ENI SPA
Form 20-F
April 07, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-14090

Eni SpA

(Exact name of Registrant as specified in its charter)

Republic of Italy

(Jurisdiction of incorporation or organization)

1, piazzale Enrico Mattei - 00144 Roma - Italy

(Address of principal executive offices)

Alessandro Bernini
Eni SpA
1, piazza Ezio Vanoni
20097 San Donato Milanese (Milano) - Italy
Tel +39 02 52041730 - Fax +39 02 52041765
(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Shares	**New York Stock Exchange***
American Depositary Shares	**New York Stock Exchange**
(Which represent the right to receive two Shares)	* Not for trading, but only in connection with the registration of American Depositary Shares, pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act:
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:
None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary shares of euro 1.00 each **4,005,358,876**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant have submitted electronically and posted on their corporate Web sites, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).*

Yes No

* This requirement does not apply to the registrants until their fiscal year ending December 31, 2011.

Indicate by check mark if the registrant is a large accelerated filer, an accelerated filer, or a non accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

TABLE OF CONTENTS

		Page
Certain Defined Terms		ii
Presentation of Financial and Other Information		ii
Statements Regarding Competitive Position		ii
Glossary		iii
Abbreviations and Conversion Table		vi
PART I		
Item 1.	IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS	1
Item 2.	OFFER STATISTICS AND EXPECTED TIMETABLE	1
Item 3.	KEY INFORMATION	1
	Selected Financial Information	1
	Selected Operating Information	3
	Exchange Rates	5
	Risk Factors	5
Item 4.	INFORMATION ON THE COMPANY	22
	History and Development of the Company	22
	Business Overview	26
	Exploration & Production	26
	Gas & Power	54
	Refining & Marketing	68
	Engineering & Construction	76
	Petrochemicals	78
	Corporate and Other activities	80
	Research and Development	81
	Insurance	86
	Environmental Matters	87
	Regulation of Eni s Businesses	93
	Property, Plant and Equipment	102
	Organizational Structure	102
Item 4A.	UNRESOLVED STAFF COMMENTS	102
Item 5.	OPERATING AND FINANCIAL REVIEW AND PROSPECTS	102
	Executive Summary	102
	Critical Accounting Estimates	104
	2008-2010 Group Results of Operations	108
	Liquidity and Capital Resources	119
	Recent Developments	126
	Outlook	127
Item 6.	DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES	134
	Directors and Senior Management	134
	Compensation	138
	Board Practices	146
	Employees	151
	Share Ownership	152
Item 7.	MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS	153
	Major Shareholders	153
	Related Party Transactions	153
Item 8.	FINANCIAL INFORMATION	154
	Consolidated Statements and Other Financial Information	154
	Significant Changes	154
Item 9.	THE OFFER AND THE LISTING	154
	Offer and Listing Details	154
	Markets	156
Item 10.	ADDITIONAL INFORMATION	157
	Memorandum and Articles of Association	157
	Material Contracts	163
	Exchange Controls	163
	Taxation	163
	Documents on Display	167

Item 11.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	168
Item 12.	DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES	169
12A.	Debt Securities	169
12B.	Warrants and Rights	169
12C.	Other Securities	169
12D.	American Depositary Shares	169
PART II		
Item 13.	DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES	171
Item 14.	MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS	
Item 15.	CONTROLS AND PROCEDURES	171
Item 16.		
16A.	Board of Statutory Auditors Financial Expert	172
16B.	Code of Ethics	172
16C.	Principal Accountant Fees and Services	172
16D.	Exemptions from the Listing Standards for Audit Committees	173
16E.	Purchases of Equity Securities by the Issuer and Affiliated Purchasers	173
16F.	Change in Registrant s Certifying Accountant	174
16G.	Significant Differences in Corporate Governance Practices as per Section 303A.11 of the New York Stock Exchange Listed Company Manual	
PART III		
Item 17.	FINANCIAL STATEMENTS	177
Item 18.	FINANCIAL STATEMENTS	177
Item 19.	EXHIBITS	177

Table of Contents

Certain disclosures contained herein including, without limitation, information appearing in "Item 4 Information on the Company", and in particular "Item 4 Exploration & Production", "Item 5 Operating and Financial Review and Prospects" and "Item 11 Quantitative and Qualitative Disclosures about Market Risk" contain forward-looking statements regarding future events and the future results of Eni that are based on current expectations, estimates, forecasts, and projections about the industries in which Eni operates and the beliefs and assumptions of the management of Eni. Eni may also make forward-looking statements in other written materials, including other documents filed with or furnished to the U.S. Securities and Exchange Commission (the "SEC"). In addition, Eni s senior management may make forward-looking statements orally to analysts, investors, representatives of the media and others. In particular, among other statements, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on capital, risk management and competition are forward looking in nature. Words such as expects , anticipates , targets , goals , projects , intends , plans , believes , seeks , estimates , variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties, and assumptions that are difficult to predict because they relate to events and depend on circumstances that will occur in the future. Therefore, Eni s actual results may differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 20-F under the section entitled "Risk Factors" and elsewhere. Any forward-looking statements made by or on behalf of Eni speak only as of the date they are made. Eni does not undertake to update forward-looking statements to reflect any changes in Eni s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any further disclosures Eni may make in documents it files with the SEC.

CERTAIN DEFINED TERMS

In this Form 20-F, the terms "Eni", the "Group", or the "Company" refer to the parent company Eni SpA and its consolidated subsidiaries and, unless the context otherwise requires, their respective predecessor companies.
All references to "Italy" or the "State" are references to the Republic of Italy, all references to the "Government" are references to the government of the Republic of Italy. For definitions of certain oil and gas terms used herein and certain conversions, see "Glossary" and "Conversion Table".

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Consolidated Financial Statements of Eni, included in this annual report, have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Unless otherwise indicated, any reference herein to "Consolidated Financial Statements" is to the Consolidated Financial Statements of Eni (including the Notes thereto) included herein.

Unless otherwise specified or the context otherwise requires, references herein to "dollars", "$", "U.S. dollars" and "U.S. $" are to the currency of the United States, and references to "euro" and " " are to the currency of the European Monetary Union.

Unless otherwise specified or the context otherwise requires, references herein to "division" and "segment" are to Eni s business activities: Exploration & Production, Gas & Power, Refining & Marketing, Engineering & Construction, Petrochemicals and other activities.

STATEMENTS REGARDING COMPETITIVE POSITION

Statements made in "Item 4 Information on the Company" referring to Eni s competitive position are based on the Company s belief, and in some cases rely on a range of sources, including investment analysts reports, independent market studies and Eni s internal assessment of market share based on publicly available information about the financial results and performance of market participants. Market share estimates contained in this document are based on management estimates unless otherwise indicated.

GLOSSARY

A glossary of oil and gas terms is available on Eni s web page at the address www.eni.it. Below is a selection of the most frequently used terms.

Financial terms

Leverage	A non-GAAP measure of the Company s financial condition, calculated as the ratio between net borrowings and shareholders equity, including non-controlling interest. For a discussion of management s view of the usefulness of this measure and its reconciliation with the most directly comparable GAAP measure which in the case of the Company refers to IFRS, see "Item 5 Financial Condition".
Net borrowings	Eni evaluates its financial condition by reference to "net borrowings", which is a non-GAAP measure. Eni calculates net borrowings as total finance debt less: cash, cash equivalents and certain very liquid investments not related to operations, including among others non-operating financing receivables and securities not related to operations. Non-operating financing receivables consist of amounts due to Eni s financing subsidiaries from banks and other financing institutions and amounts due to other subsidiaries from banks for investing purposes and deposits in escrow. Securities not related to operations consist primarily of government and corporate securities. For a discussion of management s view of the usefulness of this measure and its reconciliation with the most directly comparable GAAP measure which in the case of the Company refers to IFRS, see "Item 5 Financial Condition".

Business terms

AEEG (Authority for Electricity and Gas)	The Regulatory Authority for Electricity and Gas is the Italian independent body which regulates, controls and monitors the electricity and gas sectors and markets in Italy. The Authority s role and purpose is to protect the interests of users and consumers, promote competition and ensure efficient, cost-effective and profitable nationwide services with satisfactory quality levels.
Associated gas	Associated gas is a natural gas found in contact with or dissolved in crude oil in the reservoir. It can be further categorized as Gas-Cap Gas or Solution Gas.
Average reserve life index	Ratio between the amount of reserves at the end of the year and total production for the year.
Barrel/BBL	Volume unit corresponding to 159 liters. A barrel of oil corresponds to about 0.137 metric tons.
BOE	Barrel of Oil Equivalent. It is used as a standard unit measure for oil and natural gas. The latter is converted from standard cubic meters into barrels of oil equivalent using a certain coefficient (see "Conversion Table").
Concession contracts	Contracts currently applied mainly in Western countries regulating relationships between states and oil companies with regards to hydrocarbon exploration and production. The company holding the mining concession has an exclusive on exploration, development and production activities and for this reason it acquires a right to hydrocarbons extracted against the payment of royalties on production and

	taxes on oil revenues to the state.
Condensates	Condensates is a mixture of hydrocarbons that exists in the gaseous phase at original reservoir temperature and pressure, but that, when produced, is in the liquid phase at surface pressure and temperature.
Contingent resources	Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies.
Conversion capacity	Maximum amount of feedstock that can be processed in certain dedicated facilities of a refinery to obtain finished products. Conversion facilities include catalytic crackers, hydrocrackers, visbreaking units, and coking units.
Conversion index	Ratio of capacity of conversion facilities to primary distillation capacity. The higher the ratio, the higher is the capacity of a refinery to obtain high value products from the heavy residue of primary distillation.
Deep waters	Waters deeper than 200 meters.
Development	Drilling and other post-exploration activities aimed at the production of oil and gas.

Enhanced recovery	Techniques used to increase or stretch over time the production of wells.
EPC	Engineering, Procurement and Construction.
EPIC	Engineering, Procurement, Installation and Construction.
Exploration	Oil and natural gas exploration that includes land surveys, geological and geophysical studies, seismic data gathering and analysis and well drilling.
FPSO	Floating Production Storage and Offloading System.
FSO	Floating Storage and Offloading System.
Infilling wells	Infilling wells are wells drilled in a producing area in order to improve the recovery of hydrocarbons from the field and to maintain and/or increase production levels.
LNG	Liquefied Natural Gas obtained through the cooling of natural gas to minus 160 °C at normal pressure. The gas is liquefied to allow transportation from the place of extraction to the sites at which it is transformed back into its natural gaseous state and consumed. One tonne of LNG corresponds to 1,400 cubic meters of gas.
LPG	Liquefied Petroleum Gas, a mix of light petroleum fractions, gaseous at normal pressure and easily liquefied at room temperature through limited compression.
Margin	The difference between the average selling price and direct acquisition cost of a finished product or raw material excluding other production costs (e.g. refining margin, margin on distribution of natural gas and petroleum products or margin of petrochemical products). Margin trends reflect the trading environment and are, to a certain extent, a gauge of industry profitability.
Mineral Potential	(Potentially recoverable hydrocarbon volumes) Estimated recoverable volumes which cannot be defined as reserves due to a number of reasons, such as the temporary lack of viable markets, a possible commercial recovery dependent on the development of new technologies, or for their location in accumulations yet to be developed or where evaluation of known accumulations is still at an early stage.
Mineral Storage	According to Legislative Decree No. 164/2000, these are volumes required for allowing optimal operation of natural gas fields in Italy for technical and economic reasons. The purpose is to ensure production flexibility as required by long-term purchase contracts as well as to cover technical risks associated with production.
Modulation Storage	According to Legislative Decree No. 164/2000, these are volumes required for meeting hourly, daily and seasonal swings in demand.
Natural gas liquids (NGL)	Liquid or liquefied hydrocarbons recovered from natural gas through separation equipment or natural gas treatment plants. Propane, normal-butane and isobutane, isopentane and pentane plus, that were previously defined as natural gasoline, are natural gas liquids.
Network Code	A code containing norms and regulations for access to, management and operation of natural gas pipelines.
Over/Under lifting	

Agreements stipulated between partners which regulate the right of each to its share in the production for a set period of time. Amounts lifted by a partner different from the agreed amounts determine temporary Over/Under lifting situations.

Possible reserves Possible reserves are those additional reserves that are less certain to be recovered than probable reserves.

Probable reserves Probable reserves are those additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are as likely as not to be recovered.

Primary balanced refining capacity Maximum amount of feedstock that can be processed in a refinery to obtain finished products measured in BBL/d.

Production Sharing Agreement ("PSA") Contract in use in African, Middle Eastern, Far Eastern and Latin American countries, among others, regulating relationships between states and oil companies with regard to the exploration and production of hydrocarbons. The mineral right is awarded to the national oil company jointly with the foreign oil company that has an exclusive right to perform exploration, development and production activities and can enter into agreements with other local or international entities. In this type of contract the national oil company assigns to the international contractor the task of performing exploration and production with the contractor s equipment and financial resources. Exploration risks are borne by the contractor and production is divided into two portions: "cost oil" is used to recover costs borne by the contractor and "profit oil" is

divided between the contractor and the national company according to variable schemes and represents the profit deriving from exploration and production. Further terms and conditions of these contracts may vary from country to country.

Proved reserves — Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible, from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations, prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time. Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average price during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. Reserves are classified as either developed and undeveloped. Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well, and through installed extraction equipment and infrastructure operational at the time of the reserves estimate if the extraction is by means not involving a well. Proved undeveloped oil and gas reserves are reserves of any category that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion.

Reserves — Reserves are estimated remaining quantities of oil and gas and related substances anticipated to be economically producible, as of a given date, by application of development projects to known accumulations. In addition, there must exist, or there must be a reasonable expectation that there will exist, the legal right to produce or a revenue interest in the production, installed means of delivering oil and gas or related substances to market, and all permits and financing required to implement the project.

Reserve life index — Ratio between the amount of proved reserves at the end of the year and total production for the year.

Reserve replacement ratio — Measure of the reserves produced replaced by proved reserves. Indicates the company s ability to add new reserves through exploration and purchase of property. A rate higher than 100% indicates that more reserves were added than produced in the period. The ratio should be averaged on a three-year period in order to reduce the distortion deriving from the purchase of proved property, the revision of previous estimates, enhanced recovery, improvement in recovery rates and changes in the amount of reserves in PSAs due to changes in international oil prices.

Ship-or-pay — Clause included in natural gas transportation contracts according to which the customer is requested to pay for the transportation of gas whether or not the gas is

	actually transported.
Strategic Storage	According to current Italian regulation, these are volumes required for covering lack or reduction of supplies from extra-European sources or crises in the natural gas system.
Take-or-pay	Clause included in natural gas supply contracts according to which the purchaser is bound to pay the contractual price or a fraction of such price for a minimum quantity of gas set in the contract whether or not the gas is collected by the purchaser. The purchaser has the option of collecting the gas paid for and not delivered at a price equal to the residual fraction of the price set in the contract in subsequent contract years.
Upstream/Downstream	The term upstream refers to all hydrocarbon exploration and production activities. The term downstream includes all activities inherent to the oil and gas sector that are downstream of exploration and production activities.

Table of Contents

ABBREVIATIONS

mmCF	= million cubic feet	ktonnes	= thousand tonnes
BCF	= billion cubic feet	mmtonnes	= million tonnes
mmCM	= million cubic meters	MW	= megawatt
BCM	= billion cubic meters	GWh	= gigawatthour
BOE	= barrel of oil equivalent	TWh	= terawatthour
KBOE	= thousand barrel of oil equivalent	/d	= per day
mmBOE	= million barrel of oil equivalent	/y	= per year
BBOE	= billion barrel of oil equivalent	E&P	= the Exploration & Production segment
BBL	= barrels	G&P	= the Gas & Power segment
KBBL	= thousand barrels	R&M	= the Refining & Marketing segment
mmBBL	= million barrels	E&C	= the Engineering & Construction segment
BBBL	= billion barrels		

CONVERSION TABLE

1 acre	= 0.405 hectares	
1 barrel	= 42 U.S. gallons	
1 BOE	= 1 barrel of crude oil	= 5,550 cubic feet of natural gas*
1 barrel of crude oil per day	= approximately 50 tonnes of crude oil per year	
1 cubic meter of natural gas	= 35.3147 cubic feet of natural gas	
1 cubic meter of natural gas	= approximately 0.00615 barrels of oil equivalent	
1 kilometer	= approximately 0.62 miles	
1 short ton	= 0.907 tonnes	= 2,000 pounds
1 long ton	= 1.016 tonnes	= 2,240 pounds
1 tonne	= 1 metric ton	= 1,000 kilograms = approximately 2,205 pounds
1 tonne of crude oil	= 1 metric ton of crude oil	=

approximately 7.3 barrels of crude oil (assuming an API gravity of 34 degrees)

(*) In this Annual Report on Form 20-F, the Company presents oil and gas production volumes and reserves expressed in barrels of oil-equivalent whereby natural gas volumes are converted on the base of an equivalency. In 2010, Eni updated the natural gas conversion factor from 5,742 to 5,550 standard cubic feet of gas per barrel of oil equivalent. This update reflected changes in Eni s gas properties that took place in recent years and was assessed by collecting data on the heating power of gas in all Eni s 230 gas fields on stream at the end of 2009. The effect of this update on production expressed in BOE was 26 KBOE/d for the full year 2010 and on the initial reserves balances as of January 1, 2010 amounted to 106 mmBOE. Other per-BOE indicators were only marginally affected by the update (e.g. realization prices, costs per BOE) and also negligible was the impact on depletion charges. Other oil companies may use different conversion rates.

Table of Contents

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

NOT APPLICABLE

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

NOT APPLICABLE

Item 3. KEY INFORMATION

Selected Financial Information

The Consolidated Financial Statements of Eni have been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB). The tables below show Eni selected historical financial data prepared in accordance with IFRS as of and for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. The selected historical financial data presented herein are derived from Eni s Consolidated Financial Statements included in Item 18.

All such data should be read in connection with the Consolidated Financial Statements and the related notes thereto included in Item 18.

	Year ended December 31,				
	2006	2007	2008	2009	2010
	(euro million except data per share and per ADR)				
CONSOLIDATED PROFIT AND LOSS STATEMENT DATA					
Net sales from operations	86,105	87,204	108,082	83,227	98,523
Operating profit by segment [1]					
Exploration & Production	15,580	13,433	16,239	9,120	13,866
Gas & Power	3,802	4,465	4,030	3,687	2,896
Refining & Marketing	319	686	(988)	(102)	149
Petrochemicals	172	100	(845)	(675)	(86)
Engineering & Construction	505	837	1,045	881	1,302
Other activities [2]	(622)	(444)	(466)	(436)	(1,384)
Corporate and financial companies [2]	(296)	(312)	(623)	(420)	(361)
Impact of unrealized intragroup profit elimination [3]	(133)	(26)	125		(271)
Operating profit	19,327	18,739	18,517	12,055	16,111
Net profit attributable to Eni	9,217	10,011	8,825	4,367	6,318
Data per ordinary share (euro) [4]					
Operating profit:					

- basic	5.23	5.11	5.09	3.33	4.45
- diluted	5.22	5.11	5.09	3.33	4.45
Net profit attributable to Eni basic and diluted	2.49	2.73	2.43	1.21	1.74
Data per ADR ($) [(4) (5)]					
Operating profit:					
- basic	13.13	14.01	14.97	9.27	11.81
- diluted	13.12	14.00	14.97	9.27	11.81
Net profit attributable to Eni basic and diluted	6.26	7.48	7.14	3.36	4.62

1

Table of Contents

	As of December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
	(euro million except number of shares and dividend information)				
CONSOLIDATED BALANCE SHEET DATA					
Total assets	88,312	101,460	116,673	117,529	131,860
Short-term and long-term debt	11,699	19,830	20,837	24,800	27,783
Capital stock issued	4,005	4,005	4,005	4,005	4,005
Non-controlling interest	2,170	2,439	4,074	3,978	4,522
Shareholders equity - Eni share	39,029	40,428	44,436	46,073	51,206
Capital expenditures	7,833	10,593	14,562	13,695	13,870
Weighted average number of ordinary shares outstanding (fully diluted - shares million)	3,701	3,668	3,639	3,622	3,622
Dividend per share (euro)	1.25	1.30	1.30	1.00	1.00
Dividend per ADR ($) (4)	3.24	3.74	3.72	2.91	2.64

(1) From 2009, gains and losses on non-hedging commodity derivative instruments, including both fair value re-measurement and gains and losses on settled transactions are reported as items of operating profit. Also results of the gas storage business are reported within the Gas & Power segment reporting unit, as part of the regulated businesses results, following the restructuring of Eni s regulated gas businesses in Italy. In past years, results of the gas storage business were reported within the Exploration & Production segment. Data for the years ended December 31, 2008 and 2007 have been restated. Prior year data have not been restated.

(2) From 2010 certain environmental provisions incurred by the Parent Company Eni SpA due to inter-company guarantees on behalf of Syndial have been reported within the segment reporting unit "Other activities". Data for the years 2008 and 2009 have been restated by increasing the operating loss of the "Other activities" segment by euro 120 million and euro 54 million, respectively. Prior-year data have not been restated.

(3) This item mainly pertained to intra-group sales of commodities, services and capital goods recorded in the assets of the purchasing business segment as of the end of the period.

(4) Euro per share or U.S. dollars per American Depositary Receipt (ADR), as the case may be. One ADR represents two Eni shares. The dividend amount for 2010 is based on the proposal of Eni s management which is submitted to approval of the Annual General Shareholders Meeting scheduled on April 29 and May 5, 2011 on first and second calls, respectively.

(5) Eni s financial statements are stated in euro. The translations of certain euro amounts into U.S. dollars are included solely for the convenience of the reader. The convenient translations should not be construed as representations that the amounts in euro have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Data per ADR, with the exception of dividends, were translated at the EUR/U.S. $ average exchange rate as recorded by in the Federal Reserve Board official statistics for each year presented (see the table on page 5). Dividends per ADR for the years 2006 through 2009 were translated into U.S. dollars for each year presented using the Noon Buying Rate on payment dates, as recorded on the payment date of the interim dividend and of the balance to the full-year dividend, respectively. The dividend for 2010 based on the management s proposal to the General Shareholders Meeting and subject to approval was translated as per the portion related to the interim dividend (euro 1 per ADR) at the Noon Buying Rate recorded on the payment date on September 30, 2010, while the balance of euro 1 per ADR was translated at the Noon Buying Rate as recorded on December 31, 2010. The balance dividend for 2010 once the full-year dividend is approved by the Annual General Shareholders Meeting is payable on May 26, 2011 to holders of Eni shares, being the ex-dividend date May 23, while ADRs holders will be paid late in May 2011.

Table of Contents

Selected Operating Information

The tables below set forth selected operating information with respect to Eni s proved reserves, developed and undeveloped, of crude oil (including condensates and natural gas liquids) and natural gas, as well as other data as of and for the years ended December 31, 2006, 2007, 2008, 2009 and 2010. Data on production of oil and natural gas and hydrocarbon production sold includes Eni s share of production of affiliates and joint ventures accounted for under the equity or cost method of accounting. In presenting data on production volumes and reserves for total hydrocarbons, natural gas volumes have been converted to oil-equivalent barrels on the basis of a certain equivalency. In 2010, Eni updated the natural gas conversion factor from 5,742 to 5,550 standard cubic feet of gas per barrel of oil equivalent. This update reflected changes in Eni s gas properties that took place in recent years and was assessed by collecting data on the heating power of gas in all Eni s 230 gas fields on stream at the end of 2009. The effect of this update on production expressed in boe was 26 KBOE/d for the full year 2010 and on the initial reserves balances as of January 1, 2010 amounted to 106 mmBOE. Prior-year converted amounts were not restated. Other per-boe indicators were only marginally affected by the update (e.g. realization prices, costs per boe) and also negligible was the impact on depletion charges. Other oil companies may use different conversion rates.

	Year ended December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
Proved reserves of liquids of consolidated subsidiaries at period end (mmBBL)	3,457	3,127	3,243	3,377	3,415
of which developed	*2,126*	*1,953*	*2,009*	*2,001*	*1,951*
Proved reserves of liquids of equity-accounted entities at period end (mmBBL)	24	142	142	86	208
of which developed	*18*	*26*	*33*	*34*	*52*
Proved reserves of natural gas of consolidated subsidiariesat period end (BCF)	16,897	16,549	17,214	16,262	16,198
of which developed	*10,949*	*10,967*	*11,138*	*11,650*	*10,965*
Proved reserves of natural gas of equity-accounted entities at period end (BCF)	68	3,022	3,015	1,588	1,684
of which developed	*48*	*428*	*420*	*234*	*246*
Proved reserves of hydrocarbons of consolidated subsidiaries in mmBOE at period end [1]	6,400	6,010	6,242	6,209	6,332
of which developed	*4,032*	*3,862*	*3,948*	*4,030*	*3,926*
Proved reserves of hydrocarbons of equity-accounted entities in mmBOE at period end [a]	36	668	666	362	511
of which developed	*27*	*101*	*107*	*74*	*96*
Reserve replacement ratio [2]	38	38	136	95	104
Average daily production of liquids (KBBL/d)	1,079	1,020	1,026	1,007	997
Average daily production of natural gas available for sale (mmCF/d) [3]	3,679	3,819	4,143	4,074	4,222
Average daily production of hydrocarbonsavailable for sale (KBOE/d) [3]	1,720	1,684	1,748	1,716	1,757
Hydrocarbon production sold (mmBOE)	625.1	611.4	632.0	622.8	638.0
Oil and gas production costs per BOE [4]	5.79	6.90	7.65	7.41	8.89
Profit per barrel of oil equivalent [5]	15.03	14.19	16.00	8.14	11.91

(a) Proved gas reserve of equity-accounted entities mainly pertained to three Russian companies that were jointly purchased with the Italian partner Enel in 2007 (Eni s interest in the venture being 60%). In 2009 following the divestment of a 51% interest to Gazprom upon exercise of a call option arrangement, Eni s interest in the venture decreased to 29.4%.

(1) Includes approximately 754, 749, 746, 769 and 767 BCF of natural gas held in storage in Italy as of December 31, 2006, 2007, 2008, 2009 and 2010, respectively.

(2) Referred to Eni s subsidiaries. Consists of: (i) the increase in proved reserves of consolidated subsidiaries attributable to: (a) purchases of minerals in place; (b) revisions of previous estimates; (c) improved recovery; and (d) extensions and discoveries, less sales of minerals in place; divided by (ii) production during the year as set forth in the reserve tables, in each case prepared in accordance with Topic 932. See the unaudited supplemental oil and gas information in Item 18 Notes to the Consolidated Financial Statements. Expressed as a percentage.

(3) Natural gas production volumes exclude gas consumed in operations (286, 296, 281, 300 and 318 mmCF/d in 2006, 2007, 2008, 2009 and 2010, respectively).

(4) Expressed in U.S. dollars. Consists of production costs of consolidated subsidiaries (costs incurred to operate and maintain wells and field equipment including also royalties) prepared in accordance with IFRS divided by production on an available-for-sale basis, expressed in barrels of oil equivalent. See the unaudited supplemental oil and gas information in "Item 18 Notes to the Consolidated Financial Statements".

(5) Expressed in U.S. dollars. Results of operations from oil and gas producing activities of consolidated subsidiaries, divided by actual sold production, in each case prepared in accordance with IFRS to meet ongoing U.S. reporting obligations under Topic 932. See the unaudited supplemental oil and gas information in "Item 18 Notes to the Consolidated Financial Statements" for a calculation of results of operations from oil and gas producing activities.

Table of Contents

Selected Operating Information *continued*

	Year ended December 31,				
	2006	2007	2008	2009	2010
Sales of natural gas to third parties (5)	79.63	78.75	83.69	83.79	75.81
Natural gas consumed by Eni (5)	6.13	6.08	5.63	5.81	6.19
Sales of natural gas of affiliates (Eni s share) (5)	7.65	8.74	8.91	7.95	9.41
Total sales and own consumption of natural gas of the Gas & Power segment (5)	93.41	93.57	98.23	97.55	91.41
E&P natural gas sales in Europe and in the Gulf of Mexico (5)	4.69	5.39	6.00	6.17	5.65
Worldwide natural gas sales (5)	98.10	98.96	104.23	103.72	97.06
Transport of natural gas for third parties in Italy (5)	30.90	30.89	33.84	37.32	47.87
Length of natural gas transport network in Italy at period end (6)	30.9	31.1	31.5	31.5	31.6
Electricity sold (7)	31.03	33.19	29.93	33.96	39.54
Refinery throughputs (8)	36.27	37.15	35.84	34.55	34.80
Balanced capacity of wholly-owned refineries (9)	534	544	544	554	564
Retail sales (in Italy and rest of Europe) (8)	12.48	11.80	12.03	12.02	11.73
Number of service stations at period end (in Italy and rest of Europe)	6,294	6,441	5,956	5,986	6,167
Average throughput per service station (in Italy and rest of Europe) (10)	2,470	2,486	2,502	2,477	2,353
Petrochemical production (8)	7.07	8.80	7.37	6.52	7.22
Engineering & Construction order backlog at period end (11)	13,191	15,390	19,105	18,730	20,505
Employees at period end (units)	72,850	75,125	78,094	77,718	79,941

(6) Expressed in BCM.
(7) Expressed in thousand kilometers.
(8) Expressed in TWh.
(9) Expressed in mmtonnes.
(10) Expressed in KBBL/d.
(11) Expressed in euro million.

Table of Contents

Exchange Rates

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

	High	Low	Average (1)	At period end
	(U.S. dollars per euro)			
Year ended December 31,				
2006	1.33	1.19	1.26	1.32
2007	1.49	1.29	1.37	1.46
2008	1.60	1.24	1.47	1.39
2009	1.51	1.25	1.39	1.43
2010	1.46	1.19	1.33	1.34

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

	High	Low	At period end
	(U.S. dollars per euro)		
October 2010	1.41	1.37	1.39
November 2010	1.42	1.30	1.30
December 2010	1.34	1.31	1.34
January 2011	1.34	1.29	1.34
February 2011	1.38	1.34	1.35
March 2011	1.42	1.38	1.42

Fluctuations in the exchange rate between the euro and the U.S. dollar affect the dollar equivalent of the euro price of the Shares on the Mercato Telematico Azionario (Electronic Share Market or "MTA") and the U.S. dollar price of the ADRs on the NYSE. Exchange rate fluctuations also affect the U.S. dollar amounts received by owners of ADRs upon conversion by the Depository of cash dividends paid in euro on the underlying Shares. The Noon Buying Rate on March 31, 2011 was $1.42 per euro 1.00.

Risk Factors

Competition

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

Eni faces strong competition in each of its business segments.

In the Exploration & Production business, Eni faces competition from both international oil companies and state-owned oil companies for obtaining exploration and development rights, and developing and applying new technologies to maximize hydrocarbon recovery. Furthermore, Eni may face a competitive disadvantage in many of these markets because of its relatively smaller size compared to other international oil companies, particularly when bidding for large scale or capital intensive projects, and may be exposed to industry-wide cost increases to a greater extent compared to its larger competitors given its potentially smaller market power with respect to suppliers. If, as a result of those competitive pressures, Eni fails to obtain new exploration and development acreage, to apply and develop new technologies, and to control cost increases, its growth prospects and future results of operations and cash flows may be adversely affected.

In its natural gas business, Eni faces increasingly strong competition on both the Italian market and the European market driven by moderate growth prospects for demand over the short and medium-term, in the face of large gas availability on the marketplace. The latter was driven by material investments to expand

import capacity to Europe via pipeline which have been made by a number of operators, including Eni, in recent years. Also large availability of LNG on a worldwide scale has found an outlet at the European continental hubs driving the development of highly liquid spot gas markets. LNG availability was fuelled by the ramp-up of important upstream projects worldwide (new treatment trains in Qatar, Yemen and Russia) and commercial development of non-conventional gas resources in the USA which have reduced dependence on LNG imports. As natural gas is a commodity, gas oversupplies have caused suppliers to compete more aggressively on pricing thus pressuring gas margins in the whole sector. Management believes that a better balance between demand and supply on the European market will not be achieved until 2014 at the earliest.

The described trends may negatively affect the Company s future results of operations and cash flow in its natural gas business, also taking into account the Company s contractual obligations to off-take minimum annual volumes of natural gas in accordance to its long-term gas supply contracts that include take-or-pay clauses. See the sector-specific risk section below.

Eni also faces competition from large, well-established European utilities and other international oil and gas companies in growing its market share and acquiring or retaining clients. A number of large clients, particularly electricity producers, in both the domestic market and other European markets have entered the wholesale market of natural gas by directly purchasing gas from producers and reselling it to wholesale or retail markets. At the same time, a number of national gas producers from countries with large gas reserves are planning to sell natural gas directly to final clients, which would threaten the market position of companies like Eni which resell gas purchased from producing countries to final customers. These developments may increase the level of competition in both the Italian and other European markets for natural gas and reduce Eni s operating profit and cash flows.

In its domestic electricity business, Eni competes with other producers and traders from Italy or outside of Italy who sell electricity on the Italian market. The Company expects in the near future that increasing competition due to the weak GDP growth expected in Italy and Europe over the next one to two years will cause outside players to place excess production on the Italian market.

In retail marketing of refined products both in and outside Italy, Eni competes with third parties (including international oil companies and local operators such as supermarket chains) to obtain concessions to establish and operate service stations. Once established, Eni s service stations compete primarily on the basis of pricing, services and availability of non-petroleum products. In Italy, there is pressure from political and administrative entities, including the Italian Antitrust Authority, to increase levels of competition in the retail marketing of fuels. Eni expects developments on this issue to further increase pressure on selling margins in the retail marketing of fuels.

In the Petrochemical segment, we face intense competition from well-established international players and state-owned petrochemical companies, particularly in the most commoditized market segments. Many of those competitors may benefit from cost advantages due to larger scale, looser environmental regulations, availability of oil-based feedstock, and more favorable location and proximity to end-markets. Excess capacity and sluggish economic growth may exacerbate competitive pressures. The Company expects continuing margin pressures in the foreseeable future as a result of those trends.

Competition in the oil field services, construction and engineering industries is primarily based on technical expertise, quality and number of services and availability of technologically advanced facilities (for example, vessels for offshore construction). Lower oil prices could result in lower margins and lower demand for oil services.

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

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

The exploration and production of oil and natural gas requires high levels of capital expenditures and entails particular economic risks. It is subject to natural hazards and other uncertainties including those relating to the physical

characteristics of oil and natural gas fields.

Eni s results depend on its ability to identify and mitigate the risks and hazards inherent to operating in the crude oil and natural gas industry. The Company seeks to minimize these operational risks by carefully designing and building its facilities and conducting its operations in a safe and reliable manner. However, failure to manage these risks effectively could result in unexpected incidents, including releases, explosions or mechanical failures resulting in personal injury, loss of life, environmental damage, loss of revenues, legal liability and/or disruption to operations. As recent events in the Gulf of Mexico have shown, exploration and production carries certain inherent risks, especially deep water drilling. Accidents at a single well can lead to loss of life, environmental damage and consequently potential economic losses that could have a material and adverse effect on the business, results of operation and prospects of the Group. Eni has implemented and maintains a system of policies, procedures and compliance mechanisms to manage safety, health, environmental, reliability and efficiency risks; to verify compliance with applicable laws and policies; and to respond to and learn from unexpected incidents. Nonetheless,

in certain situations where Eni is not the operator, the Company may have limited influence and control over third parties, which may limit its ability to manage and control such risks. Eni maintains insurance coverage that include coverage for physical damage to our assets, third party liability, workers compensation, pollution and other damage to the environment and other coverage. Our insurance is subject to caps, exclusion and limitation, and there is no assurance that such coverage will adequately protect us against liabilities from all potential consequences and damages. In light of the accident at the Macondo well in the Gulf of Mexico, we may not be able to secure similar coverage for the same costs. Future insurance coverage for our industry could increase in cost and may include higher retentions. Also, some forms of insurance may become unavailable in the future or unavailable on terms that we believe are economically acceptable.

The production of oil and natural gas is highly regulated and is subject to conditions imposed by governments throughout the world in matters such as the award of exploration and production interests, the imposition of specific drilling and other work obligations, income taxes and taxes on production, environmental protection measures, control over the development and abandonment of fields and installations, and restrictions on production.

Exploratory drilling efforts may be unsuccessful

Drilling for oil and gas involves numerous risks including the risk of dry holes or failure to find commercial quantities of hydrocarbons. The costs of drilling, completing and operating wells are often uncertain, and drilling operations may be unsuccessful as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or fires, blow-outs and various forms of accidents, marine risks such as collisions and adverse weather conditions and shortages or delays in the delivery of equipment. Exploring or drilling in offshore areas, particularly in deep waters, is generally more complex and riskier than in onshore areas; the same is true for exploratory activity in remote areas or in challenging environmental conditions such as those we are experiencing in the Caspian region or Alaska. Failure to discover commercial quantities of oil and natural gas could have an adverse impact on Eni s future growth prospects, results of operations and liquidity. Because Eni plans to invest significant capital expenditures in executing high risk exploration projects, it is likely that Eni will incur significant exploration and dry hole expenses in future years. Eni plans to explore for oil and gas offshore; a number of projects are planned in deep and ultra-deep waters or at deep drilling depths, where operations are more difficult and costly than in other areas. Deep water operations generally require a significant amount of time before commercial production of reserves can commence, increasing both the operational and financial risks associated with these activities. The Company plans to conduct risky exploration projects offshore the Gulf of Mexico, Egypt, Angola, Italy, Australia, Nigeria and Norway. In 2010, the Company invested approximately euro 1 billion in executing exploration projects and it plans to spend approximately euro 0.9 billion per annum on average over the next four years.

Furthermore, shortage of deep water rigs and failure to find additional commercial reserves could reduce future production of oil and natural gas which is highly dependent on the rate of success of exploratory activity.

The oil and gas industry may face increased regulation both in the USA and elsewhere that could increase the cost of regulatory compliance and may require changes to our drilling operations and exploration and development plans and may lead to higher royalties and taxes

The recent incident at the BP-operated Macondo well in the Gulf of Mexico is likely to result in more stringent regulation of oil and gas activities in the U.S. and elsewhere, particularly relating to environmental and health and safety protection controls and oversight of drilling operations, as well as access to new drilling areas. The U.S.

Government had imposed a six-month moratorium, which was suspended in October 2010, on certain offshore drilling activities. The moratorium forced Eni s management to reschedule certain projects and caused delays in linking a few wells to production facilities, which had a negligible impact on the Company s production for the year. In addition, the Group incurred operating costs related to inactivity or redeployment of certain drilling rigs which were booked before the moratorium. During the first months of 2011, Eni expects to resume the operations that had been previously authorized and then suspended following the moratorium. Planned activities for which authorizations have still to be granted may be rescheduled due to uncertainties in the timing of obtaining the necessary authorizations from the U.S. Authorities. Similar actions have been taken by governments elsewhere in the world. The European Parliament has increased regulations in the area of environmental protection in the field of hydrocarbon extraction and Italian Authorities have passed legislation that would introduce certain restrictions to activities for exploring and producing hydrocarbons. These new regulations and legislation, as well as evolving practices, could increase the cost of compliance and may require changes to our drilling operations and exploration and development plans and may lead to higher royalties and taxes.

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

Eni is involved in a number of development projects for producing hydrocarbon reserves. Certain projects are planned to develop reserves in high risk areas, particularly offshore and in remote and hostile environments. Eni s future results of operations and liquidity rely upon its ability to develop and operate major projects as planned. Key factors that may affect the economics of these projects include:

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

Furthermore, deep waters and other hostile environments, where the majority of Eni s planned and existing development projects are located, can exacerbate these problems. Delays and differences between scheduled and actual timing of critical events, as well as cost overruns may adversely affect actual returns of development projects. Finally, developing and marketing hydrocarbons reserves typically requires several years after a discovery is made. This is because a development project involves an array of complex and lengthy activities, including appraising a discovery in order to evaluate its commercial potential, sanctioning a development project and building and commissioning related facilities. As a consequence, rates of return for such long-lead-time projects are exposed to the volatility of oil and gas prices which may be substantially lower with respect to prices assumed when the investment decision was actually made, leading to lower rates of return. For example, we have experienced material cost overruns and a substantial delay in the scheduling of production start-up at the Kashagan field, where development is ongoing. Those negative trends were driven by a number of factors including depreciation of the U.S. dollar versus the euro and other currencies; cost escalation of goods and services required to execute the project; an original underestimation of the costs and complexity to operate in the North Caspian Sea due to lack of benchmarks; design changes to enhance the operability and safety standards of the offshore facilities. The partners of the venture are currently discussing an update of the expenditures and time schedule to complete the Phase 1 which were included in the development plan approved in 2008 by the relevant Kazakh Authorities. The Consortium continues to target the achievement of first commercial oil production by end of 2012. However, the timely delivery of Phase 1 depends on a number of factors which are presently under review.

See "Item 4 Exploration & Production Caspian Sea" for a full description of the material terms of the Kashagan project.

In the event the Company is unable to develop and operate major projects as planned, particularly if the Company fails to accomplish budgeted costs and time schedules, it could incur significant impairment charges associated with reduced future cash flows of those projects on capitalized costs.

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

Eni s results of operations and financial condition are substantially dependent on its ability to develop and sell oil and natural gas. Unless the Company is able to replace produced oil and natural gas, its reserves will decline.

In addition to being a function of production, revisions and new discoveries, the Company s reserve replacement is also affected by the entitlement mechanism in its Production Sharing Agreements ("PSAs") and similar contractual schemes. In accordance with such contracts, Eni is entitled to a portion of a field s reserves, the sale of which is intended to cover expenditures incurred by the Company to develop and operate the field. The higher the reference prices for Brent crude oil used to estimate Eni s proved reserves, the lower the number of barrels necessary to recover the same amount of expenditures. In 2010, the Company s reserve replacement was negatively affected by lower entitlements in its PSAs for an estimated amount of 80 mmBOE, which however did not impair the Company s ability to fully replace reserves produced in the year. Due to ongoing trends in crude oil prices, the Company expects a risk of lower production and reserve entitlement relating to its PSA contracts to occur in 2011. See "Item 4 Business Overview Exploration & Production" and "Item 5 Management s Expectations of Operations". Future oil and gas production is dependent on the Company s ability to access new reserves through new discoveries, application of improved techniques, success in development activity, negotiation with countries and other owners of known reserves and acquisitions. An inability to replace reserves could adversely impact future production levels and growth prospects, thus negatively affecting Eni s future results of operations and financial condition.

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

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

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

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

All these factors can affect the global balance between demand and supply for oil and prices of oil. Such factors can also affect the prices of natural gas because natural gas prices for the major part of our supplies are typically indexed to the prices of crude oil and certain refined petroleum products.

Furthermore, lower oil and gas prices over prolonged periods may also adversely affect Eni s results of operations and cash flow by: (i) reducing rates of return of development projects either planned or being implemented, leading the Company to reschedule, postpone or cancel development projects, or accept a lower rate of return on such projects; (ii) reducing the Group s liquidity, entailing lower resources to fund expansion projects, further dampening the

Company s ability to grow future production and revenues; and (iii) triggering a review of future recoverability of the Company s carrying amounts of oil and gas properties, which could lead to the recognition of significant impairments charges.

Uncertainties in Estimates of Oil and Natural Gas Reserves

Numerous uncertainties are inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. The accuracy of proved reserve estimates depends on a number of factors, assumptions and variables, among which the most important are the following:

- the quality of available geological, technical and economic data and their interpretation and judgment;
- projections regarding future rates of production and timing of development expenditures;
- whether the prevailing tax rules, other government regulations and contractual conditions will remain the same as on the date estimates are made;
- results of drilling, testing and the actual production performance of Eni s reservoirs after the date of the estimates which may require substantial upward or downward revisions; and

changes in oil and natural gas prices which could affect the quantities of Eni s proved reserves since the estimates of reserves are based on prices and costs existing as of the date when those estimates are made. In particular the reserves estimates are subject to revisions as prices fluctuate due to the cost recovery mechanism under the Company s PSAs and similar contractual schemes.

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

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

The oil and gas industry is subject to the payment of royalties and income taxes which tend to be higher than those payable in many other commercial activities. In addition, in recent years, Eni has experienced adverse changes in the tax regimes applicable to oil and gas operations in a number of countries where the Company conducts its upstream operations. As a result of those trends, management estimates that the tax rate applicable to the Company s oil and gas operations is materially higher than the Italian statutory tax rate of 38%. In 2010, management estimates that the tax rate of the Company s Exploration & Production segment was approximately 60%.

Management believes that the marginal tax rate in the oil and gas industry tends to increase in correlation with higher oil prices which could make it difficult for Eni to translate higher oil prices into increased net profit. However, the Company does not expect that the marginal tax rate will decrease in response to falling oil prices. Adverse changes in the tax rate applicable to the Group profit before income taxes in its oil and gas operations would have a negative impact on Eni s future results of operations and cash flows.

Political Considerations

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

Substantial portions of Eni s hydrocarbon reserves are located in countries outside the EU and North America, some of which may be politically or economically less stable than EU or North American countries. As of December 31, 2010, approximately 80% of Eni s proved hydrocarbon reserves were located in such countries. Similarly, a substantial portion of Eni s natural gas supplies comes from countries outside the EU and North America. In 2010, approximately 60% of Eni s supplies of natural gas came from such countries. See "Item 4 Gas & Power Natural Gas Supplies". Adverse political, social and economic developments in any of those countries may affect Eni s ability to continue operating in an economic way, either temporarily or permanently, and Eni s ability to access oil and gas reserves. Particularly Eni faces risks in connection with the following issues:

(i) lack of well-established and reliable legal systems and uncertainties surrounding enforcement of contractual rights;
(ii) unfavorable developments in laws, regulations and contractual arrangements leading, for example, to expropriations or forced divestitures of assets and unilateral cancellation or modification of contractual terms.

Eni is facing increasing competition from state-owned oil companies who are partnering Eni in a number of oil and gas projects and properties in the host countries where Eni conducts its upstream operations. These state-owned oil companies can change contractual terms and other conditions of oil and gas projects in order to obtain a larger profit share from a given project, thereby reducing Eni s profit share. For example, Sonatrach, the Algerian national oil company, is seeking to modify the contractual terms of certain PSAs in which Eni is a party to achieve a redistribution of the tax burden of such PSAs. Sonatrach alleges that it is currently bearing part of the tax burden attributable to Eni following the enactment of certain modifications to the country s tax regime. In case those negotiations result in a negative outcome for Eni, the future profitability of certain of Eni s PSAs in Algeria will be reduced. For more information on this matter see "Item 4 Exploration & Production Algeria". Furthermore, as of the balance sheet date receivables for euro 482 million relating cost recovery under a petroleum contract in a non-OECD country were the subject of an arbitration proceeding. Similar issues are also being experienced in Kazakhstan where there is a dispute in relation to certain unresolved items of expenditure incurred by the operating company Karachaganak Petroleum Operating BV which has led to the Kazakh Authorities making certain claims against the company on the base of audits performed relating to prior years 2003-2007. Parties are negotiating in order to settle the dispute;

(iii) restrictions on exploration, production, imports and exports;

(iv) tax or royalty increases (including retroactive claims); and

(v) civil and social unrest leading to sabotages, acts of violence and incidents.

See "Item 4 Exploration & Production Oil and Natural Gas Reserves". While the occurrence of those events is unpredictable, it is likely that the occurrence of such events could cause Eni to incur material losses or facility disruptions, by this way adversely impacting Eni s results of operations and cash flows.

Risks associated with continuing political instability in North Africa and Middle East

In recent months, several North African and Middle Eastern oil producing countries have experienced and continue to experience an extreme level of political instability that has resulted in changes in governments, unrest and violence and consequential economic disruptions. Further material changes are likely but largely unpredictable. Such instability is affecting, in particular, Libya. In 2010, approximately 15% of Eni s production originated from Libya and a material amount of Eni s proved reserves were located in Libya. Following suspension of activities at several of Eni s producing sites in Libya and the closure of the GreenStream pipeline transporting gas from Libya to Italy, Eni s production in Libya as of end of March 2011, was flowing at a rate ranging from 70 to 75 KBOE/d compared to an expected level for 2011 of approximately 280 KBOE/d. Production is continuing to decline. Closure of the GreenStream pipeline has also been impacting our gas sales in the Gas & Power Division. The majority of Eni s employees in Libya have left the country. Due to the outbreak of political unrest in Libya, in February and March 2011, the US, the UN, the EU and several countries implemented certain sanctions in relation to Libya. Future developments in Libya, which we are currently unable to predict, may have a material adverse effect on Eni s financial condition, results of operations and Libyan assets. Please see Item 4 for additional details of our operations in Libya and the impact of recent developments on our operations.

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

Eni is currently conducting oil and gas operations in Iran. The legislation and other regulations of the USA that target Iran and persons who have certain dealings with Iran may lead to the imposition of sanctions on any persons doing business in Iran or with Iranian counterparties.

The USA enacted the Iran Sanctions Act of 1996 (as amended, "ISA"), which required the President of the USA to impose sanctions against any entity that is determined to have engaged in certain activities, including investment in Iran s petroleum sector. The ISA was amended in July 2010 by the Comprehensive Iran Sanctions, Accountability and Divestment Act of 2010 ("CISADA"). As a result, in addition to sanctions for knowingly investing in Iran s petroleum sector, parties engaging in business activities in Iran now may be sanctioned under the ISA for knowingly providing to Iran refined petroleum products, and for knowingly providing to Iran goods, services, technology, information or support that could directly and significantly either (i) facilitate the maintenance or expansion of Iran s domestic production of refined petroleum products, or (ii) contribute to the enhancement of Iran s ability to import refined petroleum products. CISADA also expanded the menu of sanctions available to the President of the USA by three, from six to nine, and requires the President to impose three of the nine sanctions, as opposed to two of six, if the President has determined that a party has engaged in sanctionable conduct. The new sanctions include a prohibition on transactions in foreign exchange by the sanctioned company, a prohibition of any transfers of credit or payments between, by, through or to any financial institution to the extent the interest of a sanctioned company is involved, and a requirement to "block" or "freeze" any property of the sanctioned company that is subject to the jurisdiction of the USA. Investments in the petroleum sector that commenced prior to the adoption of CISADA appear to remain subject to the pre-amended version of the ISA, except for the mandatory investigation requirements described below, but no

definitive guidance has been given. The new sanctions added by CISADA would be available to the President with respect to new investments in the petroleum sector or any other sanctionable activity occurring on or after July 1, 2010.

CISADA also adopted measures designed to reduce the President s discretion in enforcement under the ISA, including a requirement for the President to undertake an investigation upon being presented with credible evidence that a person is engaged in sanctionable activity. CISADA also added to the ISA provisions that an investigation need not be initiated, and may be terminated once begun, if the President certifies in writing to the U.S. Congress that the person whose activities in Iran were the basis for the investigation is no longer engaging in those activities or has taken significant steps toward stopping the activities, and that the President has received reliable assurances that the person will not knowingly engage in any sanctionable activity in the future. The President also may waive sanctions, subject to certain conditions and limitations.

The USA maintains broad and comprehensive economic sanctions targeting Iran that are administrated by the U.S. Treasury Department s Office of Foreign Assets Control ("OFAC sanctions"). These sanctions generally restrict the dealings of U.S. citizens and persons subject to the jurisdiction of the USA. In addition, we are aware of initiatives by certain U.S. states and U.S. institutional investors, such as pension funds, to adopt or consider adopting

Table of Contents

laws, regulations or policies requiring divestment from, or reporting of interests in, companies that do business with countries designated as states sponsoring terrorism. CISADA specifically authorized certain state and local Iran-related divestment initiatives. If our operations in Iran are determined to fall within the scope of divestment laws or policies, sales resulting from such divestment laws and policies, if significant, could have an adverse effect on our share price. Even if our activities in and with respect to Iran do not subject us to sanctions or divestment, companies with investments in the oil and gas sectors in Iran may suffer reputational harm as a result of increased international scrutiny.

Other sanctions programs have been adopted by various governments and regulators with respect to Iran, including a series of resolutions from the United Nations Security Council, and measures imposed by various countries based on and to implement these United Nations Security Council resolutions. On July 26, 2010, the European Union adopted new restrictive measures regarding Iran (referred to as the "EU measures"). Among other things, the supply of equipment and technology in the following sectors of the oil and gas industry in Iran are prohibited: refining, liquefied natural gas, exploration and production. The prohibition extends to technical assistance, training and financing and financial assistance in connection with such items. Extension of loans or credit to, acquisition of shares in, entry into joint ventures with or other participation in enterprises in Iran (or Iranian-owned enterprises outside of Iran) engaged in any of the targeted sectors also is prohibited.

Eni Exploration & Production Division has been operating in Iran for several years under four Service Contracts (South Pars, Darquain, Dorood and Balal, these latter two projects being operated by another international oil company) entered into with the National Iranian Oil Co (NIOC) between 1999 and 2001, and no other exploration and development contracts have been entered into since then. Under such Service Contracts, Eni has carried out development operations in respect of certain oil fields, and is entitled to recovery of expenditures made, as well as a service fee. The service contracts do not provide for payments to be made by Eni, as contractor, to the Iranian Government (e.g. leasing fees, bonuses, significant amounts of local taxes); all material future cash flows relate to the payment to Eni of its dues. All projects mentioned above have been completed or substantially completed; the last one, the Darquain project, is in the process of final commissioning and is being handed over to the NIOC. Eni Exploration & Production projects in Iran are currently in the cost recovery phase. Therefore, Eni has ceased making any further investment in the country and is not planning to make additional capital expenditures in Iran in any year subsequent to 2010. Eni s other significant involvement in Iran is that, from time to time, Eni may purchase Iranian-origin crude oil. Eni has no involvement in Iran s refined petroleum sector, and does not export refined petroleum to Iran. In addition, we have occasionally entered into licensing agreement with certain Iranian counterparties for the supply of technologies in the petrochemical sector. In 2010, Eni s production in Iran averaged 21 KBOE/d, representing approximately 1% of the Eni Group s total production for the year. Eni s entitlement in 2010 represented less than 10% of the overall production from the oil and gas fields that we have developed in Iran. Eni does not believe that the results from its Iranian activities have or will have a material impact on the Eni Group s results.

After passage of CISADA, Eni engaged in discussions with officials of the U.S. State Department, which administers the ISA, regarding Eni s activities in Iran. On September 30, 2010, the U.S. State Department announced that the U.S. Government, pursuant to a provision of the ISA added by CISADA that allows it to avoid making a determination of sanctionability under the ISA with respect to any party that provides certain assurances, would not make such a determination with respect to Eni based on Eni s commitment to end its investments in Iran s energy sector and not to undertake new energy-related activity. The U.S. State Department further indicated at that time that, as long as Eni acts in accordance with these commitments, we will not be regarded as a company of concern for our past Iran-related activities.

With respect to segments other than Exploration & Production, our Refining & Marketing segment has historically purchased amounts of Iranian crude oil under a term contract with the NIOC and on a spot basis. We purchased 1.42

mmtonnes, 980 ktonnes and 1.63 mmtonnes in 2008, 2009 and 2010, respectively. We paid NIOC $953 million in 2008, $419 million in 2009 and $888 million in 2010 for those purchases.

In addition in the three-year period 2008-2010 we purchased crude oil from international traders and oil companies who, based on bills of loading and shipping documentation available to us, we believe purchased the crude oil from Iranian companies. Purchases were mainly on spot basis. In 2008, we purchased 1.3 mmtonnes of crude oil amounting to $830 million; in 2009, we purchased 278 ktonnes of crude oil amounting to $147 million and in 2010, we purchased 2.09 mmtonnes of crude oil amounting to $1.1 billion.

We will continue to monitor closely legislative and other developments in the USA and the European Union in order to determine whether our remaining interests in Iran could subject us to application of either current or future sanctions under the OFAC sanctions, the ISA, the EU Measures or otherwise. If any of our activities in and with respect to Iran are found to be in violation of any Iran-related sanctions, and sanctions are imposed on Eni, it could have an adverse effect on our business, plans to raise financing, sales and reputation.

Table of Contents

We have commercial transactions with Syria where we mainly purchase from time to time volumes of crude oil

Our operations in Syria have mainly been limited to transactions carried out by our Refining & Marketing Division with Syrian Petrol Company, an entity controlled by the Syrian Government, for the purchase of crude oil under term purchase contracts or on a spot basis, based on prevailing market conditions.

We purchased 329 ktonnes, 241 ktonnes and 321 ktonnes in 2008, 2009 and 2010, respectively. We paid Syrian Petrol Company $227 million in 2008, $92 million in 2009 and $163 million in 2010 for those purchases.

In 2008, we also purchased 184 ktonnes of crude oil amounting to $73 million and in 2010 we purchased 115 ktonnes of crude oil amounting to $59 million, in each case from international traders who, based on bills of loading and shipping documentation available to us, we believe purchased those raw materials from Syrian companies.

Other than as described above, Eni is not currently investing in the country, and it has no contractual arrangements in place to invest in the country. However, we have recently been exploring investment opportunities in Syria.

Cyclicality of the Petrochemical Industry

The petrochemical industry is subject to cyclical fluctuations in demand in response to economic cycles, with consequential effects on prices and profitability exacerbated by the highly competitive environment of this industry. Eni s petrochemical operations have been in the past and may be adversely affected in the future by worldwide economic slowdowns, intense competitive pressures and excess installed production capacity. Furthermore, Eni s petrochemical operations face increasing competition from Asian companies and national oil companies petrochemical divisions which can leverage on long-term competitive advantages in terms of lower operating costs and feedstock purchase costs. Particularly, Eni s petrochemical operations are located mainly in Italy and Western Europe where the regulatory framework and public environmental sensitivity are generally more stringent than in other countries, especially Far East countries, resulting in higher operating costs of our petrochemical operation compared to the Company s Asiatic competitors due to the need to comply with applicable laws and regulations in environmental and other related matters. Additionally, our petrochemical operations lack sufficient scale and competitiveness in a number of sites. Due to weak industry fundamentals, intense competitive pressures and high feedstock costs, our petrochemicals operations incurred substantial operating losses in both 2009 and 2008 of euro 675 million and euro 845 million, respectively. However, results in 2010 improved substantially and operating loss diminished to euro 86 million due to demand recovery, cost efficiencies and better unit margins, while the overall profitability was impaired by higher oil-based feedstock costs. Looking forward, management expects that while any strengthening in the global recovery may benefit demand for our products, continuing increases in the cost of oil represent a risk to the profitability of the Company s petrochemicals operation as it may be difficult transferring higher feedstock costs to end-prices of products due to the high level of competition in the industry and the commoditized nature of many of Eni s products.

Risks in the Company Gas & Power business segment

i) Risks associated with the Trading Environment and Competition in the Industry

In 2010, the Company s results of operations and cash flow were negatively affected by lower sales volumes and reduced unit margins due to increasing competitive pressures arising from large gas availability on the marketplace. We expect continuing competitive pressures and oversupply to affect our results in 2011 and beyond

In 2010, gas demand in Italy and Europe rebounded from the depressed levels registered in the previous year, growing by 6% and 4%, respectively. Consumption volumes, however, remained below the pre-crisis levels seen in 2007. The Eni gas business failed to benefit from demand growth in 2010 as sales volumes declined by 6.4% from 2009 with Italy posting the largest decrease, with direct sales to customers down by 14.4% and sales to importers to Italy down by 19.5% driven by rising competitive pressures which also dragged down unit selling margins on gas sales in Italy. The Company s results in its European markets business unit were affected by lowering average gas selling margins as gas spot prices at continental hubs were dragged down by large availability of LNG and competitive pressures. While spot prices have increasingly been adopted as contractual benchmarks in selling formulae outside Italy, the Company s cost of supplies remained linked to trends in oil prices as provided by its long-term contractual arrangements to purchase gas from suppliers. As a result the Company s unit margins outside Italy fell sharply in 2010. Management believes that those trends will continue weighing on the gas business future results of operations and cash flows over the next three years.

Table of Contents

A recovery in profitability of the Company s marketing business depends heavily on the management s assumption to be able to renegotiate better contractual terms within the Company s long-term gas supply contracts

The industrial and financial forecasts for the next four-year plan of the gas business as well as the amount of the impairment loss recognized in 2010 Consolidated Financial Statements both take into consideration management assumptions that the Company s long-term gas purchase contracts will be renegotiated at better economic terms for Eni, so as to restore the competitiveness of the Company s cost position in the current depressed scenario for the gas sector. The renegotiation of revised contractual terms, including any price revisions and contractual flexibility, is established by such contractual clauses whereby parties are held to bring the contract back to the economic equilibrium in case of significant changes in the market environment, like the ones that have been occurring since the second half 2008. In the course of 2010, Eni has finalized a number of important contractual renegotiations by obtaining improved economic conditions for supplies and wider contractual flexibility with a benefit to its commercial programs. A number of renegotiations have been commenced or are due to commence in the upcoming months involving all the Company s main suppliers of gas based on long-term contracts. Should the outcome of those renegotiations fall short of management s expectations and absent a solid recovery in fundamentals of the gas sector, management believes that future results of operations and cash flows of the Company s gas business will be negatively affected with further consequences in terms of recoverability of the carrying amounts of the gas business assets. In 2010 Consolidated Financial Statements, the Company recorded an impairment loss of euro 425 million related to its goodwill in the European gas business; for further information see "Item 5 Operating and Financial Review and Prospects Group Results of Operations".

We expect that current imbalances between demand and supply in the European gas market will persist for sometime

Management estimates that long-term demand growth will achieve an average rate of 1.7% and 1.1% in Italy and Europe, respectively, until 2020. Those estimates have been revised down from previous management projections to factor in the expected impacts associated with a number of ongoing trends:

- uncertainties and volatility in the current macroeconomic cycle;
- growing adoption of consumption patterns and life-style characterized by wider sensitivity to energy efficiency;
- EU policies intend to reducing GHG emissions and promoting renewable energy source. For further information about the Company s outlook for gas demand see "Item 4 Gas & Power".

The projected moderate dynamics in demand development will not be sufficient to balance current oversupplies on the marketplace over the next three years according to management s estimates. Gas oversupplies have been increasing in recent years as new, large investments to upgrade import pipelines to Europe have come online from Russia, Libya and Algeria, and large availability of LNG on a worldwide scale has found an outlet at the European continental hubs driving the development of very liquid spot gas markets. Also, certain Eni s competitors are currently assessing the economic feasibility of new gas import infrastructures, targeting 5-10 BCM of capacity expansion online from 2015-2016 according to management s assumptions.

Management believes that a better balance between demand and supply will not be achieved until 2014, at the earliest. Those trends represent risks to the Company s future results of operations and cash flows in its gas business.

Current, negative trends in gas demands and supplies may impair the Company s ability to fulfill its minimum off-take obligations in connection with its take-or-pay, long-term gas supply contracts

In order to secure long-term access to gas availability, particularly with a view of supplying the Italian gas market, Eni has signed a number of long-term gas supply contracts with key producing countries that supply the European gas markets. Those contracts have been ensuring approximately 80 BCM of gas availability from 2010 (including the Distrigas portfolio of supplies) with a residual life of approximately 19 years and a pricing mechanism indexed to the price of crude oil and its derivatives (gasoil, fuel oil, etc.). The contracts provide take-or-pay clauses whereby the Company is required to collect minimum pre-determined volumes of gas in each year of the contractual term or, in case of failure, to pay the whole price, or a fraction of that price, applied to uncollected volumes up to the minimum contractual quantity. The take-or-pay clause entitles the Company to collect pre-paid volumes of gas in later years during the period of contract execution. Amounts of cash pre-payments and time schedules for collecting pre-paid gas vary from contract to contract. Generally, cash pre-payments are calculated on the basis of the energy prices current in the year of non-fulfillment with the balance due in the year when the gas is actually collected. Amounts of pre-payments range from 10 to 100 percent of the full price. The right to collect pre-paid gas expires within a ten-year term in some contracts or remains in place until contract expiration in other arrangements. In addition, rights to collect pre-paid gas in future years can be exercised provided that the Company

has fulfilled its minimum take obligation in a given year and within the limit of the maximum annual quantity that can be collected in each contractual year. In this case, Eni will pay the residual price calculating it as the percentage that complements 100%, based on the arithmetical average of monthly base prices current in the year of the off-take. Similar considerations apply to ship-or-pay contractual obligations.

Management believes that the current outlook for moderate gas demand growth and large gas availability on the marketplace, the possible evolution of sector-specific regulation, as well as the de-coupling between trends in gas prices indexed to oil versus gas benchmark prices at spot markets, represent risks factors to the Company s ability to fulfill its minimum take obligations associated with its long-term supply contracts.

In 2009 and 2010, Eni incurred the take-or-pay clause as the Company collected lower volumes than its minimum take obligations in each of those years accumulating deferred costs for an amount of euro 1.44 billion as of December 31, 2010. The Company s ability to recover those pre-paid volumes within contractual terms will depend in future years on a number of factors, including the possible evolution of the market environment and the competitiveness of Eni s cost position, with this latter being influenced by the Company s ability to renegotiate better contractual terms of its long-term purchase contracts (see paragraph above).

In case Eni fails to off-take the contractual minimum amounts, it will be exposed to a price risk, because the purchase price Eni will ultimately be required to pay is based on prices prevailing after the date on which the off-take obligation arose. In addition, Eni is subject to the risk of not being able to dispose of pre-paid volumes. The Company also expects to incur financing costs to pay cash advances corresponding to contractual minimum amounts. As a result, the Company s selling margins, results of operations and cash flow may be negatively affected.

For further information on the Company s take-or-pay contracts see "Item 4 Gas & Power Purchases".

Eni plans to increase natural gas sales in Europe. If Eni fails to achieve projected growth targets, this could adversely impact future results of operations and liquidity

Over the medium-term, Eni plans to increase its natural gas sales in Europe leveraging on its natural gas availability under take-or-pay purchase contracts, availability of transport rights and storage capacity, and widespread commercial presence in Europe which benefited from synergies from integrating the Belgian gas operator Distrigas acquired in 2009. Should Eni fail to increase natural gas sales in Europe as planned due to poor strategy execution or competition, Eni s future growth prospects, results of operations and cash flows might be adversely affected also taking account that Eni might be unable to fulfill its contractual obligations to purchase certain minimum amounts of natural gas based on its take-or-pay purchase contracts currently in force.

ii) Risks associated with sector-specific regulations in Italy

The natural gas market in Italy is highly regulated in order to favor the opening of the market and development of competition

In 2010, the regulated period for gas antitrust thresholds defined by Legislative Decree No. 164 of May 23, 2000 expired. Those thresholds defined maximum allowed limits of gas volumes (imported or domestically produced) input into the national transport network and marketed to final customers, applicable to each operator.

That system of antitrust thresholds was replaced with a mechanism of market shares enacted by Legislative Decree No. 130 of August 13, 2010. The Decree introduced a 40% ceiling to the wholesale market share of each Italian gas operator. This ceiling can be raised to 55.9% in case an operator commits itself to building new storage capacity in Italy for a total of 4 BCM within five years. The new capacity shall be allocated to industrial and power generation customers. In case of breaching the mandatory thresholds, an operator is obliged to execute gas release measures at regulated prices. Eni plans to build new storage capacity and, in the meantime, intends to adopt measures and bear the associated expenses to make 50% of that planned capacity available to requesting customers (for further information see "Operating Review of the Gas & Power Division Paragraph Regulation"). Eni believes that this new gas regulation will increase competitiveness in the wholesale natural gas market in Italy.

Further material aspects regarding the Italian gas sector regulations are regulated access to infrastructures (transport backbones, storage fields, distribution networks and LNG terminals), the unbundling of activities relating to infrastructures within vertically-integrated group companies, from July 1, 2008 (as defined by Decision No. 11/2007 and updated by Resolution No. 253/2007 of the Authority for Electricity and Gas). Also the Italian Authority for Electricity and Gas is entrusted with certain powers in the matters of setting tariffs for transport, distribution, storage and re-gasification services, as well as in approving specific codes for each regulated activity,

monitoring natural gas prices and setting pricing mechanisms for supplies to residential users consuming less than 200,000 CM/y. See next paragraph.

Risks associated with the regulatory powers entrusted to the Italian Authority for Electricity and Gas in the matter of pricing to residential customers

The Authority for Electricity and Gas is entrusted with certain powers in the matters of natural gas pricing. Specifically, the Authority for Electricity and Gas holds a general surveillance power on pricing in the natural gas market in Italy and the power to establish selling tariffs for the supply of natural gas to residential and commercial users consuming less than 200,000 CM/y (qualified as non eligible customers as of December 31, 2002 as defined by Legislative Decree No. 164/2000) taking into account the public goal of containing the inflationary pressure due to rising energy costs. Accordingly, decisions of the Authority for Electricity and Gas on these matters may limit the ability of Eni to pass an increase in the cost of the raw material onto final consumers of natural gas. The indexation mechanism set by the Authority for Electricity and Gas with Resolution No. 64/2009 basically provides that the cost of the raw material in pricing formulae to the residential sector be indexed to movements in a basket of hydrocarbons. In 2010, the Authority for Electricity and Gas with Resolution ARG/gas 89/10 amended that indexation mechanism and established a fixed reduction of 7.5% of the raw material cost component in the final price of supplies to residential users be applied in the thermal year October 1, 2010-September 30, 2011. This resolution will negatively affect Eni s future results of operations and cash flows, considering the negative impact on unit margins in sales to residential customers. Administrative appeals against the Authority s resolution, which have been filed by many operators including Eni, might possibly impact that matter.

Management cannot exclude the possibility that in the future the Authority for Electricity and Gas could implement further measures in this matter which may negatively affect Eni results of operations and liquidity.

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

Other risk factors deriving from the regulatory framework are associated with regulation of the access to the Italian gas transport network that is currently set by Decision No. 137/2002 of the Authority for Electricity and Gas. The decision is fully-incorporated into the network code presently in force as prepared by the system s operator. The decision sets priority criteria for transport capacity entitlements at points where the Italian transport network connects with international import pipelines (the so-called entry points to the Italian transport system). Specifically, operators that are party to take-or-pay contracts, as in the case of Eni, are entitled to a priority in allocating available transport capacity within the limit of average daily contractual volumes. Gas volumes exceeding average daily contractual volumes are not entitled to any priority and, in case of congestion at any entry points, they are entitled available capacity on a proportionate basis together with all pending requests for capacity assignments. Under its take-or-pay purchase contracts, Eni may off-take daily volumes in excess of average daily contractual volumes. This flexibility is important to Eni s commercial programs as it is used when demand peaks, usually during the wintertime. In the event congestion occurs at entry points to the Italian transport network, based on current regulations, available transport capacity would be entitled firstly to operators having a priority right, i.e. holders of take-or-pay contracts within the limits of average daily contractual volumes. Then any residual available transport capacity would be allocated in proportion to all pending capacity requests. Eni believes that Decision No. 137/2002 is in contrast with the rationale of

the European regulatory framework on the gas market as provided in European Directive No. 2003/55/EC. The Company, based on that belief, has commenced an administrative procedure to repeal Decision No. 137/2002 before an administrative court which recently confirmed in part Eni s position. An administrative appeals court also confirmed the Company s position. Specifically, the Court stated that the purchase of the contractual flexibility is an obligation on part of the importer, which responds to a collective interest. According to the Court, there is no reasonable motivation whereby volumes corresponding to such contractual flexibility should not be granted priority in access to the network, also in case congestion occurs. At the moment, however, no case of congestion occurred at entry points to the Italian transport infrastructure such to impairing Eni s marketing plans.

Management believes that Eni s results of operations and cash flows could be adversely affected should a combination of market conditions and regulatory constraints prevent Eni from fulfilling its minimum take contract obligations. See "Item 5 Outlook".

Table of Contents

A number of mandatory gas release measures and other administrative measures have been recently implemented in Italy resulting in a negative impact on Eni s results of operations and liquidity. It is possible that similar measures will be implemented in future years

Gas release measures are administrative acts whereby Eni is obliged to dispose of certain amounts of gas at set prices and conditions as provided in the relevant gas release measure. Those measures are intended to increase flexibility and liquidity in the gas market. This measure strongly affected Eni s marketing activity in Italy. In 2007, Eni agreed to adhere to a gas release program involving 4 BCM which were disposed of in a two-year period (from October 1, 2007 to September 30, 2009). For thermal year 2009/2010 Italian Law No. 99/2009 obliged Eni to dispose of 5 BCM of gas in yearly and half-yearly amounts. Although the allotment procedure (bid) was based on a minimum price set by the Ministry for Economic Development, only 1.1 BCM were awarded out of the planned 5 BCM. The price set by the Ministry was lower than the average price of Eni s sales in Italy.

For the next few years, based on indications made by the AEEG (in a report to the Parliament on the situation of the gas and electricity market in Italy as provided in Resolution PAS 3/2010), Eni cannot exclude the possibility that the Company may be obliged to implement new gas release programs. As a consequence, future results and cash flows could be negatively affected.

In 2010, a national trading platform was implemented where gas importers must trade volumes of gas corresponding to a legal obligation on part of Italian importers and producers. Under those provisions, importers from extra-EU countries are required to supply a set percentage of imported volumes in a given thermal year and to trade them at the national trading platform on a spot basis. Fulfillment of that obligation is a condition for the importer to be permitted to import gas from extra-EU countries. Also royalties in-kind owed to the Italian State on gas production are to be traded on that trading platform. The new trading platform is expected to develop a spot market for natural gas in Italy.

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

Italian administrative and governmental institutions and political forces are urging a higher degree of competition in the Italian natural gas market and this may produce significant developments in this area.

In 2003, Law No. 290 was enacted in Italy which prohibits Eni from holding an interest higher than 20% in undertakings owning natural gas transport infrastructures in Italy (Eni currently holds a 52.54% interest in Snam Rete Gas). A decree is expected to be enacted by the Italian Prime Minister to establish the relevant provisions to implement this mandatory disposal. The deadline for the disposal, which was initially scheduled for December 31, 2008, is to be rescheduled in a 24-month deadline following enactment of the decree from the Italian Prime Minister. Currently, Eni is unable to predict any development of this matter.

In recent years, both the Italian Authority for Electricity and Gas and the Italian Antitrust Authority (the "Antitrust Authority") have conducted several reviews and inquiries on the status of Italian natural gas market, targeting the overall level of competition, the degree of opening to competition of the residential sector, levels of entry-exit barriers, and other areas such as sub-investment in the storage sector. Both the Authority for Electricity and Gas and the Antitrust Authority believe that the vertical integration of Eni in the supply, transport, distribution, storage and marketing of gas may hamper development of a competitive gas market in Italy.

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

For more information on these issues see "Item 4 Regulation Gas & Power".

Antitrust and competition law

The Group s activities are subject to antitrust and competition laws and regulations in many countries of operations, especially in Europe. In the years prior to 2008, Eni recorded significant loss provisions due to unfavorable developments in certain antitrust proceedings before the Italian Antitrust Authority, and the European Commission. It is possible that the Group may incur significant loss provisions in future years relating ongoing antitrust proceedings or new proceedings that may possibly arise. The Group is particularly exposed to this risk in its natural gas and refining and marketing activities due to the fact that Eni is the incumbent operator in those markets in Italy and a large European gas player. See Note 34 to the Consolidated Financial Statements for a full description of Eni s main pending antitrust proceedings.

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

Environmental, Health and Safety Regulation

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

Eni is subject to numerous EU, international, national, regional and local environmental, health and safety laws and regulations concerning its oil and gas operations, products and other activities. Generally, these laws and regulations require the acquisition of a permit before drilling for hydrocarbons may commence, restrict the types, quantities and concentration of various substances that can be released into the environment in connection with exploration, drilling and production activities, as well as refining, petrochemicals and other Group operations, limit or prohibit drilling activities in certain protected areas, provide for measures to be taken to protect the safety of the workplace and health of communities involved by the Company s activities, and impose criminal or civil liabilities for polluting the environment or harming employees or communities health and safety resulting from oil, natural gas, refining, petrochemical and other Group s operations.

These laws and regulations also regulate emissions of substances and pollutants, handling of hazardous materials and discharges to surface and subsurface water resulting from the operation of oil and natural gas extraction and processing plants, petrochemical plants, refineries, service stations, vessels, oil carriers, pipeline systems and other facilities owned by Eni. In addition, Eni s operations are subject to laws and regulations relating to the production, handling, transportation, storage, disposal and treatment of waste materials. In 2009, new regulations were enacted in Italy relating to monitoring the route of waste from production up to its disposal/recycling, also prosecuting any unlawful conducts. The Company anticipates that it will incur operating costs to comply with this new regulation in 2011 when the new system of monitoring waste becomes fully-operational. Breach of environmental, health and safety laws exposes the Company s employees to criminal and civil liability and the Company to the incurrence of liabilities associated with compensation for environment health or safety damage. Additionally, in the case of violation of certain rules regarding safety in the workplace, the Company can be liable as provided for by a general EU rule on businesses liability due to negligent or willful conduct on part of their employees as adopted in Italy with Law Decree No. 231/2001.

Environmental, health and safety laws and regulations have a substantial impact on Eni s operations. Management expects that the Group will continue to incur significant amounts of operating expenses and expenditures to comply with environmental, health and safety laws and regulations, also taking into account possible future developments in environmental regulations in Italy and in other countries where Eni operates, particularly current and proposed fuel and product specifications, emission controls and implementation of increasingly strict measures decided at both international and country level to reduce greenhouse gas emissions. For more discussion about this latter topic see "Item 4 Environmental Regulations".

Eni has incurred in the past and may incur in the future material environmental liabilities in connection to the environmental impact of its past and present industrial activities. Also plaintiffs may seek to obtain compensation for damage resulting from events of contamination and pollution

Risks of environmental, health and safety incidences and liabilities are inherent in many of Eni s operations and products. Notwithstanding management s beliefs that Eni adopts high operational standards to ensure safety of its operations and to protect the environment and health of people and employees, it is possible that incidents like blow-outs, oil spills, contaminations and similar events could occur that would result in damage to the environment, employees and communities. Environmental laws also require the Company to remediate and clean-up the environmental impacts of prior disposals or releases of chemicals or petroleum substances and pollutants by the Company. Such contingent liabilities may exist for various sites that the Company disposed of, closed or shut down in prior years where the Group products have been produced, processed, stored, distributed or sold, such as chemicals plants, mineral-metallurgic plants, refineries and other facilities. The Company is particularly exposed to the risk of environmental liabilities in Italy where the vast majority of the Group industrial installations are localized and also due to the circumstance that the Group engaged in a number of industrial activities in past years that were subsequently divested, closed, liquidated or shut down. At those industrial sites Eni has commenced in recent years a number of remedial plans to restore and clean-up proprietary or concession areas that were contaminated and polluted by the Group s industrial activities in previous years. Notwithstanding the Group claimed that it cannot be held liable for such past contaminations as permitted by applicable regulations in case of declaration rendered by a guiltless owner particularly regulations that enacted into Italian legislation the Directive No. 2004/35/EC a number of civil and administrative proceedings have arisen relating to both the environmental damage and

administrative prescriptions on how to perform individual cleaning-up project. In 2010, Eni proposed a global transaction to the Italian Ministry for the Environment related to nine sites of national interest where the Group has been performing clean-up activities in order to define the scope of work of each clean-up project and settle all pending administrative and civil litigation. To account for this proposal, the Group accrued a pre-tax risk provision amounting to euro 1.1 billion in its 2010 Consolidated Financial Statements.

Remedial actions with respect to other Company s sites are expected to continue in the foreseeable future, impacting our liquidity as the Group has accrued risk provisions to cope with all existing environmental liabilities whereby both a legal or constructive obligation to perform a clean-up or other remedial actions is in place and the associated costs can be reasonably estimated. The accrued amount represents the management s best estimates of future environmental expenses to be incurred.

Notwithstanding this, management believes that it is possible that in the future Eni may incur significant environmental expenses and liabilities in addition to the amounts already accrued due to: (i) the likelihood of as yet unknown contamination; (ii) the results of ongoing surveys or surveys to be carried out on the environmental status of certain Eni s industrial sites as required by the applicable regulations on contaminated sites; (iii) unfavorable developments in ongoing litigation on the environmental status of certain Company s site where a number of public administrations and the Italian Ministry for the Environment act as plaintiffs; (iv) the possibility that new litigation might arise; (v) the probability that new and stricter environmental laws might be implemented; and (vi) the circumstance that the extent and cost of future environmental restoration and remediation programs are often inherently difficult to estimate.

Legal Proceedings

Eni is party to a number of civil actions and administrative proceedings arising in the ordinary course of business. In addition to existing provisions accrued as of the balance sheet date to account for ongoing proceedings, it is possible that in future years Eni may incur significant losses in addition to amounts already accrued in connection with pending legal proceedings due to: (i) uncertainty regarding the final outcome of each proceeding; (ii) the occurrence of new developments that management could not take into consideration when evaluating the likely outcome of each proceeding in order to accrue the risk provisions as of the date of the latest financial statements; (iii) the emergence of new evidence and information; and (iv) underestimation of probable future losses due to the circumstance that they are often inherently difficult to estimate. See disclosure of pending litigation in Note 34 to the Consolidated Financial Statements.

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

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

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

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

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

The impact of changes in crude oil prices on Eni s downstream businesses, including the Gas & Power, the Refining & Marketing and the Petrochemical businesses, depends upon the speed at which the prices of gas and products adjust to reflect movements in oil prices.

In the Gas & Power segment, increases in the oil price represent a risk to the Company as gas supplies are mainly indexed to the cost of oil and certain refined products, while selling prices, particularly outside Italy, are increasingly linked to certain market benchmarks quoted at continental hubs. In the current trading environment,

spot prices at those hubs are particularly depressed due to oversupply conditions. In addition, the Italian Authority for Electricity and Gas may limit the ability of the Company to pass cost increases linked to higher oil prices onto selling prices in supplies to residential customers and small businesses as the Italian Authority for Electricity and Gas regulates the indexation mechanism of the raw material cost in selling formulae to those customers. See the paragraph "Risks in the Company s gas business" above for more information.

In addition, in light of changes in the European gas market environment, Eni has recently adopted new risk management policies. These policies contemplate the use of derivative contracts to mitigate the exposure of Eni s future cash flows to future changes in gas prices; such exposure had been exacerbated in recent years by the fact that spot prices at European gas hubs have ceased to track the oil prices to which Eni s long-term supply contracts are linked. These policies also contemplate the use of derivative contracts for speculative purposes whereby Eni will seek to profit from opportunities available in the gas market based, among other things, on its expectations regarding future prices. These contracts may lead to gains as well as losses, which, in each case, may be significant. All derivative contracts that are not entered into for hedging purposes in accordance with IFRS will be accounted through profit and loss, resulting in higher volatility of the gas business operating profit. Please see "Item 5 Financial Review Outlook" and "Item 11 Quantitative and Qualitative Disclosures About Market Risk".

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

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

Results of operations of the Eni s Refining & Marketing segment are substantially affected by changes in European refining margins which reflect changes in relative prices of crude oil and refined products. The prices of refined products depend on global and regional supply/demand balances, inventory levels, refinery operations, import/export balances and weather. Furthermore, Eni s realized margins are also affected by relative price movements of heavy crude qualities versus light crude qualities, taking into account the ability of Eni s refineries to process complex crudes that represent a cost advantage when market prices of heavy crudes are relatively cheaper than the marker Brent price. In 2010, Eni s refining margins were unprofitable as the high cost of oil was only partially transferred to final prices of fuels at the pump pressured by weak demand, high worldwide and regional inventory levels and excess refining capacity. Management does not expect any significant recovery in industry fundamentals over the next four-year industrial plan. The sector as a whole will continue to suffer from weak demand and excess capacity, while the cost of oil feedstock may continue rising and price differentials may remain compressed. In this context, management expects that the Company s refining margins will remain at below break-even levels in 2011 and possibly beyond.

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

Eni s margins on petrochemical products are affected by trends in demand for petrochemical products and movements in crude oil prices to which purchase costs of petroleum-based feedstock are indexed. Given the commoditized nature of Eni petrochemical products, it is difficult for the Company to transfer higher purchase costs for oil-based feedstock to selling prices to customers. Rising oil-based feedstock costs will continue to negatively affect Eni s results of operations and liquidity in this business segment in 2011.

Risks from Acquisitions

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

Table of Contents

Credit risk

Credit risk is the potential exposure of the Group to losses in case counterparties fail to perform or pay due amounts. Credit risks arise from both commercial partners and financial ones. In recent years, the Group has experienced a higher than normal level of counterparty failure due to the severity of the economic and financial downturn. In our 2010 Consolidated Financial Statements, we accrued an allowance against doubtful accounts amounting to euro 201 million, mainly relating the Gas & Power business. Management believes that the Gas & Power business is particularly exposed to credit risks due to its large and diversified customer base which include a large number of middle and small businesses and retail customers where impacts of the economic and financial downturn were particularly severe.

Exchange Rates

Movements in the exchange rate of the euro against the U.S. dollar can have a material impact on Eni s results of operations. Prices of oil, natural gas and refined products generally are denominated in, or linked to, U.S. dollars, while a significant portion of Eni s expenses are denominated in euros. Similarly, prices of Eni s petrochemical products are generally denominated in, or linked to, the euro, whereas expenses in the Petrochemical segment are denominated both in euros and U.S. dollars. Accordingly, a depreciation of the U.S. dollar against the euro generally has an adverse impact on Eni results of operations and liquidity because it reduces booked revenues by an amount greater than the decrease in U.S. dollar-denominated expenses. The Exploration & Production segment is particularly affected by movements in the U.S. dollar versus the euro exchange rates as the U.S. dollar is the functional currency of a large part of its foreign subsidiaries and therefore movements in the U.S. dollar versus the euro exchange rate affect year-on-year comparability of results of operations.

Risks deriving from Eni s Exposure to Weather Conditions

Significant changes in weather conditions in Italy and in the rest of Europe from year to year may affect demand for natural gas and some refined products; in colder years, demand is higher. Accordingly, the results of operations of the Gas & Power segment and, to a lesser extent, the Refining & Marketing segment, as well as the comparability of results over different periods may be affected by such changes in weather conditions.

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

Interest Rates

Interest on Eni s debt is primarily indexed at a spread to benchmark rates such as the Europe Interbank Offered Rate, "Euribor", and the London Interbank Offered Rate, "Libor". As a consequence, movements in interest rates can have a material impact on Eni s finance expense in respect to its debt.

Critical Accounting Estimates

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

Item 4. INFORMATION ON THE COMPANY

History and Development of the Company

Eni SpA with its consolidated subsidiaries is engaged in the oil and gas exploration and production, gas marketing operations, management of gas infrastructures, power generation, petrochemicals, oil field services and engineering industries. Eni has operations in 79 countries and 79,941 employees as of December 31, 2010.

Eni, the former Ente Nazionale Idrocarburi, a public law agency, established by Law No. 136 of February 10, 1953, was transformed into a joint stock company by Law Decree No. 333 published in the Official Gazette of the Republic of Italy No. 162 of July 11, 1992 (converted into law on August 8, 1992, by Law No. 359, published in the Official Gazette of the Republic of Italy No. 190 of August 13, 1992). The Shareholders Meeting of August 7, 1992 resolved that the company be called Eni SpA. Eni is registered at the Companies Register of Rome, register tax identification number 00484960588, R.E.A. Rome No. 756453. Eni is expected to remain in existence until December 31, 2100; its duration can however be extended by resolution of the shareholders.

Eni s registered head office is located at Piazzale Enrico Mattei 1, Rome, Italy (telephone number: +39-0659821). Eni branches are located in:

San Donato Milanese (Milan), Via Emilia, 1; and
San Donato Milanese (Milan), Piazza Ezio Vanoni, 1.

Internet address: www.eni.com.

The name of the agent of Eni in the USA is Salzano Pasquale, 485 Madison Avenue, New York, NY 10002.

Eni s principal segments of operations are described below.

Eni s Exploration & Production segment engages in oil and natural gas exploration and field development and production, as well as LNG operations in 43 countries, including Italy, the UK, Norway, Libya, Egypt, Angola, Nigeria, Congo, the USA, Kazakhstan, Iraq, Russia, Venezuela and Australia. In 2010, Eni produced 1,757 KBOE/d on an available for-sale basis. As of December 31, 2010, Eni s total proved reserves of subsidiaries stood at 6,332 mmBOE; Eni s share of reserves of equity-accounted entities amounted to 511 mmBOE. In 2010, Eni s Exploration & Production segment reported net sales from operations (including inter-segment sales) of euro 29,497 million and operating profit of euro 13,866 million.

Eni s Gas & Power segment engages in supply, trading and marketing of gas and electricity, managing gas infrastructures for transport, distribution, storage, re-gasification, and LNG supply and marketing. This segment also includes the activity of power generation that is ancillary to the marketing of electricity. In 2010, Eni s worldwide sales of natural gas amounted to 97.06 BCM, including 5.65 BCM of gas sales made directly by the Eni s Exploration & Production segment in Europe and the USA. Sales in Italy amounted to 34.29 BCM, while sales in European markets were 54.52 BCM that included 8.44 BCM of gas sold to certain importers to Italy.

Through Snam Rete Gas, Eni operates an Italian network of high and medium pressure pipelines for natural gas transport that is approximately 31,600-kilometer long, while outside Italy, Eni holds capacity entitlements on a network of European pipelines extending for approximately 4,400 kilometers made up of high pressure pipelines to import gas from Russia, Algeria, Libya and Northern European production basins to European markets. Snam Rete Gas, through its 100-percent owned subsidiary Italgas and other subsidiaries, is engaged in natural gas distribution

activity in Italy serving 1,330 municipalities through a low pressure network consisting of approximately 50,307 kilometers of pipelines as of December 31, 2010. Snam Rete Gas, through its wholly-owned subsidiary Stoccaggi Gas Italia operates in natural gas storage activities in Italy through eight storage fields. Eni produces power and steam at its operated sites of Livorno, Taranto, Mantova, Ravenna, Brindisi, Ferrera Erbognone, Ferrara and Bolgiano with a total installed capacity of 5.3 GW as of December 31, 2010. In 2010, sales of power totaled 39.54 TWh. Eni operates a re-gasification terminal in Italy and holds indirect interest or capacity entitlements in a number of LNG facilities in Europe, Egypt and the USA. In 2010, Eni s Gas & Power segment reported net sales from operations (including inter-segment sales) of euro 29,576 million and operating profit of euro 2,896 million.

Eni s Refining & Marketing segment engages in crude oil supply, refining and marketing of petroleum products mainly in Italy and in the rest of Europe, as well as crude oil and trading and shipping products. In 2010, processed volumes of crude oil and other feedstock amounted to 34.80 mmtonnes and sales of refined products were 46.80 mmtonnes, of which 27.01 mmtonnes were in Italy. Retail sales of refined product at operated service stations amounted to 11.73 mmtonnes including Italy and the rest of Europe. In 2010, Eni s retail market share in Italy through its "eni" and "Agip" branded network of service stations was 30.4%. In 2010, Eni s Refining & Marketing segment reported net sales from operations (including inter-segment sales) of euro 43,190 million and operating profit of euro 149 million.

Table of Contents

Eni s petrochemical activities include production of olefins and aromatics, basic intermediate products, polyethylene, polystyrenes, and elastomers. Eni s petrochemical operations are concentrated in Italy and Western Europe. In 2010, Eni sold 6.1 mmtonnes of petrochemical products. In 2010, Eni s Petrochemical segment reported net sales from operations (including inter-segment sales) of euro 6,141 million and an operating net loss of euro 86 million.

Eni engages in oil field services, construction and engineering activities through its partially-owned subsidiary Saipem and subsidiaries of Saipem (Eni s interest being 42.92%). Saipem provides a full range of engineering, drilling and construction services to the oil and gas industry and downstream refining and petrochemicals sectors, mainly in the field of performing large EPC (Engineering, Procurement and Construction) contracts offshore and onshore for the construction and installation of fixed platforms, subsea pipelaying and floating production systems and onshore industrial complexes. In 2010, Eni s Engineering & Construction segment reported net sales from operations (including intra-group sales) of euro 10,581 million and operating profit of euro 1,302 million.

A list of Eni s subsidiaries is included as an exhibit to this Annual Report on Form 20-F.

Strategy

Eni s strategy is to expand the Company s principal businesses over both the medium and the long-term, with improving profitability. Specifically, the Company is planning for:

- growing profitably oil and gas production in the Exploration & Production business leveraging on the development of the Company s portfolio of assets and pipeline of capital projects. The Company plansto drive higher returns by reducing the time to market of our projects, focusing on continued cost control and deploying our competencies and technologies to manage technical risks;
- improving profitability in the Gas & Power business by leveraging on the Company s assets (long-term supply contracts, transport rights, storage capacity), renegotiation of the principal long-term supply contracts to boost the competitiveness of the Company s cost position and implementation of effective marketing initiatives against the backdrop of a challenging competitive landscape in the European gas market reflecting increasing competition and ongoing oversupply conditions;
- improving profitability and cash generation in the Refining & Marketing business in the face of weak industry fundamentals and a poor outlook for refining margins expected to remain below their historical averages across the plan period. Management plans to implement cost reduction initiatives, integration of refinery cycles to capture cost savings or margin expansions, and selective capital projects to upgrade refinery complexity. In the marketing business, we plan to enhance profitability through a number of initiatives for improving service quality and client retention and non-oil profit contribution;
- enhancing revenues and profitability in our Engineering & Construction business by leveraging on our strong order backlog, technologically-advanced assets and competencies in engineering and project management and execution; and
- managing efficiently and effectively our petrochemicals business, and re-launching development initiatives in the field of environmentally-friendly projects.

In executing this strategy, management intends to pursue integration opportunities among and within businesses and strongly focus on efficiency improvement through technology upgrading, cost efficiencies, commercial and supply optimization and continuing process streamlining across all businesses. Over the next four years, Eni plans to execute a capital expenditure program amounting to euro 53.3 billion to support continuing organic growth in its businesses, mainly Exploration & Production. In 2011, Eni intends to invest approximately euro 14 billion, an amount roughly in line with 2010. Eni plans to fund those capital expenditure projects mainly by means of cash flows provided by

operating activities. Capital projects will be assessed and implemented in accordance with strict financial criteria. Management intends to progressively reduce the ratio of net borrowings to shareholders equity leveraging on projected cash flows from operations at our Brent scenario of $70 a barrel flat in the next four years and planned divestments amounting to euro 2 billion in 2011. This target includes expected cash outflows to remunerate Eni s shareholders through a progressive dividend policy. In 2010 management plans to distribute a dividend of euro 1 a share subject to approval from the General Shareholders Meeting scheduled on May 5, 2011. In subsequent years, management plans to increase dividends in line with OECD inflation. This dividend policy is based on the Company s planning assumptions for Brent prices and other assumptions (see "Item 5 Outlook" and "Item 3 Risk Factors").

Further details on each business segment strategy are discussed throughout this Item 4. For a description of risks and uncertainties associated with the Company s outlook, including any possible impact associated with ongoing political instability and war in Libya, and the capital expenditure program see "Item 5 Outlook" and "Item 3 Risk Factors".

In the next four-year period, Eni plans to spend euro 1.1 billion for technological research and innovation activities. Management believes that technological leadership is a key driver of the Company s competitive

advantages in the long-term. Eni concentrates most of its efforts in upstream projects focused on maximizing the recovery rate of hydrocarbons from reservoirs, optimizing drilling and well performance, exploiting unconventional oil and gas resources and improving exploration performance. Projects in the refining sector target the development of advanced fuels, that allow higher engine performance with minimum environmental impact, and the increase in valuable products yields from refining heavy and sour crude qualities (in particular the Eni Slurry Technology (EST) project). In the petrochemical sector, efforts are focused on developing high value added elastomers and polymers. We also intend to enhance our long-term options to contribute to sustainable development by progressing our capabilities in renewable sources of energy, particularly in the field of solar and photovoltaic energy, carbon capture and sequestration, clean fuels, operations safety and integrity in upstream, and environmental clean-up and remediation.

Significant Business and Portfolio Developments

The significant business and portfolio developments that occurred in 2010 and to date in 2011 were the following:

From February 22, 2011, liquids and natural gas production at a number of fields in Libya and supplies through the GreenStream pipeline have been halted as a result of ongoing political instability and unrest in the Country. Facilities have not suffered any damage and such standstills do not affect Eni s ability to ensure natural gas supplies to its customers. Eni is technically able to resume gas production at or near previous level once the situation stabilizes. The overall impact of the political instability and conflict in Libya on Eni s results of operations and cash flows will depend on how long such tensions will last as well as on their outcome, which management is currently unable to predict. Eni s oil and natural gas production as of end of March 2011, was flowing at a rate ranging from 70 to 75 KBBL/d, down from the expected level of approximately 280 KBBL/d. Production is continuing to decline. Current production mainly consists of gas that is entirely delivered to local power generation plant. For further discussion on risks and management outlook on the Libyan situation see "Item 3 Risk Factors Political Considerations" and "Item 5 Outlook".

In November 2010, Eni and the Venezuelan State Company PDVSA established a joint venture in charge of developing the Junín 5 oil field, located in the Orinoco Oil Belt. Management believes that the field contains important volumes of resources, mainly heavy oil. The two partners plan to achieve first oil by 2013.

In 2010, appraisal activities were performed in the gas discovery of Perla located in the Cardón IV Block, in the shallow water of the Gulf of Venezuela. Based on the assessment made, management believes that Perla contains significant amount of gas reserves. The initiative is conducted through a 50/50 joint venture with another international oil. The two partners are planning for starting production in 2013.

At the beginning of the fourth quarter 2010, Eni achieved project milestones at the Zubair oil field in Iraq by increasing production by more than 10% above the initial production rate of approximately 180 KBBL/d. Increasing production above that level means that Eni has begun the cost recovery for its work on the field by booking its share of production, including receiving a remuneration fee for every extra barrel of oil produced above the 10% target. Eni, with a 32.8% share, is leading the consortium in charge of redeveloping the Zubair field over a 20-year period, targeting a production plateau of 1.2 mmBBL/d in the next six years.

In October 2010, with a view to rationalizing its upstream portfolio, Eni divested its subsidiary Società Padana Energia to Gas Plus. The divested subsidiary includes exploration leases and concessions for developing and producing oil and natural gas in Northern Italy. For further details, see "Exploration & Production Italy", below.

In May 2010, Eni signed a preliminary agreement with an affiliate of Petrobras for the divestment of its 100% interest in Gas Brasiliano Distribuidora, a company that markets and distributes gas in an area of the S. Paulo State, Brazil. The completion of the transaction is subject to approval of the relevant Brazilian Authorities. The expected cash consideration amounts to $250 million.

In April 2010, Eni sold to NOC (Libyan National Oil Corp) a 25% stake in the share capital and the control of GreenStream BV, the company owning and managing the gas pipeline for importing to Italy natural gas produced

in Libya.

Procedures for divesting Eni s interests in the German TENP, the Swiss Transitgas and the Austrian TAG gas transport pipelines and carrier companies are progressing and the Company targets to finalize the divestiture in 2011. The divestment program has been agreed upon with the European Commission as remedial actions to settle an antitrust proceeding without the ascertainment of any illicit behavior and consequently without imposition of any fines or sanctions on the Company. The proceeding was started by the Commission in the year 2006 to investigate allegedly anti-competitive behavior ascribed to Eni in the natural gas market. The commitments have been ratified as of September 29, 2010.

In addition, in 2010 and up to date in 2011 Eni closed the following transactions:

24

In March 2011, Eni signed a Memorandum of Understanding with the Minister of Ecology and Natural Resources in Ukraine. The agreement provides for a joint study to cooperate in conventional and unconventional oil and gas resources and evaluate upstream initiatives.
In January 2011, Eni was awarded rights to explore retaining operatorship of offshore Block 35 in Angola, with a 30% interest. The agreement foresees drilling 2 wells and 3D seismic surveys to be carried out in the first 5 years of exploration. This deal is subject to the approval of the relevant authorities.
In January 2011, Eni signed a Memorandum of Understanding with PetroChina to promote common opportunities to jointly expand operations in research and development of conventional and unconventional hydrocarbons in China and outside China, particularly in Africa. In addition, PetroChina is evaluating to purchase an interest in certain of Eni s assets.
In December 2010, Eni acquired Minsk Energy Resources which operates 3 exploration licenses in the Polish Baltic Basin. Management believes that the acquired acreage may contain unconventional gas resources. Drilling operations are expected to start in the second half of 2011.
In December 2010, Eni acquired a controlling interest in Altergaz, a company marketing natural gas in France to retail and middle market clients, as the other partners of the company exercised a put option on a 15% stake.
In November 2010, Eni signed with the Government of Ecuador new terms for the service contract for the Villano oil field, due to expire in 2023. Under the new agreement, the operated area is enlarged to include the Oglan oil discovery, which is planned to be developed in synergy with existing facilities.
In October 2010, Eni was awarded operatorship of offshore Block 1 and Block 2 (Eni 100%) in the Dahomey Basin in the Gulf of Guinea as part of its agreements with the Government of Togo to develop the country s offshore mineral resources.
In August 2010, Eni signed an agreement with UK-based Surestream Petroleum to acquire a 55% stake and operatorship in the Ndunda Block located in the Democratic Republic of Congo. The agreement has been sanctioned by the relevant authorities.
In January 2010, Eni finalized an acquisition of downstream activities in Austria, including a retail network, wholesale activities, as well as commercial assets in the aviation business and related logistic and storage activities.

In 2010, capital expenditures amounted to euro 13,870 million, of which 87% related to Exploration & Production, Gas & Power and Refining & Marketing businesses, and primarily related to: (i) the development of oil and gas reserves (euro 8,578 million) deployed mainly in Egypt, Kazakhstan, Congo, the USA and Algeria, and exploration projects (euro 1,012 million) carried out mainly in Angola, Nigeria, the USA, Indonesia and Norway; (ii) the development and upgrading of Eni s natural gas transport and distribution network in Italy (euro 842 million and euro 328 million, respectively) as well as development and increase of storage capacity (euro 250 million); (iv) projects aimed at improving the conversion capacity and flexibility of refineries, and at building and upgrading service stations in Italy and outside Italy (totaling euro 692 million); and (v) the upgrading of the fleet used in the Engineering & Construction segment (euro 1,552 million). There were no significant acquisitions in the year.

In 2009, capital expenditures amounted to euro 13,695 million, of which 86% related to the Exploration & Production, Gas & Power and Refining & Marketing businesses, and primarily related to: (i) the development of oil and gas reserves (euro 7,478 million) deployed mainly in Kazakhstan, the USA, Egypt, Congo, Italy and Angola, and exploration projects (euro 1,228 million) carried out mainly in the USA, Libya, Egypt, Norway and Angola; (ii) the acquisition of proved and unproved properties amounting to euro 697 million mainly related to the acquisition of a 27.5% interest in assets with gas shale reserves from Quicksilver Resources Inc and extension of the duration of oil and gas properties in Egypt following the agreement signed in May 2009; (iii) the development and upgrading of Eni s natural gas transport and distribution networks in Italy (euro 919 million and euro 278 million, respectively) as well as the development and increase of the storage capacity (euro 282 million); (iv) projects aimed at improving the conversion capacity and flexibility of refineries, and at building and upgrading service stations in Italy and outside Italy (totaling euro 608 million); and (v) the upgrading of the fleet used in the Engineering & Construction segment (euro 1,630 million).

In 2009, Eni s acquisitions amounted to euro 2.32 billion and mainly related to the completion of the acquisition of Distrigas NV. Following the acquisition of the 57.243% majority stake in the Belgian company Distrigas NV from French company Suez-Gaz de France, Eni made an unconditional mandatory public takeover bid on the minorities of Distrigas (42.76% stake). On March 19, 2009, the mandatory tender offer on the minorities of Distrigas was finalized. Shareholders representing 41.61% of the share capital of Distrigas, including the second largest shareholder, Publigaz SCRL with a 31.25% interest, tendered their shares. The squeeze-out of the residual 1.14% of the share capital was finalized on May 4, 2009. After this, Distrigas shares have been delisted from Euronext Brussels. The total cash consideration amounted to approximately euro 2.05 billion.

In 2008, capital expenditures amounted to euro 14,562 million, of which 84% related to the Exploration & Production, Gas & Power and Refining & Marketing Divisions and concerned mainly: (i) the development of oil and gas reserves (euro 6,429 million) deployed mainly in Kazakhstan, Egypt, Angola, Congo and Italy and exploration projects (euro 1,918 million), primarily in the USA, Egypt, Nigeria, Angola and Libya; (ii) the purchase of proved and unproved property for euro 836 million related mainly to the extension of mineral rights in Libya

following an agreement signed in October 2007 with the state company NOC and the purchase of a 34.81% interest in the ABO project in Nigeria; (iii) the development and upgrading of Eni s natural gas transport and distribution networks in Italy (euro 1,130 million and euro 233 million, respectively) and upgrading of natural gas import pipelines to Italy (euro 233 million); (iv) the ongoing construction of combined cycle power plants (euro 107 million); (v) projects designed to upgrade the conversion capacity and flexibility of Eni s refineries, including construction of a new hydrocracking unit at the Sannazzaro refinery in Italy, and to build of new service stations and upgrade of existing ones in Italy and outside Italy (totaling euro 965 million); and (vi) the upgrading of the fleet used in the Engineering & Construction Division (euro 2,027 million).

In 2008, Eni s acquisitions amounted to euro 5.85 billion (euro 4.3 billion net of acquired cash of euro 1.54 billion) and mainly related to: (i) the acquisition of the 57.243% majority stake in Distrigas NV in Belgium; (ii) the completion of the acquisition of Burren Energy Plc in the UK; (iii) the purchases of certain upstream properties and gas storage assets, related to the entire share capital of the Canadian company First Calgary operating in Algeria, a 52% stake in the Hewett Unit in the North Sea, a 20% stake in the Indian company Hindustan Oil Exploration Co; and (iv) other investments in non-consolidated entities mainly related to funding requirements for a LNG project in Angola.

BUSINESS OVERVIEW

Exploration & Production

Eni s Exploration & Production segment engages in oil and natural gas exploration and field development and production, as well as LNG operations, in 43 countries, including Italy, Libya, Egypt, Norway, the UK, Angola, Congo, the USA, Kazakhstan, Russia, Algeria, Australia, Venezuela and Iraq. In 2010, Eni average daily production amounted to 1,757 KBOE/d on an available for-sale basis. As of December 31, 2010, Eni s total proved reserves amounted to 6,843 mmBOE; proved reserves of subsidiaries stood at 6,332 mmBOE; Eni s share of reserves of equity-accounted entities amounted to 511 mmBOE.

Eni s strategy in its Exploration & Production operations is to pursue profitable production growth leveraging on the Company s portfolio of assets and pipeline of development projects. We plan to achieve a compound average growth rate in our production in excess of 3% in the next 2011-2014 four-year period, targeting a production plateau above 2.05 mmBOE/d by 2014. Those targets are based on our long-term Brent price assumptions of 70 $/BBL. The production outlook for 2011 is uncertain due to ongoing political instability and unrest in Libya. Following suspension of activities at several of Eni s producing sites in Libya and the closure of a pipeline transporting gas from Libya to Italy, Eni s production in Libya as of end of March 2011, was flowing at a rate ranging from 70 to 75 KBOE/d compared to an expected level for 2011 of approximately 280 KBOE/d. Production is continuing to decline. Future developments in Libya, which we are currently unable to predict, may have a material adverse effect on Eni s production targets. However, in our planning assumptions to 2014 we assumed that the Libyan production would resume flowing at its normal rate at some point in the future. For further information on this issue as well as certain other trading environment assumptions including an indication of Eni s production volume sensitivity to oil prices see "Item 5 Outlook" and "Item 3 Risk Factors".

Management plans to achieve the target of production growth to 2014 via organic developments, leveraging on the planned start-ups of a number of fields and material expenditures to support current production levels at our producing fields. We project that new fields start-ups will add approximately 630 KBOE/d to the Company s production level by 2014. Main production start-ups are planned in Angola, Norway, Russia, Kazakhstan, Algeria and Venezuela. We have a good level of visibility on those new projects as most of them have been already sanctioned.

The second leg of our growth strategy is to maximize the production recovery rate at our current fields by counteracting natural field depletion. To achieve this, we plan to execute infilling and work-over activities, apply our advanced recovery technologies and reservoir management capabilities.

In exploration activities, Eni plans to perform the major part of exploration projects in well-established areas of presence targeting to extend the plateau of producing fields. Those areas include Egypt, Pakistan, Nigeria, Congo and the Gulf of Mexico where availability of production facilities will enable the Company to readily put in production discovered reserves. Other projects will be executed offshore of West Africa, Venezuela and in deepwater plays in the Gulf of Mexico where the Company believes to have the necessary know-how and skills to discover new reserves. A third layer of exploration projects is planned to be executed in high risk/high reward areas including Mozambique, Togo, Ghana and offshore Australia and East Timor where the Company believes important resources can be discovered. Eni expects to purchase new exploration permits and to divest or exit marginal or non-strategic areas.

Table of Contents

Eni intends to focus on reserve replacement in order to ensure the medium to long-term sustainability of the business. Management intends to implement a number of initiatives to support profitability in its upstream operations by exercising tight cost control and reducing the time span which is necessary to put reserves in production. We expect that costs to develop and operate fields will increase in the next years due to sector-specific inflation, and growing complexity of new projects. We plan to counteract those cost increases by leveraging on cost efficiencies associated with: (i) increasing the scale of our operations as we concentrate our resources on fields of greater dimensions than in the past where we plan to achieve economies of scale; (ii) expanding the scope of operated production. We believe that is a key driver of profitability as operatorship will enable the Company to exercise better cost control, effectively manage reservoir and production operations, and deploy our safety standards and procedures to minimize risks; and (iii) applying our technologies which we believe can reduce drilling and completion costs.

Eni intends to optimize its portfolio of development properties by focusing on areas where its presence is established, and divesting non-strategic or marginal assets. Eni also intends to develop certain LNG project in order to monetize its large base of gas reserves mainly in West Africa.

Management plans to invest approximately euro 39.1 billion to explore for and develop new reserves over the next four years. Exploration projects will account for approximately euro 3.6 billion. Approximately euro 1.8 billion will be spent to build transportation infrastructures and LNG projects through equity-accounted entities. For the year 2011, management plans to spend euro 9.8 billion in reserves development and exploration projects.

Disclosure of Reserves

Overview

The Company has adopted comprehensive classification criteria for the estimate of proved, proved developed and proved undeveloped oil and gas reserves in accordance with applicable U.S. Securities and Exchange Commission (SEC) regulations, as provided for in Regulation S-X, Rule 4-10. Proved oil and gas reserves are those quantities of liquids (including condensates and natural gas liquids) and natural gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible from a given date forward, from known reservoirs, under existing economic conditions, operating methods, and government regulations prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain.

Oil and natural gas prices used in the estimate of proved reserves are obtained from the official survey published by Platt s Marketwire, except when their calculation derives from existing contractual conditions. Prices are calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. Prices include consideration of changes in existing prices provided only by contractual arrangements.

Engineering estimates of the Company s oil and gas reserves are inherently uncertain. Although authoritative guidelines exist regarding engineering criteria that have to be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and evaluation. Consequently, the estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revisions may be made to the initial booking of reserves due to analysis of new information. Proved reserves to which Eni is entitled under concession contracts are determined by applying Eni s share of production to total proved reserves of the contractual area, in respect of the duration of the relevant mineral right. Proved reserves to which Eni is entitled under Production Sharing Agreements

are calculated so that the sale of production entitlements should cover expenses incurred by the Group to develop a field (cost oil) and on the profit oil set contractually (profit oil). A similar scheme applies to buy-back and service contracts.

Reserves Governance

Eni exercises rigorous control over the process of booking proved reserves, through a centralized model of reserve governance. The Reserves Department of the Exploration & Production Division is entrusted with the task of: (i) ensuring the periodic certification process of proved reserves; (ii) continuously updating the Company s guidelines on reserves evaluation and classification and the internal procedures; and (iii) providing training of staff involved in the process of reserves estimation.

Table of Contents

Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineering company, which has stated that those guidelines comply with the SEC rules[1]. D&M has also stated that the Company guidelines provide reasonable interpretation of facts and circumstances in line with generally accepted practices in the industry whenever SEC rules may be less precise. When participating in exploration and production activities operated by others entities, Eni estimates its share of proved reserves on the basis of the above guidelines.

The process for estimating reserves, as described in the internal procedure, involves the following roles and responsibilities: (i) the business unit managers (geographic units) and Local Reserves Evaluators (LRE) are in charge with estimating and classifying gross reserves including assessing production profiles, capital expenditures, operating expenses and costs related to asset retirement obligations; (ii) the Petroleum Engineering Department at the head office verifies the production profiles of such properties where significant changes have occurred; (iii) geographic area managers at the head office verify estimates carried out by business unit managers; (iv) the Planning and Control Department provides the economic evaluation of reserves; (v) the Reserve Department, through the Division Reserves Evaluators (DRE), provides independent reviews of fairness and correctness of classifications carried out by the abovementioned units and aggregates worldwide reserve data.

The head of the Reserve Department attended the "Politecnico di Torino" and received a Master of Science degree in Mining Engineering in 1985. She has more than 20 years of experience in the oil and gas industry and more than 10 years of experience specifically in evaluating reserves.

Staff involved in the reserves evaluation process fulfills the professional qualifications requested and maintains the highest level of independence, objectivity and confidentiality in accordance with professional ethics. Reserves Evaluators qualifications comply with international standards established by the Society of Petroleum Engineers.

Reserves independent evaluation

Since 1991, Eni has requested independent oil engineering companies to carry out an independent evaluation[2] of part of its proved reserves on a rotational basis. Management believes that those engineering firms are qualified and experienced on the marketplace. The description of qualifications of the persons primarily responsible for the reserve audit is included in the third party audit report[3]. In the preparation of their reports, independent evaluators rely, without independent verification, upon information furnished by Eni with respect to property interests, production, current costs of operations and development, sale agreements, prices and other factual information and data that were accepted as represented by the independent evaluators. This data, equally used by Eni in its internal process, include logs, directional surveys, core and PVT (Pressure Volume Temperature) analysis, maps, oil/gas/water production/injection data of wells, reservoir studies; technical analysis relevant to field performance, reservoir performance, long-term development plans, future capital and operating costs.

In order to calculate the economic value of Eni s equity reserves, actual prices applicable to hydrocarbon sales, price adjustments required by applicable contractual arrangements and other pertinent information are provided. In 2010, Ryder Scott Company and DeGolyer and MacNaughton provided an independent evaluation of 28% of Eni s total proved reserves at December 31, 2010[4], confirming, as in previous years, the reasonableness of Eni internal evaluation[5].

In the 2008-2010 three-year period, 78% of Eni total proved reserves were subject to an independent evaluation. As at December 31, 2010 the principal Eni properties not subjected to independent evaluation in the last three years were Karachaganak (Kazakhstan), Samburgskoye and Yaro-Yakhinskoye (Russia).

Summary of proved oil and gas reserves

The tables below provide a summary of proved oil and gas reserves of the Group companies and its equity-accounted entities by geographic area for the three years ended December 31, 2010, 2009 and 2008. Reserves data for 2010 and 2009 are based on the un-weighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. Data for 2008 is based on the last day price of the Company s fiscal year in accordance with then applicable rules.

---

(1) See "Item 19 Exhibits" in the Annual Report on Form 20-F 2009.
(2) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott.
(3) See "Item 19 Exhibits".
(4) SIncludes Eni s share of proved reserves of equity-accounted entities.
(5) See "Item 19 Exhibits".

HYDROCARBONS

(mmBOE)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	Americas	Australia and Oceania	Total consolidated subsidiaries	Equity-accounted entities	Total reserves
Year ended Dec. 31, 2008	**681**	**525**	**1,922**	**1,146**	**1,336**	**265**	**235**	**132**	**6,242**	**666**	**6,908**
Developed	465	417	1,229	827	647	168	133	62	3,948	107	4,055
Undeveloped	216	108	693	319	689	97	102	70	2,294	559	2,853
Year ended Dec. 31, 2009	**703**	**590**	**1,922**	**1,141**	**1,221**	**236**	**263**	**133**	**6,209**	**362**	**6,571**
Developed	490	432	1,266	799	614	139	168	122	4,030	74	4,104
Undeveloped	213	158	656	342	607	97	95	11	2,179	288	2,467
Year ended Dec. 31, 2010 (a)	**724**	**601**	**2,096**	**1,133**	**1,126**	**295**	**230**	**127**	**6,332**	**511**	**6,843**
Developed	554	405	1,215	812	543	139	141	117	3,926	96	4,022
Undeveloped	170	196	881	321	583	156	89	10	2,406	415	2,821

(a) In 2010, Eni has updated the natural gas conversion factor. See page vi for further information.

LIQUIDS

(mmBBL)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	Americas	Australia and Oceania	Total consolidated subsidiaries	Equity-accounted entities	Total reserves
Year ended Dec. 31, 2008	**186**	**277**	**823**	**783**	**911**	**106**	**131**	**26**	**3,243**	**142**	**3,385**
Developed	111	222	613	576	298	92	74	23	2,009	33	2,042
Undeveloped	75	55	210	207	613	14	57	3	1,234	109	1,343
Year ended Dec. 31, 2009	**233**	**351**	**895**	**770**	**849**	**94**	**153**	**32**	**3,377**	**86**	**3,463**
Developed	141	218	659	544	291	45	80	23	2,001	34	2,035
Undeveloped	92	133	236	226	558	49	73	9	1,376	52	1,428
Year ended Dec. 31, 2010	**248**	**349**	**978**	**750**	**788**	**139**	**134**	**29**	**3,415**	**208**	**3,623**
Developed	183	207	656	533	251	39	62	20	1,951	52	2,003
Undeveloped	65	142	322	217	537	100	72	9	1,464	156	1,620

NATURAL GAS

(BCF)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	Americas	Australia and Oceania	Total consolidated subsidiaries	Equity-accounted entities	Total reserves
Year ended Dec. 31, 2008	**2,844**	**1,421**	**6,311**	**2,084**	**2,437**	**911**	**600**	**606**	**17,214**	**3,015**	**20,229**
Developed	2,031	1,122	3,537	1,443	2,005	439	340	221	11,138	420	11,558
Undeveloped	813	299	2,774	641	432	472	260	385	6,076	2,595	8,671

Year ended Dec. 31, 2009	**2,704**	**1,380**	**5,894**	**2,127**	**2,139**	**814**	**629**	**575**	**16,262**	**1,588**	**17,850**
Developed	2,001	1,231	3,486	1,463	1,859	539	506	565	11,650	234	11,884
Undeveloped	703	149	2,408	664	280	275	123	10	4,612	1,354	5,966
Year ended Dec. 31, 2010	**2,644**	**1,401**	**6,207**	**2,127**	**1,874**	**871**	**530**	**544**	**16,198**	**1,684**	**17,882**
Developed	2,061	1,103	3,100	1,550	1,621	560	431	539	10,965	246	11,211
Undeveloped	583	298	3,107	577	253	311	99	5	5,233	1,438	6,671

Volumes of oil and natural gas applicable to long-term supply agreements with foreign governments in mineral assets where Eni is operator totaled 683 mmBOE as of December 31, 2010 (674 and 679 mmBOE as of December 31, 2009 and 2008, respectively). Said volumes are not included in reserves volumes shown in the table herein.

Table of Contents

Activity of the year

	Subsidiaries			Equity-accounted entities		
	2008	2009	2010	2008	2009	2010
	(mmBOE)					
Additions to proved reserves	882	605	776	6	(296)	158
of which purchases and sales of reserves-in-place	*32*	*25*	*(12)*		*(314)*	
Production for the year	(650)	(638)	(653)	(8)	(8)	(9)

	Subsidiaries and equity-accounted entities		
	2008	2009	2010
	(%)		
Proved reserves replacement ratio of subsidiaries and equity-accounted entities	135	96	125

Eni s proved reserves of subsidiaries as of December 31, 2010 totaled 6,332 mmBOE (oil and condensates 3,415 mmBBL; natural gas 16,198 BCF) representing an increase of 123 mmBOE, or 2%, from December 31, 2009. Additions to proved reserves booked in 2010 were 776 mmBOE (including the impact of gas conversion factor update equal to 97 mmBOE) and derived from: (i) revisions of previous estimates were 661 mmBOE mainly reported in Libya, Nigeria, Egypt, Iraq and Italy; (ii) extensions, discoveries and other factors were 125 mmBOE, with major increase booked in the UK and Algeria; and (iii) improved recovery were 2 mmBOE. The unfavorable effect of higher oil price on reserve entitlements in certain PSAs and service contracts (down 80 mmBOE) resulted from higher oil prices compared to year ago (the Brent price used in the reserve estimation process was $79 per barrel in 2010 compared to $59.9 per barrel in 2009). Higher oil prices also resulted in upward revisions associated with improved economics of marginal productions.

In 2010, sales of mineral-in-place resulted mainly from the divestment of wholly-owned subsidiary Società Padana Energia to Gas Plus, which held exploration, development and production properties in Northern Italy.

As of December 31, 2010 Eni s share of proved reserves of equity-accounted entities amounted to 511 mmBOE, an increase of 149 mmBOE, or 41.2%, compared to December 31, 2009, with an increase mainly reported in Venezuela.

The current SEC rules allow the use of reliable technology to justify the reserves estimate if it produces consistent and repeatable results. We did not have any material additions of proved reserves due to application of "reliable technologies".

Proved developed reserves of subsidiaries as of December 31, 2010 amounted to 3,926 mmBOE (1,951 mmBBL of liquids and 10,965 BCF of natural gas) representing 62% of total estimated proved reserves (65% and 63% as of December 31, 2009 and 2008, respectively).

The reserve replacement ratio for Eni s subsidiaries and equity-accounted entities was 125% in 2010 (96% in 2009 and 135% in 2008). The ratio did not include the impact associated with adoption of a new conversion factor of natural gas to barrel-of-oil equivalent on the initial balances of proved reserves as of January 1, 2010 as management believes that

that change did not pertain to the Company s reserve performance for the year. The reserve replacement ratio was calculated by dividing additions to proved reserves by total production, each as derived from the tables of changes in proved reserves prepared in accordance with FASB Extractive Activities - Oil & Gas (Topic 932) (see the supplemental oil and gas information in the Consolidated Financial Statements). The reserve replacement ratio is a measure used by management to assess the extent to which produced reserves in the year are replaced by reserve additions booked. Management considers the reserve replacement ratio to be an important indicator of the Company ability to sustain its growth perspective. However, this ratio measures past performances and is not an indicator of future production because the ultimate recovery of reserves is subject to a number of risks and uncertainties. These include the risks associated with the successful completion of large-scale projects, including addressing ongoing regulatory issues and completion of infrastructures, as well as changes in oil and gas prices, political risks and geological and other environmental risks. Specifically, in recent years Eni s reserves replacement ratio has been affected by the impact of higher oil prices on reserves entitlements in the Company s Production Sharing Agreements (PSAs) and similar contractual schemes. In accordance with such contracts, Eni is entitled to a portion of field reserves, the sale of which should cover expenditures incurred by the Company to develop and operate the field. The higher the reference prices for Brent crude oil used to determine year

end amounts of Eni s proved reserves, the lower the number of barrels necessary to cover the same amount of expenditures. In 2010, this trend resulted in a lower amount of booked reserves associated with the Company s PSAs as the average oil price used in reserve computation was higher than the previous year. See "Item 3 Risks associated with exploration and production of oil and natural gas and Uncertainties in Estimates of Oil and Natural Gas Reserves".

The average reserve life index of Eni s proved reserves was 10.3 years as of December 31, 2010 which included reserves of both subsidiaries and equity-accounted entities.

Proved undeveloped reserves

Proved undeveloped reserves as of December 31, 2010 totaled 2,821 mmBOE. At year end, liquids proved undeveloped reserves amounted to 1,620 mmBBL, mainly concentrated in Africa and Kazakhstan. Natural gas proved undeveloped reserves accounted for 6,671 BCF, mainly located in Africa and Russia.

In 2010, total proved undeveloped reserves increased by 354 mmBOE. The principal reasons for the increase are revisions and new projects sanction, mainly in Libya, Venezuela and Iraq.

During 2010, Eni converted approximately 295 mmBOE of proved undeveloped reserves to proved developed reserves. The main reclassification to proved developed were related to development activities, revisions and production start-up of the following fields/projects: Cerro Falcone (Italy), M Boundi (Congo), Wafa (Libya), Bhit and Sawan (Pakistan), Morvin (Norway), Tuna and Hapy (Egypt) and Karachaganak (Kazakhstan).

In 2010, capital expenditures amounted to approximately euro 1.7 billion and were made to progress the development of proved undeveloped reserves.

Reserves that remain proved undeveloped for five or more years are a result of several physical factors that affect the timing of the projects development and execution, such as the complex nature of the development project in adverse and remote locations, physical limitations of infrastructure or plant capacities and contractual limitations that establish production levels.

The Company estimates that approximately 0.9 BBOE of proved undeveloped reserves have remained undeveloped for five years or more with respect to the balance sheet date, mainly related to: (i) the Kashagan project in Kazakhstan (0.6 BBOE) where development activities are progressing and start-up production is targeted by the end of 2012. For more details regarding this project please refer to part 1, Item 4, page 46, where the project is disclosed. See also our discussion under the "Risk Factors" section about risks associated with oil and gas development projects on page 6; (ii) certain Libyan gas fields where development activities and production start-up is dependent upon fulfilling contractual delivery obligations under a long-term gas supply agreement; and (iii) other minor projects where development activities are progressing.

Delivery commitments

Eni sells crude oil and natural gas from its producing operations under a variety of contractual obligations. Some of these contracts, mostly relating to natural gas, specify the delivery of fixed and determinable quantities.

Eni is contractually committed under existing contracts or agreements to deliver over the next three years natural gas to third parties for a total of approximately 1,852 BCF from producing properties located in Australia, Egypt, India, Indonesia, Libya, Nigeria, Norway, Pakistan, Tunisia and the UK.

The temporary shut down of the GreenStream pipeline due to ongoing political instability and unrest in Libya will not materially impair the Company s ability to fulfill its contractual delivery commitments with third parties as the Company can make use of its gas availability from various sources to meet those commitments.

The sales contracts contain a mix of fixed and variable pricing formulas that are generally referenced to the market price for crude oil, natural gas or other petroleum products.

Management believes it can satisfy these contracts from quantities available from production of the Company s proved developed reserves and supplies from third parties based on existing contracts. Production will account for approximately 68% of outstanding delivery commitments in the next three years.

Eni has met all contractual delivery commitments as of December 31, 2010.

Table of Contents

Oil and gas production, production prices and production costs

The matters regarding future production, additions to reserves and related production costs and estimated reserves discussed below and elsewhere herein are forward-looking statements that involve risks and uncertainties that could cause the actual results to differ materially from those in such forward-looking statements. Such risks and uncertainties relating to future production and additions to reserves include political developments affecting the award of exploration or production interests or world supply and prices for oil and natural gas, or changes in the underlying economics of certain of Eni s important hydrocarbons projects. Such risks and uncertainties relating to future production costs include delays or unexpected costs incurred in Eni s production operations.

In 2010, oil and natural gas production available for sale averaged 1,757 KBOE/d. Production for the year expressed in barrel-of-oil equivalent was calculated assuming a natural gas conversion factor which was updated to 5,550 CF of gas equaling 1 barrel of oil. On a comparable basis, i.e. when excluding the effect of the update gas conversion factor, production showed an increase of 0.9% for the full year. Production growth was driven by additions from new field start-ups, particularly the Zubair field (Eni s interest 32.8%) in Iraq, and production ramp-ups at fields which were started-up in 2009 (for a total increase of 40 KBOE/d). These increases were offset in part by mature field declines. Lower entitlements in the Company s PSA due to higher oil prices, as well as lower gas uplifts in Libya as a result of oversupply conditions in the European market were partly offset by lower OPEC restrictions resulting in a net negative impact of approximately 7 KBOE/d. The share of oil and natural gas produced outside Italy was 90% (90% in 2009).

Liquids production (997 KBBL/d) decreased by 10 KBBL/d from 2009 (down 1%). The impact of mature field declines was partly offset by organic growth and production start-ups achieved in particular in Nigeria, due to the ramp-up of the Oyo project (Eni s interest 40%), in Italy as a result of the ramp-up of the Val d Agri enhanced development project (Eni s interest 60.77%), in Tunisia due to the production start-up/ramp-up of the Baraka and Maamoura projects (Eni operator with a 49% interest) as well as Zubair in Iraq.

Natural gas production (4,222 mmCF/d) increased by 148 mmCF/d from 2009 (up 3.6%). The main increases were registered in Nigeria, due to projects start-up in the Block OML 28 (Eni s interest 5%), in Australia, due to ramp-up of the Blacktip project (Eni s interest 100%), in Congo, due to ramp-up of the M Boundi gas project (Eni operator with an 83% interest) in Egypt, due to start-up of the Tuna field (Eni operator with a 50% interest), in Italy, due to the start-up of the Annamaria field (Eni operator with an 90% interest) and in India, due to organic growth of PY-1 project (Eni s interest 47.18%). These increases were offset in part by mature field declines.

Oil and gas production sold amounted to 638 mmBOE. The 24.5 mmBOE difference over production (662.5 mmBOE for the year ended December 31, 2010) reflected volumes of natural gas consumed in operations (20.9 mmBOE).

Approximately 58% of liquids production sold (361.3 mmBBL) was destined to Eni s Refining & Marketing Division (of which 18% was processed in Eni s refinery); about 28% of natural gas production sold (1,536 BCF) was destined to Eni s Gas & Power Division.

The tables below provide Eni s production, by final product sold of liquids and natural gas by geographical area for each of the last three fiscal years.

LIQUIDS PRODUCTION [1]

(KBBL/d)	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	Americas	Australia and Oceania	Total

2008	68	140	338	289	69	49	63	10	**1,026**
2009	56	133	292	312	70	57	79	8	**1,007**
2010	61	121	301	321	65	48	71	9	**997**

(1) Data includes Eni s share of production of affiliates and joint venture accounted for under the equity method of accounting amounting to 19, 17 and 14 KBBL/d in 2010, 2009 and 2008, respectively.

Table of Contents

NATURAL GAS PRODUCTION AVAILABLE FOR SALE [1] [2]

(mmCF/d)

	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	Americas	Australia and Oceania	Total
2008	725	588	1,661	204	227	396	304	38	**4,143**
2009	630	608	1,503	213	241	417	416	46	**4,074**
2010	648	517	1,559	365	221	436	385	91	**4,222**

(1) Data includes Eni s share of production of affiliates and joint venture accounted for under the equity method of accounting amounting to 27, 29 and 26 mmCF/d in 2010, 2009 and 2008, respectively.
(2) It excludes production volumes of natural gas consumed in operations. Said volumes were 318, 300 and 281 mmCF/d in 2010, 2009 and 2008, respectively.

Volumes of oil and natural gas purchased under long-term supply contracts with foreign governments or similar entities in properties where Eni acts as producer totaled 105 KBOE/d, 97 KBOE/d and 93 KBOE/d in 2010, 2009 and 2008, respectively.

The tables below provide Eni s average sales prices per unit of liquids and natural gas by geographical area for each of the last three fiscal years. Also Eni s average production cost per unit of production is provided. Unit prices and production costs are disclosed separately for subsidiaries and equity-accounted entities. The average production cost does not include any ad valorem or severance taxes.

AVERAGE SALES PRICES AND PRODUCTION COST PER UNIT OF PRODUCTION

($)

	Italy	Rest of Europe	North Africa	West Africa	Kazakhstan	Rest of Asia	Americas	Australia and Oceania	Total consolidated subsidiaries

Sale, Exchange, or Redemption of the Notes

Generally, any gain recognized by a Non-U.S. Holder on the sale, exchange, redemption or other taxable disposition of a note (other than amounts attributable to accrued and unpaid interest, which will be treated as described under Payments of Interest above) will be exempt from U.S. federal income and withholding tax, unless:

(1) the gain is effectively connected with the Non-U.S. Holder s conduct of a trade or business within the United States (and, if a treaty applies, is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States); or

(2) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more during the taxable year, and certain other conditions are met.

Effectively Connected Income

If a Non-U.S. Holder is engaged in a trade or business in the United States and interest on the notes is effectively connected with the conduct of that trade or business (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), then the Non-U.S. Holder will generally be subject to United States federal income tax on that interest on a net income basis in the same manner as if the Non-U.S. Holder was a United States person as defined under the Code. In addition, if a Non-U.S. Holder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or a lower applicable income tax treaty rate) of the effectively connected earnings and profits,

subject to adjustments. If interest is effectively connected with the Non-U.S. Holder s conduct of a United States trade or business (whether or not an income tax treaty applies), such interest will be exempt from the 30% withholding tax, provided the certification requirements discussed above in Payments of Interest are satisfied.

Any gain realized on the sale or other taxable disposition (including a retirement or redemption) of a note generally will not be subject to United States federal income tax unless:

- the gain is effectively connected with the conduct of a trade or business by the Non-U.S. Holder in the United States (and, if required by an applicable income tax treaty, is attributable to a United States permanent establishment), in which case such gain will generally be subject to United States federal income tax (and possibly branch profits tax) in the same manner as effectively connected interest as described above; or

- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met, in which case, unless an applicable income tax treaty provides otherwise, the Non-U.S. Holder will generally be subject to a 30% United States federal income tax on any gain recognized, which may be offset by certain United States source losses.

Information Reporting and Backup Withholding

Generally, we must report to the IRS and to Holders the amount of interest paid to each Holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which a Non-U.S. Holder reside under the provisions of an applicable income tax treaty.

Table of Contents

In general, a Non-U.S. Holder will not be subject to backup withholding with respect to interest payments on the notes made to a Non-U.S. Holder provided that we do not have actual knowledge or reason to know that such Non-U.S. Holder is a United States person as defined under the Code, and we have received from you the statement described above in the fifth bullet point under Payments of Interest above.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other taxable disposition (including a retirement or redemption) of notes within the United States or conducted through certain United States-related financial intermediaries, unless the Non-U.S. Holder certifies under penalties of perjury that it is a Non-U.S. Holder (and the payor does not have actual knowledge or reason to know that it is a United States person as defined under the Code), or the Non-U.S. Holder otherwise establishes an exemption.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a Non-U.S. Holder s United States federal income tax liability provided the required information is timely furnished to the IRS.

Non-U.S. Holders should consult their tax advisors regarding the application of information reporting and backup withholding in their particular situations, the availability of an exemption therefrom, and the procedures for obtaining such an exemption, if available.

Table of Contents

UNDERWRITING

Citigroup Global Markets Inc. and Deutsche Bank Securities Inc. are acting as joint book-running managers of the offering and as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the principal amount of notes set forth opposite the underwriter s name.

Underwriter	Principal Amount of Notes
Citigroup Global Markets Inc.	$ 125,400,000
Deutsche Bank Securities Inc.	72,600,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	39,600,000
RBS Securities Inc.	39,600,000
Wells Fargo Securities, LLC	39,600,000
PNC Capital Markets LLC	6,600,000
Scotia Capital (USA) Inc.	6,600,000
Total	$ 330,000,000

The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the notes if they purchase any of the notes.

Notes sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any notes sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed 0.75% of the principal amount of the notes. Any such securities dealers may resell any notes purchased from the underwriters to certain other brokers or dealers at a discount from the initial public offering price not to exceed 0.45% of the principal amount of the notes. If all the notes are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

We have agreed that, during the period commencing on the date of this prospectus supplement and ending on the date that the notes are delivered by the underwriters to purchasers, we will not, without the prior written consent of Citigroup and Deutsche Bank Securities Inc. offer, sell, contract to sell, pledge, or otherwise transfer, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us. Citigroup and Deutsche Bank Securities Inc. in their sole discretion may release any of the securities subject to these lock-up agreements at anytime without notice.

The notes will constitute a new class of securities with no established trading market. We do not intend to list the notes on any national securities exchange. However, we cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the notes will develop and continue after this offering. The underwriters have advised us that they currently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the notes. The following table shows the underwriting discounts and commissions that we are to pay to the underwriters in connection with this offering (expressed as a percentage of the principal amount of the notes).

	Paid by Commercial Metals Company
Per note	1.25%

We estimate that our total expenses for this offering will be approximately $1 million, including our agreement to reimburse the underwriters for certain of their expenses in an amount up to $45,000.

In connection with the offering, the underwriters may purchase and sell notes in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of notes than they are required to purchase in the offering.

Covering transactions involve purchases of notes in the open market after the distribution has been completed in order to cover short positions.

Stabilizing transactions involve bids to purchase notes so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the notes. They may also cause the price of the notes to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Other Relationships

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. We intend to use a portion of the net proceeds from this offering to fund the repurchase of any and all of our outstanding 2013 notes in a tender offer and consent solicitation and have appointed Citigroup Global Markets Inc. as the dealer manager and solicitation agent. Citigroup Global Markets Inc. will receive customary fees and expenses in connection therewith. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. In addition, affiliates of some of the underwriters are lenders under our credit facility and Receivables Program.

If any of the underwriters or their affiliates has a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

S-49

Table of Contents

LEGAL MATTERS

The legality of the notes being offered hereby and certain other matters will be passed upon for us by Sidley Austin LLP, Chicago, Illinois. The legality of the notes being offered hereby and certain other matters will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

Table of Contents

PROSPECTUS

Commercial Metals Company

Debt Securities

We may offer debt securities from time to time in one or more series. We will provide specific terms of any offering of these debt securities, together with the terms of the offering, the public offering price and our net proceeds from the sale thereof, in supplements to this prospectus. You should read this prospectus and any prospectus supplement, as well as the documents incorporated and deemed to be incorporated by reference in this prospectus and any prospectus supplement, carefully before you invest.

We may sell these debt securities on a continuous or delayed basis through one or more agents, dealers or underwriters as designated from time to time, or directly to purchasers or through a combination of these methods. We reserve the sole right to accept, and together with any agents, dealers and underwriters, reserve the right to reject, in whole or in part, any proposed purchase of debt securities. If any agents, dealers or underwriters are involved in the sale of any debt securities, the applicable prospectus supplement will set forth any applicable commissions or discounts. Our net proceeds from the sale of debt securities will be the public offering price of those debt securities less the applicable discount, in the case of an offering made through an underwriter, or the purchase price of those debt securities less the applicable commission, in the case of an offering through an agent, and, in each case, less other expenses payable by us in connection with the issuance and distribution of those debt securities.

Investing in our securities involves risks. You should carefully consider the information referred to under the heading Risk Factors on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is May 6, 2013

TABLE OF CONTENTS

	Page
About This Prospectus	1
Where You Can Find More Information	2
Special Note Regarding Forward-Looking Statements	3
The Company	4
Risk Factors	4
Use of Proceeds	5
Ratios of Earnings to Fixed Charges	5
Description of Debt Securities	6
Plan of Distribution	19
Legal Matters	20
Experts	20

You should rely only on the information contained in this prospectus and the accompanying prospectus supplement, including the information incorporated or deemed to be incorporated by reference herein or any free writing prospectus that we prepare and distribute. We have not authorized anyone to provide you with information different from that contained in or incorporated by reference into this prospectus, the accompanying prospectus supplement or any such free writing prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof, that the information contained herein is correct as of any time subsequent to its date, or that any information incorporated or deemed to be incorporated by reference herein is correct as of any time subsequent to its date.

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of an automatic shelf registration statement that we filed with the Securities and Exchange Commission, or SEC, as a well-known seasoned issuer as defined in Rule 405 under the Securities Act of 1933, as amended, or the Securities Act. Under the automatic shelf registration process, we may, at any time and from time to time, sell the debt securities described in this prospectus or in any applicable prospectus supplement in one or more offerings. The exhibits to our registration statement contain the full text of certain contracts and other important documents we have summarized in or incorporated by reference into this prospectus. Since these summaries may not contain all the information that you may find important in deciding whether to purchase the debt securities we offer, you should review the full text of these documents. The registration statement and the exhibits can be obtained from the SEC as indicated under the heading Where You Can Find More Information.

This prospectus provides you with only a general description of the debt securities we may offer. Each time we sell debt securities, we will provide a prospectus supplement that contains specific information about the terms of those debt securities. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with the documents incorporated and deemed to be incorporated by reference in this prospectus and the additional information described below under the heading Where You Can Find More Information.

In this prospectus and any prospectus supplement, unless otherwise indicated, the terms Company, we, us and our refer and relate to Commerci Metals Company and its consolidated subsidiaries.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports and proxy statements and other information with the SEC. Our SEC filings are available to the public through the SEC s website at http://www.sec.gov. You may also read and copy any document we file at the SEC s public reference room in Washington, D.C. located at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our common stock is listed and traded on the New York Stock Exchange, or NYSE. You may also inspect the information we file with the SEC at the NYSE s offices at 20 Broad Street, New York, New York 10005. Information about us, including certain SEC filings, is also available free of charge through the Investor Relations section of our website, located at http://www.cmc.com. However, the information on our website is not a part of this prospectus or any accompanying prospectus supplement.

The SEC allows us to incorporate by reference in this prospectus the information in other documents that we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated or deemed to be incorporated by reference is considered to be a part of this prospectus, and information in documents that we file later with the SEC will automatically update and supersede information contained in documents filed earlier with the SEC or contained in this prospectus.

We incorporate by reference in this prospectus the documents listed below and any filings that we may make with the SEC subsequent to the date hereof pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, prior to the termination of the offering under this prospectus (*provided*, *however*, that we are not incorporating, in each case, any documents or information deemed to have been furnished and not filed in accordance with SEC rules):

The Company s Annual Report on Form 10-K for the fiscal year ended August 31, 2012, including those sections incorporated therein by reference from the Company s Definitive Proxy Statement on Schedule 14A filed with the SEC on December 10, 2012;

The Company s Quarterly Reports on Form 10-Q for the quarterly periods ended November 30, 2012 and February 28, 2013; and

The Company s Current Reports on Form 8-K, filed on December 7, 2012, January 30, 2013 and March 19, 2013.

You may obtain a copy of any or all of the documents referred to above which may have been or may be incorporated by reference into this prospectus (excluding certain exhibits to the documents) at no cost to you by writing or telephoning us at the following address:

Commercial Metals Company

6565 N. MacArthur Boulevard, Suite 800

Irving, Texas 75039

Attn: Investor Relations

Telephone: (214) 689-4300

2

Table of Contents

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including information incorporated by reference herein, contains forward-looking statements within the meaning of the federal securities laws, with respect to our financial condition, results of operations, cash flows and business, and our expectations or beliefs concerning future events. These forward-looking statements can generally be identified by phrases such as we or our management expects, anticipates, believes, estimates, intends, plans to, ought, could, will, should, likely, appears, projects, forecasts, outlook or other There are inherent risks and uncertainties in any forward-looking statements. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Except as required by law, we undertake no obligation to update, amend or clarify any forward-looking statements to reflect events, new information or otherwise. Some of the important factors that could cause actual results to differ materially from our expectations are discussed below. All subsequent written and oral forward-looking statements attributable to the Company, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements.

Factors that could cause actual results to vary materially from our expectations include the following:

absence of global economic recovery or possible recession relapse and the pace of overall global economic activity;

solvency of financial institutions and their ability or willingness to lend;

success or failure of governmental efforts to stimulate the economy including restoring credit availability and confidence in a recovery;

continued sovereign debt problems in the Euro-zone;

customer non-compliance with contracts;

financial covenants and restrictions on the operation of our business contained in agreements governing our debt;

construction activity or lack thereof;

decisions by governments affecting the level of steel imports, including tariffs and duties;

litigation claims and settlements;

difficulties or delays in the execution of construction contracts resulting in cost overruns or contract disputes;

metals pricing over which we exert little influence;

increased capacity and product availability from competing steel minimills and other steel suppliers including import quantities and pricing;

execution of cost reduction strategies;

ability to retain key executives;

court decisions and regulatory rulings;

industry consolidation or changes in production capacity or utilization;

global factors including political and military uncertainties;

currency fluctuations;

interest rate changes;

availability and pricing of raw materials, including scrap metal, energy, insurance and supply prices;

passage of new, or interpretation of existing, environmental laws and regulations;

business disruptions, costs and future events related to any tender offers and proxy contests initiated by an activist shareholder;

ability to make necessary capital expenditures;

unexpected equipment failures;

competition from other materials;

losses or limited potential gains due to hedging transactions;

risk of injury or death to employees, customers or other visitors to our operations;

increased costs related to health care reform legislation; and

those factors listed under Item 1A. Risk Factors included in our Annual Report filed on Form 10-K for the fiscal year ended August 31, 2012 and any subsequently filed Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

You should refer to the Risk Factors section of this prospectus and to our periodic and current reports filed with the SEC for specific risks which would cause actual results to be significantly different from those expressed or implied by these forward-looking statements. It is not possible to identify all of the risks, uncertainties and other factors that may affect future results. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, readers of this prospectus are cautioned not to place undue reliance on the forward-looking statements.

THE COMPANY

We manufacture, recycle and market steel and metal products, related materials and services through a network including steel minimills, steel fabrication and processing plants, construction-related product warehouses, a copper tube minimill, metal recycling facilities and marketing and distribution offices in the United States and in strategic international markets. The CMC Americas Division operates utilizing three segments: Americas Recycling, Americas Mills and Americas Fabrication. The CMC International Division operates utilizing two segments: International Mill (comprised of all mill, recycling and fabrication operations located outside of the United States) and International Marketing and Distribution, which includes all marketing and distribution operations located outside the United States as well as two U.S.-based trading and distribution divisions, CMC Cometals, located in Fort Lee, New Jersey and CMC Cometals Steel, located in Irving, Texas.

We were incorporated in 1946 in the State of Delaware. Our predecessor company, a metals recycling business, has existed since approximately 1915. We maintain our principal executive offices at 6565 N. MacArthur Boulevard, Suite 800, in Irving, Texas, and our telephone number is (214) 689-4300. Our fiscal year ends August 31 and any reference in this prospectus or any accompanying prospectus supplement to any year refers to the fiscal year ended August 31 of that year unless otherwise noted. Our common stock is listed on the New York Stock Exchange

under the ticker symbol CMC.

RISK FACTORS

An investment in our debt securities involves significant risks. Before purchasing any debt securities, you should carefully consider and evaluate all of the information included and incorporated by reference or deemed to be incorporated by reference in this prospectus or the applicable prospectus supplement, including the risk factors incorporated by reference herein from our Annual Report on Form 10-K for the fiscal year ended

4

August 31, 2012, as updated by annual, quarterly and other reports and documents we file with the SEC after the date of this prospectus and that are incorporated by reference herein or in the applicable prospectus supplement. Our business, financial position, results of operations or liquidity could be adversely affected by any of these risks. The risks and uncertainties we describe are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business or operations. Any adverse effect on our business, financial condition or operating results could result in a decline in the value of the securities and the loss of all or part of your investment.

USE OF PROCEEDS

Unless otherwise specified in a prospectus supplement accompanying this prospectus, the net proceeds from the sale of the debt securities to which this prospectus relates will be used for general corporate purposes. General corporate purposes may include repayment of debt, acquisitions, additions to working capital, capital expenditures and investments in our subsidiaries. Net proceeds may be temporarily invested prior to use.

RATIOS OF EARNINGS TO FIXED CHARGES

The following table sets forth our consolidated ratios of earnings to fixed charges for the periods indicated:

	Six Months Ended	Six Months Ended	Fiscal Years Ended August 31,				
	February 28, 2013	February 29, 2012	2012	2011	2010	2009	2008
Ratio of earnings to fixed charges	2.96x	2.80x	2.92x	1.47x	*	1.34x	4.84x

* Earnings for the year ended August 31, 2010 were inadequate to cover fixed charges due to asset impairment charges and losses from discontinued operations. The coverage deficiency was approximately $164 million for the year ended August 31, 2010.

For purposes of calculating our ratios of earnings to fixed charges, earnings consist of earnings (loss) from continuing operations before income taxes, adjusted for undistributed earnings of less-than-fifty-percent-owned affiliates, plus interest expense, plus interest imputed on rent and amortization of capitalized interest. Fixed charges consist of capitalized interest and interest expense, plus the portion of rent expense under operating leases that we have deemed to represent the interest factor.

Table of Contents

DESCRIPTION OF DEBT SECURITIES

The following summary describes the general terms and provisions of the debt securities covered by this prospectus. When we offer to sell a particular series of debt securities, we will describe the specific terms of the debt securities in a prospectus supplement.

General

We will issue the debt securities under an indenture (the *Indenture*), dated May 6, 2013 (the *Original Indenture Date*), between us and U.S. Bank National Association, as trustee (the *Trustee*). The Indenture is subject to and governed by the Trust Indenture Act of 1939, as amended (the *Trust Indenture Act*). We may issue debt securities under the Indenture from time to time in one or more series, each in an amount we authorize prior to issuance. Unless we inform you otherwise in a prospectus supplement, the Indenture will not limit the aggregate amount of debt securities we may issue under the Indenture. The debt securities will be our general unsecured obligations and will rank equally with all our other unsecured and unsubordinated indebtedness. Capitalized terms not otherwise defined herein shall have the respective meanings given to them in the Indenture. In this description, the words Company, we, us and our refer only to Commercial Metals Company and not to any of its subsidiaries.

The prospectus supplement relating to any series of debt securities being offered will include specific terms relating to the offering. These terms will include some or all of the following:

- the title of the debt securities of the series;
- the authorized denominations and aggregate principal amount offered and any limit on future issues of additional debt securities of the same series;
- whether we will issue the debt securities as individual certificates to each holder or in the form of global securities held by a depositary on behalf of holders;
- the date or dates on which the principal of the debt securities of the series is payable;
- any interest rate on the debt securities, any date from which interest will accrue, any interest payment dates and regular record dates for interest payments, or the method used to determine any of the foregoing and the basis for calculating interest, if other than a 360-day year of twelve 30-day months;
- the place or places where the principal of and any premium and interest on any debt securities of the series will be payable;
- any provisions that would determine payments on the debt securities by reference to a formula, index or other method;
- whether and under what circumstances any additional amounts with respect to the debt securities will be payable;

any mandatory or optional sinking fund or analogous provisions;

any provisions for optional or mandatory redemption or repurchase;

the portion of the principal amount of the debt securities that will be payable if the maturity is accelerated, if other than the entire principal amount;

any provisions for the defeasance of the debt securities;

the currency in which payments of principal of and any premium and interest on the debt securities will be payable, if other than U.S. dollars;

any addition to or change in the events of default or covenants which applies to any debt securities of the series, and any change in the right of the Trustee or the requisite holders of such debt securities to declare the principal amount thereof due and payable;

Table of Contents

any restrictions or other provisions relating to the transfer or exchange of the debt securities;

if the principal amount payable at the maturity of any debt securities of the series will not be determinable as of any one or more dates prior to the maturity, the amount which will be deemed to be the principal amount of such debt securities as of any such date for any purpose; and

any other terms not inconsistent with the provisions of the Indenture.

Unless we inform you otherwise in a prospectus supplement, the debt securities will be unsecured obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness. The debt securities will be issuable in denominations of $2,000 and integral multiples of $1,000, or in such other denominations as may be set out in the terms of the debt securities of any particular series.

Covenants

The covenants summarized below will apply to each series of debt securities as long as any debt securities of that series are outstanding, unless we inform you otherwise in a prospectus supplement.

Limitation on Liens

The Company shall not, and shall not permit any Principal Subsidiary to, incur or suffer to exist any Lien upon any Principal Property, or upon any shares of stock of any Principal Subsidiary, whether such Principal Property or shares were owned as of the Original Indenture Date or thereafter acquired, to secure any Debt without making, or causing such Principal Subsidiary to make, effective provision for securing the debt securities issued under the Indenture (and no other indebtedness of the Company or any Principal Subsidiary except, if the Company shall so determine, any other indebtedness of the Company which is not subordinate in right of payment to the debt securities or of such Principal Subsidiary) (x) equally and ratably with such Debt as to such Principal Property or shares for as long as such Debt shall be so secured unless (y) such Debt is Debt of the Company which is subordinate in right of payment to the debt securities, in which case prior to such Debt as to such Principal Property or shares for as long as such Debt shall be so secured.

The foregoing restrictions will not apply to Liens existing at the Original Indenture Date or to the following:

(1) Liens securing only debt securities issued under the Indenture;

(2) Liens in favor of only the Company;

(3) Liens on property of a Person existing at the time such Person is merged into or consolidated with the Company or any Principal Subsidiary but only to the extent such Liens cover such property;

(4) Liens on property existing immediately prior to the time of acquisition thereof and not in anticipation of the financing of such acquisition;

(5) any Lien upon a Principal Property (including any property that becomes a Principal Property after acquisition thereof) to secure Debt incurred for the purpose of financing all or any part of the purchase price or the cost of construction or improvement of the property subject to such Lien; *provided*, *however*, that (A) the principal amount of any Debt secured by such Lien (1) does not exceed 100% of such purchase price or cost and (2) is incurred not later than six months after such purchase or the completion of such construction or improvement, whichever is later, and (B) such Lien does not extend to or cover any other property other than such item of property and any improvements on such item;

(6) Liens to secure Debt incurred to extend, renew, refinance or refund Debt secured by any Lien referred to in the foregoing clauses (1) to (5) or any Lien existing at the Original Indenture Date, in each case, as long as such Lien does not extend to any other property and the original amount of the Debt so secured is not increased;

Table of Contents

(7) any Lien securing Debt owing by the Company to a wholly owned Principal Subsidiary of the Company (provided that such Debt is at all times held by a Person which is a wholly owned Principal Subsidiary of the Company); *provided*, *however*, that for purposes of this covenant and the covenant described in Limitation on Sale and Leaseback Transactions , upon either (A) the transfer or other disposition of Debt secured by a Lien so permitted to a Person other than the Company or another wholly owned Principal Subsidiary of the Company or (B) the issuance, sale, lease, transfer or other disposition of shares of capital stock of any such wholly owned Principal Subsidiary to a Person other than the Company or another wholly owned Principal Subsidiary of the Company, the provisions of this clause (7) shall no longer be applicable to such Lien and such Lien shall be subject (if otherwise subject) to the requirements of this covenant without regard to this clause (7); and

(8) Liens to secure (or to secure letters of credit, bankers acceptances or bank guarantees in connection with) the performance of statutory obligations (including obligations under workers compensation, unemployment insurance or similar legislation), surety or appeal bonds, customs bonds, performance bonds, leases, bids, agreements or other obligations of a like nature, in each case incurred in the ordinary course of business.

In addition to the foregoing, the Company and its Principal Subsidiaries may incur and suffer to exist a Lien to secure any Debt or enter into a Sale and Leaseback Transaction without equally and ratably securing the debt securities if, after giving effect thereto, the sum of (i) the principal amount of Debt secured by all Liens incurred after the Original Indenture Date and otherwise prohibited by the Indenture and (ii) the Attributable Debt of all Sale and Leaseback Transactions entered into after the Original Indenture Date and otherwise prohibited by the Indenture does not exceed 10% of the Consolidated Net Tangible Assets of the Company.

Attributable Debt means the present value (discounted at the per annum rate of interest publicly announced by Citibank, N.A. as its Reference Rate or Prime Rate on the date of any calculation under the Indenture, provided, that if Citibank, N.A. is no longer announcing a Reference Rate or Prime Rate, the per annum rate of interest shall be the Prime Rate most recently published in The Wall Street Journal, in either case compounded monthly), of the obligations for rental payments required to be paid during the remaining term of any lease of more than 12 months under which any Person is at the time liable.

Capital Expenditures means, for any period, any expenditures of the Company or its Subsidiaries (whether payable in cash, assets or other property or accrued as a liability (but without duplication)) during such period that, in conformity with generally accepted accounting principles consistently applied, are required to be included in fixed asset accounts as reflected in the consolidated balance sheets of the Company or its Subsidiaries.

Capital Lease Obligation of any Person means the obligation to pay rent or other payment amounts under a lease of (or other indebtedness arrangements conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a capital lease or a liability on the face of a balance sheet of such Person in accordance with generally accepted accounting principles. The stated maturity of such obligation, as of any date (the *measurement date*), shall be the date of the last payment of rent or any other amount due under such lease prior to the first date after the measurement date upon which such lease may be terminated by the lessee, at its sole option, without payment of a penalty.

Consolidated Net Tangible Assets means, as of any date of determination, the net book value of all assets of the Company and its Consolidated Subsidiaries, excluding any amounts carried as assets for shares of capital stock held in treasury, debt discount and expense, goodwill, patents, trademarks and other intangible assets, less all liabilities of the Company and its Consolidated Subsidiaries (except Funded Debt, minority interests in Consolidated Subsidiaries, deferred taxes and general contingency reserves of the Company and its Consolidated Subsidiaries), which in each case would be included on a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the date of determination, all as determined on a consolidated basis in accordance with generally accepted accounting principles.

Table of Contents

Consolidated Subsidiaries of any Person means all other Persons that would be accounted for as consolidated Persons in such Person s financial statements in accordance with generally accepted accounting principles.

corporation means a corporation, association, company (including any limited liability company), joint-stock company, limited partnership or business or statutory trust.

Debt means, without duplication, with respect to any Person the following:

(1) every obligation of such Person for money borrowed;

(2) every obligation of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) every reimbursement obligation of such Person with respect to letters of credit, bankers acceptances or similar facilities issued for the account of such Person; and

(4) every obligation of the type referred to in clauses (1) through (3) of another Person the payment of which such Person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise (but only, in the case of this clause (4), to the extent such Person has guaranteed or is responsible or liable for such obligations).

Funded Debt means the following:

(1) all Debt of the Company and each Principal Subsidiary of the Company maturing on, or renewable or extendable at the option of the obligor to, a date more than one year from the date of the determination thereof;

(2) Capital Lease Obligations payable on a date more than one year from the date of the determination thereof;

(3) guarantees, direct or indirect, and other contingent obligations of the Company and each Principal Subsidiary of the Company in respect of, or to purchase or otherwise acquire or be responsible or liable for (through the investment of funds or otherwise), any obligations of the type described in the foregoing clauses (1) or (2) of others (but not including contingent liabilities on customers receivables sold with recourse); and

(4) amendments, renewals, extensions and refundings of any obligations of the type described in the foregoing clauses (1), (2) or (3).

Lien means, with respect to any property or assets, any mortgage or deed of trust, pledge, hypothecation, assignment, security interest, lien, encumbrance, or other security arrangement of any kind or nature whatsoever on or with respect to such property or assets, including any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing.

Person means any individual, corporation, company (including any limited liability company), association, partnership, joint venture, joint-stock company, trust, unincorporated organization or, government or any agency or political subdivision thereof or any other entity.

Principal Property means (i) any facility, together with the land on which it is erected and fixtures comprising a part thereof, used primarily for manufacturing, processing, research, warehousing or distribution, owned or leased by the Company or a Subsidiary of the Company and having a net book value in excess of 3% of Consolidated Net Tangible Assets, other than any such facility or portion thereof which is a pollution control facility financed by state or local government obligations or is not of material importance to the total business conducted or assets owned by the Company and its Subsidiaries as an entirety, or (ii) any assets or properties acquired with Net Available Proceeds (defined below) from a Sale and Leaseback Transaction that are irrevocably designated by the Company as a Principal Property, which designation shall be made in writing to the Trustee.

Principal Subsidiary means any Subsidiary of the Company that owns or leases a Principal Property or owns or controls stock which under ordinary circumstances has the voting power to elect a majority of the Board of Directors of a Principal Subsidiary.

Sale and Leaseback Transaction of any Person means an arrangement with any lender or investor or to which such lender or investor is a party providing for the leasing by such Person of any Principal Property that within 12 months of the start of such lease and after the Reference Date, has been or is being sold, conveyed, transferred or otherwise disposed of by such Person to such lender or investor or to any Person to whom funds have been or are to be advanced by such lender or investor on the security of such property. The term of such arrangement, as of any date (the *measurement date*), shall end on the date of the last payment of rent or any other amount due under each arrangement on or prior to the first date after the measurement date on which such arrangement may be terminated by the lessee, at its sole option, without payment of a penalty. *Sale Transaction* means any such sale, conveyance, transfer or other disposition. The *Reference Date* means, for any property that becomes a Principal Property, the last day of the sixth month after the date of the acquisition, completion of construction and commencement of operation of such property.

Subsidiary means any corporation of which the Company directly or indirectly owns or controls stock which under ordinary circumstances, not dependent upon the happening of a contingency, has the voting power to elect a majority of the board of directors of such corporation.

Limitation on Sale and Leaseback Transactions

The Company shall not, and shall not permit any Principal Subsidiary of the Company to, enter into any Sale and Leaseback Transaction (except for a period not exceeding 36 months) unless:

(1) the Company or such Principal Subsidiary would be entitled to enter into such Sale and Leaseback Transaction pursuant to the provisions of the covenant described in Limitation on Liens without equally and ratably securing the debt securities; or

(2) the Company or such Principal Subsidiary applies or commits to apply, within 270 days before or after the Sale Transaction pursuant to such Sale and Leaseback Transaction, an amount equal to the Net Available Proceeds therefrom to any combination of the following: (i) the repayment of Funded Debt, (ii) the purchase of other property which will constitute Principal Property that has an aggregate value of at least the consideration paid therefor or (iii) Capital Expenditures with respect to any Principal Property; *provided* that the amount to be applied or committed to the repayment of such Funded Debt shall be reduced by (a) the principal amount of any debt securities delivered within six months before or after such Sale Transaction to the Trustee for retirement and cancellation, and (b) the principal amount of such Funded Debt as is voluntarily retired by the Company within six months before or after such Sale Transaction (it being understood that no amount so applied or committed and no debt securities so delivered or indebtedness so retired may be counted more than once for such purpose); *provided*, *further*, that no repayment or retirement referred to in this clause (2) may be effected by payment at maturity or pursuant to any mandatory sinking fund payment or any mandatory prepayment provision.

Net Available Proceeds from any Sale Transaction by any Person means cash or readily marketable cash equivalents received (including by way of sale or discounting of a note, installment receivable or other receivable, but excluding any other consideration received in the form of assumption by the acquiree of indebtedness or obligations relating to the properties or assets that are the subject of such Sale Transaction or received in any other noncash form) therefrom by such Person, net of the following:

(1)

all legal, title and recording tax expenses, commissions and other fees and expenses incurred and all federal, state, provincial, foreign and local taxes required to be accrued as a liability as a consequence of such Sale Transaction;

(2) all payments made by such Person or its Principal Subsidiaries on any indebtedness which is secured in whole or in part by any such properties and assets in accordance with the terms of any Lien upon or with respect to any such properties and assets or which must, by the terms of such Lien or in order to obtain a necessary consent to such Sale Transaction or by applicable law, be repaid out of the proceeds from such Sale Transaction; and

(3) all distributions and other payments made to minority interest holders in Principal Subsidiaries of such Person or joint ventures as a result of such Sale Transaction.

Reports by the Company

The Company shall deliver to the Trustee within 15 days after the same is required to be filed with the SEC, copies of the quarterly and annual reports and of the information, documents and other reports, if any, that the Company is required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any grace period provided by Rule 12b-25 under the Exchange Act), and the Company shall otherwise comply with the requirements of Trust Indenture Act Section 314(a). Any quarterly or annual report or other information, document or other report that the Company files with the SEC pursuant to Section 13 or 15(d) of the Exchange Act on the SEC s EDGAR system (or any successor thereto) or any other publicly available database maintained by the SEC shall be deemed to constitute delivery of such filing to the Trustee.

Limitations on Merger and Sale of Assets

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and the Company shall not permit any Person to consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(1) in case the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the Person formed by such consolidation or into which the Company is merged or the Person which acquires by conveyance or transfer, or which leases, the properties and assets of the Company substantially as an entirety (for purposes of this covenant, a *Successor Company*) shall be a corporation, partnership or trust, shall be organized and validly existing under the laws of the United States of America, any State thereof or the District of Columbia and shall expressly assume, by an indenture supplemental to the Indenture, executed and delivered to the Trustee, in form satisfactory to the Trustee, the due and punctual payment of the principal of and interest on all the debt securities and the performance or observance of every covenant of the Indenture on the part of the Company to be performed or observed;

(2) immediately after giving effect to such transaction and treating any indebtedness which becomes an obligation of the Company or a Principal Subsidiary of the Company as a result of such transaction as having been incurred by the Company or such Principal Subsidiary at the time of such transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing;

(3) if, as a result of any such consolidation or merger of such conveyance, transfer or lease, properties or assets of the Company or any Principal Subsidiary of the Company would become subject to a Lien which would not be permitted by the Indenture, the Company or if applicable the Successor Company, as the case may be, shall take such steps as shall be necessary effectively to secure the debt securities equally and ratably with (or prior to) all Debt secured by such Lien; and

(4) the Company has delivered to the Trustee an officers certificate and an opinion of counsel, each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with this covenant and that all conditions precedent provided for relating to such transaction have been complied with.

Table of Contents

Events of Default

Unless we inform you otherwise in a prospectus supplement, each of the following is an Event of Default for the debt securities of any series:

(1) default in the payment of any interest upon any debt security of that series when it becomes due and payable, and continuance of such default for a period of 30 days;

(2) default in the payment of the principal of (or premium, if any) on any debt security of that series at its Maturity;

(3) default in the deposit of any sinking fund payment, when and as due by the terms of a debt security of that series;

(4) default in the performance, or breach, of any covenant or warranty of the Company in the Indenture (other than a covenant or warranty a default in whose performance or whose breach is elsewhere herein specifically dealt with or which has expressly been included in the Indenture solely for the benefit of series of debt securities other than that series), and continuance of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in principal amount of the outstanding debt securities of that series a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a Notice of Default ;

(5) a default under any bond, debenture, note or other evidence of indebtedness for money borrowed by the Company or any Principal Subsidiary of the Company having an aggregate principal amount outstanding in excess of an amount equal to 3% of Consolidated Net Tangible Assets or under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness for money borrowed by the Company or any Principal Subsidiary of the Company having an aggregate principal amount outstanding in excess of an amount equal to 3% of Consolidated Net Tangible Assets, whether such indebtedness existed on the Original Indenture Date or was thereafter created, which default shall constitute a failure to pay any portion of the principal of such indebtedness when due and payable after the expiration of any applicable grace period with respect thereto (which grace period, if such portion of the principal is less than an amount equal to 1% of Consolidated Net Tangible Assets in the aggregate, shall be deemed to be no less than 5 days) or shall have resulted in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise have become due and payable, without such indebtedness having been discharged, or such acceleration having been rescinded or annulled, within a period of 10 days after there shall have been given, by registered or certified mail, to the Company by the Trustee or to the Company and the Trustee by the holders of at least 25% in principal amount of the outstanding debt securities of that series a written notice specifying such default and requiring the Company to cause such indebtedness to be discharged or cause such acceleration to be rescinded or annulled and stating that such notice is a Notice of Default ;

(6) certain events of bankruptcy, insolvency or reorganization; or

(7) any other Event of Default provided with respect to debt securities of that series.

If an Event of Default occurs and is continuing, the Trustee or the holders of not less than 25% in principal amount of each series of debt securities outstanding may, by a notice in writing to us, and to the Trustee if given by such holders, declare to be due and payable immediately the principal amount of all of the debt securities of that series. However, at any time after such a declaration of acceleration of the debt securities has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in the principal amount of such series of debt securities outstanding may, subject to certain conditions, rescind and annul such acceleration. For information as to waiver of defaults, see Modification and Waiver herein.

12

Table of Contents

In case an Event of Default under the Indenture occurs and is continuing, then, subject to the provisions of the Indenture and the Trust Indenture Act relating to the duties of the Trustee under the Indenture, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of the debt securities, unless such holders shall have offered to the Trustee reasonable indemnity. The holders of a majority in aggregate outstanding principal amount of any series of debt securities outstanding shall have the right, subject to such provisions for indemnification of the Trustee, to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee under the Indenture or exercising any trust or power conferred on the Trustee with respect to the debt securities of such series.

No holder of any debt securities of any series will have any right to institute any proceeding with respect to the Indenture or for the appointment of a receiver or trustee or for any other remedy thereunder, unless such holder of debt securities shall have previously given to the Trustee written notice of a continuing Event of Default with respect to the debt securities of such series and unless the holders of at least 25% in aggregate principal amount of such series of debt securities outstanding shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceeding as trustee, and the Trustee shall not have received from the holders of a majority in aggregate principal amount of such series of debt securities outstanding a direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days.

However, such limitations do not apply to a suit instituted by a holder of debt securities for enforcement of payment of the principal of, and premium, if any, and any interest on the debt securities on or after the respective due dates expressed in the debt securities.

We will be required to furnish to the Trustee annually a statement as to whether we are in default in the performance and observance of any of the terms, provisions and conditions of the Indenture. The Indenture provides that the Trustee may withhold notice to the holders of the debt securities of any default, except in payment of principal, any premium or interest, if it considers it in the interest of such holders to do so; provided, however, that in the case of any default of the character specified in paragraph (4) above, no such notice to holders will be given until at least 30 days after the occurrence of the default.

Modification and Waiver

Together with the Trustee, we may modify the Indenture without the consent of the holders of the debt securities for limited purposes, including but not limited to adding to our covenants or events of default, securing the debt securities, establishing terms of new debt securities, appointing a substitute trustee, curing ambiguities and making other changes that do not adversely affect the rights of the holders of the debt securities in any material respect. In addition, we and the Trustee may make modifications and amendments to the Indenture with the consent of the holders of not less than a majority in aggregate principal amount of each series of debt securities outstanding affected by such modification; *provided*, *however*, that no such modification or amendment may, without the consent of the holder of each such outstanding debt security affected thereby, (1) change the stated maturity of the principal of, or any installment of principal or interest on any debt security, (2) reduce the principal amount of or the rate of interest or the premium, if any, on any debt security, (3) change the place or currency of payment of principal of or interest or the premium, if any, on any debt security, (4) impair the right to institute suit for the enforcement of any payment with respect to the debt securities on or after the stated maturity thereof, (5) reduce the percentage in principal amount of outstanding debt securities the consent of whose holders is required for any such modification, or (6) reduce the percentage of outstanding debt securities the consent of whose holders is required for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults thereunder.

We may, in the circumstances permitted by the Trust Indenture Act, set any day as the record date for the purpose of determining the holders of the debt securities of any series entitled to give or take any request, demand, authorization, direction, notice, consent, waiver or other action, or vote on any action, authorized or permitted to be given by holders of debt securities of that series by the Indenture.

Table of Contents

The holders of a majority in aggregate principal amount of each series of debt securities outstanding may on behalf of the holders of all such debt securities waive, insofar as such debt securities are concerned (but not as to any other series of debt securities issued under the Indenture), compliance by the Company with the covenants limiting Liens and Sale and Leaseback Transactions contained in the Indenture. The holders of a majority in aggregate principal amount of each series of debt securities outstanding may on behalf of the holders of all such debt securities waive any past default under the Indenture except a default in the payment of the principal of, or premium, if any, or any interest on such debt securities or in respect of a provision which under the Indenture cannot be modified or amended without the consent of the holder of each outstanding debt security affected.

For purposes of the Indenture, the debt securities outstanding will be deemed to exclude those held by persons that control, are controlled by or are under direct or indirect common control with the Company, provided that any person who does not own, directly or indirectly, more than 5% of the outstanding voting securities of the Company will not be deemed to control the Company.

Defeasance

Discharge. The Indenture provides that the Company may be discharged from all of its obligations under the Indenture (except as otherwise provided in the Indenture) when (1) either (i) all debt securities authenticated and delivered have been delivered to the Trustee for cancellation, or (ii) all debt securities not delivered to the Trustee for cancellation have become due and payable, or will become due and payable at their stated maturity within one year, or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company, and the Company, in each case, has deposited or caused to be deposited with the Trustee as trust funds in trust for the purpose an amount in U.S. dollars or U.S. Government Obligations maturing as to principal and interest in such amounts and at such time as will insure (without consideration of any reinvestment of interest) the availability of cash, or a combination thereof, in amounts that will be sufficient to pay and discharge the entire indebtedness on those debt securities not delivered to the Trustee for cancellation, for principal and any premium and accrued interest to the date of such deposit (in the case of debt securities which have become due and payable) or to the stated maturity date or redemption date, as the case may be; (2) the Company has paid or caused to be paid all other sums payable by the Company under the Indenture; and (3) the Company has delivered to the Trustee an officers certificate and an opinion of counsel, each stating that all conditions precedent relating to the satisfaction and discharge of the Indenture have been complied with.

Legal Defeasance. The Indenture provides that the Company may elect to deposit or cause to be deposited with the Trustee as trust funds in trust, for the benefit of the holders of outstanding debt securities of any series, money and/or U.S. Government Obligations sufficient to pay and discharge the principal of, and premium, if any, and any interest on and any mandatory sinking fund payments or analogous payments in respect of the debt securities of that series on the stated maturity of such payments in accordance with the terms of the Indenture and the debt securities, and thereby be discharged from its obligations with respect to the outstanding debt securities of that series (hereinafter called *Defeasance*) on and after the date that, among other things, the Company provides to the Trustee an opinion of counsel to the effect that (1) the Company has received from, or there has been published by, the Internal Revenue Service a ruling, or (2) there has been a change in the applicable federal income tax law, in each case to the effect that the holders of debt securities of that series will not recognize gain or loss for federal income tax purposes as a result of the deposit, Defeasance and discharge to be effected with respect to the debt securities and will be subject to federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit, Defeasance and discharge were not to occur. For this purpose, such Defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by such outstanding debt securities of that series and to have satisfied all its other obligations under the debt securities of that series and the Indenture insofar as the debt securities of that series are concerned, except for certain continuing administrative responsibilities. In the event of any such Defeasance, holders of the debt securities of that series would be able to look only to such trust for payment of principal of, and premium, if any, and any interest on and any mandatory sinking fund payments in respect of the debt securities.

Table of Contents

Covenant Defeasance. The Indenture provides that the Company may elect to deposit or cause to be deposited with the Trustee as trust funds in trust, for the benefit of the holders of outstanding debt securities of any series, money and/or U.S. Government Obligations sufficient to pay and discharge the principal, and premium, if any, of and any interest on and any mandatory sinking fund payments or analogous payments in respect of the debt securities on the stated maturity of such payments in accordance with the terms of the Indenture and such debt securities of that series, and thereby (1) be released from its obligations with respect to the debt securities under certain covenants in the Indenture, including the covenants relating to limitation on Liens, limitation on Sale and Leaseback Transactions and mergers and sales of assets and (2) have the occurrence of certain defaults in performance, or breach, of covenants under the Indenture and defaults under other obligations of the Company not be deemed to be or result in an Event of Default, in each case with respect to the outstanding debt securities of that series (hereinafter called *Covenant Defeasance*), on and after the date that, among other things, the Company provides to the Trustee an opinion of counsel that the holders of outstanding debt securities of that series will not recognize gain or loss for federal income tax purposes as a result of the deposit and Covenant Defeasance to be effected with respect to the debt securities of that series and will be subject to federal income tax on the same amount, in the same manner and at the same times as would be the case if such deposit and Covenant Defeasance were not to occur. For this purpose, such Covenant Defeasance means that the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such specified Indenture provision, whether directly or indirectly by reason of any reference elsewhere in the Indenture to any such provision or by reason of any reference in any such provision to any other provision of the Indenture or in any other document, but the remainder of the Indenture and the debt securities of that series shall be unaffected thereby. The obligations of the Company under the Indenture and the debt securities of that series other than with respect to the covenants referred to above and the Events of Default other than the Events of Default referred to above shall remain in full force and effect.

The term *U.S. Government Obligations* means securities which are (i) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act) as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

Book-Entry System

Unless we inform you otherwise in a prospectus supplement, each series of debt securities will be evidenced by global securities, which will be deposited on behalf of The Depository Trust Company (*DTC*) and registered in the name of a nominee of DTC. Except as set forth below, the record ownership of the global securities may be transferred, in whole or in part, only to DTC, another nominee of DTC or to a successor of DTC or its nominee. Except under circumstances described below, each series of debt securities will not be issued in definitive form. See Certificated Securities below. Upon the issuance of a global security, DTC will credit on its book-entry registration and transfer system the accounts of persons acquiring each series of debt securities with the respective principal amounts of the debt securities represented by the global security. Ownership of beneficial interests in a global security will be limited to persons that have accounts with DTC or its nominee (*participants*) or persons that may hold interests through participants. Owners of beneficial interests in each series of debt securities represented by the global securities will hold their interests pursuant to the procedures and practices of DTC.

Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Such limits and such laws may impair the ability to transfer beneficial interests in a global security. DTC will have no knowledge of the actual beneficial owners of the global securities; DTC s records reflect only the identity of the participants to whose accounts such global securities are credited, which may or may not be the beneficial owners of the global securities.

The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to participants and by participants to the beneficial owners of the global securities will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Transfers between participants will be effected in the ordinary way in accordance with DTC rules and will be settled in immediately available funds.

So long as DTC or its nominee is the registered owner of a global security, DTC or its nominee, as the case may be, will be considered the sole owner or holder of each series of debt securities represented by that global security for all purposes under the Indenture. Except as provided below, owners of beneficial interests in a global security will not be entitled to have the debt securities represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of debt securities in definitive form and will not be considered the owners or holders thereof under the Indenture. Beneficial owners will not receive written confirmation from DTC of their purchase. Beneficial owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Beneficial owners will not be holders and will not be entitled to any rights provided to the holders of the debt securities under the global securities or the Indenture. Principal payments, premium payments, if any, interest payments and liquidated damage payments, if any, on debt securities registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the relevant global security. None of the Company, the Trustee or the registrar for the debt securities will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial interests. Neither the Company nor the Trustee would be liable for any delay by DTC or any of its participants in identifying the beneficial owners of the debt securities, and the Company and the Trustee may conclusively rely on and will be protected in relying on instructions from DTC or its nominee for all purposes. Beneficial owners of debt securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to such debt securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, beneficial owners of debt securities may wish to ascertain that the nominee holding the debt securities for their benefit has agreed to obtain and transmit notices to beneficial owners. In the alternative, beneficial owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Payments of principal, premium, if any, and interest to DTC will be the responsibility of the Company or the Trustee. The disbursement of such payments to participants shall be the responsibility of DTC. We expect that DTC or its nominee, upon receipt of any payment of principal, premium, if any, or interest, if any, will credit immediately participants accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in street name, and will be the responsibility of such participants and not DTC, the Company or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time.

If we redeem less than all of the applicable global security, we have been advised that it is DTC s practice to determine by lot the amount of the interest of each participant in such global security to be redeemed. DTC has

advised us that it is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code, and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the Financial Industry Regulatory Authority, Inc.

DTC holds securities deposited with it by its participants and facilitates the settlement of transactions among its participants in such securities through electronic computerized book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include securities brokers and dealers (including the underwriters), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own the depositary. Access to DTC s book-entry system is also available to others, such as banks, brokers, dealers, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

According to DTC, the foregoing information with respect to DTC has been provided to the financial community for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind, and we take no responsibility for the accuracy or completeness of such information.

Certificated Securities

If DTC is at any time unwilling or unable to continue as a depositary or if an event of default shall have occurred and be continuing under the Indenture, we will issue debt securities in definitive form in exchange for the entire global security for the debt securities. In addition, we may at any time and in our sole discretion determine not to have the debt securities represented by a global security and, in such event, will issue debt securities in definitive form in exchange for the entire global security relating to such debt securities. In any such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery in definitive form of debt securities represented by such global security equal in principal amount to such beneficial interest and to have such debt securities registered in its name.

Debt securities so issued in definitive form will be issued as registered debt securities in denominations of $2,000 principal amount and integral multiples of $1,000 in excess thereof, unless otherwise specified by us. The holder of a certificated debt security may transfer it by surrendering it at (1) the office or agency maintained by us for such purpose in the Borough of Manhattan, The City of New York, which initially will be the office of the Trustee maintained for such purpose or (2) the office of any transfer agent we appoint.

Same-Day Settlement and Payment

Settlement for the debt securities will be made in immediately available or same-day funds. So long as the debt securities are represented by the global securities, we will make all payments of principal and interest in immediately available funds.

So long as the debt securities are represented by the global securities registered in the name of DTC or its nominee, the debt securities will trade in DTC s Same-Day Funds Settlement System. DTC will require secondary market trading activity in the debt securities represented by the global securities to settle in immediately available or same-day funds on trading activity in the debt securities.

No Personal Liability of Directors, Officers, Employees and Stockholders

No past, present or future director, officer, employee, incorporator, agent, member or stockholder or affiliate of the Company will have any liability for any obligations of the Company under the debt securities, or the

17

Table of Contents

Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the debt securities, by accepting a debt security, waives and releases all such liability. Such waivers and releases are part of the consideration for issuance of the debt securities and may not be effective to waive liabilities under the U.S. federal securities laws.

Concerning our Relationship with Trustee

U.S. Bank National Association is the trustee, registrar and paying agent under the Indenture. In addition, the Company has entered into several equipment capital lease agreements with U.S. Bank National Association and its affiliates with average annual rental expenses payable by the Company of approximately $1 million. U.S. Bank National Association also serves as the trustee under several of the Company s employee defined benefit plans.

Governing Law

The Indenture and the debt securities will be governed by and construed in accordance with the laws of the New York.

18

Table of Contents

PLAN OF DISTRIBUTION

We may sell the debt securities:

- through underwriters or dealers;
- through agents; or
- directly to purchasers.

The debt securities may be sold in one or more transactions at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices relating to prevailing market prices or at negotiated prices.

We will describe in a prospectus supplement the particular terms of any offering of the debt securities, including the following:

- the names of any underwriters or agents;
- the proceeds we will receive from the sale;
- any discounts and other items constituting underwriters or agents compensation;
- any discounts or concessions allowed or reallowed or paid to dealers; and
- any securities exchanges on which the applicable debt securities may be listed.

If we use underwriters in the sale, such underwriters will acquire the debt securities for their own account. The underwriters may resell the debt securities in one or more transactions, at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices relating to prevailing market prices or at negotiated prices.

The debt securities may be offered to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. The obligations of the underwriters to purchase the debt securities will be subject to certain conditions. The underwriters will be obligated to purchase all the debt securities of the series offered if any of the debt securities are purchased.

We may sell debt securities through agents or dealers designated by us. Any agent or dealer involved in the offer or sale of the debt securities for which this prospectus is delivered will be named, and any commissions payable by us to that agent or dealer will be set forth, in the prospectus supplement. Unless indicated in the prospectus supplement, the agents will agree to use their reasonable efforts to solicit purchases for the period of their appointment and any dealer will purchase debt securities from us as principal and may resell those debt securities at varying prices to be determined by the dealer.

We also may sell debt securities directly. In this case, no underwriters or agents would be involved.

Underwriters, dealers and agents that participate in the distribution of the debt securities may be underwriters as defined in the Securities Act, and any discounts or commissions received by them from us and any profit on the resale of the debt securities by them may be treated as underwriting discounts and commissions under the Securities Act.

We may enter into agreements with the underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act or to contribute with respect to payments which the underwriters, dealers or agents may be required to make, and to reimburse them for certain expenses.

Underwriters, dealers and agents may engage in transactions with, or perform services for, us or our subsidiaries in the ordinary course of their businesses.

In order to facilitate the offering of the debt securities, any underwriters or agents, as the case may be, involved in the offering of such securities may engage in transactions that stabilize, maintain or otherwise affect the price of such securities or other securities the prices of which may be used to determine payments on the securities. Specifically, the underwriters or agents, as the case may be, may overallot in connection with the offering, creating a short position in such securities for their own account. In addition, to cover overallotments or to stabilize the price of the securities or of such other securities, the underwriters or agents, as the case may be, may bid for, and purchase, such securities in the open market. Finally, in any offering of such securities through a syndicate of underwriters, the underwriting syndicate may reclaim selling concessions allotted to an underwriter or a dealer for distributing such securities in the offering if the syndicate repurchases previously distributed securities in transactions to cover syndicate short positions, in stabilization transactions or otherwise. Any of these activities may stabilize or maintain the market price of the securities above independent market levels. The underwriters or agents, as the case may be, are not required to engage in these activities, and may end any of these activities at any time.

We may solicit offers to purchase debt securities directly from, and we may sell debt securities directly to, institutional investors or others. The terms of any of those sales, including the terms of any bidding or auction process, if utilized, will be described in the applicable prospectus supplement.

Some or all of the debt securities may be new issues of securities with no established trading market. We cannot and will not give any assurances as to the liquidity of the trading market for any of our securities.

Members of the Financial Industry Regulatory Authority, Inc., or FINRA, may participate in distributions of the offered debt securities. In compliance with the guidelines of FINRA, as of the date of this prospectus, the maximum discount or commission to be received by any FINRA member or independent broker-dealer may not exceed 8.0% of the aggregate amount of the securities offered pursuant to this prospectus and any applicable prospectus supplement.

LEGAL MATTERS

The legality of the debt securities and certain other matters will be passed upon for us by Sidley Austin LLP, Chicago, Illinois. The legality of the debt securities and certain other matters for any underwriters, dealers or agents will be passed upon by counsel as may be specified in the applicable prospectus supplement.

EXPERTS

The financial statements, and the related financial statement schedule, incorporated in this prospectus by reference from the Company s Annual Report on Form 10-K and the effectiveness of the Company s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such financial statements and financial statement schedule have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

Table of Contents

$330,000,000

Commercial Metals Company

4.875% Senior Notes due 2023

PROSPECTUS SUPPLEMENT

May 8, 2013

Citigroup

Deutsche Bank Securities

BofA Merrill Lynch

RBS

Wells Fargo Securities

PNC Capital Markets LLC

Scotiabank