

## In Representation of the Board of Directors



Roberto Poli  
*Chairman*



Paolo Scaroni  
*Chief Executive Officer and  
General Manager*

## To our shareholders

2008 was an excellent year for Eni, both operationally and financially.

Despite deteriorating market conditions over the last four months of the year, we delivered on our targets, leveraging on the resilience of our business portfolio to achieve sector-leading growth and distribute €5.7 billion to our shareholders.

In 2008 we acquired Distrigas, gaining a strategic position in Belgium, a key country in the European gas market due to its geographic location and its high level of interconnectivity with the Centre-North European transit gas networks.

Finally, in 2008 Eni was recognised as the world's most sustainable company in the oil and gas sector among the companies included in the Dow Jones Sustainability Index.

Even in the current context of uncertain and volatile energy markets, we confirm our strategy of superior production growth and leadership in the European gas market. We will continue to invest in our long-term growth while maintaining a strong financial position and rewarding our shareholders with a dividend yield among the highest in our sector.

### Financial performance

Eni's 2008 net profit was €8.8 billion. Adjusted net profit was €10.2 billion, an increase of 7.7% compared to 2007, as a result of the stronger operating performance, partly offset by a higher tax rate. Return on average capital employed was 17.6%.

Record net cash generated from operating activities of €21.8 billion financed €18.9 billion of investments. Of this, €14.6 billion was dedicated to organic growth projects, including exploration, and €4.3 billion to acquisitions. Our net debt to equity ratio at year end was 0.38.

The results achieved in 2008 enable us to propose to the Annual General Shareholders Meeting a dividend of €1.30 per share, of which €0.65 was paid as an interim dividend in September 2008. This is in line with our 2007 dividend.

### Sustaining growth and shareholder returns

Our strategic direction has not changed and growth continues to be our main priority. We will achieve our short and long-term growth targets through the development of our portfolio of quality projects and by strengthening our leadership in the European gas market.

Over the next four years, we will invest €48.8 billion, slightly less than in the 2008-2011 plan.

The projected free cash flow will allow us to maintain a dividend yield amongst the highest in the sector.

In **EXPLORATION & PRODUCTION**, we achieved an adjusted net profit of €8 billion, up 23.4% compared to 2007, driven by production growth and improved mix in a favourable oil price environment. This was partially offset by the appreciation of the euro against the dollar and higher operating costs and amortisation charges. Oil and gas production totalled 1,797 kboe/day, up 3.5%



Alberto Clò  
Director



Paolo Andrea Colombo  
Director



Paolo Marchioni  
Director



Marco Reboa  
Director

from 2007 with an average Brent oil price of 97 \$/bl (33.7% higher than 2007). Our production growth was the highest in our peer group. Furthermore, excluding the effect of higher prices on PSA contracts, we would have increased production by 5.6%.

We achieved an all sources reserve replacement ratio of 135%, resulting in a reserve life index of 10 years at December 31, 2008 (in line with 2007). Over the course of the year, our exploration activities led to the discovery of more than 1 billion boe.

On October 31, 2008, Eni and its partners in the North Caspian Sea PSA consortium signed the final agreement with the Kazakh authorities, implementing the new contractual and governance framework of the Kashagan project. In the new operating model Eni, with a reduced stake of 16.81%, is confirmed as the operator of phase one of the project (the Experimental Program) and will retain operatorship of the onshore operations of phase 2 of the development plan.

On November 21, 2008, Eni closed the acquisition of First Calgary Petroleum Ltd, an oil and gas company with exploration and development activities in Algeria.

In the E&P division our strategy of delivering production growth is focused on conventional activities and on high quality assets, located largely in three low cost areas (Africa, OECD Countries and Central Asia/Russia), where we develop giant projects with scale benefits.

We target an average annual production increase of 3.5% in the 2009-2012 plan and expect to maintain robust production growth of 3% a year in the following three

years to 2015. In 2009, hydrocarbon production will exceed 1.8 million boe/d, based on a \$43 per barrel Brent price scenario. In 2012, production will exceed 2.05 million boe/day based on a 55 \$/bl Brent price scenario. In the next four years, more than 0.5 million boe/day of new production will come on stream, 85% of which is related to projects which will be profitable even with an oil price scenario below \$45 per barrel. This growth strategy is based on organic development plans carried out with a reserve replacement ratio of 130%.

In **GAS & POWER**, we consolidated our leading position in Europe and generated 1.9 billion euro of free cash flow, confirming the stability of the division's cash generation. Gas sales reached 104 billion cubic meters, an increase of 5.3% (up 5.27 bcm) compared to 2007, mainly reflecting the contribution of the acquisition of Distrigas.

Adjusted net profit for the year decreased by 9.7% to €2.65 billion, largely due to a weaker operating performance. This was caused by stronger competitive pressure, particularly impacting the Italian market in the fourth quarter, and was partly offset by the increase in international sales.

In October 2008, following the authorization from the European Commission, we closed the acquisition of the 57.243% majority stake in Distrigas NV from the French company Suez-Gaz de France. On December 30, 2008, Eni was granted authorization from the Belgian market authorities to execute a mandatory tender offer on the minorities of Distrigas.

Our strategy is to further strengthen our leadership in the European gas market, where we hold a unique



Mario Resca  
Director



Pierluigi Scibetta  
Director



Francesco Taranto  
Director

competitive position, thanks to our large and diversified gas supply portfolio and our direct access to a vast infrastructure system and customer base. We will grow our international gas sales by an average of 7% a year, reaching total gas sales of 124 billion cubic meters by 2012 despite our reduced forecast for gas demand growth in Europe.

In **REFINING & MARKETING** we reported an adjusted net profit of €510 million. This was 59.9% higher than in 2007 due to a better operating performance and higher profits of equity-accounted entities, partly offset by increased income taxes. This result reflects higher margins in both refining and marketing. Marketing activities in Italy reported higher operating results due to a recovery in selling margins and an increased market share in retail as a result of effective marketing campaigns.

Our strategy in R&M focuses on the selective strengthening of our refining system, the improvement of quality standards in our marketing activities, and the widespread increase in operating efficiency. Overall, we target a €400 million EBIT increase by 2012, excluding scenario effects. In refining, we will increase our conversion index to 65% and achieve a middle distillate yield of 45%, more than double the yield in gasoline. Three new hydrocrackers will come on stream in 2009 in the Sannazzaro, Taranto and Bayern Oil refineries. In marketing, we target an Italian market share increase to 32% through loyalty programmes and enhanced non-oil services. Abroad, we will focus on three countries: Germany, Switzerland and Austria, where we enjoy significant advantages in terms of supply, logistics and brand awareness.

In **ENGINEERING & CONSTRUCTION**, we reported an improved adjusted net profit of €784 million (19.1% higher than in 2007) thanks to a better operating performance driven by high efficiency and favourable market conditions. Saipem is completing the expansion of its world-class fleet of construction and drilling vessels, consolidating its leading position in the project management, engineering and construction activities within the oilfield services industry.

In **PETROCHEMICALS** we reported a adjusted loss at both operating and net profit levels (- down €375 million and - down €306 million respectively) due to the high costs of oil-based feedstock in the first three quarters of the year and a steep decline in demand in the last quarter. Our target is to preserve profitability even in an unfavourable scenario. We will improve efficiency, especially in our steam crackers, and selectively invest in areas where we have a competitive advantage (styrenics and elastomers), also leveraging on our proprietary technologies.

The **efficiency** programme launched in 2006 delivered almost €1 billion in cost reductions by the end of 2008. We target another €1 billion of cost reductions by 2012, bringing overall savings to around €2 billion by 2012, in real terms versus the 2005 baseline.

Furthermore, on February 12th 2009, we announced the restructuring of our regulated businesses in Italy, with the sale of our gas distribution and storage regulated activities to Snam Rete Gas. This deal will create one of the major European operators in the regulated gas business and will enable us to extract significant synergies and unlock the value of these assets for our shareholders.

## Sustainable development

We are very proud of having been selected as the leading oil and gas company in the Dow Jones Sustainability Index.

We will strive to improve the sustainability of our activities through our commitment to: research and innovation, the development of local communities, the protection of the environment and the endorsement of higher health and safety standards. In conducting operations and in our relations with partners we uphold the protection and promotion of Human Rights.

Eni confirms its commitment to **Research** and **Innovation**. We will focus on developing innovative

technologies supporting our core businesses, leveraging on the industrial application of our proprietary technologies, and on expanding our activities in renewables, also thanks to cooperation agreements with primary academic and technology institutions.

People are our most important asset. In managing **Human resources**, we are committed to implementing programs to improve leadership skills, increase knowledge and promote international development.


In conclusion, 2008 was another good year for Eni. The industry is undoubtedly facing uncertain times, but we are well-placed to continue to deliver value to our shareholders, both in the short and the long term.

March 13, 2009

In representation of the Board of Directors



Chairman



Chief Executive Officer and General Manager

### BOARD OF DIRECTORS <sup>(1)</sup>

#### Chairman

Roberto Poli <sup>(2)</sup>

#### Chief Executive Officer and General Manager

Paolo Scaroni <sup>(3)</sup>

#### Directors

Alberto Clò, Paolo Andrea Colombo, Paolo Marchioni, Marco Reboa, Mario Resca, Pierluigi Scibetta, Francesco Taranto

### GENERAL MANAGERS

#### Exploration & Production Division

Claudio Descalzi <sup>(4)</sup>

#### Gas & Power Division

Domenico Dispenza <sup>(5)</sup>

#### Refining & Marketing Division

Angelo Caridi <sup>(6)</sup>

### BOARD OF STATUTORY AUDITORS <sup>(7)</sup>

#### Chairman

Ugo Marinelli

#### Statutory Auditors

Roberto Ferranti, Luigi Mandolesi, Tiziano Onesti, Giorgio Silva

#### Alternate Auditors

Francesco Bilotti, Pietro Alberico Mazzola

### MAGISTRATE OF THE COURT OF ACCOUNTANTS DELEGATED TO THE FINANCIAL CONTROL OF ENI SpA

Lucio Todaro Marescotti <sup>(8)</sup>

#### Alternate

Angelo Antonio Parente <sup>(9)</sup>

#### External Auditors <sup>(10)</sup>

PricewaterhouseCoopers SpA

(1) Appointed by the Shareholders' Meeting held on June 10, 2008 for a three year period. The Board of Directors expires at the date of approval of the financial statements for the 2010 financial year.

(2) Appointed by the Shareholders' Meeting held on June 10, 2008.

(3) Powers conferred by the Board of Directors on June 11, 2008.

(4) Appointed by the Board of Directors on July 30, 2008.

(5) Appointed by the Board of Directors on December 14, 2005, effective from January 1, 2006.

(6) Appointed by the Board of Directors on August 3, 2007.

(7) Appointed by the Shareholders' Meeting held on June 10, 2008 for a three year period, expiring at the date of the approval of the financial statements for the 2010 financial year.

(8) Duties conferred by the Governing Council of the Court of Accountants on July 19-20, 2006.

(9) Duties conferred by the Governing Council of the Court of Accountants on May 27-28, 2003.

(10) Appointed by the Shareholders' Meeting of May 24, 2007 for the 2007-2009 three-year term.