To our shareholders

Board of Directors

From left to right:
Francesco Taranto, Mario Resca, Paolo A. Colombo, Alberto Clô, Paolo Scaroni (CEO and General Manager), **Roberto Poli** (Chairman), **Pierluigi Scibetta, Marco Reboa, Paolo Marchioni.**

2010 has been a very good year for **Eni**. We have delivered a solid set of financial and operational achievements, laying the foundations for our future growth.
The Exploration & Production Division reported an outstanding performance.
In Iraq, we achieved a major milestone in the rehabilitation of the giant Zubair oilfield, increasing production by more than 10% compared to the initial rate. This has enabled us to start recovering our costs and earning the remuneration fee. The next development phase targets a production plateau of 1.2 mmbbl/d, which will be achieved by 2016.
In Venezuela we established a joint venture with PDVSA to develop the giant Junin 5 field, which has certified oil in place of 35 billion barrels and which we expect to start up in 2013.
Appraisal activities performed in 2010 also confirmed Perla as a major gas discovery – one of the most significant in recent years and the largest ever in Venezuela – with gas in place of over 14,000 billion cubic feet. We will fast-track Perla, targeting start up in 2013.
New discoveries have been one of the highlights of the year, with explorations successes in Indonesia, Brazil and Angola as well as Venezuela.
2010 also marked Eni's entry in new high-potential Countries and plays such as the Democratic Republic of Congo, with the acquisition of a 55% stake and the operatorship of the Ndunda onshore exploration block; Togo with two blocks in the Tano Basin in the Gulf of Guinea; and Poland where we acquired exploration licences in highly prospective shale gas plays.
Our new strategic agreements, pivotal to our industrial plan, are based on our commitment to cooperate with partnering Countries, local companies and communities as well as to our endorsement of sustainable development.
The Gas & Power Division suffered from a challenging trading environment in the European market. Supply exceeded demand, depressing spot gas prices at continental hubs which have increasingly been adopted as benchmarks for sales contracts outside Italy. This affected our margins, as spot prices fell well below our average purchase cost which is mainly indexed to the price of oil.
We have taken steps to preserve the competitiveness of our merchant gas business, first among which is the renegotiation of gas purchase contracts with our suppliers.
The Refining & Marketing Division improved its performance in spite of a harsh trading environment and unprofitable refining margins.
Our Petrochemicals Division also achieved better operating results compared to the previous year. We will improve the prospects of this business by launching an environment-friendly industrial project for the reconversion of the Porto Torres site. The Engineering & Construction segment again delivered an excellent performance, further enhancing its strong commercial franchise.
In the field of new technologies, we reconfirmed our commitment to produce hydrocarbons in an ever more efficient and safe manner, and develop renewable energy sources. An achievement worthy of note is the inauguration of the Solar Frontiers Centre in Massachusetts, in partnership with the MIT.
We have been confirmed in the main sustainability indexes and have enrolled in the new Global Compact LEAD Program of the United Nations, which will bring together global companies with excellent sustainability track records. **Eni** will also provide its expertise as international energy company to the preparation of

the Rio+20 World Conference.
In 2011, the global economic recovery looks stronger, despite signs of volatility and uncertainty deriving from ongoing tensions in Libya, a country with which **Eni** has long-standing relationships. Our thoughts are with the Libyan people at this difficult time, and we offer our sincerest hopes of a rapid return to order and stability so as to resume our common growth and development path.
Against this backdrop we reaffirm our strategic focus on growth and efficiency. We will deliver strong production growth, both in the next four years and beyond, and overcome challenges in the Gas & Power segment by strengthening our leadership in European markets, whilst preserving a sound financial position.

Financial performance

In 2010, net profit attributable to Eni's shareholders was €6.32 billion. Adjusted net profit was 6.87 billion, an increase of 32% from 2009, ref ecting the excellent operating performance of the Exploration & Production Division (up 46% from 2009). The Engineering & Construction Division also reported a robust performance (up 18%). The Refining & Marketing and Petrochemical Divisions reduced their operating losses by 52% and 73%, respectively. These positives more than offset the sharp decline in the Gas & Power Division's performance, driven by poor results in the Marketing business. Return on Average Capital Employed (ROACE) calculated on an adjusted basis was 10.7%. Cash inf ows for the year mainly comprised cash f ow from operations of €14.69 billion and disposal proceeds of €1.11 billion. These inf ows enabled **Eni** to partially fund outf ows associated with capital expenditures of €13.87 billion to support organic growth and exploration activities, dividends to **Eni** shareholders amounting to €3.62 billion, and dividends to non-controlling interests, mainly relating to Snam Rete Gas and Saipem, amounting to €0.51 billion. The ratio of net borrowings to total equity was virtually unchanged at 0.47.
The results achieved in 2010 enable us to propose a dividend of €1.00 per share to the Annual General Shareholders Meeting, of which €0.50 was paid as an interim dividend in September 2010.

In **Exploration & Production** Division we achieved an outstanding financial and operational performance. Adjusted net profit reached €5.6 billion, up 44% compared to 2009, driven by a favorable trading environment for oil prices and the depreciation of the euro against the dollar. Oil and gas production was a record 1,815 kboe/d, 1.1% higher than in 2009. This growth was driven by the timely delivery of all 12 of our planned start-ups, which contributed 40 kboe/d of new production in 2010 and will account for 230 kboe/d at peak. The all sources replacement ratio of reserves was 125%, rising to 135% at constant prices, corresponding to a reserve life index of 10.3 years at December 31, 2010 (10.2 years in 2009). Over the course of the year we added approximately 0.9 billion boe to our resource base thanks to successful exploration activities in Venezuela, Angola, Indonesia and Brazil, at the very competitive cost of 1.5 $/bbl. The Junin 5 project in Venezuela and acquisition of new acreage in the Democratic Republic of Congo, in Togo and in shale gas in Poland further enhanced our upstream portfolio.
We target an average annual production increase of more than 3% in the 2011-2014 plan, based on our $70 per barrel Brent price scenario and return of the Libyan production to its normal rate at some point in the future. Growth will be fuelled by our strong pipeline of projects, with 15 new major fields and other projects planned to start production in the four-year period. Planned start-ups will add 630 kbbl/d of new production by 2014. The booking of new reserves will enable us to replace reserves produced in the period, keeping the reserve life index stable. In the longer term, we expect to drive production growth leveraging on our giant fields, particularly Kashagan, Junin, Perla, Goliath, MLE-CAFC, Russian projects, Block 15/06 in Angola and unconventional opportunities. We will pursue the maximization of returns through selective exploration, the reduction in the time to market of our projects, and growing the share of operated production which – though the deployment of **Eni** standards and technologies – enables us to deliver tighter cost control and a better monitoring of operating risks.

After delivering solid returns for many years, in 2010 the **Gas & Power** Division posted a 12% decline in profits compared to 2009. Marketing activities reported sharply lower results (adjusted operating profit was down 57%) owing to heightened competitive pressure. Sales in Italy declined by 14% (down approximately 6 bcm), corresponding to a market share decline of ten percentage points. Sales in target European markets maintained a growth trend, with volumes up 2.5% (up 1bcm). Short-term prospects remain challenging, while in the next four years we expect a gradual recovery in fundamental trends.
We are tackling this challenging environment by developing our business model and implementing new pricing and risk management strategies to preserve profitability. In Italy, we will regain volumes and market share by leveraging on differentiated marketing initiatives, excellent customer service, the repositioning of our "luce e gas" brand and value-creating management of our assets (transport capacity, modulation, and supply). In Europe we will continue to pursue an aggressive growth strategy in our main target markets, in particular France, Germany and Austria.
We target a substantial recovery in profitability by 2014, even taking into account the expected divestment of our international pipelines. The achievement of this target will be supported by the renegotiation of our long-term supply contracts, with new pricing terms and contractual f exibility ensuring the competitiveness of our cost position. In the Regulated businesses in Italy, our industrial strategy aims at maximizing efficiency and implementing a capital expenditure program to combine outstanding service quality and steady growth in returns.

Compared to 2010, the **Refining & Marketing** Division reduced its adjusted net loss by 75% to €49 million. In the context of weak refining margins caused by excess capacity, low demand and high feedstock costs, the improvement was driven by greater efficiency and operational enhancement. The Marketing business achieved good results: in Italy, successful commercial initiatives offset a difficult trading environment (lower consumption and strong competition), while we continued to grow sales in selected European markets. Over the next four years, we target a substantial improvement in the profitability and free cash generation of our refining operations against the backdrop of continuing weakness in the trading environment. Our strategy in refining will leverage on selective capital expenditures to increase the complexity and

flexibility of our refineries, particularly by completing and starting up the EST project at the Sannazzaro site. This will enable us to capture opportunities offered by demand for middle distillates and to process low quality feedstock. Margin recovery will be underpinned by cost efficiencies and the integration of refinery cycles.
We plan to increase volume throughputs to 37 million tonnes by 2014 (up 2 million from 2010) and plant utilization rate to 90%. In marketing we will boost sales by approximately 10% in the next four years and increase our market share, leveraging on a network of modern and efficient service stations, which will be revamped in design and style. Sales and market share targets will also be supported by promotional campaigns, targeted pricing actions and an enhanced non-oil offer.
The re-branding of the Italian network with the **Eni** brand will be completed by 2014. Abroad, we will grow selectively in Central Eastern Europe and France leveraging on the consolidation of the network acquired in Austria, commercial initiatives and the opening of new service stations.

The **Engineering & Construction** segment reported adjusted net profit of nearly €1 billion, up 11% compared to 2009, driven by revenue growth and the higher profitability of projects. The order backlog at year end reached a record €20.5 billion. Saipem is an established leader in the area of oilfield services, particularly in executing large EPC projects. Its strong competitive position is underpinned by distinctive skills in engineering and project management, the availability of a world class fleet that will be fully upgraded by 2012 and the local content of operations. In the next four years we target steady growth in revenues and profits.

Polimeri substantially improved from a year earlier, reducing its adjusted net loss by 75% to €85 million. The improvement was driven by increased sales volumes on the back of a recovery in demand, efficiency enhancements and higher margins. **Eni** aims to recover profitability and generate free cash flow in the 2012-2013 period, leveraging on increasing efficiency, selective investments to optimize the yields and consumption of our crackers, the upgrading of plants in areas of excellence (elastomers) and opportunities to develop environment-friendly projects. An improving commercial performance will support margins, also with the contribution of licensing activities.

Supporting growth and profitability for shareholders

We expect to make capital expenditures amounting to €53.3 billion over the next four-year plan to fuel growth and value creation. This plan represents a slight increase compared to the previous one due to new initiatives in E&P (particularly new projects in Angola and additional activities Iraq). Cash flow from operations and planned divestment proceeds will enable us to fund our capital expenditure program and remunerate our shareholders, while at the same time strengthening our balance sheet. Our cost reduction program, which has delivered savings of €2.4 billion from 2006 to date, is expanded by €1.7 billion of further savings, targeting cumulated savings of €4.1 billion by 2014.

In conclusion, 2010 was a successful year for **Eni**. We progressed on our strategy focused on growth and efficiency, and laid the foundations for our future growth. In the next four years, while the global economy is expected to progressively recover, we expect that **Eni** – thanks to its excellent strategic position - will deliver industry-leading results, and create sustainable value for its shareholders and stakeholders.

March 10, 2011

In representation of the Board of Directors

Chairman

Chief Executive Officer and General Manager