

ENI SPA  
Form 6-K  
October 05, 2004

**Table of Contents**

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**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**Form 6-K**

**REPORT OF FOREIGN ISSUER**

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

For the month of September, 2004

**Eni S.p.A.**

(Exact name of Registrant as specified in its charter)

**Piazzale Enrico Mattei 1 00144 Rome, Italy**

(Address of principal executive offices)

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

Form 20 - F  Form 40-F

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

Yes [ ] No

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

**TABLE OF CONTENTS**

- Press Release dated September 21, 2004
  - Eni's First Half Report 2004
-

**Table of Contents**

**SIGNATURES**

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

Eni S.p.A.

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Name : Fabrizio Cosco  
Title: Company Secretary

Date: September 30, 2004

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**Table of Contents**

**PRESS RELEASE**

**ENI 2004 FIRST HALF REPORT: net income of euro 3,424 million confirmed**

Eni's Board of Directors approved today the Report on the First Half of 2004 which shows an operating income of euro 5,782 million (up 13.1% over the first half of 2003) and a net income of euro 3,424 million (up 10.8%), as already reported on July 29, 2004 when it examined Eni's results for the Second Quarter of 2004.

The Report on the First Half of 2004 is presented to the Board of Statutory Auditors and to the External Auditors.

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Tables of consolidated income statement and balance sheet as of June 30, 2004 are attached.

San Donato Milanese (Milan), September 21, 2004

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**Table of Contents**

**Tables of consolidated income statement and balance sheet as of June 30, 2004**

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Table of Contents**Consolidated income statement**

(million )

	First half		Change	Change %
	2003	2004		
Net sales from operations	25,937	28,230	2,293	8.8
Other income and revenues	414	539	125	30.2
Operating expenses	(18,647)	(20,590)	(1,943)	(10.4)
Depreciation, amortization and writedowns	(2,592)	(2,397)	195	7.5
<b>Operating income</b>	<b>5,112</b>	<b>5,782</b>	<b>670</b>	<b>13.1</b>
Net financial expense	(40)	(49)	(9)	(22.5)
Net income (expense) from investments	80	156	76	95.0
<b>Income before extraordinary income and income taxes</b>	<b>5,152</b>	<b>5,889</b>	<b>737</b>	<b>14.3</b>
Net extraordinary income	155	347	192	123.9
<b>Income before income taxes</b>	<b>5,307</b>	<b>6,236</b>	<b>929</b>	<b>17.5</b>
Income taxes	(1,940)	(2,490)	(550)	(28.4)
<b>Income before minority interest</b>	<b>3,367</b>	<b>3,746</b>	<b>379</b>	<b>11.3</b>
Minority interest	(277)	(322)	(45)	(16.2)
<b>Net income</b>	<b>3,090</b>	<b>3,424</b>	<b>334</b>	<b>10.8</b>

**Consolidated balance sheet**

(million )

	Dec. 31, 2003	June 30, 2004	Change
<b>Non-current assets</b>			
Net fixed assets	36,360	38,383	2,023
Net intangible assets	3,610	3,490	(120)
Net investments	3,160	3,251	91
Accounts receivable financing and securities related to operations	983	919	(64)
Net accounts payable in relation to investments	(1,018)	(771)	247
	<b>43,095</b>	<b>45,272</b>	<b>2,177</b>
<b>Net working capital</b>	(679)	(2,363)	(1,684)
<b>Reserve for employee termination indemnities</b>	(555)	(570)	(15)
<b>Net capital employed</b>	<b>41,861</b>	<b>42,339</b>	<b>478</b>
<b>Shareholders equity including minority interests</b>	28,318	29,548	1,230
<b>Net borrowings</b>	13,543	12,791	(752)
<b>Total liabilities and shareholders equity</b>	<b>41,861</b>	<b>42,339</b>	<b>478</b>

**Table of Contents**

**REPORT ON THE FIRST HALF OF 2004**

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**Table of Contents**

---

**Table of Contents**

**Mission**

Eni is one of the most important integrated energy companies in the world operating in the oil and gas, power generation, petrochemicals, oilfield services construction and engineering industries.

In these businesses it has a strong edge and leading international market positions.

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

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

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

**Chairman**

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

**Managing Director**

Vittorio Mincato <sup>(3)</sup>

**Directors**

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

**GENERAL MANAGERS**

**Exploration & Production Division**

Stefano Cao <sup>(4)</sup>

**Gas & Power Division**

Luciano Sgubini <sup>(5)</sup>

**Refining & Marketing Division**

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

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

**Chairman**

Andrea Monorchio

**Statutory Auditors**

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

**Alternate Auditors**

Fernando Carpentieri, Giorgio Silva

**MAGISTRATE OF THE COURT OF ACCOUNTS  
DELEGATED TO THE CONTROL OF ENI SpA S  
FINANCE ACCOUNTING**

Luigi Schiavello<sup>(8)</sup>

**Alternate**

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

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

PricewaterhouseCoopers SpA

- (1) Appointed by the Shareholders Meeting held on May 30, 2002 for a three-year period. The Board of Directors expires at the date of approval of the financial statements for the 2004 financial year.
- (2) Appointed by the Shareholders Meeting held on May 30, 2002
- (3) Powers conferred by the Board of Directors on June 5, 2002
- (4) Appointed by the Board of Directors on November 14, 2000
- (5) Appointed by the Board of Directors on January 30, 2001
- (6) Appointed by the Board of Directors on April 14, 2004
- (7) Appointed by the Shareholders Meeting held on May 30, 2002 for a three-year period, expiring at the date of approval of the financial statements for the 2004 financial year (the Chairman, Mr. Andrea Monorchio, was appointed by a Decree of the Minister of Economy and Finance in agreement with the Minister of Productive Activities on May 29, 2002, as per article 6.2.d of Eni s By-laws)
- (8) Duties assigned by the resolution of the Governing Council of the Court of Accounts on June 24-25, 2003
- (9) Duties assigned by the resolution of the Governing Council of the Court of Accounts on May 27-28, 2003
- (10) Appointed by the Shareholders Meeting of May 28, 2004 for the 2004-2006 three-year period  
September 21, 2004

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Report on the First Half of 2004

contents

**Report of the Directors**

	<b>Operating Review</b>
4	<u>Exploration &amp; Production</u>
9	<u>Gas &amp; Power</u>
16	<u>Refining &amp; Marketing</u>
20	<u>Petrochemicals</u>
23	<u>Oilfield Services Construction and Engineering</u>
26	<b><u>Research and Development</u></b>

	<b>28</b>	<b><u>Financial Review</u></b>
	<b>42</b>	<b><u>Other Information</u></b>
<b><u>Accounts for the first half of 2004</u></b>	50	<u>Balance Sheets</u>
	51	<u>Statements of Income</u>
	52	<u>Statements of Cash Flows</u>
	55	<u>Accounting and reporting policies</u>
		<u>Notes to the unaudited interim condensed consolidated financial</u>
	56	<u>statements</u>
<b>Report of Independent Auditors</b>	99	

*Eni means Eni SpA and its consolidated subsidiaries*

---

**Table of Contents**

highlights

In the first half of 2004, Eni's net income totaled euro 3,424 million, an increase of euro 334 million over the first half of 2003, up 11%, due mainly to a positive operating performance (up euro 670 million) in particular in the Exploration & Production and Gas & Power segments

Hydrocarbon production reached 1.62 million boe/day, a 6.4% increase over the first half of 2003, in line with the average production growth rate set by Eni for the 2004-2007 period targeting a production level of 1.9 million boe/day in 2007. Production growth was achieved entirely outside Italy thanks to better performance and new start-ups. Eni continued its program for the rationalization of its mineral asset portfolio and sold marginal interests in Italy, Gabon and the North Sea

Within its strategy of international expansion in natural gas, Eni and its partners in Nigeria LNG (Eni's interest 10.4%) approved the capital expenditure plan for the construction of a sixth treatment train at the Bonny natural gas liquefaction plant. When fully operational in 2007 the plant will have a capacity of 26.5 billion cubic meters/year of LNG. This plan will allow Eni to market its Nigerian natural gas reserves

Eni sold shares corresponding to 9.054% of Snam Rete Gas share capital in partial execution of Law No. 290/2003 that prohibits companies operating in the natural gas business to hold interest higher than 20% in companies owning natural gas transmission network from July 1, 2007

Within its strategy of concentrating in Europe its downstream oil business, Eni sold its 100% interest in Agip do Brasil SA, engaged in distribution of refined products

**Table of Contents****Main financial data**

(million )

<b>2003</b>	<b>First half</b>			
	<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
51,487	25,937	<b>28,230</b>	2,293	8.8
9,517	5,112	<b>5,782</b>	670	13.1
5,585	3,090	<b>3,424</b>	334	10.8
10,827	8,203	<b>7,550</b>	(653)	(8.0)
8,802	3,970	<b>3,763</b>	(207)	(5.2)
28,318	26,580	<b>29,548</b>	2,968	11.2
13,543	12,795	<b>12,791</b>	(4)	..
41,861	39,375	<b>42,339</b>	2,964	7.5

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

**Main operating data**

<b>2003</b>	<b>First half</b>			
	<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
Daily production of:				
981	952	<b>1,021</b>	69	7.2
581	575	<b>603</b>	28	4.9
<b>1,562</b>	<b>1,527</b>	<b>1,624</b>	<b>97</b>	<b>6.4</b>
69.56	37.33	<b>40.32</b>	2.99	8.0
1.90	0.90	<b>1.66</b>	0.76	84.4
<b>71.46</b>	<b>38.23</b>	<b>41.98</b>	<b>3.75</b>	<b>9.8</b>
6.97	3.34	<b>3.70</b>	0.36	10.8
<b>78.43</b>	<b>41.57</b>	<b>45.68</b>	<b>4.11</b>	<b>9.9</b>
24.63	12.18	<b>14.09</b>	1.91	15.7
5.55	2.51	<b>6.08</b>	3.57	142.2
33.52	16.21	<b>17.14</b>	0.93	5.7
49.91	25.06	<b>27.58</b>	2.52	10.1
10,647	10,687	<b>10,677</b>	(10)	(0.1)
6,907	3,589	<b>3,679</b>	90	2.5
9,405	10,619	<b>8,737</b>	(1,882)	(17.7)
76,521	80,401	<b>77,847</b>	(2,554)	(3.2)

- (1) From January 1, 2004 in order to conform to the practice of other international oil companies, Eni unified the conversion rate of natural gas from cubic meters to boe. The new rate adopted is 0.00615 barrels of oil per one cubic meter of natural gas. In the past Eni used a rate of 0.0063 for natural gas produced in Italy and 0.0061 for natural gas produced outside Italy. The change introduced does not affect the amount of reserves recorded at December 31, 2003 and has a negligible impact on production expressed in boe in 2004.
- (2) Includes natural gas production volumes consumed in operations (26,000, 25,000 and 37,000 boe/day in 2003, the first half of 2003 and the first half of 2004, respectively).

**Main market indicators**

<b>2003</b>	<b>First half</b>			
	<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
28.84 Average price of Brent dated crude oil <sup>(1)</sup>	28.77	<b>33.66</b>	4.89	17.0
1.131 Average EUR/USD exchange rate <sup>(2)</sup>	1.105	<b>1.227</b>	0.122	11.0
25.50 Average price in euro of Brent dated crude oil	26.04	<b>27.43</b>	1.39	5.4
2.65 Average European refining margin <sup>(3)</sup>	2.99	<b>3.74</b>	0.75	25.1
2.3 Euribor - three-month euro rate (%)	2.5	<b>2.1</b>	(0.40)	(16.0)

(1) In USD/barrel. Source: Platt's Oilgram.

(2) Source: ECB.

(3) In USD/barrel FOB Mediterranean Brent dated crude oil. Source: Eni calculations based on Platt's Oilgram data.

**Table of Contents**

exploration &amp; production

**Mineral right portfolio and exploration activities**

As of June 30, 2004, Eni's portfolio of mineral rights consisted of 991 exclusive or shared interests for exploration and development in 35 countries on five continents, for a total net acreage of 257,745 square kilometers (242,635 at December 31, 2003). Of these, 42,023 square kilometers concerned production and development (43,879 at December 31, 2003). Outside Italy net acreage (220,665 square kilometers) increased by 18,240 square kilometers. Increases concerned in particular Saudi Arabia and Norway, where new exploration permits were purchased. Declines concerned in particular Mauritania, due to the sale of unproved property, and Senegal, due to releases. In Italy (37,080 square kilometers) total acreage declined by 3,130 square kilometers due essentially to the sale of proved and unproved property of Società Petrolifera Italiana (Eni's interest 99.96%, see Mineral Portfolio Rationalization, below).

In the first half of 2004, a total of 31 new exploratory wells were drilled (12 of which represented Eni's share), as compared to 60 (27 of which represented Eni's share) in the first half of 2003. Overall success rate was 48% (56.1% of which represented Eni's share), as compared to 43.2 (41.8 of which represented Eni's share) in the first half of 2003. Main discoveries were made in Egypt, Nigeria, Angola, Pakistan and the Gulf of Mexico.

In the first half of 2004, three-dimensional seismic surveys were carried out over 3,787 square kilometers (1,763 of which represented Eni's share), while standard seismic surveys totaled 601 kilometers (233 of which represented Eni's share), the former increasing by 176% and the latter decreasing by 89% over the first half of 2003. The increase in three-dimensional seismic surveys may be attributed to the start of survey campaigns mainly in Australia, Ireland, Libya and Italy, while the decrease in standard seismic surveys was registered mainly in Australia.

**Production**

<b>2003</b>		<b>First half</b>			
		<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
<b>1,562</b>	<b>Daily production of hydrocarbons<sup>(1)</sup> (thousand boe)</b>	<b>1,527</b>	<b>1,624</b>	<b>97</b>	<b>6.4</b>
300	Italy	306	271	(35)	(11.4)
351	North Africa	338	371	33	9.8
260	West Africa	248	301	53	21.4
345	North Sea	358	334	(24)	(6.7)
306	Rest of world	277	347	70	25.3
<b>556.2</b>	<b>Production sold (million boe)</b>	<b>267.3</b>	<b>283.8</b>	<b>16.5</b>	<b>6.2</b>

(1) Includes natural gas production consumed in operations (26,000, 25,000 and 37,000 boe/day in 2003, the first half of 2003 and 2004, respectively).

In the first half of 2004, daily hydrocarbon production amounted to 1,624,000 boe (oil and condensates 1,021,000 barrels, natural gas 603,000 boe) increasing by 97,000 boe over the first half of 2003, up 6.4%, due to: (i) production increases mainly in



**ENI**  
REPORT ON THE FIRST HALF OF 2004  
**OPERATING REVIEW**

---

**Table of Contents**

Venezuela, Kazakhstan, Nigeria, Pakistan and Egypt; (ii) the start-up of new fields in Australia, Angola, Pakistan, Nigeria, Norway and Libya. These increases were partly offset by declines in mature fields mainly in Italy, the United Kingdom and the United States and the effect of the divestment of assets. The share of production outside Italy was 83% (80% in the first half of 2003).

Daily production of oil and condensates (1,021,000 barrels) increased by 69,000 barrels over the first half of 2003, up 7.2%, due to increases registered in: (i) Venezuela, also due to the fact that in early 2003 production had been interrupted during a general strike; (ii) Nigeria, also due to the reaching of full production at the Abo (Eni operator with a 50.19% interest) and the Nase-EA (Eni's interest 12.86%) fields; (iii) Kazakhstan, in the Karachaganak field (Eni co-operator with a 32.5% interest); (iv) Angola, also due to the start-up of the Xikomba field (Eni's interest 20%); (v) Australia, for the reaching of full production at the Woollybutt field (Eni operator with a 65% interest) and at the Bayu Undan field (Eni's interest 12.04%); (vi) Algeria and Libya (start-up of the Elephant field, Eni's interest 33.33%). These increases were partly offset by: (i) declines of mature fields in particular in Italy and the United Kingdom; (ii) the impact of standstills in the Val d'Agri to allow for the connection of producing fields to the fourth treatment train of the oil center; (iii) the effect of the divestment of assets.

Daily production of natural gas (603,000 boe) increased by 28,000 boe over the first half of 2003, up 4.9%, due essentially to increases registered in Pakistan (reaching of full production at the Bhit field - Eni operator with a 40% interest - and start-up of the Sawan field - Eni's interest 23.68%), Egypt for the increase in local demand, Kazakhstan, Norway (start-up of the Mikkel field, Eni's interest 14.9%) and Nigeria. These increases were offset in part by declines of mature fields in particular in Italy, the United Kingdom, the United States and Indonesia.

Hydrocarbon production sold amounted to 283.8 million boe. The 11.9 million boe difference over production was due essentially to natural gas consumed in operations (6.7 million boe) and underlifting<sup>1</sup> outside Italy for 5 million boe.

**Mineral portfolio rationalization**

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

- in May 2004 the sale of the entire share capital of Stargas SpA to Gas Plus for euro 138 million. Stargas (Eni's interest 100%) is a newly-established company, to which the Società Petrolifera Italiana (Eni's interest 99.96%) business was transferred that included: (i) 42 natural gas and condensate production concessions and 3 exploration permits, located mainly in the production areas of Fornovo Taro, Montecorsaro, Lucera and Policoro in central-southern Italy; (ii) gas transmission and treatment infrastructure; (iii) real estate; (iv) an 81.63% interest in Reggente. In 2003 Stargas production amounted to about 5,000 boe/day, consisting mainly of natural gas;

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



**Table of Contents**

- in May 2004 a preliminary agreement for the sale to Canadian Natural Resources Ltd of Eni's interests in Blocks T (Eni operator with an 88.74% interest) and B (Eni operator with an average 70.2% interest) located in the British section of the North Sea off the Scottish coast. The T Block includes the Tiffany, Tony and Thelma producing fields, while the B Block includes Balmoral, Stirling and Glamis. The agreement includes also production facilities and title to the exploration interests related to the area of the two blocks. The finalization of the agreement is subject to the due diligence test by the purchaser and the approval of relevant Authorities;
- in June 2004 the sale to the Russian company Lukoil of Eni's entire stake (50%) in Lukagip, the remaining 50% owned by Lukoil itself, holder of a 10% interest in the Shakh Deniz field under development in the Azeri Caspian Sea and of some minority stakes in companies operating in the transport and sale of gas in Azerbaijan, as well as a 24% interest in the onshore Meleiha field, in Egypt operated by Eni. The transaction is subject to the regulatory approval of relevant Authorities;
- in July 2004 the sale to the independent oil company Perenco for dollar 28 million of Eni's proved and unproved property in Gabon consisting of its interests in the offshore Limande field (Eni operator with an 80% interest) and in three offshore exploration permits M Polo, Chaillu and Meboun (Eni operator with a 50% interest).

**Main exploration and development projects**

**ANGOLA** In August 2004 the Hungo and Chocalho oil fields started production within Phase A of the development project for the fields discovered in the area called Kizomba in Block 15 (Eni's interest 20%) in the Angolan offshore. The fields hold recoverable reserves amounting to over 900 million barrels and their development is achieved by means of a Tension Leg Platform associated to a Floating Production Storage and Offloading vessel, that is the largest in the world in its class with a treatment capacity of 250,000 barrels/day and a storage capacity of 2.2 million barrels. Production is expected to peak at 39,000 barrels/day net to Eni by 2006. In this same area Phase B is underway under a scheme similar to that of Phase A and aims at the development of the Kissanje and Dikanza fields with recoverable reserves amounting to about 910 million barrels.

In May 2004 the extension until December 31, 2030 of the exploration and production license for Block 0 - former Cabinda (Eni's interest 9.8%) was approved.

**SAUDI ARABIA** In March 2004 Eni, in consortium with an international oil company and Saudi Aramco, was awarded an exploration license (Eni operator with a 50% interest) for exploration, development and production of natural gas in the so called C area covering approximately 52,000 square kilometers in the Rub al Khali basin at the border with Qatar and the United Arab Emirates. The project provides for geophysical surveys and the drilling of 4 exploration wells. The gas discovered will be sold to the domestic market for power generation, water desalination and as a feedstock for petrochemical plants. Condensates and LPG extracted from the gas will be exported to international markets. This project marks Eni's return to upstream activities in a country where it had operated in the early 1970s.

**AUSTRALIA** In February 2004 production started from the offshore gas and liquid Bayu Undan field (Eni's interest 12.04%) located in Block Zoca 91/12-13 in the international

**OPERATING REVIEW**

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**Table of Contents**

cooperation area between Australia and East Timor, at a water depth of 80 meters. The project includes two phases. The first one is for the development of liquids (propane, butane and condensates) and the second one is for the development of gas (LNG). Phase 1, aimed at producing liquids by means of three production and treatment platforms, relevant facilities and an FSO for the separated storage of liquids, has been completed. The second phase entails production and development and the construction of a 26-inch diameter 500-kilometer long sealine that will link the field to Darwin where an onshore LNG plant with a 3.5 million tonnes/year capacity is under construction. The first LNG shipment is scheduled for early 2006. Under a 17-year long contract, gas produced will be sold to two Japanese companies, Tokyo Electric and Tokyo Gas, that bought a 10.08% interest in the integrated project. Recoverable reserves are estimated at 434 million barrels of liquids and 92 billion cubic meters of natural gas (for a total of about 994 million boe). Production is scheduled to peak at about 160,000 boe/day in 2009.

**KAZAKHSTAN** Eni is operator of the North Caspian Sea PSA (Eni's interest 16.67%) in a consortium composed by seven international oil companies. The consortium aims at exploration and production of hydrocarbons in the offshore area under contract covering a total of over 5,500 square kilometers where the Kashagan field was discovered; this field is considered the most important discovery in the world in the past thirty years. On February 25, 2004 the development plan for Kashagan was approved. The plan, which will be implemented in multiple phases, aims at the production of 7 to 9 billion barrels of recoverable reserves, extendable up to 13 billion barrels through partial reinjection of gas. Production is expected to start in 2008 at a level of 75,000 barrels/day and to increase to 450,000 barrels/day at the end of the first development phase. Production plateau is targeted at 1.2 million barrels/day. The total capital expenditure is estimated at dollar 29 billion (5 billion being Eni's share), excluding the capital expenditure for the construction of the infrastructure for exporting production to international markets, for which various options are under scrutiny by the consortium. One of these options includes the laying of a pipeline connecting Kashagan with the Baku-Tbilisi-Ceyhan pipeline now in the final phase of construction (Eni's interest 5%). EPC contracts for a total of about dollar 3.5 billion were awarded for the construction of infrastructure for developing the field.

In July 2004, the testing of the Kairan-1 exploration well was successfully completed. The well, the last of the six commitment wells included in the exploration phase, was drilled at a total depth of 3,850 meters, met an oil pay-zone of more than 500 meters. Production tests carried out have indicated a daily flow rate of over 4,000 barrels of good quality oil (API 44°).

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

Eni is co-operator with British Gas of the Karachaganak project (Eni's interest 32.5%) in a consortium composed of four international oil companies. The development of the natural gas and condensate field is organized by stages, in accordance with a Final Production Sharing Agreement.

In the first half of 2004, reparations were made at the auxiliary units of the Karachaganak Processing Complex (KPC) and at Unit 2, which allowed to resume production (on



**Table of Contents**

April 17 and May 19, respectively) and exports on April 21. On July 9, Eni made its first oil shipment from Karachaganak to the Novorossysk terminal.

**LIBYA** In January 2004 early production started at the Elephant oil field in the NC-174 onshore permit (Eni's interest 33.33%) about 860 kilometers south of Tripoli. At present production makes use of structures existing in the area. The field development plan provides for the drilling of 29 producing wells, 8 water injection wells and 14 water producing wells, the construction of treatment plants and the laying of a 725-kilometer long pipeline with a 30-inch diameter connecting the field to the Mellitah terminal. Peak production is expected to be reached in 2007 with 32,000 barrels/day net to Eni.

**NORWAY** In June 2004, four exploration licenses in the Norwegian Sea were awarded to Eni, two of these as operator. Eni considers these licenses to have high mineral potential and to represent a new opportunity for strengthening its strategic positioning in Norway.

**VENEZUELA** In February 2004 Eni signed a cooperation agreement with the national Venezuelan company PDVSA for cooperation in common interest projects in the area of exploration and production.

**Capital expenditure**

In the first half of 2004, capital expenditure of the Exploration & Production segment amounted to euro 2,518 million and concerned mainly development expenditure (euro 2,301 million; euro 2,382 million in the first half of 2003) directed mainly outside Italy (euro 2,114 million) in Libya (in particular the Wafa and Bahr Essalam project), Iran (in particular the South Pars project, phases 4 and 5), Angola (in particular fields in Block 15), Kazakhstan, Egypt and Nigeria. Development expenditure in Italy (euro 187 million) concerned primarily the continuation of work for plant and infrastructure in Val d'Agri and actions for optimization and recovery in producing fields. Exploration expenditure amounted to euro 199 million (euro 346 million in the first half of 2003) of which about 90% was directed outside Italy. Outside Italy exploration concerned in particular the following countries: Egypt, Indonesia, Venezuela and Kazakhstan. In Italy exploration concerned essentially the onshore of Sicily and Central Italy.

Expenditure in capital goods amounted to euro 18 million.



**Table of Contents**

gas &amp; power

natural gas

**Supply of natural gas**

In the first half of 2004, Eni's Gas & Power segment supplied 40.42 billion cubic meters of natural gas, with a 3.28 billion cubic meters increase over the first half of 2003, up 8.8%, due to higher volumes supplied outside Italy (3.78 billion cubic meters) offset in part by lower production volumes supplied in Italy (0.50 billion cubic meters). Natural gas volumes supplied outside Italy (34.78 billion cubic meters) represented 86% of total supplies (83.5% in the first half of 2003).

Outside Italy increases concerned purchases from Russia for Italy (1.28 billion cubic meters) also due to the reaching of full operation of the supply contract signed in 1996 with Gazexport, from Russia for Turkey (0.78 billion cubic meters) due to the reaching of full supplies to the Turkish company Botas, from Algeria, the Netherlands and Norway (0.99, 0.51 and 0.37 billion cubic meters, respectively). LNG purchases from Algeria declined (0.35 billion cubic meters) due to lower supplies from Sonatrach related to an accident occurred in early 2004 at the Skikda liquefaction plant, which reduced its processing capacity.

In the first half of 2004, a total of 1.63 billion cubic meters of natural gas were withdrawn from the storage sites of Stoccaggi Gas Italia SpA (Eni's interest 100%) as compared to 1.23 billion cubic meters in the first half of 2003.

**Natural gas supplies**

(billion cubic meters)

2003	First half			
	2003	2004	Change	% Ch.
<b>12.12</b>	<b>6.14</b>	<b>5.64</b>	<b>(0.50)</b>	<b>(8.1)</b>
18.92	9.96	<b>11.24</b>	1.28	12.9
0.63	0.09	<b>0.87</b>	0.78	866.7
16.53	8.97	<b>9.96</b>	0.99	11.0
7.41	4.09	<b>4.60</b>	0.51	12.5
5.44	2.75	<b>3.12</b>	0.37	13.5
0.65	0.33	<b>0.33</b>	0.00	0.0
1.98	1.00	<b>0.88</b>	(0.12)	(12.0)
3.35	1.93	<b>1.96</b>	0.03	1.6
1.98	1.07	<b>0.72</b>	(0.35)	(32.7)
0.72	0.31	<b>0.41</b>	0.10	32.3
0.04	0.02	<b>0.11</b>	0.09	450.0
1.09	0.48	<b>0.58</b>	0.10	20.8
<b>58.74</b>	<b>31.00</b>	<b>34.78</b>	<b>3.78</b>	<b>12.2</b>
<b>70.86</b>	<b>37.14</b>	<b>40.42</b>	<b>3.28</b>	<b>8.8</b>
0.84	1.23	<b>1.63</b>	0.40	32.5
(0.24)	(0.14)	<b>(0.07)</b>	0.07	(50.0)
<b>71.46</b>	<b>38.23</b>	<b>41.98</b>	<b>3.75</b>	<b>9.8</b>

**ENI**  
**REPORT ON THE FIRST HALF OF 2004**  
**OPERATING REVIEW**

---

**Table of Contents***Take-or-pay*

In order to meet the medium and long-term demand of natural gas, in particular of the Italian market, Eni entered into long-term purchase contracts with producing countries that currently have a residual average term of approximately 17 years. Existing contracts, which in general contain take-or-pay clauses, will ensure a total of about 67.3 billion cubic meters of natural gas per year (Russia 28.5, Algeria 21.5, Netherlands 9.8, Norway 6 and Nigeria LNG 1.5) by 2008. The average annual minimum quantity (take-or-pay) is approximately 85% of said quantities. Despite the fact that increasing volumes of natural gas available are sold outside Italy, the expected development of Italian demand and supply of natural gas in the medium and long-term and the evolution of regulations in this segment represent a risk element in the management of take-or-pay contracts.

In 2003 Eni withdrew about 540 million cubic meters less than its minimum offtake obligation; these lower withdrawals are expected to be compensated for by higher withdrawals within the end of 2004.

**Sales and own consumption of natural gas**

In the first half of 2004, natural gas sales to third parties (40.32 billion cubic meters) increased by 2.99 billion cubic meters over the first half of 2003, up 8%, due to higher sales in the rest of Europe (3.08 billion cubic meters).

Natural gas sales in Italy (27.98 billion cubic meters) decreased by 0.19 billion cubic meters (down 0.7%), due essentially to lower sales to industrial customers (0.57 billion cubic meters) and wholesalers (0.12 billion cubic meters), whose effects were offset in part by higher sales to the thermoelectric segment (0.32 billion cubic meters) and to residential and commercial users (0.18 billion cubic meters).

Natural gas sales in the rest of Europe (11.76 billion cubic meters) increased by 3.08 billion cubic meters, up 35.5% due to increases registered in: (i) sales under long-term supply contracts to Italian operators of the natural gas market (1.14 billion cubic meters), in particular Edison and Cir Energia; (ii) supplies to the Turkish market via the Blue Stream gasline (0.78 billion cubic meters); (iii) Spain (0.40 billion cubic meters) related to increased supplies to the electric company Iberdrola and to the start-up of supplies to Eni's affiliate Unión Fenosa Gas; (iv) gas marketing activities in the United Kingdom (0.36 billion cubic meters); (v) Germany, related to the start-up of supplies to the German market to Eni's affiliate GVS (0.18 billion cubic meters); (vi) Hungary (0.03 billion cubic meters) also due to the purchase of local distribution companies in the second half of 2003.

Eni's own consumption of natural gas amounted to 1.66 billion cubic meters (0.9 billion cubic meters in the first half of 2003) and concerned essentially supplies to EniPower (1.11 billion cubic meters) in the thermoelectric segment and to Polimeri Europa (0.16 billion cubic meters) and to Eni's Refining & Marketing division (0.12 billion cubic meters) in the industrial segment.

Sales of natural gas by Eni's affiliates amounted to 3.70 billion cubic meters (net to Eni and net of Eni's supplies) increasing by 0.36 billion cubic meters over the first half of 2003, up 10.8%, and concerned: (i) GVS (Eni's interest 50%) with 1.90 billion

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

**ENI**  
REPORT ON THE FIRST HALF OF 2004  
**OPERATING REVIEW**

---

**Table of Contents**

cubic meters; (ii) Galp Energia (Eni's interest 33.34%) with 0.70 billion cubic meters; (iii) Unión Fenosa Gas (Eni's interest 50%) with 0.10 billion cubic meters; (iv) volumes of natural gas (0.71 billion cubic meters) treated at the Nigeria LNG Ltd liquefaction plant (Eni's interest 10.4%) in Nigeria, destined to European and US markets.

**Sales and own consumption of natural gas**

(billion cubic meters)

2003	First half				
	2003	2004	Change	% Ch.	
<b>50.93</b>	<b>Italy</b>	<b>28.17</b>	<b>27.98</b>	<b>(0.19)</b>	<b>(0.7)</b>
15.65	Wholesalers	9.49	<b>9.37</b>	(0.12)	(1.3)
35.28	End customers	18.68	<b>18.61</b>	(0.07)	(0.4)
13.40	Industrial users	6.96	<b>6.39</b>	(0.57)	(8.2)
15.03	Thermoelectric	7.29	<b>7.61</b>	0.32	4.4
6.85	Residential and commercial	4.43	<b>4.61</b>	0.18	4.1
<b>17.54</b>	<b>Rest of Europe</b>	<b>8.68</b>	<b>11.76</b>	<b>3.08</b>	<b>35.5</b>
<b>1.09</b>	<b>Outside Europe</b>	<b>0.48</b>	<b>0.58</b>	<b>0.10</b>	<b>20.8</b>
<b>69.56</b>	<b>Total sales to third parties</b>	<b>37.33</b>	<b>40.32</b>	<b>2.99</b>	<b>8.0</b>
1.90	Own consumption	0.90	<b>1.66</b>	0.76	84.4
<b>71.46</b>		<b>38.23</b>	<b>41.98</b>	<b>3.75</b>	<b>9.8</b>
<b>6.97</b>	<b>Natural gas sales of affiliates (net to Eni)</b>	<b>3.34</b>	<b>3.70</b>	<b>0.36</b>	<b>10.8</b>
6.26	Europe	3.01	<b>3.38</b>	0.37	12.3
0.71	Outside Europe	0.33	<b>0.32</b>	(0.01)	(3.0)
<b>78.43</b>	<b>Total sales and own consumption of natural gas</b>	<b>41.57</b>	<b>45.68</b>	<b>4.11</b>	<b>9.9</b>

**Transmission**

In the first half of 2004, Eni transported 41.84 billion cubic meters of natural gas in Italy, an increase of 1.93 billion cubic meters over the first half of 2003, up 4.8%, due mainly to increases registered in the thermoelectric segment, related to the entry into service of combined cycle power plants, and to the industrial segment.

**Natural gas volumes transported <sup>(1)</sup>**

(billion cubic meters)

2003	First half				
	2003	2004	Change	% Ch.	
<b>51.74</b>	<b>On behalf of Eni</b>	<b>27.73</b>	<b>27.75</b>	<b>0.02</b>	<b>0.1</b>
<b>24.63</b>	<b>On behalf of third parties</b>	<b>12.18</b>	<b>14.09</b>	<b>1.91</b>	<b>15.7</b>
9.18	Enel	4.58	<b>4.84</b>	0.26	5.7
7.49	Edison Gas	3.95	<b>3.96</b>	0.01	0.3
7.96	Others	3.65	<b>5.29</b>	1.64	44.9
<b>76.37</b>		<b>39.91</b>	<b>41.84</b>	<b>1.93</b>	<b>4.8</b>

(1) Volumes include amounts input to domestic storage.

In the first half of 2004, Eni's LNG terminal in Panigaglia regasified 1.04 billion cubic meters of natural gas (1.86 billion cubic meters in the first half of 2003, down 44.1%) discharging 34 tanker ships (67 in the first half of 2003). The relevant decline in volumes regasified can be attributed to the mentioned accident occurred at the LNG production plant in Skikda, Algeria.

11

**ENI**  
**REPORT ON THE FIRST HALF OF 2004**  
**OPERATING REVIEW**

---

**Table of Contents****Development projects****Galp**

In February 2004 Eni signed an agreement with the Portuguese Government for the reorganization of Galp Energia (Eni's interest 33.34%) within the restructuring process of the Portuguese energy sector. Eni will concentrate in the natural gas sector through a 49% interest in Gas de Portugal (now owned by Galp Energia) and will exit the segment of refining and marketing of refined products in Portugal where Eni operated through Galp Energia. Gas de Portugal will be managed jointly with Electricidade de Portugal, the other shareholder with a 51% interest; in a second stage the natural gas transmission network owned by Gas de Portugal is planned to be sold to a state-owned Portuguese company. The finalization of the Eni sale of its stake in Galp Energia and Eni purchase of a 49% stake in Gas de Portugal is subject to authorization from the European antitrust authorities; in a second stage the sale of regulated assets owned by Gas de Portugal to a state-owned Portuguese company will be submitted to the Portuguese antitrust authority. This transaction entails cash proceeds of euro 667 million. In the first half of 2004, Galp Energia sold about 2 billion cubic meters of natural gas to about 600,000 customers through a network of high, medium and low pressure pipelines about 9,000-kilometer long. Galp's assets include among others interests in two import infrastructures, the Transmaghreb pipeline and the Sines LNG terminal, that started operations in the fourth quarter of 2003, which provide Eni with a basis to access the Iberian market.

**Demerging of Italgas**

On June 23, 2004, Eni's Board of Directors approved the demerger of Italgas, with assignment to Eni of the interests held by Italgas in Italian natural gas distribution companies (including the 100% interest in Italgas Più) and foreign natural gas distribution companies (including 40% in Tigaz), as well as the incorporation of Italgas Più into Eni. Italgas, with headquarters in Turin, continues to manage the distribution network. As a result of the incorporation of Italgas Più, the company responsible for direct sales and management of customers, Eni will have direct access to the 4.9 million customers supplied by the company in Italy, optimizing its commercial structure. This operation is in line with the aims of the Public Tender Offer launched in 2002 for the shares of Italgas, aiming at integrating commercial and development policies within Eni natural gas business, and simplifies the Group's shareholding structure.

**Greenstream**

In June and August 2004 the laying and testing of the Greenstream pipeline were completed. The underwater 516-kilometer long pipeline with a 32-inch diameter linking Mellitah in Libya to Gela in Sicily will transport natural gas from Libyan fields (targeted at 8 billion cubic meters/year, of which 4 billion is Eni's share). It was laid at a maximum depth of 1,130 meters by the Saipem Castoro 6 vessel. The laying and testing of the pipeline linking Gela to Enna, connection point with the Italian national natural gas transport network, were completed. The Mellitah treatment plant and the Gela terminal are nearing completion. Operations are expected to start in October.

**Nigeria LNG**

Eni holds a 10.4% interest in Nigeria LNG Ltd (NLNG) that manages the Bonny (Nigeria) natural gas liquefaction plant for the treatment and export of LNG. This interest

**OPERATING REVIEW**

---



**Table of Contents**

allows Eni to market its proved reserves of Nigerian natural gas. The plant, made up of three treatment trains with an overall capacity of about 11.2 billion cubic meters/year of liquefied natural gas, is undergoing an upgrade by means of the installation of two further trains, expected to start operating in 2005 and 2006 respectively. In July 2004 the shareholders of NLNG approved to construction of a sixth train with an expenditure of about dollar 400 million, net to Eni, including also the expenditure related to the upstream phase. The sixth train is expected to start operations in 2007. When fully operational the plant will have a capacity of 26.5 billion cubic meters/year of LNG.

**Regulatory framework**

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

*BluGas*

On February 5, 2003, Eni filed a claim with the Regional Administrative Court of Lazio in Rome requesting the annulment of the measures taken by the Antitrust Authority, on November 21, 2002, as a result of an investigation commenced on request of BluGas SpA concerning Snam SpA s (now merged in Eni SpA) alleged violation of competition rules. The Authority judged that Eni had limited third party access to natural gas transport infrastructure by entering in 2001 into contracts outside Italy with other operators that have imported into Italy the volumes exchanged. The Antitrust Authority considers that these contracts infringe the rationale of article 19 of Legislative Decree No. 164/2000 which defines the limits for volumes to be input by single operators into the national network. Given this infringing behavior and the lack of clarity of Italian regulations and Eni s availability to increase the transmission capacity of gaslines outside Italy, the Antitrust Authority imposed on Eni a symbolic fine amounting to euro 1,000 and requested Eni to submit implement measures to eliminate infringing behaviors with specific attention to the upgrading of the transmission network or equivalent actions . On February 19, 2004, Eni committed itself to take action in order to enhance the level of competition in the national gas market, in particular to develop gas import pipelines TAG (Austria) and TTPC (Tunisia), on the condition that construction of new LNG terminals in Italy would not be commenced by third parties in the same time frame. With a decision of March 18, 2004, having considered that the measures suggested by Eni are not adequate to remove the default recognized in its decision of November 21, 2002, the Authority for electricity and gas started a procedure against Eni for default of compliance. On April 26, 2004 Eni presented an integration to its proposed measures and, on June 18, 2004, submitted to the Authority a proposal entailing the sale to third parties of a total of 9.2 billion cubic meters of natural gas in the four-year period starting in 2004 through 2008, corresponding to 2.3 billion cubic meters for each thermal year, before such natural gas enters the national transmission network at Tarvisio. In its decision on June 24, 2004, the Authority judged this proposal as adequate, if implemented, to the end the effects of the violation of competition rules highlighted in the November 21, 2002 decision. In its June 24, 2004 decision the Authority also extended to October 7, 2004 the deadline for closing the infraction procedure in order to allow Eni to demonstrate the implementation of its proposal.

**Table of Contents**

In particular, the main conditions for the sale of natural gas to third parties are the following: (i) contract term: four years starting on October 1, 2004 (the contract year being identical to the thermal year of the Network Code: October 1-September 30); (ii) limits of required volumes: not lower than two times and not higher than five times the minimum amount of 100 million cubic meters; (iii) introduction of a take-or-pay clause, with contract flexibility set at 10% of annual contract volumes; (iv) Eni accepts to sell and the third party accepts to buy, at the entry point of Tarvisio, the transport capacity of the pipeline national network corresponding to the daily average contract volume, under the terms and conditions set by the Network Code; (v) price of supplies indexed to the parameters set by the Authority for electricity and gas, including transportation costs on Eni's international pipeline network up to Tarvisio. In July and August 2004 Eni started the procedure for this natural gas release to interested third parties, according to the Authority's indications. On September 6, the outcome of this procedure was published and in the first half of September the relevant gas release contracts have been signed with relevant third parties.

**Survey on the liberalization of the natural gas market in Italy**

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

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

**Table of Contents**

## power generation

In the first half of 2004, electricity production sold amounted to 6.08 terawattour, with an increase of 3.57 terawattour over the first half of 2003, up 142.2%, due essentially to the start-up of three generating units at the Ferrera Erbognone plant (in October 2003, in February 2004 and June 2004, respectively) for a total of 2.52 terawattour, and in March 2004 of the first 390 megawatt generation unit at Ravenna (up 1.07 terawattour).

A total of 1.56 gigawattour of purchased electricity were resold to eligible customers, with a decline of 0.09 terawattour, down 5.6%. Sales of steam amounted to 4,931,000 tonnes, increasing by 301,000 tonnes, up 6.5%, due to the coming on stream of new generation units at Ferrera Erbognone and Ravenna.

**Sales**

<b>2003</b>		<b>First half</b>			
		<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
5.55	Electricity production sold (terawattour)	2.51	<b>6.08</b>	3.57	142.2
3.10	Electricity trading (terawattour)	1.65	<b>1.56</b>	(0.09)	(5.6)
9,303	Steam (thousand tonnes)	4,630	<b>4,931</b>	301	6.5

On May 14, 2004 the combined-cycle thermoelectric power plant in Ferrera Erbognone was inaugurated. This is the first plant built in Italy after the opening of the Italian electric market. The power plant has a capacity of 1,030 megawatt and will produce about 7 terawattour/year of electricity and 1 terawattour/year of thermal energy (steam) for industrial use. The plant is made up of three units, two of which with 390 megawatt and one with 250 megawatt capacity. The plant will be mainly fed by natural gas, but it will also use gasified residues from Eni's nearby Sannazzaro refinery (tar from visbreaking). The expenditure required for the power plant construction amounted to euro 550 million plus euro 170 million for the gasification plant under construction.

**Capital expenditure**

In the first half of 2004, capital expenditure in the Gas & Power segment totaled euro 767 million and related in particular to: (i) development and maintenance of Eni's transmission network in Italy (euro 267 million); (ii) the continuation of the construction of combined cycle power plants (euro 232 million) in particular at Ferrera Erbognone, Brindisi and Mantova; (iii) the completion of the Greenstream gasline (euro 101 million); (iv) development and maintenance of Eni's distribution network in Italy (euro 110 million).

**Table of Contents**

refining &amp; marketing

**Supply and Trading**

In the first half of 2004, a total of 32.51 million tonnes of oil were purchased (29.81 million in the first half of 2003), of which 17.05 million tonnes from Eni's Exploration & Production segment, 9.68 million from producing countries under long-term contracts and 5.78 on the spot market. The geographic sources of oil purchased were the following: 24% came from West Africa, 24% from North Africa, 18% from the North Sea, 10% from countries of the former Soviet Union, 10% from the Middle East, 6% from Italy and 8% from other areas. Some 15.83 million tonnes were resold, representing an increase of 1.24 million tonnes, up 8.5%, over the first half of 2003. In addition, 1.58 million tonnes of intermediate products were purchased (2.24 million tonnes in the first half of 2003) to be used as feedstocks in conversion plants and 10.58 million tonnes of refined products (8.29 million tonnes in the first half of 2003) sold in markets outside Italy (8.02 million tonnes) and as a complement to Eni's own production in the Italian market (2.56 million tonnes).

**Refining**

In the first half of 2004, refinery intake processing in Italy and outside Italy (18.15 million tonnes) increased by 1 million tonnes, up 6% over the first half of 2003, due mainly to increased processing at the Taranto and Sannazzaro refineries, whose effects were offset in part by the impact of the standstill of the Livorno refinery for maintenance and of the Gela refinery due to the seizure of the tanks enforced by the Public Prosecutor of Gela until January 19, 2004 (see: Note 14, Legal proceedings - Environment below).

Total refinery intake processing (on own account and for third parties) on wholly owned refineries amounted to 12.70 million tonnes (12.26 million tonnes in the first half of 2003). The overall balanced capacity utilization rate of wholly owned refineries was 100% (97% in the first half of 2003). About 27.7% of all oil processed came from Eni's Exploration & Production division (36% in the first half of 2003).

**Distribution of refined products**

In the first half of 2004, sales of refined products (27.58 million tonnes) increased by 2.5 million tonnes, up 10%; due in particular to higher sales outside Italy to oil companies and traders (over 2 million tonnes) and to retail and wholesale markets in the rest of Europe (0.43 million tonnes).

**Retail sales in Italy**

Retail sales in Italy (5.33 million tonnes) were substantially in line with sales of the first half of 2003; the effect of the sale/closure of service stations related to the network rationalization process and to the expiration of some lease contracts on highways was offset almost entirely by higher sales on Eni's main network. In the first half of 2004, Eni's retail market share decreased by 0.6 percentage points from 36.5 in the first half of 2003 to 35.9%; market share of Agip branded service stations was stable at 29%.

16

**ENI**  
REPORT ON THE FIRST HALF OF 2004  
**OPERATING REVIEW**

**Table of Contents**

At June 30, 2004, Eni's retail distribution network in Italy consisted of 7,295 service stations, a 5 unit increase over December 31, 2003, due to 14 new lease contracts and the shutdown of 9 service stations.

In June 2004 Eni started to sell the new BluSuper gasoline, which guarantees better engine performance and efficiency and reduces polluting emissions, thanks to its high antidetonating power resulting from a higher octane number (98 as compared to 95 of ordinary gasolines) and its lack of sulfur. BluSuper sales started in about 500 Agip branded service stations and will be progressively extended to most Italian Agip branded service stations. BluSuper complements BluDiesel, sold since 2002, and is part of Eni's strategy to improve the quality of its fuels, anticipating their compliance with EU regulations (mandatory from 2009) and targeting its offer to customers' requirements, leveraging on Eni's integrated refining-logistics-distribution system.

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

**Retail sales outside Italy**

Sales of refined products in retail markets in the rest of Europe (1.66 million tonnes) increased by 0.33 million tonnes, up 24.8% over the first half of 2003, related to the progressive consolidation of service stations purchased in 2003, in particular in Spain, Germany and France.

**Petroleum products availability**

(million tonnes)

2003		First half			
		2003	2004	Change	% Ch.
	<i>Italy</i>				
25.09	Products processed in wholly-owned refineries	12.26	<b>12.70</b>	0.44	3.6
(1.72)	Products processed for third parties	(0.80)	<b>(0.81)</b>	(0.01)	1.3
8.43	Products processed in refineries not owned <sup>(1)</sup>	4.14	<b>4.19</b>	0.05	1.2
(1.64)	Products consumed in operations and losses	(0.80)	<b>(0.91)</b>	(0.11)	13.8
<b>30.16</b>	<b>Products available</b>	<b>14.80</b>	<b>15.17</b>	<b>0.37</b>	<b>2.5</b>
5.61	Purchases of finished products and change in inventories	3.27	<b>2.61</b>	(0.66)	(20.2)
(5.19)	Finished products transferred to foreign cycle	(2.79)	<b>(2.38)</b>	0.41	(14.7)
<b>30.58</b>	<b>Products sold</b>	<b>15.28</b>	<b>15.40</b>	<b>0.12</b>	<b>0.8</b>
	<i>Outside Italy</i>				
<b>3.36</b>	<b>Products available</b>	<b>1.41</b>	<b>1.97</b>	<b>0.56</b>	<b>39.7</b>
10.78	Purchases of finished products and change in inventories	5.58	<b>7.83</b>	2.25	40.3
5.19	Finished products transferred from Italian cycle	2.79	<b>2.38</b>	(0.41)	(14.7)
<b>19.33</b>	<b>Products sold</b>	<b>9.78</b>	<b>12.18</b>	<b>2.40</b>	<b>24.5</b>
<b>49.91</b>	<b>Sales in Italy and outside Italy</b>	<b>25.06</b>	<b>27.58</b>	<b>2.52</b>	<b>10.1</b>

(1) Includes processing at the Milazzo refinery and from October 2002 also processing at the Priolo refinery.

**ENI**  
**REPORT ON THE FIRST HALF OF 2004**  
**OPERATING REVIEW**

---

**Table of Contents**

At June 30, 2004, Eni's retail distribution network outside Italy consisted of 3,382 service stations, 25 more than at December 31, 2003; of these, 1,836 service stations were in the rest of Europe, 23 more than at December 31, 2003, in particular in Germany, following purchases made in 2003.

**Wholesale sales and other sales**

Sales on wholesale markets in Italy (5.14 million tonnes) increased by 0.16 million tonnes over the first half of 2003, up 3.2%, due mainly to higher sales of fuel oil to the thermoelectric segment. Market share increased by about 0.5 percentage points from 24.5 in the first half of 2003 to 25%.

Other sales (6.91 million tonnes) increased by 2.04 million tonnes, up 41.9%, due mainly to higher sales to oil companies and traders.

**LPG**

Retail and wholesale LPG sales in Italy (360,000 tonnes) decreased by 20,000 tonnes, down 5.3%, while market share decreased from 19.6% in the first half of 2003 to 18.8%. LPG sales to third operators through other sale channels, in particular to oil companies and traders, amounted to 180,000 tonnes, increasing by 20,000 tonnes over the first half of 2003, up 12%.

Outside Italy, LPG wholesale sales amounted to 870,000 tonnes with a decline of 20,000 tonnes, down 2.2%. Market share in Brazil was 21.5% (21.6% in 2003) and in Ecuador was 36.6% (38.6% in 2003).

**Sales of petroleum products in Italy and outside Italy**

(million tonnes)

		<b>First half</b>			
<b>2003</b>		<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
10.99	Retail sales	5.38	<b>5.33</b>	(0.05)	(0.9)
10.35	Wholesale sales	4.98	<b>5.14</b>	0.16	3.2
<b>21.34</b>		<b>10.36</b>	<b>10.47</b>	<b>0.11</b>	<b>1.1</b>
2.79	Petrochemicals	1.41	<b>1.51</b>	0.10	7.1
6.45	Other sales <sup>(1)</sup>	3.51	<b>3.42</b>	(0.09)	(2.6)
<b>30.58</b>	<b>Sales in Italy</b>	<b>15.28</b>	<b>15.40</b>	<b>0.12</b>	<b>0.8</b>
3.02	Retail rest of Europe	1.33	<b>1.66</b>	0.33	24.8
1.18	Retail Brazil	0.57	<b>0.57</b>	0.00	0.0
6.01	Wholesale sales	3.01	<b>3.04</b>	0.03	1.0
<b>10.21</b>		<b>4.91</b>	<b>5.27</b>	<b>0.36</b>	<b>7.3</b>
9.12	Other sales <sup>(1)</sup>	4.87	<b>6.91</b>	2.04	41.9
<b>19.33</b>	<b>Sales outside Italy</b>	<b>9.78</b>	<b>12.18</b>	<b>2.40</b>	<b>24.5</b>
<b>49.91</b>		<b>25.06</b>	<b>27.58</b>	<b>2.52</b>	<b>10.1</b>

(1) Includes bunkering, consumption for electricity generation and sales to oil companies.

**OPERATING REVIEW**

---



**Table of Contents**

**Divestment of activities in Brazil**

Within its strategy of concentrating in downstream oil in Europe, in August 2004 Eni agreed to sell to the Brazilian company Petrobras its 100% interest in Agip do Brasil SA, engaged in the distribution of refined products through a network of about 1,500 service stations and in the sale of bottled LPG through a network made up of 25 bottling facilities and 26 storage sites. Proceeds from the sale, including net borrowings transferred, amounted to dollar 450 million, subject to an adjustment calculated on the equity situation at the closing date (expected proceeds of about dollar 50 million).

**Capital expenditure**

In the first half of 2004, capital expenditure in the Refining & Marketing segment amounted to euro 248 million and concerned: (i) refining and logistics (euro 154 million), in particular the construction of the tar gasification plant at the Sannazzaro refinery, efficiency improvement actions and adjustment of automotive fuel characteristics to new European specifications; (ii) the upgrade of the distribution network in Italy (euro 55 million); (iii) the upgrade of the distribution network in the rest of Europe and the purchase of service stations (euro 26 million, of which 13 related to purchases in Spain and France). Expenditure in the area of health, safety and environment amounted to euro 33 million (13.3% of total expenditure).

19

**ENI**  
**REPORT ON THE FIRST HALF OF 2004**  
**OPERATING REVIEW**

---

**Table of Contents**

## petrochemicals

**Sales - production - prices**

In the first half of 2004, sales of petrochemical products (2,678,000 tonnes) increased by 53,000 tonnes, up 2% over the first half of 2003, due in particular to the recovery in demand registered in the second quarter of 2004, whose effects were offset in part by the impact of: (i) the divestment of the Baytown plant (thermoplastic rubber); (ii) shutdowns (the Ravenna polybutadiene rubber manufacturing line); (iii) the delay in restarting production at the Sicilian plants due to the standstill of the Gela refinery (operations were resumed in January 2004) and the Priolo cracker in the last part of 2003. The major increases were registered in styrene (up 7.7%), polyethylene (up 7.5%) and olefins (up 4.9%) due to the recovery in demand, which also allowed to recover the volume losses due to the gradual restarting of production at the Sicilian plants. The major decreases concerned: (i) aromatics (down 10.2%) due to lower withdrawals by relevant customers; (ii) intermediates (down 7.4%) due to maintenance standstills; (iii) elastomers (down 4.7%) due to divestments and closures.

Production (3,679,000 tonnes) increased by 90,000 tonnes over the first half of 2003, up 2.5%, due to more regular operations at plants. The average capacity utilization rate calculated on nominal capacity increased by 3.8 percentage points (from 74.7 to 78.5%). This increase concerned in particular olefins and elastomers. About 37% of total production was directed to Eni's own production cycle (37.5% in the first half of 2003). Oil-based feedstocks supplied by Eni's Refining & Marketing segment covered about 20% of requirements in the first half of 2004 (the same as in the first half of 2003).

The prices of Eni's principal products increased by 2% on average. The more relevant increases concerned aromatics (up 9.2%) and polyethylene (up 7.7%). Elastomers and styrenes declined by 4% and 1.5%, respectively.

**Basic petrochemicals**

Sales of basic petrochemicals (1,382,000 tonnes) decreased by 12,000 tonnes over the first half of 2003, down 0.9%, due to lower aromatic sales (down 10.2%) related to a weak demand for paraxylene and lower intermediate sales (down 7.4%), related to the standstill of Porto Torres which damaged phenol sales (down 6.7%) and acetone sales (down 8%), whose effects were offset in part by higher olefin sales (up 4.9%), in particular ethylene and butadiene, related to higher demand.

Basic petrochemical production (2,190,000 tonnes) increased by 70,000 tonnes, up 3.3%, mainly in olefins (up 6.4%), related to higher plant utilization, and intermediates (up 2.4%), due to increased phenol production, whose effects were offset in part by lower aromatic production (down 7.5%) due to the maintenance standstill of the Priolo plant in June.

**Styrene and elastomers**

Styrene sales (376,000 tonnes) increased by 27,000 tonnes, up 7.7% over the first half of 2003, due in particular to higher sales of expandable (up 16.6%) and compact (up 10.2%) polystyrene, related to a positive trend in demand, whose effects were offset in part by a decline in ABS sales (down 2.2%).

**ENI**  
REPORT ON THE FIRST HALF OF 2004  
**OPERATING REVIEW**

---

**Table of Contents**

Elastomers sales (220,000 tonnes) declined by 11,000 tonnes compared to the first half of 2003, down 4.7%, due essentially to the standstill of the Ravenna polybutadiene rubber plant in late 2003 and the sale of the Baytown (USA) thermoplastic rubber plant concluded in January 2004. These declines were offset in part by an approximate 8% increase in sales of other products, in particular SBR rubber (up 16.6%), polybutadiene rubber (up 9.2%), EPR rubber (up 11.5%) and TPR rubber (up 11%), related to the positive trends in demand in Europe; polychloroprene and latices sales declined (down 4.2 and 6.5% respectively).

Styrene production (561,000 tonnes) increased by 7,000 tonnes over the first half of 2003, up 1.3%, due essentially to expandable polystyrene (up 13.5%) due to higher product availability and a positive trend in demand. ABS production declined due to the shutdown of a production line in Ravenna related to strong competitive pressure.

Elastomer production (243,000 tonnes) declined by 17,000 tonnes compared to the first half of 2003, down 6.5% due to divestments and shutdowns of plants, whose effects were offset in part by higher production of SBR (up 25.5%) and specialty rubber (up 15.5%) in line with the trend in demand.

**Polyethylene**

Sales of polyethylene (699,000 tonnes) increased by 49,000 tonnes over the first half of 2003, up 7.5%; the increase concerned all products with a 16% peak for EVA and a 5% low for LDPE, due to a recovery in demand.

**Product availability**

(thousand tonnes)

		<b>First half</b>			
<b>2003</b>		<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
4,014	Basic petrochemicals	2,120	<b>2,190</b>	70	3.3
1,635	Styrene and elastomers	814	<b>804</b>	(10)	(1.2)
1,259	Polyethylene	655	<b>685</b>	30	4.6
<b>6,908</b>		<b>3,589</b>	<b>3,679</b>	<b>90</b>	<b>2.5</b>
(2,652)	Products consumed and lost	(1,347)	<b>(1,354)</b>	(7)	0.5
1,010	Purchases and change in inventories	383	<b>353</b>	(30)	(7.8)
<b>5,266</b>		<b>2,625</b>	<b>2,678</b>	<b>53</b>	<b>2.0</b>

**Sales**

(thousand tonnes)

		<b>First half</b>			
<b>2003</b>		<b>2003</b>	<b>2004</b>	<b>Change</b>	<b>% Ch.</b>
2,704	Basic petrochemicals	1,394	<b>1,382</b>	(12)	(0.9)
1,171	Styrene and elastomers	581	<b>597</b>	16	2.8
1,391	Polyethylene	650	<b>699</b>	49	7.5
<b>5,266</b>		<b>2,625</b>	<b>2,678</b>	<b>53</b>	<b>2.0</b>

**OPERATING REVIEW**

---

**Table of Contents**

Production (685,000 tonnes) increased by 30,000 tonnes, up 4.6%, in line with the trend in demand. The most significant increases concerned EVA (up 18.5%), LLDPE (up 4.3%) and LDPE (up 4%).

**Capital expenditure**

In the first half of 2004, capital expenditure amounted to euro 43 million and concerned in particular actions for health, safety and environmental regulations (for a total of about euro 17 million), actions for the improvement of efficiency of plants and rationalization (euro 13 million) and R&D and improvement actions (euro 13 million).

22

**ENI**  
REPORT ON THE FIRST HALF OF 2004  
**OPERATING REVIEW**

---

**Table of Contents**

oilfield services construction and engineering

**Orders acquired and order backlog**

In the first half of 2004, orders acquired amounted to euro 2,479 million. Of these, 91% related to work to be carried out outside Italy, while 18% represented work originated by Eni companies. Eni's order backlog at June 30, 2004 amounted to euro 8,737 million (euro 9,405 million at December 31, 2003). Orders from Eni companies amounted to 10% of the total, while projects to be carried out outside Italy amounted to 82%.

**Orders acquired and order backlog** (million )

**Orders acquired**

Oilfield services construction

Engineering targeting telomerase.

• Consolidated Geron's equity position in Start Licensing with ViaGen, Inc.

Finance, Legal and Administration

- Secured \$7.2 million grant from UK Stem Cell Foundation to support hESC-derived cells in the U.K.
- Issuance of new patents for composition of matter claims for hESC-derived cardiomyocytes and hESC-derived islet cells.

The Chief Executive Officer evaluates individual performance (for officers other than himself) through written evaluations. He provides the evaluations to the Committee along with his recommendations for each officer's individual performance factor. The Committee reviewed the performance and assessment of each executive officer and then evaluated the Chief Executive Officer and assigned each officer's individual performance factors, including achievement of business function-specific goals that support corporate goals, personnel management and employee development, leadership and organizational effectiveness and significant unplanned accomplishments or challenges. For 2008, the Committee concurred with Dr. Okarma's recommendations for each executive officer's individual performance factor and concluded that each Named Executive Officer (NEO) achieved 100% of their individual goals, which included the factors noted above. The Committee concluded that Dr. Okarma had achieved 100% of his individual goals, which included providing overall management and leadership for all research and development programs; representing the Company to the investment community through frequent corporate presentations to provide updates on developments and progress; developing and mentoring other officers and employees for succession planning; serving as the primary Company spokesperson for the media and building overall corporate branding and image for recognition by physicians, patients and potential collaborators and partners, including governmental funding agencies in the U.S. and abroad.

Following were the bonus targets and weighting percentages used to calculate the 2008 bonus for the Named Executive Officers (NEOs):

<b>Officer and Position</b>	<b>Bonus Potential as a % of Salary</b>	<b>Corporate Performance Weighting</b>	<b>Individual Performance Weighting</b>	<b>Bonus Awarded as a % of Salary</b>
Thomas B. Okarma, Ph.D., M.D.				

President and Chief Executive Officer	60%	50%	50%	53%
David L. Greenwood Executive Vice President, Chief Financial Officer	45%	50%	50%	39%
David J. Earp, Ph.D., J.D. Senior Vice President, Business Development and Chief Patent Counsel	40%	50%	50%	35%
Calvin B. Harley, Ph.D. Chief Scientific Officer, Telomerase Technologies	35%	50%	50%	31%
Diane S. Lebkowski, Ph.D. Senior Vice President, Chief Scientific Officer, Regenerative Medicine	40%	50%	50%	35%

### Long-Term Incentive Awards

Historically, long-term incentive awards consisted primarily of stock options. However, in recent years there has been rapid evolution of practices relating to long-term incentive awards among companies with which the Company competes. Like many of these companies, in 2007 the Company began to utilize a mix of stock options and restricted stock awards for all employees, including executive officers. A number of factors contributed to the shift in higher use of restricted stock awards including:

- the desire to provide employees with the opportunity to receive and maintain an equity interest in the Company;
- the opportunity to increase employee and stockholder benefit through a diversity of types and designs of equity awards;
- reduction of the dilutive impact on shares outstanding in comparison to stock options; and
- recognition of a significant number of stock options with exercise prices above the Company's stock price.

Stock option grants and restricted stock awards from the 2002 Equity Incentive Plan encourage employee ownership in Geron, link pay with performance and align interests of stockholders and employees. Without sustained growth and positive stock price performance, all our employees, including executive officers, carry the risk that they will not be able to realize significant gains from their equity-based awards. The Committee determines the size of the stock option grant and restricted stock award according to each executive's position within the Company and sets a level it considers appropriate to create an opportunity for reward predicated on increasing stockholder value. The Committee takes into account an individual's performance history, his or her potential for future responsibility and promotion, and competitive total compensation targets for the individual's position and level of contribution. Other factors include long-term incentives previously granted, the amount of actual vs. theoretical equity value per year that has been derived to date by the individual, the current actual value of the unvested equity grants for each individual, the percentage of stock option grants with exercise prices greater than the Company's stock price and the number of stock option grants that have expired unexercised as a result of market conditions. The relative weight given to each of these factors varies among individuals at the Committee's discretion. There is no set formula for the granting of stock options or other equity awards to individual executives or employees.

### *Equity Grant Practices and Vesting Conditions*

The Company has a consistent approach to equity granting practices. We do not backdate options nor grant options retroactively. In addition, we do not coordinate our option or restricted stock grants so that they are made before an announcement of favorable information or after an announcement of unfavorable information. Stock option grants to all newly hired employees are made on the third Wednesday of the month following the new employee's hire date. To facilitate this practice, the Committee has authorized the Chief Executive Officer as the sole member of the Stock Option Committee to approve individual stock option grants up to 50,000 shares to non-executive employees. Restricted stock awards and stock option grants greater than 50,000 shares or for executive officers must be approved by the Committee. The exercise price of all stock options is equal to the closing price of Geron Common Stock as reported by the Nasdaq Global Market on the date of grant. Geron's standard practice is to grant options that vest monthly over four years from the date of grant, provided the



employee continues to provide services to the Company.

Annual equity awards to all employees, including executive officers, are typically granted on the same date of the Annual Meeting of Stockholders, which is also the date that non-employee board members receive their equity awards in accordance with the 2006 Directors Plan. The exercise price for the annual stock option grants is equal to the closing price of Geron Common Stock as reported by the Nasdaq Global Market on the date of grant and the vest schedule is monthly over four years from the date of grant, provided the employee continues to provide services to the Company. For restricted stock awards, the vesting schedule is typically annually over four years from the date of grant, provided the employee continues to provide services to the Company. Given the intensely dynamic business environment in which the Company operates, it would be extremely difficult to craft meaningful performance objectives with such a long horizon. As a result, the vesting of all equity awards is contingent on an employee's (including executive officer's) continued employment with the Company, rather than on performance with regard to specific business objectives.

#### *2008 Compensation Decisions*

In May 2008, the Committee granted a mix of stock options and restricted stock awards to all Geron employees, including executive officers. The Committee first pre-approved a grant matrix, based on employee base salary, level and individual performance ratings at the end of 2007, which determined the number of options that may be awarded to each employee, including executive officers. Once the number of stock options for each employee was determined, that number was then reduced by 50%. The restricted stock award for each employee, including executive officers, was equal to one-half of the reduced option grant. In addition, the Committee considered current equity holdings by employees and the remaining term of existing options, especially for those employees with more than seven years of service, including executive officers. The Committee noted that declines in the stock price due to market conditions have caused stock options granted in earlier periods to remain significantly out of the money and therefore have little value as incentives or retention. Also, the Committee noted that these out of the money options were close to expiry and would likely be unexercised. In consideration of these factors, the Committee granted additional stock options to employees, including executive officers, in order to provide

30

new incentive and retention motivation. These additional stock options vest monthly over two years from the date of expiration of the out of the money unexercised options, provided the employee continues to provide services to the Company. See section "Grants of Plan-Based Awards" on page 37 for additional information regarding stock option grants and restricted stock awards to Named Executive Officers in 2008.

#### Other Benefits

Geron offers a comprehensive array of benefit programs to its employees, including all executive officers. These include:

- Comprehensive medical, dental, vision coverage and life insurance;
- A cafeteria plan administered pursuant to Section 125 of the Internal Revenue Code of 1986, as amended (the Code). The cafeteria plan includes Geron's medical and dental insurance, medical reimbursement, and dependent care reimbursement plans;
- A 401(k) plan. In 2008, the Company matched 100% of each employee's annual contributions in Geron Common Stock, subject to a four-year vesting schedule from the employee's start date; and
- The Purchase Plan, which is implemented and administered pursuant to Section 423 of the Code.

Executive officers pay for 25% of their individual health premiums which is deducted from their gross salary. Other employees pay either 8% or 15% of the insurance premium cost.

The Company does not offer any pension plans or health benefits during retirement.

#### Continuance and Change in Control Benefits

In September 2002, the Board of Directors approved a Change of Control Severance Plan (the Severance Plan) that became effective on January 21, 2003 and was subsequently revised in October 2006 and December 2008. The Severance Plan applies to all employees, and provides for each employee to receive a severance payment upon a triggering event following a change of control. A triggering event is defined as an event where (i) an employee is terminated by the Company without cause in connection with a change of control or within 12 months following a change of control; or (ii) an employee is not offered comparable employment (new or continuing) by the Company or the Company's successor or acquirer within 30 days after the change of control or any employment offer is rejected; or (iii) after accepting (or continuing) employment with the Company after a change of control, an employee resigns within six months following a change of control due to a material change in the terms of employment. Severance payments range from three to 18 months of base salary, depending on the employee's position with the Company, payable in a lump sum payment. For executive officers, severance payments would be 15 months for Named Executive Officers, other than the Chief Executive Officer and 18 months for the Chief Executive Officer. In addition to a cash payment, the Company will also pay the COBRA health insurance premiums for each employee through the earlier of the end of his or her severance period (or the time that the employee obtains other coverage).

In the event of a merger, acquisition or similar change in control of the Company, the 1992 Stock Option Plan, the 1996 Directors' Stock Option Plan, the 2002 Equity Incentive Plan and the 2006 Directors Plan provide that each outstanding option and award will accelerate so that each option will be fully exercisable for all of the shares subject to such option immediately prior to the effective date of the transaction and each other type of award shall be fully vested. In addition, upon the occurrence of such transaction, the 2002 Equity Incentive Plan provides that all of the outstanding repurchase rights of the Company with respect to shares of Common Stock acquired upon exercise of options granted, as well as shares of restricted stock, under the 2002 Equity Incentive Plan will terminate.

In January 2003, the Company entered into employment agreements with certain executive officers and key employees which were amended in 2008 to comply with the requirements of Code Section 409A. These agreements provide for severance pay, in lump-sum payment, equal to a percentage of annual salary (150% in the case of the Chief Executive Officer, 125% in the case of the Chief Financial Officer, and 110% in the case of each of the other executive officers) plus benefits continuation for one year to the affected executive officer in the event his or her employment is terminated involuntarily without cause. Payments under these agreements are to be reduced by the amount of any payments made under the Severance Plan previously described. The employment

31

agreements provide that such executive officers may not interfere with the business of the Company by soliciting or attempting to solicit any employee of the Company to terminate his or her employment in order to become an employee, consultant or independent contractor to or for any competitor of the Company.

The table below summarizes the potential payments under the Severance Plan or individual employment agreements for the Named Executive Officers if a termination or change in control event occurred on December 31, 2008:

Officer and Position	Benefit	Before Change in Control Termination w/o Cause or for Good Reason (1)	After Change in Control Termination w/o Cause or for Good Reason (2)	Change in Control (3)
Thomas B. Okarma, Ph.D., M.D. President and Chief Executive Officer	Severance	\$ 802,500	\$ 802,500	
	Benefits	\$ 12,008	\$ 22,373	
	Option and Restricted Stock Vesting			\$ 1,585,421
	Total	\$ 814,508	\$ 824,873	\$ 1,585,421
David L. Greenwood Executive Vice President, Chief Financial Officer	Severance	\$ 518,750	\$ 518,750	
	Benefits	\$ 12,008	\$ 18,644	
	Option and Restricted Stock Vesting			\$ 970,226
	Total	\$ 530,758	\$ 537,394	\$ 970,226

David J. Earp, Ph.D., J.D. Senior Vice President, Business Development and Chief Patent Counsel	Severance	\$ 357,500	\$ 406,250	
	Benefits	\$ 16,286	\$ 23,992	
	Option and Restricted			
	Stock Vesting			\$ 564,456
Total		\$ 373,786	\$ 430,242	\$ 564,456
Calvin B. Harley, Ph.D. Chief Scientific Officer, Telomerase Technologies	Severance	\$ 346,500	\$ 393,750	
	Benefits	\$ 11,751	\$ 18,324	
	Option and Restricted			
	Stock Vesting			\$ 593,320
Total		\$ 358,251	\$ 412,074	\$ 593,320
Jane S. Lebkowski, Ph.D. Senior Vice President, Chief Scientific Officer, Regenerative Medicine	Severance	\$ 368,500	\$ 418,750	
	Benefits	\$ 11,771	\$ 18,348	
	Option and Restricted			
	Stock Vesting			\$ 582,994
Total		\$ 380,271	\$ 437,098	\$ 582,994

1) Amounts represent lump sum severance payments and continued benefits that could be paid to the Named Executive Officer under such officer's employment agreement as of December 31, 2008.

2) Amounts represent lump sum payments and continued benefits that could be paid to the Named Executive Officer under the Company's Severance Plan as adopted in December 2008 in the event of a termination in connection with a change in control on December 31, 2008. Any payments made under the Named Executive Officer's employment agreement would be deducted from payments due under the Severance Plan.

3) Amounts represent an estimate of the intrinsic value of options that would become fully vested and exercisable and restricted stock awards that would fully vest upon a change of control assuming a market value of \$4.67 per share as of December 31, 2008.

32

## Perquisites

Executive Officers do not receive perquisites.

## Tax and Account Implications for Executive Compensation

The Committee is responsible to address the issues raised by Section 162(m) of the Code, which makes certain non-performance-based compensation to certain executives of the Company in excess of \$1,000,000 non-deductible to the Company. To qualify as performance-based under Section 162(m), compensation payments must be determined pursuant to a plan, by a committee of at least two outside directors (as defined in the regulations promulgated under the Code) and must be based on achieving objective performance goals. In addition, the material terms of the plan must be disclosed to and approved by stockholders, and the outside directors or the Committee, as applicable, must certify that the performance goals were achieved before payments can be awarded.

The Committee will continue to examine the effects of Section 162(m), to monitor the level of compensation paid to the Company's executive officers and take appropriate action in response to the provisions of Section 162(m) to the extent practicable while maintaining competitive compensation practices. To maintain flexibility in compensating executive officers

in a manner designed to promote varying corporate goals, the Committee reserves the right to recommend and award compensation that is not deductible under Section 162(m).

In addition to considering the tax consequences, the Committee considers the accounting consequences of, including the impact of SFAS 123R, its decisions in determining the size and form of different equity-based awards.

### COMPENSATION COMMITTEE REPORT<sup>(1)</sup>

Our Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K and contained within this Proxy Statement with management and, based on such review and discussions, our Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated into our Annual Report on Form 10-K for the year ended December 31, 2008.

By the Compensation Committee of the Board of Directors:

Alexander E. Barkas, Ph.D.  
Patrick J. Zenner

Compensation Committee Chair  
Compensation Committee Member

(1) This Section is not "soliciting material" is not deemed "filed" with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Exchange Act of 1934, as amended (the Exchange Act), or the Securities Act of 1933, as amended (the Securities Act), whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

33

### CERTAIN TRANSACTIONS

There has not been, nor is there currently proposed, any transaction or series of similar transactions to which the Company was or is to be a party in which the amount involved exceeds \$120,000 and in which any current director, executive officer, holder of more than 5% of the Company's Common Stock or any immediate family member of any of the foregoing persons had or will have a direct or indirect material interest other than compensation arrangements, described under the caption "Executive Compensation," and the transactions described below.

The Company has entered into indemnity agreements with all of its officers and directors which provide, among other things, that the Company will indemnify such officer or director, under the circumstances and to the extent provided for herein, for expenses, damages, judgments, fines, settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party by reason for his or her position as a director, officer or other agent of the Company, and otherwise to the full extent permitted under Delaware law and the Company's Bylaws.

### Policies and Procedures

Our Audit Committee is responsible for reviewing and approving, in advance, all related party transactions. Related parties include any of our directors or executive officers, certain of our stockholders and their immediate family members. This obligation is set forth in writing in the Audit Committee charter. A copy of the Audit Committee charter is available on our website at <http://www.geron.com> in the Investors section under "Corporate Governance." To identify related party transactions, each year, our directors and officers complete Director and Officer Questionnaires identifying any transactions with us in which the executive officer or director or their family members have an interest. We review related party transactions due to the potential for a conflict of interest. A conflict of interest occurs when an individual's private interest interferes, or appears to interfere, with our interests. In addition, our Nominating Committee Charter determines, on an annual basis, which members of our Board meet the definition of an independent director as defined in Rule 4200 of the Nasdaq Marketplace Rules. This obligation is set forth in writing in the Nominating Committee charter. A copy of the Nominating Committee charter is available on our website at <http://www.geron.com> in the Investors section under "Corporate Governance." Our Nominating Committee reviews and discusses any relationships with directors that would potentially interfere with his or her exercise of independent judgment in carrying out the responsibilities of a director. Finally, our Code of Conduct establishes the corporate standards of behavior for all our employees, officers, and directors and sets our expectations of contractors and agents. The Code of Conduct is available on our website at <http://www.geron.com> in the Investors section under "Corporate Governance." Our Code of Conduct requires any person

who becomes aware of any departure from the standards in our Code of Conduct to report his or her knowledge promptly to supervisor or an attorney in the legal department.

### Compensation Committee Interlocks and Insider Participation

Dr. Barkas and Mr. Zenner both served on the Compensation Committee for the fiscal year ended December 31, 2008. With the exception of Dr. Barkas' term as President and Chief Executive Officer of the Company from March 1992 until May 1993, neither Dr. Barkas nor Mr. Zenner is a former or current officer or employee of the Company or any of its subsidiaries. None of the executive officers serves as a member of a compensation committee of any entity that has one or more executive officers serving as a member of the Company's Board of Directors or Compensation Committee.

34

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table includes information concerning compensation for the years ended December 31, 2008, 2007 and 2006 to the Principal Executive Officer, Principal Financial Officer and the three most highly compensated executive officers of the Company (Named Executive Officers or NEOs).

Name and Principal Position	Year	Salary (\$)	Bonus (\$) <sup>(2)</sup>	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(1)</sup>	Change in Pension Value and Non- Equity qualified Incentive Plan		All Other Compen- sation (\$) <sup>(3)</sup>	
						Compen- sation (\$)	Deferred Compen- sation (\$)		
Thomas B. Okarma, Ph.D., M.D. President and Chief Executive Officer	2008	\$ 535,000	\$ 280,900	\$ 1,496,637	\$ 776,484	\$	\$	\$ 14,508	\$ 3
	2007	510,000	275,000	992,951	668,502			14,517	2
	2006	475,000	256,500		678,442			13,247	1
David L. Greenwood Executive Vice President, Chief Financial Officer	2008	\$ 415,000	\$ 163,400	\$ 743,485	\$ 522,153	\$	\$	\$ 36,623	\$ 1
	2007	395,000	160,000	523,814	435,396			34,429	1
	2006	365,000	147,800		438,806			36,632	
David J. Earp, Ph.D., J.D. Senior Vice President, Business Development and Chief Patent Counsel	2008	\$ 325,000	\$ 113,800	\$ 593,073	\$ 292,046	\$	\$	\$ 32,386	\$ 1
	2007	310,000	112,000	420,275	307,592			27,885	1
	2006	287,000	86,100		249,150			27,715	
Malvin B. Harley, Ph.D. Chief Scientific Officer, Telomerase Technologies,	2008	\$ 315,000	\$ 96,500	\$ 453,082	\$ 319,202	\$	\$	\$ 33,251	\$ 1
	2007	305,000	83,000	335,363	212,713			35,130	
	2006	282,000	88,800		219,119			33,179	
Jane S. Lebkowski, Ph.D. Senior Vice President, Chief Scientific Officer Regenerative Medicine	2008	\$ 335,000	\$ 117,300	\$ 558,076	\$ 295,328	\$	\$	\$ 32,271	\$ 1
	2007	320,000	115,000	399,047	283,891			32,150	1
	2006	285,000	85,500		235,499			30,690	

1) Amounts represent the stock-based compensation cost recognized in 2008, 2007 and 2006 under the provisions of SFAS 123R for stock options and restricted stock awards granted in 2002 through 2008. Pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions.

For additional information, refer to Note 8 of the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 regarding assumptions underlying the valuation of equity awards and the calculation method.

2) Amounts represent cash payments for Annual Incentive Awards. See discussion on page 27.

3) Amounts shown include: (a) the net portion of health insurance premiums paid by the Company; (b) the matching contributions made to the Geron 401(k) Plan on behalf of the Named Executive Officers; and (c) contribution toward tax return preparation services as follows:

35

Name	Year	Premiums (\$)	401(k) Match (\$) (a)	Tax Return Preparation (\$)	Total (\$)
Thomas B. Okarma, Ph.D., M.D.	2008	\$ 12,008	\$ □	\$ 2,500	\$ 14,508
	2007	12,017	□	2,500	14,517
	2006	10,747	□	2,500	13,247
David L. Greenwood	2008	\$ 12,008	\$ 20,500	\$ 4,115	\$ 36,623
	2007	11,933	20,496	2,000	34,429
	2006	14,042	20,000	2,590	36,632
David J. Earp, Ph.D., J.D.	2008	\$ 16,286	\$ 15,500	\$ 600	\$ 32,386
	2007	11,185	15,500	1,200	27,885
	2006	10,215	15,000	2,500	27,715
Calvin B. Harley, Ph.D.	2008	\$ 11,751	\$ 20,500	\$ 1,000	\$ 33,251
	2007	11,634	20,496	3,000	35,130
	2006	10,679	20,000	2,500	33,179
Jane S. Lebkowski, Ph.D.	2008	\$ 11,771	\$ 20,500	\$ □	\$ 32,271
	2007	11,654	20,496	□	32,150
	2006	10,690	20,000	□	30,690

a) Under Geron's 401(k) Plan, all participating employees may contribute up to the annual Internal Revenue Service contribution limit. In December 2008, 2007 and 2006, the Board of Directors approved a matching contribution equal to 100% of each employee's annual contributions during 2008, 2007 and 2006, respectively. The matching contribution is invested in Geron Common Stock and vests ratably over four years for each year of service completed by the employee, commencing from the date of hire, until it is fully vested when the employee has completed four years of service. The 2008 match was made on January 2, 2009 at \$4.82 per share. The 2007 match was made on January 2, 2008 at \$5.73 per share. The 2006 match was made on January 3, 2007 at \$8.76 per share.

36

## Grants of Plan-Based Awards

The following table sets forth information with respect to the stock options and restricted stock awards granted during the year ended December 31, 2008 to each of the Named Executive Officers as listed in the Summary Compensation Table shown under the caption "Executive Compensation."

Name	Grant Date	All Other Option Awards:	All Other Stock Awards:	Exercise or Base	Grant Date Fair Value of Stock and Option Awards
		Number of Securities Underlying Options (#)	Number of Shares of Stock or Units (#)	Price of Stock Option Awards (\$/Sh)	of Stock and Option Awards (\$)(1)
Thomas B. Okarma, Ph.D., M.D.	5/28/08(2)	100,000	0	\$ 3.97	\$ 204,870
	5/28/08(3)	0	50,000	0	198,500
	5/28/08(4)	60,000	0	3.97	122,922
	5/28/08(5)	225,000	0	3.97	460,958
David L. Greenwood	5/28/08(2)	75,000	0	\$ 3.97	\$ 153,653
	5/28/08(3)	0	37,500	0	148,875
	5/28/08(4)	40,000	0	3.97	81,948
	5/28/08(5)	181,341	0	3.97	371,513
David J. Earp, Ph.D., J.D.	5/28/08(2)	50,000	0	\$ 3.97	\$ 102,435
	5/28/08(3)	0	25,000	0	99,250
Calvin B. Harley, Ph.D.	5/28/08(2)	50,000	0	\$ 3.97	\$ 102,435
	5/28/08(3)	0	25,000	0	99,250
	5/28/08(5)	134,805	0	3.97	276,175
Jane S. Lebkowski, Ph.D.	5/28/08(2)	50,000	0	\$ 3.97	\$ 102,435
	5/28/08(3)	0	25,000	0	99,250
	5/28/08(4)	10,000	0	3.97	20,487
	5/28/08(6)	35,000	0	3.97	71,705

(1) Amounts represent the fair value of restricted stock awards and stock options calculated using the Black Scholes option-pricing model in accordance with the provisions of SFAS 123R. For additional information, refer to Note 8 of the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 regarding assumptions underlying the valuation of equity awards and the calculation method.

(2) Stock options vest in a series of 48 equal consecutive monthly installments commencing May 28, 2008, provided the executive continues to provide services to the Company.

(3) Restricted stock awards vest on an annual basis over four years commencing May 28, 2008, provided the executive continues to provide services to the Company.

(4) Stock options vest in a series of 24 equal consecutive monthly installments commencing September 4, 2008, provided the executive continues to provide services to the Company.

(5) Stock options vest in a series of 24 equal consecutive monthly installments commencing September 18, 2008, provided the executive continues to

provide services to the Company.

Stock options vest in a series of 24 equal consecutive monthly installments commencing May 21, 2008, provided the executive continues to provide services to the Company.

37

### Outstanding Equity Awards Value at Fiscal Year-End

The following table includes information with respect to the value of all outstanding equity awards previously awarded to the Named Executive Officers as of December 31, 2008.

Name	Grant Date	Option Awards				Stock Awards		
		Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
Thomas B. Okarma Ph.D., M.D.	5/18/99(2)	35,000	□	\$ 11.69	5/18/09	1/3/07(6)	30,708	\$ 143,406
	7/22/99(3)	294,167	5,833	\$ 11.00	7/22/09	5/23/07(6)	115,833	\$ 540,940
	1/26/01(2)	150,000	□	\$ 18.63	1/26/11	5/23/07(7)	37,500	\$ 175,125
	12/14/01(2)	90,000	□	\$ 8.23	12/14/11	5/28/08(7)	50,000	\$ 233,500
	6/27/02(2)	60,000	□	\$ 8.23	6/27/12			
	9/5/02(2)	245,000	□	\$ 3.76	9/5/12			
	5/30/03(2)	100,000	□	\$ 5.08	5/30/13			
	5/27/04(2)	100,000	□	\$ 7.56	5/27/14			
	5/6/05(2)	98,542	11,458	\$ 6.40	5/6/15			
	5/24/06(2)	113,021	61,979	\$ 6.63	5/24/16			
	5/23/07(2)	39,583	60,417	\$ 9.32	5/23/17			
	5/28/08(2)	14,583	85,417	\$ 3.97	5/28/18			
	5/28/08(4)	35,625	249,375	\$ 3.97	5/28/18			
David L. Greenwood	5/18/99(2)	35,000	□	\$ 11.69	5/18/09	1/3/07(6)	25,708	\$ 120,056
	10/1/99(2)	20,000	□	\$ 10.50	10/1/09	5/23/07(6)	43,750	\$ 204,313
	12/17/99(2)	40,000	□	\$ 12.00	12/17/09	5/23/07(7)	28,125	\$ 131,344
	1/26/01(2)	80,000	□	\$ 18.63	1/26/11	5/28/08(7)	37,500	\$ 175,125
	12/14/01(2)	75,000	□	\$ 8.23	12/14/11			
	6/27/02(2)	50,000	□	\$ 8.23	6/27/12			
	9/5/02(2)	145,000	□	\$ 3.76	9/5/12			
	5/30/03(2)	75,000	□	\$ 5.08	5/30/13			
	5/27/04(2)	75,000	□	\$ 7.56	5/27/14			
	5/6/05(2)	76,146	8,854	\$ 6.40	5/6/15			
	5/24/06(2)	80,729	44,271	\$ 6.63	5/24/16			
	5/23/07(2)	29,688	45,312	\$ 9.32	5/23/17			
	5/28/08(2)	10,938	64,062	\$ 3.97	5/28/18			
5/28/08(4)	27,668	193,673	\$ 3.97	5/28/18				
David J. Earp, Ph.D., J.D.	4/12/99(2)	35,000	□	\$ 9.75	4/12/09	1/3/07(6)	20,708	\$ 96,706
	10/1/99(2)	20,000	□	\$ 10.50	10/1/09	5/23/07(6)	36,250	\$ 169,288
	12/17/99(2)	25,000	□	\$ 12.00	12/17/09	5/23/07(7)	18,750	\$ 87,563
	1/26/01(2)	65,000	□	\$ 18.63	1/26/11	5/28/08(7)	25,000	\$ 116,750
	12/14/01(2)	54,000	□	\$ 8.23	12/14/11			
	6/27/02(2)	36,000	□	\$ 8.23	6/27/12			
	9/5/02(2)	65,000	□	\$ 3.76	9/5/12			
	5/30/03(2)	37,500	□	\$ 5.08	5/30/13			
	5/27/04(2)	50,000	□	\$ 7.56	5/27/14			
	5/6/05(2)	53,750	6,250	\$ 6.40	5/6/15			
	5/24/06(2)	60,547	33,203	\$ 6.63	5/24/16			
	5/23/07(2)	19,792	30,208	\$ 9.32	5/23/17			



5/28/08(2) 7,292 42,708 \$ 3.97 5/28/18

38

Name	Grant Date	Option Awards				Stock Awards		
		Number of Securities Underlying		Option Exercise Price (\$)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)
		Unexercised Options (#)	Unexercised Options (#)					
Alvin B. Harley, Ph.D.	5/18/99(2)	25,000	0	\$ 11.69	5/18/09	1/3/07(6)	20,708	\$ 96,706
	12/17/99(2)	20,000	0	\$ 12.00	12/17/09	5/23/07(6)	21,250	\$ 99,238
	1/26/01(2)	40,000	0	\$ 18.63	1/26/11	5/23/07(7)	18,750	\$ 87,563
	12/14/01(2)	45,000	0	\$ 8.23	12/14/11	5/28/08(7)	25,000	\$ 116,750
	6/27/02(2)	30,000	0	\$ 8.23	6/27/12			
	9/5/02(2)	70,000	0	\$ 3.76	9/5/12			
	5/30/03(2)	37,500	0	\$ 5.08	5/30/13			
	5/27/04(2)	37,500	0	\$ 7.56	5/27/14			
	5/6/05(2)	53,750	6,250	\$ 6.40	5/6/15			
	5/24/06(2)	38,750	21,250	\$ 6.63	5/24/16			
	5/23/07(2)	19,792	30,208	\$ 9.32	5/23/17			
	5/28/08(2)	7,292	42,708	\$ 3.97	5/28/18			
	5/28/08(4)	16,851	117,954	\$ 3.97	5/28/18			
	Jane S. Lebkowski, Ph.D.	5/18/99(2)	10,000	0	\$ 11.69	5/18/09	1/3/07(6)	20,708
10/1/99(2)		20,000	0	\$ 10.50	10/1/09	5/23/07(6)	32,500	\$ 151,775
12/17/99(2)		25,000	0	\$ 12.00	12/17/09	5/23/07(7)	18,750	\$ 87,563
1/26/01(2)		75,000	0	\$ 18.63	1/26/11	5/28/08(7)	25,000	\$ 116,750
12/14/01(2)		54,000	0	\$ 8.23	12/14/11			
6/27/02(2)		36,000	0	\$ 8.23	6/27/12			
9/5/02(2)		70,000	0	\$ 3.76	9/5/12			
5/30/03(2)		37,500	0	\$ 5.08	5/30/13			
5/27/04(2)		50,000	0	\$ 7.56	5/27/14			
5/6/05(2)		53,750	6,250	\$ 6.40	5/6/15			
5/24/06(2)		48,438	26,562	\$ 6.63	5/24/16			
5/23/07(2)		19,792	30,208	\$ 9.32	5/23/17			
5/28/08(2)		7,292	42,708	\$ 3.97	5/28/18			
5/28/08(5)		11,458	33,542	\$ 3.97	5/28/18			

(1) Amounts represent an estimate of the market value of unvested restricted stock awards as of December 31, 2008, assuming a market value of \$4.67 per share.

(2) Options are exercisable in a series of 48 consecutive monthly installments commencing on the date of grant, provided the executive continues to provide services to the Company.

(3) Option is exercisable in a series of 120 equal consecutive monthly installments commencing on the date of grant, provided the executive continues to provide services to the Company.

(4) Options are exercisable in a series of 24 equal consecutive monthly installments commencing in September 2008, provided the executive continues to provide services to the Company.

(5) Options are exercisable in a series of 24 equal consecutive monthly installments commencing in May and September 2008, provided the

executive continues to provide services to the Company.

6) Restricted stock award vests in two equal annual installments commencing on the date of grant, provided the executive continues to provide services to the Company.

7) Restricted stock award vests in four equal annual installment commencing on the date of grant, provided the executive continues to provide services to the Company.

39

## Option Exercises and Stock Awards Vested

The following table includes certain information with respect to the options exercised and restricted stock awards vested by the Named Executive Officers during the year ended December 31, 2008.

Name	Option Awards		Stock Awards	
	Number of	Value	Number of	Value
	Shares Acquired On Exercise	Realized on Exercise	Shares Acquired On Vesting	Realized on Vesting
	(#)	(\$)	(#)	(\$)
Thomas B. Okarma, Ph.D., M.D.	□	\$□	159,042	\$670,428
David L. Greenwood	□	\$□	78,833	\$348,359
David J. Earp, Ph.D., J.D.	□	\$□	63,208	\$279,459
Calvin B. Harley, Ph.D.	□	\$□	48,208	\$220,659
Jane S. Lebkowski, Ph.D.	□	\$□	59,458	\$264,759

## Pension Benefits

None of the Named Executive Officers participates in or has an account balance under qualified or non-qualified defined benefit plans sponsored by the Company.

## Non-Qualified Deferred Compensation

None of the Named Executive Officers participates in or has an account balance under non-qualified defined contribution plans or other deferred compensation plans maintained by the Company.

## Potential Payments Upon Termination or Change in Control

See discussion of potential payments upon termination or change in control in the section entitled, "Compensation Discussion and Analysis - Severance and Change in Control Benefits."

## CORPORATE GOVERNANCE

The Company has an ongoing commitment to good governance and business practices. In furtherance of this commitment, the Company regularly monitors developments in the area of corporate governance and reviews its processes and procedures in light of such developments. The Company complies with the rules and regulations promulgated by the SEC and Nasdaq, and implements other corporate governance practices which it believes are in the best interest of the Company and its stockholders.

## Code of Conduct

In 2003, the Company adopted a Code of Conduct (the Code of Conduct), which is available in its entirety on the Company's website at <http://www.geron.com> and to any stockholder otherwise requesting a copy. All Company employees,

officers, and directors, including the Chief Executive Officer and Chief Financial Officer, are required to adhere to the Code of Conduct in discharging their work-related responsibilities. Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Conduct. Amendments to the Code of Conduct, and any waivers from the Code of Conduct granted to directors or executive officers, will also be made available through the Company's website as they are adopted.

In keeping with the Sarbanes-Oxley Act of 2002, the Audit Committee has established procedures for the receipt and handling of complaints received by the Company regarding accounting, internal accounting controls or auditing matters. Contact information for the Chairman of the Audit Committee has been distributed to all employees to allow for the confidential, anonymous submission by its employees of concerns regarding accounting or auditing matters.

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## **The Board of Directors**

One class of the Board is elected annually, and each of the directors stands for election every three years. Presently the Board is comprised of seven directors, one of whom is an executive officer and six of whom have been affirmatively determined by the Board to be independent, meeting the objective requirements set forth by the SEC and Nasdaq, and having no relationship, direct or indirect, to the Company other than as stockholders or through their service on the Board.

The Board maintains four committees whose functions are described beginning on page 6 of this Proxy Statement. Committee membership is determined by the Board, and, except for the Stock Option Committee composed of Dr. Okarma, all committee members are independent directors as determined by the Board. Each committee maintains a written charter detailing its authority and responsibilities. These charters are reviewed periodically as legislative and regulatory developments and business circumstances warrant and are available in their entirety on the Company's website at <http://www.geron.com> and to any stockholder otherwise requesting a copy. The Nominating Committee Charter was adopted by the Board of Directors in March 2004.

Stockholders wishing to communicate with the Board of Directors, or with a specific Board member, may do so by writing to the Board, or to the particular Board member, and delivering the communication in person or mailing it to: Board of Directors, c/o David L. Greenwood, Corporate Secretary, Geron Corporation, 230 Constitution Drive, Menlo Park, CA 94025. All mail addressed in this manner will be delivered to the Chair or Chairs of the Committees with responsibilities touching most closely on the matters addressed in the communication. From time to time, the Board may change the process by means of which stockholders may communicate with the Board or its members. Please refer to the Company's website for any changes to this process.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities (collectively, Reporting Persons), to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Reporting Persons are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, the Company believes that during fiscal year ended December 31, 2008, all Reporting Persons complied with the applicable filing requirement.

## **Stockholder Nominations and Proposals for 2010 Annual Meeting**

The Company expects to hold its 2010 Annual Meeting of Stockholders in May 2010. All proposals of stockholders intended to be presented at the 2010 Annual Meeting of Stockholders must be directed to the attention of the Company's Secretary, at the address set forth on the first page of this proxy statement, so that they are received by December 31, 2009, if they are to be considered for possible inclusion in the proxy statement and form of proxy used in connection with such meeting. In compliance with Exchange Act Rule 14a-8, stockholders wishing to submit proposals or director nominations that are not to be included in such proxy statement and proxy must do so by January 31, 2010. In addition, the Company's Bylaws provide for notice procedures to recommend a person for nomination as a director and to propose business to be considered by stockholders at a meeting. Copies of the Company's Bylaws may be obtained from the Company's Secretary.

Stockholders who wish to submit a proposed nominee to the Nominating Committee (the Committee) should send written notice to Dr. Alexander Barkas, Nominating Committee Chairman, Geron Corporation, 230 Constitution Drive, Menlo Park, CA 94025, within the time periods set forth above. Such notification should set forth all information relating to such nominee as is required to be disclosed in solicitations of proxies for elections of directors pursuant to Regulation 14A under the Exchange Act, including such person's written consent to being named in a proxy statement as a nominee and to serving as a director if elected, the name and address of such stockholder or beneficial owner on whose behalf the nomination is being made, and the class and number of shares of the Company owned beneficially and of record by such stockholder or beneficial owner. The Committee will consider stockholder nominees on the same terms as nominees selected by the Committee.

The Committee believes that nominees for election to the Board must possess certain minimum qualifications and attributes. The nominee: 1) must meet the objective independence requirements set forth by the SEC and Nasdaq, 2) must exhibit strong personal integrity, character and ethics, and a commitment to ethical business and accounting practices, 3) must not be involved in on-going litigation with the Company or be employed by an entity which is engaged in such litigation and 4) must not be the subject of any on-going criminal investigations, including investigations for fraud or financial misconduct. In addition, the Committee may consider the following criteria, among others:

- (i) experience in corporate management, such as serving as an officer or former officer of a publicly held company, and a general understanding of marketing, finance and other elements relevant to the success of a publicly traded company in today's business environment;
- (ii) experience in the Company's industry and with relevant social policy concerns;
- (iii) experience as a board member of other publicly held companies;
- (iv) expertise in an area of the Company's operations; and
- (v) practical and mature business judgment, including the ability to make independent analytical inquiries.

Directors are expected to rigorously prepare for, attend and participate in Board meetings and meetings of the Committees of the Board of Directors on which they serve, to ask direct questions and require straight answers, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities and duties as directors. Each Board member is expected to ensure that other existing and planned future commitments do not materially interfere with the member's service as an outstanding director.

#### **OTHER MATTERS**

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors,  
David L. Greenwood  
*Secretary*

April 10, 2009

#### **APPENDIX A**

**GERON CORPORATION  
2006 DIRECTORS' STOCK OPTION PLAN  
(As Amended and Restated Effective \_\_\_\_\_, 2009)**

**Purposes of the Plan.**

The purposes of this Directors' Stock Option Plan are to attract and retain the best available personnel for service as Directors of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be [nonqualified stock options]. Awards of Restricted Stock and Restricted Stock Units may also be granted under this Plan.

**Definitions.**

As used herein, the following definitions shall apply:

- (a) [Award] shall mean an Option, a Restricted Stock award or a Restricted Stock Unit award granted to an Outside Director pursuant to the Plan.
- (b) [Award Agreement] shall mean any written agreement, contract or other instrument or document evidencing an Award, including through electronic medium.
- (c) [Board] shall mean the Board of Directors of the Company.
- (d) [Code] shall mean the Internal Revenue Code of 1986, as amended.
- (e) [Common Stock] shall mean the Common Stock of the Company.
- (f) [Company] shall mean Geron Corporation, a Delaware corporation.
- (g) [Continuous Status as a Director] shall mean the absence of any interruption or termination of service as a Director.
- (h) [Director] shall mean a member of the Board.
- (i) [Employee] shall mean any person, including officers and directors, employed by the Company or any Parent or Subsidiary of the Company. The payment of a director's fee by the Company shall not be sufficient in and of itself to constitute [employment] by the Company.
- (j) [Exchange Act] shall mean the Securities Exchange Act of 1934, as amended.
- (k) [Option] shall mean a stock option granted pursuant to the Plan. All Options shall be nonqualified stock options (i.e., options that are not intended to qualify as incentive stock options under Section 422 of the Code).
- (l) [Outside Director] shall mean a Director who is not an Employee.
- (m) [Parent] shall mean a [parent corporation], whether now or hereafter existing, as defined in Section 424(e) of the Code.
- (n) [Participant] shall mean an Outside Director who receives an Award.
- (o) [Plan] shall mean this 2006 Directors' Stock Option Plan, as it may be amended from time to time.
- (p)

Restricted Stock shall mean an Award of Shares granted to an Outside Director pursuant to Section 5 or Section 11 of the Plan.

- (q) Restricted Stock Unit shall mean an Award granted pursuant to Section 12 of the Plan.
- (r) Share shall mean a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.
- (s) Subsidiary shall mean a subsidiary corporation, whether now or hereafter existing, as defined in Section 424(f) of the Code.

A-1

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### **Stock Subject to the Plan.**

Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares which may be issued pursuant to Awards granted under the Plan is 2,500,000 Shares (the Pool) of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

To the extent that an Award terminates, expires, or lapses for any reason, any Shares subject to the Award shall again be available for the grant of an Award pursuant to the Plan. If Shares which were acquired upon exercise of an Option are subsequently repurchased by the Company, such Shares shall not in any event be returned to the Plan and shall not become available for future grant under the Plan. However, if unvested Shares of Restricted Stock are repurchased by the Company at their original purchase price or forfeited back to the Company for no consideration, such Shares shall become available for future grant under the Plan.

### **Administration of and Grants of Awards under the Plan.**

- (a) Administrator. Except as otherwise required herein, the Plan shall be administered by the Board.
- (b) Procedure for Grants. All grants of Options and Restricted Stock pursuant to Section 5 shall be automatic and non-discretionary and shall be made strictly in accordance with the provisions set forth in Section 5. In addition, the Board may make discretionary grants of Options, Restricted Stock or Restricted Stock Units.
- (c) Powers of the Board. Subject to the provisions and restrictions of the Plan, the Board shall have the authority, in its discretion: (i) to determine, upon review of relevant information and in accordance with Section 9(b) of the Plan, the fair market value of the Common Stock; (ii) to determine the exercise price per share of Options to be granted, which exercise price shall be determined in accordance with Section 9(a) of the Plan; (iii) to interpret the Plan; (iv) to prescribe, amend and rescind rules and regulations relating to the Plan; (v) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Award previously granted hereunder; (vi) to make discretionary grants of Options, Restricted Stock and Restricted Stock Units and to determine the terms and conditions of such Awards; and (vii) to make all other determinations deemed necessary or advisable for the administration of the Plan.
- (d) Effect of Board's Decision. All decisions, determinations and interpretations of the Board shall be final and binding on all Participants and any other holders of any Awards granted under the Plan.
- (e) Suspension or Termination of Option. If the President or his or her designee reasonably believes that a Participant has committed an act of misconduct, the President may suspend the Participant's right to exercise any Option pending a determination by the Board (excluding the Outside Director accused of such misconduct). If the Board (excluding the Outside Director accused of such misconduct) determines a Participant has committed an act of embezzlement, fraud, dishonesty, nonpayment of an obligation owed to the Company, breach of fiduciary duty

or deliberate disregard of the Company rules resulting in loss, damage or injury to the Company, or if a Participant makes an unauthorized disclosure of any Company trade secret or confidential information, engages in any conduct constituting unfair competition, induces any Company customer to breach a contract with the Company or induces any principal for whom the Company acts as agent to terminate such agency relationship, neither the Participant nor his or her estate shall be entitled to exercise any Option whatsoever. In making such determination, the Board (excluding the Outside Director accused of such misconduct) shall act fairly and shall give the Participant an opportunity to appear and present evidence on the Participant's behalf at a hearing before the Board or a committee of the Board.

**Automatic Grant Program.**

- (a) **General.** No person shall have any discretion to select which Outside Directors shall be granted Awards or to determine the number of Shares to be covered by Awards granted to Outside Directors pursuant to this Section 5. Subject to the limitations set forth in Section 5(g), Outside Directors shall receive automatic grants of Awards pursuant to this Section 5 for the number of Shares set forth below.

A-2

- (b) **First Option.** Each Outside Director shall be automatically granted an Option to purchase 45,000 Shares (the "First Option") on the date on which such person first becomes an Outside Director, whether through election by the stockholders of the Company or appointment by the Board to fill a vacancy.
- (c) **Subsequent Option and Stock Award.** Each Outside Director, other than the Chairman of the Board or an Outside Director whose First Option is being granted on the date of the Annual Meeting of the Company's stockholders, shall be automatically granted (i) an Option to purchase 10,000 Shares (a "Subsequent Option"), and (ii) a Restricted Stock award of 5,000 Shares (a "Subsequent Stock Award") on the date of the Annual Meeting of the Company's stockholders in each year of his/her service. The Subsequent Option granted to the Chairman of the Board under this Section 5(c) shall be an Option to purchase 20,000 Shares, and the Subsequent Stock Award granted to the Chairman of the Board under this Section 5(c) shall be for 10,000 Shares.
- (d) **First Committee Service Option.** Each Outside Director who is appointed to serve on the Audit Committee, the Compensation Committee, Nominating Committee or another standing committee of the Board designated by the Board as qualifying for such grant, shall each be automatically granted an Option to purchase 2,500 Shares (a "First Committee Service Option") on the date on which such person first is appointed to serve on such standing committee.
- (e) **Subsequent Committee Service Option and Stock Award.** On the date of the Annual Meeting of the Company's stockholders, each Outside Director, other than the Chairman of the Audit Committee, Compensation Committee, Nominating Committee or another so designated standing committee of the Board or an Outside Director whose First Committee Service Option is being granted on the date of the Annual Meeting of the Company's stockholders, who continues to serve on the Audit Committee, the Compensation Committee, Nominating Committee or another so designated standing committee of the Board, shall be automatically granted (i) an Option to purchase 1,250 Shares (a "Subsequent Committee Service Option"), and (ii) an Award of 625 Shares of Restricted Stock (a "Subsequent Committee Service Stock Award").
- (f) **Committee Chair Service Option and Stock Award.** On the date of the Annual Meeting of the Company's stockholders, each Outside Director who serves as a Chairman of the Audit Committee, Compensation Committee or Nominating Committee or another standing committee of the Board designated by the Board as qualifying for such grant, shall be automatically granted an Option to purchase Shares (a "Committee Chair Service Option"), and an Award of Restricted Stock (a "Committee Chair Service Stock Award"), for the number of Shares set forth below.
- (i) The Committee Chair Service Option granted to the Audit Committee Chairman shall be an Option to purchase 5,000 Shares, and the Committee Chair Service Option granted to each

of the Chairmen of the other eligible Board committees (including the Compensation Committee Chairman and Nominating Committee Chairman) shall be an Option to purchase 2,500 Shares.

- (ii) The number of Shares subject to the Committee Chair Service Stock Award granted to the Audit Committee Chairman shall be 2,500 Shares, and the number of Shares subject to the Committee Chair Service Stock Award granted to each of the Chairmen of the other eligible Board committees (including the Compensation Committee Chairman and Nominating Committee Chairman) shall be 1,250 Shares.

(g) Limitations.

- (i) Notwithstanding the provisions of subsections 5(b), (c), (d), (e) and (f) hereof, in the event that a grant would cause the number of Shares subject to outstanding Awards plus the number of Shares previously issued pursuant to Awards to exceed the Pool, then each such automatic grant shall be for that number of Shares determined by dividing the total number of Shares remaining available for grant by the number of Outside Directors receiving an Award on such date on the automatic grant date. Any further grants shall then be deferred until such time, if any, as additional Shares become available for grant under the Plan through action of the stockholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Awards previously granted hereunder.

A-3

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- (ii) The terms of each Option granted under this Section 5 shall be as follows:
    - (1) the Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Section 10 hereof.
    - (2) the exercise price per Share shall be 100% of the fair market value per Share on the date of grant of the Option, determined in accordance with Section 9 hereof.
    - (3) the First Option shall become exercisable in installments cumulatively as to 33 1/3% of the Shares subject to the First Option on each of the first, second and third anniversaries of the date of grant of the First Option; shares subject to (A) Subsequent Option, (B) First Committee Service Option, (C) Subsequent Committee Service Option, or (D) Committee Chair Service Option, shall be exercisable as to one hundred percent (100%) of the Shares subject to the Option on the date of grant of such Option. Notwithstanding the foregoing, exercise of an Option is subject to limitation as provided in Section 4(e) above.
  - (iii) Shares subject to Awards of Restricted Stock granted pursuant to Sections 5(c), 5(e) and 5(f) shall vest in equal annual installments on each of the first four anniversaries of the date of grant, provided that the Outside Director continues to serve as a Director on the applicable date. Notwithstanding the foregoing, in the event that an Outside Director is unable to continue his or her service as a Director as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code) or death, all shares subject to Awards



of Restricted Stock granted to such Outside Director pursuant to Sections 5(c), 5(e) or 5(f) shall vest in full as of the date of his or her termination of service due to such total and permanent disability or death. No payment shall be required from the Outside Director in order to receive a Subsequent Stock Award, a Subsequent Committee Service Stock Award or a Committee Chair Service Stock Award. Upon the termination of a Participant's Continuous Status as a Director for any reason, any unvested Shares acquired pursuant to an Award of Restricted Stock granted pursuant to Section 5(c), 5(e) or 5(f) as of the date of such termination shall be forfeited to the Company without the payment of any consideration by the Company. Awards of Restricted Stock granted pursuant to Sections 5(c), 5(e) and 5(f) shall be evidenced by an Award Agreement containing such terms deemed necessary or desirable by the Board that are not inconsistent with the Plan or any applicable law.

**Eligibility.**

Awards may be granted only to Outside Directors. All Awards described in Section 5 shall be automatically granted in accordance with the terms set forth in Section 5. In addition, the Board may make discretionary grants of Options, Restricted Stock and/or Restricted Stock Units to Outside Directors. An Outside Director who has been granted an Award may, if he or she is otherwise eligible, be granted an additional Award or Awards in accordance with such provisions.

The Plan (as well as any Award granted hereunder) shall not confer upon any Participant any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate his or her directorship at any time.

**Term of Plan; Effective Date.**

The Plan shall become effective upon its initial adoption by the Board and shall continue in effect until it is terminated under Section 16 of the Plan. No Awards may be issued under the Plan after the tenth (10th) anniversary of the earlier of (a) the date upon which the Plan is adopted by the Board or (b) the date the Plan is approved by the stockholders.

**Term of Options.**

The term of each Option granted pursuant to Section 5 shall be ten (10) years from the date of grant thereof. The term of each discretionary Option granted pursuant to the Plan shall have a term specified by the Board at the time of grant, which term shall not exceed ten (10) years from the date of grant thereof.

A-4

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**Exercise Price and Consideration.**

- (a) **Exercise Price.** The per Share exercise price for the Shares to be issued pursuant to exercise of an Option shall be 100% of the fair market value per Share on the date of grant of the Option.
- (b) **Fair Market Value.** The fair market value shall be determined by the Board; provided, however, that where there is a public market for the Common Stock, the fair market value per Share shall be the mean of the bid and ask prices of the Common Stock in the over-the-counter market on the date of grant, or if no closing bid and asked prices were reported for such date, the date immediately prior to such date during which closing bid and asked prices were quoted for such Common Stock, in each case as reported in *The Wall Street Journal* or such other source as the Board deems reliable or, in the event the Common Stock is listed on any established stock exchange or a national market system, the fair market value per Share shall be the closing sales price for a share of such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of grant of the Option, or if no bids or sales were reported for such date, then the closing sales price (or the closing bid, if no sales were reported) on the trading date immediately prior to such date during which a bid or sale occurred, in each case, as reported in *The Wall Street Journal* or such other source as the Board deems reliable.

- (c) Form of Consideration. The consideration to be paid for the Shares to be issued upon exercise of an Option shall consist entirely of cash, check, other Shares of Common Stock having a fair market value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised (which, if acquired from the Company, shall have been held for at least six months to the extent such holding period is required in order to avoid a charge to the Company's earnings for financial statement purposes), or any combination of such methods of payment and/or any other consideration or method of payment as shall be permitted under applicable corporate law.

**0. Exercise of Option.**

- (a) Procedure for Exercise; Rights as a Stockholder. Any Option granted pursuant to Section 5 shall be exercisable at such times as are set forth in Section 5 hereof; provided, however, that no Options shall be exercisable prior to stockholder approval of the Plan has been obtained in accordance with Section 20 hereof. Each discretionary Option granted pursuant to the Plan shall be exercisable at such times specified by the Board at the time of grant.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the Option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 9(c). Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Shares acquired upon exercise of an Option, notwithstanding the exercise of the Option. A share certificate for the number of Shares so acquired shall be issued to the Participant as soon as practicable after exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14.

Exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised. The post-termination exercise provisions set forth in sections 10(b), 10(c) and 10(d) shall apply to Options automatically granted pursuant to Section 5, and, to the extent provided by the Board at the time of grant, to Options granted by the Board pursuant to its discretionary authority. However, Options granted by the Board pursuant to its discretionary authority may contain post-termination exercise provisions which differ from those set forth below.

A-5

- (b) Termination of Status as a Director. If an Outside Director ceases to serve as a Director, he or she may, but only within ninety (90) days after the date he or she ceases to be a Director of the Company, exercise his or her Option to the extent that he or she was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 8 has expired. To the extent that such Outside Director was not entitled to exercise an Option at the date of such termination, or does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.
- (c) Disability of Participant. Notwithstanding Section 10(b) above, in the event a Director is unable to continue his or her service as a Director of the Company as a result of his or her total and permanent disability (as defined in Section 22(e)(3) of the Code), he or she may, but only within twenty-four (24) months from the date of such termination, exercise his or her Option to the extent of the right to exercise that would have accrued had the Participant remained in Continuous Status as Director for thirty-six (36) months (or such lesser period of time as is determined by the Board) after the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 8 has expired. To the extent that he or she does not exercise such Option (which he or she was entitled to exercise) within the time specified herein, the Option shall terminate.

- (d) Death of Participant. In the event of the death of a Participant:
- (i) During the term of the Option, if the Participant is, at the time of his or her death, a Director of the Company and has been in Continuous Status as a Director since the date of grant of the Option, the Option may be exercised, at any time within twenty-four (24) months following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that would have accrued had the Participant continued living and remained in Continuous Status as Director for thirty-six (36) months (or such lesser period of time as is determined by the Board) after the date of death. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 8 has expired.
  - (ii) Within three (3) months after the termination of Continuous Status as a Director, the Option may be exercised, at any time within six (6) months following the date of death, by the Participant's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent of the right to exercise that had accrued at the date of termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term set forth in Section 8 has expired.

## 1. Restricted Stock.

- (a) General. In addition to the Awards of Restricted Stock which are automatically granted pursuant to Sections 5(c), 5(e) and 5(f) above, Restricted Stock may be issued to an Outside Director at the discretion of the Board, in accordance with this Section 11. The Board shall specify the terms, conditions and restrictions related to the Restricted Stock, including the number of Shares and the vesting restrictions (if any) applicable to the Shares. The Board shall also establish the purchase price, if any, and form of payment for the Restricted Stock; provided, however, that if a purchase price is charged, such purchase price shall be no less than the par value of the Shares to be purchased, unless otherwise permitted by applicable state law. In all cases, legal consideration shall be required for each issuance of Restricted Stock.
- (b) Repurchase or Forfeiture. Unless the Board determines otherwise, the Award Agreement evidencing a Restricted Stock Award granted under Section 11 shall grant the Company, upon the termination of the Participant's Continuous Status as a Director for any reason, the forfeiture of unvested Shares acquired pursuant to an Award of Restricted Stock (or the right to repurchase such Shares at the Outside Director's original purchase price if the Outside Director paid a price to acquire such Shares).
- (c) Other Provisions. Restricted Stock shall be evidenced by an Award Agreement which shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Board in its sole discretion.

A-6

- (d) Rights as a Stockholder. Upon the issuance of the Restricted Stock, the Participant shall have rights equivalent to those of a stockholder and shall be a stockholder when his or her issuance or purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment shall be made for a dividend or other right for which the record date is prior to the date of the Restricted Stock issuance, except as provided in Section 14 of the Plan.
- (e) Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Board shall determine. Certificates or book entries evidencing shares of Restricted Stock must include an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, in its sole discretion, retain physical possession of any stock certificate until such time as all applicable restrictions lapse.
- (f) Section 83(b) Election. If a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required

to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

**2. Restricted Stock Units.**

- (a) General. An Outside Director selected by the Board may be granted an award of Restricted Stock Units in the manner determined from time to time by the Board. The number and terms and conditions of Restricted Stock Units shall be determined by the Board.
- (b) Vesting and Distribution. The Board shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such vesting conditions as it deems appropriate, including continued service as a Director or conditions based on one or more performance criteria. The Board shall specify, or permit the Participant to elect, the conditions and dates upon which the Shares underlying the Restricted Stock Units shall be issued, which dates shall not be earlier than the date as of which the Restricted Stock Units vest and become nonforfeitable and which conditions and dates shall be subject to compliance with Section 409A of the Code. Restricted Stock Units may be paid in cash, Shares, or both, as determined by the Board. On the distribution dates, the Company shall issue to the Participant one unrestricted, fully transferable Share (or the fair market value of one such Share in cash) for each vested and nonforfeitable Restricted Stock Unit.
- (c) Rights as a Stockholder. Unless otherwise provided by the Board, a Participant awarded Restricted Stock Units shall have no rights as a Company stockholder with respect to such Restricted Stock Units until such time as the Restricted Stock Units have vested and the Common Stock underlying the Restricted Stock Units has been issued.
- (d) Other Terms. All Restricted Stock Units shall be subject to such additional terms and conditions as determined by the Board and shall be evidenced by a written Award Agreement.

**3. Nontransferability of Awards.**

An Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution or pursuant to a qualified domestic relations order (as defined by the Code or the rules thereunder). The designation of a beneficiary by a Participant does not constitute a transfer. An exercisable Option may be exercised during the lifetime of a Participant only by the Participant or a transferee permitted by this Section.

**4. Adjustments Upon Changes in Capitalization; Corporate Transactions.**

- (a) Adjustment. Subject to any required action by the stockholders of the Company, the number of shares of Common Stock covered by each outstanding Award, the number of shares of Common Stock which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan upon cancellation, expiration or lapse of an Award, and the

A-7

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number of shares of Common Stock to be granted under the provisions set forth in Section 5 of the Plan, as well as the price per share of Common Stock covered by each such outstanding Award, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been

☐effected without receipt of consideration.☐ Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an Award.

- (b) Corporate Transactions. In the event of (i) a dissolution or liquidation of the Company, (ii) a sale of all or substantially all of the Company's assets, (iii) a merger or consolidation in which the Company is not the surviving corporation, or (iv) any other capital reorganization in which more than fifty percent (50%) of the shares of the Company entitled to vote are exchanged, the Company shall give to the Participant, at the time of adoption of the plan for liquidation, dissolution, sale, merger, consolidation or reorganization, a reasonable time thereafter within which to exercise the Option, including Shares as to which the Option would not be otherwise exercisable, prior to the effectiveness of such liquidation, dissolution, sale, merger, consolidation or reorganization, at the end of which time the Option shall terminate, unless the outstanding Option is assumed or an equivalent Option substituted by the successor corporation (or a parent or subsidiary of the successor corporation) as described below. In addition, except as otherwise provided in an Award Agreement, unvested Shares subject to Restricted Stock and Restricted Stock Unit Awards shall become fully vested immediately prior to the date of such liquidation, dissolution, sale, merger, consolidation or reorganization. In connection with such transactions, an Award shall terminate upon the consummation of the transaction unless the Award is assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices.

#### **5. Time of Granting Awards.**

The date of grant of an Award pursuant to Section 5 shall, for all purposes, be the date determined in accordance with Section 5 hereof. The date of grant of other Awards shall be the date on which the Board makes the determination granting such Award. Notice of the determination shall be given to each Outside Director to whom an Award is so granted within a reasonable time after the date of such grant.

#### **6. Amendment and Termination of the Plan.**

- (a) Amendment and Termination. The Board may amend or terminate the Plan from time to time in such respects as the Board may deem advisable; provided that, to the extent necessary and desirable to comply with any applicable law or regulation, the Company shall obtain approval of the stockholders of the Company of Plan amendments to the extent and in the manner required by such law or regulation.
- (b) Effect of Amendment or Termination. Any such amendment or termination of the Plan that would impair the rights of any Participant shall not affect Awards already granted to such Participant and such Awards shall remain in full force and effect as if this Plan had not been amended or terminated, unless mutually agreed otherwise between the Participant and the Board, which agreement must be in writing and signed by the Participant and the Company.

A-8

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#### **7. Conditions Upon Issuance of Shares.**

Shares shall not be issued pursuant to an Award unless the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the issuance of Shares pursuant to an Award, the Company may require

the person acquiring such Shares to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel or the Company, such a representation is required by any of the aforementioned relevant provisions of law.

**8. Reservation of Shares.**

The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

**9. Award Agreement.**

Awards shall be evidenced by Award Agreements in such form as the Board shall approve.

**10. Stockholder Approval.**

The Plan will be submitted for the approval of the Company's stockholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such stockholder approval, provided that such Awards shall not be exercisable, shall not vest and the restrictions thereon shall not lapse prior to the time when the Plan is approved by the stockholders, and provided further that if such approval has not been obtained at the end of said twelve-month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void.

**11. Section 409A.**

To the extent that the Board determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including, without limitation, any such regulations or other applicable guidance that may be issued. Notwithstanding any provision of the Plan to the contrary, in the event that the Board determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance, the Board may adopt such amendments to the Plan and the applicable Award Agreement (with the consent of the Participant, to the extent required), adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions that the Board determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance and thereby avoid the application of any penalty taxes under such Section.

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A-9

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I hereby certify that the foregoing Plan was approved by the stockholders of Geron Corporation on \_\_\_\_\_, 2009.

Executed at Menlo Park, California on this \_\_\_\_ day of \_\_\_\_\_, 2009.

David L. Greenwood  
Secretary

A-10

**APPENDIX B**

**GERON CORPORATION  
1996 EMPLOYEE STOCK PURCHASE PLAN  
(As Amended January 2009, effective as of May 29, 2009)**

The following constitute the provisions of the 1996 Employee Stock Purchase Plan, as amended, of Geron Corporation.

**Purpose.**

The purpose of the Plan is to provide employees of the Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

**Definitions.**

- (a) Board shall mean the Board of Directors of the Company.
- (b) Code shall mean the Internal Revenue Code of 1986, as amended.
- (c) Common Stock shall mean the Common Stock of the Company.
- (d) Company shall mean Geron Corporation, a Delaware corporation.
- (e) Compensation shall mean all regular straight time gross earnings, overtime and shift premium and shall not include payments for incentive compensation, incentive payments, bonuses, commissions and other compensation.
- (f) Continuous Status as an Employee shall mean the absence of any interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.
- (g) Contributions shall mean all amounts credited to the account of a participant pursuant to the Plan.
- (h) Designated Subsidiaries shall mean the Subsidiaries which have been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.
- (i) Employee shall mean any person, including an Officer, who is customarily employed for at least twenty (20) hours per week and more than five (5) months in a calendar year by the Company or one of its Designated Subsidiaries.
- (j) Exchange Act shall mean the Securities Exchange Act of 1934, as amended.
- (k) Purchase Date shall mean the last day of each Purchase Period of the Plan.
- (l) Offering Date shall mean the first business day of each Offering Period of the Plan.
- (m) Offering Period shall mean a period of twelve (12) months commencing on January 1 and July 1 of each year, except for the first Offering Period as set forth

in Section 4(a).

- (n) Officer shall mean a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.
- (o) Plan shall mean this Employee Stock Purchase Plan.
- (p) Purchase Period shall mean a period of six (6) months within an Offering Period, except for the first Purchase Period as set forth in Section 4(b).

B-1

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- (q) Subsidiary shall mean a corporation, domestic or foreign, of which not less than 50% of the voting shares are held by the Company or a Subsidiary, whether or not such corporation now exists or is hereafter organized or acquired by the Company or a Subsidiary.

#### **Eligibility.**

- (a) Any person who is an Employee as of the Offering Date of a given Offering Period shall be eligible to participate in such Offering Period under the Plan, subject to the requirements of Section 5(a) and the limitations imposed by Section 423(b) of the Code.
- (b) Any provisions of the Plan to the contrary notwithstanding, no Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Employee (or any other person whose stock would be attributed to such Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any subsidiary of the Company, or (ii) if such option would permit his or her rights to purchase stock under all employee stock purchase plans (described in Section 423 of the Code) of the Company and its Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (\$25,000) of fair market value of such stock (determined at the time such option is granted) for each calendar year in which such option is outstanding at any time.

#### **Offering Periods and Purchase Periods.**

- (a) Offering Periods. The Plan shall be implemented by a series of Offering Periods of twelve (12) months duration, with new Offering Periods commencing on or about January 1 and July 1 of each year (or at such other time or times as may be determined by the Board of Directors). The first Offering Period shall commence on the beginning of the effective date of the Registration Statement on Form S-1 for the initial public offering of the Company's Common Stock (the IPO Date) and continue until June 30, 1997. The Plan shall continue until terminated in accordance with Section 19 hereof. The Board of Directors of the Company shall have the power to change the duration and/or the frequency of Offering Periods with respect to future offerings without shareholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Offering Period to be affected. Eligible employees may not participate in more than one Offering Period at a time.
- (b) Purchase Periods. Each Offering Period shall consist of two (2) consecutive purchase periods of six (6) months duration. The last day of each Purchase Period shall be the Purchase Date for such Purchase Period. A Purchase Period commencing on January 1 shall end on the next June 30. A Purchase Period commencing on July 1 shall end on the next December 31. The first Purchase Period shall commence on the IPO Date and shall end on December 31, 1996. The Board of Directors of the Company shall have the power to change the



duration and/or frequency of Purchase Periods with respect to future purchases without shareholder approval if such change is announced at least fifteen (15) days prior to the scheduled beginning of the first Purchase Period to be affected.

**Participation.**

- (a) An eligible Employee may become a participant in the Plan by completing a subscription agreement on the form provided by the Company and filing it with the Company's payroll office prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given offering. The subscription agreement shall set forth the percentage of the participant's Compensation (which shall be not less than 1% and not more than 10%) to be paid as Contributions pursuant to the Plan.
- (b) Payroll deductions shall commence on the first payroll following the Offering Date and shall end on the last payroll paid on or prior to the last Purchase Period of the Offering Period to which the subscription agreement is applicable, unless sooner terminated by the participant as provided in Section 10.

B-2

**Method of Payment of Contributions.**

- (a) The participant shall elect to have payroll deductions made on each payday during the Offering Period in an amount not less than one percent (1%) and not more than ten percent (10%) of such participant's Compensation on each such payday. All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.
- (b) A participant may discontinue his or her participation in the Plan as provided in Section 10, or, on one occasion only during the Offering Period, may decrease the rate of his or her Contributions during the Offering Period by completing and filing with the Company a new subscription agreement. The change in rate shall be effective as of the beginning of the next calendar month following the date of filing of the new subscription agreement, if the agreement is filed at least ten (10) business days prior to such date and, if not, as of the beginning of the next succeeding calendar month.
- (c) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a participant's payroll deductions may be decreased to 0% at such time during any Offering Period which is scheduled to end during the current calendar year that the aggregate of all payroll deductions accumulated with respect to such Offering Period and any other Offering Period ending within the same calendar year equal \$21,250. Payroll deductions shall re-commence at the rate provided in such participant's subscription agreement at the beginning of the first Offering Period which is scheduled to end in the following calendar year, unless terminated by the participant as provided in Section 10.

**Grant of Option.**

- (a) On the Offering Date of each Offering Period, each eligible Employee participating in such Offering Period shall be granted an option to purchase on each Purchase Date a number of shares of the Company's Common Stock determined by dividing such Employee's Contributions accumulated prior to such Purchase Date and retained in the participant's account as of the Purchase Date by the lower of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date, or (ii) eighty-five

percent (85%) of the fair market value of a share of the Company's Common Stock on the Purchase Date; provided however, that the maximum number of shares an Employee may purchase during each Offering Period shall be determined at the Offering Date by dividing \$25,000 by the fair market value of a share of the Company's Common Stock on the Offering Date, and provided further that such purchase shall be subject to the limitations set forth in Sections 3(b) and 13. The fair market value of a share of the Company's Common Stock shall be determined as provided in Section 7(b).

- (b) The option price per share of the shares offered in a given Offering Period shall be the lower of: (i) 85% of the fair market value of a share of the Common Stock of the Company on the Offering Date; or (ii) 85% of the fair market value of a share of the Common Stock of the Company on the Purchase Date. The fair market value of the Company's Common Stock on a given date shall be determined by the Board in its discretion based on the closing price of the Common Stock for such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported by the National Association of Securities Dealers Automated Quotation (Nasdaq) National Market or, if such price is not reported, the mean of the bid and asked prices per share of the Common Stock as reported by Nasdaq or, in the event the Common Stock is listed on a stock exchange, the fair market value per share shall be the closing price on such exchange on such date (or, in the event that the Common Stock is not traded on such date, on the immediately preceding trading date), as reported in The Wall Street Journal. For purposes of the Offering Date under the first Offering Period under the Plan, the fair market value of a share of the Common Stock of the Company shall be the Price to Public as set forth in the final prospectus filed with the Securities and Exchange Commission pursuant to Rule 424 under the Securities Act of 1933, as amended.

B-3

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**Exercise of Option.**

Unless a participant withdraws from the Plan as provided in paragraph 10, his or her option for the purchase of shares will be exercised automatically on each Purchase Date of an Offering Period, and the maximum number of full shares subject to the option will be purchased at the applicable option price with the accumulated Contributions in his or her account. The shares purchased upon exercise of an option hereunder shall be deemed to be transferred to the participant on the Purchase Date. During his or her lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

**Delivery.**

As promptly as practicable after each Purchase Date of each Offering Period, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option or the deposit of such number of shares with the broker selected by the Company for administration of Plan stock purchases, as determined by the Company. Any cash remaining to the credit of a participant's account under the Plan after a purchase by him or her of shares at the termination of each Purchase Period, or which is insufficient to purchase a full share of Common Stock of the Company, shall be carried over to the next Purchase Period if the Employee continues to participate in the Plan, or if the Employee does not continue to participate, shall be returned to said participant.

The shares delivered to each participant in the Plan shall be registered and precluded from trading in an open market transaction for one year from the date of purchase, and certificates evidencing such shares shall bear a restrictive legend reflecting such restriction.

**Voluntary Withdrawal; Termination of Employment.**

- (a) A participant may withdraw all but not less than all the Contributions credited to his or her account under the Plan at any time prior to each Purchase Date by giving written notice to the Company. All of the participant's Contributions credited to his or her account will be paid to him or her promptly after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further Contributions for the purchase

of shares will be made during the Offering Period.

- (b) Upon termination of the participant's Continuous Status as an Employee prior to the Purchase Date of an Offering Period for any reason, including retirement or death, the Contributions credited to his or her account will be returned to him or her or, in the case of his or her death, to the person or persons entitled thereto under Section 4, and his or her option will be automatically terminated.
- (c) In the event an Employee fails to remain in Continuous Status as an Employee of the Company for at least twenty (20) hours per week during the Offering Period in which the employee is a participant, he or she will be deemed to have elected to withdraw from the Plan and the Contributions credited to his or her account will be returned to him or her and his or her option terminated.
- (d) A participant's withdrawal from an offering will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

**1. Automatic Withdrawal.**

If the fair market value of the shares on the first Purchase Date of an Offering Period is less than the fair market value of the shares on the Offering Date for such Offering Period, then every participant shall automatically (i) be withdrawn from such Offering Period at the close of such Purchase Date and after the acquisition of shares for such Purchase Period, and (ii) be enrolled in the Offering Period commencing on the first business day subsequent to such Purchase Period.

**2. Interest.**

No interest shall accrue on the Contributions of a participant in the Plan.

B-4

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**3. Stock.**

- (a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 1,200,000 shares (on a post-split basis), subject to adjustment upon changes in capitalization of the Company as provided in Section 18. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) on the Offering Date of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of Contributions, if necessary.
- (b) The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.
- (c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse.

**4. Administration.**

The Board, or a committee named by the Board, shall supervise and administer the Plan and shall have full power to adopt, amend and rescind any rules deemed desirable and appropriate for the administration of the Plan and not inconsistent with the Plan, to construe and interpret the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. The composition of the committee shall be in accordance with the requirements to obtain or retain

any available exemption from the operation of Section 16(b) of the Exchange Act pursuant to Rule 16b-3 promulgated hereunder.

**5. Designation of Beneficiary.**

- (a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of a Purchase Period but prior to delivery to him or her of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Purchase Date of an Offering Period. If a participant is married and the designated beneficiary is not the spouse, spousal consent shall be required for such designation to be effective.
- (b) Such designation of beneficiary may be changed by the participant (and his or her spouse, if any) at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

**6. Transferability.**

Neither Contributions credited to a participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 15 by the participant). Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 10.

B-5

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**7. Use of Funds.**

All Contributions received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such Contributions.

**8. Reports.**

Individual accounts will be maintained for each participant in the Plan. Statements of account will be given to participating Employees promptly following the Purchase Date, which statements will set forth the amounts of Contributions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

**9. Adjustments Upon Changes in Capitalization; Corporate Transactions.**

- (a) Adjustment. Subject to any required action by the shareholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however,

that conversion of any convertible securities of the Company shall not be deemed to have been [effected without receipt of consideration]. Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

- (b) Corporate Transactions. In the event of the proposed dissolution or liquidation of the Company, the Offering Period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, to shorten the Offering Period then in progress by setting a new Purchase Date (the [New Purchase Date]). If the Board shortens the Offering Period then in progress in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify each participant in writing, at least ten (10) days prior to the New Purchase Date, that the Purchase Date for his or her option has been changed to the New Purchase Date and that his or her option will be exercised automatically on the New Purchase Date, unless prior to such date he or she has withdrawn from the Offering Period as provided in Section 10. For purposes of this paragraph, an option granted under the Plan shall be deemed to be assumed if, following the sale of assets or merger, the option confers the right to purchase, for each share of option stock subject to the option immediately prior to the sale of assets or merger, the consideration (whether stock, cash or other securities or property) received in the sale of assets or merger by holders of Common Stock for each share of Common Stock held on the effective date of the transaction (and if such holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares of Common Stock); provided, however, that if such consideration received in the sale of assets or merger was not solely common stock of the successor corporation or its parent (as defined in Section 424(e) of the Code), the Board may, with the consent of the successor corporation and the participant, provide for the consideration to be received upon exercise of the option to be solely common stock of the successor corporation or its parent equal in fair market value to the per share consideration received by holders of Common Stock and the sale of assets or merger.

B-6

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The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock, and in the event of the Company being consolidated with or merged into any other corporation.

#### **10. Amendment or Termination.**

- (a) The Board of Directors of the Company may at any time terminate or amend the Plan. Except as provided in Section 19, no such termination may affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant. In addition, to the extent necessary to comply with Rule 16b-3 under the Exchange Act, or under Section 423 of the Code (or any successor rule or provision or any applicable law or regulation), the Company shall obtain shareholder approval in such a manner and to such a degree as so required.

- (b) Without shareholder consent and without regard to whether any participant rights may be considered to have been adversely affected, the Board (or its committee) shall be entitled to change the Offering Periods and Purchase Periods, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit payroll withholding in excess of the amount designated by a participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each participant properly correspond with amounts withheld from the participant's Compensation, and establish such other limitations or procedures as the Board (or its committee) determines in its sole discretion advisable which are consistent with the Plan.

**1. Notices.**

All notices or other communications by a participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

**2. Conditions Upon Issuance of Shares.**

Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

**3. Term of Plan; Effective Date.**

The Plan shall become effective upon the earlier to occur of its adoption by the Board of Directors or its approval by the shareholders of the Company. It shall continue in effect for a term of twenty (20) years unless sooner terminated under Section 20.

**4. Additional Restrictions of Rule 16b-3.**

The terms and conditions of options granted hereunder to, and the purchase of shares by, persons subject to Section 16 of the Exchange Act shall comply with the applicable provisions of Rule 16b-3. This Plan shall be deemed to contain, and such options shall contain, and the shares issued upon exercise thereof shall be subject to, such additional conditions and restrictions as may be required by Rule 16b-3 to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

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**GERON CORPORATION**  
**/O COMPUTERSHARE**  
**50 INDIANA ST., SUITE 750**  
**GOLDEN, CO 80401**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by Geron Corporation in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that

You agree to receive or access stockholder communications electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Geron Corporation, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK GERON1 KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**GERON CORPORATION**

**Vote on Directors**

1. Election of Class I Directors.				
<b>Nominees:</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	
1a. Thomas B. Okarma, Ph.D., M.D.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
1b. Patrick J. Zenner	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	

**Vote on Proposals**

		<b>For</b>	<b>Against</b>	<b>Abstain</b>
2.	To approve amendments to the Company's 2006 Directors' Stock Option Plan to revise certain terms with respect to stock options, restricted stock awards and restricted stock units to be granted under such plan.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
3.	To approve an amendment to the Company's 1996 Employee Stock Purchase Plan to increase the aggregate number of shares of Common Stock authorized for issuance under such plan by 600,000 shares.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
4.	To ratify appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>



5. As said proxies deem advisable on such other matters as may come before the meeting and any adjournment(s) or postponement(s) thereof.

**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD IN THE ENCLOSED ENVELOPE.**

Note: This proxy should be marked, dated, signed by the stockholder(s) exactly as his or her name appears hereon, and returned in the enclosed envelope.

Please sign exactly as name(s) appear(s) hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Signature  
[PLEASE  
SIGN      Date  
WITHIN  
BOX]

Signature  
(Joint      Date  
Owners)

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**  
The Notice and Proxy Statement, Annual Report and Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**GERON CORPORATION  
2009 ANNUAL MEETING OF STOCKHOLDERS**

The undersigned stockholder of Geron Corporation, a Delaware corporation (the "Company"), hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders and Proxy Statement, each dated April 10, 2009, and hereby appoints Thomas B. Okarma and David L. Greenwood, or either of them, as proxies and attorneys-in-fact with full power to each of substitution, on behalf and in the name of the undersigned to represent the undersigned at the 2009 Annual Meeting of Stockholders of Geron Corporation to be held on May 29, 2009, at 8:30 a.m. local time, at the Company's headquarters at 30 Constitution Drive, Menlo Park, CA 94025 and at any adjournment(s) or postponement(s) thereof, and to vote all shares of common stock that the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reverse side, and in their discretion, upon such other matter or matters that may properly come before the meeting and any adjournment(s) or postponement(s) thereof.

This proxy will be voted as directed or, if no contrary direction is indicated, will be voted as follows: (1) for the election of two Class I Directors to hold office until the Annual Meeting of Stockholders in the year 2012; (2) to approve amendments to the Company's 2006 Directors' Stock Option Plan to revise certain terms with respect to stock options, restricted stock awards and restricted stock units to be granted under such plan; (3) to approve an amendment to the Company's 1996 Employee Stock Purchase Plan to increase the aggregate number of shares of Common Stock authorized for issuance under such plan by 600,000 shares; (4) to ratify appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2009; and (5) as said proxies deem advisable on such other matters as may come before the meeting and any adjournment(s) or postponement(s) thereof.

**CONTINUED AND TO BE SIGNED ON REVERSE SIDE**

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