant, made up of three treatment trains with an overall capacity of about 11.2 billion cubic meters/year of liquefied natural gas, is undergoing an upgrade by means of the installation of two further trains, expected to start operating in the second half of 2005. In July 2004 the shareholders of NLNG approved the construction of a sixth train with an expenditure of about dollar 400 million, net to Eni, including also the expenditure related to the upstream phase. The sixth train is expected to start operations in 2007. When fully operational in 2007 the plant will have a capacity of 26.5 billion cubic meters/year of LNG.

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Sale of the water business

On December 13, 2004, Italgas signed agreements for the sale of its majority interest (67.05%) in Società Azionaria per la Condotta di Acque Potabili to Amga SpA and Smat SpA for euro 85.1 million (euro 15.57 per share). On January 20, 2005 the Italian Antitrust Authority authorized the transaction that was closed on March 15, 2005.

On March 10, 2005, Italgas signed agreements for the sale of its 100% interest in Acquedotto Vesuviano SpA to Gori SpA for euro 20 million. The transaction is subject to authorization from the Italian Antitrust Authority. Closing is expected in May 2005.

The above transactions are part of Eni s strategy of concentrating its resources in its core natural gas business.

Regulatory framework

Actions by the Antitrust Authority and the Authority for electricity and gas

Sale contracts outside Italy

With a decision of November 21, 2002, the Antitrust Authority judged that Eni had violated competition rules by entering in 2001 into contracts outside Italy with other operators importing into Italy the supplied volumes and thus limiting third party access to natural gas transport infrastructure. The Antitrust Authority considered 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 single operators into the national network. With the same decision and taken into account the lack of clarity of Italian regulations and Eni s availability to increase the transmission capacity of gaslines outside Italy, the Antitrust Authority imposed on Eni a symbolic fine amounting to euro 1,000 and requested Eni to submit implement measures to eliminate infringing behaviors with specific attention to the upgrading of the transmission network or equivalent actions .

On June 18, 2004, Eni submitted to the Authority a proposal entailing the sale to third parties of a total of 9.2 billion cubic meters of natural gas in the four-thermal year period starting in October 1, 2004 through September 30, 2008, corresponding to 2.3 billion cubic meters for each thermal year, before such natural gas enters the national transmission network at Tarvisio. With a decision of June 24, 2004, the Authority judged this proposal adequate to end the effects of the violation of competition rules highlighted in the November 21, 2002 decision.

With the decision of October 7, 2004 that closed the above mentioned procedure, the Authority acknowledged that Eni has taken proper measures for executing the decision of November 21, 2002 by signing gas release contracts. However, it fined Eni euro 4.5 million alleging that Eni had complied belatedly with the Authority s indications. On December 6, 2004, Eni filed a claim with the Regional Administrative Court of Lazio against this decision and requesting the annulment of the fine that was however recorded in Eni s accounts.

In addition, a claim filed with the Regional Administrative Court of Lazio against the decision of November 21, 2002 is still pending.

TTPC

On February 1, 2005, the Antitrust Authority notified Eni of the opening of a procedure, according to article 14 of Law No. 287/1990, to ascertain an alleged abuse of dominant position. The events leading to the opening of the procedure relate to behaviors of Trans Tunisian Pipeline Co Ltd (TTPC), wholly owned by Eni, concerning its decision to consider expired certain ship-or-pay contracts signed on March 31, 2003 by TTPC with four shippers awarded new capacity on TTPC s pipeline due to the non occurrence of suspensive clauses, and therefore not to proceed to an upgrade of the pipeline before 2007.

Survey on the liberalization of the natural gas market in Italy

On June 17, 2004, the Authority for electricity and gas and the Antitrust Authority decided to close their joint survey on the natural gas market started February 20, 2003. Both Authorities consider the overall level of competition of the Italian natural gas market unsatisfactory. According to both Authorities one of the main reasons for this is the vertical integration of Eni in the supply and transport of gas, notwithstanding the antitrust ceilings introduced that limit until 2010 the volumes of natural gas input to consumption in Italy.

Among the possible measures which in their opinion could enhance the level of competition in the natural gas market are: (i) the upgrading by Eni of infrastructure for the import of natural gas from Russia (TAG) and Algeria (TTPC); (ii) the establishment of an independent transmission system operator (ISO) that owns and operates both the national high pressure transport grid and the storage assets of natural gas; (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; (iv) the sale by Eni to third parties of adequate gas volumes at a price near to the supply cost without control on the recipients.

Legislative Decree No. 164/2000

Legislative Decree No. 164/2000 imposed thresholds to operators until December 31, 2010 in relation to a percentage share of domestic consumption set as follows: (i) 75%, from January 1, 2002, for imported or domestically produced natural gas volumes input in the domestic transmission network destined to sales; this percentage decreases by 2 percentage points per year until it reaches 61% in 2009; (ii) 50% from January 1, 2003 for sales to final customers. These ceilings are calculated net of losses (in the case of sales) and of volumes consumed in operations. The decree also provides for a periodical control (every three years) of the respect of said ceilings. This control is performed each year by the Antitrust Authority by comparing the three-year average of the allowed percentage with the one actually achieved by each operator. In particular 2004 closes the first three-year regulated period for natural gas volumes input in the domestic transmission network, in which the allowed percentage is 73% of domestic consumption of natural gas. Eni s presence on the Italian market complied with said limit.

Directive 2003/55/CE

On August 4, 2003, the European Directive 2003/55/CE of the European Parliament and the European Council came into force. It contains common regulations for the internal market of natural gas and cancels Directive 98/30/CE. Member States are to include the directive into their laws by July 1, 2004.

The most relevant aspects of the directive that in some cases have already been put into law by Legislative Decree No. 164/2000 and by other laws, are the following:

- unbundling of transmission and distribution from other activities in the field of natural gas in case of a vertically integrated undertaking. In Italy unbundling was already set in Legislative Decree No. 164/2000;

derogation from third party access for companies investing in major new gas infrastructures and significant increases in capacity of existing infrastructures (See below, Law No. 239 of August 23, 2004).

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Decree of the President of the Council of Ministers of October 31, 2002

The Decree, implementing Legislative Decree No. 193/2002 stated that the Authority for electricity and natural gas: (i) defines, calculates, and updates tariffs for the sale of natural gas to those customers that at December 31, 2002 are non eligible customers in order to favor a regular and gradual passage to the open market; (ii) defines methods for updating tariffs related to the variable cost portion in order to reduce their inflationary impact.

In implementation of this decree, in its decision No. 195/2002, the Authority changed the updating modes for tariff components related to changes in international oil prices.

Law No. 239 of August 23, 2004 on the restructuring of the energy sector in Italy

This law provides for:

a) a derogation to third party access granted to companies that make direct or indirect investments for the construction of new infrastructure or the upgrading of existing ones such as: (i) interconnections between EU Member States and national networks, (ii) interconnections between non-EU States and national networks for importing natural gas to Italy; (iii) LNG terminals in Italy; (iv) underground storage facilities in Italy. Investing companies can obtain priority on the conferral of new capacity for a portion of not less than 80% of the new capacity installed and for a period of at least 20 years.
b) Paragraph 34 of the single article prohibits undertakings active in the field of natural gas and electricity with a concession for local public services or for the management of networks (excluding all sale activities) from operating in a competitive market for post-counter services, in the areas where they hold the concession for the duration of the concession, not even through subsidiaries or affiliates.
c) Paragraph 51 cancels paragraph 5 of article 16 of Legislative Decree No. 164/2000 which obliged distribution companies to ascertain the existence of plants which do not only supply gas to productive units and safety of post-counter services.
d) Paragraph 69 provides the authentic interpretation of the rule introduced by Legislative Decree No. 164/2000 concerning the transitional regime of concessions for natural gas distribution activities in urban centers existing at June 21, 2000, date of first application of the law, which allows for an anticipated repayment of the distribution service, despite being finalized to a bid procedure rather than direct entitlements. This law changes the provisions defined by Legislative Decree No. 164/2000 by: (i) extending to December 31, 2007, the transitional period for the continuation of existing concessions, with a possible extension of one further year when public interest is considered important by local authorities; (ii) cancelling the adding up of possible extensions, as provided for by Legislative Decree No. 164/2000, in case of given conditions (business restructuring, size parameters, shareholding composition). The end of concessions awarded on the basis of a bid procedure remains set at December 31, 2012.

Decision No. 137/2002 of the Authority for electricity and natural gas and Network Code of Snam Rete Gas

The Authority for electricity and natural gas with decision No. 137/2002 defined criteria for regulating access to natural gas transport networks, in particular the issue of priority. Eni filed a claim against this decision with the Regional Administrative Court of Lombardia, that was partially accepted with a decision of December 2004. The Authority filed a claim against this decision with the Council of State and informed Eni on February 19, 2005.

Marketing activities

Determination of reference prices for non eligible customers at December 31, 2002

In order to dampen the inflationary pressures related to the increase in international oil prices in the second half of 2004, the Authority, with decision No. 248 of December 29, 2004, changed the indexing mechanism concerning the raw material component in tariffs paid by end customers that were non eligible customers at December 31, 2002 according to decision No. 195/2002. The decision introduced the following changes: (i) establishment of a cap set at 75% for the changes in the raw material component if Brent prices fall outside the 20-35 dollar/barrel interval; (ii) change of the relative weight of the three products making up the reference index of energy prices whose variations when higher or lower than 5% as compared to the same index in the preceding period determine the adjustment of raw material costs; (iii) substitution of one of the three products included in the index (a pool of crudes) with Brent crude; (iv) reduction in the value of the variable wholesale component of the selling price by 0.25 cents per cubic meters in order to foster the negotiation of prices consistent with average European prices in gas import contracts starting from October 2005.

Decision No. 248/2004 also imposes the obligation to provide new conditions consistent with the said decision to suppliers of natural gas to wholesalers under contracts that do not contain price adjustment clauses in case of changes in the adjustment rules of supply conditions.

Eni filed a claim against decision No. 248/2004, requesting its suspension, given the serious economic and financial prejudice deriving from the application of the decision. On January 25, 2005 the Regional Administrative Court of Lombardia accepted the claim and set to June 2005 the hearing for the settlement of the claim. On March 22, 2005 the Council of State rejected the Authority s claim requesting the annulment of the suspension.

Distribution activities

Change of decision No. 237/2000 and new tariff criteria

Decision No. 104 of June 25, 2004 postponed to September 30, 2004 the duration term of the first regulated period of natural gas distribution and the validity of the basic tariff options approved by the Authority for thermal year 2004.

With decision No. 170 of September 29, 2004 the Authority defined gas distribution tariffs for the regulated period from October 1, 2004 to September 20, 2008, setting at 7.5% the rate of return on capital employed of distribution companies, as compared to the 8.8% rate set for the preceding regulated period. The rate of productivity recovery one of the components of the annual adjustment mechanism of tariffs was set at 5% of operating expenses and amortization charges (as compared to the 3% rate applied to total expenses and charges in the preceding regulated period).

Municipalities may request a contribution lower than 1% of revenues of distribution companies destined to cover supply costs of certain categories of customers.

The Regional Administrative Court in a decision published on February 16 cancelled the Authority s decision. The latter filed a claim with the Council of State, that, on March 8, 2005, suspended the Regional Administrative Court s decision while waiting for the judgment.

power generation

Operating since 2000, EniPower manages Eni s electricity business and owns power stations located at Eni s sites in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara with installed capacity of 3.3 gigawatts at December 31, 2004, with an increase of approximately 1.4 gigawatt over December 31, 2003, of these 0.1 gigawatt was of purchased capacity.

Eni is implementing a plan for expanding its electricity generation capacity, targeted at an installed capacity of 5.3 gigawatt in 2007 with production amounting to 32.5 TWh in the following year, corresponding to over 10% of electricity generated in Italy at that date. Planned capital expenditure amounts to approximately euro 2.2 billion.

New installed generation capacity will employ the CCGT technology (combined cycle gas fired), which allows to obtain high efficiency and low environmental impact. In particular, Eni estimates that given the same amount of energy (electricity and heat) produced, the use of the CCGT technology on a production of 32 terawatthour will allow to reduce emissions of carbon dioxide by approximately 11.8 million tonnes, as compared to emissions caused by conventional power stations, consistently with the provisions of the Kyoto Protocol.

Eni completed its development plan at Ferrera Erbognone and Ravenna, while construction is underway at Brindisi, Mantova and Ferrara.

Ferrera Erbognone. On May 14, 2004 the combined cycle power station was inaugurated, the first one in Italy after the opening up of the electric market. This power station has an installed capacity of approximately 1,030 megawatts articulated in three combined cycle units, two of them with approximately 390 megawatts capacity are fired with natural gas, the third one with approximately 250 megawatts capacity will be fired in part with natural gas and complemented with refinery gas obtained from the gasification of tar from visbreaking from Eni s nearby Sannazzaro de Burgondi refinery.

Ravenna. Two new combined cycle 390 megawatts units started operations. Added to the existing 190 megawatts, the power station s installed capacity reached approximately 970 megawatts.

Brindisi. Three new combined cycle units each with 390 megawatt capacity are under construction. When fully operational the power station will have a total capacity of approximately 1,320 megawatts, including already existing amounts. The completion of the power station is expected between the end of 2005 and the first quarter of 2006.

Mantova. Work is underway for the installation of two new combined cycle 390 megawatt units, the first one of which already performed its first parallel run with the national network. The second unit is expected to start operating in the second half of 2005, with full operation in early 2006. When completed, the power station will have a total installed capacity of approximately 840 megawatts. This power station will provide steam for heating purposes delivered to Mantova s urban network through a remote heating system.

		2002	2003	2004	Change	% Ch.
Purchases						
Natural gas	(million cubic meters)	819	940	**2,617**	1,677	178.4
Other fuels	(thousand toe)	885	847	**695**	(152)	(17.9)
Sales						

Electricity production sold	(terawatthour)	5.00	5.55	**13.85**	8.30	149.5
Electricity trading	(terawatthour)	1.7	3.1	**3.1**	..	..
Steam	(thousand tonnes)	9,302	9,303	**10,040**	737	7.9

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Ferrara. EniPower owns 51% of the share capital of Società EniPower Ferrara (SEF) in partnership with EGL Italia, an Italian affiliate of the Swiss group EGL. SEF started the construction of two new combined cycle units with a capacity of 390 megawatt each which will bring total installed capacity at Ferrara to 840 megawatts. Operations are expected to start in 2007. In 2004 some 80 megawatts of capacity were purchased.

In 2004, electricity production sold amounted to 13.85 terawatthour, increasing by 8.30 terawatthour, up 149.5% over 2003. Eni purchased 3.1 terawatthour from third parties in Italy and outside Italy. Sales of steam amounted to 10 million tonnes, with an increase of 737,000 tonnes over 2003, up 7.9%.

Capital expenditure

Capital expenditure in the Gas & Power segment totaled euro 1,446 million and related mainly to: (i) development and maintenance of Eni s natural gas transmission network in Italy (euro 553 million); (ii) the continuation of the construction of combined cycle power plants (euro 451 million) in particular at Brindisi, Ferrara, Ferrera Erbognone, Mantova and Ravenna; (iii) development and maintenance of Eni s natural gas distribution network in Italy (euro 168 million); (iv) the completion of the Greenstream gasline (euro 159 million) that started operations in October.

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refining & marketing

Within its strategy of improving fuel quality Eni launched the new BluSuper gasoline which reduces polluting emissions and guarantees better engine performance. This fuel anticipates the new EU requirements in force from 2009

The average throughput of Agip branded service stations in Italy increased by 4.5% (from 2.4 to 2.5 million liters) due to the network rationalization process, the commercial success of new fuels and of the Do-It-Yourself campaign that at year-end had 3.8 million customers provided with fidelity cards

Sales of fuels on Eni s network in the rest of Europe reached over 4.4 billion liters, with a 15.1% increase over 2003 as a consequence of a selective development strategy in markets with interesting growth prospects where Eni can leverage on its well known brand name and on logistic and operational synergies

Within its strategy of concentration in Europe in downstream oil, Eni sold its entire interest in Agip do Brasil, operating in the distribution of refined products through over 1,500 service stations and of bottled LPG

(million euro)

	2002	2003	2004
Revenues [1]	21,546	22,148	**26,094**
Operating income	321	583	**965**
Capital expenditure	550	730	**669**
Investments	54	10	**46**
Employees at period end (units)	13,757	13,277	**9,224**

(1) Before elimination of intersegment sales.

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Supply and trading

In 2004, a total of 67.05 million tonnes of oil were purchased (63.4 in 2003), of which 35.73 million tonnes from Eni s Exploration & Production segment[1], 19.9 million tonnes under long-term contracts with producing countries, and 11.42 million tonnes on the spot market. Some 24% of oil purchased came from West Africa, 22% from North Africa, 16% from the North Sea, 17% from countries of the former Soviet Union, 11% from the Middle East, 7% from Italy and 3% from other areas. Some 32.39 million tonnes were resold, representing an increase of 1.19 million tonnes over 2003, up 3.9%. In addition, 3.10 million tonnes of intermediate products were purchased (3.43 in 2003) to be used as feedstocks in conversion plants and 18.8 million tonnes of refined products (17.73 in 2003) sold as a complement to own production on the Italian market (4.99 million tonnes) and on markets outside Italy (13.83 million tonnes).

Refining

Processing

In 2004 refinery intake processing on own account in Italy and outside Italy (37.68 million tonnes) increased by 2.25 million tonnes over 2003, up 6.4%, due mainly to: (i) increased intake processing in Italy (1.55 million tonnes, up 5.1%) in particular at the Gela, Taranto and Sannazzaro refineries, whose effects were offset in part by the impact of the maintenance standstill of the Livorno and Milazzo refineries; (ii) higher processing in the rest of Europe (0.7 million tonnes, up 19.3%) due essentially to higher processing at Ceska Rafinerska (Eni s interest 16.33%), which, under the new organization defined in the second half of 2003, provides a processing service to shareholders proportional to their interests (formerly shareholders bought finished products from the refinery according to their requirements).

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(1) The Refining & Marketing segment purchased approximately 70% of the Exploration & Production segment s oil and condensate production and resold on the market those crudes and condensates that are not suited to processing in its own refineries due to their characteristics or geographic area.

Petroleum products availability

(million tonnes)

	2002	2003	2004	Change	% Ch.
Italy					
Refinery intake in wholly-owned refineries	30.09	25.09	**26.76**	1.66	6.6
Refinery intake for third parties	(1.88)	(1.72)	**(1.50)**	0.22	(12.8)
Refinery intake in non owned refineries (1)	6.27	8.43	**8.10**	(0.33)	(3.9)
Refinery intake on own account	34.48	31.80	**33.35**	1.55	4.9
Consumption and losses	(1.91)	(1.64)	**(1.64)**	0.00	0.0
Products available	**32.57**	**30.16**	**31.71**	**1.56**	**5.2**
Purchases of finished products and change in inventories	6.27	5.86	**5.07**	(0.79)	(13.5)
Finished products transferred to foreign cycle	(5.56)	(5.19)	**(5.03)**	0.16	(3.1)
Consumption for power generation	(1.74)	(1.07)	**(1.06)**	0.01	(0.9)
Products sold	**31.54**	**29.76**	**30.69**	**0.93**	**3.1**
Outside Italy					

Products available	**2.98**	**3.36**	**4.04**	**0.68**	**20.2**
Purchases of finished products and change in inventories	12.16	12.12	**13.78**	1.66	13.7
Finished products transferred from Italian cycle	5.56	5.19	**5.03**	(0.16)	(3.1)
Products sold	**20.70**	**20.67**	**22.85**	**2.18**	**10.5**
Sales in Italy and outside Italy	**52.24**	**50.43**	**53.54**	**3.11**	**6.2**

(1) Include processing of Raffineria di Milazzo ScpA (Eni s interest 50%) and Erg Raffinerie Mediterranee Srl (Eni s interest 28%).

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Total intake processing (on own account and for third parties) on wholly owned refineries amounted to 26.75 million tonnes (25.09 in 2003) with full utilization of their overall balanced capacity. About 33% of all oil processed came from Eni s Exploration & Production division (32.9% in 2003).

On December 26, 2004 a sea storm caused relevant damage to the Gela pier, owned by the Italian State but held in exclusive concession by the Raffineria di Gela SpA. This affected operations at the refinery as it prevented ships from unloading crude and from loading refined products. In order to minimize the impact on intake, maintenance works of some plants, due in 2005, were anticipated. In January and February 2005 approximately 330,000 tonnes of crude and intermediate products were processed, with an utilization rate of 40%.

On March 2, 2005 Eni sold to Erg SpA its 28% interest in Erg Raffinerie Mediterranee SpA and Erg Nuove Centrali SpA, anticipating the maturity (November 2006) of Eni s put option, provided for by the agreement for the restructuring of the Priolo site signed on October 1, 2002. In order to guarantee the continuity of existing supply contracts of oil-based feedstocks to Polimeri Europa, Eni s processing contract for about 2 million tonnes/year of crude oil retains validity until December 31, 2006 at the conditions (yields and payments) reflecting the current setup of the refinery.

As agreed in 2002, proceeds from the sale amounted to euro 106 million.

Distribution of refined products

In 2004 sales of refined products (53.54 million tonnes) increased by 3.11 million tonnes over 2003, up 6.2%, mainly due to higher sales outside Italy to oil companies and traders (3.05 million tonnes), on retail markets in the rest of Europe (0.45 million tonnes) and on wholesale markets in Italy (0.35 million tonnes). These increases were offset in part by the divestment of activities in Brazil (1.6 million tonnes).

Retail sales in Italy

Sales of refined products on retail markets in Italy (10.93 million tonnes) were in line with those of 2003; the effect of the sale/closure of service stations within the network rationalization process and of the decline in the number of highway concessions following bid procedures was almost entirely offset by higher sales in service stations with higher throughput. Market share declined by 0.3 percentage points from 36.6% to 36.3%. Average throughput (1,863,000 liters) increased by 50,000 liters over 2003, up 2.8%. Average throughput of Agip branded service stations increased by 4.5% (from 2,418,000 to 2,528,000 liters).

At December 31, 2004, Eni s retail distribution network in Italy consisted of 7,244 service stations (49% of these owned by Eni), 46 less than at December 31, 2003, due to the closure of 167 service stations, and the decline in the number of highway concessions (11 units) offset in part by the positive balance (106 units) of purchases and releases of lease contracts, the opening of 24 new service stations and the awarding of 2 highway concessions.

Within its strategy of improving fuel quality, in June 2004 Eni started to sell the new BluSuper gasoline, which guarantees better engine performance and efficiency and reduces polluting emissions, thanks to its high antidetonating power resulting from a higher octane number (98 as compared to 95 of ordinary gasolines) and its lack of sulfur. BluSuper complements BluDiesel, sold since 2002, and is part of Eni s strategy to improve the quality of its fuels, anticipating their compliance with EU regulations (mandatory from 2009) and targeting its offer to customers requirements, leveraging on Eni s integrated refining-logistics-distribution

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system. In 2004 BluSuper sales amounted to 83 million liters. Agip branded service station selling BluSuper were about 1,000 at year-end corresponding to about 23% of the network.

In 2004 the renewal process of the car fleet in Italy in favor of diesel engines continued and determined an increase in the share of diesel fuel on total fuel sold (53.5% as compared to nearly 50% in 2003). In this context BluDiesel increased its market share with sales of 1.2 billion liters (up 37.8% over 2003), corresponding to approximately 21% of total diesel fuel volumes sold on the Agip branded network (16% in 2003) and to approximately 7% of all diesel fuel sales on the Italian market (5.2% in 2003). At the end of 2004 about 3,900 Agip branded service stations were selling BluDiesel (about 3,700 at December 31, 2003), corresponding to about 90% of the Agip network.

In 2004 Eni continued its Do-It-Yourself campaign which allows customers accessing self-service outlets provided with an electronic card to obtain price discounts or gifts in proportion to the total amount of purchased fuel. At year-end the number of cards distributed exceeded 3.8 million. Points registered by fidelity cards increased by about 50% over 2003. The amount of fuel purchased with the card was about 30% of all fuel sold on Agip branded service stations.

Within its rationalization strategy Eni sold its 50% interest in Finifast, a catering company, to its former partner Fini.

Retail sales outside Italy

Sales of refined products on retail markets in the rest of Europe (3.47 million tonnes) increased by 0.45 million tonnes, over 2003, up 14.9%, related to the progressive consolidation of service stations purchased in 2003, in particular in Spain, Germany and France.

Following the divestment of distribution activities in Brazil (which included 1,544 service stations at December 31, 2003) at December 31, 2004, Eni s retail distribution network outside Italy was represented by service stations located only in the rest of Europe and consisted of 1,896 service stations, 83 more than at December 31, 2003, following purchases defined in 2003 in Germany (86 service stations), whose effects were offset in part by the closure of 11 service stations and the release of lease contracts (in Switzerland, Hungary and France).

Average throughput (2,393,000 liters) increased by 15,000 liters over 2003, up 0.6%.

Sales of refined products in Italy and outside Italy

(million tonnes)

	2002	2003	2004	Change	% Ch.
Retail marketing	11.14	10.99	**10.93**	(0.06)	(0.5)
Wholesale marketing	10.64	10.35	**10.70**	0.35	3.4
	21.78	**21.34**	**21.63**	**0.29**	**1.4**
Petrochemicals	3.82	2.79	**3.05**	0.26	9.3
Other sales [(1)]	5.94	5.63	**6.01**	0.38	6.7
Sales in Italy	**31.54**	**29.76**	**30.69**	**0.93**	**3.1**
Retail rest of Europe	2.57	3.02	**3.47**	0.45	14.9
Retail Africa and Brazil	1.44	1.18	**0.57**	(0.61)	(51.7)
Wholesale marketing	5.65	6.01	**5.30**	(0.71)	(11.8)
	9.66	**10.21**	**9.34**	**(0.87)**	**(8.5)**
Other sales [(1)]	11.04	10.46	**13.51**	3.05	29.2

Sales outside Italy	**20.70**	**20.67**	**22.85**	**2.18**	**10.5**
	52.24	**50.43**	**53.54**	**3.11**	**6.2**

(1) Includes bunkering, sales to oil companies and traders and MTBE sales.

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Wholesale sales and other sales

Sales on wholesale markets in Italy (10.70 million tonnes) increased by 0.35 million tonnes over 2003, up 3.4%,due mainly to higher sales of asphalt and fuel oil to the thermoelectric sector. Market share increased by 2.9 percentage points from 24.1 in 2003 to 27%.

Sales to petrochemical companies in Italy (3.05 million tonnes) increased by 0.26 million tonnes, up 9.3%, due mainly to increased demand for refinery products.

Outside Italy, wholesale sales (5.3 million tonnes) decreased by 0.71 million tonnes, down 11.8% due mainly to the divestment of activities in Brazil, whose effects were offset in part by higher sales in Germany, Spain and France.

Other sales (19.52 million tonnes) increased by 3.43 million tonnes, up 21.3%, due mainly to higher sales to traders and oil companies.

LPG

Retail and wholesale sales in Italy (680,000 tonnes) decreased by 30,000 tonnes, down 4.2% over 2003, while market share declined from 19.4 in 2003 to 19.1%. LPG sales to third parties through other channels, in particular to oil companies and traders, amounted to about 400,000 tonnes (30,000 tonnes more than in 2003, up 8.7%).

Outside Italy, LPG wholesale sales amounted to 1.09 million tonnes with a decrease of 630,000 tonnes, down 36.6% over 2003, due essentially to the divestment of activities in Brazil.

Divestment of activities in Brazil

Within its strategy of concentrating in downstream oil in Europe, effective July 1, 2004 Eni sold to the Brazilian company Petrobras its 100% interest in Agip do Brasil SA, engaged in the distribution of refined products through a network of over 1,500 service stations and in the sale of bottled LPG through a network made up of 25 bottling facilities and 26 storage sites. Proceeds from the sale, including net borrowings transferred, amounted to dollar 509 million.

Capital expenditure

In 2004 capital expenditure in the Refining & Marketing segment amounted to euro 669 million and concerned essentially: (i) refining and logistics (euro 420 million), in particular the construction of the tar gasification plant at the Sannazzaro refinery, efficiency improvement actions and adjustment of automotive fuel characteristics to new European specifications; (ii) the upgrade of the refined product distribution network in Italy (euro 164 million); (iii) the upgrade of the refined product distribution network and the purchase of service stations in the rest of Europe (euro 69 million, of which 20 million related to construction of new stations and purchases in particular in Germany, Spain and France).

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petrochemicals

(million euro)

	2002	2003	2004
Revenues [1]	4,516	4,487	**5,417**
Operating income	(126)	(176)	**271**
Capital expenditure	145	141	**99**
Investments	1		**6**
Employees at period end (units)	7,258	7,050	**6,565**

(1) Before elimination of intersegment sales.

Sales - production - prices

In 2004 sales of petrochemical products (5.299 million tonnes) increased by 33,000 tonnes, up 0.6% over 2003, due essentially to the increase registered in olefin sales related to a recovery in demand, whose effect was offset in part by declining sales in aromatics and intermediates, related to accidents and market problems, the divestment of the Baytown plant (thermoplastic rubber) and the shutdown of plants.

At December 31, 2004, Eni s sales network covered 17 countries, with Italy accounting for 54% of sales, the rest of Europe for 40% and the rest of the world for 6% (52%, 41% and 7%, respectively in 2003).

Production (7,118,000 tonnes) increased by 211,000 tonnes, up 3.1% over 2003, due in particular to higher olefin production. Total nominal production capacity decreased by 2.1% over 2003, due essentially to the divestment of the Baytown plant, the shutdown of the Ravenna polybutadiene manufacturing line and the Porto Marghera butadiene plant. The average capacity utilization rate calculated on nominal capacity increased by 3.9 percentage points (from 71.3% to 75.2%), due mainly to an increased utilization rate of crackers and the favorable effect of the shutdown of plants with low utilization rate.

About 36.7% of total production was directed to Eni s own production cycle (38.4% in 2003). Oil-based feedstocks supplied by Eni s Refining & Marketing segment covered 22% of requirements (31% in 2003).

The prices of Eni s main petrochemical products increased on average by 20.8%, with the most relevant increases in aromatics (up 40.6%), intermediates (up 29.5%) and polyethylene (up 27.9%).

Basic petrochemicals

Sales of basic petrochemicals (2,766,000 tonnes) increased by 62,000 tonnes over 2003, up 2.3%, due to increases registered in olefins (up 7.2%, in particular ethylene and butadiene) due to a recovery in demand, whose effects were offset in part by lower aromatics sales (down 5.2%), related in particular to the standstill of the Priolo plant, lower trading activities, and lower intermediate sales (down 2.3%), due mainly to lower acetone and phenol availability related to a standstill for an accident occurred at the Porto Torres dock.

Basic petrochemical production (4,236,000 tonnes) increased by 222,000 tonnes over 2003 (up 5.5%) mainly in olefins due to higher utilization rates of plants and a decline in standstills.

Styrene and elastomers

Styrene sales (709,000 tonnes) decreased by 14,000 tonnes over 2003, down 2%, due mainly to lower ABS/SAN sales (down 5.9%) related to the rationalization of the customer/product portfolio caused be the impending shutdown of the Ravenna plant, expected in the first half of 2005, and lower styrene sales. These negative factors were offset in part by increased expandable polystyrene sales pushed by increasing demand especially in Eastern Europe in the segment of thermal insulation and industrial packaging.

Elastomer sales (441,000 tonnes) decreased by 7,000 tonnes over 2003, down 1.5%, due mainly to the shutdown of the Ravenna polybutadiene rubber line (in late 2003) and the divestment of the Baytown plant (USA). These negative factors were offset in part by an about 8% increase in other product sales, in particular SBR rubber (up 24%), TPR rubber (up 20%) and EPR rubber (up 19.5%) pushed by the increase in demand. Latex sales declined (down 2.2%), due to problems in one relevant market.

Production of styrene (1,118,000 tonnes) was substantially stable as compared to 2003. Lower ABS/SAN production (down 11%), related to the planned capacity reduction was offset by higher expandable polystyrene production (up 8%) related to increasing demand.

Elastomer production (488,000 tonnes) decreased by 4%, due to divestments and shutdowns. Without taking into account these factors, production increased by approximately 11%, with increases higher than 20% in EPR and SBR rubber, in line with the increase in demand.

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Polyethylene

Sales of polyethylene (1,383,000 tonnes) were substantially stable as compared to 2003.

Production (1,276,000 tonnes) increased by 1.4%, in line with the trends in demand; the most significant increases concerned EVA (up 11%) and LLDPE (up 1.2%), while HDPE production declined (down 1.6%).

Capital expenditure

In 2004, capital expenditure amounted to euro 99 million and concerned in particular actions for improving the efficiency of plants and streamlining (euro 58 million) and actions for environmental protection and for complying with safety and environmental regulations (for a total of euro 41 million).

Product availability

(thousand tonnes)

	2002	2003	2004	Change	% Ch.
Basic petrochemicals	4,304	4,014	**4,236**	222	5.5
Styrene and elastomers	1,538	1,634	**1,606**	(28)	(1.7)
Polyethylene	1,274	1,259	**1,276**	17	1.4
Production	**7,116**	**6,907**	**7,118**	**211**	**3.1**
Consumption of monomers	(2,607)	(2,651)	**(2,615)**	36	(1.4)
Purchases and change in inventories	984	1,010	**796**	(214)	(21.2)
	5,493	**5,266**	**5,299**	**33**	**0.6**

Sales

(thousand tonnes)

	2002	2003	2004	Change	% Ch.
Basic petrochemicals	2,894	2,704	**2,766**	62	2.3
Styrene and elastomers	1,151	1,171	**1,150**	(21)	(1.8)
Polyethylene	1,448	1,391	**1,383**	(8)	(0.6)
	5,493	**5,266**	**5,299**	**33**	**0.6**

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oilfield services construction and engineering

(million euro)

	2002	2003	2004
Revenues [1]	4,546	6,306	**6,494**
Operating income	298	311	**260**
Capital expenditure	233	278	**209**
Investments	1,055	9	
Employees at period end (units)	29,091	26,457	**26,740**

(1) Before elimination of intersegment sales.

Orders acquired and order backlog

Orders acquired in 2004 amounted to euro 5,784 million. About 90% of new orders acquired was represented by work to be carried out outside Italy, and 14% by work originated by Eni companies. Eni s order backlog was euro 8,521 million at December 31, 2004 (euro 9,405 million at December 31, 2003). Projects to be carried out outside Italy represented 84% of the total order backlog, while orders from Eni companies amounted to 8% of the total.

(million euro)

		2002	2003	2004	Change	% Ch.
Orders acquired		**7,852**	**5,876**	**5,784**	**(92)**	**(1.6)**
Oilfield Services Construction		5,454	4,298	**4,387**	89	2.1
Engineering		2,398	1,578	**1,397**	(181)	(11.5)
Originated by Eni companies	(%)	12	11	**14**		
To be carried out outside Italy	(%)	96	91	**90**		
Order backlog		**10,065**	**9,405**	**8,521**	**(884)**	**(9.4)**
Oilfield Services Construction		5,158	5,225	**5,306**	81	1.6
Engineering		4,907	4,180	**3,215**	(965)	(23.1)
Originated by Eni companies	(%)	13	10	**8**		
To be carried out outside Italy	(%)	78	81	**84**		

The engineering order backlog declined by euro 865 million due in particular to the postponement of many projects on reference markets and of the depreciation of the dollar over the euro. In the first quarter of 2005, the activity recovered somewhat and orders were acquired for approximately euro 3 billion, in particular the following contracts were awarded: (i) from Abu Dhabi Gas Industries (GASCO) for the Ruwais 3rd LNG Train project for NGL (natural gas liquids) production from the F and G wells of the Thalama field; (ii) in cooperation with SNC Lavalin for the engineering, procurement and construction of three plants for the hydrotreatment of oil distillates with a total capacity of approximately 130,000 barrels/day in the Canadian Natural Resources Ltd complex at Fort McKay, Canada within the Horizon Oil Sands project; (iii) from Saudi Aramco for the construction of a natural gas treatment and compression plant in Hawiyah in Saudi Arabia.

Main orders won

The most significant orders won in 2004 in oilfield services and construction were:

in the Offshore construction area:

- in the **Middle East:** two offshore contracts for Dolphin Energy Ltd for the engineering, procurement and laying of two gas pipelines each 12-kilometer long and one pipeline 372-kilometers long from the North Field offshore Ras Laffan in Qatar to the onshore terminal of Taweelah in the United Arab Emirates. Works will be performed between the second quarter of 2004 and the first half of 2006, and the installation will be carried out by the Castoro 6 and Castoro 10 vessels;
- in the **North Sea:** a contract for BBL Co for the installation of a pipeline 230-kilometer long with a 36 inch diameter to transport natural gas across the North Sea from Callantsoog on the north western Dutch coast to Bacton on England s east coast. The vessel Castoro 6 will carry out the pipelaying between the second and third quarter of 2006;
- in **China** a contract for Hong Kong Electric Co Ltd for the engineering, procurement, transport and installation of a 92-kilometer long underwater pipeline from the Guangdong LNG terminal to Lamma island near Hong Kong. The pipeline will be installed during the first half of 2005 by the Castoro 2 vessel;
- in **West Africa:** a contract for Total Exploration & Production Angola for the engineering, procurement, construction, installation and pre-commissioning of subsea umbilicals, risers and flowlines for the sub-sea development of the Rosa field, as a tie back to the Girassol FPSO vessel in Block 17 in a water depth of approximately 1,400 meters. The vessels Saipem 3000 and Saibos FDS will carry out the job between the first and third quarter of 2006;
- in the **Caspian Sea:** four contracts: (i) two for Azerbaijan International Operating Co within Phase 3 of the development of the Azeri-Chirag-Gunashli field. The first one for the construction of a template and two jackets and associated piles, with a total weight in excess of 45,000 tonnes, and the second for transport and installation activities of two platforms including a template, two jackets and two topsides. These works are due to be completed by 2007; (ii) the third one in January 2005 for the North Caspian Sea consortium for the construction, assembly, transport and installation of 45 piles and 2 flares, along with the installation of 16 module barges at the Ersai yard (Eni s interest 22%). Works are scheduled to be completed by 2007; (iii) the fourth from the North Caspian Sea consortium for engineering, procurement, laying and installation of pipelines, optic fiber and umbilical cables. The installation activities, scheduled to be completed between 2006 and 2007, will be carried out using a new purpose-built pipelaying barge.

In the Liquefied Natural Gas area two turnkey contracts were awarded: (i) the first one, in joint venture with Sofregaz for Gaz de France for the construction of a regasification terminal at Fos Cavaou in France, which includes engineering, procurement, construction of the overall terminal facilities, including three LNG storage tanks for 110,000 cubic meters each, the associated marine works and the regasification facilities. The plant will have a treatment capacity of over 8 billion cubic meters/year; (ii) the second one, in consortium with the Belgian companies CFE, Fontec and Fluxys, for the extension from 4.5 to 9 billion cubic meters/year of natural gas of the Zeebrugge LNG regasification terminal on the Belgian

coast. It includes engineering, procurement, construction of the facilities for the extension of the terminal, including one LNG storage tank for 140,000 cubic meters and the regasification facilities.

In the Onshore Construction area two contracts were acquired: (i) the first one for NAOC for the engineering, procurement and construction of a 82-kilometer long gas pipeline in the Niger Delta connecting Rumuji to the Bonny liquefaction plant; (ii) the second one for Shell Petroleum Development Co of Nigeria Ltd for engineering, procurement and construction of additional facilities at the LNG Gas Supply Plant located in Soku, Nigeria, to increase its capacity.

In the Leased FPSO area a contract for Repsol YPF for the extraction of the fuel oil from the wreck of the Prestige, the oil tanker sunk offshore Galicia, Spain, in November 2002.

In the Onshore drilling area, in January 2005, a contract for the North Caspian Sea consortium for drilling activities in Block D of the Kashagan field utilizing two drilling rigs owned by the client.

In the Offshore drilling area in January 2005 two contracts were acquired. The first one for Saudi Aramco involving the offshore drilling rig Perro Negro 2 for activities to be performed offshore Saudi Arabia for three years starting in the second half 2005. The second one for Petrobel involves the renewal of Perro Negro 4 utilization for two years for workover activities on the Belayim field offshore Egypt.

Main orders won in engineering concerned mainly the Upstream area, in particular: (i) a contract in joint venture with Technip, Kellog Brown Root for Nigeria LNG Ltd JGC for engineering, procurement and construction of the sixth liquefaction train with a capacity of 4 million tonnes/year at the Bonny plant in Nigeria. The same joint venture already built the first four trains and is completing the fifth one; (ii) a contract in joint venture with Chiyoda Corporation for Ras Laffan Liquefied Natural Gas Co Ltd II for engineering, procurement and construction of the fifth liquefaction train with a capacity of 4.7 million tonnes/year at the Ras Laffan complex in Qatar. The contract confirms the success of the joint venture in the construction of the third and fourth train; (iii) a contract in joint venture with Chiyoda and Mitsui & Co Ltd, for the development of the Ras Laffan - Al Khaleej Gas Project Phase 1 project in Qatar for Exxon Mobil. This is an expansion of the contract acquired in 2003. The project aims at recovering LPG and natural gasoline and includes a complex for the separation, recovery and treatment of natural gas with a capacity of 7.7 billion cubic meters/year.

In the Chemical complex area, a contract in a consortium with Yanes y Asociados for Superoctanos for the engineering, procurement and construction of a plant for the manufacture of iso-octane with a capacity of 380,000 tonnes/year. The plant will operate with a proprietary technology (Eni-Ecofuel) and provides for the conversion of the existing MTBE plant in Jose, Venezuela.

CEPAV Uno and CEPAV Due

Eni holds interests in the CEPAV Uno (50.36%) and CEPAV Due (52%) consortia that in 1991 signed two contracts with TAV SpA to participate in the construction of the tracks for high speed/high capacity trains from Milan to Bologna (under construction) and from Milan to Verona (in the design phase).

As part of the project for the construction of the tracks from Milan to Bologna, an addendum to the contract between CEPAV Uno and TAV SpA was signed on June 27, 2003, redefining certain terms and conditions. Works completed at the end of 2004 corresponded to 60% of the total contractual price in line with the contractual obligations; however, the existence of obstacles, made known to the client, might slow down the continuation of works in 2005 and beyond.

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As concerns the Milan-Verona portion, in December 2004 CEPAV Due presented the final project, prepared in accordance with Law No. 443/2001 on the basis of the preliminary project approved by the CIPE.

The final project will be examined by TAV, presented to the Conferenza dei Servizi and approved by CIPE.

Infrastrutture SpA, a company established by the Italian Government in order to collect resources for financing the works contemplated by the mentioned law, is collecting the resources for the whole work and for the preliminary activities for the signature for the contract.

As concerns the arbitration procedure requested by the consortium against TAV for the recognition of damage related to TAV s belated completion of its tasks, in September 2004 a technical survey was requested by the arbitration committee, that is expected to be completed by mid-2005. The date for the final decision was set at January 31, 2006.

Capital expenditure

In 2004, capital expenditure in the Oilfield Services, Construction and Engineering segment amounted to euro 209 million and concerned mainly: (i) the construction and upgrade of logistical support means in Kazakhstan, Angola and Nigeria; (ii) the completion of interventions on the semi-submersible platforms Scarabeo 3 and Scarabeo 4, on the Perro Negro 3 jack-up and on the Castoro 8 pipelaying vessel; (iii) the purchase of plant and equipment required for the Sakhalin project in Russia.

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governance and corporate responsibility

introduction

The challenge that the international community will have to face in the next few years is represented by the need to find a balance between the requirements for economic growth, an increase in consumption, an improvement in standards of living and development prospects, the respect for the territory and the quality of the environment. In this area, the oil industry will have to play a major role, in particular by developing innovative technologies to make energy sources with the lowest possible environmental impact accessible and available.

For Eni this means continuing to meet the demand for energy through an operating strategy and a business conduct aimed at minimizing the impact of extractive activities on the territory, increasing energy efficiency, paying constant attention to the health and safety of its employees and of the population; developing products and processes that are more compatible with the environment, promoting greater capacity for dialogue and involvement with all its stakeholders.

Over the years Eni has been performing its activities in a responsible manner, fully respecting national laws, international conventions and guidelines in the areas of human rights, labor standards and environmental protection, based on the values and principle of loyalty, fairness, transparency and efficiency, as stated in its Code of Conduct.

Continuing on its distinctive path, that allowed it to integrate with different cultures and countries, Eni intends to continue investing in the enhancement of the managerial and technical skills of its human resources and in the strengthening of all those factors management systems, operating modes, scientific and technical development that enable the Company to pursue long-term goals of growth and profitability, aimed at sustainable development and to greater competitivity on international markets.

Principles

Business ethics

Respect of stakeholders

Workers protection and equal opportunities

Development of professional skills

Respect of diversity

Respect of human rights

Cooperation

Protection of health and safety

Environmental protection

Eni and the Global Compact

In 2001 Eni joined the Global Compact initiative of the United Nations and its fundamental principles, aimed at promoting among members of civil society, and in particular business, greater awareness of human rights, labor standards, environmental protection and the fight against corruption. In 2004 Eni continued to promote corporate practices in line with these principles. With respect to human rights and security, in Nigeria Eni adopted a security policy based on the respect of the population rights and on a constant dialogue with local communities. In the area of labor rights, Eni renewed with workers unions the agreement on the European Works Council and the agreement on international industrial relations and corporate social responsibility. On environment, Eni publishes a yearly Health, Safety and the Environment Report which describes the actions taken during the year in terms of response to climate change, consumption of raw materials, soil protection, biodiversity, waste management, mitigation of impact on territories, etc. With reference to proper conduct, Eni adopted a specific organization, management and control model, in compliance with Italian laws implementing OECD directives on administrative responsibility of companies.

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Recognition from financial markets

In 2004 Eni confirmed its standing on financial markets in terms of governance and corporate social responsibility. For the fourth consecutive year Eni was included in the E. Capital Partners Ethical Index Euro and Ethical Index Global; it was also included in the ASPI Eurozone Index (Advanced Sustainable Performance Indices) of the European rating agency Vigeo, which rates the performance of the 120 European companies listed in the Dow Jones Euro STOXX according to sustainability and CSR criteria. For the third consecutive year Eni obtained the highest ethical rating among companies listed on the Italian Stock Exchange in the ranking of the European Investment Agency based on the respect of a number of ethical principles set by the United Nations, OECD, ILO and the European Union.

New publication

In November 2004 Eni published Corporate responsibility - values and practices with the aim of highlighting its values, principles and practices on the issues related to the Company s sustainable growth. This document is available on Eni s web site, in the area dedicated to publications.

corporate governance

Appropriate conduct

Due to the complex scenario in which Eni operates, the Board of Directors has deemed it appropriate to provide a clear definition of the value system that Eni recognizes, accepts and upholds and the responsibilities that Eni assumes within its group and externally in order to ensure that all Group activities are conducted in compliance with laws, in a context of fair competition, with honesty, integrity, correctness and in good faith, respecting the legitimate interests of shareholders, employees, suppliers, customers, commercial and financial partners and the communities where Eni operates. All those working for Eni, without exception or distinction, are committed to observing these principles within their function and responsibility and to make others observe them. The belief of working for the advantage of Eni cannot be a justification for behaviors contrary to such principles. These values are stated in a Code of Conduct whose observance by employees is evaluated by the Board of Directors, based on the annual report of the Guarantor for the Code of Conduct. The Code of Conduct is published in Eni s internet site (www.eni.it).

In its meeting of January 20, 2000 Eni s Board of Directors resolved to adopt the Self-discipline Code of Listed Companies (the Code) and, pursuant to a thorough review of the matter, underscored how Eni s organizational model is essentially in line with the principles expounded in the Code, as well as with related recommendations issued by Consob.

In accordance with the request of Borsa Italiana SpA, in particular the Guidelines for the preparation of the yearly report on corporate governance of February 12, 2003, follows information on Eni s corporate governance system. In preparing this report account has been taken also of the Guide to the preparation of the report on corporate governance published by Assonime and Emittenti Titoli SpA in March 2004.

Eni s organizational structure

Eni s organizational structure follows the traditional model of companies in which management is exclusively entrusted to the Board of Directors, which is the central element of Eni s corporate governance system. Monitoring functions are entrusted to the Board of Statutory Auditors and accounting control is entrusted to external auditors appointed by the Shareholders Meeting.

The Board of Directors delegated specific powers to the Chairman and Managing Director, who are the representatives of the company according to article 25 of Eni s by-laws.

In accordance with internationally accepted principles of corporate governance, the Board of Directors established committees with consulting and proposing functions.

The Board of Directors

Competencies

According to its decision of September 17, 2003, in addition to exclusive competencies entrusted to it by art. 2381 of the Civil Code, the Board of Directors has reserved the following tasks:

1. to define corporate governance rules for the Company and Group companies, including the appointment, definition of functions and regulations of Board Committees;
2. to define guidelines for the internal control system, based on indications provided by the relevant Board Committee, and to monitor the effectiveness and modes of managing main corporate risks;
3. to examine and approve the main features of corporate and Group organization, checking the effectiveness of the organization and administration setup prepared by the Managing Director;
4. to determine on proposal of the Managing Director strategic guidelines and objectives at the Company and Group level;
5. to examine and approve multi-annual strategic, industrial and financial plans at the Company and Group level;
6. to examine and approve yearly budgets of Divisions, of the Company and the consolidated Group budget;
7. to evaluate and approve quarterly accounts and related disclosures and any other period accounts and related disclosures provided for by the law and to compare quarterly results with planned results;
8. to evaluate the general trends in operations with specific attention to possible conflicts of interest;
9. to examine and approve strategically relevant agreements;
10. to receive from Directors entrusted with specific powers timely reports describing the activities performed under such powers and the most relevant transactions, according to a specific previously agreed definition, and any atypical or unusual relations and transactions with related parties;
11. to receive from Board Committees periodic reports on activities performed, according to previously agreed definitions and timetables;
12. to attribute, modify and revoke powers to Directors, defining their limits and modes of execution, determining the compensation related to such powers, after consultation with the Board of Statutory Auditors. To deliver guidelines to empowered Directors and to recall to itself transactions included in the delegated power;
13. to approve, based on the indications of the relevant Committee, the adoption and implementation of share incentive plans and to define the compensation criteria of top managers;
14. to appoint, revoke and delegate powers to general managers, on proposal of the Managing Director and in agreement with the Chairman;
15. to decide major sale and purchase transactions of the Company and to provide a pre-emptive evaluation of those concerning Group companies, in particular:
    a) sale and purchase transactions as well as conferral of real estate, investments, companies of amounts exceeding euro 50 million;
    b) capital expenditure in tangible and intangible assets with great significance for the Group in terms of strategic impact and risks, and however all those of amounts

exceeding euro 100 million, as well as any portfolio and exploration initiatives of the Exploration & Production segment in new areas;

c) the provision of loans from Eni or its subsidiaries to third parties;

d) the provision from Eni of personal and real guarantees to third parties in the interest of Eni or its subsidiaries of amounts exceeding euro 50 million;

e) the provision of loans from Eni or its subsidiaries to affiliates as well as of real and personal guarantees on their bonds of amounts exceeding euro 50 million and, in any case, if the amount is not proportional to the stake held in the affiliate;

16. to examine and decide any proposal of the Managing Director concerning voting and appointment of members of the Board of Directors and the Board of Statutory Auditors of major subsidiaries;
17. to formulate all the proposals of decisions to be presented to the Shareholders Meeting.

Delegate powers

The Board entrusted the Chairman with powers to conduct strategic international relations and the Managing Director with all managing powers except those that cannot be delegated and those reserved to the Board.

In accordance with article 27 of Eni s by-laws, the Chairman chairs Shareholders Meetings, convenes and chairs Board of Directors meetings and oversees the implementation of decisions made by it.

In accordance with article 23 of Eni s by-laws, the Chairman and the Managing Director report timely to the Board of Statutory Auditors, at least quarterly and at each Board meeting, on activities performed and major transactions of Eni and its subsidiaries, in particular on those in which they have a direct or indirect interest.

In accordance with article 2391 of the Italian Civil Code, Directors inform other Directors and the Board of Statutory Auditors of any interest they may have, directly or on behalf of third parties, in any transaction of Eni.

Appointment

In accordance with article 17 of Eni s by-laws, the Board of Directors is made up by 3 to 9 members. The present Board of Directors is made up by 8 members elected by the Shareholders Meeting of May 30, 2002 for a three-year term, their mandate expires with the Meeting convened to examine financial statements as of December 31, 2004. The Minister for Economy and Finance chose not to appoint one member of the Board, in agreement with the Minister of Productive Activities, as per article 6 of Eni s by-laws. The appointment of the Board of Directors (except for the Director appointed by the Economy and Finance Minister in agreement with the Minister of Productive Activities) calls for a list vote. Only shareholders who, alone or with others represent at least 1% of voting shares at an ordinary meeting have the right to present lists for the appointment of directors and auditors, as well as the Board of Directors (that never made use of this right). Each shareholder can present or participate in presenting only one list. Companies controlling a shareholder and joint controlled companies cannot present, nor participate in presenting other lists, meaning by controlled companies the companies described in article 2359, paragraph 1 of the Civil Code.

The lists must be deposited at Eni s headquarters at least ten days before the date set for the Shareholders Meeting on first call (20 days in case of the Board of Directors presenting a list) and published on national newspapers and must include a resume of each candidate.

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Board members must comply with the honorability and independence requirements provided for by applicable regulations, as well as the professionalism and experience required for performing their duties with efficacy and efficiency, to which they are expected to dedicate adequate time and resources.

Composition

The current Board of Directors is formed by the Chairman, Roberto Poli, the Managing Director, Vittorio Mincato, and directors, Mario Giuseppe Cattaneo, Alberto Clô, Renzo Costi, Dario Fruscio, Guglielmo Antonio Claudio Moscato and Mario Resca. Roberto Poli, Vittorio Mincato, Dario Fruscio, Guglielmo Antonio Claudio Moscato and Mario Resca were candidates included in the list of the Ministry of Economy and Finance; Mario Giuseppe Cattaneo, Alberto Clô and Renzo Costi, were in the list presented by institutional investors coordinated by Arca SGR SpA. The Secretary of the Board of Directors is Piergiorgio Ceccarelli, a manager employee of Eni.

Based on information received, follows information on positions held in other Board of Directors or Boards of Statutory Auditors of listed companies, financial or insurance or large companies by members of Eni s Board of Directors. Their professional curriculum is available on Eni s internet site.

Roberto Poli

Chairman of the Board of Directors of Poli e Associati SpA; Board member of Mondadori SpA, Fininvest SpA, Merloni Termosanitari SpA and G.D. SpA; general partner of Brafin SapA.

Mario Giuseppe Cattaneo

Chairman of the Board of Directors of CBI Factor SpA; Board member of Unicredito Italiano SpA, Luxottica Group SpA, Banca Lombarda SpA and Fin. Bansel SpA.

Alberto Clô

Board member of ASM Brescia SpA, De Longhi SpA, Italcementi SpA and Società Autostrade SpA.

Mario Resca

Board member of Mondadori SpA. Special manager of the Cirio Del Monte Group, under special management.

On February 28, 2005, Eni s Board of Directors, in accordance with the provisions of the Code, evaluated the statements presented by Board members and established that non executive Board members and the Chairman are independent as they do not have any economic relationship with Eni and Eni Group companies, with the Managing Director and with the Ministry of Economy and Finance, Eni s major shareholder, such as to bias their autonomous judgment nor are they close relatives of the Managing Director. The Managing Director of Eni is an employee of Eni.

Eni s by-laws do not indicate a specific frequency of meetings. In 2004 the Board of Directors met 18 times (19 in 2003) for an average length of four hours per meeting. The public is informed of the dates of meetings convened for the approval of interim results, of periodic reports as provided for by applicable laws as well as the dates of Shareholders Meetings.

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Functioning

The Board of Directors defined the rules for the calling of its meetings; in particular, the Chairman convenes Board meetings, and, in concert with the Managing Director, defines agenda items. Notice is sent by mail, fax or e-mail within five days of the meeting s date, at least 24 hours in advance in case of urgency. Eni s by-laws allow meetings held by teleconference, provided that all participants can be identified and are allowed to participate in real time. The meeting is deemed held in the location where Chairman and Secretary are present.

Board members receive in advance adequate and thorough information on all issues subject to Board evaluation and resolutions, except for urgent cases and those for which confidentiality is deemed necessary. In 2004 on average 90% of Board members participated to Board meetings and 88% of independent non executive Board members.

Compensation

Board members' compensation is determined by the Shareholders Meeting, while remuneration levels of the Chairman and Managing Director are determined by the Board of Directors, based on proposals of the Compensation Committee and after consultation with the Board of Statutory Auditors. In line with Consob provisions, the section Other Information of Eni SpA statutory financial statements indicates: (i) compensation paid to Board members, Statutory Auditors and General Managers; (ii) subscription rights for Eni shares assigned within three years for no consideration (stock grant) and stock options attributed to the Managing Director and to General Managers; (iii) number of shares of Eni SpA and of Eni companies held by Board members, Statutory Auditors and General Managers. Information as per (i) and (ii) are included also in the notes to Eni SpA s statutory financial statements.

On May 30, 2002 the Shareholders Meeting determined the annual compensation of the Chairman (euro 250,000) and of Board members (euro 68,000). The Shareholders Meeting of May 28, 2004, increased directors compensation to euro 100,000. In its meeting of May 30, 2002 the Shareholders Meeting also determined a variable compensation up to a maximum of euro 80,000 for the Chairman and euro 20,000 for each Board member to be paid in accordance with Eni s positioning as compared to the other seven major international oil companies for market capitalization in terms of total return to shareholders in the reference year. The variable portion of compensation is paid to the Chairman for euro 80,000 or euro 40,000 and to each Board member for euro 20,000 or euro 10,000, respectively, if Eni s return to shareholders is rated first or second, or third or fourth in the rating of return to shareholders of the seven major oil companies. Below fifth position no variable compensation is paid. In the meeting of July 6, 2004, the Board confirmed that Eni in 2003 rated fifth in the mentioned positioning, therefore no variable compensation was paid. In addition, Board members receive euro 1,000 for the participation to each meeting of the Board and of Board committees, along with any expense incurred for performing their duties.

With reference to the powers delegated to the Chairman and Managing Director, the Board of Directors determined their compensation, made up of a fixed and a variable part.

The variable part of the compensation of Chairman and Managing Director, as well as the variable part of the compensation of Eni s top management (General Managers of divisions and managers holding positions directly reporting to the Chairman and Managing Director) is related to the achievement of specific economic and operating objectives (profitability, efficiency, strategic projects) and share price objectives (price of Eni shares, comparative total return to shareholders). With reference to Eni s performance in 2003, 43% of the remuneration of the Chairman and of the Managing Director was variable, 40% of that of the top management. The variable part of compensation includes, beside the monetary component, Eni s stock grant plans (see specific information on stock options and stock grants in Note 29 to Eni s consolidated financial statements, below).

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Compensation of Directors, Statutory Auditors and General Managers

The following table contains details of compensation of Directors, Statutory Auditors and General Managers.

Pursuant to Consob Decision No. 11971 of May 14, 1999, as amended, compensation of Directors of Eni, Statutory Auditors and General Managerss of Eni s divisions is reported in the table below, which includes all the persons who held a position in 2004, also for a fraction of the year.

The column Compensation for positions held at Eni SpA includes compensation decided by the Shareholders Meeting and compensation of the Chairman and the Managing Director set by the Board of Directors, in agreement with the Board of Statutory Auditors, pursuant to article 2389, subsection 3 of the Italian Civil Code;
the column Non monetary benefits indicates all fringe benefits, including insurance policies;
the column Bonuses and other incentives indicates the variable part of the compensation of the Chairman, and of the salary of the Managing Director and General Managers of Eni s divisions (employees of Eni);
the column Other compensation indicates the salary of the Managing Director and of the General Managers (employees of Eni), as well as the compensation for positions held by Statutory Auditors in other Eni companies.

(thousand euro)

Name	Position	Term of appointment	Expiry of appointment (1)	Compensation for position	Non cash benefits	Bonuses and other incentives (*)	Other compensation	Total
Board of Directors								
Roberto Poli	Chairman	01.01-31.12	30.05.05	520	7	142		669
Vittorio Mincato	Managing Director	01.01-31.12	30.05.05	509		735	922	2,166
Mario Giuseppe Cattaneo	Board Member	01.01-31.12	30.05.05	108				108
Alberto Clô	Board Member	01.01-31.12	30.05.05	110				110
Renzo Costi	Board Member	01.01-31.12	30.05.05	110				110
Dario Fruscio	Board Member	01.01-31.12	30.05.05	102				102
Guglielmo Moscato	Board Member	01.01-31.12	30.05.05	112				112
Mario Resca	Board Member	01.01-31.12	30.05.05	105				105
Board of Statutory Auditors								
Andrea Monorchio	Chairman	01.01-31.12	30.05.05	114				114
Luigi Biscozzi	Statutory Auditor	01.01-31.12	30.05.05	91			46 (2)	137
Paolo Andrea Colombo	Statutory Auditor	01.01-31.12	30.05.05	91			32 (3)	123
Filippo Duodo	Statutory Auditor	01.01-31.12	30.05.05	90			54 (4)	144
Riccardo Perotta	Statutory Auditor	01.01-31.12	30.05.05	90			45 (5)	135
General Managers								
Gilberto Callera	R&M Division	01.01-13.04				798	243	1,041 (6)

Stefano Cao	E&P Division	01.01-31.12			280	644	924
Luciano Sgubini	G&P Division	01.01-31.12			353	574	927
Angelo Taraborrelli	R&M Division	14.04 -31.12			129	317	446
			2,152	**7**	**2,437**	**2,877**	**7,473**

(*) Related to performance in 2003.

(1) Appointment expires with the Shareholders Meeting approving Eni s financial statements for 2004.

(2) Includes compensation for appointment as statutory auditor of Syndial SpA and Polimeri Europa SpA.

(3) Includes compensation for appointment as statutory auditor of Saipem SpA.

(4) Includes compensation for appointment as statutory auditor of Snamprogetti SpA, Chairman of the Board of Statutory Auditors of CEPAV (Consorzio Eni per l Alta Velocità) Uno and Chairman of the Board of Statutory Auditors of CEPAV (Consorzio Eni per l Alta Velocità) Due from February 24, 2004.

(5) Includes compensation for appointment as statutory auditor of Enifin SpA and Chairman of the Board of Statutory Auditors of Snam Rete Gas SpA from April 27, 2004.

(6) Includes employee termination indemnities (euro 798,000).

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Board committees

In order to carry out its tasks more effectively, the Board of Directors has instituted three advisory Committees: the Internal Control Committee and Compensation Committee, formed exclusively by independent, non-executive Board members, and the International Oil Committee in which also the Managing Director participates. Board members, as said above, receive euro 1,000 for each participation in Board committees.

The Committees are formed as follows:

Internal Control Committee: Mario Giuseppe Cattaneo (Chairman), Alberto Clô, Renzo Costi and Guglielmo Antonio Claudio Moscato.

Compensation Committee: Mario Resca (Chairman), Mario Giuseppe Cattaneo, substituted in February 2004 by Roberto Poli, and Renzo Costi.

International Oil Committee: Alberto Clô (Chairman), Dario Fruscio, Vittorio Mincato and Guglielmo Antonio Claudio Moscato.

The Code suggests the creation of a Nominating Committee in the companies with shares held widely by the public, especially when the Board notices that shareholders find it difficult to prepare proposals for appointments. This committee has not been formed in consideration of the shareholding characteristics of Eni and of the fact that Directors are appointed on the basis of candidate lists submitted by shareholders or by the Board of Directors.

Internal Control Committee

The Internal Control Committee, established by the Board of Directors in 1994, based on the decisions adopted by the Board on October 18, 2000 and November 7, 2003, holds functions of supervision, counsel and proposal in the area of monitoring general management issues.

In the meeting of November 7, 2003, the Board approved the Committee s regulation and specified its functions (the regulation is available on Eni s internet site). In its meeting of November 28, 2003, the Board appointed Mario Giuseppe Cattaneo Chairman of the Internal Control Committee.

In the course of 2004 the Internal Control Committee convened 15 times, with an average participation of 88% of its members, and has accomplished the following: (i) reviewed the audit programs prepared by Eni SpA s and Group companies internal audit functions; (ii) reviewed and evaluated results of Eni SpA s and Group companies internal auditing procedures; (iii) monitored the initiatives taken by Eni and the results of actions undertaken after being informed of improper payments on the part of representatives of suppliers of EniPower to a manager of said company; (iv) met with top level representatives of administrative functions in the main subsidiaries, chairmen of boards of statutory auditors and partners responsible for external audit companies to examine the essential features of 2003 financial statements with specific reference to extraordinary transactions and relations among functions entrusted with controls at Eni SpA and its subsidiaries; (v) analyzed the competencies attributed to it by the Board of Directors with the approval of the new regulation; (vi) examined the results of an analysis on audit structures in other Italian Group companies; (vii) monitored the activities devised by Eni for the application of the Model of organization, management and control as per Legislative Decrees No. 231/2001 and No. 61/2002; (viii) examined reports received on the activity of the newly established internal monitoring unit as per Legislative Decree No. 231/2001; (ix) examined the implications related to the definition of a procedure on the treatment of anonymous reports; (x) examined the results of the bid for the conferral of the function of external auditors for the 2004-2006 period and expressed to the Board its favorable opinion for the appointment of PricewaterhouseCoopers as external auditor for 2004-2006 financial statements; (xi) examined the audit plans for 2004 financial statements and the reports required by document No. 260

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performed by the Groups external auditors in 2004; (xii) reviewed the situation appointments conferred in 2002 and 2003 by Eni and its consolidated subsidiaries and affiliates to external auditors registered with Consob and related subjects; (xiii) reviewed the situation of appointments of external auditors of main group companies, the relevant accounts and the opinions contained in the reports of external auditors of Eni s Italian subsidiaries; (xiv) monitored the appointment of additional functions to companies belonging to the network of the external auditors, expressing its opinion.

Compensation Committee

The Compensation Committee, established by the Board of Directors in 1996, proposes incentive schemes for managers and the yearly remuneration of the Chairman and Managing Director to the Board of Directors and overviews the criteria used in determining compensation of the Group s top management.

In 2004, the Committee met 5 times, with an average participation of 93% of its members, and accomplished the following: (i) proposed a regulation for the Committee that was approved by the Board in its meeting of February 26, 2004; in the same meeting the Board appointed Mario Resca as Chairman of the Committee; (ii) reviewed the objectives of the 2004 Group Performance and Incentive Plan and the results of the 2003 plan; examined the assignation schemes of the stock option and stock grant plans for 2004 to be approved by the Board of Directors; (iii) presented a proposal concerning the variable part of the remuneration of the Chairman and Managing Director; (iv) examined the positioning in terms of compensation of the Groups top management and the criteria of the annual remuneration policy.

International Oil Committee

The International Oil Committee established by the Board of Directors in 2002, is entrusted with the monitoring of trends in oil markets and the study of their aspects. In its meeting of May 11, 2004, the Board appointed Alberto Clô as Chairman of the Committee.

In 2004 the International Oil Committee met three times, with an average participation of 100% of its members. The first meeting was dedicated to the analysis of Hydrocarbon reserves: generalities and Eni s evaluation methods with specific attention to the technical, economic and regulatory aspects of the booking of proved reserves of oil and gas and Eni s behavior in this area. The second meeting was focused on The gas bubble in Europe and Italy with specific attention to the balance of supply and demand in Italy and Europe by 2010. During the third meeting, the discussion concerned A comparison of scenarios: dynamics of prices of oil and energy sources . Special attention was paid to the methodological approach for the construction of future price scenarios for oil and gas and the evaluation of their impact of Eni s capital expenditure policies.

Board of Statutory Auditors and other control entities

Board of Statutory Auditors

The Board of Statutory Auditors, in accordance with article 149 of Legislative Decree No. 58/1998, monitors the respect of laws, of Eni s memorandum of association, of the principles of proper administration, the adequacy of the company s organizational structure for the parts concerning administration and accounting, internal controls and Eni s administration and accounting systems, as well as its reliability in presenting information properly and the adequacy of regulations imposed to subsidiaries according to article 114, paragraph 2 of the mentioned decree.

The Board of Statutory Auditors comprises five auditors and two substitute auditors, all (except the chairman) appointed by the Shareholders Meeting of May 30, 2002 for a three-year term, their mandate expires with the Meeting convened to examine financial statements as of December 31, 2004. The Chairman was appointed on May 29, 2002 with decree of the Minister of Economy and Finance in consultation with the Minister for Productive Activities, in accordance with article 6 of Eni s by-laws. Statutory Auditors are appointed in accordance with articles 17 and 28 of Eni s by-laws, which call for a list vote in order to ensure presence of representatives of minority equity interests. Auditors are autonomous and independent even from the shareholders who elected them. The lists of candidates include a resume of each candidate and are deposited at the company s headquarters at least 10 days before the date of the Shareholders Meeting on first call and are published on national newspapers.

Article 28 of Eni s by-laws, consistently with the provisions contained in the Decree of the Minister of Justice No. 162 of March 30, 2000, states that at least two auditors and one substitute auditor are chosen among chartered auditors and must have performed auditing activities for at least three years and that auditors not provided with these requirements must be chosen among those provided with the level of professionalism described in Decree No. 162/2000. For the purposes of said Decree, the by-laws define as related subjects commercial law, corporate economy and finance, engineering and geology. Eni s auditors are all chartered auditors.

The Board of Statutory Auditors is made up of the Chairman, Andrea Monorchio, four auditors, Luigi Biscozzi, Paolo Andrea Colombo, Filippo Duodo and Riccardo Perotta, and two substitute auditors, Fernando Carpentieri and Giorgio Silva. The resumes of auditors are published in Eni s web site. Paolo Andrea Colombo, Filippo Duodo and Fernando Carpentieri were candidates in the list of the Ministry of Economy and Finance; Luigi Biscozzi, Riccardo Perotta and Giorgio Silva were candidates in the list presented by institutional investors coordinated by Arca SGR SpA.

Statutory auditors receive in advance adequate and thorough information on all issues subject to Board evaluation and resolutions. Eni s by-laws allow meetings held by teleconference.

On May 30, 2002 the Shareholders Meeting determined the yearly compensation for the Chairman of the Board of Statutory Auditors and each Auditor amounting to euro 87,000 and euro 58,000 respectively and euro 1,000 for the presence to each meeting, as well as payment of reasonable attendance expenses.

External Auditors

As provided for by Italian laws, external auditors must be a chartered company and are appointed by the Shareholders Meeting. Eni s external auditors, PricewaterhouseCoopers SpA, were appointed by the Shareholders Meeting of May 28, 2004 for a three-year term ending with the Meeting approving financial statements for 2006.

Court of Accounts

Eni is subject also to review by the Court of Accounts, in the person of a Magistrate delegated to control, Luigi Schiavello (alternate Angelo Antonio Parente).

Significant differences in corporate governance practices as per Section 303A.11 of the New York Stock Exchange Listed Company Manual

Foreword

Eni s shares are listed on the Mercato Telematico Azionario managed by Borsa Italiana SpA and as American Depositary Receipts (ADR) on the New York Stock Exchange (NYSE). Under Section 303A.11 of the Listed Company Manual issued by the NYSE Eni is required to: (i) comply with Rule 10A-3 under the Securities Exchange Act of 1934 concerning the composition and responsibilities of the *audit committee*, before July 31, 2005; (ii) disclose

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any significant ways in which its corporate governance practices differ from those followed by US domestic companies under the NYSE listing standards; (iii) promptly notify the NYSE in writing if any Eni s executive officer becomes aware of any material non compliance with any applicable provision of Section 303A; (iv) submit an executed Written Affirmation annually in the form specified by the NYSE.

Corporate governance standards followed by Italian listed companies are set forth in the Civil Code and in the Legislative Decree No. 58 of February 24, 1998, Single text containing the provisions concerning financial intermediation (Testo unico delle disposizioni in materia di intermediazione finanziaria, the TUF) as well as by the Self-discipline Code of listed companies (the Code) issued by the Committee for corporate governance of listed companies. As discussed below, Italian corporate governance standards differ for certain aspects from NYSE standards.

The civil code and the TUF assign specific binding and irrevocable powers and responsibilities to company s corporate bodies. The Code, based on this regulatory framework, provides recommendations on corporate governance intended to reflect generally accepted best practices. Although these recommendations are not binding, Borsa Italiana SpA requests listed companies to publish an Annual Report on corporate governance which contains, besides a general description of the corporate governance system adopted, also any recommendation that was not followed and the reasons for this choice. Eni adopted the self-discipline code.

Eni s organizational structure follows the traditional italian model of companies which provides for two main separate corporate bodies, the Board of Directors and the Board of Statutory Auditors to whom are respectively entrusted management and monitoring duties. This model differs from the US unitary model which provides for the Board of Directors as the sole corporate body responsible for management and, through an audit committee established within the same Board, for monitoring.

Below is a description of the most significant differences between corporate governance practices followed by US domestic companies under the NYSE standards and those followed by Eni.

Independent Directors

NYSE Standards. Under NYSE standards listed US companies Boards must have a majority of independent directors. A director qualifies as independent when the Board affirmatively determines that such director has no certain material relationship (commercial, industrial, banking, consultancy, etc.) with the listed company (and its subsidiaries), either directly, or indirectly. In particular, a director is not deemed independent if he/she or an immediate family member has a certain specific relationship with the issuer, its auditors or companies that have material business relationships with the issuer (e.g. he/she is an employee of the issuer or a partner/employee of the auditor). In addition, a director cannot be considered independent in the three-year cooling-off period following the termination of any relationship that compromised a director s independence.

Eni Standards. In Italy, the Code recommends that the Board of Directors includes an adequate number of independent non-executive directors in the sense that they: a) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the company, its subsidiaries, the executive directors or the shareholder or group of shareholders who controls the company of a significance able to influence their autonomous judgement; b) neither own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the company or exercise a considerable influence over it nor participate in shareholders agreements to control the company; c) are not immediate family members of executive directors of the company or of persons in the situations referred to in points a) and b). The independence of directors is periodically

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reviewed by the Board of Directors keeping into account the information provided by the directors themselves. The Code also recommends that to evaluate independence in the case of earlier business dealings, reference should be made to the previous financial year and for work relationships and functions of executive director, to the three preceding financial years.

The Code provides for a qualitative evaluation, that considers the whole of the relationships held, in order to check as the case may be if the existing relationships between the issuer and the director are such to impair the director s independence.

In 2004, Eni s Board of Directors judged that the Chairman and its non-executive members comply with the independence standards, as provided for by the Code.

Meetings of non executive directors

NYSE Standards. Non-executive directors, including those who are not independent, must meet at regularly scheduled executive sessions without management. Besides, if the group of non-executive directors includes directors who are not independent, independent directors should meet separately at least once a year.

Eni Standards. Neither Eni s non-executive directors nor Eni s independent directors must meet separately, under the Code s corporate governance rules.

Audit Committee

NYSE Standards. Listed US companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934 and that complies with the further provisions of the Sarbanes-Oxley Act and of Section 303A.07 of the NYSE Listed Company Manual.

Eni Standards. In its meeting of March 22, 2003, Eni s Board of Directors, making use of the exemption provided by Rule 10A-3 for non-US private issuers, has identified in the Board of Statutory Auditors the body that, starting from June 1st, 2005, will be performing, to the extent permitted by Italian legal or listing requirements, the functions assigned by SEC rules and the Sarbanes-Oxley Act to the audit committees of US registrants (see paragraph Corporate Governance - Board of Statutory Auditors). Under Section 303A.07 audit committees of US companies hold further functions and responsibilities which are not mandatory for non-US private issuers and which therefore are not included in the list of functions shown in the paragraph quoted above.

Nominating/corporate governance committee

NYSE standards. US listed companies must have a nominating/corporate governance committee (or equivalent body) composed entirely of independent directors that are entrusted, among others, with the responsibility to identify individuals qualified to become board members and to select or recommend director nominees for submission to the shareholders meeting, as well as to develop and recommend to the Board of Directors a set of corporate governance guidelines.

Eni Standards. This provision is not applicable to non-US private issuers. The Code allows listed companies to have within the Board of Directors a committee for directors nominees proposals, above all when the Board of Directors detects difficulties in the shareholders submission of nominees proposals, as could happen in publicly-owned companies. Eni has not set up a nominating committee, considering the nature of its shareholding as well as the circumstance that, under Eni by-laws, directors are appointed by the Shareholders Meeting based on lists presented by shareholders or by the Board of Directors.

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Eni s shareholders

Eni SpA s share capital at December 31, 2004 amounted to euro 4,004,424,476, fully paid and was represented by 4,004,424,476 ordinary shares of nominal value euro 1 each. Shares are not divisible and give right to one vote. Shareholders can exercise the rights provided by the law.

According to article 6 of Eni s by-laws, no single shareholder can hold Eni shares amounting to more than 3% of Eni s share capital, except for the Italian Government. If this threshold is surpassed no additional votes can be cast at meetings.

Based on information available and received in accordance with Consob decision No. 11971/1999, as of December 31, 2004, shareholders holding more than 2% of Eni s share capital were:

Shareholders	Shares held	% of capital
Ministry of Economy and Finance	813,443,277	20.31
Cassa Depositi e Prestiti SpA	400,288,338	10.00
Eni SpA (own shares)	234,394,888	5.85

Shareholders by area

Shareholders	Number of shareholders	Number of shares	% of capital (1)
Italy	357,456	2,333,748,844	58.30
UK and Ireland	1,182	198,402,870	4.96
Other EU	4,332	820,532,168	20.50
USA and Canada	1,488	274,321,612	6.85
Rest of world	1,573	135,0	