

ENI SPA
Form 6-K
June 05, 2007
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

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

For the month of May 2007

Eni S.p.A.

(Exact name of Registrant as specified in its charter)

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

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

Form 20-F 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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Fact book 2006

Report "Eni in 2006"

Report on the First Quarter 2007

Analist presentation - 1Q 07 results

Annual Report at December 31, 2006 (including the Report of External Auditors)

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SIGNATURES

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

Eni S.p.A.

Name: Fabrizio Cosco
Title: Company Secretary

Date: May 31, 2007

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Eni convenes Board of Directors

San Donato Milanese, 4 May 2007 - Eni's Board of Directors will be held on 10 May 2007 in San Donato Milanese (Milan) to examine Eni's Quarterly Report at 31 March 2007.

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ENI ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2007

2007-2010 PRODUCTION GROWTH TARGET RAISED FROM 3% TO 4%

- **Adjusted net profit: down by 9.3% to euro 2.68 billion**
- **Reported net profit: down by 13% to euro 2.59 billion**
- **Cash flow: euro 5.56 billion**
- **Spending on capital and exploration projects was up by 50% to euro 2 billion**
- **Oil and gas production: down by 5.1% to 1.73 million boe/d. Full year production expected to be in line with 2006**
- **Gas sales: down by 9.8% to 28.1 bcm due to mild weather conditions. Full year gas sales expected to be higher than 2006**
- **Production growth target for 2007-2010 period raised from 3% to 4% following the acquisitions in the Gulf of Mexico, Congo and Alaska**
- **Important acquisitions also in Russia, Central-East Europe and Angola**

San Donato Milanese, May 11, 2007 - Eni, the international oil and gas company today announces its group results for the first quarter of 2007 (unaudited).

Paolo Scaroni, Chief Executive Officer, commented:

The first quarter 2007 was affected by weaker oil prices, a strong euro, and low seasonal gas and product sales due to unusually mild weather conditions. Despite these, Eni managed to deliver excellent results among the best in the European oil & gas sector. In the first months of 2007 we undertook a successful acquisition campaign purchasing attractive oil assets which will make an important contribution to our growth strategy in the following years.

Fourth Quarter 2006	First Quarter			
	2006	2007	% Ch.	
Summary Group results (million euro)				
3,957	Operating profit	5,595	5,105	(8.8)
4,776	Adjusted operating profit ^(a)	5,533	5,253	(5.1)
1,520	Net profit ^(b)	2,974	2,588	(13.0)
0.41	- per ordinary share (euro) ^(c)	0.80	0.70	(12.5)
1.06	- per ADR (\$) ^{(c) (d)}	1.92	1.83	(4.7)
2,355	Adjusted net profit ^{(a) (b)}	2,954	2,680	(9.3)
0.64	- per ordinary share (euro) ^(c)	0.79	0.73	(7.6)
1.65	- per ADR (\$) ^{(c) (d)}	1.90	1.91	0.5

(a) For a detailed explanation of adjusted operating profit and net profit see page 16.

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- (b) Profit attributable to Eni shareholders.
- (c) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.
- (d) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.

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Table of Contents**Financial highlights**

- Adjusted operating profit was euro 5.25 billion, down 5.1% from a year ago and dragged down by weaker operating performance of the Exploration & Production division due primarily to the negative impact of the euro's appreciation against the dollar (up 9%), lower production volumes sold, and lower realisations. This was partly offset by an improved operating performance delivered by Eni's downstream businesses and the Engineering & Construction division;
- Adjusted net profit was down 9.3% to euro 2.68 billion, mainly as a result of the reduced operating profit and higher net financial expenses owing to losses on the fair value evaluation of certain financial derivative instruments;
- Net cash provided by operating activities stood at euro 5.56 billion, allocated as follows: euro 2.01 billion to capital expenditure, euro 203 million to the repurchase of own shares and euro 2.92 billion to reduce net borrowings;
- Capital expenditure of euro 2.01 billion, up 50.2% from a year ago, related mainly to development of oil and gas reserves, exploratory projects and the upgrade of both the international and domestic gas transportation infrastructure, and refineries;
- Return on Average Capital Employed (ROACE)¹ calculated on an adjusted basis for the twelve-month period ending March 31, 2007 was 22.7% (21.8% for the twelve-month period ending March 31, 2006);
- Ratio of net borrowings to shareholders' equity including minority interest leverage decreased to 0.09 from 0.16 at the end of 2006.

Operational highlights and trading environment

Fourth Quarter 2006			First Quarter		% Ch.
			2006	2007	
Key operating data					
1,796	Production of hydrocarbons	(kboe/d)	1,827	1,734	(5.1)
1,079	Liquids	(kbbbl/d)	1,143	1,030	(9.9)
4,132	Natural gas	(mmcf/d)	3,920	4,061	3.6
26.93	Worldwide gas sales	(bcm)	31.20	28.14	(9.8)
<i>1.06</i>	<i>of which: upstream sales</i>		<i>1.12</i>	<i>1.07</i>	<i>(4.5)</i>
7.79	Electricity sold	(TWh)	7.73	7.61	(1.6)
3.13	Retail sales of refined products in Europe	(mmtonnes)	2.93	2.88	(1.7)

- Oil and natural gas production for the quarter averaged 1.73 mboe/d, a decrease of 5.1% compared with the first quarter of 2006. This result was impacted by the loss of production at the Venezuelan Dación oilfield (down 60 kbbbl/d) which was a result of the unilateral cancellation of the service agreement for the field exploitation by the Venezuelan State Oil Company PDVSA effective April 1, 2006, and the continuing social unrest in Nigeria. When factoring in these two events, production was at similar levels to the first quarter of 2006. Increases in productivity in Libya, Kazakhstan and the Gulf of Mexico were offset by mature fields in decline, particularly in Italy, and by facility shutdowns;
- Eni's worldwide natural gas sales were down 9.8% to 28.1 bcm due to lower European gas demand owing to unusually mild winter weather, partially offset by a growth achieved in some target markets (in particular Spain and Turkey);
- The trading environment was affected by lower oil prices with Brent crude prices averaging \$57.75 per barrel, down 6.5% compared to the first quarter of 2006, and the appreciation of the euro over the dollar (up 9.0%).

These negatives were partially offset by: (i) favourable trends in energy and exchange rate parameters used in determining purchase and selling prices of natural gas; (ii) an increase in refining margins on the Brent crude marker (up 3.7%), and (iii) higher sales margins on petrochemical products.

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- (1) Non-GAAP financial measures disclosed throughout this press release are accompanied by explanatory notes and tables to help investors to gain a full understanding of said measures in line with guidance provided for by CESR recommendation No. 2005-178b. See pages 22 and 23 for leverage, net borrowings and ROACE, respectively.

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Table of Contents**Portfolio developments**

- **Gulf of Mexico:** Eni acquired interests in exploration and production activities owned by Dominion Resources. Following this deal, Eni expects its proved and probable reserves in this region to increase by 222 mmmboe and a 75,000 boe/day additional oil and gas production in the period 2007-2010 on average, starting from July 1, 2007. Eni will retain operatorship of most of the exploration and production assets acquired.
- **Acquisition of gas assets ex-Yukos:** as part of the strategic alliance signed with Gazprom, Eni in partnership with Enel (60% Eni, 40% Enel) was awarded 100% of OAO Arctic Gas Company, ZAO Urengoil Inc, OAO Neftegaztehnologia which own large hydrocarbon reserves, mostly gas reserves. Eni also acquired 20% of OAO Gazprom Neft. Gazprom has an option to acquire a 51% interest in these acquired companies and the entire 20% interest in OAO Gazprom Neft.
- **Acquisition of operated assets in Congo:** Eni acquired interests in exploration and production onshore activities operated by Maurel&Prom in Congo. This will increase Eni's proved reserves of 126 mmmboe and a 28,000 boe/day additional hydrocarbon production is expected in 2010.
- **Acquisition of a retail station network in Central-East Europe:** Eni purchased 102 retail fuel stations from ExxonMobil Central Europe located in Czechia, Slovakia and Hungary, and related additional marketing activities.
- **Acquisition of an additional interest in Nikaitchuq field in Alaska,** achieving a 100% interest. The ongoing field development, with start-up planned late in 2009, is expected to produce additional proved and probable reserve of approximately 70 mmmboe.
- **Memorandum of Understanding with Sonangol for the acquisition of a 13.6% interest in the Angola LNG Limited Consortium (A-LNG)** committed to build a LNG plant with a 5 mmmtonnes capacity.

Outlook for 2007

The outlook for Eni in 2007 remains positive, with key business trends for the year as follows:

- **Production of liquids and natural gas** is forecast to remain at the same level as 2006 (in 2006 oil and gas production averaged 1.77 mmmboe/d). Additional production expected in the second half of the year from acquired properties in the Gulf of Mexico and Congo and the expected build-up in gas production in Libya will enable Eni to recover the first quarter decline in production due to escalating social unrest in Nigeria and the loss of the Dación oilfield in Venezuela;
- **Sales volumes of natural gas worldwide** are expected to increase by 1% over 2006 (actual sales volumes in 2006 were 97.48 bcm). Major increases are expected in certain target markets in the Rest of Europe, mainly in the Iberian Peninsula, the North of Europe, France and Germany/Austria markets;
- **Sales volumes of electricity** are expected to slightly increase from 2006 (actual volumes in 2006 were 31.03 TWh);
- **Refining throughputs on Eni's account** are forecast to slightly decrease from 2006 (actual throughputs in 2006 were 38.04 mmmtonnes) due to expiration of a processing contract at the Priolo refinery owned by a third party late in 2006, to be offset by higher throughputs expected at the Gela, Livorno and Taranto refineries;
- **Retail sales of refined products** are expected to slightly increase from 2006 (actual volumes sold in 2006 were 12.48 mmmtonnes). Increases are expected on both the Italian and European markets due to the entry into service of new outlets, and also following the acquisition of stations in target markets.

In 2007 management expects Eni's capital expenditure on exploration and capital projects to amount to approximately euro 10.5 billion, representing a 34% increase over 2006. Approximately 86% of this capital expenditure programme is expected to be deployed in the Exploration & Production, Gas & Power and Refining & Marketing divisions. Furthermore, acquisitions of assets and interests amounting to euro 9.2 billion are forecast for 2007, mainly related to: (i) the agreed purchase of ex-Yukos assets; (ii) the other agreements which are expected to be finalised by the end of the year, including the purchase of upstream assets in the Gulf of Mexico and Congo, and a retail station network in

the Central-Eastern Europe. Assuming Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft and a 51% interest in ex-Yukos gas assets from Eni, net cash outflows used in investing activities will decrease to euro 16.2 billion.

On the basis of the expected cash outflows for this capital expenditure and acquisition programme, and shareholders remuneration, also assuming a 55\$/barrel scenario for the Brent crude oil, Eni foresees its leverage to range from 0.3 to 0.4 by the end of the year, depending on the exercise of the above mentioned call options by Gazprom.

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Disclaimer

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 from operations and changes in net borrowings for the first quarter cannot be extrapolated on an annual basis.

Cautionary statement

This press release, in particular the statements under the section Outlook, contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future.

Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document.

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This press release and Eni's Report on Group Results for the first quarter 2007 (unaudited) are also available on the Eni web site: www.eni.it.

About Eni

Eni is one of the leading integrated energy companies in the world operating in the oil and gas, power generation, petrochemicals, engineering and construction industries. Eni is present in 70 countries and is Italy's largest company by market capitalisation.

Table of Contents**Summary results for the first quarter**

(million euro)

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
21,416	Net sales from operations	23,584	21,913	(7.1)
3,957	Operating profit	5,595	5,105	(8.8)
341	Exclusion of inventory holding (gains) losses	(94)	155	
478	Exclusion of special items:	32	(7)	
	<i>of which:</i>			
184	- non recurring items			
294	- other special items	32	(7)	
4,776	Adjusted operating profit	5,533	5,253	(5.1)
1,520	Net profit pertaining to Eni	2,974	2,588	(13.0)
213	Exclusion of inventory holding (gains) losses	(59)	97	
622	Exclusion of special items:	39	(5)	
	<i>of which:</i>			
184	- non recurring items			
438	- other special items	39	(5)	
2,355	Adjusted net profit pertaining to Eni	2,954	2,680	(9.3)
178	Net profit of minorities	156	155	(0.6)
2,533	Adjusted net profit	3,110	2,835	(8.8)
	Break down by division ^(a)			
1,304	Exploration & Production	2,095	1,409	(32.7)
873	Gas & Power	879	1,159	31.9
115	Refining & Marketing	86	113	31.4
141	Petrochemicals	16	79	393.8
131	Engineering & Construction	87	145	66.7
(85)	Other activities	(58)	(50)	13.8
57	Corporate and financial companies	6	(86)	..
(3)	Effect of unrealized profit in inventory ^(b)	(1)	66	..
	Net profit			
0.41	per ordinary share (euro)	0.80	0.70	(12.5)
1.06	per ADR (\$)	1.92	1.83	(4.7)
	Adjusted net profit			
0.64	per ordinary share (euro)	0.79	0.73	(7.6)
1.65	per ADR (\$)	1.90	1.91	0.5
3,684.7	Weighted average number of outstanding shares ^(c)	3,726.0	3,679.0	(1.3)
1,778	Net cash provided by operating activities	5,863	5,563	(5.1)
2,944	Capital expenditure	1,340	2,013	50.2

- (a) For a detailed explanation of adjusted net profit by division see page 16.
 (b) Unrealized profit in inventory concerned intra-group sales of goods and services recorded at period end in the equity of the purchasing business segment.
 (c) Assuming dilution.

Trading environment indicators

Fourth Quarter 2006		First Quarter		% Ch.
		2006	2007	
59.68	Average price of Brent dated crude oil ^(a)	61.75	57.75	(6.5)
1.290	Average EUR/USD exchange rate ^(b)	1.202	1.310	9.0
46.26	Average price in euro of Brent dated crude oil	51.37	44.08	(14.2)
2.18	Average European refining margin ^(c)	2.95	3.06	3.7
1.69	Margin Average European refining margin in euro	2.45	2.34	(4.5)
3.6	Euribor - three month rate (%)	2.6	3.8	46.2
5.3	Libor - three month dollar rate (%)	4.7	5.3	12.8

(a) In USD dollars per barrel. Source: Platt's Oilgram.

(b) Source: ECB.

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

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Eni's net profit for the first quarter of 2007 was euro 2,588 million, down euro 386 million from the first quarter of 2006, or 13%, due primarily to a lower operating performance (down euro 490 million, or 8.8%) as a result of a decline in the Exploration & Production division, partially offset by a positive performance delivered by Eni's downstream and the Engineering & Construction businesses. This reduction in net profit was also due to higher net financial expenses mainly owing to losses on the fair value evaluation of certain financial derivative instruments.

Eni's adjusted net profit amounted to euro 2,680 million, down 9.3% from the first quarter 2006. Adjusted net profit is arrived at by excluding an inventory holding loss of euro 97 million and special income of euro 5 million net.

Divisional performance

The decline in the Group adjusted net profit was owed to the reduction of adjusted net profit registered in the **Exploration & Production** division (down euro 686 million or 32.7%), due to a weaker operating performance (down euro 1,119 million or 26.3%) which was adversely impacted by the appreciation of the euro over the dollar (9.0%), a decline in production sold (down 9.5 mmb/d), lower oil realizations in dollars (oil down 3.3%), and higher exploration expenses.

The decline in the adjusted net profit of the Exploration & Production division was partly offset by a higher adjusted net profit reported in the divisions:

- **Gas & Power** (up euro 280 million or 31.9%), as a result of an improved operating performance (up euro 480 million or 40%) reflecting higher natural gas selling margins supported by a favourable trading environment relating particularly to trends in the euro vs. the dollar exchange rate. The division's performance also benefited from positive developments in Italy's regulatory framework. These positives were partly offset by lower natural gas sales (down 2.87 bcm or 10.4%), impacted by lower European gas demand due to the unusually mild weather conditions registered in the first quarter 2007;
- **Refining & Marketing** (up euro 27 million or 31.4%), reflecting an improved refining performance boosted by higher processed volumes and better yields, also in light of lower maintenance shutdowns;
- **Petrochemicals** (up euro 63 million, or 393.8%), due to an improved operating performance (up euro 99 million) reflecting a recovery in product selling margins;
- **Engineering & Construction** (up euro 58 million, or 66.7%), reflecting an improved operating performance (up euro 98 million) against the backdrop of favourable demand trends in oilfield services.

Net borrowings and cash flow

Net borrowings as of March 31, 2007 amounted to euro 3,852 million, decreasing by euro 2,915 million from December 31, 2006. **Net cash provided by operating activities** totalled euro 5,563 million. Main cash outflows related to: (i) capital expenditure totalling euro 2,013 million; (ii) the repurchase of own shares for euro 203 million by Eni SpA and euro 242 million by Snam Rete Gas SpA.

Leverage, the ratio of net borrowings to shareholders' equity including minority interest decreased to 0.09, from 0.16 at December 31, 2006.

Repurchase of own shares

From January 1 to March 31, 2007 a total of 8.52 million own shares were purchased by the company for a total amount of euro 203 million (representing an average cost of euro 23.847 per share). Since the inception of the share buy-back programme (September 1, 2000), Eni has repurchased 344 million shares, equal to 8.58% of outstanding capital stock, at a total cost of euro 5,716 million (representing an average cost of euro 16.638 per share).

Capital expenditure

Capital expenditure in the first quarter of 2007 amounted to euro 2,013 million (euro 1,340 million in the first quarter 2006) and related mainly to:

- Development activities (euro 909 million) deployed mainly in Kazakhstan, Egypt, Angola, Italy and Congo and exploration projects (euro 373 million) of which 91% was spent outside Italy, primarily in Norway, Nigeria, Egypt and the United States. In Italy exploration activity related primarily to projects off the coast of Sicily;
- upgrading of natural gas import pipelines to Italy and the development and maintenance of Eni's natural gas transport network in Italy (for an overall amount of euro 144 million).

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- Ongoing construction of combined cycle power plants (euro 47 million);
- Projects aimed at improving flexibility and yields of refineries, including the construction of a new hydrocracking unit at the Sannazzaro refinery (euro 104 million), building of new service stations and upgrading of existing ones (euro 30 million);
- Upgrading of the fleet used in the Engineering & Construction division (euro 227 million).

Post closing events

Upstream asset acquisition in the Gulf of Mexico

On April 30, 2007 Eni agreed to acquire the Gulf of Mexico upstream activity of Dominion, one of the major American energy companies listed on the New York stock exchange at the agreed price equal to US \$4,757 million, inclusive of exploration assets for US \$680 million.

The transaction, includes production, development and exploration assets located in deepwater Gulf of Mexico. The acquisition will increase Eni's equity production in the Gulf of Mexico from the current 36,000 boepd to more than 110,000 boepd in the second half of 2007 and the proved and probable equity reserves by 222 million boe, at an implied cost per barrel of US \$18.4. From 2007-2010 production from the acquired assets is expected to average more than 75,000 boepd.

In addition, Eni will further enhance its portfolio in the Gulf of Mexico thanks to new leases with significant exploration potential; approximately 60% of these leases are operated.

The transaction is subject to government approvals, 30-days notice to holders of certain preferential rights to purchase (which apply to less than 5% of total reserves), and to other customary precedent conditions. Final agreement is anticipated to take place on July 2, 2007.

Yukos asset acquisition

On April 4, 2007 Eni, through its partnership in EniNeftegaz (60% Eni, 40% Enel SpA) acquired Lot 2 in the Yukos liquidation procedure for a total price of \$5.83 billion. Lot 2 includes:

- 100% of OAO Arctic Gas Co
- 100% of ZAO Urengoil Inc
- 100% of OAO Neftegaztehnologia.

These three companies own 5 oil and gas fields and condensate fields and parts of 3 others in the Yamal Nenets (YNAO) region, the world's largest gas producing region. Together they have large oil and gas reserves.

Eni and Enel have offered Gazprom an option to acquire 51% participation interest in these assets within two years. In the event that Gazprom exercises its call option, the assets will be operated through a joint venture between Eni and Gazprom which will have access to Eni's most advanced technologies.

Lot 2 also includes:

- various minor assets that will be sold or liquidated and
- 20% of OAO Gazprom Neft which will be wholly owned by Eni.

Eni offered Gazprom an option to acquire 20% participation interest in OAO Gazprom Neft within two years, at a total price of \$3.7 billion, in addition to financial expenses relating to the acquisition. These agreements are an additional step in implementing the Strategic Partnership between Eni and Gazprom signed in November 2006, under which the two companies established an alliance to develop upstream, midstream and downstream energy projects inside and outside of Russia.

Acquisition of the retail station network in Czechia, Slovakia and Hungary

On April 27, 2007 Eni and ExxonMobil Central Europe Holding GmbH signed an agreement for the sale of shares of

Esso spol sro (Esso Czechia), Esso Slovensko spol sro (Esso Slovakia) and ExxonMobil Hungary Kft to Eni. The agreement, subject to the approval by relevant authorities, includes ExxonMobil's retail station network in the three countries, totalling 102 stations and its aviation business at the Prague and Bratislava airports. Additionally, the lubricants business conducted in these countries by ExxonMobil Petroleum and Chemical, BVBA, Brussels, is included in the transaction.

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Acquisition of 70%, including operatorship, of the Nikaitchuq Field in Alaska

On April 11, 2007 Eni acquired 70% and the operatorship of the Nikaitchuq Field, located on and offshore in the North Slope of Alaska. Eni, which already owned a 30% stake in the field, now retains the 100% working interest. Eni acquired the additional interest and operatorship as the result of an agreement with Kerr-McGee Oil and Gas Corporation, a wholly owned subsidiary of Anadarko Petroleum Corporation.

Nikaitchuq would be the first development project operated by Eni in Alaska. Successful appraisal drilling has been completed, confirming the potential viability of the development project. Plans for a phased development are currently being evaluated with the target of sanctioning the project by year end, and first oil to flow by the end of 2009. The Nikaitchuq project comprises the drilling of approximately 80 wells, out of which 32 are located onshore and the remaining from an offshore artificial island. All wells will then be tied back to a production facility located at Oliktok Point to reach a production of 40,000 b/d. Total investment will amount to approximately \$900 million.

Memorandum of Understanding for the acquisition of an interest in Angola LNG Ltd

On April 2, 2007 Eni and Sonangol signed a Memorandum of Understanding for the acquisition of a 13.6% stake in Angola LNG Limited Consortium (A-LNG). This company is responsible for the construction of an LNG plant in Soyo, 300 km north Luanda, with a yearly capacity of 5 million tonnes.

Upon completion of this agreement, Angola LNG Limited's shareholding structure will be as follows: Sonangol 22.8%, Chevron 36.4%, Eni 13.6%, Total 13.6% and BP 13.6%.

The project, for a total investment of approximately \$4 billion, has been approved by the Angolan Government and Parliament. It envisages, for 28 years, the development of 220 billion cubic meters of gas, the production of 128 million tons of LNG, 104 million barrels of condensate and 257 million barrels of LPG.

LNG will be directed to the United States market and will be delivered to the re-gasification plant of Pascagoula, in the Gulf of Mexico, in which Eni, following this agreement, will acquire re-gasification capacity of 5 billion cubic meters per year.

Other information

The Board also approved the merger into the parent company of Eni's wholly-owned subsidiaries AgipFuel, Napoletana Gas Clienti and Siciliana Gas. The relevant merger proposals were approved by the Board on March 29, 2007.

Financial and operating information by division for the first quarter 2007 is provided in the following pages.

Table of Contents**Exploration & Production**

Fourth Quarter 2006			2006	First Quarter 2007	% Ch.
	Results (million euro)				
6,152	Net sales from operations		7,412	6,361	(14.2)
3,141	Operating profit		4,308	3,132	(27.3)
54	Exclusion of special items:		(57)		
51	- <i>asset impairments</i>				
(7)	- <i>gains on disposal of assets</i>		(57)		
10	- <i>provision for redundancy incentives</i>				
3,195	Adjusted operating profit		4,251	3,132	(26.3)
(22)	Net financial incomes (expenses) ^(a)		(17)	(35)	
(18)	Net income (expenses) from investments ^(a)		10	10	
(1,851)	Income taxes ^(a)		(2,149)	(1,698)	
58.7	<i>Tax rate</i>	(%)	50.6	54.7	
1,304	Adjusted net profit		2,095	1,409	(32.7)
	Results also include:				
1,418	- <i>amortisations and depreciations</i>		1,095	1,240	13.2
419	- <i>of which amortisations of exploration expenditure</i>		187	375	..
1,937	Capital expenditure		961	1,366	42.1
	Production ^{(b) (c)}				
1,079	Liquids ^(d)	(kbbbl/d)	1,143	1,030	(9.9)
4,132	Natural gas	(mmcf/d)	3,920	4,061	3.6
1,796	Total hydrocarbons	(kboe/d)	1,827	1,734	(5.1)
	Average realisations				
54.85	Liquids ^(d)	(\$/bbl)	56.27	54.39	(3.3)
5.39	Natural gas	(\$/mmcf)	5.23	2.30	1.3
45.53	Total hydrocarbons	(\$/boe)	46.71	45.12	(3.40)
	Average oil market prices				
59.68	Brent dated	(\$/bbl)	61.75	57.75	(6.5)
46.26	Brent dated	(euro/bbl)	51.37	44.08	(14.2)
59.94	West Texas Intermediate	(\$/bbl)	63.29	57.99	(8.4)
235.20	Gas Henry Hub	(\$/kcm)	271.90	266.60	(1.9)

(a) Excluding special items.

(b) Supplementary operating data is provided on page 26.

(c) Includes Eni's share of production of equity-accounted entities.

(d) Includes condensates.

Adjusted operating profit for the first quarter 2007 was euro 3,132 million, a decrease of euro 1,119 million from the first quarter 2006, or 26.3%), due primarily to:

- An adverse impact of approximately euro 300 million resulting from the appreciation of the euro versus the dollar.
- A lower production sold, which was down 9.5 mmboe.
- Lower oil realisations in dollars (down 3.3%), partly offset by slightly higher gas prices (up 1.3%).
- Higher expenses incurred in connection with exploratory activity (euro 188 million; euro 218 on a constant exchange rate basis).
- Higher production costs and amortisation/depreciation charges which also reflects the impacts of sector-specific inflation.

The **adjusted net profit** was euro 1,409 million, down euro 686 million from the first quarter of 2006. This result was impacted by a weaker operating performance and a higher tax rate (increased from 50.6% to 54.7%), primarily due to the Algerian windfall tax on upstream earnings effective August 1, 2006 and the supplemental tax rate applicable to profit earned in North Sea operations as enacted by the British Government in July 2006.

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Oil and natural gas production in the first quarter of 2007 averaged 1,734 kboe/d, a decrease of 93 kboe/d from the same period of the previous year (down 5.1%). This reduction was due primarily to the unilateral cancellation of the Dación field service contract by the Venezuelan state company PDVSA with effect from April 1, 2006 (down 60 kboe/d) and social unrest in Nigeria. Factoring in these effects, oil and natural gas production level was in line with the first quarter 2006. Production increases were achieved mainly in Libya, Kazakhstan and the Gulf of Mexico offsetting mature field declines in Italy and facility shutdowns.

Daily production of oil and condensates (1,030 kbbl) decreased by 113 kbbl, or 9.9% from the first quarter of 2006. Production decreases were reported mainly in Venezuela and Nigeria due to the above mentioned causes and in the United Kingdom due to a technical problem in the Elgin/Franklin field (Eni's interest 21.87%) and ordinary maintenance shutdowns at other facilities. In Italy a few technical problems occurred at the FPSO operating the Aquila field. Significant increases were registered in Kazakhstan, and the United States.

Daily production of natural gas for the first quarter (4,061 mmcf/d) increased by 141 mmcf/d, or 3.6%, mainly as a result of the build-up of the Bahr Essalam field offshore Libya, full operations at train fifth at Bonny LNG plant in Nigeria, a better performance of Norway's largest fields, and full production of Bayu Undan gas field offshore Australia. Gas production in Italy decreased due to mature field declines.

Table of Contents**Gas & Power**

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
Results (million euro)				
8,170	Net sales from operations	9,134	8,543	(6.5)
1,303	Operating profit	1,199	1,641	36.9
(41)	Exclusion of inventory holding (gains) losses	(30)	40	
7	Exclusion of special items:	34	2	
	of which:			
	Non-recurring items			
7	Other special items	34	2	
2	- <i>environmental provisions</i>	20		
15	- <i>provisions for redundancy incentives</i>	14	2	
(10)	- <i>other</i>			
1,269	Adjusted operating profit	1,203	1,683	39.9
832	Market and Distribution	705	1,177	67.0
286	Transport in Italy	305	286	(6.2)
144	Transport outside Italy	154	163	5.8
7	Power generation ^(a)	39	57	46.2
(1)	Net financial incomes (expenses) ^(b)	6	3	
97	Net income (expenses) from investments ^(b)	137	115	
(492)	Income taxes ^(b)	(467)	(642)	
36.0	<i>Tax rate</i>	(%) 34.7	35.6	
873	Adjusted net profit	879	1,159	31.9
453	Capital expenditure	151	221	46.4
Natural gas sales (bcm)				
14.09	Italy to third parties ^(*)	17.47	15.41	(11.8)
1.55	Own consumption ^(*)	1.47	1.39	(5.4)
8.14	Rest of Europe ^(*)	8.57	7.90	(7.8)
0.12	Outside Europe	0.16	0.10	(37.5)
23.90	Sales to third parties and own consumption of consolidated companies	27.67	24.80	(10.4)
1.97	Sales of Eni's affiliates (net to Eni)	2.41	2.27	(5.8)
0.01	Italy ^(*)	0.01	0.01	
1.83	Rest of Europe ^(*)	2.33	2.10	(9.9)
0.13	Outside Europe	0.07	0.16	..
25.87	Total sales and own consumption (G&P)	30.08	27.07	(10.0)
1.06	Upstream in Europe	1.12	1.07	(4.5)
26.93	Worldwide sales	31.20	28.14	(9.8)
26.68	Total sales in Europe	30.97	27.88	(10.0)
Gas volumes transported in Italy (bcm)				
22.45	Gas volumes transported in Italy	24.89	23.51	(5.5)
14.97	Eni	16.12	15.55	(3.5)
7.48	On behalf of third parties	8.77	7.96	(9.2)

7.79	Electricity sold	(TWh)	7.73	7.61	(1.6)
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(a) Starting on January 1, 2007, results from marketing of electricity have been included in results from market and distribution activities following an internal reorganization. As a consequence of this, electricity generation activity conducted by EniPower subsidiary comprises only results from production of electricity. Prior quarter results have not been restated.

(b) Excluding special items.

(*) Market segments with asterisk merge into "Total sales in Europe".

The **adjusted operating profit** of the Gas & Power division totalled euro 1,683 million, up euro 480 million or 39.9% from the first quarter of 2006, reflecting primarily:

- Increased natural gas selling margins owing to a favourable trading environment relating particularly to trends in the euro vs. the dollar exchange rate.

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- A favourable evolution of the regulatory framework in Italy. This reflected the enactment of Resolution No. 79/2007 by the Authority for electricity and Gas implementing a new setup of the indexation mechanism of the raw material cost component in supplies to residential and commercial users related to the period from January 1, 2005 to June 30, 2006. Following this, Eni has partially or totally reversed provisions accrued in the accounts for 2005 and the first half of 2006¹.
- Higher purchase costs were incurred in the first quarter of 2006 as a result of a climatic emergency during the 2005-2006 winter.

These positives were partly offset by a decline in natural gas sales (down 2.87 bcm, or 10.4%), a result of lower European gas demand because of the unusually mild weather conditions of the first quarter 2007, partly offset by a growth in sales in certain target markets in the rest of Europe. Lower gas demand negatively affected the operating performance of transport activities in Italy and volumes distributed on low pressure networks. Sales volumes of electricity decreased by 0.12 TWh, or 1.6%.

Special charges for the quarter referred to redundancy incentives (euro 2 million).

The **adjusted net profit** was euro 1,159 million, up euro 280 million, or 31.9%, reflecting the increased adjusted operating profit.

Eni's **worldwide natural gas sales** for the first quarter of 2007 amounted to 28.14 bcm, including own consumption and sales by affiliates and upstream sales in Europe, with a decrease of 3.06 bcm from the first quarter of 2006, or 9.8%. This decline was impacted by lower seasonal gas sales due to unusually mild winter time.

In an increasingly competitive market, sales in the Italian market were 15.41 bcm with a decrease of 2.06 bcm, or 11.8%. All market segments posted sale volumes declines from the first quarter of 2006:

- Sales to residential users were down by 0.71 bcm.
- Sales to industrial users were down by 0.47 bcm.
- Sales to wholesaler users were down by 0.44 bcm.
- Sales to thermoelectric users were down by 0.34 bcm.

Gas sales in the Rest of Europe were 7.9 bcm with a decrease of 0.67 bcm, or 7.8%, due to:

- Lower sales under long-term supply contracts to Italian importers (down 0.75 bcm), despite the full production of natural gas from the Libyan fields.
- Lower sales in the Hungarian market (down 0.49 bcm).

These decreases were partly offset by increases in the supplies to the Turkish (up 0.34 bcm) and Spanish (up 0.18 bcm) markets.

(1) For more details on Resolution No. 79/2007 see the Report on the First Quarter of 2007 - Operating Review - Gas & Power published with this press release.

Table of Contents**Refining & Marketing**

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
Results (million euro)				
8,579	Net sales from operations	9,280	7,943	(14.4)
(386)	Operating profit	89	(10)	..
386	Exclusion of inventory holding (gains) losses	(47)	112	
148	Exclusion of special items:	47	18	
	of which:			
109	Non-recurring items			
39	Other special items	47	18	
13	- <i>asset impairments</i>			
27	- <i>environmental provisions</i>	44	17	
30	- <i>provisions for redundancy incentives</i>	5	1	
4	- <i>provision to the reserve for contingencies</i>	1		
(35)	- <i>other</i>	(3)		
148	Adjusted operating profit	89	120	34.8
	Net financial incomes (expenses) ^(a)			
31	Net income (expenses) from investments ^(a)	47	51	8.5
(64)	Income taxes ^(a)	(50)	(58)	16.0
35.8	Tax rate (%)	36.8	33.9	
115	Adjusted net profit	86	113	31.4
272	Capital expenditure	95	134	41.1
Global indicator refining margin				
2.18	Brent (\$/bbl)	2.95	3.06	3.7
1.69	Brent (euro/bbl)	2.45	2.34	(4.5)
4.87	Ural (\$/bbl)	5.76	6.07	5.4
Refining throughputs and sales (mmtonnes)				
9.05	Refining throughputs on own account Italy	7.49	7.86	4.9
1.20	Refining throughputs on own account Rest of Europe	1.12	1.14	1.8
7.36	Refining throughputs of wholly-owned refineries	5.86	6.67	13.8
100	Utilization rate of balanced capacity (%)	100	100	
2.16	Retail sales Italy	2.06	1.98	(3.9)
0.97	Retail sales rest of Europe	0.87	0.90	3.4
3.13	Sub-total retail sales	2.93	2.88	(1.7)
2.93	Wholesale Italy	2.94	2.61	(11.2)
1.06	Wholesale Rest of Europe	1.03	1.05	1.9
0.10	Wholesale Rest of World	0.10	0.13	30.0
5.96	Other sales	5.32	5.67	6.6
13.18	Sales	12.32	12.34	0.2
Refined product sales by region (mmtonnes)				
7.71	Italy	7.55	7.30	(3.3)

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2.03	Rest of Europe	1.90	1.95	2.6
3.44	Rest of World	2.87	3.09	7.7

(a) Excluding special items.

The Refining & Marketing division reported an adjusted operating profit of euro 120 million, representing an increase of euro 31 million from the first quarter of 2006, or 34.8%. This increase reflected primarily a better operating performance delivered by the refining activity, which was boosted by higher processed volumes and better yields also in light of lower maintenance shutdowns. The benefit of higher refining margins (margins on the Brent crude oil were up 0.11 dollar/bbl, or 3.7%) was more than offset by the negative impact of the

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euro appreciation over the dollar. Marketing activities in Italy reported a lower operating profit due mainly to lower retail margins and a decline in wholesale volumes as a consequence of lower heating oil demand in Italy particularly in the thermoelectric sector caused by a relatively mild winter weather.

The **adjusted net profit** was euro 113 million, up euro 27 million, or 31.4%, due to the improved operating performance.

Special charges excluded from the adjusted operating profit for the first quarter 2007 were euro 18 million, reflecting environmental provisions and provisions for redundancy incentives.

Refining throughputs on Eni s own account increased by 390 ktonnes from the first quarter of 2006, to 9 mtonnes, or 4.5%. This increase was due to lower maintenance shutdowns in Livorno and Venice refineries, partly offset by expiration of a processing contract at the Priolo refinery owned by a third party and lower throughputs at the Gela and Taranto refineries due to planned maintenance shutdowns.

The wholly-owned refineries throughputs increased by 0.81 mtonnes from the first quarter of 2006, to 6.67 mtonnes, or 13.8%, mainly in the Livorno, Taranto and Venice refineries. The wholly-owned refinery utilisation rate was 100% based on the utilisation rates of refinery balanced capacity.

Sales of refined products increased by 20 ktonnes from the first quarter of 2006, to 12.34 mtonnes, or 0.2%, due to: (i) higher volumes sold to oil companies and traders in Italy, partly offset by lower volumes sold to the petrochemical sector reflecting expiration of a processing contract at the Priolo refinery (overall up 350 ktonnes); and (ii) higher sales on both the retail and wholesale markets in the Rest of Europe (up 50 ktonnes). These positives were partly offset by a decline in both the retail and wholesale markets in Italy (down 410 ktonnes) due to the impact of milder weather in the first quarter 2007 and competitive pressure.

Sales of refined products on the retail market in Italy decreased by 80 ktonnes from the first quarter of 2006, to 1.98 mtonnes, or 3.9%, primarily due to competitive pressure and lower demand.

Sales in the retail market in the Rest of Europe increased by 30 ktonnes from the first quarter of 2006, to 0.9 mtonnes, or 3.4%, mainly in Spain.

Sales in the wholesale market in Italy decreased by 330 ktonnes from the first quarter of 2006, to 2.61 mtonnes, or 11.2%, due to lower demand for heating products particularly from the thermoelectric sector caused by unusually milder weather.

Sales on the wholesale market in the Rest of Europe increased by 20 ktonnes, to 1.05 mtonnes, or 1.9%, primarily reflecting the increase in sales in the Czech Republic.

Table of Contents**Summarized group profit and loss account**

(million euro)

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
21,416	Net sales from operations	23,584	21,913	(7.1)
302	Other income and revenues	209	281	34.4
(15,874)	Operating expenses	(16,739)	(15,462)	7.6
(184)	<i>of which non recurring items</i>			
(1,887)	Depreciation, amortisation and impairments	(1,459)	(1,627)	(11.5)
3,957	Operating profit	5,595	5,105	(8.8)
52	Net financial income (expense)	42	(133)	..
157	Net income from investments	240	202	(15.8)
4,166	Profit before income taxes	5,877	5,174	(12.0)
(2,468)	Income taxes	(2,747)	(2,431)	11.5
59.2	<i>Tax rate (%)</i>	46.7	47.0	..
1,698	Net profit	3,130	2,743	(12.4)
	pertaining to:			
1,520	- Eni	2,974	2,588	(13.0)
178	- minority interest	156	155	(0.6)
1,520	Net profit pertaining to Eni	2,974	2,588	(13.0)
213	Exclusion of inventory holding (gain) loss	(59)	97	
622	Exclusion of special items:	39	(5)	
	<i>of which:</i>			
184	- <i>non-recurring items</i>			
438	- <i>other special items</i>	39	(5)	
2,355	Eni's adjusted net profit ⁽¹⁾	2,954	2,680	(9.3)

(1) Adjusted operating profit and net profit are before inventory holding gains or losses and special items. For an explanation of these measure and reconciliation of adjusted operating profit and net profit to reported operating profit and net profit see below.

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NON-GAAP Measures

Reconciliation of reported operating profit and net profit to results on an adjusted basis

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, finance charges on finance debt, interest income, charges or income deriving from the fair value evaluation of derivative financial instruments held for trading purposes, and exchange rate differences are excluded when determining adjusted net profit of each business segment.

The taxation effect of such items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item, with the exception for finance charges or income, to which the Italian statutory tax rate of 33% is applied.

Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them in order to facilitate a comparison of base business performance across periods and allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

The following is a description of items which are excluded from the calculation of adjusted results.

Inventory holding gain or loss is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold calculated using the weighted average cost method of inventory accounting.

Special items include certain relevant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; or (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non recurring material income or charges are to be clearly reported in the management's discussion and financial tables.

Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. In addition gains or losses on the fair value evaluation of derivative financial instruments held for trading purposes and exchange rate differences are excluded from the adjusted net profit of business segments. Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment-operated assets, i.e., interest income on certain receivable financing and securities related to operations and finance charge pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration & Production division).

Finance charges or interest income and related taxation effects excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

For a reconciliation of adjusted operating profit and adjusted net profit to reported operating profit and reported net profit see tables below.

Table of Contents**First Quarter 2007**

	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group	
(million euro)										
Reported operating profit		3,132	1,641	(10)	115	176	(16)	(38)	105	5,105
Exclusion of inventory holding (gains) losses			40	112	3					155
Exclusion of special items:										
<i>of which:</i>										
Non-recurring (income) charges										
Other special (income) charges:			2	18	4		(34)	3		(7)
environmental charges				17						17
asset impairments							3			3
provision for redundancy incentives			2	1	4			3		10
other							(37)			(37)
Special items of operating profit			2	18	4		(34)	3		(7)
Adjusted operating profit		3,132	1,683	120	122	176	(50)	(35)	105	5,253
Net financial (expense) income (*)		(35)	3					(101)		(133)
Net income from investments (*)		10	115	51		26				202
Income taxes (*)		(1,698)	(642)	(58)	(43)	(57)		50	(39)	(2,487)
<i>Tax rate (%)</i>		<i>54.7</i>	<i>35.6</i>	<i>33.9</i>						<i>46.7</i>
Adjusted net profit		1,409	1,159	113	79	145	(50)	(86)	66	2,835
<i>of which:</i>										
- net profit of minorities										155
- Eni's adjusted net profit										2,680
Eni's reported net profit										2,588
Exclusion of inventory holding (gains) losses										97
Exclusion of special items										(5)
- non-recurring (income) charges										
- other special (income) charges										(5)
Eni's adjusted net profit										2,680

(*) Excluding special items.

Table of Contents**First Quarter 2006**

	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group	
(million euro)										
Reported operating profit		4,308	1,199	89	39	78	(65)	(51)	(2)	5,595
Exclusion of inventory holding (gains) losses			(30)	(47)	(17)					(94)
Exclusion of special items										
<i>of which:</i>										
Non-recurring (income) charges										
Other special (income) charges:		(57)	34	47	1		2	5		32
environmental charges			20	44						64
asset impairments							3			3
gains on disposal of assets		(57)								(57)
provisions to the reserve for contingencies				1	2					3
provision for redundancy incentives			14	5				5		24
other				(3)	(1)		(1)			(5)
Special items of operating profit		(57)	34	47	1		2	5		32
Adjusted operating profit		4,251	1,203	89	23	78	(63)	(46)	(2)	5,533
Net financial (expense) income (*)		(17)	6					53		42
Net income from investments (*)		10	137	47		41	5			240
Income taxes (*)		(2,149)	(467)	(50)	(7)	(32)		(1)	1	(2,705)
<i>Tax rate (%)</i>		<i>50.6</i>	<i>34.7</i>	<i>36.8</i>						<i>46.5</i>
Adjusted net profit		2,095	879	86	16	87	(58)	6	(1)	3,110
<i>of which:</i>										
- net profit of minorities										156
- Eni's adjusted net profit										2,954
Eni's reported net profit										2,974
Exclusion of inventory holding (gains) losses										(59)
Exclusion of special items										39
- <i>non-recurring (income) charges</i>										
- <i>other special (income) charges</i>										39
Eni's adjusted net profit										2,954

(*) Excluding special items.

Table of Contents**Fourth Quarter 2006**

	E&P	G&P	R&M	Petrochemicals	Engineering & Construction	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group	
<i>(million euro)</i>										
Reported operating profit		3,141	1,303	(386)	72	149	(221)	(89)	(12)	3,957
Exclusion of inventory holding (gains) losses			(41)	386	(4)					341
Exclusion of special items										
<i>of which:</i>										
Non-recurring (income) charges				109	13		62			184
Other special (income) charges:		54	7	39	73	3	82	36		294
environmental charges			2	27			62	11		102
asset impairments		51		13	50	1	12			127
gains on disposal of assets		(7)								(7)
provisions to the reserve for contingencies				4	11					15
provision for redundancy incentives		10	15	30	14	2	1	29		101
other			(10)	(35)	(2)		7	(4)		(44)
Special items of operating profit		54	7	148	86	3	144	36		478
Adjusted operating profit		3,195	1,269	148	154	152	(77)	(53)	(12)	4,776
Net financial (expense) income ^(*)		(22)	(1)				(7)	87		57
Net income from investments ^(*)		(18)	97	31	1	47	(1)	1		158
Income taxes ^(*)		(1,851)	(492)	(64)	(14)	(68)		22	9	(2,458)
<i>Tax rate (%)</i>		<i>58.7</i>	<i>36.0</i>	<i>35.8</i>						<i>49.2</i>
Adjusted net profit		1,304	873	115	141	131	(85)	57	(3)	2,533
<i>of which:</i>										
- net profit of minorities										178
- Eni's adjusted net profit										2,355
Eni's reported net profit										1,520
Exclusion of inventory holding (gains) losses										213
Exclusion of special items										622
- <i>non-recurring (income) charges</i>										<i>184</i>
- <i>other special (income) charges</i>										<i>438</i>
Eni's adjusted net profit										2,355

(*) Excluding special items.

Table of Contents**Analysis of special items**

(million euro)

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
184	Non-recurring (income) charges			
294	Other special charges:	32	(7)	(39)
102	environmental charges	64	17	(47)
127	asset impairments	3	3	
(7)	gains on disposal of assets	(57)		57
15	provisions to the reserve for contingencies	3		(3)
101	provision for redundancy incentives	24	10	(14)
(44)	other	(5)	(37)	(32)
478	Special items of operating profit	32	(7)	(39)
5	Net financial (expense) income			
1	Net income from investments			
	<i>of which:</i>			
(73)	<i>gain on Galp Energia SGPS SA (disposal of gas assets to Rede Electrica Nacional)</i>			
138	Income taxes	7	2	(5)
	<i>of which:</i>			
179	<i>wind-fall tax Algeria</i>			
2	<i>legal proceeding in Venezuela</i>	38		(38)
622	Total special items of net profit	39	(5)	(44)

Adjusted net profit by division

(million euro)

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
3,195	Exploration & Production	4,251	3,132	(26.3)
1,269	Gas & Power	1,203	1,683	39.9
148	Refining & Marketing	89	120	34.8
154	Petrochemicals	23	122	430.4
152	Engineering & Construction	78	176	125.6
(77)	Other activities	(63)	(50)	(20.6)
(53)	Corporate and financial companies	(46)	(35)	(23.9)
(12)	Impact of unrealized profit in inventory	(2)	105	

<u>4,776</u>		<u>5,533</u>	<u>5,253</u>	<u>(5.1)</u>
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Table of Contents**Summarized Group balance sheet ^(a)**

Summarized group balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing. Management believes that this Summarized group balance sheet is useful information in assisting investors to assess Eni's capital structure and to analyse its sources of funds and investments in fixed assets and working capital. Management uses the Summarized group balance sheet to calculate key ratios such as return on capital employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Eni's financing structure is sound and well-balanced.

(million euro)

	Dec. 31, 2006	Mar. 31, 2007	Change
Fixed assets			
Property, plant and equipment, net	44,312	44,435	123
Other tangible assets	629	622	(7)
Inventories - compulsory stock	1,827	1,711	(116)
Intangible assets, net	3,753	3,885	1321
Investments, net	4,246	4,373	127
Accounts receivable financing and securities related to operations	557	515	(42)
Net accounts payable in relation to capital expenditure	(1,090)	(897)	193
	54,234	54,644	410
Net working capital			
Inventories	4,752	4,888	136
Trade accounts receivable	15,230	15,006	(224)
Trade accounts payable	(10,528)	(9,692)	836
Taxes payable and reserve for net deferred income tax liabilities	(5,396)	(7,306)	(1,910)
Reserve for contingencies	(8,614)	(8,335)	279
Other operating assets and liabilities ^(b)	641	(1,230)	(589)
	(5,197)	(6,669)	(1,472)
Employee termination indemnities and other benefits	(1,071)	(1,032)	39
Capital employed, net	47,966	46,943	(1,023)
Shareholders' equity including minority interests	41,199	43,091	1,892
Net borrowings	6,767	3,852	(2,915)
Total liabilities and shareholders' equity	47,966	46,943	(1,023)

(a) For a reconciliation to the statutory balance sheet see paragraph "Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to statutory schemes" pages 77-78 in Eni's Annual Report 2006.

(b) Include operating financing receivables and securities related to operations for euro 220 million (euro 249 million at December 31, 2006) and securities covering technical reserves of Eni's insurance activities for euro 451 million (euro 417 million at December 31, 2006). Other current liabilities net increased by euro 589 million compared with December 31, 2006. This increase was due to a euro 575 million loss recognized on the fair value evaluation of certain

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financial derivatives instruments. The Group entered into such transactions in order to hedge cash flow expected in the 2008-2011 period from the sale of approximately 2% of Eni's proved hydrocarbon reserves as of 2006 year-end in connection with its purchase of certain oil producing assets and proved and unproved property onshore Congo and in the Gulf of Mexico finalized in February and April 2007, respectively. In light of this, Eni put in place certain forward sale contracts at a fixed price and call and put options with the same date of exercise. These options can be exercised in presence of crude oil market prices higher or lower compared with contractual prices. Gain and losses relating to these cash flow hedges are taken to reserves. This treatment does not apply to the time value component arising from market price fluctuations within the range provided by these call and put options which is recognized in the profit and loss account under the item net financial expenses because the hedging relationship is ineffective.

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Table of Contents**Leverage and net borrowings**

Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt and shareholders equity, including minority interests. Management makes use of leverage in order to assess the soundness and efficiency of the Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards. In the medium term, management plans to maintain a strong financial structure targeting a level of leverage up to 0.40.

(million euro)

	Dec. 31, 2006	Mar. 31, 2007	Change
Total debt	11,699	16,470	4,771
- Short term debt	4,290	9,670	5,380
- Long term debt	7,409	6,800	(609)
Cash and cash equivalents	(3,985)	(6,670)	(2,738)
Securities not related to operations	(552)	(270)	282
Non-operating financing receivables ^(a)	(395)	(5,625)	(5,230)
Net borrowings	6,767	3,852	(2,915)
Shareholders' equity including minority interest	41,199	43,091	1,892
Leverage	0.16	0.09	(0.07)

(a) The increase of euro 5,230 million is mainly referred to the need to collect the necessary funds to participate in a bid to purchase ex-Yukos gas assets.

Changes in shareholders' equity

(million euro)

Shareholders' equity at December 31, 2006	41,199
Net profit for the period	2,743
Reserve for cash flow hedges	(301)
Shares repurchased	(203)
Issue of ordinary share capital for employee share incentive schemes	8
Dividends paid by consolidated subsidiaries to shareholders	(3)
Effect on equity of the shares repurchased by consolidated subsidiaries (Snam Rete Gas/Saipem)	(140)
Exchange differences from translation of financial statements denominated in currencies other than the euro	(223)
Other changes	11
Total changes	1,892
Shareholders' equity at March 31, 2007	43,091

Table of Contents**ROACE (Return On Average Capital Employed)**

Return on Average Capital Employed for the Group, on an adjusted basis is the return on Group average capital invested, calculated as the ratio between net adjusted profit before minority interests, plus net finance charges on net borrowings, less the related tax effect and net average capital employed. The tax rate applied on finance charges is the Italian statutory tax rate of 33%. The capital invested as of period-end used for the calculation of net average capital invested is obtained by deducting inventory gains or losses as of the period, rectified from the related tax effect. ROACE by business segment is determined as the ratio between adjusted net profit and net average capital invested pertaining to each business segment and rectifying the net capital invested as of period-end, from net inventory gains or losses (after applying the business segment specific tax rate).

(million euro)

Calculated on a 12-month period ending on March 31, 2007	E&P	G&P	R&M	Group
Adjusted net profit	6,593	3,142	656	10,743
Exclusion of after-tax finance expenses/interest income				50
Adjusted net profit unlevered	6,593	3,142	656	10,793
Capital employed, net				
- at the beginning of period	19,702	17,656	5,556	47,843
- at the end of period	17,143	18,985	5,830	47,132
Average capital employed, net	18,423	18,321	5,693	47,488
ROACE adjusted (%)	35.8	17.2	11.5	22.7

(million euro)

Calculated on a 12-month period ending on March 31, 2006	E&P	G&P	R&M	Group
Adjusted net profit	6,931	2,427	908	10,303
Exclusion of after-tax finance expenses/interest income				(80)
Adjusted net profit unlevered	6,931	2,427	908	10,223
Capital employed, net				
- at the beginning of period	18,708	18,283	4,247	46,623
- at the end of period	19,702	17,590	4,950	47,147
Average capital employed, net	19,205	17,937	4,599	46,885
ROACE adjusted (%)	36.1	13.5	19.7	21.8

(million euro)

Calculated on a 12-month period ending on December 31, 2006	E&P	G&P	R&M	Group
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Adjusted net profit	7,279	2,862	629	11,018
Exclusion of after-tax finance expenses/interest income				46
Adjusted net profit unlevered	7,279	2,862	629	11,064
Capital employed, net				
- at the beginning of period	20,206	18,978	5,993	49,692
- at the end of period	18,590	18,864	5,766	47,999
Average capital employed, net	19,398	18,921	5,880	48,846
ROACE adjusted (%)	37.5	15.1	10.7	22.7

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Summarized Group cash flow statement

Eni's summarized group cash flow statement derives from the statutory statement of cash flows. It allows to create a link between changes in cash and cash equivalents (deriving from the statutory cash flows statement) occurring from the beginning of period to the end of period and changes in net borrowings (deriving from the summarised cash flow statement) occurring from the beginning of period to the end of period. The measure enabling to make such a link is represented by free cash flow which is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange differences.

SUMMARIZED GROUP CASH FLOW STATEMENT ⁽¹⁾

(million euro)

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
1,698	Net profit	3,130	2,743	(387)
	<i>adjustments to reconcile to cash generated from operating profit before changes in working capital:</i>			
1,568	- amortisation and depreciation and other non monetary items	1,321	1,251	(70)
(4)	- net gains on disposal of assets	(63)	(14)	49
2,314	- dividends, interest, taxes and other changes	2,843	2,397	(446)
5,576	Cash generated from operating profit before changes in working capital	7,231	6,377	(854)
(847)	Changes in working capital related to operations	131	445	314
(2,951)	Dividends received, taxes paid, interest (paid) received	(1,499)	(1,259)	240
1,778	Net cash provided by operating activities	5,863	5,563	(300)
(2,944)	Capital expenditure	(1,340)	(2,013)	(673)
(19)	Investments	(19)	(10)	9
201	Disposals	85	12	(73)
407	Other cash flow related to capital expenditure, investments and disposals	(108)	(152)	(44)
(577)	Free cash flow	4,481	3,400	(1,081)
(247)	Borrowings (repayment) of debt related to financing activities	380	(5,035)	(5,415)
839	Changes in short and long-term financial debt	(1,851)	4,887	6,738
(2,412)	Dividends paid and changes in minority interests and reserves	(356)	(445)	(89)
(77)	Effect of changes in consolidation and exchange differences	(30)	(69)	(39)
(2,474)	NET CASH FLOW FOR THE PERIOD	2,624	2,738	114

CHANGE IN NET BORROWINGS

(million euro)

Fourth Quarter 2006	2006	First Quarter 2007	% Ch.
(577) Free cash flow	4,481	3,400	(1,081)
Net borrowings of acquired companies			
Net borrowings of divested companies	46		(46)
72 Exchange differences on net borrowings and other changes	13	(40)	(53)
(2,412) Dividends paid and changes in minority interests and reserves	(356)	(445)	(89)
(2,917) CHANGE IN NET BORROWINGS	4,184	2,915	(1,269)

(1) For a reconciliation of the summarised group cash flow statement to the statutory cash flow statement see 2006 Eni's Annual Report "Reconciliation of summarised group balance sheet and cash flow statement to statutory schemes" pages 79-80.

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Table of Contents**Capital expenditure****Exploration & Production**

Fourth Quarter 2006		First Quarter		% Ch.
		2006	2007	
139	Acquisitions of proved and unproved property		73	..
139	Italy			..
	North Africa		5	..
	West Africa			..
	Rest of world		68	..
706	Exploration	173	373	..
38	Italy	23	34	47.8
91	North Africa	48	83	72.9
366	West Africa	47	68	44.7
75	North Sea	15	75	..
136	Rest of world	40	113	..
1,056	Development	777	909	17.0
133	Italy	85	107	25.9
209	North Africa	140	188	34.3
294	West Africa	138	266	92.8
121	North Sea	94	89	(5.3)
299	Rest of world	320	259	(19.1)
36	Other	11	11	..
1,937		961	1,366	42.1

Gas & Power

Fourth Quarter 2006		First Quarter		% Ch.
		2006	2007	
397	Italy	140	154	10.0
56	Outside Italy	11	67	..
453		151	221	46.4
22	Market	7	5	(28.6)
	Italy			..
22	Outside Italy	7	5	(28.6)
54	Distribution	27	25	(7.4)
287	Transport	91	144	58.2
253	Italy	87	82	(5.7)
34	Outside Italy	4	62	..
90	Power generation	26	47	80.8
453		151	221	46.4

Refining & Marketing

Fourth Quarter 2006		First Quarter		% Ch.
		2006	2007	
241	Italy	79	123	55.7
31	Outside Italy	16	11	(31.3)
272		95	134	41.1
139	Refining and Supply and Logistics	67	104	55.2
139	Italy	67	104	55.2
	Outside Italy			..
90	Marketing	25	30	20.0
59	Italy	9	19	..
31	Outside Italy	16	11	(31.3)
43	Other activities	3		..
272		95	134	41.1

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Exploration & Production

Daily production of oil and natural gas by region

Fourth Quarter 2006			First Quarter		% Ch.
			2006	2007	
1,796	Daily production of oil and natural gas ^(a)	(kboe/d)	1,827	1,734	(5.1)
232	Italy		247	223	(9.7)
571	North Africa		541	566	4.6
372	West Africa		382	337	(11.8)
291	North Sea		298	287	(3.7)
330	Rest of world		359	321	(10.6)
159.2	Oil and natural gas production sold ^(a)	(mmboc)	159.5	150.1	(5.9)

Daily production of liquids by region

Fourth Quarter 2006			First Quarter		% Ch.
			2006	2007	
1,079	Production of liquids ^(a)	(kbbbl/d)	1,143	1,030	(9.9)
80	Italy		82	77	(6.1)
334	North Africa		325	328	0.9
315	West Africa		339	288	(15.0)
181	North Sea		188	170	(9.6)
169	Rest of world		209	167	(20.1)

Daily production of natural gas by region

Fourth Quarter 2006			First Quarter		% Ch.
			2006	2007	
4,132	Production of natural gas ^(a)	(mmcf/d)	3,920	4,061	3.6
883	Italy		954	848	(11.1)
1,377	North Africa		1,236	1,377	11.4
318	West Africa		247	283	14.3
636	North Sea		636	671	5.6
918	Rest of world		847	882	4.2

(a) Includes Eni's share of production of equity-accounted entities.

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Gas & Power

Natural gas sales

Fourth Quarter 2006		2006	First Quarter 2007	% Ch.
14.09	Italy to third parties (*)	17.47	15.41	(11.8)
3.45	Wholesalers (selling companies)	5.06	4.62	(8.7)
0.56	Gas release	0.59	0.49	(16.9)
10.08	End Customers	11.82	10.30	(12.9)
3.50	<i>Industries</i>	3.80	3.33	(12.4)
4.30	<i>Power generation</i>	4.27	3.93	(8.0)
2.28	<i>Residential</i>	3.75	3.04	(18.9)
1.55	Own consumption (*)	1.47	1.39	(5.4)
8.14	Rest of Europe (*)	8.57	7.90	(7.8)
0.12	Outside Europe	0.16	0.10	(37.5)
23.90	Total sales to third parties and own consumption	27.67	24.80	(10.4)
1.97	Sales of Eni's affiliates (net to Eni)	2.41	2.27	(5.8)
0.01	Italy (*)	0.01	0.01	
1.83	Rest of Europe (*)	2.33	2.10	(9.9)
0.13	Outside Europe	0.07	0.16	..
25.87	Total sales and own consumption (G&P)	30.08	27.07	(10.0)
1.06	Upstream in Europe	1.12	1.07	(4.5)
26.93	Worldwide sales	31.20	28.14	(9.8)
26.68	Total sales in Europe	30.97	27.88	(10.0)
25.62	G&P in Europe (*)	29.85	26.81	(10.2)
1.06	Upstream in Europe	1.12	1.07	(4.5)

(*) Market sector denoted with an asterisk are included within "Total sales in Europe".

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PRESS RELEASE

Eni S.p.A.

Registered Office: Piazzale Enrico Mattei, No. 1, Rome - Italy
Company Share capital euro 4,005,358,876.00 fully paid up
Rome Companies Register, Tax Identification Number 00484960588
VAT Number 00905811006, R.E.A. Rome No. 756453

Ordinary and Extraordinary Shareholders Meeting Resolutions

Eni S.p.A. Ordinary and Extraordinary Shareholders Meeting held on May 24, 2007 resolved to:

- approve the Financial Statements of Eni Portugal Investment S.p.A. and Società Finanziaria Eni - Enifin S.p.A., both merged into Eni S.p.A. on January 2, 2007, and the allocation to Eni S.p.A. Reserve of carried forward profits of their net income of euro 247,949,030.63 and 45,561,983.65, respectively;
- approve Eni S.p.A. Financial Statements at December 31, 2006 which disclose the net income of euro 5,821,357,774.51;
- allocate euro 3,611,713,444.51 of Eni 2006 net income of euro 5,821,357,774.51 left after the payment of an interim dividend of euro 0.60 per share resolved by the Board of Directors on September 21, 2006 and paid as of October 26, 2006, as follows:
 - ♦ to pay a dividend of euro 0.65 for each share outstanding on the ex-dividend date, Eni treasury shares on that date excluded. In consideration of the payment of the 2006 interim dividend of euro 0.60 per share, therefore, the 2006 dividend per share proposed is euro 1.25;
 - ♦ to the Distributable Reserve the amount left after the allotment of the dividend as described above;
- pay said dividend as from June 21, 2007, being the ex-dividend date June 18, 2007;
- authorise the Board of Directors to extend the duration of Eni treasury shares program and therefore to purchase up to 400,000,000 Eni ordinary shares, corresponding to 10% about of the company capital, within eighteen months as of the Shareholders Meeting date. The purchase price will not be lower than Eni shares nominal value and not higher than the reference price recorded on the electronic stock market, organised

and managed by the Borsa Italiana S.p.A. (the Italian Stock Exchange) on the day preceding each purchase increased of 5% of its amount. The total amount will not exceed however euro 7.4 billion. From the inception of the buy-back program to the Shareholders Meeting date a total of 346,186,510 shares (8.643% of Eni share capital) was purchased for an expense of euro 5,781.6 million, corresponding to 78.13% of the maximum amount of euro 7.4 billion. The average purchase price was euro 16.701 per share;

- approve amendments to Eni By-laws to harmonize the text to the changes introduced by Legislative Decree No. 303/06 to Legislative Decree No. 58/98 (TUF), and to introduce other formal changes.
-

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Eni 2006 Financial Statements and Sustainability Report

Eni S.p.A. Financial Statements at December 31, 2006 approved by the Shareholders Meeting, Eni consolidated Financial Statements at December 31, 2006, Eni Portugal Investment S.p.A. and Società Finanziaria Eni - Enifin S.p.A. financial statements at December 31, 2006 are available at Eni S.p.A. Registered Office and the Borsa Italiana S.p.A. (the Italian Stock Exchange: www.borsaitaliana.it).

The minutes of the Meeting will be available within June 8, 2007 at Eni S.p.A. Registered Office and the Borsa Italiana S.p.A. (the Italian Stock Exchange: www.borsaitaliana.it).

It is also available at Eni S.p.A. Registered Office and the Borsa Italiana S.p.A. (the Italian Stock Exchange: www.borsaitaliana.it) the Sustainability Report 2006.

The above-mentioned documents are available also on www.eni.it and may be requested by e-mail at segreteriasocietaria.azionisti@eni.it or by calling the Toll-Free number 800 940 924 for calls from Italy and 800 11 22 34 56 for calls from outside Italy.

Payment of Year 2006 final Dividend

Eni S.p.A. Shareholders Meeting resolved to pay final dividends as from June 21, 2007, coupon No. 8, being the ex-dividend date June 18, 2007. Therefore, as of this last date, Eni shares will be traded without the right to the payment of 2006 final dividend.

In order to exercise the rights incorporated in the shares owned, Shareholders whose shares are not yet in uncertificated form shall previously deliver said shares to a financial intermediary for their deposit with Monte Titoli S.p.A. (the Italian Securities Register Centre) and their subsequent dematerialisation.

The payment of dividends to Beneficial Owners of ADRs, each of them representing two Eni shares, listed on the New York Stock Exchange, will be executed through JPMorgan Chase Bank, N.A..

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San Donato Milanese (Milan) - May 28, 2007 - As part of the inquiry launched last year by the Public Prosecutor Office of Milan on the instruments to assess the natural gas transport and distribution used in Italy by companies operating in the sector, today the Italian Fiscal Police sequestrated documents dating from 2003 belonging to various companies, among them are some Eni's companies.

Under investigation are the so-called venturimeters, instruments always used in Italy and abroad and that do not have any impact on the assessments connected with costumers bills.

With regard to Eni Group, the companies involved are Snam Rete Gas and Italgas. Paolo Scaroni, as legal representative of the parent company Eni SpA, and other managers are under inquiry.

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San Donato Milanese (Milan), May 28, 2007 - Inquiry by the Public Prosecutor Office of Milan, Paolo Scaroni, Eni's CEO commented:

"We are confident: the measurements under investigation receive a special attention from all the companies operating in the gas market in Italy and abroad. In fact, I myself, as soon as I arrived in Eni, gave mandate to specialized international consultants to undertake an assessment of this gas measurements procedures.

Furthermore, we are referring to measurements on non-booked gas, which is the difference between gas that Eni buys from its suppliers and the one that Eni then sells to distributors. This difference represents so far, for our company, a net loss of some hundred million cubic meters of gas per year. It's important for me to remind that gas measurements for the retail market are carried out in strict compliance with the indications given by the Authority for Energy and Gas and by the competent offices of the Ministry of Economic Development".

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Eni completes acquisition of Maurel & Prom's assets in Congo

San Donato Milanese (Milan), May 30, 2007 - Eni announces that it has today completed the acquisition of Maurel & Prom assets in the Republic of Congo. Eni has obtained the operatorship of the M Boundi (Eni equity 43.1%) and Kouakouala "A" (66.67%) concessions and of the Le Kouilou exploration permit (48%).

Through the development of the M Boundi field, which has oil-in-place estimated at 1.4 billion barrels and 2P reserves amounting to 320 million barrels, Eni's equity production in Congo will rise from 67,000 barrels per day (bpd) in 2006 to approximately 100,000 bpd in 2010.

In the development of these new fields, Eni intends to create important synergies with existing activities in the country. By adopting the most advanced technologies, such as an intense drilling programme of water injection wells, Eni also aims to improve the oil recovery factor of the acquired fields and to develop the exploration potential of Le Kouilou permit.

As part of its sustainability strategy, Eni has also signed a "Protocole d' Accord" with the Republic of Congo for doubling the volumes of power of the Djeno power station by installing a second 25-MW turbo-generator to be supplied with associated gas produced from the M Boundi field. This project aims at increasing the power and reliability of the local electricity system, needed for the country's industrial development and social improvement.

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Eni has been active in Congo in exploration and development activities since 1968 and has invested some 4 billion dollars to 2006.

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Eni: Agreement completed with Burren Energy

San Donato Milanese (Milan), May 30, 2007 - As part of the acquisition of the Maurel & Prom assets in the Republic of Congo, Eni announces that it has today completed its agreement with Burren Energy. Under this agreement Eni assigned to Burren a participating interest of 5.5% and 2% in the M Boundi concession and Le Kouilou exploration permit, respectively, at the same economic terms and conditions as the acquisition from Maurel & Prom.

Eni maintains the operatorship of the M Boundi (43.1%) and Kouakoula "A" (66.67%) concessions and Le Kouilou exploration permit (48.0%).

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Eni Board of Directors

San Donato Milanese (Milan), May 31, 2007 - An extra-ordinary Board of Directors was held today in Rome to examine the main points of the provision by the Power of attorney of the Republic of Milan (Procura della Repubblica di Milano) on gas measurements. In particular, the Board has examined the explanations given by the management of the companies and executive structures involved in gas transport, distribution and sale.

Taking note of the correctness of the behaviour of Eni's companies and executive structures involved in gas transport, distribution and sale, the Board has given mandate to its lawyers to supply all available information and to cooperate fully with the Prosecutor Office.

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Eni's Fact Book is a supplement to Eni's Annual Report designed to provide supplemental financial and operating information.

It contains certain forward-looking statements in particular under the section "Outlook" regarding capital expenditure, development and management of oil and gas resources, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document.

April 30, 2007

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Abbreviations	/d	per day	LNG	liquefied natural gas
	/y	per year	LPG	liquefied petroleum gas
	bbbbl	billion barrels	kbbbl	thousand barrels
	bbls	barrels	kboe	thousand barrels of oil equivalent
	bboe	billion barrels of oil equivalent	km	kilometers
	bcf	billion cubic feet	ktonnes	thousand tonnes
	bcm	billion cubic meters	mmbbl	million barrels

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boe	barrels of oil equivalent	mmboe	million barrels of oil equivalent
EPC	Engineering Procurement Construction	mmcf	million cubic feet
EPIC	Engineering Procurement Installation Construction	mmcm	million cubic meters
FPSO	Floating Production Storage and Offloading system	mmtonnes	million tonnes
FSO	Floating Storage and Offloading System	no.	number
GWh	gigawatthour	NGL	Natural Gas Liquids
		PSA	Production Sharing Agreement
		TWh	terawatthour

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Activities Strategies Objectives

Eni is a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas.

In Exploration & Production, Eni boasts strong positions in some of the fastest growing oil and gas basins in the world such as the Caspian Region, North and West Africa.

The quality of our assets, long-standing relationships with key host countries, and a strong pipeline of capital projects and investment opportunities will enable Eni to deliver industry-leading growth in both the short term and the long term.

Eni Gas & Power division covers all phases of the gas value chain: supply, transport, distribution and marketing, resulting in a fully integrated business model. A significant installed power generation capacity enables Eni to extract further value from gas, diversifying its commercial outlets. The main feature of the Gas & Power division is its ability to generate a steady stream of earnings and cash flow leveraging on its unparalleled asset base. Eni boasts market leadership in Europe owing to a unique competitive position thanks to gas availability under long-term supply contracts and equity gas, access to infrastructure, long-term relationships with key producing countries, market knowledge and a wide portfolio of clients. These assets provide Eni with a unique platform for growth. Integration with upstream operations provides the Group with the ability to monetize its equity gas reserves and to pursue opportunities arising in the gas market. Eni is leader in the refining business and in the marketing of refined products in Italy and holds solid positions in the marketing of refined products in certain

selected European countries. Eni's refining and marketing operations are efficiently integrated also with the support of an array of valuable logistic assets, as to maximize cost economies and returns on capital employed. Integration of Eni refineries with upstream operations further strengthens the competitive positioning of the Refining & Marketing Division. The significant presence in engineering and oilfield services provides Eni with the necessary competence and, expertise coupled with access to engineering skills and technologies to design and execute world scale projects, representing a key elements supporting Eni plans of growth and innovation.

This business mix is unique among integrated oil and gas companies. The relevant weight of the downstream gas business ensures Eni a stable, robust stream of earnings and cash flow, virtually independent of energy price movements, thus counterbalancing the fluctuations of the oil cycle and the higher riskiness of the upstream business. The same applies to the downstream oil business.

Eni key objectives are to deliver superior growth and attractive shareholder returns over the long term, leveraging on the quality of its assets and its strengths. Eni's strategy is consistent with these goals, and relies upon the following guidelines:

- leverage on its asset portfolio and execution capabilities;
- allocate the cash generated from operations to capital expenditure to drive long-term organic growth and to an attractive and sustainable flow of dividends;
- use cash in excess of capital expenditure and dividend needs to continue the programme of share repurchase and to maintain a solid financial structure;

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- apply a tight financial discipline to investment decisions;
- accomplish continued operating efficiency and effectiveness;
- manage risks;
- devote significant resources to technological innovation in order to create and maintain competitive advantages;
- promote the sustainability of the business model.

Over the next four years, Eni expects to invest approximately euro 44.6 billion in its businesses to support continued growth also beyond 2010, featuring the largest investment program in Eni history. The significant amount of cash flow generated from operations will enable Eni to finance its capital expenditure programme and to distribute shareholders an attractive and sustainable flow of dividends. Excess cash will be allocated to continuing share repurchase and to maintain a sound balance sheet. In particular, management expects that Eni's free cash flow will allow to sustain the current flow of dividends in real terms, even with a scenario of 40 \$/bbl Brent.

BUSINESS STRATEGIES

Eni will maintain a strong focus on exploration activities. Investments are expected to be concentrated on well established areas of presence, where availability of production facilities and existing competencies will enable Eni to readily put in production discovered resources, capturing synergies. On the other hand, we expect to selectively pursue high risk/high reward opportunities arising from expansion in areas with high mineral potential. Leveraging on the access to new reserves and on the mineral potential of core assets, Eni expects to fully replace produced reserves through organic additions. We will continue our commitment in expanding the LNG business in a global scale in order to monetize our large gas reserve base. This will be achieved by implementing significant capital expenditure in order to develop new gas reserves to ensure supplies to liquefaction plants and to build new liquefaction capacity.

Gas & Power

Our key objective in the Gas & Power division is to deliver a level of free cash flow of euro 2.1 billion in 2010, with an average growth rate of approximately 3%. This target will be achieved by implementing our strategy focused on growing our market share in key European markets, preserving our domestic natural gas business, effectively managing regulated business and the power generation business, and expanding LNG sales. In strengthening our market leadership in Europe, we will leverage on our competitive advantages ensured by gas availability both equity and purchased under

Exploration & Production

In the Exploration & Production business, Eni intends to deliver strong oil and gas production growth, targeting a production level of 2 million boepd by 2010, corresponding to a compound average growth rate of 3% from 2007 to 2010. The growth options we are presently pursuing with our partner Gazprom may potentially accelerate the achievement of our growth targets.

long term supply contracts access to infrastructure, an adequate regasification capacity, long-standing relationships with natural gas producing countries, a large customer base, and market knowledge.

(1) Cash from operations exceeding finance needs for investments.

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The target of maintaining sales volumes on the domestic market will be achieved thanks to the support of an effective commercial policy, enhanced by the expected launch of the dual offer of gas and electricity.

By 2010 Eni will be selling some 105 bcm worldwide, with international sales expected to grow by a solid 10% per year on average.

Refining & Marketing

Eni's key objective is to significantly increase profitability in the Refining & Marketing business. In pursuing this, Eni intends to enhance its refining activity by means of a huge investment program aiming at capturing market opportunities in terms of demand trends, also in connection with adoption of increasingly strict environmental requirements, and relative abundance of heavy and non-conventional crude. Planned actions are intended to boost refinery conversion rate and flexibility in order to produce higher-value products and to process low-quality crude that is typically discounted in the market-place, and to lower operating costs. In Marketing, we aim to extract full value from our retail business in Italy through a selective investment program, customer-focused marketing initiatives, effective differentiation of pricing, an improved premium-products offer, and operating efficiencies. We plan to selectively develop our presence outside Italy, aiming at strengthening our competitive position in target European markets, leveraging on

synergies deriving from the proximity to Eni's production and logistic facilities.

Engineering & Construction

Saipem aims at capturing opportunities arising from a growing market, acquiring large projects in complex areas and supporting Eni's investment plans. In order to achieve this, Saipem will leverage on its strong competitive position, enhanced by integration with Snamprogetti, and an important investment program intended to further expand the geographical reach and operational features of its world-class fleet.

Technological innovation

Our commitment in technological research and innovation underscores a fundamental belief that technology is key to acquiring and preserving competitive advantages over the long term and promoting sustainable growth. Over the next four years, we plan to invest approximately euro 1.5 billion to support these activities. The main lines of research under development pertain primarily to reduce costs to find and recover hydrocarbons, upgrade heavy oils, monetize stranded gas and protect the environment. In particular we are moving forward on our breakthrough technologies: EST (Eni Slurry Technology) for the full exploitation of the heavy barrel, TAP (gas transportation at high pressure) and GTL (gas-to-liquids) for gas monetization.

Key medium-term targets announced to investors	2006	2010
E&P		
Oil and gas production	1.77 mmb/d	>2 mmb/d - c.a.g.r. 3% (Brent 42 \$/bbl at 2010)
Reserve replacement ratio	65%	>100% on average in the next four-year period (Brent 42 \$/bbl at 2010)
Sales of LNG	9.9 bcm	~13 bcm
G&P		
Worldwide gas sales ⁽¹⁾	97.5 bcm	>105 bcm - c.a.g.r. 10% in international sales
Power generation capacity	4.9 GW	5.5 GW

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Free cash flow	euro 1.9 bn	euro 2.1 bn
R&M		
Overall index of wholly-owned refineries conversion capacity	57%	58%
Refinery throughputs on own account	38.0 mmtonnes	40.2 mmtonnes
Sales of refined products in Europe	15.8 bn liters	17.4 bn liters
Allocation of cash provided by operating activities		
Capital expenditure	euro 32.2 bn four-year period 2006-2009	euro 44.6 bn four-year period 2007-2010
Dividend	euro 1.25 per share	sustainable in the next four-year period 2007-2010
Efficiency program		~euro 1 bn of net benefit expected in 2010

(1) Include upstream sales in Europe.

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Main data

Key financial data	Italian GAAP							IFRS			
	(million euro)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net sales from operations	31,359	28,341	31,008	47,938	49,272	47,922	51,487	57,545	73,728	86,105	
Operating profit ⁽¹⁾	5,345	3,810	5,480	10,772	10,313	8,502	9,517	12,399	16,827	19,327	
<i>Exploration & Production</i>	2,590	594	2,834	6,603	5,984	5,175	5,746	8,185	12,574	15,580	
<i>Gas & Power</i>	2,012	2,513	2,580	3,178	3,672	3,244	3,627	3,428	3,321	3,802	
<i>Refining & Marketing</i>	578	730	478	986	985	321	583	1,080	1,857	319	
<i>Petrochemicals</i>	187	-	(362)	4	(415)	(126)	(176)	320	202	172	
<i>Engineering & Construction</i>	169	198	149	144	255	298	311	203	307	505	
<i>Other activities</i>						(214)	(293)	(395)	(902)	(622)	
<i>Corporate and financial companies</i>	(138)	(168)	(199)	(143)	(168)	(196)	(281)	(363)	(391)	(296)	
<i>Unrealized profit in inventory</i>								(59)	(141)	(133)	
<i>Activities to be divested</i>	(53)	(57)									
Adjusted operating profit					10,482	8,959	9,958	12,582	17,558	20,490	
Net profit	2,643	2,328	2,857	5,771	7,751	4,593	5,585	7,059	8,788	9,217	
Adjusted net profit					5,757	4,923	5,096	6,645	9,251	10,412	
Net cash provided by operating activities	6,515	6,864	8,248	10,583	8,084	10,578	10,827	12,500	14,936	17,001	
Capital expenditure and investments	4,362	5,589	5,597	9,815	11,270	9,414	13,057	7,815	7,560	7,928	
<i>Capital expenditure</i>	4,169	5,152	5,483	5,431	6,606	8,048	8,802	7,499	7,414	7,833	
<i>Investments</i>	193	437	114	4,384	4,664	1,366	4,255	316	146	95	
Shareholders' equity including minority interest	16,244	17,390	19,749	24,073	29,189	28,351	28,318	35,540	39,217	41,199	
Net borrowing	8,050	7,070	6,267	7,742	10,104	11,141	13,543	10,443	10,475	6,767	
Net capital employed ⁽¹⁾	24,294	24,460	26,016	31,815	39,293	39,492	41,861	45,983	49,692	47,966	
<i>Exploration & Production</i>	6,469	6,862	9,279	12,646	18,252	17,318	17,340	17,937	20,196	18,590	
<i>Gas & Power</i>	8,518	8,289	8,481	10,721	12,777	12,488	15,617	18,387	18,978	18,906	
<i>Refining & Marketing</i>	4,071	4,186	4,028	4,563	4,476	5,093	5,089	5,081	5,993	5,631	
<i>Petrochemicals</i>	3,099	2,956	2,604	2,581	1,075	2,130	1,821	2,076	2,018	1,953	
<i>Engineering & Construction</i>	195	392	1,103	1,395	1,635	2,335	2,119	2,403	2,844	3,399	
<i>Corporate and financial companies and other activities</i>	1,942	1,775	521	(91)	1,078	128	(125)	277	2	(95)	
<i>Unrealized profit in inventory</i>								(178)	(339)	(418)	
Return On Average Capital Employed	(%)										
Reported		12.2	10.7	12.5	21.5	23.9	13.7	15.6	16.6	19.5	20.3
Adjusted								15.9	20.5	22.7	
Leverage		0.5	0.41	0.32	0.32	0.35	0.39	0.48	0.29	0.27	0.16

(1) From January 1, 2006 Eni's subsidiaries operating in diversified sectors (such as real estate services, insurance and financing intermediation, R&D and training services) are reported in the aggregate "Corporate and financing companies" with exception of Tecnomare which is reported in the Exploration & Production division (previously all these diversified activities were reported in the aggregate "Other activities"). The "Other activities" aggregate includes only Syndial SpA, a subsidiary which runs minor petrochemical activities and reclamation and decommissioning activities pertaining to certain business which

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Eni exited in past years. In order to allow for comparison, 2005 data has been reclassified accordingly. Previous years data has not been reclassified.

Key market indicators	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Average price of Brent dated crude oil ⁽¹⁾	19.10	12.74	17.87	28.39	24.46	24.98	28.84	38.22	54.38	65.14
Average EUR/USD exchange rate ⁽²⁾	1.137	1.115	1.067	0.924	0.896	0.946	1.131	1.244	1.244	1.256
Average price in euro of Brent dated crude oil	16.80	11.43	16.75	30.73	27.30	26.41	25.50	30.72	43.71	51.86
Average European refining margin ⁽³⁾	1.86	1.99	1.21	3.9	1.97	0.80	2.65	4.35	5.78	3.79
Euribor - three-month euro rate (%)	6.9	5.0	3.0	4.4	4.3	3.3	2.3	2.1	2.2	3.1

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

(2) Source: ECB.

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

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Selected operating data		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exploration & Production											
Proved reserves of hydrocarbons at period end	(mmboe)	5,073	5,255	5,534	6,008	6,929	7,030	7,272	7,218	6,837	6,436
Reserve life index	(year)	13.6	13.4	14.0	14.0	13.7	13.2	12.7	12.1	10.8	10.0
Daily production of hydrocarbons	(kboe/d)	1,021	1,038	1,064	1,187	1,369	1,472	1,562	1,624	1,737	1,770
Gas & Power											
Sales of natural gas to third parties	(bcm)	55.94	58.41	62.92	62.63	63.72	64.12	69.49	72.79	77.08	79.63
Own consumption of natural gas	(bcm)				2.00	2.00	2.02	1.90	3.70	5.54	6.13
Sales to third parties and own consumption	(bcm)				64.63	65.72	66.14	71.39	76.49	82.62	85.76
Sales of natural gas of affiliates and companies (Eni's share)	(bcm)	0.13	0.16	0.16	0.87	1.38	2.40	6.94	5.84	7.08	7.65
Total sales and own consumption of natural gas (G&P)	(bcm)	56.07	58.57	63.08	65.50	67.10	68.54	78.33	82.33	89.70	93.41
Upstream in Europe ⁽¹⁾	(bcm)								4.70	4.51	4.07
Worldwide	(bcm)	56.07	58.57	63.08	65.50	67.10	68.54	78.33	87.03	94.21	97.48
Natural gas transported on behalf of third parties in Italy	(bcm)	4.35	6.07	6.90	9.45	11.41	19.11	24.63	28.26	30.22	30.90
Electricity production sold	(TWh)				4.77	4.99	5.00	5.55	13.85	22.77	24.82
Refining & Marketing											
Throughputs on own account	(mmtonnes)	38.60	42.33	40.65	41.27	39.99	37.73	35.43	37.69	38.79	38.04
Balanced capacity of wholly-owned refineries at period end	(kbb/d)	664	664	664	664	664	504	504	504	524	534
Utilization rate of balanced capacity of wholly-owned refineries	(%)	94	103	96	99	97	99	100	100	100	100
Sales of refined products	(mmtonnes)	51.60	54.19	51.82	53.46	53.24	52.24	50.43	53.54	51.63	51.13
Service stations at period end (in Italy and outside Italy)	(units)	12,756	12,984	12,489	12,085	11,707	10,762	10,647	9,140	6,282	6,294
Average throughput per service station (in Italy and outside Italy)	(kliters/y)	1,463	1,512	1,543	1,555	1,621	1,674	1,771	1,970	1,926	2,470
Engineering & Construction											
Orders acquired	(euro million)	3,865	3,248	2,600	4,726	3,716	7,852	5,876	5,784	8,395	11,172
Order backlog at period end	(euro million)	5,180	4,934	4,439	6,638	6,937	10,065	9,405	8,521	10,122	13,191
Employees at period end	(units)	80,178	78,906	72,023	69,969	72,405	80,655	76,521	70,348	72,258	73,572

(1) Does not include Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006 respectively.

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Share data		Italian GAAP							IFRS		
		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net profit ⁽¹⁾	(euro)	0.66	0.58	0.71	1.44	1.98	1.20	1.48	1.87	2.34	2.49
Dividend	(euro)	0.289	0.310	0.362	0.424	0.750	0.750	0.750	0.90	1.10	1.25
Dividend pertaining to the year ⁽²⁾	(euro million)	1,157	1,239	1,446	1,664	2,876	2,833	2,828	3,384	4,086	4,594
Cash flow	(euro)	1.63	1.72	2.06	2.65	2.07	2.76	2.87	3.31	3.97	4.59
Dividend yield ⁽³⁾	(%)	2.8	2.9	3.4	3.2	5.6	5.2	5.1	4.9	4.7	5.0
Net profit per ADR ⁽⁴⁾	(\$)	1.44	1.36	1.43	2.71	3.52	2.52	3.72	5.06	5.81	6.26
Dividend per ADR ⁽⁴⁾	(\$)	0.63	0.64	0.47	0.72	1.48	1.71	1.83	2.17	2.63	3.14
Cash flow per ADR ⁽⁴⁾	(\$)	3.55	4.02	4.16	4.98	3.75	5.79	7.22	8.96	9.40	11.53
Dividend yield per ADR ⁽³⁾	(%)	2.8	2.6	3.2	3.0	6.2	5.8	5	5.0	4.70	5.0
Pay-out	(%)	44	53	51	29	37	62	51	48	46.00	50
Number of shares at December 31 representing share capital	(million)	3,999.6	4,000.1	4,001.1	4,001.1	4,001.3	4,001.8	4,002.9	4,004.4	4,005.4	4,005.4
Average number of share outstanding in the year ⁽⁵⁾ (fully diluted)	(million)	3,999.6	4,000.1	4,001.3	3,995.1	3,911.9	3,826.9	3,778.4	3,771.7	3,763.4	3,701.3
TSR	(%)	32.8	10.1	(0.4)	29.2	6.0	13.1	4.3	28.5	35.3	14.8

(1) Calculated on the average number of Eni shares outstanding during the year.

(2) Amounts due on the payment of the balance of 2006 dividend are estimated.

(3) Ratio between dividend of the year and average share price in December.

(4) One ADR represents 2 shares. Net profit, dividends and cash flow are converted at the average rate of the year (1 EUR=1.256 USD as of 2006). Dividends of 1997-2005 were converted at the Noon Buying Rate of the pay-out date.

(5) Calculated by excluding own shares in portfolio.

Share information		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Share price - Milan Stock Exchange											
High	(euro)	11.36	13.80	12.60	14.50	15.60	17.15	15.75	18.75	24.96	25.73
Low	(euro)	8.06	9.19	10.18	9.54	11.56	12.94	11.88	14.72	17.93	21.82
Average	(euro)	9.79	11.28	11.40	11.78	14.10	15.29	13.64	16.94	21.60	23.83
End of the period	(euro)	10.43	11.21	10.88	13.64	14.05	15.15	14.96	18.42	23.43	25.48
ADR price ⁽¹⁾ - New York Stock Exchange											
High	(\$)	63.13	73.50	69.00	64.88	69.70	82.11	94.98	126.45	151.35	67.69
Low	(\$)	48.13	50.50	52.38	46.56	52.50	60.90	66.15	92.35	118.50	54.65
Average	(\$)	55.62	63.04	60.94	54.18	63.22	72.20	77.44	105.60	134.02	59.97
End of the period	(\$)	57.06	67.75	55.13	64.31	61.96	78.49	94.98	125.84	139.46	67.28
Average daily exchanged shares	(million share)	7.9	11.1	12.3	17.3	17.4	19.4	22.0	20.0	28.5	26.2
Value	(euro million)	78.8	126.0	141.0	203.9	245.0	295.4	298.5	338.7	620.7	619.1
Number of shares outstanding at period end ⁽²⁾	(million)	3,999.6	4,000.1	4,001.1	3,956.7	3,846.9	3,795.1	3,772.3	3,770.0	3,727.3	3,680.4

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Market capitalization ⁽³⁾											
EUR	(billion)	41.7	44.8	43.5	54	54	57.5	56.4	69.4	87.3	93.8
USD	(billion)	45.5	52.5	44	50.7	48.1	60.4	71.1	94.9	104.0	117.8

- (1) Effective January 10, 2006 a 5:2 stock split was made.
- (2) Excluding treasury shares.
- (3) Number of outstanding shares by reference price at period end.

Data on Eni share placements		1995	1996	1997	1998	2001
Offer price	(euro/share)	5.42	7.40	9.90	11.80	13.60
Number of share placed	(million)	601.9	647.5	728.4	608.1	200.1
of which through bonus shares	(million)		1.9	15.0	24.4	39.6
Percentage of share capital ⁽¹⁾	(%)	15.0	16.2	18.2	15.2	5.0
Proceeds	(euro million)	3,254	4,596	6,869	6,714	2,721

- (1) Refers to share capital at December 31, 2006.

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Contents**ENI FACT BOOK / EXPLORATION & PRODUCTION**

Key performance indicators		2004	2005	2006
Net sales from operations ^(a)	(million euro)	15,346	22,531	27,173
Operating profit		8,185	12,592	15,580
Adjusted operating profit		8,202	12,903	15,763
Adjusted net profit		4,033	6,186	7,279
Capital expenditure		4,853	4,965	5,203
<i>of which: exploration</i> ^(b)		499	656	1,348
Capital employed, net		17,937	20,206	18,590
ROACE adjusted	(%)	22.7	32.4	37.5
Average realizations				
- Liquids	(\$/bbl)	34.73	49.09	60.09
- Natural gas	(\$/mmcf)	3.90	4.50	5.30
- Total hydrocarbons	(\$/boe)	30.40	41.06	48.87
Production				
- Liquids	(kbb/d)	1,034	1,111	1,079
- Natural gas	(mmcf/d)	3,387	3,595	3,966
- Total hydrocarbons	(kboe/d)	1,624	1,737	1,770
Net proved reserves				
- Liquids	(mmbbl)	4,008	3,773	3,481
- Natural gas	(bcf)	18,435	17,591	16,965
- Total hydrocarbons	(mmboe)	7,218	6,837	6,436
Reserve life index	(year)	12.1	10.8	10.0
Proved reserve replacement ratio	(%)	91	40	65
Employees at year end	(unit)	7,477	8,030	8,336

- (a) Before elimination of intersegment sales.
- (b) Includes exploration bonus.

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ENI FACT BOOK / EXPLORATION & PRODUCTION

STRATEGIES

In Exploration & Production, Eni boasts strong positions in some of the fastest growing oil and gas basins in the world such as the Caspian Region, North and West Africa. The quality of our assets, long-standing relationships with key host countries, and a strong pipeline of capital projects and investment opportunities will enable Eni to deliver industry-leading growth in both the short and the long term. Consistent with this goal, strategies for our global exploration, development and production operations have remained basically unchanged for many years to date and feature as follows:

- **Maintain strong production growth;**
- **Ensure medium to long-term business sustainability by focusing on reserve replacement;**
- **Develop new projects to fuel future growth; and**
- **Develop the LNG business.**

In order to carry out these fundamental strategies, Eni intends to invest approximately euro 30.6 billion addressed to exploration initiatives and reserve development over the next four-year period.

2006 Highlights

In February 2007, Eni purchased exploration and production onshore activities operated by Maurel & Prom in Congo, entailing a cash consideration of \$1.4 billion. This deal is consistent with Eni's strategy of purchasing proved and unproved reserves and producing assets in legacy countries where Eni can achieve synergies leveraging on own competencies and the availability of facilities. This transaction is subject to approval by the Congolese Authorities.

In 2006 adjusted net profit was euro 7,279 million, up euro 1,093 million from a year ago (+17.7%), reflecting a better operating profit as a result of higher oil and natural gas realizations in dollars combined with increased production volumes sold. These positives were offset in part by higher operating costs and a high adjusted tax rate.

Return on average capital employed calculated on an adjusted basis was 37.5% in 2006, higher than in 2005 (32.4%).

Oil and natural gas production for the year averaged 1.77 mmbob/d, up 1.9% from 2005. This included the loss of production at the Venezuelan Dación oilfield and lower entitlements in certain Production Sharing Agreements (PSAs) and buy-back contracts due to higher oil and gas prices. Eni delivered its 3%

Net proved reserves at December 31, 2006 stood at 6.44 bboe (down 6% from December 31, 2005), representing 10 years of remaining production at the current rate. Organic proved additions, as calculated by applying a year-end Brent price of \$58.925 per barrel, replaced 65% of production. Assuming Brent is constant at \$40 per barrel when determining entitlements in PSAs, the three-year average proved reserve replacement ratio would be 106%.

Eni invested euro 3.6 billion in the development of oil and natural gas reserves, in particular in Kazakhstan, Angola, Egypt and Italy. In exploration activities Eni invested euro 1.4 billion (up 106% compared with 2005) to support reserve replacement and the renewal of its portfolio.

In 2006, Eni achieved several hydrocarbon discoveries, mainly in Indonesia, Egypt, Kazakhstan, Norway, Nigeria, the United Kingdom, the Gulf of Mexico, Italy, Angola and Congo. A total of 68 exploratory wells were completed (35.9 net to Eni), with a commercial rate of success of 43% (49% net to Eni). A further 26 wells were in progress as of the year-end.

Eni's exploration portfolio was strengthened through acquisition of assets in both core areas such as Angola, Alaska, Brazil, Congo, Egypt, Nigeria, Norway, Pakistan, the Gulf of Mexico and new countries/areas with high mineral potential such as Mali, Mozambique

production growth rate based on a \$55 per barrel scenario, as announced in the 2006 quarterly production outlook.

and East Timor. Gross acquired acreage extends for approximately 259,000 square kilometers (152,000 net to Eni, 99% operated).

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Contents**ENI FACT BOOK / EXPLORATION & PRODUCTION - STRATEGIES****MAINTAIN STRONG PRODUCTION GROWTH**

Eni's strategy is to build on its strong position in some of the world's most attractive oil and gas basins to deliver industry leading production growth. We plan to accomplish this by applying the most cost-effective technologies and operations management systems to each and every asset to maximize the commercial recovery of hydrocarbons.

Eni's assets are well balanced between mature producing fields and fields that are at the early stages of their producing cycles with significant opportunities for growth. Mature areas include mainland and offshore Italy, the North Sea and certain basins in Egypt. Growing areas include Libya, offshore and onshore West Africa, the Caspian Sea and the Nile Delta. Eni expects contributions from the latter to boost production growth to 2010 and beyond.

Eni continually invests in its existing asset base to increase resource recovery, maximize profitability, and extend field life. New production volumes are generated through workovers, drilling of new wells, and project implementation. In 2006, Eni invested euro 3.6 billion to develop new reserves and to maximize resource recovery from existing fields. In the next four years, Eni plans to invest approximately euro 322.5 billion evenly allocated to initiatives intended to counteract mature field decline, fuel medium-term growth and support growth beyond 2010.

Several fields/projects were started up during 2006. Among the key start-ups are: (i) the Benguela/Belize and Lobito/Tomboco fields in Block 14 (Eni's interest 20%) in Angola, holding recoverable reserves of approximately 460 mmbbl. Peak production at 158 kbbbl/d (20 net to Eni) is expected in 2009 upon completion of the drilling program; (ii) the fifth train as a part of the development of the Bonny liquefaction plant (Eni's interest 10.4%) in Nigeria, increasing plant capacity to 17 mmt/yr of LNG (812 bcf/yr of feed gas); (iii) the gas phase of the Bayu-Undan field (Eni's interest 12.04%) in Australia, starting supplies to the Darwin plant with liquefaction capacity of 3.5 mmt/yr of LNG. Peak production at 160 kboe/d (18 net to Eni) is expected in 2008.

Production volumes outlook

contracts due to higher oil prices. Production growth was driven by a remarkable increase in gas production mainly in Libya, Egypt, Nigeria, Australia and Croatia; oil production increased in Angola and Libya. Organic growth was partially offset by mature field declines and production outages in Nigeria due to social unrest. The share of production outside Italy was 87% (85% in 2005).

In the medium term, Eni expects to deliver a 3% compound average growth rate from 2007 to 2010, targeting a production level in excess of 2 mmbbl/d by 2010. In subsequent years and up to 2013, Eni projects an annual growth rate of 3%. This goal will be achieved entirely through organic growth mainly in our key producing basins of North and West Africa and the Caspian region, leveraging on Eni's unique position and solid relationships with many of the fastest growing producing countries in the world and on its strong pipeline of capital projects and investment opportunities. In greater detail, production growth will be fed by means of:

- developing LNG projects, aiming at monetizing our large gas reserve base;
- starting up new fields, some of which already under execution and other waiting for finalization of exploratory and appraisal activities;
- leveraging on our long life fields, including Karachaganak in Kazakhstan, the Western Libyan Gas project, Val d'Agri in Italy, Ekofisk and Aasgard offshore Norway, Belayim and Port Fouad in Egypt, and, in perspective, our massive Kashagan field;
- optimizing reserve recovery from declining fields.

Eni's future production profiles are based on a long-term Brent price assumption of 40 \$/bbl in real terms.

ENSURE MEDIUM TO LONG-TERM BUSINESS SUSTAINABILITY BY FOCUSING ON RESERVE REPLACEMENT

In 2006, oil and gas production averaged 1,770 kboe/d, up 33 kboe from 2005 or 1.9%, despite: (i) the impact of the loss of production at the Dación oil field in Venezuela (down 46 kboe/d) as a consequence of the unilateral cancellation of the relevant service contract by the Venezuelan state oil company PDVSA; and (ii) adverse entitlement effects (down 21 kboe/d) in PSAs and buyback

Eni intends to pay special attention to reserve replacement in order to ensure the medium to long term sustainability of its business. In pursuing this goal, Eni intends to:

- optimize its portfolio of development properties by focusing on core areas, seeking new opportunities and divesting marginal assets;
- pursue new exploration opportunities targeting a sound balance between high risk/high reward initiatives and established/mature projects.

As of December 31, 2006, Eni's portfolio of mineral rights consisted of 1,029 exclusive or shared rights for exploration and development in 36 countries on five continents for a total net acreage of 385,219 square kilometers. Of these, 48,273 square kilometers concerned production and development.

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This geographically and geologically diverse, high-quality portfolio balances risks and rewards to deliver both near-term and long-term production growth. In the medium term, Eni expects to more than replace produced reserves through organic additions. Eni's reserve replacement ratio will be supported by the high mineral potential of our assets located in core areas such as the Caspian Sea, West and North Africa. The success of Eni's approach is demonstrated by its ability in replacing produced reserves. In the 2003-2006 four-year period, exploration reserves discovered were approximately 700 mmboe on average for a cumulative amount of 2.8 bboe, higher than our cumulative production over the same period frame. Positive contributions came from both legacy countries such as Nigeria, Angola, Egypt and Kazakhstan and new frontier areas such as the Barents Sea and the ultra-deep waters of the Gulf of Mexico. At 25 bboe, our solid resource base¹ will secure 38 years of production at current rates. Under SEC reporting standards, proved reserves at 2006 year-end were 6.4 billion boe, representing a life index of 10 years. In the 2004-2006 period, considering adverse entitlement impacts in certain PSAs and buy-back contracts resulting from higher oil prices and assuming Brent constant at \$40 per barrel when determining entitlements in PSAs, we would have replaced on average 106% of production through organic additions. For 2006 only, by applying the year-end price of \$58.925/bbl, organic additions for the year came in at 417 mmboe with a reserve replacement ratio of 65%.

Exploration activities will play a crucial role in enlarging Eni's resource base in order to fuel new production, and in securing access to new opportunities. In light of this, management will devote a great deal of focus and effort to exploration. In 2006, Eni more than doubled its investment in exploration from the previous year, resulting in a total of 68 wells drilled with an SEC exploration success of 43%, and capturing 12 new opportunities spanning from new, untested exploration plays to well established plays or already-discovered resources, for a total acreage of about 152,000 square kilometers net to Eni, of these 99% as operator. In the next four years, management plans to invest on average approximately euro 31.1 billion per year in exploration activities, resulting in a cumulative euro 34.4 billion that is substantially higher (+51%) than the previous

plan (2006-2009). The cornerstones of Eni's exploration strategy are:

- selectively assess opportunities to enhance the competitiveness of Eni's full-cycle production costs;
- concentrate resources in core areas: approximately 70% of planned investment will be directed to 10 countries;
- exploit the full mineral potential of recently acquired areas;
- complete portfolio renewal.

In fact, management intends to concentrate investments in well established areas of presence where availability of production facilities, existing competencies and long-term relationships with host countries will enable Eni to readily put in production discovered resources, reducing the time to market and capturing synergies. On the other hand, Eni expects to selectively pursue high risk/high reward opportunities arising from expansion in areas with high mineral potential. Finally, portfolio renewal will be completed, bearing in mind that approximately 70% of total acreage has been renewed over the last three years.

DEVELOP IN LNG BUSINESS

Eni operates its gas business as an integrated portfolio in order to fully extract value from the gas chain and to monetize its large gas reserves. Liquefied Natural Gas is a key part of this strategy. Eni intends to build a global LNG business, aiming at:

- exploiting gas equity availability in order to supply the attractive markets of Europe and North America;
- growing LNG production in areas with high potential and low producing costs;
- purchasing interests in liquefaction plants in order to support the development of the LNG business.

Net liquefaction capacity in 2006 was 321 bcf, mainly concentrated in Nigeria and Egypt, and is expected to expand to 343 bcf in 2010 and in excess of 509 bcf in 2012 by means of developing capacity at the Bonny

four-year

liquefaction plant, building the new Brass plant in Nigeria, and implementing the expansion plan of the Damietta LNG plant in Egypt. LNG sales are expected to grow from 127 bcf in 2006 to 166 bcf in 2010; equity gas supplies to LNG plants of 162 bcf in 2006 are expected to increase up to 233 bcf in 2010.

- (1) Oil and gas volumes contained in a reservoir as ascertained based on available engineering and geological data (sum of proved, probable and possible reserves) plus volumes not yet discovered but that are expected to be eventually recovered from the reservoir net of a risk factor (risked exploration resources).

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ENI FACT BOOK / EXPLORATION & PRODUCTION - ACTIVITY AREAS

ACTIVITY AREAS**Italy**

Eni has been operating in Italy since 1926. In 2006 Eni's oil and gas production amounted to 238 kboe/d. Eni's activities in Italy are deployed in the Adriatic Sea, the Central Southern Apennines, mainland and offshore Sicily and the Po Valley on a total acreage of 28,508 square kilometers (22,496 net to Eni). Eni's exploration and development activities in Italy are regulated by concession contracts.

Production is expected to remain stable in the medium term despite mature field declines, owing to the continued ramp up of production in Val d'Agri, development projects underway and initiatives for supporting production levels in gas fields.

Sicily

Production Eni is operator of 13 production concessions onshore and offshore Sicily. Its main fields are Gela, Ragusa, Giaurone, Fiumetto and Prezioso, which in 2006 accounted for 6% of Eni's production in Italy. In the second half of 2006, the Samperi well was started up with full production of approximately 2,871 cf/d to be reached in 2007.

Development The main development projects underway

concern gas onshore Sicily: (i) Pizzo Tamburino, the project provides for the drilling of two producing wells, the installation of facilities for liquids/gas separation and the linkage to the Gagliano station by means of a 16-kilometer long pipe. The start-up of the first well, Pizzo Tamburino, is scheduled for the second half of 2007

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with expected production of approximately 5.74 mmcf/d; (ii) the recovery of additional reserves in the Fiumetto concession by means of the drilling of the Fiumetto 1 well expected to start-up in the first half of 2007 with an expected production increase of approximately 3,445 cf/d.

Exploration Exploration activity yielded positive results with gas discoveries in the GR.13.AG offshore permit (Eni's interest 60%) with the Argo 1 well, which yielded up to 769 cf/d in test production. In the San Teodoro onshore permit, mineral surveys are underway on the Borgo Giuliano 1 well. A concession has been requested after this discovery

Adriatic Sea

Production The Adriatic Sea represents Eni's main production area in Italy, accounting for 49% of Eni's domestic production in 2006. Main operated fields are Barbara (177 mmcf/d net to Eni), Angela-Angelina (71 mmcf/d), Porto Garibaldi (71 mmcf/d) and Cervia (57 mmcf/d). Activities for the year concerned mainly the optimization of the Barbara, Daria, Basil and Anemone gas fields by means of sidetrack and infilling action aimed at supporting production levels and the Rospo oil field with the drilling of two new wells.

Development The main project underway concerns the development of gas reserves in the Tea-Arnica-Lavanda

field. The project provides for the installation of a production platform and the linkage of 4 wells to the existing nearby facilities. Production volumes will be delivered to the Ravenna Mare station. Production start-up is scheduled for 2007 with an expected production peak of approximately 35 mmcf/d to be reached in the same year.

Exploration Exploration activity yielded positive results with a gas discovery in the AR.95.EA permit with the Benedetta 1 well, which yielded up to 5,121 cf/d in test production.

Po Valley

Exploration Exploration activity yielded positive results

Central-Southern Apennines

Production Eni is operator of the Val d'Agri concession (Eni's interest 60.77%) in Basilicata, resulting from the unitization of the Volturino and Grumento Nova concessions made in late 2005. Recoverable reserves in this concession amount to 608 mmbbl. Production from the Monte Alpi, Enoc and Cerro Falcone fields is fed by 22 production wells of the 27 foreseen by the sanctioned development plan and is supported by the Viggiano oil center, containing 6 trains with a treatment capacity of 104 kbbbl/day of oil and 99 mmcf/d of natural gas. Oil produced is carried to Eni's refinery in Taranto via a 136-kilometer long pipeline. In 2006 the Val d'Agri concession produced 105 kboe/d (68 net to Eni)

with a gas discovery in the San Potito concession with corresponding to 29% of Eni's production in Italy.
the drilling of the Longanesi 1 well, which yielded 3,143
cf/d in test production.

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Development The main project underway concerns the development of the oil and gas onshore Miglianico field (Eni's interest 100%). The project provides for the linkage of 3 wells, the construction of a treatment facility for oil, which will be supplied to Eni's Refining & Marketing logistic facilities, while the gas will be input to the national transport network through a pipeline. Production start-up is scheduled for the second half of 2008 with an expected production peak of 7.2 kboe/d to be reached in 2009. As for the development of gas reserves, the project in the South-West area of the Candela permit is well underway, with production start-up expected in the second half of 2007.

Activities in the Val d'Agri concession concerned the continuation of the drilling program and the upgrading of production facilities.

Exploration Exploration activity yielded positive results with a gas discovery in the Mezzocolle concession with the drilling of the Longanesi 1 well.

North Africa**Algeria**

Eni has been present in Algeria since 1981. In 2006, Eni's oil production averaged 91 kboe/d. Operating activities accounting for 53% of Eni's production in Algeria are located in the Bir Rebaa area in the South-Eastern desert and include the following exploration and production blocks: a) Blocks 403 a/d (Eni's interest 100%); b) Blocks 401a/402a (Eni's interest 55%); c) Block 403 (Eni's interest 50%); d) Blocks 212 (Eni's interest 22.38%) and 208 (Eni's interest 12.25%); e) exploration Blocks 404a (Eni's interest 25%) and 403 c/e (Eni's interest 33.33%). Gross acreage of Eni's interests in Algeria was 12,739 square kilometers (3,456 net to Eni). Exploration and production activities in Algeria are regulated by Production Sharing Agreements (PSA) and concession contracts.

In the medium-term, Eni expects production in Algeria to increase reflecting ongoing development activities, targeting a 100 kboe/d level by 2010.

BLOCKS 403 a/d

Production Production in the area is supplied mainly by the HBN and Rom and satellite fields. Blocks 403 a/d accounted for approximately 46% of Eni's production in Algeria in 2006.

Development The main project underway is Rom/Zea Integrated Development for the production of reserves identified by the recent appraisal activity conducted in the area, leading to a revaluation of the resources of this area. Current production is collected at Rom's Central Production Facility and delivered to the treatment centre in Bir Rebaa North in Block 403. The project provides for the upgrade of production facilities and the injection into the field of water and gas currently flared at the Rom satellite center. As a result, flared gas is expected to be reduced by approximately 90%, as required by applicable Algerian laws. Production is expected to peak at 21 kbb/d (12 net to Eni) in 2010.

Exploration Exploration activity yielded positive results with the finalization of an appraisal campaign intended to evaluate reserves in the area covered by the Rom

Integrated project as described above.

BLOCKS 401a/402a

Daily production from the area is supplied mainly by the Rod and satellite fields. Blocks 401a/402a accounted for approximately 27% of Eni's production in Algeria in 2006. Infilling activities are being performed on producing fields in order to maintain the current production

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plateau. The drilling of further 6 wells (4 production and 2 water injection wells) is planned for the recovery of recently ascertained reserves.

BLOCK 403

The main fields in the area are BRN, BRW and BRSW. Block 403 accounted for approximately 13% of Eni's production in Algeria in 2006. Exploration activity remains intense in this area.

BLOCK 208

Block 208 is located south of Bir Rebaa. The El Merk Synergy plan for the development of this block in conjunction with the development of adjoining blocks (212 and 405a and 404 operated by other companies) is the main project underway in Algeria and is aimed at producing recoverable reserves up to 728 mmboe. In Block 208 the EKT, EMK, EMN and EME oil and gas fields, discovered between 1993 and 1998 are expected to be developed. The working plan provides for the drilling of 145 wells, that will be linked to a Central Production Facility with a treatment capacity of 150 kbbl/d of oil and approximately 1 bcf/d of associated wet gas for the extraction of liquids (approximately 50 kbbl/d) and the subsequent gas cycling (reinjection in the field). Marketing of associated gas is envisaged 8 years after the production is started up. Start up is expected in 2010 peaking at

144 kboe/d (19 net to Eni) in the same year. About 85% of basic engineering has been completed in 2006.

BLOCK 404a

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Egypt

Eni has been present in Egypt since 1954 and is the first international operator in oil and gas with a gross production amounting to 523 kboe (227 kboe net to Eni) in 2006, on a total acreage of 23,214 square kilometers (13,901 net to Eni).

Eni's main producing activities are located in the Belayim concession (Eni's interest 100%) located in the Gulf of Suez which contains oil and condensates and in the North Port Said (former Port Fouad, Eni's interest 100%), Baltim (Eni operator with a 50% interest), Ras el Barr (Eni's interest 50%) and el Temsah (Eni operator with a 50% interest) predominantly gas concessions located offshore in the Nile Delta. In 2006 production from these concessions accounted for 90% of Eni's production in Egypt.

Exploration and production activities in Egypt are regulated by concession contracts and PSAs.

Production is expected to increase in the medium term reflecting ongoing development of gas reserves, despite expected production decline of mature oil fields. Eni targets a production level of 250 kboe/d in 2010, making Egypt Eni's first hydrocarbon producing country by that date.

GULF OF SUEZ

Production Oil and condensate production came mainly from the Belayim field, Eni's first large discovery of oil in Egypt, which produced 51 kbbl/d net to Eni in 2006. Other producing assets are located in the Ashrafi concession, which in 2006 produced 6 kbbl/d.

Exploration Exploration activity aims at the recovery of the residual mineral potential of this area in order to contain the natural decline of producing fields. In 2006 the Abu Rudeis Marine 4 discovery was made and showed the presence of oil at a depth of over 3,000 meters; the well has been linked to existing production facilities.

NILE DELTA**NORTH PORT SAID**

Production In this concession Eni's production in 2006 amounted to 459 mmcf/d net to Eni, also following the reaching of full production of the Barboni field started up in 2005. In 2006 the Anshuga gas field was started up and linked by sealines to the production facilities of the

This block is only in the exploration phase. In 2006 the BBKS-1 discovery well showed the presence of oil and yielded approximately 700 kbbbl/d in test production. The BBKSE-1 appraisal well showed the presence of oil at a depth of about 3,200 meters and confirmed the eastward extension of the BBKS structure.

nearby Nouras field. Production is targeted at approximately 18 mmcf/d net to Eni. Part of the production of this concession is destined to the NGL (natural gas liquids) plant owned by United Gas Derivatives Co (Eni's interest 33%) with a treatment capacity of 1,095 mmcf/d of natural gas and a yearly production of 330 ktonnes of propane, 280 ktonnes of LPG and 1.1 mmbbl of condensates.

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Development Ongoing development activities aim at supporting the current gas production level of 459 mmcf/d net to Eni. The Semmani field is under development by means of the drilling of 2 producing wells to be linked by sealines to the nearby production platforms. Start-up is expected in 2007 with a flow of approximately 1 mmcm/d net to Eni. Upgrading activities of the el Gamil terminal have been progressing. This project provides for the expansion of a compression station and the installation of a new unit linked to the el Temsah and Ras el Barr producing areas.

BALTIM

Production In this concession Eni's production in 2006 amounted to 106 mmcf/d net to Eni.

RAS EL BARR

Production This concession contains three fields: Ha py, Akhen and Taurt and is located about 25 kilometers north-west of el Temsah. Eni's production in 2006 amounted to 177 mmcf/d.

Development Ongoing development activities aim at supporting the current gas production level of 170 mmcf/d net to Eni. In 2006 the first phase of the installation of gas compression units along the sealine linking to the West Harbour terminal for the development of the Ha py field was completed. Engineering activities are underway for the development of recoverable gas reserves amounting to 932 bcf of the offshore Taurt field. This project provides for the drilling of 7 production wells which are expected to be linked to existing onshore treatment facilities. Production is expected to start in 2008.

EL TEMSAH

Production Eni's production in 2006 amounted to 64 mmcf/d due to the start-up of the Temsah NW 2 production platform.

Development Ongoing development activities aim at reaching a gas production peak of 111 kboe/d (33 net to Eni) in 2008. Engineering activities are underway for the development of the gas reserves in the Denise field. The project provides for two phases. The first one entails the drilling of 4 producing wells to be linked to the Denise A facility installed on the Temsah NW 2 platform. In the second phase, 4 more production wells will be drilled and the Denise B platform is to be installed and linked to the Temsah NW 2 platform. Production start-up is expected in 2008.

EXPLORATION IN THE NILE DELTA AREA

An intense exploration campaign is underway for ascertaining the large mineral potential of the Nile Delta area. In 2006 exploration yielded positive results with the NFW Meret 1 and 2 wells which showed the presence of layers containing gas and condensates in the western area of the el Temsah concession at a depth of over 1,500 and 3,000 meters, respectively. In the Thekah permit the Thekah North discovery well (gas) is waiting to be linked to existing production facilities.

WESTERN DESERT

Other production activities are located in the Western Desert, in particular in the Melehis (Eni's interest 56%) and West Razzak (Eni's interest 80%) concessions containing mainly oil. Concessions in the Western

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Desert accounted for approximately 7% of Eni's production in Egypt in 2006.

Exploration activity yielded positive results with the Aghar SW-1X oil discovery in the West Razzak concession, the Lotus North 1-X and Nada Ne 1-X oil wells in the Melehis concession. The latter two wells have started production.

THE LNG BUSINESS IN EGYPT

Eni owns a 40% interest in the Damietta natural gas liquefaction plant. As part of the expansion plan of the plant, Eni and its partners signed a framework agreement in June 2006 for doubling the capacity of the plant by means of the construction of a second train with a treatment capacity of 5 mtonnes/y of LNG corresponding to approximately 268 bcf/y of gas for a twenty-year period starting in 2010. Eni will supply 88 bcf/y to the second train from new gas discoveries in the Nile Delta, some of which in the deep waters. A new company is going to be established for the construction of the plant made up of Eni, Unión Fenosa, SEGAS (Spanish Egyptian Gas Co), BP and Egyptian national companies EGAS and EGPC. Eni already supplies approximately 53 bcf/y to the first train of the plant for a twenty year period.

Libya

Eni started operations in Libya in 1959. In 2006 Eni's oil and gas production averaged 222 kboe/d, the portion of liquids being 65%. Production activity is carried out in the Mediterranean offshore facing Tripoli and in the Libyan desert area, over a total acreage of approximately 39,569 square kilometers (34,113 net to Eni).

The main production blocks in which Eni holds interests are: (i) onshore NC169A (Eni's interest 50%) and offshore NC41 (Eni's interest 30% for oil and 50% for gas); (ii) onshore NC 174 (Eni's interest 33.3%) and (iii) onshore concessions 82 and 100 (Eni's interest 50%).

Eni also holds a 50% interest in the NC118 block where, after a declaration of commercial discovery, it is developing the A-NC118 field.

In the exploration phase, Eni is operator of four onshore blocks in the Muzurk basin (161/1, 161/2&4, 176/3) and in the Kufra area (186/1, 2, 3 & 4).

Exploration and production activities in Libya are regulated by concessions and PSAs.

Eni's production in Libya is expected to post an increase

the expected ramp up of new structures near the Western Libyan Gas Project fields, despite mature field production declines. Libya confirms to be one of Eni's largest oil and gas producing countries

BLOCKS NC169/NC41

Production Block NC169 is located in the western Libyan desert near the border with Algeria while block NC-41 is located in the Mediterranean offshore north of Tripoli. Production comes from: (i) the onshore Wafa field started up in September 2004, which in 2006 produced 139 kboe/d of liquids and natural gas (69 net to Eni); (ii) the Bahr Essalam offshore field started up in August 2005, that in 2006 produced 102 kboe/d of liquids and natural gas (51 net to Eni); (iii) the Bouri offshore field (Eni's interest 30%) discovered in 1976, that in 2006 produced 55 kboe/d of liquids (17 net to Eni).

The Wafa and Bahr Essalam fields, containing recoverable reserves of approximately 1.6 bboe were developed as part of the upstream-midstream integrated Western Libyan Gas Project aimed also at exporting natural gas to Europe through the underwater Greenstream pipeline. In 2006 volumes delivered through this pipeline were 240 bcf and are expected to target 283 bcf (equal to approximately to an average of 777 mmcf/d) when operations are fully on line. Said volumes are supplied to third parties on the Italian natural gas market under long term contracts. Further 71 bcf of gas will be delivered to the Libyan market once these two fields have achieved production plateau. Production from these two fields is treated at the Mellitah plant on the Libyan coast, made up of three trains for the treatment of gas from Bahr Essalam, while the gas produced at Wafa is ready for sale. Mellitah includes also facilities for the compression of natural gas that is carried to Sicily, as well as facilities for the storage and loading of oil and LPG. In 2006 a total of 26 offshore producing wells were drilled and linked to the Sabratha platform as foreseen by phase 1 of the sanctioned project.

The Bouri field is exploited through two platforms linked to an FPSO unit with a storage capacity of approximately 1.5 mmbbl. In 2006 the Bouri East Development project was completed with the start-up of 4 underwater wells.

in the medium term owing to

Exploration Exploration activity was successful with the T1 discovery well, about 20 kilometers west of the Bouri field, which identified oil at a depth of 2,800 meters.

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Contents**ENI FACT BOOK / EXPLORATION & PRODUCTION - ACTIVITY AREAS****BLOCK NC174**

Production Block NC174 is located in the south-western Libyan desert about 800 kilometers from of Tripoli. Daily production is provided mainly by the El Feel (Elephant) field discovered in 1997. In 2006 the field yielded 124 kbb/d (24 net to Eni) treated at the field's facilities and then delivered to the Mellitah treatment plant by pipeline.

After completing the storage and loading facilities of the Mellitah terminal, this field reached a production peak of 150 kbb/d (35 net to Eni).

BLOCKS 82 AND 100

Production These blocks are located in the eastern-central Libyan desert. Oil production is provided by the Bu Attifel oil field discovered in 1967 and started-up in 1972, as well as by minor fields in concession 82. In 2006 they yielded 106 kbb/d (53 net to Eni). Development activities concerned the drilling of some infilling wells.

Exploration Exploration activity was successful with the KK4-82/ST3 discovery well, which identified oil at a depth of approximately 5,000 meters.

Mali

In November 2006, Eni purchased five onshore exploration licenses (Eni operator with a 50% interest) from the companies Baraka Mali Operations Limited and Baraka Mali Ventures Limited, covering a gross acreage of approximately 193,200 square kilometers (96,600 net to Eni). Blocks are located in the central part of the Taodueni Basin at the border with Algeria, a completely unexplored and high potential basin according to recent studies. The life span of this exploration license was fixed at four years. In March 2007, this operation was approved by the Malian Authorities.

West Africa**Angola**

Eni has been present in Angola since 1980. In 2006 Eni's oil production averaged 155 kboe/d. Eni's activities are concentrated in the conventional and deep offshore over a gross acreage of 18,776 square kilometers (3,275 net to Eni).

The main blocks in which Eni holds an interest are: (i) Block 0 in Cabinda (Eni's interest 9.8%) west of the Angolan coast; (ii) Block 14 (Eni's interest 20%) in the deep offshore west of Block 0; (iii) Block 15 (Eni's interest 20%) in the deep offshore of the Congo basin. Eni also holds interests in other minor concessions, in particular in some areas of Block 3 (with interests varying from 12 to 15%).

In the exploration phase, Eni is operator of block 15/06 (with a 35% interest) awarded in May 2006 and holds interests in the 14K/A IMI Unit Area and in Block 3/05-A with a 11.5% and a 12% interest, respectively. Exploration and production activities in Angola are regulated by concessions and PSAs.

Production is expected to increase in the medium term reflecting contributions from ongoing development projects, despite the production decline of mature fields. By 2010 Angola will confirm its status as one of Eni's largest oil and gas producing countries with a level of 160 kbb/d.

BLOCK 0

Production In 2006 production from this block accounted for approximately 27% of Eni's production in Angola at 41 kbb/d (gross production averaged 418 kbb/d). Block 0 is divided into areas A and B Oil production from area A, deriving mainly from the Takula

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and Malongo fields amounted to 22 kbb/d net to Eni. Production of area B including oil, condensates and LPG derives mainly from the Bomboco, Kokongo, Lomba, N Dola, Nemba and Sanha fields, and amounted to 19 kbb/d net to Eni in 2006. In 2007 Eni's production from Block 0 is targeted at 40 kbb/d.

Development The development plan of the Banzala field in area A progressed towards completion, with the commissioning of the first of the two production platforms envisaged by the plan and the drilling of development wells. Production start-up is expected in the first half of 2007, peaking at 27 kbb/d (3 net to Eni) in 2009.

BLOCK 14

Production Block 14 produced 108 kbb/d (17 net to Eni) in 2006 and is one of the most fruitful areas in the West African offshore, recording 9 commercial discoveries to date. In 2006 the joint development of the Benguela-Belize/Lobito-Tomboco oil fields has been completed. Phase 1 has been started up in January, while phase 2 was started up in June. Production from these fields holding recoverable reserves of 380 mmbbl is supported by a Compliant Piled Tower provided with treatment facilities for Benguela/Belize and an underwater linkage system for Lobito/Tomboco. Peak production of 158 kbb/d (20 net to Eni) is expected in 2009 with the finalization of the drilling program.

Development Eni participates to the development project of the Landana and Tombua deepwater oil fields discovered in 1997 and 2001 respectively, holding recoverable reserves of 322 mmbbl in water depths between 270 and 500 meters. The development project includes the drilling of 46 subsea wells, 6 of which related to the Landana North field, that are expected to be linked to the Benguela/Belize-Lobito/Tomboco facilities. The first of these wells started producing in June 2006. The remaining part of the project will be carried out by means of the installation of a Compliant Piled Tower provided with treatment capacity. Production is planned to start up in 2009 peaking at 130 kbb/d (22 net to Eni) in 2011 once the drilling program has been completed. Associated gas will be reinjected in the reservoir.

Exploration Exploration activity was successful with the Lucapa 1 discovery, which identified oil and gas at a depth of approximately 1,200 meters.

The Hungo and Chocalho fields were started up in August 2004, and the Kissanje and Dikanza fields were started-up in July 2005 as part of phases A and B of the global development plan of the Kizomba reserves. Production from these fields is supported by FPSO units. In 2006, these fields yielded a cumulative production of 527 kbb/d (85 net to Eni), nearing peak levels. In the medium-term,

BLOCK 15

Production In 2006 production from this block averaged 573 kbbbl/d (90 net to Eni). This is considered the most interesting area in the West African offshore with recoverable reserves estimated at 2.55 bbbbl of oil.

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peak production is expected to be supported by developing reserves from nearby discoveries. In December 2006 the Marimba oil field, discovered in 1998, was started up. The project provides for the drilling of 5 wells (3 production and 2 water injection wells) that will be linked to the existing production facilities.

Production from this satellite is expected to peak at 39 kbbbl/d (7 net to Eni) in 2008.

Another large field in Block 15 is Xikomba, yielding 4 kbbbl/d net to Eni in 2006.

In 2006 production from Block 15 accounted for approximately 59% of Eni's production in Angola.

Development In March 2006 the development of the Mondo and Saxi/Batuque fields was sanctioned as part of phase C of the global development plan of the Kizomba reserves. The Mondo field contains recoverable reserves of 278 mmbbl. The relevant development project provides for the installation of an FPSO vessel with a treatment capacity of 100 kbbbl/d and a storage capacity of approximately 2 mmbbl and the drilling of 17 wells (10 producing, 4 water injection and 3 water/gas injection wells). The Saxi/Batuque fields holding recoverable reserves of 305 mmbbl will be developed according to a scheme similar to that of the Mondo field by installing an FPSO vessel with a treatment capacity of 100 kbbbl/d and a storage capacity of approximately 1.7 mmbbl, and drilling 19 wells (9 producing, 6 water injection and 4 water/gas injection). Production is expected to start in the first and second quarter of 2008, respectively, peaking at 100 kbbbl/d for both projects (18 net to Eni) in 2009.

Exploration Exploration activity was successful with the Tchihumba 2 discovery, which identified oil and gas

BLOCK 14K/A IMI Uni

In this block the Lianzi discovery was made and further appraisal activity confirmed the presence of natural gas and oil and gas layers at a depth of more than 3,000 meters. In January 2006 the area was qualified for development and the partners of the project are quantifying the recoverable reserves it contains for the definition of production plans.

BLOCK 15/06

In May 2006, following an international bid procedure Eni acquired a 35% interest in an exploration license in offshore Block 15/06 acting as operator. This area is believed to hold a high mineral potential.

Total acreage extends for approximately 3,000 square kilometers located 350 kilometers off the coast in the Lower Congo Basin at a water depth between 200 and 1,500 meters. The exploration plan provides for the acquisition of 1,500 square kilometers of seismic surveys, the drilling of 8 wells in five years and the option for a three year extension of the license with the drilling of 3 further wells. In November 2006, Eni signed the relevant production sharing contract with the Angolan national company Sonangol.

Congo

Eni has been present in Congo since 1968 and its activities are concentrated in the conventional and deep offshore facing Pointe Noire covering a gross acreage of 9,797 square kilometers (4,169 net to Eni). In 2006 production averaged 67 kboe/d net to Eni, mainly oil. Exploration and production activities in Congo are regulated by PSA.

Eni's principal oil producing interests operated in Congo are the Zatchi (Eni's interest 65%) and Loango (Eni's interest 50%) fields and Blocks Marine VI (Eni's interest 65%) and VII (Eni's interest 35.75%).

Eni holds a 35% interest in the Pointe Noire Grand Fonde and Pex permits.

Eni also holds interests in the four deep offshore blocks Mer Très Profonde Nord (Eni operator with a 40% interest), Mer Très Profonde Sud (Eni's interest 30%) and Marine X (Eni operator with a 72% interest).

In May 2006 Eni signed a Protocole d'Accord aimed at exploiting the gas mineral potential of the Marine XII permit for feeding a high yield power station.

In February 2007 Eni concluded an agreement with the

at a depth of approximately 3,000 meters.

BLOCK 3/05-A

In March 2006 a joint operating agreement was signed for Block 3/05-A (Eni's interest 12%).

The exploration program provides for the drilling of an exploration well in three years and the option for an extension of the agreement for further two years and the drilling of another well.

Indian company ONGC Videsh whereby exploration interests in India and Congo were exchanged. Following this transaction Eni acquired a 34% interest in block MN-Dwn-2202/1 with high mineral potential in the Indian offshore at a water depth of 2,000 meters

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with a total acreage of 10,000 square kilometers and will give to its partner a 20% interest in the Mer Très Profonde Nord permit (Eni operator with a 40% interest) offshore Congo.

In February 2007, Eni acquired certain onshore exploration and production assets operated by Maurel & Prom. This transaction includes the producing fields of M Boundi (48.6%) and Kouakouala A (66.7%), the production concession of Kouakouala B (50%) and interests in the Kouilou (50%) exploration permit. The transaction is subject to approval of the relevant Congolese Authorities. To date the proved reserves contained in the assets purchased amount to 325 mmbbl (approximately 126 net to Eni). Production expected in 2007 is 43 kbb/d and is expected to increase in the future due to water injection activities.

Production in Congo is expected to increase in the medium term due to the contribution from recently acquired assets, targeting a level of 100 kbb/d.

Production Daily production is provided mainly by the Zatchi (approximately 16 kbb/d) and Loango (10 kbb/d) fields, Tchibuela and Yanga/Snedji fields in the Pointe Noire Grand Fonde permit (overall 14 kbb/d) and by fields located in the Marine VI (approximately 11 kbb/d) and Marine VII (3 kbb/d).

Eni holds a 50% interest in the Djeno power plant. The plant has a 25 MW capacity and is fired with associated gas from the Kitina field (in Marine VII permit). It was started up in 2002 and represents the first example of monetization of associated gas in Congo. In 2006 in the Pex permit the Litanzi offshore field started production through the facilities of the Tchendo field. A peak production of 4.1 kboe/d (1.4 net to Eni) was reached in 2006.

Development The main development project underway concerns the Awa Palokou (Eni's interest 90%) and Ikalou-Ikalou Sud (Eni's interest 100%) fields in the Marine X and Madingo permits. Start up is expected in 2008 with a production peak of 13 kboe/d net to Eni in 2009.

Exploration Exploration yielded positive results in the Mer Très Profonde Sud permit with the Aurige Nord Marine discovery that yielded approximately 5 kboe/d in test production.

Nigeria

Eni has been present in Nigeria since 1962. In 2006, Eni's oil and gas production averaged 149 kboe/d over a gross acreage of 43,215 square kilometers (7,356 net to Eni) located mainly in the onshore and offshore of the Niger Delta. In the development /production phase Eni is operator of 4 onshore Oil Mining Leases (OML) 60, 61, 62 and 63 (Eni's interest 20%) and offshore OML 125 (Eni's interest 50.19%), OMLs 120-121 (Eni's interest 40%) and OML 118 (Eni's interest 12.5%). It also holds a service contract for the offshore OMLs 119 and 116. Through SPDC JV, the largest oil joint venture in the country, Eni also holds a 5% interest in 31 onshore blocks and a 12.86% interest in 5 conventional offshore blocks.

Eni holds a 5% interest in offshore OML 28 where the Kolo Creek appraisal well showed the presence of hydrocarbons in the reservoir of the Kolo Creek structure.

In the exploration phase Eni is operator of Oil Prospecting Leases (OPL) 244 (Eni's interest 60%),

OML 134 (former OPL 211 - Eni's interest 50.19%) and onshore OML 135 (former OPL 219 - Eni's interest 12.5%) and OPL 282 (Eni's interest 90%) In OML 135 exploration activity yielded positive results with the Bolia 4 appraisal well which discovered oil at a depth of 3,600 meters and opened the way to further surveys of the field.

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The partners of OMLs 135 and 129 are also appraising the development of the Nnwa-Doro field and a possible marketing of the gas.

In March 2007 Eni acquired a 48% interest and the operatorship of activities in OPL 135. The exploration program provides for the exploration and development of new oil and gas reserves near existing networks and the Kwake/Okpai power station operated by Eni over a period of 25 years. Exploration and production activities in Nigeria are regulated by Production Sharing Contracts. Eni's counterparties are state owned oil companies, while in service contracts Eni acts as contractor for state owned companies. Service contracts provide for the recovery of reimbursable costs born by the contractor through a share of production, while non reimbursable costs (mainly costs related to dry wells) are recovered through the contractor's share of profits. OPLs typically last 10 years. When a discovery is made OPLs are transformed into OMLs with a 20 year duration.

Production is expected to increase in the medium term in particular for the exploiting of gas reserves that will

OMLs 60, 61, 62 and 63

Blocks OML 60, 61, 62 and 63 accounted for 39% of Eni's production in Nigeria in 2006. Liquid and gas production is supported by the LNG plant at Obiafu-Obrikom with a treatment capacity of approximately 706 mmcf/d and by the oil tanker terminal at Brass with a storage capacity of approximately 3 mmbbl. A large portion of the gas reserves of these four OMLs is destined to supply the Bonny liquefaction plant (see below). Another portion of gas production is employed in firing the combined cycle power plant at Kwale-Okpai with a 480 MW generation capacity which started operations in 2005. In 2006 supplies to this power station amounted 71 mmcf/d (approximately 12 kboe/d). This project is part of the Nigerian government and Eni's plans for the reduction of carbon dioxide emissions in the atmosphere. In late 2006 this project was qualified as CDM (Clean Development Mechanism) by the United Nations as provided for by the Kyoto Protocol. The CDM at Opkai power station is the first approved in Nigeria. Exploration activities in these blocks remain intense.

enable Eni to reach approximately 200 kboe/d,
confirming Nigeria among Eni's largest producing
countries.

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OML 125 produced 12 kbb/d of oil net to Eni in 2006. Production derived from the Abo field, under development and expected to reach a peak production of 20 kbb/d (9 net to Eni) by 2009. Production is assisted by an FPSO unit with a 45 kbb/d capacity and a 800 kbb/d storage capacity.

OML 118

OML 118 produced 22 kbb/d of oil net to Eni in 2006. Production derived from the Bonga oil field, on which an FPSO unit with a 225 kbb/d capacity and a 2 mmbbl storage capacity is installed. Associated gas is carried to a collection platform on the EA field and from here is delivered to the Bonny liquefaction plant. Exploration yielded positive results with the Bonga North 2 appraisal well which showed the presence of oil at a depth of 3,560 meters.

OML 119

Located about 55 kilometers off the Nigerian coast at a water depth of 65 meters, OML 119 produced 17 kbb/d of oil net to Eni in 2006. Production derived from the Okono/Okpoho field through an FPSO unit with an 80 kbb/d capacity and a 1 mmbbl storage capacity.

OMLS 120 AND 121

An exploration plan is underway aimed at appraising the reserves in the Oyo discovery for a subsequent development. In OML 120 the Oyo dir appraisal well found oil at a depth of 2,730 meters.

SDPC JOINT VENTURE (NASE)

The Forcados/Yokri oil and gas field with recoverable reserves of 320 mmboe is under development as part of the integrated associated gas gathering project aimed at supplying gas to the Bonny liquefaction plant. Offshore production facilities have been installed. Onshore activities concern the upgrading of the Yokri and North/South Bank flow stations and the construction of a gas compression plant with a 8.1 bcf/d capacity. 28 wells have been drilled and 122 started production. Completion is expected in 2008.

THE LNG BUSINESS IN NIGERIA

Eni holds a 10.4% interest in Nigeria LNG Ltd which manages the liquefaction plant located on Bonny island,

mmtonnes/y expected to start operations in 2007.

Engineering activities of a seventh train are underway with expected start up in 2011. When fully operational, this plant is expected to have a capacity of 30 mmtonnes/y of LNG corresponding to about 1,448 bcf/y of feed gas.

Natural gas supplies to the plant (first six trains) will be provided under a gas supply agreement with a 20 year term from production of the SPDC joint venture and of OMLs 60, 61, 62 and 63. When fully operational in 2008, supplies will total approximately 3,461 mmcf/d (268 net to Eni, corresponding to approximately 46 kboe).

LNG production is sold under long term contracts and exported by the Bonny Gas transport fleet, wholly-owned by Nigeria LNG Co. This fleet is composed of 18 tanker ships and will be upgraded with 5 new units for the transport of production from train 6. Eni is operator with a 17% interest of the Brass project for the construction of a natural gas liquefaction plant to be built near the existing Brass terminal (Eni's interest 20%) on the Nigerian coast about 100 kilometers West of Bonny. This plant is expected to start operating in 2011 with a treatment capacity of 10 mmtonnes/y of LNG corresponding to 1,695 mmcf/d (approximately 177 net to Eni) of feed gas on 2 trains. Supplies to this plant will derive from the collection of associated gas from nearby producing fields and from the development of gas fields in OMLs 61 and 62 onshore. By February 2006 all memoranda of understanding have been signed pertaining to the marketing of the whole LNG production capacity of the plant for a period of 20 years. Eni acquired 2 mmtonnes/y of LNG capacity.

in the eastern part of the Niger Delta, with a treatment capacity of approximately 812 bcf/y of feed gas corresponding to a production of 17 million tonnes/year of LNG on 5 trains. A sixth train is under construction with a treatment capacity of 4.1

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North Sea

Norway

Eni has been operating in Norway since 1964. Eni's activities are performed in the Norwegian Sea, in the Norwegian section of the North Sea and in the Barents Sea over a gross acreage of 18,851 square kilometers (7,077 net to Eni). Eni's production in Norway amounted to 140 kbb/d in 2006.

Exploration and production activities in Norway are regulated by Production Licenses (PL). According to a production license, the holder is entitled to perform seismic surveys and drilling and production activities for a few years with possible extensions.

In the medium term, production is expected to decline slightly due to production decline in mature fields, to recover later when ongoing development activities start to support production levels.

NORWEGIAN SECTION OF THE NORTH SEA

Production Eni holds interests in 4 production Licenses in the Norwegian section of the North Sea covering a total acreage of 2,168 square kilometers. The main producing field is Ekofisk (Eni's interest 12.39%) in PL018 containing mainly oil, which in 2006 produced 416 kboe/d (52 net to Eni) and accounted for 37% of Eni's production in Norway. In 2006 initiatives were executed to support and optimize production, in particular two further stretches of pipes were laid that will start operations in 2007.

Exploration Eni holds interests ranging from 12 to 60% in 5 prospecting Licenses, one of them as operator.

NORWEGIAN SEA

Production Eni holds interests in 6 production areas in the Norwegian Sea covering a gross acreage of 1,027 square kilometers. The main producing fields are Aasgard (Eni's interest 14.82%), Kristin (Eni's interest 8.25%), Heidrun (Eni's interest 5.12%), Mikkel (Eni's interest 14.9%) and Norne (Eni's interest 6.9%) which accounted for 63% of Eni's production in Norway. In 2006 the drilling program of the Kristin field was completed, after this intervention production is expected to reach 218 kboe/d (18 net to Eni) in 2007.

Development The main structures in the development phase are located near Kristin, in particular Tyrihans

and the laying of a 45-kilometer long underwater pipeline connecting to Kristin. Production start-up is expected in 2009, in coincidence with the production decline of Kristin which will free spare capacity for Tyrihans production.

Exploration Eni holds interests in 27 prospecting Licenses ranging from 5 to 100%, 6 of these are operated. In February 2006, following an international bid procedure, Eni was awarded offshore Block 6607/11-122D (Eni's interest 20%) in the Halten Terrace basin, near the Maruk discovery (Eni operator with a 20% interest) covering a gross acreage of 7 square kilometers. Eni increased its interests in: (i) PL 211 (Eni's interest 30%) where the Victoria gas discovery was made, which represents a technological challenge due to high pressure and temperature in the field; (ii) PL 264 (Eni's interest 40%) where the Hvitveis gas discovery was made.

Exploration yielded positive results in PL 128 (Eni's interest 11.5%) with a gas discovery and in PL 134 (Eni's interest 30%) with an oil discovery, with the drilling of an appraisal well of the earlier Morvin discovery.

(Eni's interest 6.23%). The development of this field is economically viable thanks to the synergies obtainable from the Kristin production facilities. The development plan of Tyrihans provides for the drilling of 12 wells (9 production, 2 gas injection and 1 water injection)

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BARENTS SEA

Currently Eni is only performing exploration activities in this area. Eni is operator of 2 PLs 201 (Eni's interest 67%) and 229 (Eni's interest 65%) and holds interests varying from 15 to 31% in 3 other Licenses. Operations in this area are focused on the appraisal of the mineral potential of the large Goliath discovery made in 2000 at a water depth of 370 meters in PL 229 aimed at its commercial development. In late 2006 five appraisal wells have been successfully drilled and confirmed the presence of hydrocarbons in the Goliath structure at a depth of 1,000-1,800 meters.

In 2006 following an international bid procedure, Eni acquired blocks 7124/6, 7125/4 e 7125/5 in PL393 (Eni's interest 30%). In 2007 the exploration plan provides for the drilling of one well.

United Kingdom

Eni has been present in the United Kingdom since 1964. Eni's activities are carried out in the British section of the North Sea, in the Irish Sea and in some areas east and west of the Shetland Isles over a gross acreage of 3,680 square kilometers (1,328 net to Eni). In 2006 Eni's net production of hydrocarbons averaged 141 kboe/d. Exploration and production activities in the United Kingdom are regulated by concession contracts. In the medium term, production is expected to decline due to mature field declines.

BRITISH SECTION OF THE NORTH SEA

Production Eni holds interests in 12 production areas in the British section of the North Sea for a total acreage of 1,498 square kilometers. The main fields are Elgin/Franklin (21.87%), the J-Block (33%), the Flotta Catchment Area (20%), Andrew (16.2%) and Farragon (30%) which in 2006 accounted for 57% of Eni's production in the United Kingdom.

In 2006 production started at the gas and condensate Glenelg field (Eni's interest 8%) that is connected

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to the Elgin/Franklin transport infrastructure and production platform.

This field produced 12 kboe/d (1 net to Eni) in 2006.

Other actions in the year concerned optimization of producing fields, in particular MacCulloch, Elgin/Franklin and J-Block through the drilling of additional wells and workover actions for supporting production levels.

Development The main project underway concerns the development of the reserves in the Blane field in Block 30/3a (Eni's interest 18%). This project provides for the drilling of 3 subsea wells (2 production and 1 water injection) and a linkage to existing treatment facilities. Associated gas will be reinjected in the nearby Ula field reservoir. Start-up is expected in the third quarter of 2007 with an initial flow of 12 kboe/d (2.2 net to Eni).

Exploration Eni holds interests in 32 exploration blocks ranging from 3 to 66%, in 3 of these Eni is operator. Exploration yielded positive results in permit P/011 Block 30/06a (Eni's interest 53.9%) with a hydrocarbon discovery and in permit P/672 block 30/02c (Eni's interest 7%) with an oil discovery that has been linked to the production facilities of the nearby Jade field (Eni's interest 7%).

IRISH SEA

Production Eni holds interests in 5 production blocks in the Liverpool Bay area (Eni's interest 53.9%) in the eastern section of the Irish Sea for a total acreage of 222 square kilometers. Main fields are Douglas, Hamilton and Lennox, which in 2006 accounted for 26% of Eni's production in this area.

SHETLAND ISLES

Production Eni holds interests in 6 production permits located east of the Shetland Isles for a total acreage of 644 square kilometers. Main fields are Ninian (Eni's interest 12.94%) and Magnus (Eni's interest 5%) which in 2006 accounted for 5% of Eni's production in the United Kingdom. In 2006 maintenance and optimization actions were performed with the upgrade of the Ninian facility and the drilling of additional wells on Magnus.

Exploration Eni holds interests in 7 exploration blocks ranging from 20 to 38%, where an intense exploration campaign is underway.

Rest of World

the United Arab Emirates. The exploration plan provides for the drilling of 4 wells in five years. In case of a commercial discovery, the contract will last 25 years with a possible extension to a maximum of 40 years. Any gas discovered will be sold locally for power generation and as feedstock for petrochemical plants. Condensates and NGL will be sold on international markets. Drilling of the first commitment well is underway.

Australia

Eni has been present in Australia since 2000. In 2006 Eni's net production of oil and natural gas averaged 26 kboe/d. Activities are focused on conventional offshore fields over an area of 24,143 square kilometers (19,910 net to Eni). The main production blocks in which Eni holds interests are WA-25-L (Eni operator with a 65% interest), JPDA 03-13 (Eni's interest 12.04%), after unitization with JPDA/02-12. Eni is operator with a 100% interest in permits WA-279 P and WA-313-P in the offshore Bonaparte basin, where the Blacktip (under development) and Penguin fields are located.

In the exploration phase Eni is operator with a 67% interest of Block WA-328-P and with a 100% interest

Saudi Arabia

Eni entered Saudi Arabia in 2004. Ongoing activities concern exploration of the so called C area in order to discover and develop gas reserves. This license covering 51,687 square kilometers (25,844 net to Eni) is located in the Rub al Khali basin at the border with Qatar and

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of blocks TP-22, WA-280-P and WA-326-P. Exploration and production activities in Australia are regulated by concessions, while in the cooperation zone between East Timor and Australia (JPDA) they are regulated by PSAs.

In the medium term, production is expected to increase due to ongoing development activities.

BLOCK WA-25-L

Production With a total acreage of 400 square kilometers this block is located offshore the Carnarvon Basin, north west of Australia at a water depth of 100 meters. The main field is Woollybutt with a production of 10 kbb/d (6.5 net to Eni) in 2006. The field is operated by an FPSO unit with a 55kbb/d treatment capacity.

Development The area south of Woollybutt is under development with the linking of two production wells to existing facilities. Start-up is expected in 2008.

Exploration Exploration is intense in order to extend Woollybutt's production profile. In particular the Woollybutt 5 appraisal well found new oil strata in the southern area of the field.

BLOCK JPDA 03-13

Production With a total acreage of 330 square kilometers this block is located offshore north western Australia at a water depth of 80 meters in the cooperation zone between East Timor and Australia. Production of liquids and gas comes from the Bayu Undan field. Liquid production started in 2004 and is supported by 3 treatment platforms and an FPSO unit for the separate storage of condensates, propane and butane. Production of natural gas is carried by a 500-kilometer long pipeline to the Darwin liquefaction plant which has a capacity of 3.5 mmt/yr of LNG (equivalent to approximately 173 bcf/y of feed gas). Unused volumes are reinjected in the field. In February 2006 the first shipment of LNG was made to the Japanese market to two companies operating in power generation and natural gas distribution.

Total production from Bayu Undan was 182 kboe/d (20 net to Eni) in 2006.

BLOCK WA-279-P

Development In this block with a total acreage of 2,780 square kilometers, the development of the Blacktip field with recoverable reserves of 150 mmbbl is underway. This project provides for the drilling of 2 production wells, the installation of a production platform, the laying of a 108 kilometers long pipeline and the construction on land of a treatment plant with a capacity of 46 bcf/y. Natural gas extracted from this field will be used mainly for power generation for the city of Darwin and other centers in the Northern Territory under a 25-year contract signed with Darwin Power & Water Utility Co. Production start-up is expected in 2009 at an initial flow of 2.3 bcf/y, due to increase to 39 bcf/y.

Brazil

In January 2006 following the international bid procedure of October 2005, Eni acquired the operatorship of a six-year exploration license in Block BM-Cal-14, covering an area of over 750 square kilometers in deep and ultradeep waters located in the offshore Camamu-Almada basin.

In November 2006 following an international bid procedure, Eni presented the best offer for the exploration license of Block S-M-857 (Eni's interest 100%) with a gross acreage of about 700 square kilometers in the deep offshore of the Santos basin. The assignment of blocks has not yet been completed.

Croatia

Eni has been present in Croatia since 1999. In 2006 Eni's net production of natural gas averaged 67 mmcf/d. Activities are deployed in the Adriatic offshore facing the city of Pula over an area of 6,056 square kilometers (3,028 net to Eni). Exploration and production activities in Croatia are regulated by PSA.

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Production Eni through a 50/50 joint venture with INA, the national Croatian oil company, operates the Ivana natural gas field. As part of the development plan of the natural gas reserves in the area, the Ivana C/K platform and the Ika A/B and Ida A fields were started up. Production from these fields is sent to the Ivana K platform, from here to the Garibaldi K platform and sold on the Italian market.

In 2006 the Katarina field (Eni's interest 50%) has been started up. Production is sent to Italy through the Marica and Barbara T2 platform.

Development The main project underway concerns the Annamaria field (Eni's interest 50%) and it provides for the installation of 2 production platforms and the linking by a 37-kilometer long pipeline to the Ivana K platform. Start-up is expected for 2009.

Exploration Exploration is focused on the mineral potential of the Ivana permit. In 2006 the Ana 1 and Vesna 1 discovery wells identified gas bearing strata.

India

In 2005, following an international bid procedure Eni obtained an exploration license as operator in Block RJ-ONN-2003/1 (Eni's interest 34%) and Block AN-DWN-2003/2 (Eni's interest 40%) located in onshore in Rajasthan in the north-west of India and in the Indian Ocean, near the Andaman Islands, respectively.

The exploration program for Block RJ-ONN-2003/1 provides for the drilling of 4 wells in the first 4 years of the license. Any hydrocarbons discovered will be sold locally.

The exploration program for Block AN-DWN-2003/2 provides for the drilling of 3 wells in the first 4 years of the license. The development of any reserves found provides for the installation of an FPSO unit for liquid production and of facilities for gas treatment.

In February 2007 Eni concluded an agreement with a partner whereby interests in India and Congo were exchanged. Following this transaction Eni acquired a 34% interest in block MN-Dwn-22002/ with high mineral potential in the Indian offshore at a water depth of 2,000 meters with a total acreage of 10,000 square kilometers and will give to its partner a 20% interest in the Mer Très Profonde Nord permit (Eni operator with a 40% interest) offshore Congo.

Exploration and production activities in Iran are regulated by buy-back contracts.

Production The main producing fields operated by Eni are South Pars phases 4 and 5 (Eni's interest 60%) in the offshore of the Persian Gulf and Darquain (Eni's interest 60%) located onshore which accounted for 89% of Eni's production in Iran in 2006. In 2006 the onshore gas treatment plant of South Pars was completed and now it can produce 706 bcf/y of natural gas, 1 mmt/tonnes/year of LPG and 30 mmbbl/y of condensates. Production platforms are linked to the Assaluyeh treatment center by means of two 105 kilometer long pipelines. Eni's entitlements to the liquid production from this field (22 kbbbl/d in 2006) are destined to recover investment expenditure incurred for the field development to remunerate capital employed during an eight-year term in accordance to the existing buy-back contract. Eni also holds interests in the Dorood (45%) and Balal (45%) oil fields.

Development The main project concerns the second development phase of the Darquain field providing for the drilling of additional wells, the increase of the existing treatment capacity and the injection of gas in

Iran

the field.

Eni has been present in Iran since 1957. In 2006 production net to Eni averaged 29 kboe/d. Eni's activities are concentrated in the offshore of the Persian Gulf and onshore for a total acreage of 1,456 square kilometers (820 net to Eni).

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These actions aim at increasing production from the present 50 kbbbl/d to over 160 kbbbl/d (14 net to Eni). In the medium term Eni's liquid production in Iran is expected to increase due to ongoing development initiatives.

Indonesia

Eni has been present in Indonesia since 2000. Eni's production in 2006 amounted to 23 kboe/d. Production is concentrated in the western offshore and onshore of Borneo and offshore Sumatra over a total acreage of 28,438 square kilometers (16,301 net to Eni).

Exploration and production activities in Indonesia are regulated by PSA.

Production Production consists mainly of gas and derives from the Sanga Sanga permit (Eni's interest 37.81%).

This gas is treated at the Bontang liquefaction plant, the largest in the world, and is exported to the Japanese, South Korean and Taiwanese markets. Activities are underway for mitigating the natural decline of production by means of infilling wells.

Exploration Eni holds interest in 11 exploration blocks, 6 as operator with interests ranging from 20% to 100%. An intense exploration campaign is underway in the Tarakan basin offshore Borneo.

Kazakhstan

Eni has been present in Kazakhstan since 1992.

Main activities are performed in the Karachaganak field onshore in western Kazakhstan and in the area covered by the North Caspian Sea PSA in the shallow waters of the Northern Caspian Sea.

Eni is co-operator with British Gas with a 32.5% interest of the Karachaganak oil, gas and condensate field. In 2006 production from this field (net to Eni) averaged 64 kbbbl/d of liquids and 6.4 mmcm/d of natural gas, totalling 103 kboe/d. This field is developed by producing liquids (oil and condensates) from the deeper layers of the reservoir and reinjecting the associated gas in the higher layers. This scheme enables to increase the recovery of liquids.

Approximately two thirds of liquid production are stabilized at the Karachaganak Processing Complex (KPC) with a capacity of 150 kbbbl/d and exported to Western markets, most of it through the Caspian

expansion of stabilization capacity (4th train) which will enable to further increase exported volumes entailing the achievement of better realization prices with respect to the sale on local Russian markets; (ii) the continuation of activities required for keeping production plateau at the current levels, in particular by drilling new wells. Studies are underway for designing a further development phase, as provided for in the PSA governing activities at this field, aimed at monetizing reserves of gas and associated liquids through the signing of gas sale contracts with Russian and Kazakh companies and the construction of a gas treatment plant. As part of the North Caspian Sea PSA, Eni with an 18.52% interest is single operator of the development of the Kashagan field, which is believed to be the most important discovery in the world in the past thirty years. The development plan sanctioned in February 2004 envisages field development through three phases aiming at producing from 7 to 9 bbbbl of gross recoverable reserves, extendible to 13 bbbbl through partial gas reinjection.

The development plan of this field provides for the construction of production hubs located on platforms and artificial islands which will collect production from satellite islands from which production wells will be drilled. Oil and non reinjected gas will be treated in the hubs and delivered, through two separate lines, to onshore treatment plants (located at Bolashak, near Atyrau). The oil will be further stabilized and purified; natural gas will be treated for the removal of hydrogen sulphide and will be mostly used as fuel for the production plants.

The remaining amounts will be marketed.

The first development phase is progressing leveraging on the use of the most advanced techniques in order to cope with high pressures in the reservoir, the presence of high concentration of hydrogen sulphide and harsh environmental conditions. By the end of 2006, works had been completed corresponding to 59% of the initial scope, with the total amount of contracts awarded at \$10.6 billion. Drilling activities and completion of development wells from the two artificial islands already installed have been progressing. In addition, three rigs, two of which being of the most advanced class, were installed on said islands. Three development wells were completed yielding high rates of productivity under test phase.

Pipeline Consortium pipeline (Eni's interest 2%) linked to the field by a 635-kilometer long pipe, while the rest flows through the Atyrau-Samara pipeline from 2006. The remaining third of non stabilized liquid production and the associated gas not reinjected are marketed at the Russian terminal in Orenburg. Field activities in 2006 concerned: (i) the sanctioning of the

Production start-up is currently scheduled for the third quarter of 2010 as compared to an initial forecast indicating a start-up in 2008, due also to the need on the part of Eni to perform certain studies to define measures intended to enhance the overall level

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expects a full field production plateau of 1.5 mmbbl/d, representing a 25% increase from the original target envisaged by the development plan.

Capital expenditure amounts indicated above do not include 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. These include: (i) the use of existing infrastructure, such as the Caspian Pipeline Consortium pipeline (Eni's interest 2%) and the Atyrau-Samara pipeline; (ii) the laying of a new pipeline according to two different options. The first one envisages laying of a line connecting the Bolashak production centre with the Baku-Tbilisi-Ceyhan pipeline (Eni's interest 5% corresponding to the right to transport up to 50 kbbbl/y). The second option envisages laying of a pipeline designed to bypass the Turkish Straits of Bosphorus and Dardanelles, enabling delivery of oil produced in the Caspian region to the Ceyhan commercial hub on the Mediterranean coast. Following award of the relevant license to the Turkish company Çalik Enerji, partnering Eni in this initiative (both with a 50% stake), engineering activities have been started in the second half of 2006. This new

of safety and operability of facilities. As a result of said reconfiguration completed by year-end, the onshore design has been confirmed, while certain enhancements have been identified offshore which do not alter the original development concept.

These enhancements are expected to be included in the development plan and implemented.

Estimated capital expenditure to reach the 300 kbbbl/d production target in first development phase stands currently at \$19 billion. The cost increase over the approved budget of \$10.3 billion in real terms 2007, was driven by: (i) the effect of exchange rates that caused a cost increase of materials and services in the oil industry; (ii) an underestimation of costs to conduct offshore operations in shallow/ultra shallow waters due to a lack of benchmarks, also reflecting technical and logistic issues and environmental constraints; (iii) the enhancements to the original layout of offshore facilities.

Based on the high level of productivity yielded by the first three development wells, management currently

infrastructure is expected to be 550-kilometers long with a maximum transport capacity of 1 mmbbl/d of oil, expandable to 1.5 mmbbl/d.

Evaluation activities of other discoveries made in the contractual area covered by the North Caspian Sea PSA made some good progress. A first appraisal well of the Kairan discovery was successfully drilled.

Drilling of a second appraisal well of the Kalamkas

discovery yielded productive results that emphasize the good productivity of the reservoir and a much larger extension of said discovery as compared to the initial estimate.

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fields, in particular Sawan, Kadanwari, Miano and Bhit by means of drilling additional wells and workover aimed at maintaining production levels.

Development The main project underway, sanctioned in 2006, concerns the Bhit permit for the construction of a third treatment train at the existing terminal which will make available also the production from the nearby Badhara field. A study is underway for the construction of a compression station at Bhit. Work continued in the Zamzama permit for the construction of a new treatment plant for the production of HVC gas. Also a compression station at Sawan is under study.

Exploration Eni holds interests in 11 exploration blocks ranging from 30 to 100%.

In 2006 following an international bid procedure Eni was awarded the operatorship of four exploration licenses relating to Block Rjar/Mithi, Thar and Umarkot. These blocks are located in the East Sindh and cover a gross area of about 9,950 square kilometers. The exploration plan provides for the drilling of a well in each block in the first year and the completion of seismic surveys. In the Bhit permit seismic surveys were completed in the year. Exploration activity is intense in the offshore.

In the medium term Eni's production in Kazakhstan is expected to grow due to the contribution of increased gas volumes produced at Karachaganak and the start up of Kashagan.

Mozambique

In March 2006, following an international bid tender, Eni obtained the exploration license for Area 4, located in the deep offshore of the Rovuma Basin. This block covers a gross area of 17,646 square kilometers in an unexplored geological basin with great mineral potential according to surveys performed. In December 2006, Eni signed the relevant exploration contract.

Pakistan

Eni has been present in Pakistan since 2000. In 2006 production net to Eni averaged 51 kboe/d. Eni's main activities are located onshore covering a total acreage of 29,790 square kilometers (20,965 net to Eni).

Exploration and production activities in Pakistan are regulated by concessions (onshore) and PSA (offshore).

In the medium term Eni's production in Pakistan is expected to increase.

Production Eni's main permits are Bhit (Eni operator

with a 40% interest), Sawan (23.68%) and Zamzama (17.75%), which in 2006 accounted for 86% of Eni's production in Pakistan. Activities concerned optimization of producing

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United States

Eni has been present in the United States since 1966. In 2006 Eni's oil production averaged 32 kboe/day. Activities are performed in the conventional and deep offshore in the Gulf of Mexico and onshore and offshore Alaska over a total acreage of 7,803 square kilometers (3,758 net to Eni). Exploration and production activities in the United States are regulated by concessions. In the medium term Eni's production is expected to remain stable.

GULF OF MEXICO

Production Eni holds interests in 24 production blocks in the deep and conventional offshore covering a total acreage of 803 square kilometers. The main fields are Allegheny (Eni operator with an 86% interest), Medusa (Eni's interest 22%), Europa (Eni's interest 28%), King Kong (Eni operator with a 49% interest), East Breaks (Eni operator with an 84% interest) and Morphet (Eni operator with an 84% interest). These fields accounted

(Eni's interest 100%) and North Black Widow (Eni's interest 25.19%) fields have been started-up. Production from Allegheny South reached 3 kbb/d 18 months after its discovery.

Exploration Eni holds interests in 76 exploration permits varying from 5 to 100%. In 19 of these Eni is operator. Exploration yielded positive results in: (i) Green Canyon Block 473 (Eni operator with a 50% interest), where the presence of oil was confirmed; (ii) Mississippi Canyon Block 502 (Eni's interest 100%), the Longhorn North discovery well showed the presence of natural gas. A feasibility study to develop this discovery is underway.

ALASKA

Eni's activities in Alaska are currently in the exploration and development phase. In November 2006, Eni started an exploration campaign in the onshore Rock Flour area (Eni's interest 100%). The approved plan provides for the drilling of three wells. In March 2006, following an international bid procedure, Eni was awarded 11

for 81% of Eni's production in 2006. In 2006 the
Allegheny South

exploration blocks near Rock Flour.

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Overall Eni holds interests in 151 blocks ranging from 10 to 100%, in over half of these is operator.

Eni signed an agreement with a partner for a swap of interests in 64 exploration blocks (Eni's interest 60%) located in the Beaufort Sea, offshore North Alaska.

Based on this agreement, Eni is entitled to 140 exploration blocks (50% of which operated).

Exploration plans provide for 3D seismic surveys and drilling of an exploration well by 2010.

Development The main development plan concerns the offshore Ooguruk field (Eni's interest 30%) in the Beaufort Sea with recoverable reserves of 301 mmboe. The project provides for the beginning of production of the Kuparuk C and Nisquit areas. In the first area the plan provides for the drilling of 5 wells (3 production and 2 water injection). For the second area the plan provides for the drilling of 33 wells (18 production and 15 water/gas injection). Production is expected to start at the end of 2007 peaking at 17 kboe/d (5.4 net

to Eni) in 2010 and to be sent to the DS-3H onshore plant. In January 2007 Eni signed an agreement for the purchase of the remaining 70% interest in the Nikaitchuq field, where it already holds a 30% interest. Drilling activities are underway. The project is expected to yield approximately 100 mmboe when started-up in late 2009.

East Timor

In May 2006 following an international bid procedure Eni was awarded the operatorship of five exploration licenses (Eni's interest 100%) covering contract areas A, B, C, E and H with a gross acreage of about 12,183 square kilometers located in the deep offshore between the Timor Island and the international cooperation zone between East Timor and Australia. Relevant Production Sharing contracts were signed.

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Liquids reserves by geographic area	(mmbbl)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(at December 31)											
Italy		360	329	328	296	309	255	252	225	228	215
North Africa		985	1,024	1,071	1,039	1,171	1,072	1,080	993	979	998
West Africa		728	790	900	934	976	1,022	1,038	1,056	942	793
North Sea		428	433	417	455	552	498	529	450	433	386
Rest of World		343	305	421	698	940	936	1,239	1,284	1,191	1,089
Total outside Italy		2,484	2,552	2,809	3,126	3,639	3,528	3,886	3,783	3,545	3,266
		2,844	2,881	3,137	3,422	3,948	3,783	4,138	4,008	3,773	3,481

Natural gas reserves by geographic area	(bcf)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(at December 31)											
Italy		7,207	6,977	6,439	6,125	5,640	5,295	4,166	3,818	3,676	3,391
North Africa		3,154	3,834	4,504	5,152	5,509	5,563	5,467	6,453	6,132	5,963
West Africa		721	696	964	922	925	1,533	1,656	1,729	1,967	1,929
North Sea		1,312	1,349	1,331	1,418	1,892	1,899	2,223	2,051	1,864	1,697
Rest of World		274	659	427	1,155	3,106	4,339	4,496	4,384	3,952	3,985
Total outside Italy		5,461	6,538	7,226	8,647	11,432	13,334	13,842	14,617	13,915	13,574
		12,668	13,515	13,665	14,772	17,072	18,629	18,008	18,435	17,591	16,965

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Net proved hydrocarbon reserves by geographic area	(mmboe)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(at December 31)											
Italy		1,646	1,574	1,477	1,389	1,315	1,199	996	890	868	805
North Africa		1,530	1,686	1,849	1,929	2,122	2,033	2,024	2,117	2,047	2,037
West Africa		852	910	1,067	1,093	1,136	1,287	1,324	1,357	1,285	1,129
North Sea		655	666	646	700	879	825	912	807	758	682
Rest of World		390	419	495	897	1,477	1,686	2,016	2,047	1,879	1,783
Total outside Italy		3,427	3,681	4,057	4,619	5,614	5,831	6,276	6,328	5,969	5,631
		5,073	5,255	5,534	6,008	6,929	7,030	7,272	7,218	6,837	6,436

Liquids production by country	(kbb/d)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		105	100	88	76	69	86	84	80	86	79
North Africa		212	213	221	227	228	252	250	261	308	329
Egypt		75	88	109	112	97	97	92	94	90	85
Libya		103	92	80	82	84	79	82	89	120	144
Algeria		20	19	18	21	35	65	65	66	86	88
Tunisia		14	14	14	12	12	11	11	12	12	12
West Africa		177	194	202	213	219	222	236	285	310	322
Nigeria		77	68	65	75	84	83	108	134	123	106
Angola		55	58	59	63	64	62	58	78	122	151
Congo		45	67	75	72	69	75	68	72	65	65
Gabon			1	3	3	2	2	2	1		
North Sea		114	112	116	124	204	213	235	203	179	178
Norway		45	47	52	65	70	74	105	102	96	98
United Kingdom		69	65	64	59	134	139	130	101	83	80
Rest of World		38	34	47	108	137	148	176	205	228	171
Venezuela						39	42	54	67	61	15
Kazakhstan		16	12	19	27	23	32	41	54	64	64
United States		6	4	5	38	26	29	25	25	19	21
Australia								14	21	21	18
Ecuador				2	22	25	22	21	19	17	15
Iran							3	9	9	35	29
China		13	12	14	14	12	10	7	5	7	6
Indonesia						6	5	5	4	3	2
Pakistan									1	1	1
Qatar		3	6	7	7	6	5				
Total outside Italy		541	553	586	672	788	835	897	954	1,025	1,000
		646	653	674	748	857	921	981	1,034	1,111	1,079

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Natural gas production by country ⁽¹⁾	(mmcf/d)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		1,677.5	1,649.2	1,515.0	1,440.9	1,338.4	1,289.0	1,211.3	1,098.3	1,002.9	907.6
North Africa		98.9	134.2	279.0	455.6	515.7	589.8	586.3	681.6	988.8	1,299.6
Egypt		98.9	134.2	279.0	445.0	480.3	550.9	550.9	607.4	706.3	812.3
Libya						17.7	21.2	10.6	45.9	254.3	452.0
Algeria								7.1	17.7	14.1	21.2
Tunisia					10.6	17.7	17.7	17.7	10.6	14.1	14.1
West Africa		17.7	10.6	24.7	63.6	81.2	88.3	137.7	176.6	190.7	282.5
Nigeria		17.7	10.6	24.7	63.6	81.2	88.3	137.7	155.4	165.9	247.2
Angola									10.6	17.7	24.7
Congo									10.6	7.1	10.6
North Sea		229.5	254.2	218.9	254.3	487.3	550.9	639.2	603.9	600.4	596.8
United Kingdom		127.1	183.6	180.1	197.8	395.5	423.8	416.7	360.2	243.7	353.1
Norway		102.4	70.6	38.8	56.5	81.2	116.5	215.4	236.6	356.7	243.7
Netherlands						10.6	10.6	7.1	7.1		
Rest of World		91.8	127.2	173.0	279.0	497.9	628.6	752.2	826.3	812.3	879.3
Pakistan						10.6	38.8	162.4	257.5	275.5	289.6
Kazakhstan			63.6	102.4	134.2	109.5	151.9	162.4	194.2	222.5	229.5
Indonesia						236.6	226.0	208.4	173.0	137.7	116.5
United States		91.8	63.6	70.6	134.2	116.5	173.0	134.2	109.5	74.2	63.6
Trinidad & Tobago							10.6	56.5	56.5	56.5	53.0
Croatia					10.6	24.7	28.3	28.3	35.3	42.4	67.1
Australia										3.5	49.4
China											10.66
Total outside Italy		437.9	526.2	695.6	1,052.5	1,582.1	1,857.6	2,115.4	2,288.4	2,592.2	3,058.3
		2,115.4	2,175.4	2,210.6	2,493.4	2,920.5	3,146.6	3,326.7	3,386.7	3,595.1	3,965.9

(1) Includes natural gas consumed in operations (283, 247, 212 mmcf/d, in 2006, 2005 and 2004, respectively).

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Hydrocarbon production by country (1)	(kboe/d)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		403	394	358	333	308	316	300	271	261	238
North Africa		229	236	269	306	317	354	351	380	480	555
Egypt		92	111	157	189	180	192	187	200	213	227
Libya		103	92	80	82	87	83	84	97	164	222
Algeria		20	19	18	21	35	65	66	68	88	91
Tunisia		14	14	14	14	15	14	14	15	15	15
West Africa		180	196	206	224	233	237	260	316	343	372
Nigeria		80	70	69	86	98	98	132	161	152	149
Angola		55	58	59	63	64	62	58	80	124	156
Congo		45	67	75	72	69	75	68	74	67	67
Gabon			1	3	3	2	2	2	1		
North Sea		155	156	154	168	288	308	345	308	283	282
United Kingdom		92	97	95	93	202	212	202	164	145	142
Norway		63	59	59	75	84	94	142	143	138	140
Netherlands						2	2	1	1		
Rest of World		54	56	77	156	223	257	306	349	370	323
Kazakhstan		16	23	37	50	42	58	69	88	102	103
Venezuela						39	42	54	67	61	15
Pakistan						4	7	28	46	49	51
United States		22	15	17	61	46	59	48	44	33	32
Indonesia						47	44	41	34	27	23
Australia								14	21	22	26
Ecuador				2	22	25	22	21	19	17	15
Trinidad & Tobago							2	10	10	10	9
Iran							3	9	9	35	29
Croatia					2	2	5	5	6	7	12
China		13	12	14	14	12	10	7	5	7	8
Qatar		3	6	7	7	6	5				
Total outside Italy		618	644	706	854	1,061	1,156	1,262	1,353	1,476	1,532
		1,021	1,038	1,064	1,187	1,369	1,472	1,562	1,624	1,737	1,770

(1) Includes natural gas consumed in operations (283, 247, 212 mmcf/d in 2006, 2005 and 2004, respectively).

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Hydrocarbon production sold	(mmboc)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Hydrocarbon production		372.5	378.8	388.4	434.5	499.7	537.3	570	594.6	634.2	645.9
Over/under lifting and change in inventories		(1.4)	(3.3)	(1.5)	(1.9)	(3.1)	(4.0)	(4.3)	(4.2)	(3.1)	(2.4)
Withdrawals from (input to) natural gas storage		(1.0)	6.9	6.7	(4.6)	9.1	(1.8)				
Own consumption of gas						(6.0)	(8.4)	(9.5)	(13.9)	(16.2)	(18.4)
Hydrocarbon production sold		370.1	382.4	393.6	428.0	499.7	523.1	556.2	576.5	614.9	625.1
oil	(mmbbl)	234.3	234.86	244.53	272.45	310.69	333.40	354.10	375.40	402.60	391.07
- of which to R&M Division		89.30	93.79	202.29	214.42	216.38	242.89	247.87	260.83	267.37	267.84
natural gas	(bcm)	21.69	23.58	23.89	25.03	30.50	30.68	32.73	32.89	34.53	38.05
- of which to G&P Division		16.87	17.76	16.24	13.70	14.39	13.69	14.07	13.16	10.67	15.11

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Principal oil and natural gas interests at December 31, 2006

	Commencement of operations	Number of interests	Gross exploration and development acreage ⁽¹⁾	Net exploration and development acreage ⁽¹⁾	Net development acreage ⁽¹⁾	Type of fields/ surface	Number of producing fields	Number of other fields
Italy	1926	171	28,508	22,496	12,743	Onshore/Offshore	90	89
Outside Italy		858	673,631	362,723	35,530	Onshore/Offshore	365	174
North Africa								
Algeria	1981	36	12,739	3,456	861	Onshore	26	12
Egypt	1954	53	23,214	13,901	2,401	Onshore/Offshore	37	30
Libya	1959	17	39,569	34,113	12,783	Onshore/Offshore	11	15
Tunisia	1961	14	6,464	2,274	1,223	Onshore/Offshore	13	4
		120	81,986	53,744	17,268		87	61
West Africa								
Angola	1980	49	18,776	3,275	1,099	Offshore	39	30
Congo	1968	20	9,797	4,169	880	Offshore	17	7
Nigeria	1962	49	43,215	7,356	5,715	Onshore/Offshore	122	23
		118	71,788	14,800	7,694		178	60
North Sea								
Norway	1965	47	18,851	7,077	123	Offshore	9	6
United Kingdom	1964	75	5,860	1,328	688	Offshore	33	13
		122	24,711	8,405	811		42	19
Rest of World								
Australia	2001	13	24,143	19,910	2,279	Offshore	2	1
Brazil	1999	3	2,948	2,802		Offshore		
China	1983	4	866	181	103	Offshore	9	4
Croatia	1996	3	6,056	3,028	987	Offshore	5	5
East Timor	2006	5	12,224	12,224		Offshore	5	5
Ecuador	1988	1	2,000	2,000	2,000	Onshore	1	1
India	2005	2	14,445	5,698		Onshore/Offshore		
Indonesia	2001	13	28,438	16,301	656	Onshore/Offshore	7	8
Iran	1957	4	1,456	820	820	Onshore/Offshore	4	
Kazakhstan	1995	6	4,934	960	489	Onshore/Offshore	1	5
Pakistan	2000	18	29,790	20,965	615	Onshore/Offshore	6	1
Saudi Arabia	2004	1	51,687	25,844		Onshore		
Trinidad & Tobago	1970	1	382	66	66	Offshore	3	2
United States	1968	391	7,803	3,758	560	Onshore/Offshore	20	5
Venezuela	1998	4	1,958	790	66	Offshore		1
		469	189,130	115,347	8,641		58	33
Other countries		9	6,311	1,240	1,116	Offshore		1
Other countries with only exploration activity		20	299,705	169,187		Onshore/Offshore		
Total		1,029	702,139	385,219	48,273		455	263

(1) Square kilometers.

Contents**ENI FACT BOOK / EXPLORATION & PRODUCTION - MAIN DATA**

Exploration wells	(unit)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Wells drilled		127	121	60	95	110	120	105	66	52	68
Outside Italy		98	82	43	75	99	111	97	60	50	64
Italy		29	39	17	20	11	9	8	6	2	4
Wells drilled (net to Eni)		74	66	29	47	47	52	43	30	22	36
Outside Italy		52	35	16	30	37	45	36	26	20	32
Italy		22	31	13	17	10	7	7	4	2	4

SEC Criteria

Wells drilled		95	122	65	72	85	83	107	71	56	61
Total successful wells		39	54	32	24	31	32	50	37	22	26
Total success rate	(%)	41.1	44.3	49.2	33.3	36.5	38.6	46.7	52.1	39.3	42.6
Wells drilled (net to Eni)		62	68	31	40	40	43	47	32	24	32
Total successful wells (net to Eni)		27	32	12	12	13	17	22	19	12	16
Total success rate (net to Eni)	(%)	43.3	47.0	38.0	30.6	31.3	39.1	45.7	57.3	47.4	49.2

Reserve life index	(year)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		11.5	10.2	10.7	11.7	10.9	10.8	9.0	8.8	9.2	9.3
North Africa		18	19.3	18.6	17.5	18.4	15.8	15.9	15.5	11.7	10.0
West Africa		12.8	12.4	14.6	13.3	13.4	14.8	13.9	11.7	10.2	8.3
North Sea		11	11.7	12.0	11.4	8.4	7.4	7.2	7.2	7.3	6.6
Rest of World		19.7	20.9	16.8	15.6	18.0	17.1	18.1	16.1	13.9	15.1
		13.6	13.4	14	14	13.7	13.2	12.7	12.1	10.8	10.0

Reserve replacement ratio⁽¹⁾	(%)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		106	53	30	26	39	-	-	-	77	28
North Africa		229	277	265	172	267	30	93	168	60	95
West Africa		107	179	312	132	151	273	138	128	42	..
North Sea		120	119	113	185	271	53	168	6	53	26
Rest of World		1,410	245	196	825	818	324	396	124	..	18
		207	147	171	210	282	119	142	91	40	38

(1) All sources.

Contents**ENI FACT BOOK / EXPLORATION & PRODUCTION - MAIN DATA**

Economic indicators per boe	(USD/boe)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues		19.02	13.68	16.95	24.67	21.52	22.07	24.82	31.22	41.97	49.68
Lifting cost ⁽¹⁾		3.98	3.56	3.64	3.75	4.02	3.87	4.09	4,8	5.45	5.62
Income		3.86	0.13	4.11	7.86	5.48	5.08	5.95	8.87	12.2	14.97
Exploration cost (three-year average) - discovery cost ⁽²⁾		1.67	1.78	1.77	1.7	1.55	1.38	1.21	1.21	1.67	2.86
Finding and development cost (three-year average) ⁽³⁾		4.72	5.16	5.43	5.35	5.33	5.67	6.53	7.26	10.72	13.87

- (1) Ratio of production costs (incurred for well and facilities maintenance and royalties) and volumes produced.
- (2) Exploration cost for each boe of new reserves discovered or proved is calculated as ratio of costs incurred with respect to exploration activity and purchase of unproved property to additions to proved reserves related to improved recovery, extensions and new discoveries and revisions of previous estimates. Starting in 2001 averages were calculated excluding purchase costs of unproved property of Lasmo in 2001 and of Fortum Petroleum in 2003.
- (3) Finding and development cost for each boe of new reserves discovered or proved is calculated as ratio of costs with respect to exploration and development activities and purchase of unproved property to additions to proved reserves related to improved recovery, extensions and new discoveries and revisions of previous estimates. In order to allow for an homogeneous comparison the following adjustments were carried out: (i) averages for the 2001-2005 period were calculated with the exclusion of the purchase cost of unproved property of Lasmo (purchased in 2001) and Fortum Petroleum (purchased in 2003); (ii) averages for the 2002-2006 period were calculated with the exclusion of development costs related to Iranian buy-back contracts; (iii) averages in the 2003-2006 period were calculated with the exclusion of estimated costs for asset retirement obligations. Following the Statement of Financial Accounting Standard No. 143 - Accounting for Asset Retirement Obligations - these costs are capitalized when the related capital expenditure is incurred; further adjustments of previous estimates are recognized whenever an estimate needs to be updated.

Capital expenditure	(million euro)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exploration		677	755	636	811	757	902	635	499	656	1,348
Italy		178	191	132	156	80	66	59	51	38	128
Outside Italy		499	564	504	655	677	836	576	448	618	1,220
Acquisition of proved and unproved property		95	103	752	416	67	317	30		301	152
Italy		48		54		13					139
Outside Italy		47	103	698	416	54	317	30		301	13
Development and capital goods		1,550	2,024	1,880	2,312	3,452	4,396	5,016	4,354	4,008	3,703
Italy		581	507	435	543	600	442	469	390	414	409
Outside Italy		969	1,517	1,445	1,769	2,852	3,954	4,547	3,964	3,594	3,294
		2,322	2,882	3,268	3,539	4,276	5,615	5,681	4,853	4,965	5,203

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ENI FACT BOOK / GAS & POWER

Key performance indicators		2004	2005	2006
Net sales from operations ^(a)	(million euro)	17,302	22,969	28,368
Operating profit		3,428	3,321	3,802
Adjusted operating profit		3,448	3,531	3,882
Adjusted net profit		2,290	2,552	2,862
Capital expenditure		1,451	1,152	1,174
Adjusted capital employed, net		18,383	18,898	18,864
ROACE adjusted	(%)	12.6	13.7	15.1
Worldwide gas sales	(bcm)	87.03	94.21	97.48
Total gas sales in Europe		85.32	92.50	95.97
- G&P division sales		80.62	87.99	91.90
- Upstream sales ^(b)		4.70	4.51	4.07
Customers in Italy	(million units)	5.95	6.02	6.54
Gas volumes transported in Italy	(bcm)	80.41	85.10	87.99
Electricity production sold	(terawatthour)	13.85	22.77	24.82
Employees at year end	(units)	12,843	12,324	12,074

(a) Before elimination of intersegment sales.

(b) Does not included Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006 respectively.

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ENI FACT BOOK / GAS & POWER - STRATEGIES

STRATEGIES

Eni Gas & Power division covers all phases of the gas value chain: supply, transport, distribution and marketing, resulting in a fully integrated business model. A significant installed power generation capacity enables Eni to extract further value from gas, diversifying its commercial outlets.

The main feature of the Gas & Power division is its ability to generate a steady stream of earnings and cash flow, leveraging on its unparalleled asset base. Eni boasts market leadership in Europe owing to a solid competitive position thanks to gas availability under long-term supply contracts and equity gas, access to infrastructure, long-term relationships with key producing countries, market knowledge and a wide portfolio of clients. These assets provide Eni with a solid platform for growth. Integration with upstream operations provides the Group with the ability to monetize its equity gas reserves and to pursue opportunities arising in the gas market. Eni's key target for its Gas & Power division is to generate a free cash flow¹ level of euro 2.1 billion in 2010, resulting in a 3% average rate of growth from 2006.

The strategic guidelines to attain this target are as follows:

- **Grow international sales;**
- **Maintain strength in domestic market;**
- **Effectively manage relationships with strategic suppliers;**
- **Increase operational effectiveness; and**
- **Develop marketing of LNG aiming also at monetizing equity reserves.**

(1) Cash flow provided by operating activities less cash outflows for investing activities.

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ENI FACT BOOK / GAS & POWER - HIGHLIGHTS

2006 Highlights

In November 2006, Eni and Gazprom signed a broad strategic agreement. This agreement strengthens a long term partnership between the two companies and represents a fundamental step towards the security of energy supplies to Italy. Key features of this deal are the extension of the duration of Gazprom gas supply contracts to Eni until 2035, further strengthening Eni's supply portfolio and the pursuing of joint initiatives in the upstream sector. Gazprom is expected to enter the Italian market by selling volumes of gas starting in 2007. Gazprom will obtain the availability of such volumes by means of a corresponding reduction in volumes previously supplied to Eni.

The Gas & Power business confirmed its ability to generate strong and stable performances. The adjusted net profit rose euro 310 million to euro 2,862 million compared to 2005 (up 12.1%) reflecting primarily higher selling margins on natural gas sales in a favorable market scenario, a lower impact of Resolution No. 248/2004 of the Italian Authority for Electricity and Gas, a growth in natural gas volumes sold, volumes transported for the coming on line of the GreenStream gasline and electricity production sold.

Return on average capital employed was 15.1% on an adjusted basis in 2006 (13.7% in 2005).

Capital expenditure totaled euro 1,174 million and related essentially to development and maintenance of Eni's transport and distribution networks in Italy, the finalization of the upgrading plan of electricity generation capacity and the start up of the upgrading plan of import gaslines.

Natural gas sales were up approximately 4% to 97.48 bcm primarily reflecting a growth in sales in a number of target European markets (up approximately 16% in particular in Turkey, Germany/Austria, France) also for the build-up of supplies of natural gas from Libya, partly offset by a decrease in sales in Italy due to mild weather conditions in the fourth quarter of the year.

Electricity production sold was 24.82 terawatt-hour, up 9% from 2005, due to new generation capacity coming on stream.

As a part of its development strategy of the natural gas distribution and sale businesses by means of regional alliances, Eni and its local authority partners defined the Toscana project with the establishment of a regional distribution company managed by Eni and boasting 1.6 million users and a regional selling company controlled by Eni boasting 600 k clients and 1.1 bcm of annual sales.

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ENI FACT BOOK / GAS & POWER - THE GAS SYSTEM

THE GAS SYSTEM

The gas supply, transport and marketing sector is experiencing far-reaching developments due to the increasing role of gas in satisfying global energy needs. Key reasons driving gas demand trends are: (i) continuing improvements in technologies applicable to all phases of the natural gas chain capable of reducing distances between production sites and consumption areas (LNG, GTL - gas to liquids, TAP - high pressure transport); (ii) the large amount of gas reserves; (iii) the higher environmental compatibility of natural gas as compared to other hydrocarbons in particular in the generation of electricity, along with expected increasingly tight regulations on emissions mainly due to the implementation of the Kyoto protocol; (iv) the increasingly wide adoption of the combined cycle as elective technology in power generation, based on lower investment costs, higher efficiency and lower emissions than other fuel based technologies; (v) economic, demographic and social development.

In Europe (OECD) demand for gas is expected to grow by 40% by 2020 at an average annual rate of 2-3%, reflecting wider use of gas in power generation and new demand from the fastest growing countries.

The relationship of developments and dynamics of demand and supply of natural gas forces operators in this business to adopt an international approach in planning flows of available supplies and uses, targeting long-term strategies in order to be able to adapt to the changes induced by the evolution of competition, for which an upgrading of infrastructure will prove crucial.

A growing portion of European gas requirements is expected to be satisfied by imports via gasline, mainly from Russia, Algeria, Norway and Libya, taking account of the expected decline in European gas reserves. LNG will play an increasingly important role in satisfying European needs, with an expected 10% annual growth rate over the next four years.

The Italian natural gas market, third in size in Europe after the UK and Germany, is part of the structural change ongoing in Europe which will lead to the creation of a single energy market. In this context, Italy will be able to exploit its geographic location both as concerns the internal European market and the Mediterranean area.

In 2006 gas consumption in Italy amounted to 84.4 bcm, down 2.2% from 2005; about 87% of gas requirements were met through imports and 13% was covered by domestic production. Eni expects natural gas consumption in Italy to increase with a compound average growth rate of about 2.5% over the next ten years, hitting approximately 106 bcm in 2015, mainly driven by an increased use in power generation, expected to outpace demand growth in other sectors, such as large industrial users, residential space heating in households and services, commercial and small businesses.

Growing gas needs will be met by an increase in imported volumes, which will be supported by significant capital expenditure plans to build new or upgrade existing infrastructure, either under construction or announced.

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ENI FACT BOOK / GAS & POWER - ACTIVITIES

Activities

1. Marketing and supply of gas

Overview

In 2006, Eni's worldwide gas sales were 97.48 bcm (including upstream sales) up 3.27 bcm from 2005, or approximately 4%. In the medium term, Eni plans to increase worldwide sales targeting a volume of 105 bcm by 2010, corresponding to a 2.5% average growth rate over the 2007-2010 four-year period.

To enhance its leadership on European markets, Eni will leverage on its strengths represented by gas availability both as equity gas and under long-term purchase contracts, operational flexibility ensured by the access to a wide-reaching transport network, regasification terminals and logistic assets, a large portfolio of clients and market knowledge.

1.1 Marketing in Italy

MARKET

In 2006 Eni's gas sales in Italy amounted to 57.09 bcm (including own consumption²), down 1.7% from 2005 due mainly to mild climate conditions in the fourth quarter of the year. This decline was partly offset by an increase in own consumption for power generation.

The Italian market includes three groups of clients: industrial, residential and power generation users; they are further grouped as follows: (i) large industrial clients and power generation utilities directly linked to the national and the regional natural gas networks; (ii) the retail market which is composed of residential and commercial clients (households, commercial users, hospitals, schools, etc.), and small businesses located in urban centers supplied by wholesalers through low pressure distribution networks; and (iii) wholesalers, mainly local selling companies and distributors of natural

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

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ENI FACT BOOK / GAS & POWER - ACTIVITIES

gas for automotive use purchasing natural gas to sell it to final clients.

At December 31, 2006, Eni boasts 6.54 million of clients, of which 6.10 million are retail customers. In the medium term, in an increasingly competitive market, Eni intends to maintain margins and sales volumes by leveraging on the expected growth of gas demand, maximizing the value of the gas chain focusing in particular on the most profitable clients, deploying a commercial offer tailored on client needs in terms

of pricing and quality of services, and boosted by the expected development of the combined offer of gas and electricity (dual offer).

Eni targets sales volumes of at least 50 bcm in 2010. This target takes account of the expected increase in competitive pressure due to new supplies coming on the Italian gas market in view of the implementation of the upgrading plans of the import infrastructure to Italy, already underway or announced.

In fact, import capacity is expected to increase by approximately 21 bcm by 2010, of these 13 bcm pertain to Eni's ongoing upgrading program of its import infrastructure from Russia and Algeria (see International transport activity , below).

Compliance with market limits imposed by Italian sector-specific regulation, in terms of both volumes intake into the national network and sales volumes, will be assured through the optimal allocation of Eni's gas availability from supply contracts and equity production between sales in Italy and in the rest of Europe, and the use of gas in Eni's power generation plants, leveraging also on the expected increase in demand.

Gas in Italy

	2005		2006		Ch.% 2006 vs 2005
	Volumes sold (bcm)	Market share (%)	Volumes sold	Market share (%)	
Italy to third parties	52.54	61.0	50.96	60.4	(3.0)
Wholesalers	12.05	14.0	11.54	13.7	(4.2)
Gas release	1.95		2.00		2.6
Industries	13.07	15.2	13.33	15.8	2.0
Power generation	17.6	20.4	16.67	19.8	(5.3)
Residential	7.87	9.1	7.42	8.8	(5.7)
Own consumption	5.54		6.13		10.6
TOTAL SALES IN ITALY	58.08	67.4	57.09	67.6	(1.7)
Gas demand	86.2		84.4		

MARKETING POLICY

Eni intends to implement a marketing policy more

Eni will devote particular attention to developing the retail market where Eni is leader with 6.5 million of

focused on value creation for its clients than in previous years, leveraging on its established know-how on pricing, personalization of services, and brand awareness. In future years, Eni's marketing effort will be supported by developing an integrated offer of gas and electricity (dual offer), targeting mainly the middle and retail markets. The dual offer is expected to reap the benefits deriving from scale and integration, enabling in particular to achieve significant synergies from the integration of processes to acquire and manage clients.

clients, located in the most important urban centers in Italy, served through different contact channels.

Broadly speaking, the commercial offer envisages:

- for business clients, a dedicated commercial structure and a personalized commercial offer based on tailored contractual formulas and a panel of indexation options, as well as a spate of technical services addressing 7 areas (including cogeneration feasibility studies, check up of power facilities and gas regulation and measurement devices);

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- for tertiary clients, public entities and civil buildings, in addition to various contractual formulas, Eni offers the so called Servizio Energia providing a turn-key solution for running, managing, upgrading and designing heating facilities;
- for residential customers, a network of franchised outlets provides supply and installation of gas fired appliances, and planned and extraordinary maintenance of home heating facilities.

Dedicated to the different types of clients, Contact Centers provide information, consultancy and assistance on contracts and the administration and regulation aspects while supporting the commercial offer. The Internet site provides wider scope for interaction and represents a true on-line office where clients can perform all administrative functions and receive information on services and other relevant issues. Eni intends to strengthen its competitive position in the retail market aiming at reinforcing customer loyalty through value creation in terms of excellence of the service offered. New service formulas and the development of the dual offer will be key levers of the marketing effort. At the same time, Eni expects to preserve its selling margins by means of reducing the cost of services leveraging on the rationalization of its contact channels, streamlining administrative processes and exploiting economies of scale.

DEVELOPMENT PROJECTS

Eni intends to strengthen its presence on the retail market through a strategy based on regional alliances with public and private partners. As part of this, Eni and its local municipal partners implemented the Toscana project, with the establishment of Toscana Energia Clienti by merging Eni's selling activities and those of its local municipal partners. This new entity, controlled by Eni with a 79.22% interest, engages in selling natural gas on a regional base, boasting 600,000 clients and 1.1 bcm/y sales in 147 municipalities. This project also concerned distribution activities with the establishment of Toscana Energia SpA (Eni's interest 48.72%) by merging Eni's and its partners' activities in gas distribution. This new entity is managed by Eni who deploys the role of industrial partner with relevant operating and management responsibilities.

1.2 Marketing in the rest of Europe

In 2006 gas sales in the rest of Europe were 34.81 bcm, up 4.90 bcm or approximately 16% from 2005.

Eni intends to strengthen its leadership in European gas markets, targeting sales volumes of approximately 53.3 bcm in 2010, equal to an average organic growth rate of 11% per year.

Worldwide gas sales	(bcm)	2004	2005	2006
Markets of the rest of Europe		26.84	29.91	34.81
Importers to Italy		10.96	11.53	14.10
Iberian Peninsula		3.59	4.59	5.24
Germany-Austria		3.96	4.23	4.72
Turkey		1.60	2.46	3.68
Hungary-Slovenia-Greece		3.46	3.53	3.26
North Europe		2.93	2.74	2.64
France		0.15	0.65	1.07
Other		0.19	0.18	0.10
Markets extra Europe		1.71	1.71	1.51
Upstream ⁽¹⁾		4.70	4.51	4.07
International gas sales		33.25	36.13	40.39

Italy	53.78	58.08	57.09
Worldwide gas sales	87.03	94.21	97.48

(1) Does not include Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006, respectively.

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A review of Eni's presence in key European markets and commercial objectives at 2010 is presented below.

France

Eni sells natural gas to industrial clients and wholesalers. Eni is pursuing an aggressive marketing policy to gain market share, in particular in the segment of small businesses which presents good profitability and development perspectives.

In the medium term, Eni expects to grow its current 1.1 bcm sales level at a 47% annual average growth rate, compared to an expected 3% average growth rate of market consumption, targeting volumes of approximately 5 bcm in 2010, equal to a 9% market share.

Germany

Eni is present on the German natural gas market through its affiliate GVS (Gasversorgung Süddeutschland GmbH - Eni 50%) which sold approximately 6.4 bcm in 2006, and with a direct commercial structure.

In the medium term, Eni plans to significantly increase its sales to the business segment, leveraging on the pursuit of new opportunities arising from the ongoing liberalization process. The objective is to sell more than 7.5 bcm in 2010, equal to a 7% market share.

IBERIAN PENINSULA

Gas demand growth in the Iberian Peninsula is expected to outpace average European growth.

Portugal

sold approximately 5 bcm in 2006 (1.65 bcm being Eni's share).

In the medium term, Galp's sales are expected to grow at an 8% average rate, targeting 6.3 bcm (2.1 Eni's share) in 2010.

Spain

Eni operates in the Spanish gas market through Unión Fenosa Gas (Eni's interest 50%) engaged in natural gas supply and sale to final users and to power generation utilities. In 2006 gas sales of Unión Fenosa Gas in Europe amounted to 4.34 bcm (2.17 bcm Eni's share). Unión Fenosa Gas is engaged in LNG through an 80% interest in the Damietta liquefaction plant, on the Egyptian coast (see below), and through a 7.36% interest in a liquefaction plant in Oman, completed in 2005; in addition, it holds interests in the Sagunto (Valencia) and El Ferrol (Galicia) regasification plants, with a 42.5% (21.25% Eni's interest) and 18.9% interest (9.45% Eni's interest), respectively.

Eni targets to increase its sales in the Iberian Peninsula from the current 5.2 bcm level to approximately 8.5 bcm by 2010 (13% average growth rate), mainly as a result of growing sales of Unión Fenosa Gas and the development of direct sales, in particular to the Spanish power generation segment, supplied mainly by means of LNG from Nigeria.

Eni operates on the Portuguese market through its
affiliate Galp Energia (Eni's interest 33.34%) which

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Contents**ENI FACT BOOK / GAS & POWER - ACTIVITIES***UK/Northern Europe*

Eni through North Sea Gas & Power unit of its subsidiary Eni UK Ltd sells equity gas produced at Eni's fields in the North Sea and operates in the main continental natural gas hubs (NBP, Zeebrugge, TTF). Eni plans to grow volumes sold on the UK/North European markets from the current 2.64 bcm level to approximately 8 bcm by 2010, with a 32% average annual growth rate. In particular a significant increase is expected in spot sales on the Zeebrugge hub (from 0.2 bcm in 2006 to 4.2 bcm in 2010).

In the UK, gas sales through North Sea Gas&Power are expected to grow from 2.5 bcm in 2006 to 3.8 bcm in 2010, equal to a 3% market share.

Turkey

Eni sells gas supplied from Russia and transported via the Blue Stream underwater pipeline. In 2006 sales amounted to 3.68 bcm. Leveraging on the expected demand growth, Eni plans to increase sales up to 6.4 bcm by 2010, equal to an 18% market share.

1.3 Supply

Eni enjoys a competitive advantage represented by its wide and diversified availability of natural gas both from equity production and from its unrivaled portfolio of long term purchase contracts with major producing countries, also boasting a direct upstream presence in 8 out of 10 gas supplying countries. Our diversified supply portfolio insulates us from the risk of being heavily dependent on a single source of supplies; in fact, none of Eni's suppliers weighs for more than 25% of Eni current gas needs. In addition, the development of LNG projects will further strengthen the diversification of Eni's supplies and their integration with upstream operations. In 2006, Eni's requirements for natural gas were met for over 92% with supplies from foreign countries (mainly

The strategic agreement with Gazprom, signed in November 2006, marks a fundamental step in enhancing security and flexibility of Eni's gas supplies over the medium and long term. Based on this agreement, the duration of our long-term supply contracts increases from 14 to approximately 23 years and, when these contracts are fully operational in 2010, Eni will be able to purchase approximately 62.4 bcm/y (Russia 23.5, Algeria 21.5, the Netherlands 9.8, Norway 6, and Nigeria - LNG 1.6) to cope with rising demand according to our sales expansion plans in Europe. Furthermore, Eni can leverage on the flexibility of its contractual structure in order to capture market opportunities, also taking account of Eni's availability of an integrated system for transport and logistics.

Algeria, Russia, the Netherlands and Norway) and the remaining part was covered by equity gas.

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An effective management of relationships with strategic countries supplying natural gas and the preservation of satisfactory long term relations continue to be priorities in running our gas business owing to the strategic clout of the security, diversification, and flexibility of supplies.

2. Infrastructure**Overview**

Eni can access the widest network of infrastructure for transport and storage of natural gas in Europe which favored by its integration allows to link key consumption basins in Europe with the main producing areas (North Africa, Russia and the North Sea). In Italy Eni owns almost all the national gasline network and a relevant system of local distribution networks servicing retail markets.

The availability of regasification capacity in Italy and the Iberian Peninsula coupled with storage sites guarantees a high level of operating flexibility. These assets represent a significant competitive advantage. With the aim of increasing diversification and safety of supplies and to cope with demand growth, Eni defined a massive plan for the upgrade of import infrastructure from Russia, Algeria and Libya, of regasification capacity and of national transport and distribution networks through capital expenditure of approximately euro 5.8 billion planned for the next four years.

2.1 International transport activities

Eni owns transportation rights in a network of international high pressure pipelines for a total of over 4,300 kilometers allowing the import to Italy of natural gas produced in Russia, Algeria, the North Sea and Libya, in particular:

- the **TAG PIPELINE**, 1,140-kilometer long, made up of three lines, each about 380-kilometers long, with a transit capacity³ of 31 bcm/y, related to the build-up of the fourth import contract from Russia, and three compression stations, which transports natural gas from Russia across Austria from Baumgarten, the delivery point at the border of Austria and Slovakia, to Tarvisio, point of entry

- the **TTPC PIPELINE**, 742-kilometer long, made up of two lines each 371-kilometers long with a transit capacity of 27 bcm/y and three compression stations, which transports natural gas from Algeria across Tunisia from Oued Saf Saf at the Algerian border to Cap Bon on the Mediterranean coast where it links with the TMPC pipeline. This pipeline is going to be upgraded by 6.5 billion cubic meters/year, of these 3.2 starting in April 2008 and 3.3 in October 2008 with capital expenditure estimated at euro 450 million. The capacity of the first upgrade has been assigned to third parties importing natural gas into Italy in 2006. The procedure for the assignation of the second upgrade has been completed in February 2007. The transit capacity of the downstream TMPC pipeline is already adequate to the upgrade of the TTPC;
- the **TMPC PIPELINE** for the import of Algerian gas, 775-kilometer long, made up of five lines each 155-kilometer long with a transit capacity of 33.5 bcm/y which crosses underwater the Sicily Channel from Cap Bon to Mazara del Vallo in Sicily, the point of entry into the Italian natural gas transport system;
- the **TENP PIPELINE**, 1,000-kilometer long (two 500-kilometer long lines) with transit capacity of 15.5 bcm/y and four compression stations, transports natural gas from the Netherlands through Germany, from the German-Dutch border of Bocholtz to Wallbach at the German-Swiss border;
- the **TRANSITGAS PIPELINE**, 291-kilometer long, with one compression station, which transports natural gas from the Netherlands and from Norway crossing Switzerland with its 165-kilometer long main line and a 71-kilometer long doubling line, from Wallbach where it joins the TENP pipeline to Passo Gries at the Italian border. It has a transit capacity of 20 bcm/y.
A new 55-kilometer long line from Rodersdorf at the French-Swiss border to Lostorf, an interconnection point with the line coming from Wallbach was built for the transport of

in the Italian natural gas transport system. This pipeline is going to be upgraded by 6.5 billion cubic meters/year starting in October 2008 with capital expenditure estimated at about euro 253 million (94% covered by Eni). The capacity of the first upgrade has been assigned to third parties importing natural gas into Italy in February 2006. Procedures have been defined for the assignment of the second upgrade;

Norwegian gas;

- the **GREENSTREAM PIPELINE** for the import of Libyan gas with a transit capacity of 8 bcm/y which crosses underwater the Mediterranean Sea from Mellitah to Gela in Sicily, the point of entry into the Italian natural gas transport system. The pipeline started operations in October 2004 and in 2006 transported 7.7 bcm, of which (i) 6.6 bcm to Italian importers under long-term supply contracts targeting a full capacity of 8 bcm/y; (ii) 1.1 bcm of natural gas available from Libyan fields that could not be absorbed by the local market. An upgrade of the pipeline's transport capacity from 8 to 11 bcm is being planned with an expenditure of euro 80 million to be achieved also with minor interventions for optimizing the transport system. This new capacity will be available from 2011 and will allow to monetize further volumes of natural gas reserves located in Libya through the sale on the Italian market.

(3) Transit capacity is the maximum daily capacity entering in different access points of a trunkline and carried to the next trunkline.

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Eni holds a 50% interest in the Blue Stream underwater pipeline linking the Russian and Turkish coast of the Black Sea that started operations in 2002. Laid at a record depth of over 2,150 meters, this 774-kilometer long pipeline with two lines and a transmission capacity of 49 mmcm/d, will transport 16 bcm/y (Eni's share 8 billion)

of Russian natural gas in 2010. The gasline includes a compression station at Dzhubga on the Russian coast of the Black Sea, made up of six turbocompressors and six measurement lines as well as an internally fired power plant.

Considering the planned upgrade of the TAG and TTPC pipelines, the current import capacity from Libya through the Greenstream pipeline (8 bcm/year), from 2009 a total of about 21 bcm/y

of new imports of natural gas will be available totally destined to third parties under non-discriminating procedures, in most cases already concluded (17.7 bcm sold on the market).

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2.2 Italian transport network

Eni, through Snam Rete Gas, a company listed on the Italian Stock Exchange, in which Eni holds a 50.04% interest, owns almost completely the Italian natural gas transport network as well as the only regasification terminal operating in Italy. Under Legislative Decree No. 164/2000 concerning the opening up of the natural gas market in Italy, transport activities are regulated by the Authority for Electricity and Gas which determines the methods for calculating tariffs and fixing the return on capital employed. This makes transport a low risk business capable of delivering stable performance in the long period.

Eni's network extends for 30,889 kilometers and comprises:

- (i) a national transport network extending over 8,497 kilometers, made up of high pressure trunklines mainly with a large diameter, which carry natural gas from the entry points to the system – import lines, storage sites and main Italian natural gas fields – to the linking points with the regional transport network. The national network includes also some interregional lines reaching important markets;
- (ii) a regional transport network extending over 22,410 kilometers, made up of smaller lines and allowing the transport of natural gas to industries, power stations and local distribution companies of the various local areas served.

The major pipelines interconnected with import trunklines that are part of Eni's national network are:

for natural gas imported from Algeria:

- two lines with a 48/42-inch diameter, each approximately 1,500-kilometer long, including the smaller pipes that cross underwater the Messina Strait, which link Mazara del Vallo (on the Southern coast of Sicily) to Minerbio (near Bologna). This pipeline is undergoing an upgrade with the laying of a third line with a 48 inch diameter 328-kilometer long (of these 272 are already operating). Available transport capacity⁴ at the Mazara del Vallo entry point is approximately 86 mmcm/d;

for natural gas imported from Russia:

- two lines with 42/36/34-inch diameters extending for a total length of approximately 900 kilometers that are linked to the Austrian network in Tarvisio and cross the Po Valley reaching Sergnano (near Cremona) and Minerbio. The pipeline is being upgraded by the laying of a third 264-kilometer long line with diameter from 48 to 56 inches; 232 kilometers already operating at the end of 2006, from Tarvisio to Zimella (Verona) and by the upgrading of the Malborghetto compression station. The pipeline transport capacity at the Tarvisio entry point amounts to approximately 101 mmcm/d plus the transport capacity available at the Gorizia entry point of approximately 5 mmcm/d;

for natural gas imported from Libya:

- a 36-inch line, 67-kilometer long linking Gela, the entry point of the Greenstream underwater pipeline into the national network near Enna along the import pipeline from Algeria. Transport capacity at the Gela entry point is approximately 30 mmcm/d;

(4) Transport capacity is related to October 1, the first day of a thermal year.

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for natural gas imported from the Netherlands and Norway:

- two lines, with a 48/34-inch diameter, 301-kilometer long extending from the Italian border at Passo Gries (Verbania), point of connection with the Swiss network, to the node of Mortara, in the Po Valley. The pipeline transport capacity at the Passo Gries entry point amounts to 63 mmcm/d;

for natural gas coming from the Panigaglia LNG terminal:

- one line, with a 30-inch diameter, 170-kilometer long linking the Panigaglia terminal to the national network near Parma. The pipeline transport capacity at the Panigaglia entry point amounts to 13 mmcm/d.

In 2006, Eni's national network of owned pipelines increased by 177 kilometers due to changes to existing lines (87 kilometers) and extensions of the regional network (90 kilometers).

Eni's system is completed by: (i) 10 compressor stations with a total power of 758 MW; (ii) 5 marine terminals linking underwater pipelines with the on-land network at Mazara del Vallo, Messina and Gela in Sicily and Favazzina and Palmi in Calabria for the GreenStream pipeline.

The interconnections managed by Snam Rete Gas in the Italian transport network are guaranteed by 25 linkage and dispatching nodes and by 559 plant units including pressure reduction and regulation plants. These plants allow to regulate the flow of natural gas in the network and guarantee the connection of pipes working at different pressures.

For the next four years Eni approved a capital expenditure plan of approximately euro 4.2 billion aimed mainly at the upgrade of its transport network in view of the expected increase in import capacity (in particular from Russia and Algeria).

2.3 Regasification - LNG

Eni intends to strengthen its integrated LNG business on a global scale, aiming at further diversifying its supply

Eni's main assets in LNG are:

Italy

Eni owns the only regasification terminal operating in Italy at Panigaglia (Liguria). At full capacity, this terminal can input 3.5 billion cubic meters/year into the Italian transport network. In 2006 a total of 3.12 bcm of natural gas were input in the national network, of these 52% were owned by Eni.

Eni plans to build a new regasification terminal located off the Adriatic coast (with a 50% interest) and to increase the capacity of the Panigaglia plant. These two projects are expected to upgrade the import capacity to Italy by 8 and 4.5 bcm/y, respectively, when fully operational. The planned start-up is expected by 2013 and 2014, respectively. The capital expenditure earmarked for the offshore regasification project amounts to approximately euro 800 million (of these euro 400 million for the 50% interest in the offshore regasification plant and euro 359 million for Panigaglia).

Egypt

Eni, through its interest in Unión Fenosa Gas, owns a 40% stake in the Damietta liquefaction plant producing approximately 5 mtonnes/y of LNG equal to a feedstock of 7.6 bcm/y of natural gas. In June 2006, the partners of the project (Unión Fenosa Gas, the Spanish-Egyptian company SEGAS an affiliate of Unión Fenosa Gas, State owned Egyptian companies EGAS and EGPC, and oil producers Eni and BP) defined terms and conditions for doubling the plant capacity by means of another treatment train. Expected capital expenditure amounts to approximately \$1.5 billion with start-up expected between 2010 and 2011. In order to market its share of natural gas, Eni intends also to build two gas tanker ships with a capacity of 155 kcm each.

Spain

In April 2006, the Sagunto regasification plant with a capacity of 6.7 bcm/y started operations near Valencia. Eni through Unión Fenosa Gas holds a 21.25% interest in this plant. At present, Eni's share of regasification capacity amounts to 1.6 bcm/y of gas. A capacity upgrading plan has been sanctioned targeting a 0.8 bcm/y capacity increase by 2009. Relevant works started in the second half of 2006. Eni through Unión Fenosa

sources, improving operational flexibility, and monetizing its large equity gas reserves. In particular, the development of regasification capacity is aimed at reinforcing and diversifying Eni natural gas supply portfolio.

Gas also holds a 9.5% interest in the El Ferrol regasification plant, located in Galicia, under construction and expected to be completed by the first half of 2007, targeting a treatment capacity of approximately 3.6 bcm/y, 0.4 bcm/y being Eni's share.

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Eni is entitled to a share of the initial planned capacity of the Cameron regasification terminal under construction in Louisiana, and expected to start operations in 2008-2009. The 6 bcm/y capacity represents approximately 40% of the initial capacity of the plant (15.5 bcm/y). This transaction will enable Eni to sell part of its gas reserves in the United States. In order to support supplies to this plant, in February 2007 Eni signed an agreement with Nigeria LNG Ltd, operating the Bonny LNG plant in Nigeria, to purchase 1.375 mtonnes/y of LNG, equivalent to 2 bcm/y of gas for a twenty-year period, gas deriving from the upgrade of the Bonny liquefaction plant (7 trains) expected for 2012. Eni also signed a memorandum of intent with Brass LNG for the purchase of 1.67 mtonnes/y equivalent to 2.3 bcm/y, of LNG.

2.4 Distribution activities

Distribution involves the delivery of natural gas to residential and commercial consumers in urban centers through low pressure networks. Eni, through its 100% subsidiary Italgas and other subsidiaries, is engaged in the distribution activity in Italy serving 1,317

municipalities through a low pressure network consisting of approximately 49,000 kilometers of pipelines supplying 5.6 million customers. Under Legislative Decree No. 164/2000 concerning the opening up of the natural gas market in Italy, distribution activities are regulated by the Authority for Electricity and Gas which determines the methods for calculating tariffs and fixing the return on capital employed. This makes distribution a low risk business capable of delivering stable performance in the long period. The management of networks is entrusted to natural gas companies by local Authorities exclusively under bid procedures. Concessions existing at the coming into force of Legislative Decree No. 164/2000 and awarded with a bid procedure expire on December 31, 2012; all other concession expire on December 31, 2007 (with an optional three-year extension under certain conditions).

Eni intends to optimize its concession portfolio maintaining its current size in terms of end users served by focusing on development initiatives in core areas and promoting local alliances aimed at supporting sale activities on retail markets.

Distribution Italy		2004	2005	2006
Volumes distributed	(bcm)	8.14	8.65	7.54
to Eni		7.73	8.13	6.90
to third parties		0.41	0.52	0.64
Installed network	(km)	46,954	48,146	48,724
Active meters	(no. of users)	5,418,262	5,838,085	5,550,700
Municipalities served		1,227	1,282	1,317

For the next four years Eni defined a capital expenditure plan of approximately euro 0.8 billion for the

development and maintenance of distribution networks and for the purchase of interests in distribution networks.

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3. Power Generation

Eni engages in power generation activities in its power stations at Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara. In 2006, electricity production sold was 24.82 TWh, up 2.05 TWh or 9% as compared to 2005. Increased production reflected the ramp-up of the Brindisi plant. Total installed capacity was 4.9 GW at December 31, 2006. By 2010 Eni intends to complete its plan for expanding power generation capacity, targeted at an installed capacity of 5.5 GW fully operational in 2010 with production amounting to 31 TWh, corresponding to approximately 8% of electricity generated in Italy at that date. When fully operational, natural gas volumes

supplied will amount to 6 bcm/y from Eni's diversified supply portfolio. Planned capital expenditure amounts to approximately euro 2.4 billion, of these works for euro 2 billion have already been completed.

The development plan is underway at Ferrara (Eni's interest 51%), where in partnership with EGL Luxembourg (a company belonging to Swiss group EGL) construction of two new 390 MW combined cycle units is underway. This will bring installed capacity to 840 MW (two CGT for a total of 780 MW in addition to the existing 60 MW units) with start-up expected in 2007. Eni has also planned the installation of a new 240 megawatt combined cycle unit located in Taranto (current capacity 75 megawatt).

New installed generation capacity uses the combined cycle gas fired technology (CCGT), ensuring a high level of efficiency and low environmental impact. In particular, management estimates that for a given amount of energy (electricity and heat) produced, the use of the CCGT technology on a production of 30 TWh reduces emissions of carbon dioxide by approximately 11 mmt tonnes, as compared to emissions using conventional power generation technology⁵.

Restructuring of power generation activities and dual offer

In 2006 the G&P division launched a restructuring plan of its power generation activities, which provides for the transfer of electricity marketing activities from EniPower, the company that had managed them since its establishment, to the division starting in 2007.

This will allow an integrated management of Eni's gas-electricity portfolio and to develop a combined electricity/gas offer to customers. Power generation activities will remain at EniPower.

- (5) Eni power plants in operation and under construction employ the combined cycle technology, the most efficient technology currently available for power generation, with 12% higher efficiency than the most upstead coal-fired plants and lower polluting emissions per kWh produced.

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Supply of natural gas	(bcm)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		16.81	17.70	16.16	13.64	14.62	12.67	12.16	11.30	10.73	10.21
Russia for Italy		13.75	16.69	19.09	21.03	19.51	18.62	18.92	20.62	21.03	21.30
Russia for Turkey								0.63	1.60	2.47	3.68
Algeria		16.02	16.83	20.40	21.56	18.39	16.35	16.53	18.86	19.58	18.84
Netherlands		5.00	3.02	2.87	6.09	7.00	7.55	7.41	8.45	8.29	10.28
Norway						1.10	4.83	5.44	5.74	5.78	5.92
Hungary		2.79	2.73	2.67	2.67	3.11	3.05	3.56	3.57	3.63	3.28
United Kingdom							1.48	1.98	1.76	2.28	2.50
Libya									0.55	3.84	6.63
Croatia							0.31	0.65	0.35	0.43	0.86
Algeria (LNG)		1.89	1.99	2.06	2.01	1.79	1.92	1.98	1.27	1.45	1.58
Others (LNG)							0.30	0.72	0.70	0.69	1.57
Other supplies Europe		0.01	0.01	0.01	0.02	0.03	0.03	0.04	0.12	1.18	1.85
Outside Europe					0.94	0.96	0.96	1.14	1.20	1.18	0.77
Outside Italy		39.46	41.27	47.10	54.32	51.89	55.40	59.00	64.79	71.83	79.06
Total supply		56.27	58.97	63.26	67.96	66.51	68.07	71.16	76.09	82.56	89.27
Offtake from (input to) storage					(2.43)	0.13	(1.43)	0.84	0.93	0.84	(3.01)
Network losses and measurement differences		(0.33)	(0.56)	(0.34)	(0.90)	(0.92)	(0.50)	(0.61)	(0.53)	(0.78)	(0.50)
Available for sale of Eni's own companies		55.94	58.41	62.92	64.63	65.72	66.14	71.39	76.49	82.62	85.76
Available for sale of Eni's affiliates		0.13	0.16	0.16	0.87	1.38	2.40	6.94	5.84	7.08	7.65
Total available for sale G&P		56.07	58.57	63.08	65.50	67.10	68.54	78.33	82.33	89.70	93.41

Gas sales	(bcm)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		53.10	55.62	60.19	57.82	56.74	50.43	50.86	50.08	52.47	50.94
Wholesalers (selling companies)		19.97	21.59	22.68	20.68	21.09	17.02	15.36	13.87	12.05	11.54
Gas release									0.54	1.95	2.00
End customers		33.13	34.03	37.51	37.14	35.65	33.41	35.50	35.67	38.47	37.40
Industries		17.02	17.11	17.84	18.37	18.53	14.43	13.17	12.39	13.07	13.33
Power generation		10.14	10.47	13.01	12.27	12.21	12.48	15.03	15.92	17.60	16.67
Residential		5.97	6.45	6.66	6.50	4.91	6.50	7.30	7.36	7.80	7.40
Rest of Europe		2.84	2.79	2.73	3.90	6.05	12.77	17.54	21.54	23.44	27.93
Outside Europe					0.91	0.93	0.92	1.09	1.17	1.17	0.76
Total sales to third parties		55.94	58.41	62.92	62.63	63.72	64.12	69.49	72.79	77.08	79.63
Own consumption					2.00	2.00	2.02	1.90	3.70	5.54	6.13
Total sales to third parties and own consumption		55.94	58.41	62.92	64.63	65.72	66.14	71.39	76.49	82.62	85.76
Sales of natural gas of Eni's affiliates (net to Eni)		0.13	0.16	0.16	0.87	1.38	2.40	6.94	5.84	7.08	7.65
Italy										0.07	0.02
Rest of Europe					0.41	0.93	1.93	6.23	5.30	6.47	6.88
Outside Europe		0.13	0.16	0.16	0.46	0.45	0.47	0.71	0.54	0.54	0.75
Total sales and own consumption G&P		56.07	58.57	63.08	65.50	67.10	68.54	78.33	82.33	89.70	93.41

Gas volumes transported in Italy ⁽¹⁾	(bcm)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Eni		53.14	55.69	59.67	63.73	58.17	54.56	51.74	52.15	54.88	57.09
On behalf of third parties		4.35	6.07	6.90	9.45	11.41	19.11	24.63	28.26	30.22	30.90
Enel		2.48	4.04	4.50	6.27	6.28	8.28	9.18	9.25	9.90	9.67
Edison Gas			1.27	1.52	2.10	2.98	4.61	7.49	8.00	7.78	8.80
Others		1.87	0.76	0.88	1.08	2.15	6.22	7.96	11.01	12.54	12.43
		57.49	61.76	66.57	73.18	69.58	74.40	76.37	80.41	85.10	87.99

(1) Include amounts destined to domestic storage.

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Transport infrastructure							
Route	Length of main line (km)	Lines (units)	Diameter (inch)	Pressure min-max (bar)	Transport capacity (mmcm/d)	Transit capacity (mmcm/d)	Compression stations (units)
Italy							
Mazara del Vallo-Minerbio (under upgrading)	1,540	2/3	48/42	75	87.0		7
Tarvisio-Sergnano-Minerbio (under upgrading)	445	2/3	56/48/42/36/34	58/70	84.4		2
Passo Gries-Mortara	177	2	48/34	54/75	57.5		1
Outside Italy ^{(1) (2)}							
TENP (Bocholtz-Wallbach)	500	2	36/38/40		69.6	47.3	4
Transitgas (Rodorsdorf-Lostorf)	165	1+1 71 km + one 55 km	36/48		76	61.0	1
TAG (Baumgarten-Tarvisio) (under upgrading) ⁽³⁾	380	3	36/38/40/42		101.3	93.5	3
TTPC (Oued Saf Saf-Cap Bon)	371	2	48		82.3	81.2	3
TMPC (Cap Bon-Mazara del Vallo)	155	5	20/26		100.5	100.5	
Greenstream (Mellitah-Gela) ⁽⁴⁾	520	1	32		24.4	24.4	1
Blue Stream (Beregovaya-Samsun) ⁽⁴⁾	391	1+1 383 km	24		49.0	49.0	1

(1) As of December 31, 2006.

(2) Capacity is related to standard conditions: pressure 1.01325 bar; temperature 288.15 K.

(3) As of January 1, 2007.

(4) Data relate to full operation of the transport system.

Transport capacity includes both transit capacity and maximum daily volumes of natural gas destined to local markets and withdrawn at various points along the pipeline.

Transit capacity is the maximum daily volume of natural gas which is input at various entry points along the pipeline and transported to the next pipeline.

EniPower power stations					
Power stations	Installed capacity at 2005 (GW)	Installed capacity at 2006 (GW)	Full installed capacity (2010) (GW)	Effective/ planned start-up	Fuel
Brindisi	1.3	1.5	1.3	2006	gas
Ferrera Erbognone	1.0	1.0	1.0	2004	gas/syngas
Livorno	0.2	0.2	0.2	2000	gas
Mantova	0.8	0.9	0.8	2005	gas
Ravenna	1.0	1.1	1.0	2004	gas
Taranto	0.1	0.1	0.4	2000-2009	gas
Ferrara	0.1	0.1	0.8	2007	gas
	4.5	4.9	5.5		

Full installed capacity net of standstill of obsolete plants.

Power generation	2000	2001	2002	2003	2004	2005	2006
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Purchases

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Natural gas	(mmcm)	827	784	819	940	2,617	4,384	4,775
Other fuels	(ktoe)	842	936	885	847	695	563	616
- of which cracking steam						89	96	136
Sales								
Electricity production sold	(TWh)	4.77	4.99	5.00	5.55	13.85	22.77	24.82
Electricity trading	(TWh)		1.56	1.74	3.10	3.10	4.79	6.21
Steam production sold	(ktonnes)	9,535	10,025	9,302	9,303	10,040	10,660	10,287
Installed generation capacity	(GW)	1.0	1.0	1.0	1.9	3.3	4.5	4.9

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Key performance indicators		2004	2005	2006
Net sales from operations ^(a)	(million euro)	26,089	33,732	38,210
Operating profit		1,080	1,857	319
Adjusted operating profit		923	1,214	790
Adjusted net profit		674	945	629
Capital expenditure		693	656	645
Adjusted capital employed, net		4,835	5,326	5,766
ROACE adjusted	(%)	13.0	18.2	10.7
Refining throughputs on own account	(mmtonnes)	37.69	38.79	38.04
Refining throughputs of wholly-owned refineries		26.75	27.34	27.17
Balanced capacity of wholly-owned refineries	(kbbbl/d)	524	524	534
Balanced capacity utilization rate	(%)	100	100	100
Retail sales of petroleum products on Agip branded network in Europe	(mmtonnes)	12.35	12.42	12.48
Agip branded service stations in Europe at period end	(units)	6,225	6,282	6,294
Average throughput of Agip branded service stations in Europe	(kliters)	2,488	2,479	2,470
Employees at year end	(units)	9,224	8,894	9,437

(a) Before elimination of intersegment sales.

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ENI FACT BOOK / REFINING & MARKETING - STRATEGIES

STRATEGIES

Eni is leader in the refining business and in the marketing of refined products in Italy and holds solid competitive positions in selected European countries. Eni's refining and marketing operations are efficiently integrated to maximize cost efficiencies and deliver appreciable returns on capital employed. The integration with upstream operations represents a further competitive advantage. Eni's key medium term objective in its downstream oil business is to enhance profitability. The strategic guidelines to attain this objective are the following:

- **Enhance Eni's refining system by means of a focused investment program;**
- **Improve profitability and qualitative standards of the Italian retail network;**
- **Grow retail sales in selected markets in the rest of Europe; and**
- **Pursue higher levels of operational efficiency.**

In the next four years the implementation of these strategies will be supported by a capital expenditure program of approximately euro 4.3 billion, focused on upgrading refineries, through an increase of primary balanced refining and conversion capacity and of refineries' flexibility and efficiency, with the objective to strengthen Eni's role of leading player in the Mediterranean area, targeting a leadership position in Europe, and enhancing Eni's competitive position in marketing in Italy and in selected European markets.

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2006 Highlights

In 2006, adjusted net profit was down euro 316 million to euro 629 million, or 33.4%, mainly due to a decline in refining margins as a result of a weak trading environment and to lower results from marketing in Italy.

Eni's realized refining margins recorded a better trend than market reference margins reflecting Eni's refineries capacity to process heavy crudes which are discounted as compared to the Brent crude market benchmark, thus resulting in a higher profitability of the heavy barrel.

Return on average capital employed adjusted was 10.7%, down from 2005 (18.2%).

Capital expenditure totaled euro 645 million and mainly related to projects aimed at improving flexibility and yields of refineries and upgrading the retail network in Italy and in the rest of Europe.

Refining throughputs on own account in Italy and outside Italy (38.04 mmtonnes) declined by 750 ktonnes from 2005, down 1.9%, mainly owing to longer unplanned maintenance standstills, particularly at third party refineries (Priolo), while wholly-owned refineries achieved stable processing levels.

Total refinery intake amounted to 39.56 mmtonnes, of which 35 in Italy, with full balanced capacity utilization.

Retail sales of refined products in Italy (8.66 mmtonnes) declined 1% from 2005 mainly due to competitive pressure. This decrease was more than offset by a growth in retail volumes marketed in the rest of Europe (3.82 mmtonnes, up 4.1%), mainly in Germany and Spain.

Sales on the wholesale market in Italy (10.06 mmtonnes) were down 4% due primarily to a decline registered in the fourth quarter owing to the impact of mild weather conditions. This decline was partially offset by a growth in volumes marketed on wholesale markets in the rest of Europe (4.6 mmtonnes, up 2.2%) in particular in Germany and Spain.

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Activities

1. Refining

Eni owns five refineries in Italy and interests in refineries located in Italy, Germany and the Czech Republic with a total refining capacity (balanced with conversion capacity) of approximately 35.5 million tonnes (equal to 710 kbbbl/d) and a conversion index of 57%. Eni's wholly owned refineries in Italy have a balanced capacity of 26.7 mmtonnes (equal to 534 kbbbl/d), with a 58.9% conversion rate.

In 2006 refining throughputs on own account in Italy and outside Italy were 38.04 mmtonnes; total throughputs on wholly owned refineries were 27.17 mmtonnes (on own account and for third parties), with full balanced capacity utilization.

In the medium term, Eni forecasts the refining environment to be featured by the following trends: (i) global imbalances in the availability of products among macro geographic areas; (ii) a low adequacy of existing refining assets to process heavy and non conventional feedstock against a backdrop of persisting high spreads between light/sweet and heavy/sour crude qualities; (iii) an imbalance of existing refining assets towards higher yields in gasoline and fuel oil in contrast with rising demand for middle distillates;

and (iv) increasingly tight environmental and product quality regulations which make the upgrading of existing refining assets a critical issues. Against this backdrop, Eni plans to enhance the profitability of its refining business, capturing opportunities arising from current market trends by implementing a large investment program of approximately euro 3 billion in the next four years. Principal planned actions are to: (i) increase primary and conversion capacity, targeting a complexity index higher than 57%, in view of boosting middle distillate yields, including petrochemical feedstock, and extracting value from equity crude, the availability of which is expected to increase in the Mediterranean basin over the medium term; (ii) improve refinery flexibility in order to optimize processed feedstock and capture market opportunities arising from an expected increasing availability of heavy/sour crude which can be purchased at a discount in the marketplace; (iii) achieve high-quality products responsive to expected demand trends and the evolution of product specifications provided for by increasingly tight European standards in term of emissions and environmental preservation; (iv) strengthen vertical integration with upstream and petrochemical operations; and (v) enhance operational efficiency of refineries, targeting in particular a higher level of energy efficiency.

Contents**ENI FACT BOOK / REFINING & MARKETING - ACTIVITIES****ITALY**

Eni's refining system in Italy is composed of five wholly owned refineries and a 50% interest in the Milazzo refinery in Sicily. Each of Eni's refineries in Italy has operating and strategic features that aim at maximizing the value associated to the asset structure, the geographic positioning with respect to markets and the integration with Eni's other activities.

SANNAZZARO: with a balanced primary refining capacity of 170 kbbbl/d and an equivalent conversion index of 46.2% is one of the most efficient refineries in Europe. Located in the Po Valley, it supplies mainly markets in North-Western Italy and Switzerland. The high degree of flexibility of this refinery allows it to process a wide range of oils, such as CPC Blend crude oil from the Caspian Sea carried through the CPC pipeline, the Bonga crude from Nigeria and oil from Eni's Villafortuna field. From a logistical standpoint this refinery is located along the route of the Central Europe Pipeline, which links the Genova terminal with French speaking Switzerland.

This refinery contains two primary distillation plants and a vacuum unit. Conversion is obtained through a fluid catalytic cracker (FCC¹), an HDCK middle distillate conversion unit and a visbreaking thermal conversion unit. Two catalytic reforming plants, an isomerization plant, an alkylation plant, an MTBE plant and three desulphurization plants for middle distillates and one for naphtha from cracking complete the production cycle. In 2006, Eni completed a gasification facility using the heavy residue from visbreaking (tar) to produce syngas to feed the nearby EniPower power station at Ferrera Erbognone.

Eni plans to upgrade this refinery, targeting to transform it into a world class plant. In particular, in the next four years, Eni plans to build:

- a high pressure hydrocracking unit with a capacity of 28 kbbbl/d, able to produce over 1 mmt/tonnes/y of high quality middle distillates, in particular diesel fuel with low sulphur content and kerosene.
Start-up is planned at 2008 end;

- (1) Conversion plant where vacuum feedstock undergoes cracking at high pressure and moderate temperature thus producing mostly high quality gasoline. This kind of plant guarantees high operating flexibility to the refinery.

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- a PDA deasphalting unit with a 28 kbbbl/d capacity for the production of deasphalted oil (without asphaltene and metals) from visbreaking and vacuum unit residues to be used as feedstock for the FCC unit. Further residues will be used as feedstock for the tar gasification plant. The deasphalting plant will enable Eni to increase the refinery's flexibility thanks to the processing of a higher amount of high sulphur content crude, thus increasing the yield of valuable products (diesel fuel). Start-up is planned in 2008.

Eni is currently evaluating the building of a plant employing Eni Slurry Technology (see Innovative technologies, below) with a 23 kbbbl/d capacity for the processing of extra heavy crudes and tar sands producing higher quality products, in particular diesel fuel, and reducing the yield of fuel oil to zero.

TARANTO: with a balanced primary refining capacity of 110 kbbbl/d and an equivalent conversion index of 61.1%, can process a wide range of crudes and semi-finished products with great operational flexibility. It mainly produces fuels for automotive use and residential heating purposes for the southern Italian markets. Besides its primary distillation plants, this refinery contains a flash vacuum unit, two plants for the desulphurization of middle distillates, a reforming unit, an isomerization unit and conversion plants such as: a two-stage thermal conversion plant (visbreaking/thermal cracking) and an RHU conversion plant, that allows to convert high sulphur content residues into valuable products and cracking feedstocks. It processes most of the oil produced in Eni's Val d'Agri fields carried to Taranto through the Monte Alpi pipeline (in 2006 a total of 3.157 mmt tonnes of this oil were processed). Eni plans to develop and upgrade this refinery, targeting to transform it into a world class one. In particular, two projects are planned: (i) the building of a new high pressure hydrocracking unit with a 17 kbbbl/d capacity and the revamping of the hydrogen production unit; these assets will allow to produce approximately 0.6 mmt tonnes/y of high quality gasoil, when fully operational. Start-up is planned in 2008; (ii) the building of a new topping² unit with a 4 mmt tonnes/y capacity

(see Logistics, below), in particular a pipeline for transporting virgin naphtha to Eni petrochemical plant at Brindisi. The objective is to expand the consumption area covered by the refinery to Campania. Start-up is expected in 2009/2010.

This development and upgrading plan will enable Eni to better employ national and Caspian equity crude and give more flexibility to this refinery, optimizing the use of the conversion plants and increasing throughput from 6 to 10 mmt tonnes/y (100-180 kbbbl/d).

GELA: with a balanced primary refining capacity of 100 kbbbl/d and an equivalent conversion index of 143.5% represents an upstream integrated pole with the production of heavy crudes obtained from nearby Eni fields offshore and onshore Sicily, while downstream it is integrated with Eni's nearby petrochemical plants. Located on the southern coast of Sicily, it manufactures fuels for automotive use and residential heating purposes, as well as petrochemical feedstocks. Its high conversion level allows it to minimize the yield of fuel oil and semi-finished products.

Besides its primary distillation plants, this refinery contains the following plants: an FCC unit with go-finer for the upgrading of feedstocks and two coking plants for the vacuum conversion of heavy residues. All these plants are integrated in order to process heavy residues and feedstocks and manufacture valuable products. It also contains two reforming units, an alkylation unit, an MTBE unit and plants for desulphurization of gasoil and naphtha from cracking. The power plant of this refinery also contains modern residue and exhaust fume treatment plants which allow the complex to comply with the most exacting environmental standards.

An upgrade of the Gela refinery will be implemented by means of an upgrade of topping capacity to enable higher intakes (approximately 1 mmt tonnes/y) and of feedstock flexibility. In addition, actions to improve energy efficiency, renewal of facilities for gasoline production, and the upgrade of utilities and the logistic reorganization of the site are planned.

LIVORNO: with a balanced primary refining capacity of 84 kbbbl/d and an equivalent conversion index of 11.4%, manufactures mainly gasolines, fuel oil for bunkering, specialty products and lubricant bases.

and an associated vacuum unit with a 2.5 mmt tonnes/y capacity. Eni also plans to build a new unit for the desulphurization of middle distillates with a 2.3 mmt tonnes/y capacity, in addition to utilities and logistic facilities

- (2) Topping (also called atmospheric distillation) represents the first stage of primary distillation of crude aimed at separating products thanks to the different boiling temperatures of the hydrocarbons contained in crude.

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Besides its primary distillation plants, this refinery contains a vacuum unit, a reformer unit, an isomerization plant, two desulphurization units for middle distillates and two lubricant manufacturing lines. Its pipeline links with the local harbor and with the Florence storage sites by means of two pipelines optimizing intake, handling and distribution of products.

PORTO MARGHERA: with a balanced primary refining capacity of 70 kbb/d and an equivalent conversion index of 22.8%, supplies mainly markets in north-eastern Italy, Austria, Slovenia and, at a lower extent, Croatia. Besides its primary distillation plants with vacuum plants, this refinery contains a reformer plant, an isomerization plant, two gasoil desulphurization units and a two-stage thermal conversion plant (visbreaking/thermal cracking) for increasing yields of valuable products. The plant upgrading project, subject to the extension of the refining license, concerns the construction of a new hydrocracker with a 24 kbb/d capacity and upgrades of utilities. The objective is to increase intake (up 1.4 mtonnes/y, to approximately 5.5 mtonnes when fully operational), the improvement of flexibility in processed feedstocks, the increase in middle distillates produced (up 0.7 mtonnes) in an area characterized by structural diesel fuel deficit, and higher energy efficiency.

REST OF EUROPE

In Germany Eni holds an 8.3% interest in the SCHWEDT refinery and a 20% interest in BAYERNOIL, an integrated pole that includes the Ingolstadt, Vohburg and Neustadt refineries. Eni's refining capacity in Germany amounts to approximately 70 kbb/d. Eni's share of the production of the three integrated refineries and of the Schwedt refinery is mainly used to supply Eni's distribution network in Bavaria and Eastern Germany. Eni plans to restructure the Bayernoil refining pole, by building a new hydrocracker with a capacity of approximately 2 mtonnes/y, revamping other assets (in particular a reformer and a hydrofiner) and shutting-down a topping unit.

Eni holds a 16.33% interest in CESKA RAFINERSKA which owns and manages two refineries, Kralupy and Litvinov, in the Czech Republic. Eni's share of refining capacity amounts to 27 kbb/d.

infrastructure consisting of 12 directly managed storage sites and a network of petroleum product pipelines. Eni holds interests in five joint entities established by partnering the major Italian operators. These are located in Vado Ligure-Genova (Petrolig), Arquata Scrivia (Sigemi), Venice (Petroven), Ravenna (Petra) and Trieste (DCT) and aim at reducing logistic costs, and increasing efficiency.

Eni operates in the transport of oil and refined products: (i) on land through a pipeline network of leased and owned pipelines extending over 3,210 kilometers (1,513 kilometers are wholly owned by Eni); (ii) by sea through spot and long-term lease contracts of tanker ships. For the distribution of refined products to retail and wholesale markets, Eni owns a fleet of tanker trucks and manages third-party owned vehicles.

In the medium-term, Eni plans to enhance the relationship between its logistic and refining operations by implementing an integrated logistic model (hub model) designed to centralize handling of products flows on a single platform enabling real time monitoring. In the next four years, Eni plans to invest approximately euro 0.6 billion directed in particular to the implementation of the Taranto logistic project intended to support the refinery's development plan: a new diesel fuel and gasoline storage site will be built in Campania and three pipelines will be laid, two of which linking the refinery to the storage site and the other one to transport virgin naphtha to Eni's petrochemical complex in Brindisi. The objective of this plan is to eliminate the transport of refined products by sea to Naples.

3. Marketing**RETAIL SALES**

In retail distribution Eni intends to enhance its leadership on the Italian retail market, improving outlets and service quality standards and targeting a strong product differentiation and customer-oriented promotional initiatives.

In the rest of Europe, Eni will selectively grow its market share, targeting a strengthening of its competitive positioning in selected markets, leveraging on synergies achievable thanks to the geographic location of its production and logistic assets and on strong brand awareness.

2. Logistics

Eni is leader in storage and transport of petroleum products in Italy with its logistical integrated

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ITALY

Eni is leader in the retail marketing of refined product under its Agip brand.

At December 31, 2006, Eni's retail distribution network consisted of 4,356 Agip branded service stations with sales amounting approximately to 11 billion liters (8.66 mtonnes) with an average throughput of 2.46 mml and a 29.3% market share.

Eni intends to strengthen its competitive positioning in Italy by introducing new outlet formats in line with European standards of quality and services, increasing premium products sales and differentiating promotional offers in order to retain the various segments of clients. A strong focus will be devoted to pursue high levels of operating efficiency.

In the next four years, Eni plans to invest approximately euro 0.75 billion in the upgrading of its network, targeting to build and acquire new service stations, highgrade/restructure existing ones, and to adequate them to applicable environmental standards and regulations.

By 2010, Eni expects to have a retail network

composed of approximately 4,360 service stations with an average throughput of approximately 2.7 bl per outlet.

As for premium price products, Eni intends to enhance its Blu fuel line of products by launching a new diesel fuel with high environmental quality and engine performance.

In 2006, sales of BluDiesel a high performance virtually sulphur free diesel fuel that improves engine performance on the Agip branded network amounted to approximately 840 bl (760 mtonnes), a decline of 14.8% from 2005 due mainly to the increasingly high sensitivity of consumers to the price of fuels in light of their remarkable increase in the year. At 2006 year-end, service stations marketing BluDiesel were 4,061 (about 4,000 at 2005 year-end) corresponding to approximately 93% of Eni's Agip branded network.

Retail volumes of BluSuper a high performance and low environmental impact gasoline amounted to about 114 mml (98 ktonnes), down 9% from 2005,

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showing a trend similar to the one of BluDiesel. At 2006 year-end, service stations marketing BluSuper were 2,316 (about 1,719 at December 31, 2005) corresponding to approximately 53% of Eni's network.

In January 2006 Eni started the experimental marketing of Ad-Blue[®], a water solution containing urea for technologically advanced heavy duty vehicles. This additive, compatible with the new characteristics of most trucks built in Europe, reacts with exhaust gases reducing emissions and consumption and improving engine performance.

In 2006 Eni continued its Do-It-Yourself campaign which enables customers accessing self-service outlets with an electronic card to obtain price discounts or gifts (under agreements with Vodafone and Coop) in proportion to the total amount of purchased fuel. Further bonuses are offered to the most faithful customers. At year-end the number of active cards was about 3.9 million; turnover on cards increased by 3% from 2005. The amount of fuel purchased with cards was approximately 39% of all fuels marketed on Agip branded service stations joining the campaign, corresponding to about 31% of total Agip throughput.

You&Agip

In March 2007, Eni launched its You&Agip promotional campaign designed to boost customer loyalty to the Agip brand. It is an innovative formula intended to outperform traditional loyalty programmes for motorists, mainly by cancelling the usual time limits, as it is set to last for the next three years until December 31, 2009. Furthermore, the list of prizes will be kept constantly updated thanks to the high numbers of partners joining the initiative. Just to mention a few qualifying features of the You&Agip programme, customers can decide how to accumulate points, when to spend them and what kind of reward to choose. Points can be accumulated not only by buying fuels, but also by buying all the other services and wares sold at AgipCafè outlets.

In 2006, Eni continued the initiative of the European Multicard Routex paying card addressed to professional transport (transporters and car fleets) with sales of 1.5 bl (up 4.7% from 2005), and the number of customers provided with this card increased by about 2,000 to 52,000 users at year end. Multicard is used internationally and is part of the international Routex

and fast food outlets as well as innovative commercial outlets. To this end Eni owns master franchisor rights with exclusive rights for the oil sector for the Pans & Co brand, a leader in quality fast food outlets. Eni's network contains 13 Pans & Co outlets and 32 McDonald's outlets both on ordinary and motorway assets.

In 2006, a total of 70 new affiliations were added to the AgipCafè[®] branded outlets and by year end a total of 340 franchises. Moreover, 9 new convenience stores under the SpazioAgip[®] brand name were opened, thus reaching a total of 23 locations. Also 45 new car-wash facilities were opened on Agip owned service stations, thus reaching a total of 715 units. In particular the travellers who stop at Agip branded stations along the motorways can access a wide range of services: AgipCafè, 1 Angolo del Buongustaio, SpazioAgip, RistorAgip, BabyRoom and special rest areas dedicated to motor homes.

Eni has also developed the AgipTruck Point, large-format specialized service stations for heavy duty vehicles where facilities have been created for truck drivers such as secure parking and IT services. In the next four years Eni intends to continue the development of its non-oil activities and expects to provide 57% of its Agip branded network with these facilities by 2010 (53% in 2006).

REST OF EUROPE

In 2006, retail volumes of fuels marketed in the rest of Europe totalled 4.8 bl (3.82 mtonnes).

At December 31, 2006, Eni's retail marketing network outside Italy was represented by 1,938 service stations with an average throughput of 2.5 mml.

The areas where Eni's presence is significant are South-Central Germany with a 4.4% market share, Spain with 3.2%, Austria with 7.2%, Switzerland with 5.8% and South-Western France with 1.2% on national base. In recent years, Eni's strategy focused on selectively growing its market share, also by means of acquisition of assets, in European areas with interesting profitability perspectives mainly in Central-Eastern Europe (in particular Southern Germany, Austria, the Czech Republic and Hungary) in South-Eastern France and the Iberian Peninsula. In pursuing such growth, Eni has been able to reap synergies deriving from said areas being close to Eni's production and logistic facilities. Over the past five years, retail volumes of refined

consortium, made up by Agip, Aral, BP, OMV and Statoil.

Eni continued the development of its non oil-retail activities aimed at promoting the development of its network in line with European standards, such as the diffusion of self-service facilities, high-tech car care systems and services to customers, in particular 1,000 cafè

products marketed in the rest of Europe have grown more than 50% (equal to a 9% compound average growth rate).

By 2010 Eni expects to market approximately 5.6 bl. Growth in volumes will be achieved through acquisitions, leasing and construction of new service stations with high quality standards,

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automation and throughput, also leveraging on marketing campaigns aimed at enhancing the Agip brand perception on markets.

By 2010 Eni plans to have a network of approximately 2,180 service stations with an average throughput of 2.6 bl. Non-oil activities in the rest of Europe are carried out under the *CiaoAgip* brand name in 1,158 service stations, of these 328 are in Germany and 169 in France with a 60% coverage of the network and the virtually complete coverage of owned stations.

MultiEnergy

The attention paid to environmental considerations led to the construction of Multienergy service stations that are equipped with solar panels able to provide all the energy necessary for their functioning and that sell a full range of fuels with a significant environmental value. The inauguration of the Agip MultiEnergy service station at the Infracorv Höchst industrial park in Germany, marks the conclusion of the first phase of the *Zero Regio* project, which has the support of the European Commission, for the construction of an innovative multifuel station for the supply and trial of zero emission vehicles fuelled with hydrogen.

4. Other businesses**Wholesale marketing and other sales**

Eni markets gasoline and other fuels on wholesale markets, including diesel fuel for automotive use and for heating purposes, for agricultural vehicles and for vessels, gasoline and fuel oil. Major customers are wholesalers, agricultural users, manufacturing industries, public utilities and transports.

Eni provides its customers with its expertise in the area of fuels with a wide range of products that cover all market requirements. Along with traditional products provided with the high quality Eni standard, there is also an innovative low environmental impact line, which includes *AdvanceDiesel* especially targeted for heavy duty public and private transports.

Customer care and product distribution is supported by a widespread commercial and logistical organization present all over Italy and articulated in local marketing offices and a network of agents and concessionaires. In 2006 volumes marketed on wholesale markets in Italy, which excludes the *Avio* and *Bunker* businesses,

Sales volumes on wholesale markets outside Italy were 4.27 mmt tonnes, up approximately 100 ktonnes from 2005, or 2.6%, reflecting mainly higher sales in Germany and Spain.

Eni also markets jet fuel directly at 38 airports, of which 27 in Italy. In 2006, these sales amounted to 2.18 mmt tonnes (of which 1.84 mmt tonnes in Italy) up approximately 200 ktonnes.

Eni is active also in the international market of bunkering, marketing marine fuel in 38 ports, of which 23 in Italy. In 2006 marine fuel sales were 1.9 mmt tonnes (1.24 in Italy) increasing 100 ktonnes. Other sales were 22.09 mmt tonnes of which 19.48 mmt tonnes referred to sales to oil companies and traders, and 2.61 mmt tonnes supplies to the petrochemical sector.

LPG

In Italy Eni is leader in LPG production, marketing and sale with 589 ktonnes sold for heating and automotive use (under the Agip brand and wholesale) equal to an 18% market share. Additional 350 ktonnes of LPG were marketed through other channels mainly to oil companies and traders.

LPG activities in Italy are supported by direct production, availability from 11 bottling plants and a number of owned storage sites in addition to products imported at coastal storage sites located in Livorno, Naples and Ravenna.

Lubricants

Eni operates 8 (owned and co-owned) blending plants, in Italy, Europe, North and South America, Africa and the Far East which manufacture finished and fatty lubricants. With a wide range of products composed of over 650 different blends, Eni masters international state-of-the-art know-how for the formulation of products for vehicles (engine oil, special fluids and transmission oils) and industries (lubricants for hydraulic systems, industrial machinery and metal processing).

In Italy Eni is a leader in the manufacture and sale of lubricant bases. Base oils are manufactured primarily at its refinery in Livorno. Eni also owns one facility for the production of additives and solvents in Robassomero. In 2006, retail and wholesale sales in Italy amounted to 136 ktonnes with a 24.9% market share. Eni also sold approximately 4 ktonnes of special products (white oils,

were 8.22 mtonnes down 610 ktonnes from 2005, or 7%, due mainly to a decline in domestic consumption related to mild weather conditions in the fourth quarter of the year.

transformer oil and anti-freeze fluids). Outside Italy sales amounted to approximately 102 ktonnes, of these about 50% were registered in Europe (mainly Germany, Netherlands and Spain).

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Refining system in 2006											
	Ownership share (%)	Conversion equivalent (%)	Primary balanced refining capacity share (kbbbls/g)	Primary balanced refining capacity total (kbbbls/d)	Fluid catalytic cracking FCC (kbbbls/d)	Residue Conversion (kbbbls/d)	Go-Finer (kbbbls/d)	Mild Hydro-cracking/ Hydro-cracking (kbbbls/d)	Visbreaking/ Thermal Cracking (kbbbls/d)	Coking (kbbbls/d)	
Wholly-owned refineries			58.9	534	534	69	21	36	29	65	47
Italy											
Sannazzaro		100	46.2	170	170	34			29	28	
Gela		100	143.5	100	100	35		36			47
Taranto		100	61.1	110	110		21			35	
Livorno		100	11.4	84	84						
Porto Marghera		100	22.8	70	70					22	
Partially owned refineries ⁽¹⁾			50.9	177	804	172	24	27	55	96	
Italy											
Milazzo		50	72.3	80	160	41	24		33		
Germany											
Ingolstadt/Vohburg/Neustadt (Bayernoil)		20	32.6	52	258	58				33	
Schwedt		8.33	41.8	19	223	49		27		49	
Czech Republic											
Kralupy/Litvinov (Ceska Rafinerska)		16.3	28.8	27	163	24			22	14	
Total Refineries			57.0	711	1,338	241	45	63	84	181	47

(1) Capacity of conversion plants is 100%.

Refining capacity		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Balanced capacity at period end ⁽¹⁾	(kbbbl/d)	853	859	859	859	814	654	681	681	701	711
Balanced capacity of wholly-owned refineries at period end		664	664	664	664	664	504	504	504	524	534
Processing at wholly-owned refineries		621	681	640	659	645	501	502	535	547	543
Balanced capacity utilization of wholly-owned refineries	(%)	94	103	96	99	97	99	100	100	100	100

Petroleum products availability	(mmttonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy											
Refinery intake in wholly-owned refineries		31.10	34.05	32.00	32.93	32.24	30.09	25.09	26.75	27.34	27.17
Refinery intake for third parties		(3.50)	(3.24)	(2.78)	(3.41)	(1.45)	(1.88)	(1.72)	(1.50)	(1.70)	(1.53)
Refinery intake in non-owned refineries		8.00	7.90	8.08	8.41	5.92	6.27	8.43	8.10	8.58	7.71
Consumption and losses		(2.00)	(1.94)	(2.07)	(2.11)	(1.95)	(1.91)	(1.64)	(1.64)	(1.87)	(1.45)
Products available		33.60	36.77	35.23	35.82	34.76	32.57	30.16	31.71	32.35	31.90

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Purchases of finished products and change in inventories	6.75	5.74	5.45	4.30	5.19	6.27	5.86	5.07	4.85	4.45
Finished products transferred to foreign cycle	(4.20)	(6.51)	(5.23)	(4.58)	(4.96)	(5.56)	(5.19)	(5.03)	(5.82)	(5.35)
Consumption for power generation						(1.74)	(1.07)	(1.06)	(1.09)	(1.10)
Sales	36.15	36.00	35.45	35.54	34.99	31.54	29.76	30.69	30.29	29.90
Outside Italy										
Products available	2.80	3.33	3.08	3.07	3.02	2.98	3.36	4.04	4.33	4.37
Purchases of finished products and change in inventories	8.45	8.35	8.06	10.27	10.27	12.16	12.12	13.78	11.19	11.51
Finished products transferred from Italian cycle	4.20	6.51	5.23	4.58	4.96	5.56	5.19	5.03	5.82	5.35
Sales	15.45	18.19	16.37	17.92	18.25	20.70	20.67	22.85	21.34	21.23
Sales in Italy and outside Italy	51.60	54.19	51.82	53.46	53.24	52.24	50.43	53.54	51.63	51.13

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Petroleum products sales in Italy and outside Italy	(mmtonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Retail marketing		12.09	12.02	11.85	11.57	11.64	11.14	10.99	10.93	10.05	8.66
Wholesale marketing		11.3	11.73	11.42	11.1	11.24	10.64	10.35	10.7	10.48	10.06
		23.39	23.75	23.27	22.67	22.88	21.78	21.34	21.63	20.53	18.72
Petrochemicals		5.97	5.75	5.38	4.93	4.23	3.82	2.79	3.05	3.07	2.61
Other sales ⁽¹⁾		6.79	6.5	6.8	7.94	7.88	5.94	5.63	6.01	6.69	8.57
Sales in Italy		36.15	36	35.45	35.54	34.99	31.54	29.76	30.69	30.29	29.90
Retail marketing rest of Europe		2.25	2.35	2.36	2.35	2.47	2.57	3.02	3.47	3.67	3.82
Retail marketing Africa and Brazil		0.68	1.11	1.55	1.43	1.71	1.44	1.18	0.57		
		2.93	3.46	3.91	3.78	4.18	4.01	4.2	4.04	3.67	3.82
Wholesale marketing outside Italy		6.17	6.2	6.4	5.46	5.55	5.65	6.01	5.3	4.50	4.60
		9.1	9.66	10.31	9.24	9.73	9.66	10.21	9.34	8.17	8.42
Other sales ⁽¹⁾		6.35	8.53	6.06	8.68	8.52	11.04	10.46	13.51	13.17	12.81
Sales outside Italy		15.45	18.19	16.37	17.92	18.25	20.7	20.67	22.85	21.34	21.23
		51.6	54.19	51.82	53.46	53.24	52.24	50.43	53.54	51.63	51.13

(1) Includes bunkering consumption for power production (until 2001) and sales to oil companies. From 2002, includes also sales of MTBE.

Retail and wholesale sales by product in Italy and outside Italy	(ktonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy											
Retail sales		12.09	12.37	11.85	11.57	11.64	11.14	10.99	10.93	10.05	8.66
Gasoline		7.68	7.76	7.23	6.74	6.53	5.98	5.49	5.09	4.35	3.38
Gasoil		3.92	4.12	4.22	4.43	4.74	4.83	5.23	5.61	5.49	5.09
LPG		0.45	0.46	0.37	0.38	0.35	0.31	0.26	0.22	0.20	0.18
Lubricants		0.04	0.03	0.03	0.02	0.02	0.02	0.01	0.01	0.01	0.01
Wholesale sales		11.30	11.38	11.42	11.10	11.24	10.64	10.35	10.70	10.48	10.06
Gasoil		4.82	4.95	5.01	4.85	5.12	4.88	4.78	4.89	4.86	4.60
Fuel oil		2.64	2.56	2.25	2.15	2.12	2.05	1.66	1.80	1.50	1.27
LPG		0.55	0.50	0.50	0.48	0.48	0.46	0.45	0.46	0.46	0.41
Gasoline		0.13	0.08	0.24	0.21	0.17	0.16	0.17	0.15	0.16	0.15
Lubricants		0.17	0.16	0.15	0.16	0.15	0.14	0.13	0.13	0.13	0.13
Other		2.99	3.14	3.27	3.25	3.20	2.94	3.16	3.27	3.37	3.50
Outside Italy (retail + wholesale)											
Gasoline		2.28	2.28	2.39	2.16	2.39	2.27	2.37	2.32	2.14	2.06
Gasoil		3.49	3.83	4.01	3.92	4.30	4.49	5.10	4.96	4.71	4.90
Jet fuel		0.52	0.35	0.43	0.47	0.43	0.39	0.39	0.47	0.34	0.34
Fuel oil		0.38	0.33	0.26	0.26	0.22	0.21	0.20	0.15	0.12	0.23
Lubricants		0.15	0.11	0.12	0.13	0.11	0.13	0.16	0.11	0.10	0.10

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LPG	1.71	1.79	1.86	1.86	1.82	1.78	1.72	1.09	0.44	0.46
Other	0.57	0.98	1.25	1.14	0.47	0.41	0.27	0.24	0.32	0.33
Total	9.10	9.66	10.31	9.94	9.73	9.67	10.21	9.34	8.17	8.42

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Number of service stations	(units)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		10,615	9,828	9,425	9,045	8,351	7,710	7,290	7,244	4,349	4,356
ordinary stations:		10,345	9,563	9,160	8,783	8,157	7,546	7,134	7,097	4,204	3,194
- Agip brand		6,519	6,044	5,772	5,561	5,374	4,954	4,215	4,186	4,204	3,194
- IP brand		3,826	3,519	3,388	3,222	2,783	2,592	2,919	2,911		
highway stations:		270	265	265	262	194	164	156	147	145	142
- Agip brand		192	189	189	189	152	127	146	143	145	142
- IP brand		78	76	76	73	42	37	10	4		
Outside Italy		2,141	3,156	3,064	3,040	3,356	3,052	3,357	1,896	1,933	1,938
Central Europe		1,112	1,081	1,044	1,007	988	1,013	1,230	1,309	1,318	1,329
Iberian Peninsula		186	192	200	201	202	198	357	356	373	358
Eastern Europe		121	142	145	165	185	223	226	231	242	251
Africa		722	685	593	262	262					
Latin America			1,056	1,082	1,405	1,719	1,618	1,544			
		12,756	12,984	12,489	12,085	11,707	10,762	10,647	9,140	6,282	6,294

Average throughput	(kl/number of service stations)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy		1,405	1,475	1,530	1,565	1,643	1,707	1,813	1,863	1,770	2,463
Rest of Europe		2,042	2,141	2,200	2,210	2,303	2,276	2,378	2,393	2,426	2,486
Brazil			1,122	1,074	856	914	967	942			
Africa		926	1,080	1,079	1,515	1,943					
Average throughput outside Italy		1,753	1,661	1,586	1,524	1,563	1,585	1,671	2,393	2,426	2,486
Average throughput		1,463	1,512	1,543	1,555	1,621	1,674	1,771	1,970	1,926	
Average throughput Agip branded network		1,522	1,560	1,606	1,615	1,685	1,861	2,109	2,488	2,479	2,470
Italy		1,450	1,519	1,616	1,662	1,757	2,014	2,410	2,527	2,509	2,463
Outside Italy		1,753	1,662	1,586	1,524	1,563	1,585	1,671	2,393	2,427	2,486

Market shares in Italy	(%)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Retail		43.4	41.7	41.0	40.2	39.7	37.5	36.6	36.3	29.7	29.3
Gasoline		43.9	42.4	41.4	40.6	40.1	37.7	36.2	35.5	27.5	27.2
Gasoil		43.3	42.3	41.7	41.3	40.9	38.6	38.4	38.2	32.3	31.6
LPG (automotive)		37.7	27.9	28.3	26.6	25.4	23.8	22.0	20.0	17.9	18.1
Wholesale		23.1	23.3	24.4	24.0	25.6	23.9	24.1	27.0	28.0	26.9
Gasoil		35.5	35.5	35.0	34.5	35.4	34.7	33.1	33.0	32.8	31.2
Fuel oil		11.0	10.8	11.6	12.9	14.9	13.3	12.6	17.7	17.9	15.2
Domestic market share		30.5	30.1	30.9	30.4	31.5	29.5	29.5	31.3	29.0	28.2
Total market share (retail + wholesale)											

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Gasoline	43.9	43.6	42.2	41.3	40.8	38.3	36.8	36.0	28.2	27.8
Gasoil	38.6	38.5	38.0	37.6	38.1	36.8	35.9	35.9	32.8	31.7
LPG	29.8	24.8	22.9	22.0	22.0	20.9	19.4	19.1	18.8	18.0

Retail market shares outside Italy	(%)	1998	1999	2000	2001	2002	2003	2004	2005	2006
Central Europe										
Austria		8.1	7.7	7.1	7.7	8.1	8.2	8.0	7.4	7.2
Switzerland		6.4	6.6	6.8	6.4	6.0	5.7	5.7	5.7	5.8
Germany		2.6	2.6	2.6	2.7	2.6	3.1	3.8	4.1	4.4
France		0.4	0.4	0.4	0.6	0.8	1.1	1.2	1.1	1.2
Eastern Europe										
Hungary		4.5	4.3	4.1	4.5	6.1	6.7	6.4	6.0	6.3
Czech Republic		4.2	4.3	4.3	4.3	5.7	4.9	5.2	5.5	5.9
Romania		1	0.9	1	1.1	1.1	0.9
Slovenia							1.0	1.3	1.7	
Iberian Peninsula										
Spain		1.7	1.7	1.8	1.6	1.6	2.2	3.0	3.1	3.2
Portugal		2.1	2	1.7	1.6	1.5	0.9	1.0	0.9	0.7

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Key performance indicators		2004	2005	2006
Net sales from operations ^(a)	(million euro)	5,696	5,733	6,979
Operating profit		203	307	505
Adjusted operating profit		215	314	508
Adjusted net profit		252	328	400
Capital expenditure		186	349	591
ROACE adjusted	(%)	10.5	12.0	12.8
Orders acquired:	(million euro)	5,784	8,395	11,172
- Offshore construction		2,867	3,096	3,681
- Onshore construction		2,535	4,720	4,923
- Offshore drilling		107	367	2,230
- Onshore drilling		275	21	338
Order backlog:		8,521	10,122	13,191
- Offshore construction		3,420	3,721	4,283
- Onshore construction		4,488	5,721	6,285
- Offshore drilling		317	382	2,247
- Onshore drilling		296	298	376
Employees at year end	(unit)	25,819	28,684	30,902

(a) Before elimination of intersegment sales.

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ENI FACT BOOK / ENGINEERING & CONSTRUCTION

STRATEGIES

Eni operates in engineering, oilfield services and construction both offshore and onshore through Saipem, a company listed on the Italian Stock Exchange (Eni's interest 43%). Saipem boasts a strong competitive position in the relevant markets thanks to technological and operational skills, engineering and project management capabilities and ability to operate in complex environments, owing also to the integration with Snamprogetti. Leveraging on these strengths and rising demand for drilling equipment and oilfield services, Saipem intends to carry out the following fundamental strategies:

- **Consolidate its competitive positioning in the field of large offshore and onshore projects for the development of hydrocarbon fields;**
- **Develop its presence in the strategic field of gas monetization and heavy crude upgrading, including expansion in floating LNG treatment systems for liquefaction and regasification of LNG;**
- **Intensify efficiency improvement actions in all its activities, in particular by reducing supply and execution costs while maintaining a high utilization rate of equipment and improving its flexible structure in order to reduce the impact of possible negative cycles; and**
- **Support Eni's investment plans.**

In order to carry out these strategies, Saipem expects to invest approximately euro 3.5 billion to further expand the geographical reach and operational features of its world-class fleet over the next four years.

2006 Highlights

Adjusted net profit was euro 400 million, up euro 72 million from a year ago or 22%, reflecting a better operating performance against the backdrop of favorable trends in the demand for oilfield services.

Return on average capital employed calculated on an adjusted basis was 12.8% in 2006, up 12% from 2005.

Orders acquired amounted to euro 11,172 million, up euro 2,777 million from 2005 (+33.1%), in particular in onshore activities.

Order backlog was euro 13,191 million at December 31, 2006 (euro 10,122 million at December 31, 2005).

In February 2007, a contract for the construction of a new pipelayer has been signed. The unit, with a carrying capacity of 25 ktonnes and a lifting capacity of 600 tonnes by means of crane, will be manufactured in China.

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Dimensions:

Length: 198 m
Breadth: 87 m
Depth to main deck: 45 m
Transit draft: 10.5 m
Operational draft: 27.5 m

Dynamic positioning: DP (AAA) Lloyds Register; IPD 3 R.I.Na.; Class 3 Norwegian Maritime Directorate notations.

Power plant: total power plant 70,000 kW, 10,000 Volt; 12 diesel generators on heavy

Lifting facilities main crane: 2 twin S 7000 model fully revolving bow mounted Amhoist cranes; main blocks tandem lift: 14,000 t; main block single lift: 7,000 t revolving at 40 m rad./41 m; tieback 6,000 t revolving at 45 m rad./50 m. Lowering capability to 450 m below sea level. Whip hook: 120 t revolving at 150 m rad. **J-Lay system:** pipe diameter range from 4 to 32 ; main laying tension system 525 t with tensioners, up to 2,000 t with friction clamps; laying tower angle 90°-110°; number of welding stations: 1; pipe

Dimensions:

Length overall: 152 m
Breadth: 65 m
Depth to main deck: 29.8 m
Operational draft: 7.8-15.5 m
Deck load capacity: up to 3,600 t

Propulsion/positioning system: number of thrusters: 4 azimuthal variable pitch.

Thruster capacity: 2,060 kW/37 t thrust.

Pipe tensioning system: type of tensioners: Remacut DC electric; tensioner

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fuels divided in 4 fire segregated engine rooms; classified UMS. **Ballast system:** computer controlled system with simultaneous capabilities comprising 4 x 6,000 t/h ballast pumps, fully redundant.

storage capacity up to 6,000 t. **Maximum laying depth:** 3,000 m.

capacity: 3 x 110 t each; pipe diameter capacity: up to 60". **Pipe abandonment/retrieval system:** type of winch: Tesmec DC electric; winch capacity: 300 t constant tension. **Cranes/pipe handling system:** number of cranes: 2 fully revolving; crane type: deck mounted; crane capacity: 60 t with 50 m boom. **Maximum laying depth:** 1,150 m.

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Business areas**Offshore construction**

Saipem has gained a sound competitive positioning in the market of large, complex projects for the development of offshore hydrocarbon fields leveraging on its technical and operational skills, supported by a world-class fleet, the ability to operate in complex environments, and engineering and project management capabilities acquired on the market over recent years. Saipem intends to enhance its market share by means of strengthening its EPIC oriented business model and its relationships with major oil companies and NOCs. Higher levels of profitability are expected to be achieved through outsourcing certain engineering and building activities to low cost centers. Investments will be focused on constantly upgrading and improving technical characteristics and capabilities of Saipem's world-class fleet, and to build local construction centers.

In 2006, revenues were euro 3,033 million accounting for 43% of total revenues. This business delivered a gross margin of euro 366 million, corresponding to 55% of total gross margin, higher than the euro 296 million result reported in 2005. This increase reflected higher activity in the Caspian region and Nigeria.

Among the major orders acquired in 2006 were:

- a contract for the conversion of an oil tanker into an FPSO unit with production capacity of 1.8 mmbbl for the development of the offshore Gimboa field in Angola for Sonangol P&P;
- an EPIC contract for Burullus Gas Co for the construction of underwater systems for the development of eight new wells within the expansion plan of the Scarab/Saffron and Simian fields offshore in the Nile Delta;
- an EPIC contract for CNR International Limited for the construction of three wellhead towers, a support platform, and interconnecting pipelines and umbilicals within the development of the offshore Olowi field in Gabon.

Dimensions:

Length overall: 148.5 m
Breadth overall: 54.9 m
Depth to main deck: 2.8 m
Maximum deck load: 5,700 t

Pipelay equipment: 3 x 75 t tensioners, 11 work stations (welding, x-ray and field joint coating). Double jointing system with 8 work stations. Above water tie-in capability (optional). Dual lay welding line and ramp (optional). Abandonment and recovery winch: 275 t.
Lifting facilities: fitted with 4 revolving pedestal cranes (1 x 318 t and 3 x 37 t) mounted at each corner of the main deck for pipe handling and general lifting. Pipe handling davits may also be mounted on the main deck to facilitate above water tie-ins. S-lay technique. **Pipe diameter:** max 60". **Maximum laying depth:** 600 m.

Dimensions:

Length overall: 156 m
Breadth: 30 m
Operational draft: 12.4 m
Displacement: 26,608 t at operating draft
Payload: 4,300 t at 7.40 draft

Dynamic Positioning: Dynpos Autro, Dynpos Austr, 2 DGPS, 2 Lras HIPAP - 2,500 m interfaces available for Taut Wire, Artemis, Fan Beam. **Lifting capabilities:** main crane AM Clyde KPT660: main hook SWL: 600 t at 30 m, 300 t at 55 m; auxiliary cranes: 2 Liebherr CBO3100-50 Litronic SWL 50 t at 20 m, SWL 30 t at 38 m; 2 Liebherr RL-S 20/20 Litronic; starboard side fixed boom SWL 20 t at 20 m, portside telescopic boom SWL 15 t at 16 m. **Pipelay equipment:** 5 work stations + one in option; rigid pipe: 4 pipes string J-lay tower system, SWL 320 t, 3,000 m w.d., max. o.d. 22"; flexible

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pipe: laying through Gutter and 3 x retractable four tracks tensioners
total SWL 270 t, max. i.d. 17 . Assembly station has openings to
allow the passage of 4 x 3 x 6 m special items.

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Contents**ENI FACT BOOK / ENGINEERING & CONSTRUCTION - BUSINESS AREAS****Offshore construction**

Saipem operates in the construction of plants for hydrocarbon production (separation, stabilization, collection of hydrocarbons, pumping stations, water injection) and treatment (removal and recovery of sulphur dioxide and carbon dioxide, fractioning of gaseous liquids, recovery of condensates) and in the installation of large onshore transport systems (pipelines, compression stations, terminals). Saipem intends to capture opportunities arising from expected increasing demand from oil majors, by leveraging on its solid competitive position and integration with Snamprogetti engineering capabilities.

In 2006, revenues were euro 3,333 million accounting for 48% of total revenues. Gross margin came in at euro 147 million as compared to euro 73 million in 2005. This increase reflected higher activity levels related essentially to the start-up of certain large projects acquired in 2005.

Among the major orders acquired in 2006 were:

- an EPC contract for Saudi Aramco for the construction of four trains for gas and crude;
- separation with a total capacity of 1.2 mmbbl/d and production facilities within the development of the onshore Khursaniyah field in Saudi Arabia;
- an EPC contract for Shell Petroleum Development Company of Nigeria for the laying of pipelines, flowlines and composite fibre optic and high voltage electrical cables within the development Gbaran project. The contract was won in consortium with Desicon Engineering Ltd;
- an EPC contract for Canaport LNG for the construction of a regasification terminal, inclusive of auxiliary facilities for gas offloading, pumping, vaporization and transmission, in addition to two storage tanks. The contract was won in consortium with the Canadian company SNC - Lavalin.

Dimensions:

Hull length: 60.8 m

Beam: 56.5 m

Depth: 6.7 m

Length of legs (including footing): 126.1 m

Operating performance:

Drilling depth: 6,500 m

Water depth max: 90 m

Dimensions:

Length overall: 228 m

Breadth, moulded: 42 m

Depth, moulded: 19 m

Operating draft: 12 m

Displacement: 96,455 t

Variable load: over 20,000 t

Oil storage capacity: 140,000 bbl

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Variable load: 1,500 t

Operating performance:

Drilling depth: 9,200 m

Water depth max: 3,000 m

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Offshore drilling

Saipem provides offshore drilling services to oil companies mainly in West Africa, the North Sea and the Mediterranean Sea. It boasts significant market positions in the most complex segments of deep and ultra-deep offshore leveraging on the outstanding technical features of its drilling platforms and vessels, capable of drilling holes at a maximum depth of 9,200 meters. Demand for drilling services is expected to increase in future years reflecting exploratory plans of oil majors, leading to a substantial rise in tariffs due to equipment shortage. In view of this, Saipem is planning to build a new drilling rig capable of reaching a 10,000 meter drilling depth. In 2006, revenues were euro 365 million accounting for 5% of total revenues. Gross margin amounted to euro 119 million as compared to euro 65 million in 2005.

This increase was supported by higher tariffs for the Scarabeo 3 and Scarabeo 5 semi-submersible platforms and higher activity levels of the Perro Negro 5 jack-up and Scarabeo 4 semi-submersible platform.

The most significant contracts awarded during the period include:

- a 16-month long contract for the use of the semisubmersible drilling platform Scarabeo 7 in Nigeria for ExxonMobil;
- a 49-month long contract for the use of the semisubmersible drilling platform Scarabeo 5 in Norway for Statoil;
- a 27-month long contract for the use of the semisubmersible drilling platform Scarabeo 3 in Nigeria for Addax Petroleum.

Dimensions:

Pontoon length: 111 m
 Pontoon breadth: 14.3 m
 Pontoon height: 9.5 m
 Main hull length: 80.8 m
 Main hull breadth: 68.8 m
 Main hull depth: 7.3 m

Operating performance:

Dynamic assisted mooring up to 900 m w.d.
 Dynamic positioned mode up to 2,000 m w.d.
 Maximum drilling depth: 9,000 m
 Water depth max: 2,000 m
 4,300 t variable deck load in all conditions, under the most stringent codes.

Dimensions:

Displacement: 38,100 t
 Main deck width: 61.3 m
 Main deck length 77.5 m
 Main deck depth: 4.5 m
 Variable deck load: 4,000 t

Operating performance:

Drilling depth W/5 DP: 25,000 ft
 Drilling depth: 8,000 m
 Water depth max: 1,500 m
 Positioning system: automatic thruster assisted 8 leg mooring system.

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Onshore drilling

Saipem operates in this area as main contractor for the major international oil companies executing its activity mainly in Saudi Arabia, North Africa and Peru, where it can leverage on its knowledge of markets, long-term relations with customers and integration with other business areas.

In 2006, revenues were euro 248 million accounting for 4% of total revenues. Gross margin amounted to euro 38 million as compared to euro 26 million in 2005, reflecting a higher activity level. The contracts awarded during the period amounted to euro 338 million.

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Main operating data		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Offshore pipelines laid	(km)	1,610	2,009	979	276	781	1,798	1,409	1,634	883	1,514
Onshore pipelines laid	(km)	1,221	873	1,303	483	552	687	612	465	1,005	871
Offshore structures installed	(tonne)	108,745	65,331	111,164	57,087	73,028	55,960	118,211	172,664	134,602	120,453
Onshore structures installed	(tonne)	36,024	30,514	30,767	13,000	18,120	30,060	29,930	15,888	7,112	5,242
Offshore drilling	(km)	99	94	88	96		125	129	130	114	126
Onshore drilling	(km)	178	167	63	147	190	348	386	455	548	599
Offshore wells drilled	(unit)	25	52	53	50	36	50	59	59	67	75
Onshore wells drilled	(unit)	43	78	30	44	55	100	119	150	213	236

Construction vessels

Name	Type	Laying technique	Transport/lifting capability (t)	Maximum laying depth (m)	Pipelaying maximum diameter (inches)
Castoro 2	Derrick/lay barge		1,000		60
Castoro 6	Semi-submersible large diameter pipelay vessel	S	300	1,150	60
Castoro 8	Crane and pipelay vessel	S	2,177	600	60
Castoro 9	Launching/cargo barge		5,000		
Castoro 10	Trench/pipelay barge			300	40
Castoro XI	Launching/cargo barge		15,000		
Crawler	Derrick/lay barge		540		48
Saipem 3000	Multipurpose monohull crane, DP (J, S, reel-lay) and lifting vessel	Reel, J, S	2,200	3,000	6
S. 42	Launching/cargo barge		8,000		
S. 44	Launching/cargo barge		30,000		
S. 45	Launching/cargo barge		20,000		
Saipem 7000	Semi-submersible crane and pipelaying (J-lay) DP vessel	J	14,000	3,000	32
Semac 1	Semi-submersible pipelay barge	S	318	600	58
BAR					
Protector	DP dive support vessel				
Saibos FDS	Multipurpose monohull dynamically positioned crane and pipelay (J-lay) vessel for the development of hydrocarbon fields in deep water	J	600	3,000	22
Saibos 230	Mobile crane barge for small-diameter pipelaying				
Saibos 103	Launching/cargo barge				
BOS 600	Launching/cargo barge		30,000		
BOS 355	Crane and pipelay vessel		540		48
C12	Pipelay vessel			1.4	40
Trenching barge	Trench/cargo barge			1.4	40
ERSAI 1	Crane vessel		1,600		

Contents**Drilling vessels**

Name	Type	Drilling plant	Maximum depth (m)	Drilling maximum		Crew number maximum (unit)
				(m)	Other	
Perro Negro 2	Self elevating, triangular mobile drilling unit (Jack up)	Oilwell E 2000	90	6,500	Heliport provided	112
Perro Negro 3	Self elevating cantilever drilling platform (Jack up)	Idecó E 2100	90	6,000	Heliport provided	87
Perro Negro 4	Self elevating drilling platform (Jack up)	National 110 UE	45	5,000	Heliport provided	60
Perro Negro 5	Self elevating drilling platform (Jack up)	National 1320 UE	90	6,500	Heliport provided	72
Scarabeo 3	Semi-submersible drilling platform helped propulsion system	National 1625 DE	550	7,600	Heliport provided	90
Scarabeo 4	Semi-submersible drilling platform helped propulsion system	National 1625 DE	550	7,600	Heliport provided	90
Scarabeo 5	Semi-submersible drilling platform helped propulsion system	Emsco C 3	1,900	8,000	Heliport provided	100
Scarabeo 6	Semi-submersible drilling platform helped propulsion system	Oilwell E 3000	500	7,600	Heliport provided	91
Scarabeo 7	Semi-submersible drilling platform helped propulsion system	Wirth SH 3000 EG	1,500	8,000	Heliport provided	107
Saipem 10000	Ultra deep water drillship, self propelled, dynamic positioning	Wirth GH 4500 EG	3,000	9,200	Oil storage capacity: 140,000 bbl; heliport provided	160

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ENI FACT BOOK / TECHNOLOGICAL INNOVATION

Technological innovation

Eni's commitment to technological research and innovation underscores a fundamental belief that technology is key to increase our competitive advantage over the long term and promoting sustainable growth. Future global challenges require ingenuity and commitment: from the environmental and climate issues to the increasingly difficult access to hydrocarbon reserves large, but mainly controlled by producing countries; from the identification of relevant discontinuities in the production of energy from renewable sources to the optimization of production processes up to solution of problems existing in countries where Eni has been present for a long time or where it recently entered.

Eni is conducting research aimed primarily at reducing the costs of finding and recovering hydrocarbons, upgrading heavy oils, monetizing stranded gas and protecting the environment. Over the next four years Eni intends to invest 1.5 billion euros to support its research and development (R&D) strategy. More specifically, Eni's main R&D fields regard:

- reserve replacement and reduction of mineral risk;
- production and monetization of non-conventional hydrocarbon reserves and optimal management of reserves with high hydrogen sulphide and sulphur content;
- delivering more gas to market, monetizing associated gas and stranded gas;
- improvement of fuel quality and performance in light of the evolution of engines to increasingly perfected and efficient systems with lower impact on the environment; and
- efficient use of fossil fuels through an improvement in refining yields and an optimal use of each fuel entailing a lower environmental impact.

Referring to environmental protection, Eni intends to develop the *Along with Petroleum* program aimed at identifying and developing research projects on the most advanced aspects of large scale use of renewable energy sources and energy efficiency. In particular, Eni expects to devote a great deal of focus on the fields of the mitigation of the greenhouse effect, through the capture and geological sequestration of carbon dioxide, the bio-fuels, the photovoltaic, the solar energy and the hydrogen production by renewable sources.

In 2006 Eni invested euro 222 million (204 in 2005), of these 39% were directed to the Exploration & Production segment, 32% to the Refining & Marketing segment, 22% to the Petrochemical segment and 7% to the Engineering & Construction segment.

At December 31, 2006, a total of 1,160 persons were employed in research and development activities.

In 2006 a total of 39 applications for patents were filed.

A description of the main technologies under development or currently applied is provided below.

Main technological innovation projects

Advanced Drilling Systems and Well Testing

Eni developed significant industrial applications of innovative technologies enabling to drill highly complex wells with greater operating efficiency.

The *Geosteering* project developed by Eni in joint venture with Shell aims at the development of technologies capable of providing geological information on not yet drilled layers, (around the scalpel up to the surface) while drilling.

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In the first six months of 2006, various down hole prototypes have been made and in the second half of the year the technology was tested in a well. Testing is expected to continue until the first half of 2007. Referring to drilling activities, some new technologies have been tested:

- Extreme Lean Profile, development of slim field techniques applicable also to fields with narrow diameter;
- Eni Circulation Device, avoiding the danger of keep of the bars during the drilling activity;
- Light Drill Pipe, based on the usage of aluminum bars in strongly deviated wells;
- Zero Emission Well Testing, evaluation methodology of the characteristics of a new field by fluids injection (that is to say with no emission) based on know-how and Eni's software, instead of on conventional production tests prove in hydrocarbons supplying .

Numeric and High Resolution Geophysical Prospecting Techniques

The development of a simulator of oil systems Steam 3D has been completed. It enables to describe the evolution of complex geological structures in time. Development continued of the proprietary CRS technology (3D Common Reflection Surface Stack) that aims at allowing prospecting in areas characterized by low seismic response.

First application of the following technologies has been done:

- CSEM (Controlled Source ElectroMagnetic), which enables data collecting on the presence of pre-drilling hydrocarbons, reducing explorative risk and improving the reliability in the definition of the reservoir extension, through the measurement of the electric drag of structure in the sea field;

- Multipoint Statistic and Process Oriented Modelling improving the characterization and the localization of reserve that can be produced from a specific reservoir;
- Integrated Asset Modelling , which optimizes the development and the production of a field through the integration of field models and on-shore facilities;
- Regarding to the production optimization in tight reservoirs , first application of a proprietary technology has been made aiming to foresee the increase of productivity achievable by operations on induced fractures.

Sulphur management

In 2006 the integrated research program Sulphur and H2S management in E&P operations related to the handling of gas with high H2S content has been completed. An innovative proprietary system called Concrete Wall for the massive storage of sulphur and a bulk removal technology of H2S have been developed. In 2007 demonstration facilities for the handling and storage of sulphur are expected to be developed along with a study regarding the behavior of materials in very sour environments and under extreme pressure and temperature conditions.

Gas to Liquids (GTL)

The conversion of gas to liquids is a key technology for the use of natural gas on a large scale for the production of high quality fuels, in particular diesel fuel and therefore it receives special attention by all oil majors due to its strategic value.

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In 2006 in cooperation with IFP/Axens, Eni completed the technology handbook for this proprietary technology for the conversion of gas to liquids via Fischer-Tropsch synthesis and the basic engineering of a 37 kbbbl/d industrial unit.

In 2007 some issues will be addressed regarding the risks of the transition to the subsequent industrial scale:

- mechanic validation on the maximum industrial scale of the catalyst for the FT synthesis;
- validation of the mechanic design carried out by referenced builders of the reactor to be applied to the maximum industrial scale;
- tweak of a scheme on the treatment of water produced in the synthesis process.

Conversion of heavy crude and fractions into light products

Testing continued at the Taranto demonstration plant of Eni's proprietary technology EST, a process of catalytic hydroconversion in the slurry phase of non conventional crude, extra heavy crude and refining residues that allows to convert asphaltenes (the hard fraction of heavy crude) totally into naphtha, kerosene, diesel fuel. In particular, a four-month test period has been carried out using a residue from a Canadian tar sand, confirming expected conversion yields and performance stability. In 2007 Eni plans to complete the collection of information for designing and building its first industrial plant.

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In 2006 testing continued on two infrastructures:

- one made of steel at a high resistance X80, with a length of about 10 km integrated in the system of Snam Rete Gas;
- two pilot portions (750 meters of length) made of steel at a high resistance X100, run at a constant pressure in a range of 135 to 150 bar.

After completing the pressure test on these two pilot portions, a test spreading a cracking on one of them has been scheduled.

In 2006 the first technology handbook version was published and a hypothetical 3,400-kilometer long gasline in X100 steel from the Karachaganak field (western Kazakhstan) was designed.

Taranto demonstration plant of Eni's proprietary technology EST

SCT-CPO Project (Short Contact Time - Catalytic Partial Oxidation)

At the Milazzo research center the SCT-CPO (partial catalytic oxidation with short contact time of liquid and gaseous hydrocarbons) technology has been validated on the pilot scale for producing hydrogen at competitive costs, also in medium to small sized plants with higher flexibility as compared to refinery feedstocks. In 2007 Eni plans to complete the collection of information for designing and building its first industrial plant.

Natural gas high pressure transport (TAP)

The TAP project will contribute to developing the most advanced long distance, high capacity, high pressure and high grade solutions with relevant targets related to:

- transport on distances over 3,000 kilometers;
- natural gas volumes to be transported of about 20-30 bcm/year;
- pressure equal to or higher than 15 MPa;
- use of high and very high grade steel.

The TAP technology is expected to allow a decrease in the consumption of natural gas used in compressor stations.

Environmental protection

In 2006 continued the development of technological solutions aimed at minimizing the environmental impact of the exploration, refining and utilization of hydrocarbon.

Referring to the CO₂ conversion in energy vectors via biofissation, in 2007 will be evaluated the opportunity to test it on a demonstrative scale.

Among the main activities undertaken or started in 2006, the following projects are highlighted:

- Green Diesel – the project aims at the production of biodiesel in refineries by means of a new hydrocracking process using vegetable oils and will be developed in cooperation with an international partner;
- Ensolvex – aimed at the further industrial application of the process for the reclaiming of soils polluted by organic substances;
- EWMS (Early Warning Monitoring System) in-field application of the outcome of research on remote monitoring and advanced control.

GHG Project (Green House Gases)

Work continued on the integrated Green House Gases

research program, aimed at verifying the industrial feasibility of the geological sequestration of CO₂ in depleted fields and salty aquifers. The technical feasibility study of the geological sequestration of CO₂ has been completed and in 2007, Eni expects to start testing in the field.

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Reformulation of fuels and lubricants

Eni continued its program to improve its Blue fuel line of products (BluDiesel and BluSuper). It also started a new phase of its clean diesel fuel program aiming at identifying the optimal formula for a diesel fuel with high performance and low particulate emissions using as benchmark GTL Fischer-Tropsch diesel oil (obtained from the conversion of natural gas into liquids - GTL project). Research activities will be conducted on the design of refining facilities for producing this product. A process of hydro-dearomatization of certain refining feedstock with a high content of aromatics (e.g. the light cycle oil produced by fluid catalytic crackers) is being developed. A double-function, proprietary catalyst has been developed able to reduce hydrogen consumption and certain by-products. The project is progressing on a pilot scale.

Monitoring on the mock-up distribution of the ADBLue in the Agip corner sale, at Assago Ovest (MI) continued. The ADBLue (Water solution with urea at 32.5%) can be used to remove nitrogen oxide (NO_x)

from exhaust gas of Diesel commercial motors with catalytic disposal for the selective reduction of NO_x (Selective Catalytic Reactor).

Bio fuel and heavy crude conversion: deal with Petrobras

As part of the development of technologies aiming at the enhancement of fuel quality and at the conversion of heavy crude and fractions into light products, in March 2007 Eni signed an agreement with Petrobras, the world's leading company in the large-scale production of bio-ethanol. The two partners will combine their proprietary technologies to jointly develop projects for the production of bio-fuels in other countries.

In addition, they will study joint projects to assess the application of the Eni Slurry Technology (EST) in Brazil in the framework of a broader partnership involving both upstream and downstream joint initiatives.

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Result of operations (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net sales from operations	31,359	28,341	31,008	47,938	49,272	47,922	51,487	57,545	73,728	86,105
Other income and revenues	616	727	952	905	921	1,080	913	1,377	798	783
Total revenues	31,975	29,068	31,960	48,843	50,193	49,002	52,400	58,922	74,526	86,888
Purchases, services and other	(19,811)	(18,033)	(20,000)	(31,442)	(32,110)	(31,893)	(34,566)	(38,347)	(48,567)	(57,490)
Payroll and related costs	(3,051)	(2,917)	(2,782)	(2,786)	(2,927)	(3,103)	(3,166)	(3,245)	(3,351)	(3,650)
Total operating costs	(22,862)	(20,950)	(22,782)	(34,228)	(35,037)	(34,996)	(37,732)	(41,592)	(51,918)	(61,140)
Depreciation, amortization and writedowns	(3,768)	(4,308)	(3,698)	(3,843)	(4,843)	(5,504)	(5,151)	(4,931)	(5,781)	(6,421)
Operating profit	5,345	3,810	5,480	10,772	10,313	8,502	9,517	12,399	16,827	19,327
Net financial (expense) income	(229)	(41)	10	64	(295)	(167)	(154)	(156)	(366)	161
Net (expense) income from investments	59	396	89	33	(7)	43	(17)	820	914	903
Net extraordinary (expense) income	(198)	(245)	(528)	(512)	1,737	(29)	49			
Profit before income taxes	4,977	3,920	5,051	10,357	11,748	8,349	9,395	13,063	17,375	20,391
Income taxes	(2,254)	(1,450)	(2,054)	(4,335)	(3,529)	(3,127)	(3,241)	(5,522)	(8,128)	(10,568)
Tax rate (%)	45.3	37.0	40.7	42.1	30.0	37.5	34.5	42.3	46.8	51.8
Net profit pertaining to:	2,723	2,470	2,997	6,022	8,219	5,222	6,154	7,541	9,247	9,823
- Eni	2,643	2,328	2,857	5,771	7,751	4,593	5,585	7,059	8,788	9,217
- Minority interest	80	142	140	251	468	629	569	482	459	606
Eni s profit	2,643	2,328	2,857	5,771	7,751	4,593	5,585	7,059	8,788	9,217
Exclusion of inventory holding (gains) loss								(281)	(759)	33
Exclusion of special items:					(1,994)	330	(489)	(133)	1,222	1,162
- non-recurring (income) charges								5	290	239
- other special charges								(138)	932	923
Eni s adjusted net profit					5,757	4,923	5,096	6,645	9,251	10,412

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Balance sheet (at December 31) (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fixed assets										
Property, plant and equipment, net	20,641	20,871	23,074	26,797	33,851	33,693	36,360	40,586	45,013	44,312
Other tangible assets										629
Compulsory stock								1,386	2,194	1,827
Intangible assets, net	1,689	1,776	2,175	2,391	2,850	3,175	3,610	3,313	3,194	3,753
Investments	1,482	1,382	1,446	4,223	2,740	2,797	3,160	3,685	4,311	4,246
Accounts receivable financing and securities related to operations	1,352	1,453	1,670	1,659	1,630	1,408	983	695	775	557
Net accounts payable in relation to investments	(738)	(746)	(717)	(825)	(657)	(870)	(1,018)	(888)	(1,196)	(1,090)
	24,426	24,736	27,648	34,245	40,414	40,203	43,095	48,777	54,291	54,234
Net working capital										
Inventories	2,629	2,442	2,626	3,120	3,014	3,200	3,293	2,847	3,563	4,752
Trade accounts receivable	6,448	6,076	7,486	9,186	9,346	9,090	9,772	10,525	14,101	15,230
Trade accounts payable	(3,508)	(3,517)	(4,200)	(4,903)	(5,081)	(5,579)	(5,950)	(5,837)	(8,170)	(10,528)
Tax liabilities	(3,704)	(3,083)	(4,219)	(5,629)	(4,173)	(2,978)	(2,532)	(3,056)	(4,857)	(5,396)
Reserve for contingencies	(3,106)	(3,246)	(3,735)	(5,702)	(5,377)	(5,522)	(5,708)	(5,736)	(7,679)	(8,614)
Other operating assets (liabilities)	1,614	1,408	821	(602)	1,636	1,585	446	(555)	(526)	(641)
	373	80	(1,221)	(1,973)	(635)	(204)	(679)	(1,812)	(3,568)	(5,197)
Employee termination indemnities and other benefits	(505)	(356)	(411)	(457)	(486)	(507)	(555)	(982)	(1,031)	(1,071)
Capital employed, net	24,294	24,460	26,016	31,815	39,293	39,492	41,861	45,983	49,692	47,966
Shareholders' equity ⁽¹⁾	15,324	16,156	18,398	22,401	27,483	26,257	26,696	32,374	36,868	39,029
Minority interests	920	1,234	1,351	1,672	1,706	2,094	1,622	3,166	2,349	2,170
	16,244	17,390	19,749	24,073	29,189	28,351	28,318	35,540	39,217	41,199
Net borrowings	8,050	7,070	6,267	7,742	10,104	11,141	13,543	10,443	10,475	6,767
Total liabilities and shareholders equity	24,294	24,460	26,016	31,815	39,293	39,492	41,861	45,983	49,692	47,966

(1) Net of own shares in portfolio.

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Cash flow statement and change in net borrowings	Italian GAAP							IFRS			
	(million euro)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Net profit		2,723	2,470	2,997	6,022	8,220	5,222	6,154	7,541	9,247	9,823
<i>as adjusted:</i>											
- amortization and depreciation and other non-monetary items		4,056	4,468	3,869	4,307	4,841	5,682	5,493	5,092	6,518	5,753
- net gains on disposal of assets		(185)	(443)	(60)	(82)	(170)	(152)	(35)	(793)	(220)	(59)
- dividends, interest, extraordinary income (expense) and income taxes		2,706	1,743	2,618	4,990	2,164	3,305	3,268	5,740	8,471	10,435
Cash generated from operating profit before changes in working capital		9,300	8,238	9,424	15,237	15,055	14,057	14,880	17,580	24,016	25,952
Changes in working capital related to operations		(268)	785	(660)	(1,592)	(206)	(510)	(465)	(909)	(2,422)	(1,024)
Dividends received, taxes paid, interest and extraordinary income/expense (paid) received during the year		(2,517)	(2,159)	(516)	(3,062)	(6,765)	(2,969)	(3,588)	(4,171)	(6,658)	(7,927)
Net cash provided by operating activities		6,515	6,864	8,248	10,583	8,084	10,578	10,827	12,500	14,936	17,001
Capital expenditure		(4,169)	(5,152)	(5,483)	(5,431)	(6,606)	(8,048)	(8,802)	(7,499)	(7,414)	(7,833)
Acquisitions/investment in associates		(153)	(407)	(114)	(3,483)	(3,082)	(1,315)	(985)	(316)	(127)	(95)
Disposals		363	371	295	277	2,114	935	650	1,547	542	328
Other cash flow related to capital expenditure, investments and disposals		(9)	(118)	(446)	(69)	(40)	(319)	1,110	97	293	361
Free cash flow		2,547	1,558	2,500	1,877	470	1,831	2,800	6,329	8,230	9,762
Borrowings (repayment) of debt related to financing activities		66	2,019	(433)	111	994	(1,171)	1,400	211	(109)	216
Changes in short and long-term finance debt		(1,121)	(3,715)	(294)	121	(490)	3,736	1,629	(3,743)	(540)	(682)
Dividends paid and changes in minority interests and reserves		(999)	(645)	(1,311)	(2,118)	(950)	(3,846)	(5,933)	(3,175)	(7,284)	(6,443)
Change in consolidation area and exchange differences		67	(24)	(29)	41	38	(64)	(107)	(55)	33	(201)
NET CASH FLOW FOR THE PERIOD		560	(807)	433	32	62	486	(211)	(433)	330	2,652
Free cash flow		2,547	1,558	2,500	1,877	470	1,831	2,800	6,329	8,230	9,762
Net borrowings of acquired companies		1	(6)		(901)	(1,582)	(51)	(692)		(19)	
Net borrowings of divested companies		174	30	3	20	185	39	1	190	21	1
Exchange differences on net borrowings and other changes		(213)	43	(389)	(353)	(312)	990	1,422	(64)	(980)	388
Dividends paid and changes in minority interests and reserves		(999)	(645)	(1,311)	(2,118)	(950)	(3,846)	(5,933)	(3,175)	(7,284)	(6,443)
CHANGE IN NET BORROWINGS		1,510	980	803	(1,475)	(2,189)	(1,037)	(2,402)	3,280	(32)	3,708

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Net sales from operations (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exploration & Production	6,897	5,206	6,840	12,308	13,960	12,877	12,746	15,346	22,531	27,173
Gas & Power	9,985	9,625	9,900	14,427	16,098	15,297	16,067	17,302	22,969	28,368
Refining & Marketing	11,834	10,374	14,415	25,462	22,083	21,546	22,148	26,089	33,732	38,210
Petrochemicals	4,985	4,048	4,096	6,018	5,108	4,516	4,487	5,331	6,255	6,823
Engineering & Construction	2,890	3,348	2,988	2,146	3,114	4,546	6,306	5,696	5,733	6,979
Other activities	417	552	555	608	695	1,449	1,178	1,279	863	823
Corporate and financial companies						586	700	851	1,239	1,174
Activities to be divested	464	253	83							
Consolidation adjustment	(6,113)	(5,065)	(7,869)	(13,031)	(11,786)	(12,895)	(12,145)	(14,349)	(19,594)	(23,445)
	31,359	28,341	31,008	47,938	49,272	47,922	51,487	57,545	73,728	86,105

Net sales to customers (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exploration & Production	3,254	2,300	1,228	2,924	5,530	4,082	4,278	5,130	7,770	8,728
Gas & Power	9,563	9,272	9,532	13,714	15,430	14,674	15,617	16,809	22,397	27,617
Refining & Marketing	10,861	9,626	13,542	23,913	20,881	20,509	21,527	25,336	32,640	36,910
Petrochemicals	4,640	3,787	3,777	5,448	4,637	3,770	4,049	4,832	5,572	6,156
Engineering & Construction	2,450	2,938	2,689	1,762	2,605	4,067	5,409	4,793	4,808	6,208
Other activities	129	166	157	177	89	701	445	525	317	303
Corporate and financial companies					100	119	162	120	224	183
Activities to be divested	462	252	83							
	31,359	28,341	31,008	47,938	49,272	47,922	51,487	57,545	73,728	86,105

Net sales by geographic area of destination (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy	19,914	18,059	18,813	27,184	27,591	23,797	25,491	27,100	32,846	36,343
Other EU countries	4,182	3,339	4,191	6,944	8,226	8,974	10,785	13,095	19,601	23,949
Rest of Europe	1,785	1,737	1,551	2,711	3,136	4,188	3,303	3,769	5,123	6,975
Africa	1,167	1,160	1,496	2,083	2,180	2,478	5,854	4,148	5,259	5,949
Americas	2,334	2,432	3,148	6,034	6,169	5,317	2,778	5,790	6,103	6,250
Asia	1,958	1,596	1,795	2,959	1,949	3,154	3,245	3,088	4,399	5,595
Other areas	19	18	14	23	21	14	31	555	397	1,044
Total outside Italy	11,445	10,282	12,195	20,754	21,681	24,125	25,996	30,445	40,882	49,762
	31,359	28,341	31,008	47,938	49,272	47,922	51,487	57,545	73,728	86,105

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Purchases, services and other (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Production costs - raw, ancillary and consumable material	13,415	11,038	13,189	23,691	23,993	22,658	24,087	27,010	35,318	44,661
Production costs - services	5,330	6,173	6,035	6,513	7,507	8,614	10,431	9,148	9,405	10,015
Lease, rental and royalty expenses	1,155	1,048	941	1,203	1,242	1,454	1,407	1,609	1,929	1,903
Net provisions to reserves for contingencies								553	1,643	767
Other expenses	1,239	1,232	1,022	1,581	1,302	1,575	1,423	1,066	1,100	1,089
less:										
capitalized direct costs associated with self-constructed assets	(716)	(805)	(563)	(616)	(745)	(842)	(1,277)	(1,039)	(828)	(945)
services billed to joint venture partners	(612)	(653)	(624)	(867)	(1,189)	(1,566)	(1,505)			
	19,811	18,033	20,000	31,442	32,110	31,893	34,566	38,347	48,567	57,490

Payroll and related costs (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Wages and salaries	2,226	2,234	2,134	2,175	2,271	2,441	2,412	2,402	2,484	2,630
Social security contributions	725	651	621	627	602	650	693	658	662	691
Contributions to defined benefit plans	145	137	137	128	126	136	157	118	126	230
Other costs	147	85	73	57	83	119	91	218	255	305
less:										
revenues related to personnel costs	(39)	(36)	(33)	(40)	(51)	(53)	(26)			
capitalized direct costs associated with self-constructed assets	(153)	(154)	(150)	(161)	(180)	(190)	(161)	(151)	(176)	(206)
	3,051	2,917	2,782	2,786	2,851	3,103	3,166	3,245	3,351	3,650

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Depreciation, amortization and impairments	Italian GAAP							IFRS		
	(million euro)	1997	1998	1999	2000	2001	2002	2003	2004	2005
Exploration & Production	1,810	1,897	1,654	2,364	3,163	3,552	3,133	3,047	3,945	4,646
Gas & Power	994	1,033	1,045	474	500	417	533	637	684	687
Refining & Marketing	420	459	476	502	508	490	493	465	462	434
Petrochemicals	259	251	284	273	323	125	125	114	118	124
Engineering & Construction	87	107	109	144	203	267	271	184	176	195
Other activities	30	30	24	31	46	48	51	45	16	6
Corporate and financial companies						63	104	106	112	70
Activities to be divested	10	1								
Unrealized profit in inventory									(4)	(9)
Total depreciation and amortization	3,610	3,778	3,592	3,788	4,743	4,962	4,710	4,598	5,509	6,153
Impairments	158	530	106	55	100	542	441	333	272	268
	3,768	4,308	3,698	3,843	4,843	5,504	5,151	4,931	5,781	6,421

Operating profit by division	Italian GAAP							IFRS		
	(million euro)	1997	1998	1999	2000	2001	2002	2003	2004	2005
Exploration & Production	2,590	594	2,834	6,603	5,984	5,175	5,746	8,185	12,592	15,580
Gas & Power	2,012	2,513	2,580	3,178	3,672	3,244	3,627	3,428	3,321	3,802
Refining & Marketing	578	730	478	986	985	321	583	1,080	1,857	319
Petrochemicals	187		(362)	4	(415)	(126)	(176)	320	202	172
Engineering & Construction	169	198	149	144	255	298	311	203	307	505
Other activities						(214)	(293)	(395)	(934)	(622)
Corporate and financial companies	(138)	(168)	(199)	(143)	(168)	(196)	(281)	(363)	(377)	(296)
Activities to be divested	(53)	(57)								
Unrealized profit in inventory ⁽¹⁾								(59)	(141)	(133)
	5,345	3,810	5,480	10,772	10,313	8,502	9,517	12,399	16,827	19,327

(1) Unrealized profit in inventory concerned intersegment sales of goods and services recorded within assets of the purchasing division as of end of the period.

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RECONCILIATION OF REPORTED OPERATING PROFIT AND NET PROFIT TO RESULTS ON AN ADJUSTED BASIS

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, finance charges on finance debt, interest income, charges or income deriving from the fair value evaluation of derivative financial instruments held for trading purposes, and exchange rate differences are excluded when determining adjusted net profit of each business segment.

Taxation effect of such items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item, with the exception of finance charges or income, to which the Italian statutory tax rate of 33% is applied.

Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them to facilitate comparison of base business performance across periods and allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

The following is a description of items which are excluded from the calculation of adjusted results.

Inventory holding gain or loss is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold in the period calculated using the weighted-average cost method of inventory accounting.

Special items include certain relevant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-

recurring items under such circumstances; or (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past exercises or are likely to occur in future ones. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non recurring material income or charges are to be clearly reported in the management's discussion and financial tables.

Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. In addition the effect of the fair value evaluation of derivative financial instruments held for trading purposes and exchange rate differences are excluded from the adjusted net profit of business segments. Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment-operated assets, i.e., interest income on certain receivable financing and securities related to operations and finance charges pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of asset retirement obligations in the Exploration and Production division).

Finance charges or interest income and related taxation effects, excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

For a reconciliation of adjusted operating profit and adjusted net profit to reported operating profit and net profit see tables below.

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2001								Italian GAAP	
(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	5,984	3,672	985	(415)	255	(168)			10,313
Exclusion special items:									
- impairments	88	3	9	100					200
- gain from decrease in inventory				(31)					(31)
Special items of operating profit	88	3	9	69					169
Adjusted operating profit	6,072	3,675	994	(346)	255	(168)			10,482
Eni's net profit									7,751
Exclusion special items:									(1,994)
Eni's adjusted net profit									5,757

2002								Italian GAAP	
(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	5,175	3,244	321	(126)	298	(214)	(196)		8,502
Exclusion special items:									
- impairments	332	95	4	105		6			542
- environmental tax Sicilia Region		86							86
- gains on disposal of assets	(92)								(92)
- inventory holding (gains) losses				(13)	(27)				(40)
- (costs) gains from preceding years	13	(74)							(61)
- other		22							22
Special items of operating profit	253	129	(9)	78		6			457
Adjusted operating profit	5,428	3,373	312	(48)	298	(208)	(196)		8,959
Eni's net profit									4,593
Exclusion special items:									330
Eni's djusted net profit									4,923

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2003								Italian GAAP	
(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	5,746	3,627	583	(176)	311	(293)	(281)		9,517
Exclusion special items of operating profit:									
- impairments	227	34	1	122		57			441
Special items of operating profit	227	34	1	122		57			441
Adjusted operating profit	5,973	3,661	584	(54)	311	(236)	(281)		9,958
Eni's net profit									5,585
Exclusion special items									(489)
Adjusted net profit									5,096

2004								IFRS	
(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	8,185	3,428	1,080	320	203	(395)	(346)	(59)	12,399
Exclusion of inventory holdings (gains) losses		(12)	(393)	(43)					(448)
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income)		5							5
Other special charges:	17	27	236	(14)	12	172	176		626
- environmental charges		5	142			84	72		303
- assets impairments	287	6	21	3		19			336
- gains on disposal of assets	(320)								(320)
- provisions to the reserve for contingencies	29	18	77	3	1	15			143
- increase insurance charges							91		91
- provision for redundancy incentives	2	10	20	6	10	6	11		65
- other	19	(12)	(24)	(26)	1	48	2		8
Special items of operating profit	17	32	236	(14)	12	172	176		631
Adjusted operating profit	8,202	3,448	923	263	215	(223)	(187)	(59)	12,582
Net financial (expense) income (*)	(85)	31	5				(107)		(156)
Net income from investments (*)	9	215	96	2	118	4	(14)		430
Income taxes (*)	(4,093)	(1,404)	(350)	(23)	(81)	(22)	222	22	(5,729)
<i>Tax rate (%)</i>	<i>50.4</i>	<i>38.0</i>	<i>34.2</i>						<i>44.6</i>
Adjusted net profit	4,033	2,290	674	242	252	(241)	(86)	(37)	7,127
<i>of which:</i>									
- net profit of minorities									482

- adjusted net profit pertaining to Eni	6,645
Reported net profit pertaining to Eni	7,059
Exclusion of inventory holding (gains) losses	(281)
Exclusion of special items - non-recurring (income) charges	(133)
- other special charges	5
Adjusted net profit pertaining to Eni	(138)
Adjusted net profit pertaining to Eni	6,645

(*) Excludes special items.

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2005										IFRS
(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group	
Reported operating profit	12,592	3,321	1,857	202	307	(934)	(377)	(141)	16,827	
Exclusion of inventory holding (gains) losses			(127)	(1,064)	(19)				(1,210)	
Exclusion of special items										
<i>of which:</i>										
Non-recurring (income) charges		290							290	
Other special charges:	311	47	421	78	7	638	149		1,651	
- environmental charges			31	337			413	54	835	
- assets impairments	247	1	5	29	4	75	2		363	
- provisions to the reserve for contingencies				39	36			126	201	
- increase insurance charges	57	6	30	17		4	64		178	
- provision for redundancy incentives	7	8	22	4	3	6	29		79	
- other			1	(12)				14	(5)	
Special items of operating profit	311	337	421	78	7	638	149		1,941	
Adjusted operating profit	12,903	3,531	1,214	261	314	(296)	(228)	(141)	17,558	
Net financial (expense) income ^(*)	(80)	37					(296)		(339)	
Net income from investments ^(*)	10	370	231	3	141	(1)	23		777	
Income taxes ^(*)	(6,647)	(1,386)	(500)	(37)	(127)		359	52	(8,286)	
<i>Tax rate (%)</i>	<i>51.8</i>	<i>35.2</i>	<i>34.6</i>						<i>46.0</i>	
Adjusted net profit	6,186	2,552	945	227	328	(297)	(142)	(89)	9,710	
<i>of which:</i>										
- net profit of minorities									459	
- Eni s adjusted net profit									9,251	
Eni s reported net profit									8,788	
Exclusion of inventory holding (gains) losses									(759)	
Exclusion of special items									1,222	
- non-recurring (income) charges									290	
- other special charges									932	
Eni s adjusted net profit									9,251	

(*) Excludes special items.

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2006									IFRS
(million euro)	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	15,580	3,802	319	172	505	(622)	(296)	(133)	19,327
Exclusion of inventory holding (gains) losses			(67)	215	(60)				88
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges			55	109	13		62		239
Other special charges:	183	92	147	94	3	261	56		836
- environmental charges			44	111			126	11	292
- assets impairments	231	51	14	50	1	22			369
- gains on disposal of assets	(61)								(61)
- provisions to the reserve for contingencies				8	31		75		114
- provisions for redundancy incentives	13	37	47	19	2	17	43		178
- other		(40)	(33)	(6)		21	2		(56)
Special items of operating profit	183	147	256	107	3	323	56		1,075
Adjusted operating profit	15,763	3,882	790	219	508	(299)	(240)	(133)	20,490
Net financial (expense) income (*)	(59)	16					205		155
Net income from investments (*)	85	489	184	2	66	5			831
Income taxes (*)	(8,510)	(1,525)	(345)	(47)	(174)		89	54	(10,458)
<i>Tax rate (%)</i>	<i>53.9</i>	<i>34.8</i>	<i>35.4</i>						48.7
Adjusted net profit	7,279	2,862	629	174	400	(301)	54	(79)	11,018
<i>of which:</i>									
- net profit of minorities									606
- Eni's adjusted net profit									10,412
Eni's reported net profit									9,217
Exclusion of inventory holding (gains) losses									33
Exclusion of special items									1,162
- non-recurring (income) charges									239
- other special charges									923
Eni's adjusted net profit									10,412

(*) Excludes special items.

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Adjusted operating profit by division (million euro)	Italian GAAP			IFRS		
	2001	2002	2003	2004	2005	2006
Exploration & Production	6,072	5,428	5,973	8,202	12,903	15,763
Gas & Power	3,675	3,373	3,661	3,448	3,531	3,882
Refining & Marketing	963	312	584	923	1,214	790
Petrochemicals	(315)	(48)	(54)	263	261	219
Engineering & Construction	255	298	311	215	314	508
Other activities		(208)	(236)	(223)	(296)	(299)
Corporate and financial companies	(168)	(196)	(281)	(187)	(228)	(240)
Unrealized profit in inventory				(59)	(141)	(133)
	10,482	8,959	9,958	12,582	17,558	20,490

Adjusted net profit by division (million euro)	2004	2005	2006
Exploration & Production	4,033	6,186	7,279
Gas & Power	2,290	2,552	2,862
Refining & Marketing	674	945	629
Petrochemicals	242	227	174
Engineering & Construction	252	328	400
Other activities	(241)	(297)	(301)
Corporate and financial companies	(86)	(142)	54
Unrealized profit in inventory	(37)	(89)	(79)
	6,645	9,251	10,412

Analysis of special items (million euro)	2001	2002	2003	2004	2005	2006
Non recurring (income) charges				5	290	239
Other special charges:	169	457	441	626	1,651	836
environmental charges				303	835	292
asset impairments	542	442	336	363	369	
gains on disposal of assets		(92)		(320)		(61)
provisions to the reserve for contingencies				234	379	114
<i>of which:</i>						
<i>increase insurance charges</i>					178	
<i>provision for redundancy incentives</i>				65	79	178
<i>other</i>	(31)	7		8	(5)	(56)
Special items of operating profit	169	457	441	631	1,941	1,075
Net financial (expense) income					27	(6)
Net income from investments	82	36		(390)	(137)	(72)
<i>of which:</i>						
<i>gain on the disposal of Italiana Petroli (IP)</i>					(132)	
<i>gain on Galp Energia SGPS SA (disposal assets Rede Electrica Nacional)</i>					(73)	
<i>gain on the disposal of shares of Snam Rete Gas SpA</i>				(308)		
Income taxes	(1,737)	29	(49)			

<i>of which:</i>							
<i>supplemental tax rate UK</i>							91
<i>windfall tax Algeria</i>							179
<i>legal proceeding in Venezuela</i>							77
Total special items of net profit		(1,994)	330	(489)	(133)	1,222	1,162

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Net financial (expense) income (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exchange gain (loss), net	33	49	(27)	165	(10)	(30)			169	(152)
Interest and other net financial income	579	485	339	501	539	512	436	2	74	215
Securities gains	246	176	197	116	95	44	34	31	36	51
Interest and other financial expense	(1,125)	(790)	(556)	(791)	(978)	(738)	(710)	(316)	(309)	(336)
Financial expense due to the passage of time								(109)	(109)	(116)
Income (expense) on derivatives								34	(386)	383
less:										
interest capitalized	38	39	57	73	49	43	86	202	159	116
	(262)	(41)	10	64	(305)	(169)	(154)	(156)	(366)	161
of which income on receivables related to operations and tax credits	197	195	254	201	170	122	116	91	99	114

Income (expense on) from investments (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Income from equity investments	91	68	108	147	158	184	189	401	770	887
Writedown of investments	(213)	(143)	(101)	(178)	(282)	(245)	(278)	(69)	(33)	(36)
Gains on sales	135	401	17	19	76	55	39	130	179	25
Losses on sales								(1)	(8)	(7)
Dividends	42	67	63	44	40	32	22	72	33	98
Provision for losses										(56)
Other income (expense) net	4	3	2	1	1	17	11	287	(27)	(8)
	59	396	89	33	(7)	43	(17)	820	914	903

Fixed assets (at period end) (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fixed assets, gross										
Exploration & Production	17,633	18,878	23,329	28,220	38,667	38,534	38,811	40,322	49,129	49,002
Gas & Power	14,513	14,997	15,579	16,881	15,867	16,467	18,926	20,680	21,517	22,277
Refining & Marketing	7,852	8,316	8,620	8,854	9,083	8,172	8,652	8,947	9,420	11,273
Petrochemicals	4,163	4,356	4,611	4,618	5,862	4,169	4,266	4,311	4,402	4,380
Engineering & Construction	1,614	1,898	2,336	2,564	2,805	3,447	3,531	3,524	3,878	4,363
Other activities	227	239	202	224	241	2,472	2,403	2,300	1,999	1,967
Corporate and financial companies						132	149	194	453	321
Activities to be divested	424	340								
Unrealized profit in inventory									(88)	(128)
	46,426	49,024	54,677	61,361	72,525	73,393	76,738	80,278	90,710	93,455
Fixed assets, net										

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Exploration & Production	7,651	7,790	10,155	13,113	20,728	19,862	20,338	20,761	24,485	23,002
Gas & Power	6,624	6,419	6,142	7,068	6,598	7,191	9,500	13,235	13,760	14,067
Refining & Marketing	3,409	3,566	3,472	3,393	3,332	3,097	3,170	3,361	3,556	3,791
Petrochemicals	2,076	2,071	1,958	1,759	1,626	1,285	1,181	1,181	1,139	1,072
Engineering & Construction	718	919	1,257	1,370	1,467	1,758	1,741	1,646	1,847	2,225
Other activities	97	104	90	94	100	418	338	293	117	93
Corporate and financial companies						82	92	109	193	176
Activities to be divested	66	2								
Unrealized profit in inventory									(84)	(114)
	20,641	20,871	23,074	26,797	33,851	33,693	36,360	40,586	45,013	44,312

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Capital expenditure by division (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Exploration & Production	2,322	2,882	3,268	3,539	4,276	5,615	5,681	4,853	4,965	5,203
Gas & Power	882	921	906	794	1,065	1,315	1,760	1,451	1,152	1,174
Refining & Marketing	495	586	524	533	496	550	730	693	656	645
Petrochemicals	180	331	289	265	390	145	141	148	112	99
Engineering & Construction	237	354	425	245	304	233	278	186	349	591
Other activities	34	61	55	55	75	119	70	49	48	72
Corporate and financial companies						71	142	119	132	88
Activities to be divested	19	17	16							(39)
	4,169	5,152	5,483	5,431	6,606	8,048	8,802	7,499	7,414	7,833

Capital expenditure by geographic area of origin (million euro)	Italian GAAP							IFRS		
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Italy	2,246	2,535	2,238	2,206	2,436	2,396	2,708	2,655	2,442	2,529
Other European Union countries	478	439	320	439	595	567	1,067	337	545	713
Rest of Europe	306	465	390	283	249	284	302	387	415	436
Africa	904	1,103	1,159	1,186	1,405	2,497	3,026	2,622	2,233	2,419
Americas	144	261	1,095	753	923	721	369	357	507	572
Asia	90	345	280	562	923	1,333	795	1,066	1,181	1,032
Other areas	1	4	1	2	75	250	535	75	91	132
Total outside Italy	1,923	2,617	3,245	3,225	4,170	5,652	6,094	4,844	4,972	5,304
	4,169	5,152	5,483	5,431	6,606	8,048	8,802	7,499	7,414	7,833

Investments	2000	2001	2002	2003	2004	2005	2006
Total investments	4,384	4,664	1,366	4,255	316	146	95
Lasmo Plc	100%	1,225	4,128				
British-Borneo	100%	1,263					
Galp	33.34%	964					
Natural gas distribution company in Argentina	minority stake	216					
Natural gas distribution company in Greece	minority stake	192					
Polimeri Europa SpA	50%	204					
Bouygues Offshore	100%		906				
GVS ⁽¹⁾	50%		352				
Italgas SpA	56%			2,569			
Fortum Petroleum	100%			909			
Unión Fenosa Gas SA	50%			442			
Natural gas distribution company in Italy	minority stake				44	6	46
Natural gas production company in Italy	100%					91	

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(1) Of this euro 89 million paid by Eni and euro 263 million through net borrowings of non-consolidated subsidiaries.

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Net borrowings						
(at period end)				Accounts receivable financing not related to operations	Other, net	Total
(million euro)	Debt and bonds	Cash	Securities not related to operations			
1997						
Short-term	7,924	(1,586)	(2,204)	(1,180)	(5)	2,949
Long-term	5,347		(156)	(91)	1	5,101
	13,271	(1,586)	(2,360)	(1,271)	(4)	8,050
1998						
Short-term	4,948	(779)	(1,119)	(389)	(6)	2,655
Long-term	4,517		(85)		(17)	4,415
	9,465	(779)	(1,204)	(389)	(23)	7,070
1999						
Short-term	4,764	(1,212)	(1,645)	(343)	26	1,590
Long-term	4,787		(85)		(25)	4,677
	9,551	(1,212)	(1,730)	(343)	1	6,267
2000						
Short-term	5,928	(1,244)	(1,432)	(550)	(50)	2,652
Long-term	5,116		(24)		(2)	5,090
	11,044	(1,244)	(1,456)	(550)	(52)	7,742
2001						
Short-term	6,464	(1,305)	(940)	(74)	(29)	4,116
Long-term	6,084		(312)			5,772
	12,819	(1,360)	(1,252)	(74)	(29)	10,104
2002						
Short-term	8,870	(1,791)	(730)	(1,465)	(3)	4,881
Long-term	6,550		(290)			6,260
	15,420	(1,791)	(1,020)	(1,465)	(3)	11,141
2003						
Short-term	7,918	(1,580)	(792)	(32)	(65)	5,449
Long-term	8,336		(2)	(240)		8,094
	16,254	(1,580)	(794)	(272)	(65)	13,543
2004						
Short-term	5,077	(1,003)	(792)	(11)	(194)	3,077
Long-term	7,607		(1)	(240)		7,366
	12,684	(1,003)	(793)	(251)	(194)	10,443
2005						
Short-term	5,345	(1,333)	(903)	(12)		3,097
Long-term	7,653		(28)	(247)		7,378
	12,998	(1,333)	(931)	(259)		10,475
2006						
Short-term	4,324	(3,985)	(552)	(143)		(356)
Long-term	7,375			(252)		7,123
	11,699	(3,985)	(552)	(395)		6,767

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ENI FACT BOOK / EMPLOYEES

Employees

Number of employees at year end		1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
(units)											
Exploration & Production	Italy	5,912	5,444	5,294	5,014	4,495	4,617	4,555	4,539	5,027	5,273
	Outside										
	Italy	2,666	2,726	2,479	2,727	3,038	3,098	2,937	2,938	3,003	3,063
		8,578	8,170	7,773	7,741	7,533	7,715	7,492	7,477	8,030	8,336
Gas & Power	Italy	14,474	13,977	13,669	13,175	11,704	10,852	10,302	10,216	9,733	9,602
	Outside										
	Italy	3,432	3,132	2,806	2,925	2,582	2,465	2,680	2,627	2,591	2,472
		17,906	17,109	16,475	16,100	14,286	13,317	12,982	12,843	12,324	12,074
Refining & Marketing	Italy	11,543	11,176	10,341	9,760	8,638	7,332	6,882	6,879	6,680	7,196
	Outside										
	Italy	6,897	7,230	6,720	6,370	6,534	6,425	6,395	2,345	2,214	2,241
		18,440	18,406	17,061	16,130	15,172	13,757	13,277	9,224	8,894	9,437
Petrochemicals	Italy	14,354	12,957	12,596	11,573	10,910	5,744	5,585	5,237	5,164	4,948
	Outside										
	Italy	1,653	1,370	1,312	1,284	1,569	1,514	1,465	1,328	1,298	1,077
		16,007	14,327	13,908	12,857	12,479	7,258	7,050	6,565	6,462	6,025
Engineering & Construction											
Oilfield Services and Construction	Italy	2,925	2,832	2,648	2,326	2,279	2,255	2,423	2,490	5,799	6,164
	Outside										
	Italy	8,086	9,682	7,359	7,560	12,881	22,770	18,036	18,890	22,885	24,738
		11,011	12,514	10,007	9,886	15,160	25,025	20,459	21,380	28,684	30,902
Engineering	Italy	3,402	3,376	3,328	3,102	3,001	3,055	3,433	3,544		
	Outside										
	Italy	411	393	378	330	417	633	1,580	1,349		
		3,787	3,721	3,480	3,331	3,472	4,066	5,124	4,439		
Other activities	Italy	2,834	3,527	3,247	3,841	4,255	6,347	6,367	4,959	2,636	2,219
	Outside										
	Italy	94	69	72	83	48	13	13	24		
		2,928	3,596	3,319	3,924	4,303	6,360	6,380	4,983	2,636	2,219
Corporate and financial companies	Italy						3,107	2,577	3,351	5,153	4,363
	Outside										
	Italy						50	80	86	75	216
							3,157	2,657	3,437	5,228	4,579
Activities to be divested	Italy	1,521	1,063								
	Outside										
	Italy										
		1,521	1,063								
Total employees at year end	Italy	56,939	54,304	50,897	48,690	45,336	43,687	42,235	40,761	40,192	39,765
	Outside										
	Italy	23,239	24,602	21,126	21,279	27,069	36,968	33,186	29,587	32,066	33,807
		80,178	78,906	72,023	69,969	72,405	80,655	75,421	70,348	72,258	73,572
of which senior managers		1,992	1,941	1,788	1,683	1,438	1,537	1,733	1,764	1,748	1,604

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ENI FACT BOOK / SUPPLEMENTAL OIL AND GAS INFORMATION

Supplemental oil and gas information

OIL AND NATURAL GAS RESERVES

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under technical, contractual, economic and operating conditions existing at the time. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Net proved reserves exclude royalties and interests owned by others. Proved developed oil and gas reserves are proved reserves that can be estimated to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for completion. Additional oil and gas reserves expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed, through production response, that increased recovery will be achieved. Eni's proved reserves have been estimated on the basis of the applicable U.S. Securities & Exchange Commission regulation, Rule 4-10 of Regulation S-X and its interpretations and have been disclosed in accordance with Statement of Financial Accounting Standard No. 69.

The estimates of proved reserves, developed and undeveloped for years ended December 31, 2003, 2004, 2005 and 2006 are based on data prepared by Eni. Since 1991, Eni has requested qualified independent oil engineering companies carry out an independent evaluation¹ of its proved reserves on a rotational basis. In particular a total of 1.4 billion boe of proved reserves, or about 21% of Eni's total proved reserves at December 31, 2006, have been evaluated. The results of this independent evaluation confirmed Eni's evaluations, as in previous years. In the 2004-2006 three-year period, 76% of Eni's total proved reserves were subject to independent evaluations. Eni operates under Production

in future years. Such reserves include estimated quantities allocated to Eni for recovery of costs, income taxes owed by Eni but settled by its joint venture partners (which are state-owned entities) out of Eni's share of production and Eni's net equity share after cost recovery. Proved oil and gas reserves associated with PSAs represented 51%, 48% and 53% of total proved reserves as of year-end 2004, 2005 and 2006, respectively, on an oil-equivalent basis. A similar scheme to PSAs applies to Service and Buy-Back contracts; proved reserves associated with such contracts represented 3%, 2% and 2% of total proved reserves on an oil-equivalent basis as of year-end 2004, 2005 and 2006, respectively.

Oil and gas reserve quantities include: (i) oil and natural gas quantities in excess to cost recovery which the company has an obligation to purchase under certain PSAs with governments or authorities whereby the company serves as producer of reserves. In accordance with SFAS No. 69, paragraph 13, reserve volumes associated with such oil and gas quantities represented 1.4%, 1.7% and 1.1% of total proved reserves as of year-end 2004, 2005 and 2006 respectively, on an oil-equivalent basis; (ii) volumes of natural gas used for own consumption and (iii) volumes of natural gas held in certain Eni storage fields in Italy. Proved reserves attributable to these fields include: (a) the residual natural gas volumes of the reservoirs and (b) natural gas volumes from other Eni fields input into these reservoirs in subsequent periods. Proved reserves do not include volumes owned by or acquired from third parties. Gas withdrawn from storage is produced and thereby detracted from proved reserves when sold. Numerous uncertainties are inherent in estimating quantities of proved reserves and in projecting future rates of production and timing of development expenditures. The accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Results of drilling, testing and production after the date of the estimate may require substantial upward or downward revision. In addition, changes in oil and natural gas prices have an effect on the quantities of Eni's proved reserves since estimates of reserves are based on prices and costs relative to the date when such estimates are made. Reserve estimates are

Sharing Agreements, (PSAs), in several of the foreign jurisdictions where it has oil and gas exploration and production activities. Reserves of oil and natural gas to which Eni is entitled under PSA arrangements are shown in accordance with Eni's economic interest in the volumes of oil and natural gas estimated to be recoverable

also subject to revision as prices fluctuate due to the cost recovery feature under certain PSAs. The following table presents yearly changes by geographical area in estimated proved reserves, developed and undeveloped, of crude oil (including condensate and natural gas liquids) and natural gas for the years 2004, 2005 and 2006.

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

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Proved hydrocarbon reserves ⁽¹⁾

(mmboe)	Italy ⁽²⁾	North Africa	West Africa	North Sea	Rest of World	Proved reserves of subsidiaries	Proved reserves of affiliates and joint ventures	Total
Reserves at December 31, 1996	1,637	1,420	847	643	128			4,675
Purchase of minerals in place	37	1			254			292
Revisions of previous estimates	31	77	46	24	25			203
Improved recovery		1	2	14				17
Extensions and discoveries	83	117	24	44	5			273
Production	(142)	(85)	(67)	(59)	(20)			(373)
Sales of minerals in place		(1)		(11)	(2)			(14)
Reserves at December 31, 1997	1,646	1,530	852	655	390			5,073
Purchase of minerals in place								
Revisions of previous estimates	13	126	65	41	(24)			221
Improved recovery			17					17
Extensions and discoveries	68	118	49	27	73			335
Production	(153)	(88)	(73)	(57)	(20)			(391)
Sales of minerals in place								
Reserves at December 31, 1998	1,574	1,686	910	666	419			5,255
Purchase of minerals in place	6	17		5	93			121
Revisions of previous estimates	24	208	48	28	(1)			307
Improved recovery			3					3
Extensions and discoveries	11	37	180	1	14			243
Production	(138)	(99)	(74)	(54)	(30)			(395)
Sales of minerals in place								
Reserves at December 31, 1999	1,477	1,849	1,067	646	495			5,534
Purchase of minerals in place		3	12	80	159			254
Revisions of previous estimates	15	86	56	32	231			419
Improved recovery		3	9					12
Extensions and discoveries	16	100	32	3	69			220
Production	(119)	(111)	(83)	(62)	(56)			(430)
Sales of minerals in place		(1)						(1)
Reserves at December 31, 2000	1,389	1,929	1,093	700	897			6,008
Purchase of minerals in place	3	118		206	437			764
Revisions of previous estimates	22	171	93	63	166			515

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Improved recovery		11	16	6		33
Extensions and discoveries	21	8	24	9	58	120
Production	(120)	(115)	(86)	(104)	(81)	(506)
Sales of minerals in place			(4)	(1)		(5)
Reserves at December 31, 2001	1,315	2,122	1,136	879	1,477	6,929
Purchase of minerals in place				27	12	39
Revisions of previous estimates	5	14	113	24	181	337
Improved recovery		14	1			15
Extensions and discoveries	29	12	124	31	142	338
Production	(111)	(129)	(87)	(112)	(93)	(532)
Sales of minerals in place	(39)			(24)	(33)	(96)
Reserves at December 31, 2002	1,199	2,033	1,287	825	1,686	7,030
Purchase of minerals in place	2			159	1	162
Revisions of previous estimates	(116)	29	89	77	208	287
Improved recovery		15	16			31
Extensions and discoveries	22	74	27		232	355
Production	(111)	(127)	(95)	(126)	(111)	(570)
Sales of minerals in place				(23)		(23)

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ENI FACT BOOK / SUPPLEMENTAL OIL AND GAS INFORMATION

continues Proved hydrocarbon reserves ⁽¹⁾

(mmboe)	Italy ⁽²⁾	North Africa	West Africa	North Sea	Rest of World	Proved reserves of subsidiaries	Proved reserves of affiliates and joint ventures	Total
Reserves at December 31, 2003	996	2,024	1,324	911	2,017	7,272		7,272
Revisions of previous estimates		127	69	29	2	227		227
Improved recovery		11	50	4		65		65
Extensions and discoveries	8	94	34	10	183	329		329
Production	(101)	(137)	(116)	(112)	(128)	(594)		(594)
Sales of minerals in place	(13)	(2)	(4)	(36)	(26)	(81)		(81)
2004 reconciliation referring to reserves of affiliates and joint venture		(30)	(9)		(25)	(64)	64	
Reserves at December 31, 2004	890	2,087	1,348	807	2,022	7,154	64	7,218
Purchase of minerals in place	13		8		85	106		106
Revisions of previous estimates	59	35	(48)	25	(151)	(80)	(18)	(98)
Improved recovery		44	30		15	89		89
Extensions and discoveries		33	67	30	26	156		156
Production	(94)	(173)	(126)	(104)	(132)	(629)	(5)	(634)
Sales of minerals in place								
Reserves at December 31, 2005	868	2,026	1,279	758	1,865	6,796	41	6,837
Purchase of minerals in place				1		1		1
Revisions of previous estimates	21	88	(79)	28	92	151		151
Improved recovery		49	41		14	104	1	105
Extensions and discoveries	3	55	16		86	161		161
Production	(87)	(201)	(135)	(103)	(114)	(640)	(6)	(646)
Sales of minerals in place				(3)	(170)	(173)		(173)
Reserves at December 31, 2006	805	2,018	1,122	682	1,773	6,400	36	6,436

Proved developed hydrocarbon reserves ⁽¹⁾

Reserves at December 31, 1996	1,069	761	458	468	72			2,828
Reserves at December 31, 1997	1,018	734	454	423	73			2,702
Reserves at December 31, 1998	914	778	476	460	102			2,730
Reserves at December 31, 1999	921	796	586	416	202			2,921
Reserves at December 31, 2000	860	824	590	443	301			2,995
	825	875	640	773	654			3,767

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Reserves at December 31, 2001								
Reserves at December 31, 2002	774	797	703	724	705			3,703
Reserves at December 31, 2003	702	806	710	822	1,190			4,230
Reserves at December 31, 2004	671	961	749	707	1,212			4,300
Reserves at December 31, 2005	620	1,230	793	611	1,021	4,275	31	4,306
Reserves at December 31, 2006	562	1,242	798	571	859	4,032	27	4,059

(1) The conversion coefficient is 1 cm of natural gas = 0.00615 barrels of oil.

(2) Data at December 31, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006 include 144.2, 139.4, 134.8, 139.8, 129.9, 139, 133.2, 128.4, 132.4 and 131.2 million boe of natural gas in storage in Italy, respectively.

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ENI FACT BOOK / SUPPLEMENTAL OIL AND GAS INFORMATION

Proved oil reserves ⁽¹⁾

(million barrels)	Italy	North Africa	West Africa	North Sea	Rest of World	Proved reserves of subsidiaries	Proved reserves of affiliates and joint ventures	Total
Reserves at December 31, 1996	316	953	720	416	79			2,484
Purchase of minerals in place					254			254
Revisions of previous estimates	20	76	47	23	21			187
Improved recovery		1	2	12				15
Extensions and discoveries	61	34	24	26	5			150
Production	(37)	(78)	(65)	(43)	(14)			(237)
Sales of minerals in place		(1)		(6)	(2)			(9)
Reserves at December 31, 1997	360	985	728	428	343			2,844
Purchase of minerals in place								
Revisions of previous estimates	(20)	86	78	38	(25)			157
Improved recovery			17					17
Extensions and discoveries	25	31	39	9				104
Production	(36)	(78)	(72)	(42)	(13)			(241)
Sales of minerals in place								
Reserves at December 31, 1998	329	1,024	790	433	305			2,881
Purchase of minerals in place	6	13		1	79			99
Revisions of previous estimates	20	107	52	22	44			245
Improved recovery			3					3
Extensions and discoveries	5	8	126	2	11			152
Production	(32)	(81)	(71)	(41)	(18)			(243)
Sales of minerals in place								
Reserves at December 31, 1999	328	1,071	900	417	421			3,137
Purchase of minerals in place		3	12	46	133			194
Revisions of previous estimates	(13)	42	59	36	166			290
Improved recovery		2	9					11
Extensions and discoveries	9	6	32	1	17			65
Production	(28)	(84)	(78)	(45)	(39)			(274)
Sales of minerals in place		(1)						(1)
Reserves at December 31, 2000	296	1,039	934	455	698			3,422
Purchase of minerals in place		118		120	248			486
Revisions of previous estimates	29	79	91	37	20			256

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Improved recovery		11	16	6		33
Extensions and discoveries	9	8	21	8	24	70
Production	(25)	(84)	(81)	(74)	(50)	(314)
Sales of minerals in place			(5)			(5)
Reserves at December 31, 2001	309	1,171	976	552	940	3,948
Purchase of minerals in place				13	12	25
Revisions of previous estimates	2	(31)	112	4	(33)	54
Improved recovery		14	1			15
Extensions and discoveries	11	10	14	18	104	157
Production	(30)	(92)	(81)	(77)	(54)	(334)
Sales of minerals in place	(37)			(12)	(33)	(82)
Reserves at December 31, 2002	255	1,072	1,022	498	936	3,783
Purchase of minerals in place				86		86
Revisions of previous estimates	21	51	59	52	153	336
Improved recovery		15	16			31
Extensions and discoveries	6	32	28		214	280
Production	(30)	(90)	(87)	(86)	(64)	(357)
Sales of minerals in place				(21)		(21)

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ENI FACT BOOK / SUPPLEMENTAL OIL AND GAS INFORMATION

continues Proved oil reserves ⁽¹⁾

(million barrels)	Italy	North Africa	West Africa	North Sea	Rest of World	Proved reserves of subsidiaries	Proved reserves of affiliates and joint ventures	Total
Reserves at December 31, 2003	252	1,080	1,038	529	1,239			4,138
Revisions of previous estimates	(1)	(22)	44	12	(18)			15
Improved recovery		11	48	4				63
Extensions and discoveries	4	20	34	4	144			206
Production	(30)	(94)	(104)	(74)	(75)			(377)
Sales of minerals in place		(2)	(4)	(25)	(6)			(37)
Reserves at December 31, 2004	225	967	1,047	450	1,283	3,972	36	4,008
Purchase of minerals in place	2		6		47	55		55
Revisions of previous estimates	33	36	(47)	27	(88)	(39)	(9)	(48)
Improved recovery		43	29		15	87		87
Extensions and discoveries		26	14	21	16	77		77
Production	(32)	(111)	(113)	(65)	(83)	(404)	(2)	(406)
Sales of minerals in place								
Reserves at December 31, 2005	228	961	936	433	1,19	3,748	25	3,773
Purchase of minerals in place								
Revisions of previous estimates	15	61	(85)	20	53	64	1	65
Improved recovery		49	41		14	104	1	105
Extensions and discoveries		30	11		62	103		103
Production	(28)	(119)	(117)	(65)	(61)	(390)	(3)	(393)
Sales of minerals in place				(2)	(170)	(172)		(172)
Reserves at December 31, 2006	215	982	786	386	1,088	3,457	24	3,481
Proved developed oil reserves								
Reserves at December 31, 1996	222	712	433	306	43			1,716
Reserves at December 31, 1997	226	680	429	287	50			1,672
Reserves at December 31, 1998	180	689	452	315	70			1,706
Reserves at December 31, 1999	172	681	473	276	148			1,750
Reserves at December 31, 2000	144	650	487	303	189			1,773
Reserves at December 31, 2001	171	685	539	476	443			2,314
Reserves at December 31, 2002	168	610	554	426	483			2,241

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Reserves at December 31, 2003	173	640	560	464	610			2,447
Reserves at December 31, 2004	174	655	588	386	668			2,471
Reserves at December 31, 2005	149	697	568	353	564	2,331	19	2,350
Reserves at December 31, 2006	136	713	546	329	402	2,126	18	2,144

(1) Including condensates and natural gas liquids.

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ENI FACT BOOK / SUPPLEMENTAL OIL AND GAS INFORMATION

Proved natural gas reserves

(billion cubic feet)	Italy ⁽¹⁾	North Africa	West Africa	North Sea	Rest of World	Total consolidated subsidiaries	Total joint ventures and affiliates	Total
Reserves at December 31, 1996	7,402	2,704	736	1,316	286	12,444		12,444
Purchase of minerals in place	208	4				212		212
Revisions of previous estimates	64	9	(7)	3	22	91		91
Improved recovery				14		14		14
Extensions and discoveries	127	478		103		708		708
Production	(594)	(41)	(8)	(95)	(34)	(772)		(772)
Sales of minerals in place				(29)		(29)		(29)
Reserves at December 31, 1997	7,207	3,154	721	1,312	274	12,668		12,668
Revisions of previous estimates	187	230	(76)	21	3	365		365
Extensions and discoveries	242	504	58	104	425	1,333		1,333
Production	(659)	(54)	(7)	(88)	(43)	(851)		(851)
Reserves at December 31, 1998	6,977	3,834	696	1,349	659	13,515		13,515
Purchase of minerals in place				22	81	123		123
Revisions of previous estimates	22	585	(28)	37	(261)	355		355
Extensions and discoveries	33	171	308	2	13	527		527
Production	(594)	(105)	(12)	(79)	(65)	(855)		(855)
Reserves at December 31, 1999	6,439	4,504	964	1,331	427	13,665		13,665
Purchase of minerals in place				195	150	345		345
Revisions of previous estimates	156	255	(19)	(23)	379	748		748
Improved recovery		2				2		2
Extensions and discoveries	40	546		8	299	893		893
Production	(510)	(155)	(23)	(93)	(100)	(881)		(881)
Reserves at December 31, 2000	6,125	5,152	922	1,418	1,155	14,772		14,772
Purchase of minerals in place	17			501	1,093	1,611		1,611
Revisions of previous estimates	(37)	539	12	148	833	1,495		1,495
Extensions and discoveries	66	1	18	4	202	291		291
Production ⁽²⁾	(531)	(183)	(27)	(175)	(177)	(1,093)		(1,093)
Sales of minerals in place				(4)		(4)		(4)
Reserves at December 31, 2001	5,640	5,509	925	1,892	3,106	17,072		17,072
Purchase of minerals in place				87		87		87
Revisions of previous estimates	21	257	8	115	1,238	1,639		1,639

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Extensions and discoveries	105	9	636	74	223	1,047	1,047
Production ⁽²⁾	(456)	(212)	(36)	(201)	(228)	(1,133)	(1,133)
Sales of minerals in place	(15)			(68)		(83)	(83)
Reserves at December 31, 2002	5,295	5,563	4,533	4,899	4,339	18,629	18,629
Purchase of minerals in place	10			425	8	443	443
Revisions of previous estimates	(768)	(123)	172	139	325	(255)	(255)
Extensions and discoveries	84	242			100	426	426
Production ⁽²⁾	(455)	(215)	(49)	(229)	(276)	(1,224)	(1,224)
Sales of minerals in place				(11)		(11)	(11)
Reserves at December 31, 2003	4,166	5,467	1,656	2,223	4,496	18,008	18,008
Revisions of previous estimates	105	814	129	75	84	1,207	1,207
Improved recovery			10			10	10
Extensions and discoveries	29	420		38	222	709	709
Production ⁽²⁾	(409)	(247)	(66)	(220)	(303)	(1,245)	(1,245)
Sales of minerals in place	(73)	(1)		(65)	(115)	(254)	(254)
Reclassification 2004 affiliates and joint ventures data		(21)	(2)		(134)	(157)	157

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continues Proved natural gas reserves

(billion cubic feet)	Italy ⁽¹⁾	North Africa	West Africa	North Sea	Rest of World	Total consolidated subsidiaries	Total joint ventures and affiliates	Total
Reserves at December 31, 2004	3,818	6,432	1,727	2,051	4,250	18,278	157	18,435
Purchase of minerals in place	63		8		222	293		293
Revisions of previous estimates	159	(6)	(9)	(18)	(368)	(242)	(47)	(289)
Improved recovery		11				11		11
Extensions and discoveries	1	37	309	50	56	453	(20)	433
Production ⁽²⁾	(365)	(357)	(70)	(219)	(281)	(1,292)		(1,292)
Reserves at December 31, 2005	3,676	6,117	1,965	1,864	3,879	17,501	90	17,591
Purchase of minerals in place				4		4		4
Revisions of previous estimates	36	154	31	53	230	504	(7)	497
Extensions and discoveries	19	146	34	1	132	332		332
Production ⁽²⁾	(340)	(471)	(103)	(218)	(305)	(1,437)	(15)	(1,451)
Sales of minerals in place				(7)		(7)		(7)
Reserves at December 31, 2006	3,391	5,946	1,927	1,697	3,936	16,897	68	16,965

Proved developed natural gas reserves

Reserves at December 31, 1997	4,442	312	144	790	132	5,820		5,820
Reserves at December 31, 1998	4,115	516	137	838	184	5,790		5,790
Reserves at December 31, 1999	4,201	668	653	811	311	6,644		6,644
Reserves at December 31, 2000	4,012	1,009	595	810	649	7,075		7,075
Reserves at December 31, 2001	3,665	1,103	584	1,721	1,221	8,294		8,294
Reserves at December 31, 2002	3,397	1,084	863	1,727	1,283	8,354		8,354
Reserves at December 31, 2003	2,966	962	866	2,075	3,355	10,224		10,225
Reserves at December 31, 2004	2,850	1,760	924	1,845	3,122	10,501		10,501
Reserves at December 31, 2005	2,704	3,060	1,289	1,484	2,622	11,159	70	11,229
Reserves at December 31, 2006	2,449	3,042	1,447	1,395	2,616	10,949	48	10,997

(1) Including 808, 782, 756, 783, 728, 779, 747, 737, 760 and 754 billion cubic feet of natural gas held in storage at December 31, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005 and 2006 respectively.

(2) Starting from 2001 include volumes consumed in operations (34, 47, 53, 80, 93 and 103 billion cubic feet in 2001, 2002, 2003, 2004, 2005 and 2006, respectively).

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Results of operations from oil and gas producing activities ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total joint venture and affiliates	Total
Year ended December 31, 1997							
Revenues:							
sales and transfers to affiliates	2,701	781	56		7		3,545
sales to unaffiliated entities	57	464	994	874	258		2,647
	2,758	1,245	1,050	874	265		6,192
Production costs	(306)	(393)	(316)	(231)	(58)		(1,304)
Exploration expenses	(151)	(133)	(63)	(33)	(97)		(477)
Depreciation, amortization and writedowns	(452)	(273)	(214)	(422)	(88)		(1,449)
Other income (expense)	(133)	(19)	(70)	6	24		(192)
Pretax income from producing activities	1,716	427	387	194	46		2,770
Estimated income taxes	(915)	(225)	(263)	(99)	(12)		(1,514)
Results of operations from E&P activities	801	202	124	95	34		1,256
Year ended December 31, 1998							
Revenues:							
sales and transfers to affiliates	2,216	573	20		3		2,812
sales to unaffiliated entities	57	256	711	674	185		1,883
	2,273	830	732	674	186		4,695
Production costs	(329)	(364)	(254)	(211)	(50)		(1,208)
Exploration expenses	(154)	(95)	(105)	(35)	(86)		(475)
Depreciation, amortization and writedowns	(787)	(254)	(512)	(517)	(92)		(2,162)
Other income (expense)	(98)	(21)	(102)	(10)	(51)		(282)
Pretax income from producing activities	905	95	(241)	(99)	(91)		568
Estimated income taxes	(382)	(58)	(74)	(7)	(1)		(522)
Results of operations from E&P activities	523	37	(316)	(106)	(92)		46
Year ended December 31, 1999							
Revenues:							
sales and transfers to affiliates	1,919	958	1,075	650	138		4,740
sales to unaffiliated entities	499	506	81	205	222		1,513
	2,418	1,464	1,156	855	360		6,253
Production costs	(352)	(370)	(353)	(199)	(52)		(1,326)
Exploration expenses	(120)	(69)	(61)	(39)	(83)		(372)
Depreciation, amortization and writedowns	(462)	(316)	(253)	(336)	(81)		(1,448)
Other income (expense)	(183)	(99)	(91)	3	(77)		(447)
Pretax income from producing activities	1,301	610	398	284	67		2,660
Estimated income taxes	(542)	(254)	(219)	(110)	(19)		(1,144)
Results of operations from E&P activities	759	356	179	174	48		1,516
Year ended December 31, 2000							

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Revenues:						
sales and transfers to affiliates	3,336	1,748	2,114	1,205	531	8,934
sales to unaffiliated entities	136	1,134	190	373	660	2,493
	3,472	2,882	2,304	1,578	1,191	11,427
Production costs	(399)	(459)	(517)	(238)	(125)	(1,738)
Exploration expenses	(192)	(84)	(60)	(45)	(180)	(561)
Depreciation, amortization and writedowns	(407)	(393)	(327)	(358)	(375)	(1,860)
Other income (expense)	(30)	(196)	(132)	(55)	(117)	(530)
Pretax income from producing activities	2,444	1,750	1,268	882	394	6,738
Estimated income taxes	(986)	(877)	(678)	(479)	(78)	(3,098)
Results of operations from E&P activities	1,458	873	590	403	316	3,640

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continues Results of operations from oil and gas producing activities ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total joint venture and affiliates	Total
Year ended December 31, 2001							
Revenues:							
sales and transfers to affiliates	3,160	1,440	1,807	1,265	322		7,994
sales to unaffiliated entities	140	1,181	169	1,250	1,271		4,011
	3,300	2,621	1,976	2,515	1,593		12,005
Operating expenses	(327)	(337)	(221)	(495)	(270)		(1,650)
Production taxes	(152)	(124)	(256)	(27)	(36)		(595)
Exploration expenses	(77)	(104)	(70)	(51)	(326)		(628)
Depreciation, amortization and writedowns	(474)	(417)	(315)	(704)	(612)		(2,522)
Other income (expense)	(87)	(129)	(129)	(79)	(214)		(638)
Pretax income from producing activities	2,183	1,510	985	1,159	135		5,972
Estimated income taxes	(877)	(605)	(628)	(672)	(136)		(2,918)
Results of operations from E&P activities	1,306	905	357	487	(1)		3,054
Year ended December 31, 2002							
Revenues:							
sales and transfers to affiliates	2,871	1,673	1,856	1,748	281		8,429
sales to unaffiliated entities	253	1,226	186	695	1,414		3,774
	3,124	2,899	2,042	2,443	1,695		12,203
Operating expenses	(218)	(352)	(317)	(490)	(237)		(1,614)
Production taxes	(138)	(110)	(210)	(20)	(47)		(525)
Exploration expenses	(80)	(71)	(116)	(117)	(294)		(678)
Depreciation, amortization and writedowns	(528)	(532)	(390)	(863)	(758)		(3,071)
Other income (expense)	(258)	(186)	(122)	(47)	(183)		(796)
Pretax income from producing activities	1,902	1,648	887	906	176		5,519
Estimated income taxes	(751)	(852)	(578)	(445)	(83)		(2,709)
Results of operations from E&P activities	1,151	796	309	461	93		2,810
Year ended December 31, 2003							
Revenues:							
sales and transfers to affiliates	2,609	1,469	1,946	1,913	345		8,282
sales to unaffiliated entities	153	1,188	164	822	1,595		3,922
	2,762	2,657	2,110	2,735	1,940		12,204
Operating expenses	(222)	(316)	(283)	(446)	(235)		(1,502)
Production taxes	(136)	(97)	(235)	(11)	(79)		(558)
Exploration expenses	(89)	(70)	(113)	(96)	(276)		(644)
Depreciation, amortization and writedowns	(458)	(420)	(377)	(759)	(734)		(2,748)
Other income (expense)	(170)	(264)	(121)	14	(289)		(830)
Accretion of discount (SFAS 143) ⁽²⁾	(37)	(5)	(14)	(42)	(4)		(102)
Pretax income from producing activities	1,650	1,485	967	1,395	323		5,820
Estimated income taxes	(629)	(788)	(617)	(750)	(111)		(2,895)

Results of operations from E&P activities	1,021	697	350	645	212	2,925
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continues Results of operations from oil and gas producing activities ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total joint venture and affiliates	Total
Year ended December 31, 2004							
Revenues:							
sales and transfers to affiliates	2,633	1,868	2,762	2,083	508		9,854
sales to unaffiliated entities	148	1,364	306	709	2,086		4,613
	2,781	3,232	3,068	2,792	2,594		14,467
Operating expenses	(223)	(292)	(322)	(405)	(289)		(1,531)
Production taxes	(118)	(91)	(379)	(13)	(163)		(764)
Exploration expenses	(57)	(47)	(71)	(93)	(155)		(423)
Depreciation, amortization and writedowns	(489)	(437)	(482)	(687)	(849)		(2,944)
Other income (expense)	(98)	(368)	(216)	97	(208)		(793)
Accretion of discount (SFAS 143) ⁽²⁾	(37)	(5)	(17)	(15)	(6)		(80)
Pretax income from producing activities	1,759	1,992	1,581	1,676	924		7,932
Estimated income taxes	(632)	(994)	(945)	(948)	(305)		(3,824)
Results of operations from E&P activities	1,127	998	636	728	619		4,108
Year ended December 31, 2005							
Revenues:							
sales and transfers to affiliates	3,133	2,813	4,252	2,707	828		13,733
sales to unaffiliated entities	161	2,579	394	889	2,883	106	7,012
	3,294	5,392	4,646	3,596	3,711	106	20,745
Operating expenses	(261)	(390)	(363)	(417)	(338)	(16)	(1,785)
Production taxes	(157)	(98)	(513)	(15)	(207)	(3)	(993)
Exploration expenses	(32)	(59)	(38)	(125)	(181)	(30)	(465)
Depreciation, amortization and writedowns	(512)	(711)	(632)	(710)	(1,007)	(58)	(3,630)
Other income (expense)	(205)	(400)	(176)	55	(251)	7	(970)
Accretion of discount (SFAS 143) ⁽²⁾	(45)	(9)	(15)	(31)	(6)		(106)
Pretax income from producing activities	2,082	3,725	2,909	2,353	1,721	6	12,796
Estimated income taxes	(762)	(2,197)	(1,818)	(1,386)	(580)	(19)	(6,762)
Results of operations from E&P activities	1,320	1,528	1,091	967	1,141	(13)	6,034
Year ended December 31, 2006							
Revenues:							
sales and transfers to affiliates	3,601	4,185	4,817	3,295	973		16,871
sales to unaffiliated entities	184	3,012	967	983	2,594	120	7,860
	3,785	7,197	5,784	4,278	3,567	120	24,731
Operating expenses	(249)	(496)	(475)	(481)	(338)	(18)	(2,057)
Production taxes	(181)	(95)	(475)		(82)	(3)	(836)
Exploration expenses	(70)	(101)	(90)	(100)	(193)	(9)	(563)
Depreciation, amortization and writedowns	(454)	(869)	(778)	(755)	(1,015)	(42)	(3,913)
Other income (expense)	(287)	(569)	(195)	44	(343)	7	(1,343)
Accretion of discount (SFAS 143) ⁽²⁾	(34)	(12)	(12)	(40)	(14)		(112)

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Pretax income from producing activities	2,510	5,055	3,759	2,946	1,582	55	15,907
Estimated income taxes	(928)	(2,979)	(2,094)	(1,821)	(600)	(31)	(8,453)
Results of operations from E&P activities	1,582	2,076	1,665	1,125	982	24	7,454

- (1) Results of operations from oil and gas producing activities, including services for the modulation of gas supply due to seasonal swings in demand, represent only those revenues and expenses directly associated with Eni's oil and gas production. These amounts do not include any allocation of interest expense or corporate overhead and, therefore, are not necessarily indicative of the contributions to consolidated net earnings of Eni. Such income taxes have been calculated by applying the tax rate of the country where Eni operates to the pretax income from exploration and production activities. Revenues and income taxes include taxes due in PSA's where Eni's tax liability is paid by the State Company on behalf of Eni.
- (2) Represents the financial effect of the passage of time relating to Eni's future asset retirement obligations pursuant to SFAS 143 Accounting for asset retirement obligations.

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Capitalized costs ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total joint venture and affiliates	Total
At December 31, 1997							
Proved mineral interests	5,393	4,166	3,734	3,270	763		17,326
Unproved mineral interests		7	188		58		253
Support equipment and facilities	427	15	139	105	17		703
Incomplete wells and other	991	236	321	494	36		2,078
Gross capitalized costs	6,811	4,424	4,382	3,869	874		20,360
Accumulated depreciation, depletion and amortization	(3,584)	(2,267)	(2,357)	(1,725)	(475)		(10,408)
Net capitalized costs	3,227	2,157	2,025	2,144	399		9,952
At December 31, 1998							
Proved mineral interests	5,794	4,258	3,963	3,446	794		18,255
Unproved mineral interests		14	177		127		318
Support equipment and facilities	451	23	142	95	14		725
Incomplete wells and other	1,172	342	234	651	194		2,593
Gross capitalized costs	7,417	4,637	4,516	4,192	1,129		21,891
Accumulated depreciation, depletion and amortization	(4,272)	(2,395)	(2,689)	(2,078)	(500)		(11,934)
Net capitalized costs	3,145	2,242	1,827	2,114	629		9,957
At December 31, 1999							
Proved mineral interests	6,255	5,480	5,117	4,299	1,529		22,680
Unproved mineral interests	2	130	230		381		743
Support equipment and facilities	487	29	179	149	18		862
Incomplete wells and other	1,077	337	181	649	414		2,658
Gross capitalized costs	7,821	5,976	5,707	5,097	2,342		26,943
Accumulated depreciation, depletion and amortization	(4,609)	(3,095)	(3,393)	(2,610)	(663)		(14,370)
Net capitalized costs	3,212	2,881	2,314	2,487	1,679		12,573
At December 31, 2000							
Proved mineral interests	6,509	6,339	5,885	5,395	3,009		27,137
Unproved mineral interests		175	281	101	646		1,203
Support equipment and facilities	241	30	170	49	28		518
Incomplete wells and other	1,195	413	316	547	688		3,159
Gross capitalized costs	7,945	6,957	6,652	6,092	4,371		32,017
Accumulated depreciation, depletion and amortization	(4,669)	(3,718)	(3,935)	(2,893)	(1,081)		(16,296)
Net capitalized costs	3,276	3,239	2,717	3,199	3,290		15,721
At December 31, 2001							
Proved mineral interests	7,645	7,624	6,723	7,986	5,382		35,360
Unproved mineral interests		672	238	811	1,913		3,634
Support equipment and facilities	295	56	191	52	47		641

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Incomplete wells and other	845	508	501	225	1,718	3,797
Gross capitalized costs	8,785	8,860	7,653	9,074	9,060	43,432
Accumulated depreciation, depletion and amortization	(5,109)	(4,333)	(4,378)	(3,612)	(1,894)	(19,326)
Net capitalized costs	3,676	4,527	3,275	5,462	7,166	24,106

At December 31, 2002

Proved mineral interests	8,030	6,782	6,377	8,112	5,638	34,939
Unproved mineral interests		527	130	684	1,593	2,934
Support equipment and facilities	251	43	174	49	51	568
Incomplete wells and other	773	889	795	147	1,958	4,562
Gross capitalized costs	9,054	8,241	7,476	8,992	9,240	43,003
Accumulated depreciation, depletion and amortization	(5,427)	(4,090)	(4,048)	(4,192)	(2,262)	(20,019)
Net capitalized costs	3,627	4,151	3,428	4,800	6,978	22,984

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continues Capitalized costs ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total joint venture and affiliates	Total
At December 31, 2003							
Proved mineral interests	8,766	6,103	6,141	8,291	6,389		35,690
Unproved mineral interests		329	83	696	1,272		2,380
Support equipment and facilities	262	594	208	32	51		1,147
Incomplete wells and other	826	1,254	1,098	223	1,413		4,814
Gross capitalized costs	9,854	8,280	7,530	9,242	9,125		44,031
Accumulated depreciation, depletion and amortization	(6,186)	(3,799)	(3,785)	(4,252)	(2,657)		(20,679)
Net capitalized costs	3,668	4,481	3,745	4,990	6,468		23,352
At December 31, 2004							
Proved mineral interests	9,056	7,192	6,288	7,198	7,698		37,432
Unproved mineral interests		272	70	561	1,103		2,006
Support equipment and facilities	252	1,056	209	33	75		1,625
Incomplete wells and other	662	468	1,038	397	882		3,447
Gross capitalized costs	9,970	8,988	7,605	8,189	9,758		44,510
Accumulated depreciation, depletion and amortization	(6,416)	(3,887)	(3,907)	(3,733)	(3,252)		(21,195)
Net capitalized costs	3,554	5,101	3,698	4,456	6,506		23,315
At December 31, 2005							
Proved mineral interests	9,756	9,321	8,733	8,350	9,463	435	46,058
Unproved mineral interests	33	197	134	413	1,265	55	2,097
Support equipment and facilities	253	1,385	272	33	93	9	2,045
Incomplete wells and other	657	638	728	221	1,895	53	4,192
Gross capitalized costs	10,699	11,541	9,867	9,017	12,716	552	54,392
Accumulated depreciation, depletion and amortization	(6,888)	(5,113)	(5,193)	(4,619)	(4,697)	(316)	(26,826)
Net capitalized costs	3,811	6,428	4,674	4,398	8,019	236	27,566
At December 31, 2006							
Proved mineral interests	10,780	9,335	8,476	8,790	9,424	436	47,241
Unproved mineral interests	33	132	385	460	1,106	35	2,151
Support equipment and facilities	287	1,238	451	33	98	8	2,115
Incomplete wells and other	655	599	812	300	2,248	51	4,665
Gross capitalized costs	11,755	11,304	10,124	9,583	12,876	530	56,172
Accumulated depreciation, depletion and amortization	(7,184)	(5,403)	(5,402)	(5,345)	(5,187)	(311)	(28,832)
Net capitalized costs	4,571	5,901	4,722	4,238	7,689	219	27,340

(1) Capitalized costs represent the total expenditure for proved and unproved mineral interests and related support equipment and facilities utilized in oil and gas exploration and production activities, together with related accumulated depreciation, depletion and amortization.

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Costs incurred ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total consolidated	Total joint venture and affiliates	Total
Year ended December 31, 1997								
Proved property acquisitions	48	5	4		2	59		59
Unproved property acquisitions		5	16		15	36		36
Exploration	278	236	112	51	99	776		776
Development	558	212	288	394	66	1,518		1,518
Costs incurred	884	458	420	445	182	2,389		2,389
Year ended December 31, 1998								
Proved property acquisitions	27	9		67	103	103		103
Unproved property acquisitions	12			82	94	94		94
Exploration	303	171	150	51	112	786		786
Development	488	353	367	583	197	1,988		1,988
Costs incurred	791	563	526	634	458	2,971		2,971
Year ended December 31, 1999								
Proved property acquisitions	54	102	9		380	545		545
Unproved property acquisitions	2	102	34		234	372		372
Exploration	194	92	87	44	121	538		538
Development	433	356	357	400	318	1,864		1,864
Costs incurred	683	652	487	444	1,053	3,319		3,319
Year ended December 31, 2000								
Proved property acquisitions	8	32	443	880	1,363	1,363		1,363
Unproved property acquisitions	30	11	67	149	257	257		257
Exploration	155	151	174	86	326	892		892
Development	567	415	372	346	617	2,317		2,317
Costs incurred	722	604	589	942	1,972	4,829		4,829
Year ended December 31, 2001								
Proved property acquisitions	14	503		1,411	1,254	3,182		3,182
Unproved property acquisitions	438		495	704	1,637	1,637		1,637
Exploration	89	139	97	166	598	1,089		1,089
Development	600	498	698	328	1,337	3,461		3,461
Costs incurred	703	1,578	795	2,400	3,893	9,369		9,369
Year ended December 31, 2002								
Proved property acquisitions			104	24	128	128		128
Unproved property acquisitions			22	167	189	189		189
Exploration	69	116	203	84	430	902		902

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Development	440	724	986	316	1,622	4,088	4,088
Costs incurred	509	840	1,189	526	2,243	5,307	5,307
Year ended December 31, 2003							
Proved property acquisitions			308	8	316	316	316
Unproved property acquisitions			125	6	131	131	131
Exploration	67	80	138	125	243	653	653
Development ⁽²⁾	449	1,106	1,268	286	1,454	4,563	4,563
Costs incurred	516	1,186	1,406	844	1,711	5,663	5,663
Year ended December 31, 2004							
Proved property acquisitions							
Unproved property acquisitions							
Exploration	64	104	71	66	194	499	499
Development ⁽²⁾	431	965	881	391	1,407	4,075	4,075
Costs incurred	495	1,069	952	457	1,601	4,574	4,574

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continues Costs incurred ⁽¹⁾

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total consolidated	Total joint venture and affiliates	Total
Year ended December 31, 2005								
Proved property acquisitions	19		16		99	134		134
Unproved property acquisitions	13		44		99	156		156
Exploration	45	153	75	127	264	664	18	682
Development ⁽²⁾	644	960	909	528	1,396	4,437	31	4,468
Costs incurred	721	1,113	1,044	655	1,858	5,391	49	5,440
Year ended December 31, 2006								
Proved property acquisitions	139	10				149		149
Unproved property acquisitions					3	3		3
Exploration	128	270	471	174	305	1,348	26	1,374
Development ⁽²⁾	1,120	893	963	538	1,365	4,879	31	4,910
Costs incurred	1,387	1,173	1,434	712	1,673	6,379	57	6,436

(1) Costs incurred represent amounts both capitalized and expensed as incurred in connection with oil and gas producing activities.

(2) Includes euro 84 million, euro 233 million, euro 588 million and euro 1,241 million of costs capitalized during 2003, 2004, 2005 and 2006 for assets retirement obligations pursuant to SFAS 143 Accounting for asset retirement obligations .

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STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

Estimated future cash inflows represent the revenues that would be received from production and are determined by applying year-end prices of oil and gas to the estimated future production of proved reserves.

Future price changes are considered only to extent provided by contractual arrangements. Estimated future development and production costs are determined by estimating the expenditures to be incurred in developing and producing the proved reserves at the end of the year. Neither the effects of price and cost escalations nor expected future changes in technology and operating practices have been considered.

The standardized measure is calculated as the excess of future cash inflows from proved reserves less future costs of producing and developing the reserves, future income taxes and a yearly 10% discount factor.

Future cash flows as of December 31, 2004, 2005 and 2006 include amounts that Eni's Gas & Power segment and other gas companies correspond for storages services, required to support market demand flexibility needs.

Future production costs include the estimated expenditures related to the production of proved reserves plus any production taxes without consideration of future inflation. Future development costs include the estimated costs of drilling development wells and installation of production facilities, plus the net costs associated with dismantlement and abandonment of wells and facilities, under the assumption that year-end costs continue without considering future inflation. Future income taxes were calculated in accordance with the tax laws of the countries in which Eni operates. The standardized measure of discounted future net cash flows, related to the preceding proved oil and gas reserves, is calculated in accordance with the requirements of Statement of Financial Accounting Standard No. 69. The standardized measure does not purport to reflect realizable values or fair market value of Eni's proved reserves. An estimate of fair value would also take into account, among other things, the expected recovery of reserves in excess of proved reserves, anticipated changes in future prices and costs and a discount factor representative of the risks inherent in producing oil and gas.

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Standardized measure of discounted future net cash flows

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total consolidated	Total joint venture and affiliates	Total
At December 31, 1997								
Future cash inflows	27,586	20,370	10,989	9,407	4,895			73,247
Future production costs	(3,585)	(6,994)	(3,440)	(2,674)	(1,257)			(17,950)
Future development and abandonment costs	(2,489)	(3,742)	(1,318)	(1,237)	(1,183)			(9,969)
Future net inflows before income taxes	21,512	9,634	6,231	5,496	2,455			45,328
Future income taxes	(7,998)	(2,615)	(3,526)	(2,290)	(625)			(17,054)
Future net cash flows	13,514	7,019	2,705	3,206	1,830			28,274
10% discount	(5,024)	(3,979)	(1,009)	(1,028)	(1,116)			(12,156)
Standardized measure of discounted future net cash flows	8,490	3,040	1,696	2,178	714			16,118
At December 31, 1998								
Future cash inflows	18,312	13,676	7,111	6,792	2,600			48,491
Future production costs	(3,134)	(6,196)	(2,978)	(2,700)	(836)			(15,844)
Future development and abandonment costs	(2,544)	(3,704)	(1,207)	(895)	(972)			(9,322)
Future net inflows before income taxes	12,634	3,776	2,926	3,197	792			23,325
Future income taxes	(4,489)	(749)	(1,198)	(1,062)	(192)			(7,690)
Future net cash flows	8,145	3,027	1,728	2,135	600			15,635
10% discount	(2,858)	(2,027)	(650)	(608)	(433)			(6,576)
Standardized measure of discounted future net cash flows	5,287	1,000	1,078	1,527	167			9,059
At December 31, 1999								
Future cash inflows	29,900	34,457	21,177	12,831	9,181			107,546
Future production costs	(3,972)	(7,782)	(5,212)	(3,528)	(1,375)			(21,869)
Future development and abandonment costs	(2,264)	(4,584)	(2,711)	(893)	(1,731)			(12,183)
Future net inflows before income taxes	23,664	22,091	13,254	8,410	6,075			73,494
Future income taxes	(9,168)	(10,662)	(8,012)	(4,006)	(1,594)			(33,442)
Future net cash flows	14,496	11,429	5,242	4,404	4,481			40,052
10% discount	(5,618)	(5,886)	(2,238)	(1,269)	(2,288)			(17,299)
Standardized measure of discounted future net cash flows	8,878	5,543	3,004	3,135	2,193			22,753
At December 31, 2000								
Future cash inflows	50,505	39,551	22,057	16,761	17,778			146,652
Future production costs	(6,310)	(9,770)	(5,875)	(3,349)	(2,999)			(28,303)
Future development and abandonment costs	(2,310)	(4,981)	(2,708)	(860)	(2,504)			(13,363)
Future net inflows before income taxes	41,885	24,800	13,474	12,552	12,275			104,986

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Future income taxes	(15,627)	(11,524)	(7,938)	(6,365)	(2,835)	(44,289)
Future net cash flows	26,258	13,276	5,536	6,187	9,440	60,697
10% discount	(12,203)	(7,146)	(2,370)	(1,867)	(4,410)	(27,996)
Standardized measure of discounted future net cash flows	14,055	6,130	3,166	4,320	5,030	32,701

At December 31, 2001

Future cash inflows	32,310	37,780	20,154	17,444	20,715	128,403
Future production costs	(5,344)	(10,941)	(5,779)	(4,466)	(5,073)	(31,603)
Future development and abandonment costs	(2,577)	(5,284)	(3,194)	(1,593)	(2,607)	(15,255)
Future net inflows before income taxes	24,389	21,555	11,181	11,385	13,035	81,545
Future income taxes	(8,918)	(9,258)	(6,374)	(5,584)	(3,119)	(33,253)
Future net cash flows	15,471	12,297	4,807	5,801	9,916	48,292
10% discount	(6,925)	(6,612)	(1,992)	(1,611)	(4,381)	(21,521)
Standardized measure of discounted future net cash flows	8,546	5,685	2,815	4,190	5,535	26,771

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continues Standardized measure of discounted future net cash flows

(million euro)	Italy	North Africa	West Africa	North Sea	Rest of World	Total consolidated	Total joint venture and affiliates	Total
At December 31, 2002								
Future cash inflows	32,809	41,797	29,242	19,645	26,500			149,993
Future production costs	(4,367)	(10,354)	(6,795)	(4,748)	(4,310)			(30,574)
Future development and abandonment costs	(2,755)	(3,880)	(2,706)	(1,523)	(2,459)			(13,323)
Future net inflows before income taxes	25,687	27,563	19,741	13,374	19,731			106,096
Future income taxes	(8,885)	(12,164)	(11,320)	(7,598)	(5,593)			(45,560)
Future net cash flows	16,802	15,399	8,421	5,776	14,138			60,536
10% discount	(7,471)	(7,411)	(3,534)	(1,577)	(6,063)			(26,056)
Standardized measure of discounted future net cash flows	9,331	7,988	4,887	4,199	8,075			34,480
At December 31, 2003								
Future cash inflows	24,641	36,484	25,074	19,590	28,505			134,294
Future production costs	(3,879)	(7,868)	(5,847)	(5,458)	(4,763)			(27,815)
Future development and abandonment costs	(2,080)	(3,762)	(2,005)	(1,084)	(2,575)			(11,506)
Future net inflows before income taxes	18,682	24,854	17,222	13,048	21,167			94,973
Future income taxes	(6,113)	(10,296)	(8,979)	(7,614)	(6,073)			(39,075)
Future net cash flows	12,569	14,558	8,243	5,434	15,094			55,898
10% discount	(5,056)	(6,646)	(3,130)	(1,872)	(7,930)			(24,634)
Standardized measure of discounted future net cash flows	7,513	7,912	5,113	3,562	7,164			31,264
At December 31, 2004								
Future cash inflows	28,582	40,373	28,395	20,435	32,619	150,404		150,404
Future production costs	(3,635)	(7,237)	(6,664)	(5,082)	(4,858)	(27,476)		(27,476)
Future development and abandonment costs	(2,210)	(4,073)	(1,873)	(1,419)	(2,873)	(12,448)		(12,448)
Future net inflows before income taxes	22,737	29,063	19,858	13,934	24,888	110,480		110,480
Future income taxes	(7,599)	(11,487)	(10,949)	(8,824)	(6,736)	(45,595)		(45,595)
Future net cash flows	15,138	17,576	8,909	5,110	18,152	64,885		64,885
10% discount	(6,006)	(7,592)	(3,267)	(1,350)	(9,412)	(27,627)		(27,627)
Standardized measure of discounted future net cash flows	9,132	9,984	5,642	3,760	8,740	37,258		37,258
At December 31, 2005								
Future cash inflows	36,203	66,100	45,952	30,835	50,590	229,680	1,055	230,735
Future production costs	(4,609)	(10,030)	(9,604)	(5,632)	(6,399)	(36,274)	(226)	(36,500)
Future development and abandonment costs	(2,936)	(3,960)	(2,594)	(1,774)	(4,059)	(15,323)	(89)	(15,412)
Future net inflows before income taxes	28,658	52,110	33,754	23,429	40,132	178,083	740	178,823

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Future income taxes	(9,890)	(22,744)	(21,056)	(15,225)	(12,097)	(81,012)	(187)	(81,199)
Future net cash flows	18,768	29,366	12,698	8,204	28,035	97,071	553	97,624
10% discount	(7,643)	(12,095)	(4,122)	(2,155)	(15,705)	(41,720)	(182)	(41,902)
Standardized measure of discounted future net cash flows consolidated	11,125	17,271	8,576	6,049	12,330	55,351	371	55,722

At December 31, 2006

Future cash inflows	43,495	64,381	34,935	24,821	48,591	216,223	1,038	217,261
Future production costs	(6,086)	(9,707)	(8,028)	(6,426)	(5,915)	(36,162)	(224)	(36,386)
Future development and abandonment costs	(6,739)	(5,383)	(2,865)	(2,265)	(4,576)	(21,828)	(79)	(21,907)
Future net inflows before income taxes	30,670	49,291	24,042	16,130	38,100	158,233	735	158,968
Future income taxes	(10,838)	24,639	(14,141)	(10,901)	(11,473)	(71,992)	(227)	(72,219)
Future net cash flows	19,832	24,652	9,901	5,229	26,627	86,241	508	86,749
10% discount	(11,493)	(10,631)	(2,994)	(1,392)	(16,504)	(43,014)	(154)	(43,168)
Standardized measure of discounted future net cash flows consolidated	8,339	14,021	6,907	3,837	10,123	43,227	354	43,581

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Changes in standardized measure of discounted future net cash flows

(million euro)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Beginning of year	15,438	16,118	9,059	22,753	32,701	26,771	34,480	31,264	37,258	55,722
Reclassification 2004 affiliates and joint ventures data									(357)	(371)
Beginning of year consolidated	15,438	16,118	9,059	22,753	32,701	26,771	34,480	31,264	36,901	55,351
Increase (Decrease):										
sales, net of production costs	(4,888)	(3,486)	(4,927)	(9,689)	(9,760)	(10,064)	(10,144)	(12,172)	(17,880)	(21,739)
net changes in sales and transfer prices, net of production costs	(5,034)	(10,384)	23,334	11,889	(16,754)	18,936	(1,050)	13,031	33,372	4,097
extensions, discoveries and improved recovery net of future production and development costs	1,112	666	1,144	1,623	1,027	1,810	1,855	2,806	3,527	3,629
changes in estimated future development and abandonment costs	(1,005)	(642)	(1,570)	(1,061)	(2,527)	(2,697)	(3,576)	(3,437)	(3,654)	(6,964)
development costs incurred during the period that reduced future development costs	1,375	1,803	1,746	2,125	3,342	4,287	4,864	4,229	3,865	3,558
revisions of quantity estimates	1,229	688	2,054	2,736	3,397	1,715	2,348	1,658	47	383
accretion of discount	2,997	2,494	1,362	4,226	5,628	4,279	5,585	5,328	6,573	9,489
net change in income taxes	4,773	4,819	(12,702)	(4,102)	5,618	(9,318)	105	(4,805)	(17,327)	3,060
purchase of reserves in place	520		1,032	3,052	4,443	387	1,488		977	10
sale of reserves in place	(80)		(1)	(7)	(34)	(646)	(222)	(727)		(1,252)
changes in production rates (timing) and other	(319)	(3,017)	2,222	(844)	(310)	(980)	(4,469)	83	8,950	(6,395)
End of year consolidated	16,118	9,059	22,753	32,701	26,771	34,480	31,264	37,258	55,351	43,227
End of year affiliates and joint ventures									371	354
End of year	16,118	9,059	22,753	32,701	26,771	34,480	31,264	37,258	55,722	43,581

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ENI FACT BOOK / ENERGY CONVERSION TABLE

Energy conversion table**Oil**

(average reference density 32.35 °API, relative density 0.8636)

1 barrel	(bbl)	158.987	1 oil ⁽¹⁾	0.159	m ³ oil	162.602	m ³ gas	5,742	ft ³ gas
						5,800,000	btu		
1 barrel/d	(bbl/d)		~50	t/year					
1 cubic meter	(m ³)	1,000	1 oil	6.29	bbl	1,033	m ³ gas	36,481	ft ³ gas
1 tonne oil equivalent	(toe)	1,160.49	1 oil	7.299	bbl	1.161	m ³ oil	1,187	m ³ gas
								41,911	ft ³ gas

Gas

1 cubic meter	(m ³)	0.976	1 oil	0.00615	bbl	35,314.67	btu	35.315	ft ³ gas
1,000 cubic feet	(ft ³)	27.637	1 oil	0.1742	bbl	1,000,000	btu	27.317	m ³ gas
1,000,000 british thermal unit	(btu)	27.4	1 oil	0.17	bbl	0.027	m ³ oil	28.3	m ³ gas
1 tonne LNG	(tLNG)	1.2	toe	8.9	bbl	52,000,000	btu	52,000	ft ³ gas
								1,400	m ³ gas

Electricity

1 megawatthour=1,000 kWh (MWh)		93.532	1 oil	0.5883	bbl	0.0955	m ³ oil	96.621	m ³ gas	3,412.14	ft ³ gas
1 teraJoule	(TJ)	25,981.45	1 oil	163.42	bbl	25.9814	m ³ oil	26,839.46	m ³ gas	947,826.7	ft ³ gas
1,000,000 kilocalories	(kcal)	108.8	1 oil	0.68	bbl	0.109	m ³ oil	112.4	m ³ gas	3,968.3	ft ³ gas

(1) 1 oil: liters of oil.

Conversion of mass

	kilogram	pound	metric ton
	(kg)	(lb)	(t)
kg	1	2.2046	0.001
lb	0.4536	1	0.0004536
t	1,000	22,046	1

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Conversion of length				
	meter (m)	inch (in)	foot (ft)	yard (yd)
m	1	39.37	3.281	1.093
in	0.0254	1	0.0833	0.0278
ft	0.3048	12	1	0.3333
yd	0.9144	36	3	1
Conversion of volumes				
	cubic foot (ft ³)	barrel (bbl)	liter (l)	cubic meter (m ³)
ft ³	1	0.1781	28.32	0.02832
bbl	5.615	1	159	0.158984
l	0.035311	0.0063	1	0.001
m ³	35.3107	6.2898	10 ³	1

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Quarterly information

Main financial data ⁽¹⁾

Italian GAAP										
	2002					2003				
	I quarter	II quarter	III quarter	IV quarter		I quarter	II quarter	III quarter	IV quarter	
Net sales from operations	12,705	11,199	10,795	13,223	47,922	14,359	11,578	11,916	13,634	51,487
Operating income:	2,700	1,875	1,854	2,073	8,502	3,333	1,779	1,897	2,508	9,517
<i>Exploration & Production</i>	1,287	1,228	1,327	1,333	5,175	1,735	1,175	1,457	1,379	5,746
<i>Gas & Power</i>	1,426	577	375	866	3,244	1,529	539	390	1,169	3,627
<i>Refining & Marketing</i>	62	60	122	77	321	117	208	151	107	583
<i>Petrochemicals</i>	(68)	31	50	(139)	(126)	(17)	(34)	(63)	(62)	(176)
<i>Engineering & Construction</i>	86	73	73	66	298	60	79	81	91	311
<i>Other activities</i>	(45)	(57)	(72)	(40)	(214)	(33)	(130)	(58)	(72)	(293)
<i>Corporate and financial companies</i>	(48)	(37)	(21)	(90)	(196)	(58)	(58)	(61)	(104)	(281)
<i>Unrealized profit in inventory</i>										
Net income	1,328	879	921	1,411	4,539	2,006	1,084	955	1,540	5,585
Capital expenditure	1,541	1,919	1,872	2,716	8,048	1,735	2,235	2,145	2,687	8,802
Investments	196	22	952	196	1,366	3,512	54	537	152	4,255
Net borrowings at period end	6,713	8,486	9,272	11,141	11,141	11,708	12,795	13,044	13,543	13,543

IFRS										
	2004					2005				
	I quarter	II quarter	III quarter	IV quarter		I quarter	II quarter	III quarter	IV quarter	
Net sales from operations	14,545	13,293	13,517	16,190	57,545	17,445	16,665	18,121	21,506	73,728
Operating income:	3,212	2,649	2,987	3,551	12,399	4,450	3,711	4,270	4,396	16,827
<i>Exploration & Production</i>	1,665	1,828	2,439	2,253	8,185	2,567	2,776	3,682	3,567	12,592
<i>Gas & Power</i>	1,551	566	433	878	3,428	1,563	592	525	641	3,321
<i>Refining & Marketing</i>	125	301	317	337	1,080	269	596	663	329	1,857
<i>Petrochemicals</i>	5	62	89	164	320	158	58	(51)	37	202
<i>Oilfield Services Construction and Engineering</i>	60	55	46	42	203	65	53	60	129	307
<i>Other activities</i>	(96)	(122)	(93)	(84)	(395)	(62)	(197)	(378)	(297)	(934)
<i>Corporate and financial companies</i>	(49)	(62)	(179)	(73)	(363)	(53)	(158)	(125)	(41)	(377)
<i>Unrealized profit in inventory</i>	(49)	21	(65)	34	(59)	(57)	(9)	(106)	31	(141)
Net income	2,001	1,364	1,585	2,109	7,059	2,445	1,898	2,340	2,105	8,788
Capital expenditure	1,729	2,030	1,745	1,995	7,499	1,474	1,732	1,744	2,464	7,414
Investments	25	45	81	165	316	23	25	38	85	146
Net borrowings at period end	11,612	13,116	11,522	10,443	10,443	8,022	9,411	6,354	10,475	10,475

IFRS

2006

	I	II	III	IV	
	quarter	quarter	quarter	quarter	
Net sales from operations	23,584	20,739	20,366	21,416	86,105
Operating income:	5,595	4,947	4,828	3,957	19,327
<i>Exploration & Production</i>	4,303	4,095	4,041	3,141	15,580
<i>Gas & Power</i>	1,199	708	592	1,303	3,802
<i>Refining & Marketing</i>	89	366	250	(386)	319
<i>Petrochemicals</i>	39	30	31	72	172
<i>Engineering & Construction</i>	83	128	145	149	505
<i>Other activities</i>	(65)	(151)	(185)	(221)	(622)
<i>Corporate and financial companies</i>	(51)	(91)	(65)	(89)	(296)
<i>Unrealized profit in inventory</i>	(2)	(138)	19	(12)	(133)
Net income	2,974	2,301	2,422	1,520	9,217
Capital expenditure	1,340	1,714	1,835	2,944	7,833
Investments	19	38	19	19	95
Net borrowings at period end	6,291	6,394	3,850	6,767	6,767

(1) Quarterly data are unaudited.

Key market indicator

2002					
	I quarter	II quarter	III quarter	IV quarter	
Average price of Brent dated crude oil ⁽¹⁾	21.14	25.04	26.95	26.78	24.98
Average EUR/USD exchange rate	0.876	0.919	0.984	1.000	0.946
Average price in euro of Brent dated crude oil ⁽²⁾	24.13	27.25	27.39	26.78	26.41
Average European refining margins ⁽³⁾	0.21	0.73	0.75	1.49	0.80
Euribor %	3.4	3.4	3.4	3.1	3.3

2003					2004					
	I quarter	II quarter	III quarter	IV quarter		I quarter	II quarter	III quarter	IV quarter	
Average price of Brent dated crude oil ⁽¹⁾	31.51	26.03	28.41	29.42	28.84	31.95	36.36	41.54	44.00	38.46
Average EUR/USD exchange rate	1.073	1.136	1.124	1.189	1.131	1.250	1.204	1.222	1.296	1.244
Average price in euro of Brent dated crude oil ⁽²⁾	29.36	22.90	25.26	24.74	25.50	25.56	29.37	33.99	33.95	30.72
Average European refining margins ⁽³⁾	3.81	2.17	2.28	2.34	2.65	2.21	5.26	4.28	5.75	4.35
Euribor %	2.7	2.4	2.1	2.2	2.3	2.1	2.1	2.1	2.2	2.1

2005					2006					
	I quarter	II quarter	III quarter	IV quarter		I quarter	II quarter	III quarter	IV quarter	
Average price of Brent dated crude oil ⁽¹⁾	47.50	51.59	61.54	56.90	54.38	61.75	69.62	69.49	59.68	65.14
Average EUR/USD exchange rate	1.311	1.260	1.220	1.189	1.244	1.202	1.256	1.274	1.290	1.256
Average price in euro of Brent dated crude oil ⁽²⁾	36.23	40.94	50.44	47.86	43.71	51.37	55.43	54.55	46.26	51.86
Average European refining margins ⁽³⁾	4.26	6.78	7.02	5.05	5.78	2.95	5.77	4.27	2.18	3.79
Euribor %	2.1	2.1	2.1	2.3	2.2	2.6	2.9	3.2	3.6	3.1

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

(2) Eni calculation.

(3) In US dollars per barrel FOB Mediterranean Brent crude. From 1995 lead-free gasoline. Eni elaborations on Platt's Oilgram data.

Contents**Main operating data**

Italian GAAP					
2002					
	I	II	III	IV	
	quarter	quarter	quarter	quarter	
Daily production of oil (kbbbls/d)	910	927	908	939	921
Daily production of natural gas (kboe/d)	531	541	543	588	551
Daily production of hydrocarbons (kboe/d)	1,441	1,468	1,451	1,527	1,472
<i>Italy</i>	<i>311</i>	<i>315</i>	<i>320</i>	<i>316</i>	<i>316</i>
<i>North Africa</i>	<i>330</i>	<i>349</i>	<i>360</i>	<i>376</i>	<i>354</i>
<i>West Africa</i>	<i>237</i>	<i>238</i>	<i>240</i>	<i>235</i>	<i>237</i>
<i>North Sea</i>	<i>313</i>	<i>313</i>	<i>271</i>	<i>337</i>	<i>308</i>
<i>Rest of World</i>	<i>250</i>	<i>253</i>	<i>260</i>	<i>263</i>	<i>257</i>
Production sold (mmboe)	132.8	123.3	124.7	142.5	523.3
Sales of natural gas to third parties (bcm)	21.88	12.75	11.28	18.21	64.12
Own consumption of natural gas (bcm)	0.51	0.5	0.5	0.51	2.02
Sales to third parties and own consumption (bcm)	22.39	13.25	11.78	18.72	66.14
Sales of natural gas of Eni's affiliates (net to Eni) (bcm)					2.4
Total sales and own consumption of natural gas (bcm)	22.39	13.25	11.78	18.72	68.54
Volumes transported on behalf of third parties in Italy (bcm)	4.55	4.79	4.94	5.56	19.84
Electricity sales (TWh)	1.37	1.24	1.06	1.34	5.01
Sales of refined products (mmtonnes):	12.22	13.42	13.2	13.18	52.24
<i>Retail sales in Italy</i>	<i>2.67</i>	<i>2.81</i>	<i>2.87</i>	<i>2.79</i>	<i>11.14</i>
<i>Wholesale sales in Italy</i>	<i>2.66</i>	<i>2.54</i>	<i>2.55</i>	<i>2.89</i>	<i>10.64</i>
<i>Retail sales outside Italy</i>	<i>0.96</i>	<i>1.05</i>	<i>1</i>	<i>1</i>	<i>4.01</i>
- <i>Rest of Europe</i>	<i>0.58</i>	<i>0.64</i>	<i>0.69</i>	<i>0.66</i>	<i>2.57</i>
- <i>Africa and Brazil</i>	<i>0.38</i>	<i>0.41</i>	<i>0.31</i>	<i>0.34</i>	<i>1.44</i>
<i>Wholesale sales outside Italy</i>	<i>1.29</i>	<i>1.32</i>	<i>1.59</i>	<i>1.45</i>	<i>5.65</i>
- <i>Other sales</i>	<i>4.7</i>	<i>5.75</i>	<i>5.25</i>	<i>5.1</i>	<i>20.8</i>

	Italian GAAP					IFRS					
	2003					2004					
	I	II	III	IV		I	II	III	IV		
	quarter	quarter	quarter	quarter		quarter	quarter	quarter	quarter		
Daily production of oil (kbbbls/d)		925	978	985	1,035	981	1,016	1,026	1,003	1,090	1,034
Daily production of natural gas (kboe/d)		573	578	571	602	581	612	595	542	614	590

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Daily production of hydrocarbons (kboe/d)	1,498	1,556	1,556	1,637	1,562	1,628	1,621	1,545	1,704	1,624
<i>Italy</i>	<i>310</i>	<i>302</i>	<i>295</i>	<i>293</i>	<i>300</i>	<i>278</i>	<i>263</i>	<i>271</i>	<i>272</i>	<i>271</i>
<i>North Africa</i>	<i>333</i>	<i>343</i>	<i>357</i>	<i>369</i>	<i>351</i>	<i>367</i>	<i>374</i>	<i>367</i>	<i>411</i>	<i>380</i>
<i>West Africa</i>	<i>235</i>	<i>262</i>	<i>265</i>	<i>278</i>	<i>260</i>	<i>301</i>	<i>302</i>	<i>320</i>	<i>339</i>	<i>316</i>
<i>North Sea</i>	<i>367</i>	<i>349</i>	<i>317</i>	<i>348</i>	<i>345</i>	<i>334</i>	<i>335</i>	<i>258</i>	<i>306</i>	<i>308</i>
<i>Rest of World</i>	<i>253</i>	<i>300</i>	<i>322</i>	<i>349</i>	<i>306</i>	<i>348</i>	<i>347</i>	<i>329</i>	<i>376</i>	<i>349</i>
Production sold (mmboe)	128.6	138.7	141.2	147.7	556.2	143.4	141.7	138.5	152.9	576.5
Sales of natural gas to third parties (bcm)	23.54	13.79	11.84	20.32	69.49	24.78	15.15	12.68	20.18	72.79
Own consumption of natural gas (bcm)	0.51	0.39	0.4	0.6	1.9	0.81	0.87	0.97	1.05	3.7
Sales to third parties and own consumption (bcm)	24.05	14.18	12.24	20.92	71.39	25.59	16.02	13.65	21.23	76.49
Sales of natural gas of Eni's affiliates (net to Eni) (bcm)	1.16	2.18	1.42	2.18	6.94	2.06	1.59	1.52	2.15	7.32
Total sales and own consumption of natural gas (bcm)	25.21	16.36	13.66	23.1	78.33	27.65	17.61	15.17	23.38	83.81
Volumes transported on behalf of third parties in Italy (bcm)	5.9	6.28	5.87	6.58	24.63	6.89	7.2	6.7	7.47	28.26
Electricity sales (TWh)	1.26	1.25	1.16	1.88	5.55	2.51	3.57	3.56	4.21	13.85
Sales of refined products (mmtonnes):	11.82	12.5	12.32	13.27	50.43	12.73	14.34	13.04	13.43	53.54
<i>Retail sales in Italy</i>	<i>2.57</i>	<i>2.81</i>	<i>2.84</i>	<i>2.77</i>	<i>10.99</i>	<i>2.55</i>	<i>2.78</i>	<i>2.83</i>	<i>2.77</i>	<i>10.93</i>
<i>Wholesale sales in Italy</i>	<i>2.5</i>	<i>2.48</i>	<i>2.45</i>	<i>2.92</i>	<i>10.35</i>	<i>2.56</i>	<i>2.58</i>	<i>2.65</i>	<i>2.91</i>	<i>10.7</i>
<i>Retail sales outside Italy</i>	<i>0.88</i>	<i>1.02</i>	<i>1.18</i>	<i>1.12</i>	<i>4.2</i>	<i>1.08</i>	<i>1.15</i>	<i>0.93</i>	<i>0.88</i>	<i>4.04</i>
<i>- Rest of Europe</i>	<i>0.61</i>	<i>0.72</i>	<i>0.88</i>	<i>0.81</i>	<i>3.02</i>	<i>0.8</i>	<i>0.86</i>	<i>0.93</i>	<i>0.88</i>	<i>3.47</i>
<i>- Africa and Brazil</i>	<i>0.27</i>	<i>0.3</i>	<i>0.3</i>	<i>0.31</i>	<i>1.18</i>	<i>0.28</i>	<i>0.29</i>			<i>0.57</i>
<i>Wholesale sales outside Italy</i>	<i>1.44</i>	<i>1.57</i>	<i>1.55</i>	<i>1.45</i>	<i>6.01</i>	<i>1.39</i>	<i>1.65</i>	<i>1.1</i>	<i>1.16</i>	<i>5.3</i>
<i>Other sales</i>	<i>4.56</i>	<i>4.75</i>	<i>4.43</i>	<i>5.14</i>	<i>18.88</i>	<i>5.15</i>	<i>6.18</i>	<i>5.53</i>	<i>5.71</i>	<i>22.57</i>

IFRS

	2005				2006					
	I quarter	II quarter	III quarter	IV quarter	I quarter	II quarter	III quarter	IV quarter		
Daily production of oil (kbbbls/d)	1,100	1,107	1,106	1,132	1,111	1,143	1,056	1,041	1,079	1,079
Daily production of natural gas (kboe/d)	603	618	609	674	626	684	692	668	718	690
Daily production of hydrocarbons (kboe/d)	1,703	1,725	1,715	1,806	1,737	1,827	1,748	1,709	1,796	1,770
<i>Italy</i>	265	268	256	254	261	247	237	235	232	238
<i>North Africa</i>	432	465	502	522	480	541	555	554	571	555
<i>West Africa</i>	327	326	347	372	343	382	368	365	372	372
<i>North Sea</i>	290	286	265	291	283	298	284	254	291	282
<i>Rest of World</i>	389	380	345	367	370	359	304	301	330	323
Production sold (mm boe)	148.0	153.4	152.5	161.0	614.9	159.5	154.1	152.3	159.2	625.1
Sales of natural gas to third parties (bcm)	24.55	15.65	13.95	22.93	77.08	26.20	16.11	14.97	22.35	79.63
Own consumption of natural gas (bcm)	1.25	1.34	1.48	1.47	5.54	1.47	1.61	1.50	1.55	6.13
Sales to third parties and own consumption (bcm)	25.80	16.99	15.43	24.40	82.62	27.67	17.72	16.47	23.90	85.76
Sales of natural gas of Eni's affiliates (net to Eni) (bcm)	2.27	1.53	1.23	2.05	7.08	2.41	1.65	1.62	1.97	7.65
Total sales and own consumption of natural gas (bcm)	28.07	18.52	16.66	26.45	89.70	30.08	19.37	18.09	25.87	93.41
Volumes transported on behalf of third parties in Italy (bcm)	8.34	7.99	6.59	7.30	30.22	8.77	7.72	6.93	7.48	30.90
Electricity sales (TWh)	4.98	5.57	6.15	6.07	22.77	6.42	6.00	6.33	6.07	24.82
Sales of refined products (mmtonnes):	12.30	12.51	13.16	13.66	51.63	12.32	12.55	13.09	13.17	51.13
<i>Retail sales in Italy</i>	2.52	2.70	2.63	2.20	10.05	2.06	2.20	2.24	2.16	8.66
<i>Wholesale sales in Italy</i>	2.53	2.54	2.58	2.83	10.48	2.54	2.48	2.46	2.58	10.06
<i>Retail sales outside Italy</i>	0.83	0.94	0.99	0.91	3.67	0.87	0.95	1.03	0.97	3.82
<i>- Rest of Europe</i>	0.83	0.94	0.99	0.91	3.67	0.87	0.95	1.03	0.97	3.82
<i>- Africa and Brazil</i>										
<i>Wholesale sales outside Italy</i>	1.10	1.06	1.14	1.20	4.50	1.13	1.15	1.17	1.15	4.60
<i>Other sales</i>	5.32	5.27	5.82	6.52	22.93	5.72	5.77	6.19	6.31	23.99

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Publications
Financial Statements prepared in accordance with
Legislative Decree No. 127 of April 9, 1991 (in Italian)
Annual Report
Annual Report on Form 20-F
for the Securities and Exchange Commission
Sustainability Report (in Italian and English)
Fact Book (in Italian and English)
Report on the First, the Second and the Third Quarter
(in Italian and English)
Report on the First Half (in Italian)
prepared in accordance with art. 2428 of Italian Civil Code
Report on the First Half (in English)

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Phase I of the massive Kashagan development project is progressing toward completion with expected start-up by the end of 2010. This project intended to produce up to 13 billion barrels of recoverable reserves will demonstrate again Eni's ability to deliver in spite of the complexity of tasks and the harshness of environmental conditions. Pictured on the cover is a floating production hub for collecting oil and natural gas from artificial, satellite islands. After an early stage treatment, oil is expected to be transported onshore for further purification and exportation.



Countries of activity

EUROPE

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

CIS

Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan

AFRICA

Algeria, Angola, Cameroon, Chad, Congo, Côte d'Ivoire, Egypt, Gabon, Libya, Mali, Morocco, Mozambique, Nigeria, Tunisia

MIDDLE EAST

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

CENTRAL ASIA

India, Pakistan

SOUTH EAST ASIA AND OCEANIA

Australia, China, East Timor, Indonesia, Malaysia, Papua-New Guinea, Thailand

AMERICAS

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

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Eni SpA is the parent company of the Eni Group of companies. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiaries.

The Exploration & Production Division (E&P) is engaged in exploration, development and production activities mainly in Italy, in North and West Africa, in the Caspian Region, in the Gulf of Mexico and in Kazakhstan.

The Gas & Power Division (G&P) conducts gas marketing, supply, transport and distribution activities and power generation activity mainly in Italy and in Europe.

The Refining & Marketing Division (R&M) is engaged in the refining and marketing of petroleum products activities mainly in Italy and Central and West Europe. The Engineering & Construction Division (E&C) is engaged in the execution of large offshore projects for the oil industry, including subsea pipelaying and construction of production platforms, FPSO units and

This report contains certain forward-looking statements particularly those regarding capital expenditure, development and management of oil and gas resources, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future.

Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology;

relevant facilities, drilling services, and the construction of plants in the oil and petrochemical industries.

The term *shareholder* in this report means, unless the context otherwise requires, investors in the equity capital of Eni SpA, both direct and/or indirect.

For definitions of certain financial and operating term see *Frequently used terms* section, on page 71.

Eni in 2006 report comprises the description of the business, a synthesis of the management's discussion and analysis of financial condition and results of operations and certain other company information from Eni's Annual Report for the year ended 31 December 2006. It does not contain sufficient information to allow as full an understanding of financial results, operating performances and business developments of Eni as Eni 2006 Annual Report. It is not deemed to be filed or submitted with any Italian or US market or other regulatory authorities.

You may obtain a copy of *Eni in 2006* and *Eni 2006 Annual Report* on request, free of charge (see the request form on Eni's web site - www.eni.it - under the section *Documents Download>Reports*).

Eni in 2006 and *Eni 2006 Annual Report* may be downloaded from Eni's web site under the section *Investor relations>Reports*.

changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document.

As Eni shares, in the form of ADRs, are listed on the New York Stock Exchange (NYSE), an annual report on Form 20-F will be filed with the US Securities and Exchange Commission in accordance with the US Securities Exchange Act of 1934.

When filed, hard copies may be obtained free of charge (see the request form on Eni's web site www.eni.it under the section *Documents Download>Reports*). Eni discloses on its Annual Report significant ways in which its corporate governance practices differ from those mandated for US companies under NYSE listing standards.

Eni shares are traded on the Italian Stock Exchange (Mercato Telematico Azionario) and on the New York Stock Exchange (NYSE) under the ticker *E*.

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MISSION

We are a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. Eni men and women have a passion for challenges, continuous improvement, excellence and particularly value people, the environment and integrity



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ENI IN 2006 / TO OUR SHAREHOLDERS

To our Shareholders

Roberto Poli
Chairman

Paolo Scaroni
CEO

2006 was a remarkable year for Eni in terms of both financial performance and operational accomplishments.

Our earnings and cash flow were the highest in our history, driven by continued improvements in performance and consistent execution of our strategy in a broadly favorable trading environment.

In particular, we maintained pleasing production growth despite the impact of disruption in Venezuela, achieved several exploration successes, secured access to promising new acreage and further expanded our global natural gas business.

On top of that, we struck a landmark agreement with Gazprom which extends our gas contracts to 2035 and opens up new opportunities for upstream expansion in Russia.

Financial performance

Our reported net profit of euro 9.2 billion in 2006 was the highest in the history of the Company.

Adjusted net profit rose 12.5% to euro 10.4 billion, representing a return on average capital employed of 22.7%. Net cash generated by operating activities totalled euro 17 billion, allowing us to finance capital expenditure of euro 7.8 billion and to reduce our debt/equity ratio to 0.16. Those strong results enabled us to propose a dividend of euro 1.25 per share to our Annual General Shareholders Meeting, up 14% compared to 2005 (euro 1.10 per share), of which euro 0.60 was paid as an interim dividend in October 2006.

During the year, we purchased a total of 53.1 million of our own shares for euro 1.2 billion, bringing the total cash returned to shareholders for the year to euro 5.8 billion. Our total shareholder return was 14.8%, making

Sustaining growth and shareholder return

Growth is at the heart of our strategic priorities.

A strong pipeline of projects and investment opportunities will enable us to achieve our ambitious short and long-term growth targets.

Over the next four years, we will invest euro 44.6 billion in our businesses to ensure our continued growth, also beyond 2010. This investment program, the largest ever in Eni's history, will be carried out with tight financial discipline.

The projected free cash flow in 2010 will allow us to sustain the current flow of dividends in real terms, even with a scenario of 40 \$/bl Brent.

Among Eni's business divisions, **EXPLORATION & PRODUCTION** showed the strongest growth.

In 2006, the division's adjusted net profit increased by 17.7% to euro 7.3 billion. Oil and gas production rose by approximately 2% to 1.77 million boepd.

This increase was entirely organic and was achieved despite the negative impact of the unilateral termination of the Dación contract in Venezuela and the adverse entitlement effects in PSAs and buyback contracts due to higher oil prices. Excluding the effect of higher oil prices on PSAs and the termination of the Dación contract, organic production growth was close to an impressive 6%. We are committed to maintaining strong organic production growth.

The company targets a production level of 2 million boepd by 2010, with an average growth rate of approximately 3% per year.

Exploration activity reaped substantial results in 2006,

this the fifth year running that we have outperformed our peer group.

reaching an average success rate of 49% and adding 152,000 sq km of net acreage, 99% operated. Over the medium term, we are committed

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to replacing more than 100% of produced reserves. Development activities are progressing in many fields around the world, including Kashagan, where we expect higher capex and a longer timetable. However, we have also been able to confirm that the field is capable of higher production levels than previously thought.

We are progressing with the global expansion of the LNG business as a way to monetize our large gas reserve base. Major steps taken in 2006 include the start-up of train five at the Bonny liquefaction plant in Nigeria, where a sixth train will commence operations in 2008, and the signing of a framework agreement for doubling the capacity of the Damietta liquefaction plant in Egypt by 2010.

The growth options we are presently pursuing with our partner Gazprom could potentially enable us to accelerate the achievement of our growth targets.

In **GAS & POWER**, our strong and integrated position in Europe generates stable and robust earnings and cash flows. Adjusted net profit for the year rose by 12.1% to euro 2.9 billion, supported by an approximately 16% increase in volumes sold in Europe (excluding Italy) to 35 bcm (excluding gas sold by E&P of 4 bcm). This result was achieved despite stiff competition and mild weather.

Our strategy is based on growing our market share in key European markets, preserving our domestic natural gas business and effectively managing our regulated business. European natural gas demand is forecast to grow steadily in the future, resulting in a cumulative increase of around 45% by 2020 (2.4% per annum). This, coupled with the decline of Europe's internal production, means that our continent will become more and more reliant on external supplies to fulfill its gas needs. In this context, Eni is poised to further strengthen its market leadership by leveraging on an unparalleled portfolio of assets in terms of infrastructure, availability of gas both equity and purchased under long term supply contracts long-standing relationships with natural gas producing countries, market knowledge and a large customer base. The recent alliance with Gazprom marks a new milestone in our relationship with the largest natural gas producer in the world, and will enable us to reinforce our competitive profile.

105 bcm of gas worldwide, with sales outside Italy expected to grow at an average rate of 10% per year.

Our **REFINING & MARKETING** division reported an adjusted net profit of euro 629 million, which was 33.4% lower than in 2005 due to the weak refining margin environment, the appreciation of the euro against the dollar and the impact of higher levels of planned maintenance activity.

Looking forward, several trends are emerging in the refining landscape: the adoption of increasingly strict environmental standards, global imbalances in product availability (especially a deficit of diesel fuel in Europe), a relative abundance of heavy crude and the desire to increase efficiency. These are the key drivers of our strategy.

In Refining, Eni will increase its capital expenditure to enhance the refinery conversion rate in order to meet future product quality requirements, produce higher-value products and chemical feedstocks, lower operating costs and increase refinery flexibility in processing low-quality crude oils. In Marketing, we aim to extract full value from our retail business in Italy through a selective investment program, customer-focused marketing initiatives, effective differentiation of pricing, an improved premium-products offer, and operating efficiencies.

In managing our **PETROCHEMICAL** operations, which reported an adjusted net profit of euro 174 million for 2006, we remain committed to improving efficiency and selectively developing those plants with sufficient scale and a favorable geographic location. Capital expenditure will be focussed on implementing de-bottlenecking projects, enhancing the efficiency and flexibility of plants in areas of excellence (styrenes and elastomers) and maintaining high standards of health, safety, security and environmental performance.

In **ENGINEERING & CONSTRUCTION**, adjusted net profit rose by 22% to euro 400 million, reflecting the strong competitive position held by Saipem, also as a result of the integration of Snamprogetti.

To cope with rising demand for drilling equipment and oilfield services, Saipem is planning to further expand the geographical reach and operational features of its

By 2010 we are committed to selling more than

world-class fleet.

Our relentless commitment to technological research and innovation underscores a fundamental belief that technology is key to increasing our competitive

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advantage over the long term and promoting sustainable growth. We are conducting research aimed primarily at reducing the costs of finding and recovering hydrocarbons, upgrading heavy oils, monetizing stranded gas and protecting the environment. In particular we are moving forward on our breakthrough technologies: EST (Eni Slurry Technology) for the full exploitation of the heavy barrel, TAP (gas transportation at high pressure) and GTL (gas-to-liquids) for gas monetization.

March 29, 2007

Sustainable development

2006 marks the first year in which Eni has published a Sustainability Report to communicate more effectively with stakeholders. We now have a more coherent approach to sustainability, and are even more committed to managing and developing your company in a responsible and accountable way. Among the various initiatives, our focus is on reducing greenhouse gas emissions from industrial processes and developing projects to economically exploit flared gas. In conclusion, 2006 was a very good year for Eni. As well as delivering impressive results, we have worked to create future growth opportunities in all our divisions. We are confident that we can continue to deliver industry-leading growth and superior shareholder returns.

In representation of the Board of Directors

Chairman

Chief Executive Officer and General Manager

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ENI IN 2006 / PROFILE OF THE YEAR

FINANCIAL HIGHLIGHTS	2004	2005	2006
(euro million, unless otherwise specified)			
Net sales from operations	57,545	73,728	86,105
Operating profit	12,399	16,827	19,327
Adjusted operating profit	12,582	17,558	20,490
Eni's net profit	7,059	8,788	9,217
Eni's adjusted net profit	6,645	9,251	10,412
Net cash provided by operating activities	12,500	14,936	17,001
Capital expenditure	7,499	7,414	7,833
Dividends to Eni shareholders relating to the year ^(a)	3,384	4,086	4,594
Cash dividends to Eni shareholders	2,828	5,070	4,610
Common stock purchases (gross)	70	1,034	1,241
Research and development costs	257	204	222
Total assets at year end	72,853	83,850	88,312
Total debt at year end	12,684	12,998	11,699
Shareholders' equity including minority interest at year end	35,540	39,217	41,199
Net borrowings at year end	10,443	10,475	6,767
Net capital employed at year end	45,983	49,692	47,966
Return On Average Capital Employed (ROACE)			
- reported	(%) 16.6	19.5	20.3
- adjusted	(%) 15.9	20.5	22.7
Leverage	0.29	0.27	0.16

(a) Amounts due on the payment of the balance of 2006 dividend are estimated.

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SHAREHOLDER INFORMATION		2004	2005	2006
Eni's net profit:				
- per share ^(a)	(euro)	1.87	2.34	2.49
- per ADR ^(b)	(US\$)	4.66	5.81	6.26
Eni's adjusted net profit:				
- per share ^(a)	(euro)	1.76	2.46	2.81
- per ADR ^(b)	(US\$)	4.38	6.12	7.07
Dividend pertaining to the year:				
- per share	(euro)	0.90	1.10	1.25
- per ADR ^(b)	(US\$)	2.24	2.74	3.14
Annual dividend per share growth	(%)	20.0	22.2	13.6
Pay-out	(%)	48	46	50
Dividend yield ^(c)	(%)	4.9	4.7	5.0
Share price at year end	(euro)	18.42	23.43	25.48
Cash dividend to net profit	(%)	40	58	50
Cash dividend to Free Cash Flow (FCF)	(%)	45	62	47
Total shareholder return (TSR)	(%)	28.5	35.3	14.8
Number of shares outstanding:				
- at year end	(million)	3,770.0	3,727.3	3,680.4
- average (fully diluted)	(million)	3,774.9	3,763.4	3,701.3
Market capitalization ^(d)	(euro billion)	69.4	87.3	93.8
Market quotations for common stock on the Mercato Telematico Azionario (MTA - "Telematico")				
High	(euro)	18.75	24.96	25.73
Low	(euro)	14.72	17.93	21.82
Average daily close	(euro)	16.94	21.60	23.83
Year-end close	(euro)	18.42	23.43	25.48
Market quotations for ADR on the New York Stock Exchange ^(e)				
High	(US\$)	126.45	151.35	67.69
Low	(US\$)	92.35	118.50	54.65
Average daily close	(US\$)	105.60	134.02	59.97
Year-end close	(US\$)	125.84	139.46	67.28
Average daily traded volumes	(million of shares)	20.0	28.5	26.2
Value	(euro million)	338.7	620.7	619.1

(a) Fully diluted. Ratio of net profit and average number of shares outstanding in the year. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.

(b) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.

(c) Ratio of dividend for the period and average price of Eni shares in December.

(d) Number of outstanding shares by references price at year end.

(e) Effective January 10, 2006 a 5:2 stock split was made.

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The Eni share

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VOLUMES SUMMARY		2004	2005	2006
Exploration & Production				
Net proved reserves of hydrocarbons (at 31 December)	(mmboe)	7,218	6,837	6,436
- Liquids	(mmbbl)	4,008	3,773	3,481
- Natural gas	(bcf)	18,435	17,591	16,965
Average reserve life index	(year)	12.1	10.8	10.0
Production of hydrocarbons	(kboe/d)	1,624	1,737	1,770
- Liquids	(kbbbl/d)	1,034	1,111	1,079
- Natural gas	(mmcf/d)	3,387	3,595	3,966
Gas & Power				
Worldwide gas sales	(bcm)	87.03	94.21	97.48
Total gas sales in Europe	(bcm)	85.32	92.50	95.97
- G&P division sales	(bcm)	80.62	87.99	91.90
- Upstream sales ^(a)	(bcm)	4.70	4.51	4.07
Customers in Italy	(million)	5.95	6.02	6.54
Gas volumes transported in Italy	(bcm)	80.41	85.10	87.99
Electricity production sold	(TWh)	13.85	22.77	24.82
Refining & Marketing				
Refining throughputs on own account	(mmtonnes)	37.69	38.79	38.04
Refining throughputs of wholly-owned refineries	(mmtonnes)	26.75	27.34	27.17
Balanced capacity of wholly-owned refineries	(kbbbl/d)	504	524	534
Balanced capacity utilization rate	(%)	100	100	100
Sales of petroleum products on Agip branded network in Europe	(mmtonnes)	12.35	12.42	12.48
Agip branded service stations in Europe at period end	(units)	6,225	6,282	6,294
Average throughput of Agip branded network in Europe	(kliters/y)	2,488	2,479	2,470
Engineering & Construction				
Orders acquired	(euro million)	5,784	8,395	11,172
Order backlog at period end	(euro million)	8,521	10,122	13,191
Employees at period end	(units)	70,348	72,258	73,572

(a) Does not include Eni's share of Nigerian LNG (Eni 10.4%) sales in Europe amounting to 1.30; 1.31; 1.55 bcm; in 2004, 2005 and 2006, respectively.

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Eni at a glance

Eni is a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas.

In Exploration & Production, Eni boasts strong positions in some of the fastest growing oil and gas basins in the world such as the Caspian Region, North and West Africa. The quality of our assets, long-standing relationships with key host countries, and a strong pipeline of capital projects and investment opportunities will enable Eni to deliver industry-leading growth in both the short and the long term.

Eni Gas & Power division covers all phases of the gas value chain: supply, transport, distribution and marketing, resulting in a fully integrated business model. A significant installed power generation capacity enables Eni to extract further value from gas, diversifying its commercial outlets. The main feature of the Gas & Power division is its ability to generate a steady stream of earnings and cash flow, leveraging on its unparalleled asset base. Eni boasts market leadership in Europe owing to a unique competitive position thanks to gas availability under long-term supply contracts and equity gas, access to infrastructure, long-term relationships with key producing countries, market knowledge and a wide portfolio of clients. These assets provide Eni with a solid platform for growth. Integration with upstream operations provides the Group with the ability to monetize its equity gas reserves and to pursue opportunities arising in the gas market.

Eni is leader in the refining business and in the marketing of refined products in Italy and holds solid positions in the marketing of refined products in selected European countries. Eni's refining and marketing operations are efficiently integrated valuable logistic assets, so as to maximize cost efficiencies and deliver appreciable returns on capital employed. Integration of Eni refineries with upstream operations further strengthens the competitive position of the Refining & Marketing division.

Its strong presence in engineering and oilfield services provides Eni with the necessary competence and expertise, coupled with access to engineering skills and technologies, to design and execute world scale projects, representing a key element supporting Eni growth and innovation plans.

This business mix is unique among integrated oil and gas companies. The relevant weight of the downstream gas business gives Eni a stable, robust stream of earnings and cash flow, virtually independent of energy price movements, thus counterbalancing the fluctuations of the oil cycle and the higher riskiness of the upstream business. The same applies to the downstream oil business.

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Eni's key objectives are to deliver superior growth and attractive shareholder returns over the long term.

Eni's strategy is consistent with these goals and is based on the following guidelines:

- leverage on its asset portfolio and execution capabilities;
- allocate the cash generated from operations to capital expenditure, driving long-term organic growth, and to an attractive and sustainable flow of dividends;
- use cash in excess of capital expenditure and dividend needs to continue the programme of share repurchase and to maintain a solid financial structure;
- apply tight financial discipline to investment decisions;
- continue to improve operating efficiency and effectiveness;
- manage risks;
- devote significant resources to technological innovation in order to create and maintain competitive advantages;
- promote the sustainability of the business model.

Over the next four years, Eni will implement the largest capital expenditure program in its history by investing euro 44.6 billion in its businesses to support continued growth, also beyond 2010. The ability to generate robust cash flow from operations will enable Eni to finance its capital expenditure plans and to sustain the distribution of dividends to shareholders.

Since 2000, we have returned approximately euro 27 billion to our shareholders through dividends and repurchase of own shares. Of that, approximately 80% has been distributed to shareholders via dividends, which have been hiked by an impressive 200% over this period. At the same time, we invested approximately euro 66 billion in capital expenditure and acquisitions in order to boost growth in all our businesses, achieving in particular a 50% increase in daily oil and gas production (or a compound annual growth rate of approximately 7%). Meanwhile, we have managed to maintain a healthy balance sheet thanks to our impressive cash flow generation, totaling euro 85 billion; a further euro 7 billion was generated by divesting non strategic assets and businesses. Finally, thanks to the repurchase of our own shares, we have reduced the number of shares outstanding by approximately 8%, boosting earnings per share by the same amount.

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Development of the Kashagan field offshore Kazakhstan. Pictured above is a floating production hub for collecting oil and natural gas from artificial satellite islands. After an early stage treatment, oil is transported onshore for further purification and exportation.

Key performance indicators		2004	2005	2006
		_____	_____	_____
Net sales from operations ^(a)	(million euro)	15,346	22,531	27,173
Operating profit		8,185	12,592	15,580
Adjusted operating profit		8,202	12,903	15,763
Adjusted net profit		4,033	6,186	7,279
Capital expenditure		4,853	4,965	5,203
<i>of which: exploration</i> ^(b)		499	656	1,348
Capital employed, net		17,937	20,206	18,590
ROACE adjusted	(%)	22.7	32.4	37.5
Average realizations				
- Liquids	(\$/bbl)	34.73	49.09	60.09
- Natural gas	(\$/mmcf)	3.89	4.49	5.29
- Total hydrocarbons	(\$/boe)	30.40	41.06	48.87
Production				
- Liquids	(kbbbl/d)	1,034	1,111	1,079
- Natural gas	(mmcf/d)	3,387	3,595	3,966
- Total hydrocarbons	(kboe/d)	1,624	1,737	1,770
Net proved reserves				
- Liquids	(mmbbl)	4,008	3,773	3,481
- Natural gas	(bcf)	18,435	17,591	16,965
- Total hydrocarbons	(mmboe)	7,218	6,837	6,436
Reserve life index	(year)	12.1	10.8	10.0
Proved reserve replacement ratio	(%)	105	23	65
Employees at year end	(unit)	7,477	8,030	8,336

- (a) Before elimination of intersegment sales.
- (b) Includes exploration bonus.

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STRATEGIES

In Exploration & Production, Eni boasts strong positions in some of the fastest growing oil and gas basins in the world such as the Caspian Region, North and West Africa. The quality of our assets, long-standing relationships with key host countries, and a strong pipeline of capital projects and investment opportunities will enable Eni to deliver industry-leading growth in both the short and the long term. Consistent with this goal, strategies for our global exploration, development and production operations have remained basically unchanged for many years to date and feature as follows:

- Maintain strong production growth;
- Ensure medium to long-term business sustainability by focusing on reserve replacement;
- Develop new projects to fuel future growth; and
- Develop the LNG business.

In order to carry out these fundamental strategies, Eni intends to invest approximately euro 30.6 billion addressed to exploration initiatives and reserve development over the next four-year period frame.

2006 HIGHLIGHTS

In February 2007, Eni purchased exploration and production onshore activities operated by Maurel & Prom in Congo, entailing a cash consideration of \$1.4 billion. This deal is consistent with Eni's strategy of purchasing proved and unproved reserves and producing assets in legacy countries where Eni can achieve synergies leveraging on own competencies and the availability of facilities. This transaction is subject to approval by the Congolese authorities.

In 2006 adjusted net profit was euro 7,279 million, up euro 1,093 million from a year ago (+17.7%), reflecting a better operating profit as a result of higher oil and natural gas realization in dollars combined with increased production volumes sold. These positives were offset in part by higher operating costs and a high adjusted tax rate.

Net proved reserves at December 31, 2006 stood at 6.44 bboe (down 6% compared with December 31, 2005), representing 10 years of remaining production at the current rate. Organic proved additions, as calculated by applying a year-end Brent price of \$58.925 per barrel, replaced 65% of production. Assuming Brent is constant at \$40 per barrel when determining entitlements in PSAs, the three-year average proved reserve replacement ratio would be 106%.

Eni invested euro 3.6 billion in the development of oil and natural gas reserves, in particular in Kazakhstan, Angola, Egypt and Italy. In exploration activities Eni invested euro 1.4 billion (up 106% compared with 2005) to support reserve replacement and the renewal of its portfolio.

In 2006, Eni achieved several hydrocarbon discoveries, mainly in Indonesia, Egypt, Kazakhstan, Norway, Nigeria, the United Kingdom, the Gulf of Mexico, Italy, Angola and Congo. A total of 68 exploratory wells were completed (35.9 net to Eni), with a commercial rate of success of 43% (49% net to Eni). A further 26 wells

Return on average capital employed calculated on an adjusted basis was 37.5% in 2006, higher than in 2005 (32.4%).

Oil and natural gas production for the year averaged 1.77 mmboe/d, up 1.9% from 2005. This included the loss of production at the Venezuelan Dación oilfield and lower entitlements in certain Production Sharing Agreements (PSAs) and buy-back contracts due to higher oil and gas prices. Eni delivered its 3% production growth rate based on a \$55 per barrel scenario, as announced in the 2006 quarterly production outlook.

were in progress as of the year-end.

Eni's exploratory portfolio was strengthened through acquisition of assets in both core areas such as Angola, Alaska, Brazil, Congo, Egypt, Nigeria, Norway, Pakistan, the Gulf of Mexico and new countries/areas with high mineral potential such as Mali, Mozambique and East Timor. Gross acquired acreage extends for approximately 259,000 square kilometers (152,000 net to Eni, 99% operated).

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Algeria, the principal producing fields operated by Eni are located in the Bir Rebaa area in the South-Eastern desert.

Maintain strong production growth

Eni's strategy is to build on its strong position in some of the world's most attractive oil and gas basins to deliver industry leading production growth. We plan to accomplish this by applying the most cost-effective technologies and operations management systems to each and every asset to maximize the commercial recovery of hydrocarbons.

Eni's assets are well balanced between mature producing fields and fields that are at the early stages of their producing cycles with significant opportunities for growth. Mature areas include mainland and offshore Italy, the North Sea and certain basins in Egypt. Growing areas include Libya, offshore and onshore West Africa, the Caspian Sea and the Nile Delta. Eni expects contributions from the latter to boost production growth to 2010 and beyond.

Eni continually invests in its existing asset base to increase resource recovery, maximize profitability, and extend field life. New production volumes are generated through workovers, drilling of new wells, and project implementation. In 2006, Eni invested euro 3.6 billion to develop new reserves and to maximize resource recovery from existing fields. In the next four years, Eni plans to invest approximately euro 22.5 billion evenly allocated to initiatives intended to counteract mature field decline, fuel medium-term growth and support growth beyond 2010.

Several fields/projects were started up during 2006. Among the key start-ups are: (i) the Benguela/Belize and Lobito/Tomboco fields in Block 14 (Eni's interest 20%), holding recoverable reserves of approximately 460 mmbbl. Peak production at 158 kbbbl/d (20 net to Eni) is expected in 2009 upon completion of the drilling

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program; (ii) the fifth train as a part of the development of the Bonny liquefaction plant (Eni's interest 10.4%) in Nigeria, increasing plant capacity to 17 mtonnes/y of LNG (812 bcf/y of feed gas); (iii) the gas phase of the Bayu-Undan field (Eni's interest 12.04%) in Australia, starting supplies to the Darwin plant with liquefaction capacity of 3.5 mtonnes/y of LNG. Peak production at 160 kboe/d (18 net to Eni) is expected in 2008.

PRODUCTION VOLUMES OUTLOOK

In 2006, oil and gas production averaged 1,770 kboe/d, up 33 kboe from 2005 or 1.9%, despite; (i) the impact of the loss of production at the Dación oil field in Venezuela (down 46 kboe/d) as a consequence of the unilateral cancellation of the relevant service contract by the Venezuelan state oil company PDVSA; and (ii) adverse entitlement effects (down 21 kboe/d) in PSAs and buy-back contracts due to higher oil prices. Production growth was driven by a remarkable increase in gas production mainly in Libya, Egypt, Nigeria, Australia and Croatia; oil production increased in Angola and Libya. Organic growth was partially offset by mature field

declines and production outages in Nigeria due to social unrest. The share of production outside Italy was 87% (85% in 2005).

In the medium term, Eni expects to deliver a 3% compound average growth rate from 2007 to 2010, targeting a production level in excess of 2 mmboe/d by 2010. In subsequent years and up to 2013, Eni projects an annual growth rate of 3%. This goal will be achieved entirely through organic growth mainly in our key producing basins of North and West Africa and the Caspian region, leveraging on Eni's unique position and solid relationships with many of the fastest growing producing countries in the world and on its strong pipeline of capital projects and investment opportunities. In greater detail, production growth will be fed by means of:

- developing LNG projects, aiming at monetizing our large gas reserve base;
- starting up new fields, some of which already under execution and other waiting for finalization of exploratory and appraisal activities;
- leveraging on our long life fields, including Karachaganak in Kazakhstan, the Western Libyan Gas project, Val d'Agri in Italy, Ekofisk and Aasgard offshore Norway, Belayim and Port Fouad in Egypt, and, in perspective, our massive Kashagan field;
- optimizing reserve recovery from declining fields.

Eni's future production profiles are based on a long-term Brent price assumption of 40 \$/bbl in real terms. Actual production volumes will vary from year to year due to the timing of individual project start-ups, operational outages, reservoir performance, regulatory changes, asset sales, severe weather events, price effects under production sharing contracts, and other factors.

Val d Agri field Southern Italy. Producing since 1999, Val d Agri exemplifies a long-life field within Eni's asset portfolio. In 2006 this field produced 82 kboe/d net to Eni on average, and is expected to deliver a solid production plateau over the next several years thanks to continued development.

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Ensure medium to long-term business sustainability by focusing on reserve replacement

Eni intends to pay special attention to reserve replacement in order to ensure the medium to long-term sustainability of its business. In pursuing this goal, Eni intends to:

- **optimize its portfolio of development properties by focusing on core areas, seeking new opportunities and divesting marginal assets;**
- **pursue new exploration opportunities targeting a sound balance between high risk/high reward initiatives and established/mature projects.**

As of December 31, 2006, Eni's portfolio of mineral rights consisted of 1,029 exclusive or shared rights for exploration and development in 36 countries on five continents for a total net acreage of 385,219 square kilometers. Of these, 48,273 square kilometers concerned production and development. This geographically and geologically diverse, high-quality portfolio balances risks and rewards to deliver both near-term and long-term production growth.

In the medium term, Eni expects to more than replace produced reserves through organic additions. Eni's reserve replacement ratio will be supported by the high mineral potential of our assets located in core areas such as the Caspian Sea, West and North Africa.

GROWING THE RESOURCE BASE

The success of Eni's approach is demonstrated by its ability in replacing produced reserves. Between 2003 and 2006, exploration reserves discovered were approximately 700 mmbbl on average a year for a cumulative amount of 2.8 bbl, higher than our cumulative production over the same period.

Positive contributions came from both legacy countries such as Nigeria, Angola, Egypt and Kazakhstan and new frontier areas such as the Barents Sea and the ultra-deep waters of the Gulf of Mexico.

At 25 bbl, our solid resource base will secure 38 years of production at current rates.

Under SEC reporting standards, proved reserves at 2006 year-end were 6.4 billion bbl, representing a life index of 10 years. In the 2004-2006 period, considering adverse entitlement impacts in certain PSAs and buy-back contracts resulting from higher oil prices and assuming Brent constant at \$40 per barrel when determining entitlements in PSAs, we would have replaced on average 106% of production through organic additions. On the other hand, contractual terms of PSAs providing for a cost oil with a favorable cap, while affecting the reported reserve replacement ratio, allow a strong acceleration of investment recovery under a higher price environment, thus enabling a reduction in payout time and a significant improvement in the rate of return of relevant projects.

For 2006 only, by applying the year-end price of 58.925 \$/bbl, organic additions for the year came in at 417 mmbbl with a reserve replacement ratio of 65%.

Contents**ENI IN 2006 / EXPLORATION & PRODUCTION****EXPLORATION OPPORTUNITIES**

Exploration activities will play a crucial role in enlarging Eni's resource base in order to fuel new production, and in securing access to new opportunities. In light of this, management will devote a great deal of focus and effort to exploration. In 2006, Eni more than doubled its investment in exploration from the previous year, resulting in a total of 68 wells drilled with an SEC exploration success of 43%, and approximately 152,000 square kilometers of new acreage acquired. In the next four years, management plans to invest on average approximately euro 1.1 billion per year in exploration activities, resulting in a cumulative euro 4.4 billion that is substantially higher (+51%) than the previous four-year plan (2006-2009). The cornerstones of Eni's exploration strategy are:

- selectively assess opportunities to enhance the competitiveness of Eni's full-cycle production costs;
- concentrate resources in core areas: approximately 70% of planned investment will be directed to 10 countries;
- exploit the full mineral potential of recently acquired areas;
- complete portfolio renewal.

In 2006, as part of its exploration strategy, Eni was successful in capturing 12 new opportunities spanning from new, untested exploration plays to well established plays or already-discovered resources, for a total acreage of about 152,000 square kilometers net to Eni, of these 99% as operator. In fact, management intends to concentrate investments in well established areas of presence where availability of production facilities,

existing competencies and long-term relationships with host countries will enable Eni to readily put in production discovered resources, reducing the time to market and capturing synergies. On the other hand, Eni expects to selectively pursue high risk/high reward opportunities arising from expansion in areas with high mineral potential. Finally, portfolio renewal will be completed, bearing in mind that approximately 70% of total acreage has been renewed over the last three years.

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Developing new projects to fuel future growth

Eni has a strong pipeline of development projects that will contribute to the medium and long-term growth of its oil and gas production. Approximately 20 of these projects are among the top 100 projects worldwide. Eni expects an evolution in the type of oil and gas resources from which it will be producing and in the physical conditions in which it will be operating. Many new developments will be located in more challenging

environments, continuing to require innovations in technology. Our new long life projects, integrated LNG projects and new start ups will boost Eni production growth over the medium and long term. Overall, start ups expected in future years will add approximately 450 kboe/d to 2010 production and 700 kboe/d to 2013 production. New production will come from both legacy countries and new regions as well as from mature basins and new high potential ones.

EIGHT MAJOR PROJECTS

Mondo Block 15 - Angola (Eni 20%)

The Mondo deepwater oil field contains gross recoverable reserves of 278 mmbbl. Recovery of oil will be achieved with the installation of an FPSO vessel with a treatment capacity of 100 kbb/d. Production is expected to start in the first quarter 2008, peaking at 18 kbb/d net to Eni in 2009.

Saxi/Batuque Block 15 -Angola (Eni 20%)

The Saxi/Batuque deepwater oil field contains gross recoverable reserves of 305 mmbbl. Recovery of oil will be achieved with the installation of an FPSO vessel with a treatment capacity of 100 kbbbl/d. Production is expected to start in the second quarter 2008, peaking at 18 kbbbl/d net to Eni in 2009.

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Landana-Tombua Block 14 - Angola (Eni 20%)

The Landana and Tombua deepwater oil fields contain gross recoverable reserves of 322 mmbbl. The development project's scope includes installation of a Compliant Piled Tower (CPT) with a capacity of 120,000 bbl/d and linkage of a part of producing wells to existing facilities at the nearby Benguela/Belize fields. Production is expected to peak at 130 kbbbl/d (23 net to Eni) in 2010 upon completion of the drilling program. In 2006, a single well started production through facilities in place as outlined.

Blacktip Block WA-279-P - Australia (Eni 100% Op.)

The offshore Blacktip gas and liquids field contains gross recoverable reserves of 140 mmbbl and is located in the Bonaparte basin at a water depth of 50 meters about 100 kilometers off the north-western Australian coast. Gas production is expected to be transferred to a

treatment plant onshore with a capacity of 46 bcf/y. Start-up is expected at the beginning of 2009. Under a 25-year agreement signed with Darwin Power & Water Utility Co, a total amount of 706 bcf of natural gas is expected to be supplied with an option for further volume increases.

El Merk Synergy project - Algeria

Leveraging on expected synergies with the development of reserves in Block 208, 212, 405a and 404, this project provides for the construction of a central production facility which will produce stabilized oil, condensates and NGL with an initial production level of at 144 kboe/d (19 net to Eni) in 2010. In 2006, 85% of basic engineering work was completed.

Contents**ENI IN 2006 / EXPLORATION & PRODUCTION****Karachaganak - Kazakhstan (Eni 32.5% Co-op.)**

This large liquid and gas field located onshore Kazakhstan holds recoverable reserves of 3.6 bboe. It represents an example of a long life field. Liquid production is treated at the Karachaganak Processing Complex with a capacity of 150 kboe/d. Two-thirds of liquid volumes are exported to western markets via pipeline; residual liquid and gas volumes are sold on local Russian markets. In 2006, production of this field net to Eni was 103 kboe/d. Development activities planned aim at maintaining current liquid production plateau. In 2006 upgrading of liquid treatment facilities was sanctioned envisaging the construction of a fourth unit. Such new capacity is expected to increase the export of production volumes which were previously marketed on local Russian markets, resulting in an enhancement of price realizations. In addition, management is evaluating the development of gas reserves by means of finalizing relevant sale contracts with Kazakh and Russian companies, also entailing, if contracts are finalized, the construction of a gas treatment plant.

will be mostly used as fuel for the production plants. The remaining amounts will be marketed. Production start-up is currently scheduled for the third quarter of 2010 as compared to an initial forecast indicating a start-up in 2008, due also to the need on part of Eni to perform certain studies to define measures intended to enhance the overall level of safety and operability of facilities. As a result of said reconfiguration completed by year-end, the onshore design has been confirmed, while certain enhancements have been identified offshore which do not alter the original development concept. These enhancements are expected to be included in the development plan and implemented. Estimated capital expenditure to reach the 300 kbbl/d production level targeted in the first development phase stands currently at \$19 billion, representing a remarkable increase over the approved budget of \$10.3 billion in real terms 2007, sanctioned in 2004. This cost increase was driven by: (i) a cost increase of materials and services driven by sector-specific inflation and a negative impact due to a weakening US dollar; (ii) an underestimation of costs to conduct offshore operations in shallow/ultra shallow waters where the Kashagan field is located due to a lack of benchmarks, also reflecting technical and logistic issues and environmental constraints; (iii) the enhancements to the original layout of offshore facilities. Based on the high level of productivity yielded by the first three development wells, management currently expects a full field production plateau of 1.5 mmboe/d, representing a 25% increase from the original target envisaged by the development plan. In addition, over

Kashagan - Kazakhstan (Eni 18.5% Op.)

The development plan of the massive Kashagan oil field, considered the most important discovery of the past thirty years, to be implemented in three phases, aims at producing up to 13 billion barrels of recoverable reserves also by means of partial gas reinjection. The development of the field provides for the construction of platforms and artificial islands (hubs) which will collect production from satellite islands.

Oil and non reinjected gas will be treated in the hubs and delivered, through two separate lines, to onshore treatment plants (located at Bolashak, near Atyrau).

The oil will be further stabilized and purified; natural gas will be treated for the removal of hydrogen sulphide and

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the long term management expects to exploit the huge mineral potential of Kashagan satellite discoveries, including Kalamkas and Kairan, which are currently undergoing an intense appraisal campaign.

To date this campaign has resulted in a 100% success rate, fostering high expectations on future developments of Kashagan satellites.

The Consortium is currently assessing various options to export production to international markets, including: (i) use of existing infrastructure, such as the Caspian Pipeline Consortium pipeline and the Atyrau-Samara pipeline; and (ii) construction of new infrastructure.

The latter comprises both laying a pipeline connecting the Kashagan production center at Bolashak to the Baku-Tbilisi-Ceyhan pipeline (BTC-Eni's interest 5%, corresponding to the right to transport up to 50 kbbl/d), and construction of a pipeline designed to bypass the Turkish Straits of Bosphorus and Dardanelles, enabling delivery of oil produced in the Caspian region to the Ceyhan commercial hub on the Mediterranean coast.

This new infrastructure is expected to be 550-kilometers long with a maximum transport capacity of 1.5 mmbbl/d of oil, corresponding to approximately 75 mtonnes/y, and will represent a more efficient and environment-friendly alternative compared to the option of transporting oil by ship through the Turkish Straits of Bosphorus and Dardanelles. Following award of the relevant license to the Turkish company Çalik Enerji, partnering Eni in this initiative (both with a 50% stake), engineering activities started in the second half of 2006.

Taurt - Egypt (Eni 50%)

The offshore Taurt gas field contains gross recoverable reserves of 930 bcf and is located in the Nile Delta at a water depth of 105 meters. The development plan provides for the drilling of seven wells which are expected to be linked to existing onshore treatment facilities at West Harbour. Production plateau is targeted at 46 mmcf/d net to Eni, in 2008.

Libya - Mellitah treatment plant. The Western Libyan Gas Project is the first major project to valorize the natural gas produced in Libya through export to and marketing in Europe. Production from Bahr Essalam and Wafa fields is processed at the onshore Mellitah plant.

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Develop in LNG

Eni operates its gas business as an integrated portfolio in order to fully extract value from the gas chain and monetize its large gas reserves. Liquefied Natural Gas is a key part of this strategy. Eni intends to build a global LNG business, aiming at:

- **exploiting gas equity availability in order to supply the attractive markets of Europe and North America;**
- **growing LNG production in areas with high potential and low producing costs;**
- **purchasing interests in liquefaction plants in order to support development of the LNG business.**

Net liquefaction capacity in 2006 was 321 bcf, mainly concentrated in Nigeria and Egypt, and is expected to expand to 343 bcf in 2010 and in excess of 509 bcf in 2012 by means of developing capacity at the Bonny liquefaction plant, building the new Brass plant in Nigeria, and implementing the expansion plan of the Damietta LNG plant in Egypt.

LNG sales are expected to grow from 127 bcf in 2006 to 166 bcf in 2010; equity gas supplies to LNG plants of 162 bcf in 2006 are expected to increase up to 233 bcf in 2010.

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Three major LNG projects**Brass LNG - Nigeria (Eni 17%)**

Eni holds a 17% interest in Brass LNG Ltd which will implement building plans of a liquefaction plant near the existing Brass oil terminal (Eni's interest 20%) on the Nigerian coast. This plant is expected to start operations in 2011 at an initial treatment capacity of 487 bcf/y on two trains, corresponding to a production of 10 million tonnes/y of LNG. Supplies to this plant will come from associated gas of nearby producing fields and through development of gas reserves of Blocks OML 60 and 61 (Eni operator with a 20% interest). When fully operational, equity gas volumes supplied to this plant will reach 170 mmcf/d (30 kboe/d).

Bonny LNG 6th & 7th train - Nigeria (Eni 10.4%)

Eni holds a 10.4% interest in the Bonny liquefaction plant located in the eastern part of the Niger Delta. In 2006, a fifth treatment unit started operations, increasing plant capacity to 17 mmtonnes/y of LNG (812 bcf/y of feed gas). A sixth treatment unit with production capacity of 4.1 mmtonnes/y is under construction with expected start-up in 2008; a seventh unit is being engineered. When fully operational, total capacity will hit approximately 30 mmtonnes/y, corresponding to a feed gas of 1,448 bcf/y. Development initiatives for ensuring natural gas supplies to this plant are expected to be deployed in Blocks OML 60, 61, 62 and 63 (Eni's interest 20%).

Nigeria. An aerial view of the Bonny liquefaction plant.

Damietta LNG - Egypt (Eni 40%)

As part of the expansion plan of the Damietta LNG plant, in June 2006, Eni and its partners signed a framework agreement for doubling the capacity of the Damietta liquefaction plant by means of a second treatment unit with a capacity of 268 bcf/y of gas, corresponding to production of approximately 5 mmtonnes/y of LNG for a twenty-year period starting in 2010. This project is expected to support the ramp-up of Eni's natural gas production in the Nile

Delta, targeting supplies of 88 bcf/y. Eni is currently supplying 53 bcf/y to the first unit for a twenty-year period.

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The interconnection point at Gela (Sicily) where the GreenStream gasline carrying gas from Libyan fields links to Eni's Italian natural gas transport network.

Eni's unparalleled portfolio of gas assets deeply integrated with upstream operations is a key contributor to Group's earnings and cash flow.

Key performance indicators		2004	2005	2006
Net sales from operations ^(a)	(million euro)	17,302	22,969	28,368
Operating profit		3,428	3,321	3,802
Adjusted operating profit		3,448	3,531	3,882
Adjusted net profit		2,290	2,552	2,862
Capital expenditure		1,451	1,152	1,174
Adjusted capital employed, net		18,383	18,898	18,864
ROACE adjusted	(%)	12.6	13.7	15.1
Worldwide gas sales	(bcm)	87.03	94.21	97.48
Total gas sales in Europe		85.32	92.50	95.97
- G&P division sales		80.62	87.99	91.90
- Upstream sales ^(b)		4.70	4.51	4.07
Customers in Italy	(million units)	5.95	6.02	6.54
Gas volumes transported in Italy	(bcm)	80.41	85.10	87.99
Electricity production sold	(terawatt-hour)	13.85	22.77	24.82
Employees at year end	(units)	12,843	12,324	12,074

(a) Before elimination of intersegment sales.

(b) Does not include Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006 respectively.

STRATEGIES

Eni's Gas & Power division covers all phases of the gas value chain: supply, transport, distribution and marketing, resulting in a fully integrated business model. A significant installed power generation capacity enables Eni to extract further value from gas, diversifying its commercial outlets. The main feature of the Gas & Power division is its ability to generate a steady stream of earnings and cash flow leveraging on its unparalleled asset base. Eni boasts market leadership in Europe owing to a unique competitive position thanks to

gas availability under long-term supply contracts and equity gas, access to infrastructure, long-term relationships with key producing countries, market knowledge and a wide portfolio of clients. These assets provide Eni with a solid platform for growth. Integration with upstream operations provides the Group with the ability to monetize its equity gas reserves and to pursue opportunities arising in the gas market.

Eni's key target for its Gas & Power division is to generate free cash flow¹ of euro 2.1 billion in 2010, resulting in a 3% average growth rate from 2006. The strategic guidelines to attain this target are as follows:

- **Grow international sales;**
- **Maintain strength in domestic market;**
- **Effectively manage relationships with strategic suppliers;**
- **Increase operational effectiveness; and**
- **Develop marketing of LNG aiming also at monetizing equity reserves.**

2006 HIGHLIGHTS

gas supply contracts to Eni until 2035, further strengthening Eni's supply portfolio, and the pursuing of joint initiatives in the upstream sector. Gazprom is

In November 2006, Eni and Gazprom signed a broad strategic agreement. This agreement strengthens a long term partnership between the two companies and represents a fundamental step towards ensuring the security of energy supplies to Italy. Key features of this deal are the extension of the duration of Gazprom

expected to enter the Italian market by selling volumes of gas starting in 2007. Gazprom will obtain the availability of such volumes by means of a corresponding reduction in volumes previously supplied to Eni.

(1) Cash flow provided by operating activities less cashoutflows for investing activities.

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In 2006 the Gas & Power business confirmed its ability to generate strong and stable performances. The adjusted net profit rose by euro 310 million to euro 2,862 million from 2005 (up 12.1%) reflecting primarily higher selling margins on natural gas sales, a lower impact of sector specific regulation, and a growth in gas volumes sold.

Operating cash flow stood at euro 3.1 billion, resulting in euro 1.9 billion of free cash flow generation after taking account of capital expenditure requirements and changes in working capital.

Natural gas sales were up approximately 4% to 97.48 bcm driven primarily by a 16% growth in sales in a number of target European markets (mainly in Turkey, Germany/Austria, France) owing also to a build-up of supplies of natural gas from Libya. Volumes decreased in Italy due to mild weather conditions in the fourth quarter of the year.

Electricity production sold was 24.82 TWh, up 9%; installed capacity totalled 4.6 GW at year-end.

Clients served increased by approximately 0.52 million to 6.54 million.

Capital expenditure totalled euro 1,174 million and related essentially to development and maintenance of Eni's transport and distribution networks in Italy, the finalization of the upgrading plan of electricity generation capacity, and the start up of the upgrading plan of import gaslines.

Return on average capital employed was 15.1% in 2006 (13.7% in 2005).

Marketing of natural gas**MARKET POSITION**

Eni is leader in the highly attractive European gas sales market, with a market share of around 18% in 2006. Since the inception of the domestic liberalization process in 2000, Eni has targeted several European consumption areas to pursue growth options beyond its legacy Italian market. This strategy is paying off. Presently, Eni boasts a solid presence in virtually all European markets, including Spain, Germany, Turkey, the United Kingdom, France and Portugal, and is poised to further strengthen its market leadership. In fact, with European natural gas demand forecast to grow steadily in the future, resulting in a cumulative increase of around 45% by 2020 (or 2.4% per annum), and internal production on a declining trend, Europe will increasingly rely upon gas imports to fulfill its gas needs. In such a context, Eni is expected to grow its market share and sales leveraging on its strong competitive position and an unparalleled array of assets in terms of gas availability of both equity gas and purchased gas under long term supply contracts with key producing countries, operating flexibility ensured by an extensive and integrated international transport network, regasification terminals, storage facilities, a large client base, and market knowledge. The recently signed deal with strategic partner Gazprom markedly improves Eni's competitive profile.

In Italy, despite increasingly stiff competition spurred by the liberalization process and the regulatory activity

ADJUSTED OPERATING PROFIT	(million euro)	2004	2005	2006

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Marketing and distribution	1,827	1,777	2,062
Transport in Italy	1,164	1,162	1,087
Transport outside Italy	396	448	579
Power generation	61	144	154
	3,448	3,531	3,882

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of independent authorities, Eni has managed to preserve its market share and marketing margins and intends to keep on doing the same in the future, leveraging on expected gas demand growth and an enhanced commercial policy. The levers of Eni's marketing action in Italy will be to focus on most profitable clients, improve the quality of services, deploy a commercial offer tailored on client needs, pursue client loyalty and retention, and finally develop a combined offer of gas and electricity in order to reap the benefits of scale and integration. These actions will be coupled with an intense program to boost operational efficiency, targeting a significant reduction of cost to serve by 2010. Our strong brand recognition, long-standing customer relationships, market understanding and large client base will support our marketing efforts.

WORLDWIDE GAS SALES	(bcm)	2004	2005	2006
Markets in the rest of Europe		26.84	29.91	34.81
Importers to Italy		10.96	11.53	14.10
Iberian Peninsula		3.59	4.59	5.24
Germany-Austria		3.96	4.23	4.72
Turkey		1.60	2.46	3.68
Hungary-Slovenia-Greece		3.46	3.53	3.26
North Europe		2.93	2.74	2.64
France		0.15	0.65	1.07
Other		0.19	0.18	0.10
Markets extra Europe		1.71	1.71	1.51
Upstream ⁽¹⁾		4.70	4.51	4.07
International gas sales		33.25	36.13	40.39
Italy		53.78	58.08	57.09
Worldwide gas sales		87.03	94.21	97.48

(1) Does not include Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006, respectively.

VOLUMES OUTLOOK

In 2006, Eni's worldwide gas sales grew approximately 4% to 97.48 bcm, up 3.27 bcm from 2005.

In Italy, in an increasingly competitive environment, gas sales declined 0.99 bcm to 57.09 bcm, down 1.7%, owing also to lower supplies to power generation, wholesalers and residential clients as a result of mild weather conditions in the fourth quarter.

Gas sales in the rest of Europe rose by approximately 16% to 34.81 bcm, up 4.90 bcm, reflecting increases registered in sales under long-term supply contracts to importers to Italy (up 2.57 bcm), also due to reaching full supplies from Eni's Libyan fields, and a growth in sales to the Turkish market via the Blue Stream gasline (up 1.22 bcm), and to the Iberian Peninsula, Austro/German and French markets (up 0.65, 0.49, and

0.42 bcm, respectively).

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In the medium term, Eni plans to increase worldwide sales targeting a volume of 105 bcm by 2010, corresponding to a 2.5% average growth rate over the 2007-2010 four-year period. This increase will be driven by an expected 10% average organic growth rate in sales in the rest of Europe to 53.3 bcm. In Italy, Eni expects to sell approximately 50 bcm by 2010, or 46% of the total. In particular, Eni expects to boost sales in target European markets, leveraging mainly on sale expansion in:

- Northern Europe, where Eni forecasts an increase of approximately 5.4 bcm reflecting in particular a growth in supplies to spot markets;
- France, where Eni forecasts an increase of approximately 4 bcm reflecting an aggressive policy of building market share, targeting mainly small and medium-sized industrial enterprises;
- the Iberian Peninsula, where Eni forecasts an increase of approximately 3.3 bcm as a result of expected higher supplies to power generation utilities and a growth of Eni's strategic affiliate Unión Fenosa Gas;
- Austria/Germany, where Eni forecasts an increase of approximately 2.9 bcm reflecting a growth in business clients; and
- Turkey, where Eni forecasts an increase of approximately 2.7 bcm owing to the build-up of supplies via the Blue Stream gasline.

Supply of gas

In the context of rising gas demand and increasingly tight European markets, Eni enjoys a very strong position owing to an unrivaled supply portfolio and access to a wide-reaching infrastructure network. Our availability of natural gas is ensured from both equity production from onshore and offshore fields

risk of being heavily dependent on a single source of supplies; in fact, none of Eni's suppliers weighs for more than 25% in Eni's current gas needs. In addition, our strong pipeline of LNG projects will further strengthen diversification of Eni's supplies and integration with upstream operations.

Against this backdrop, the recently signed agreement with strategic partner Gazprom marks a fundamental

located in Europe (mainland and offshore Italy, the North Sea and offshore Croatia) or in adjacent basins (Libya via gasline and Egypt/Nigeria via LNG), and long term purchase contracts with major producing countries serving Europe, boasting a direct upstream presence in 8 out of 10 of our gas supplying countries. Our diversified supply portfolio insulates us from the

step in enhancing the security and flexibility of Eni's gas supplies over the medium and long term. Based on this agreement, the duration of our long-term supply contracts increases from 14 to approximately 23 years and, when these contracts are fully operational in 2010, Eni will be able to purchase approximately 62.4 bcm/y to cope with rising demand.

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Infrastructure

Eni owns the largest European transport and storage infrastructure system, enabling Eni to carry gas from producing countries or its upstream fields to core European markets. Vital to this system are:

- interests in key pan-European routes carrying natural gas from the production areas of the North Sea and Russia to large Central European markets, as well as in trunklines coming from Algeria and Libyan operated fields. Such lines are linked to the Italian network;
- an extensive grid of high and medium-pressure trunklines and low-pressure local networks for transport and delivery of gas in its core domestic market to large industrial clients, power generation utilities, and residential and commercial clients;

- interests in certain facilities for the regasification of liquefied natural gas (LNG) located in Italy and Spain to further diversify sources of supplies;
- availability of a significant storage capacity ensuring the necessary operational flexibility.

In the medium term, Eni plans to invest approximately euro 5.8 billion in order to upgrade both its international and national infrastructure, in view to improve the level of supply diversification and security also to cope with expected growth in demand. A major part of this capital expenditure will be directed to the upgrading of import trunklines from Russia, Algeria and Libya, the national transport and distribution networks, and regasification capacity.

INTERNATIONAL TRANSPORT

Eni's INTERNATIONAL TRANSPORT system consists of transport rights on an approximately 4,300-kilometer

TTPC - The transport capacity of the TTPC gasline from Algeria is expected to be increased by 6.5 bcm/y of which a 3.2 bcm/y portion is planned to come on line on

long network of high pressure pipes connecting production areas in Russia, North and West Africa, and the North Sea to Italy, crossing key European markets. Through its 50%-owned Blue Stream, a 774-kilometer long underwater gasline, Eni is able to supply the fast-growing Turkish market.

Eni's international transport network will undergo a major upgrading plan in order to boost transport capacity of trunklines carrying gas from Algeria, Russia, and Libya; in particular:

April 1, 2008, and a 3.3 bcm/y portion on October 1, 2008. Capital expenditure is expected at euro 450 million. When the upgrade is fully operational, the gasline will deploy a transport capacity of 33.5 bcm/y. A corresponding capacity on the TMPC downstream gasline is already available. TMPC crosses underwater the Sicily channel.

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TAG - The transport capacity of the TAG gasline from Russia is expected to increase by 6.5 bcm/y coming on line on October 1, 2008. Expected capital expenditure amounts to euro 253 million (Eni's share is 94%). When the upgrade is online, the gasline transport capacity will be 44 bcm/y.

GreenStream - Eni plans to upgrade this import gasline from Libya in order to monetize additional reserves of gas. This project targets a 3 bcm/y capacity expansion

expected to come on line by 2011, with an expenditure of approximately euro 80 million.

Taking into account the full capacity of the GreenStream gasline from Libya currently in place (8 bcm/y), Eni expects to bring on the market approximately 21 bcm/y of new import capacity, when ongoing plans for upgrading the TTPC and TAG gaslines are fully operational in 2009.

This new capacity has been or is being allocated to third parties via open bid procedures.

Turkey; the Blue Stream underwater pipeline, laid at a record depth of over 2,150 meters, links the Russian and Turkish coast of the Black Sea. Started up in 2002, this two-line infrastructure has a transport capacity of 49 mmcm/d. When fully operational in 2010, it will deliver 16 bcm/y (Eni's share 8 bcm) to the Turkish market.

DOMESTIC TRANSPORT AND DISTRIBUTION

Eni's DOMESTIC TRANSPORT business is a fully regulated activity with a low risk profile, generating stable earnings and operating cash flow. In fact, transport tariffs and return on capital employed are set by an independent regulator.

Eni's network extends for 30,889 kilometers covering virtually the entire Italian transport network and comprises high pressure trunklines and medium pressure regional transport networks carrying natural gas from entry points to the system – import lines, storage sites and Italian natural gas fields – to delivery points in correspondence of large industrial complexes, power generation utilities, and local distribution companies serving residential and commercial areas.

In the medium term, Eni plans to upgrade its domestic

Eni is leader in the Italian natural gas distribution business, counting on the availability of an extensive grid of low pressure gaslines for the delivery of natural gas to approximately 6 million clients in the main urban areas of Italy. Clients include both residential users and small businesses and commercial clients.

In the distribution business, Eni will focus on improving efficiency and reaping economies of scale, while at the same time enhancing the quality of service. As in the case of the transport activity, distribution is a fully regulated business sporting a preset return on capital employed.

LNG

Eni intends to strengthen its integrated LNG business on

transport network in order to match transport capacity to the expected increase in import capacity. Due to regulatory mechanisms, these capital projects bear preset rate of returns, thus contributing to reduce the risk profile of Eni's capital expenditure plan. We also plan to boost earnings of this regulated activity by continued efforts in improving operational efficiency.

a global scale, aiming at further diversifying its supply sources, improving operational flexibility, and monetizing its large equity gas reserves. Due to our strong presence in both upstream and downstream operations, we boast a global position in LNG which is well balanced in terms of gas availability, and both liquefaction and regasification capacity. We expect LNG to play an increasingly important role

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in fulfilling worldwide gas requirements, with forecast growth rates in the range of 10% over the medium term. Eni's main LNG assets are located in:

- Italy, where the Panigaglia regasification terminal can input approximately 3.5 bcm/y in the national transport network;
- Egypt, where Eni has a 40% interest in the Damietta liquefaction plant producing approximately 5 mmt/yr of LNG, corresponding to 7.6 bcm/y of feed gas. In June 2006, Eni and its partners signed a framework agreement for doubling the capacity of the plant expected to start operations in 2010-2011;
- Spain, where Eni has a 21.25% interest in the Sagunto plant with a regasification capacity of 6.7 bcm/y and a 9.5% interest in the El Ferrol plant, expected to be completed by the first half of 2007, targeting a regasification capacity of approximately 3.6 bcm/y;
- USA, where Eni is entitled to a 6 bcm/y share of the initial planned capacity of the Cameron regasification terminal under construction in Louisiana, and expected to start operations in 2008-2009. In order to support supplies to this plant, Eni signed an agreement with Nigeria LNG Limited, operating the Bonny LNG plant in Nigeria, to purchase volumes of LNG equivalent to 2 bcm/y of gas for a twenty-year period. A similar agreement pertaining to 2.3 bcm/y was signed with Brass LNG equivalent, operating a liquefaction terminal under construction in Nigeria.

Power generation

Eni's natural gas business is integrated downstream with the production of electricity to further extract value from the gas chain. Started in 2000, Eni's plan for the expansion of its power generation capacity has been substantially completed by the end of 2006, with approximately 90% of the 5.5 gigawatt target new capacity already on stream.

New plants built in existing Eni sites are based on cogeneration, an efficient, environmental-friendly technology that enables low operating costs and lower carbondioxide emissions as compared to other hydrocarbon-based technologies. In 2006, electricity production sold was 24.82 TWh, up 9% over 2005, reflecting the ramp-up of new capacity. In 2010, when target capacity is fully on line, production is expected to reach 30 TWh, corresponding to over 10% of electricity generated in Italy at that date, consuming approximately 6 bcm/year of gas from Eni's supply portfolio.

***Ravenna in Northern Italy.** A cogeneration unit of the power station. Low CO₂ emissions and competitive cost structure are key features of this type of facility, employing the CCGT technology and fired with gas from Eni's portfolio.*

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Following restructuring of its Italian retail operations, Eni's network currently consists of 4,356 service stations. The majority of these are large-scale, efficient outlets, providing clients a wide range of products and services in addition to fuel.

Key performance indicators		2004	2005	2006
		26,089	33,732	38,210
Net sales from operations ^(a)	(million euro)			
Operating profit		1,080	1,857	319
Adjusted operating profit		923	1,214	790
Adjusted net profit		674	945	629
Capital expenditure		693	656	645
Adjusted capital employed, net		4,835	5,326	5,766
ROACE adjusted	(%)	13.0	18.2	10.7
Refining throughputs on own account	(mmttonnes)	37.69	38.79	38.04
Refining throughputs of wholly-owned refineries		26.75	27.34	27.17
Balanced capacity of wholly-owned refineries	(kbbbl/d)	504	524	534
Balanced capacity utilization rate	(%)	100	100	100
Retail sales of petroleum products on Agip branded network in Europe	(mmttonnes)	12.35	12.42	12.48
Agip branded service stations in Europe at period end	(units)	6,225	6,282	6,294
- Italy		4,329	4,394	1,938
- Outside Italy		1,896	1,933	2,470
Average throughput of Agip branded service stations in Europe	(kliters)	2,488	2,479	2,470
Employees at year end	(units)	9,224	8,894	9,437

(a) Before elimination of intersegment sales.

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ENI IN 2006 / REFINING & MARKETING

STRATEGIES

Eni is leader in the refining business and in the marketing of refined products in Italy and holds solid positions in the marketing of refined products in selected European countries. Eni's refining and marketing operations are efficiently integrated to maximize cost efficiencies and deliver appreciable returns on capital employed. The integration of Eni refineries with upstream operations further strengthens the competitive positioning of the Refining & Marketing Division.

Eni's key medium term objective in its downstream oil business is to improve profitability. The strategic guidelines to attain this objective are the following:

- **Enhance Eni's refining system by means of a focused investment programme;**
- **Improve profitability and qualitative standards of the Italian retail network;**
- **Grow retail sales in selected markets in the rest of Europe; and**
- **Pursue higher levels of operational efficiency.**

In the medium term the implementation of these strategies will be supported by a capital expenditure programme of approximately euro 4.3 billion, focused on upgrading refineries, mainly by increasing primary balanced refining and conversion capacity, and refineries' flexibility and efficiency, improving logistic assets, and highgrading the network. Management intends to strengthen market leadership in refining in the Mediterranean area, targeting also leadership positions in Europe, and to boost the competitive position of marketing in Italy and in selected European areas.

2006 HIGHLIGHTS

In 2006, adjusted net profit was down euro 316 million to euro 629 million, or 33.4%, mainly due to a decline in refining margins as a result of a weak trading environment.

Eni's realized refining margins recorded a better trend than market reference margins reflecting Eni's refinery capacity to process heavy crudes which are discounted as compared to the Brent crude market benchmark, thus resulting in a higher profitability of the heavy barrel.

Return on average capital employed was 10.7% on an adjusted basis, declining from 2005 (18.2% in 2005).

Capital expenditure totaled euro 645 million and mainly related to projects aimed at improving flexibility and yields of refineries and upgrading the retail network in Italy and in the rest of Europe.

Refining throughputs on own account in Italy and outside Italy (38.04 mmt tonnes) declined by 0.75

mmtonnes from 2005, down 1.9%, due mainly to lower volumes at third party refineries, while wholly-owned refineries achieved stable processing levels.

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Retail sales of refined products in Italy (8.66 mmt tonnes) declined 1% from 2005 mainly due to competitive pressure. This decrease was more than offset by a growth in retail volumes marketed in the rest of Europe (3.82 mmt tonnes, up 4.1%), mainly in Germany and Spain.

Sales on the wholesale market in Italy (10.06 mmt tonnes) were down 4% reflecting primarily the impact of mild weather conditions in the fourth quarter. This decline was partially offset by a growth in volumes marketed on wholesale markets in the rest of Europe (4.6 mmt tonnes, up 2.2%), in particular in Germany and Spain.

Refining

Eni is leader in the refining business in Italy. Eni owns five refineries in Italy and a 50% interest in the Milazzo refinery, in Sicily, and interests in refineries in Germany and the Czech Republic with a total refining capacity (balanced with conversion capacity¹) of approximately 35.5 mmt tonnes (equal to 710 bbl/day). In 2006, refining throughputs on own account in Italy and outside Italy were 38.04 mmt tonnes, down 0.75 mmt tonnes from 2005, or 1.9% due mainly to lower throughputs at third parties refineries. Refining throughputs at own refineries were stable. In particular, refining throughputs increased at the Venice, Gela and Taranto refineries and decreased at the Sannazzaro, and Livorno refineries due to maintenance activity. In April, a new unit for heavy residue gasification started operating at the Sannazzaro refinery. Total throughputs on wholly-owned refineries (27.17 mmt tonnes) decreased 0.17 mmt tonnes from 2005, down 0.6%; balanced capacity of refineries was fully utilized. Thanks to the continuous upgrading of its manufacturing process, Eni's refining system can boast a high level of efficiency, flexibility and product quality. At 57%, the conversion index² of Eni's refineries compares well with an European average of approximately 33% and enables Eni to extract value from heavy sour grades of the crude feedstock (around 60% of our processed volumes in 2006) which can be purchased with a discount over light/sweet quality crudes like Brent. High levels of conversion capacity and flexibility enable Eni to:

The Sannazzaro refinery (Northern Italy). Pictured is a hydrocracking plant converting the heavy residue of primary distillation into high-value fuels.

- promptly respond to a market characterized by extreme volatility of demand and by rapidly shifting demand-supply imbalances among geographic areas;
- rigorously respect environmental regulations;
- steadily improve margins as a result of cost reductions and increasing yields of high-value products.

- (1) It refers to the maximum amount of feedstock that can be processed in certain dedicated facilities of a refinery to obtain finished products.
- (2) It is a ratio of capacity of conversion facilities to primary distillation capacity. The higher the ratio, the higher is the capacity of a refinery to obtain high value products from the heavy residue of primary distillation. Conversion facilities include catalytic crackers, fluid catalytic crackers, hydrocrackers, visbreaking units, and coking units.

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In the medium term, Eni expects certain trends in demand and supply to shape refiners' investment decisions and strategies, namely the adoption of increasingly strict environmental standards, global imbalances in product availability (especially a deficit of diesel fuel in Europe), a relative abundance of heavy crude and a striving to increase efficiency.

Against this backdrop, Eni plans to boost the profitability of its refining business, capturing market opportunities by means of a focused investment programme, entailing an expenditure of approximately euro 3 billion over the next four years. Main capital projects will be directed to: (i) increase primary and conversion capacity, targeting a complexity index higher than 57%, in view of boosting middle distillate yields, including petrochemical feedstock, and extracting value from equity crude, the availability of which is expected to increase in the Mediterranean basin over the medium term; (ii) improve refinery flexibility in order to optimize processed feedstock and capture market opportunities arising from an expected increasing availability of heavy/sour crude; (iii) achieve high-quality products responsive to expected demand trends and the evolution of product specifications provided for by increasingly tight European standards in term of emissions and environmental preservation; and (iv) enhance operational efficiency of refineries, targeting in particular a higher level of energy efficiency.

Key projects of refining upgrading

Eni's plans to revamp its refining system are expected to improve the overall quality of all its assets. In particular, key projects will be implemented at Eni's largest refineries of Sannazzaro and Taranto.

SANNAZZARO - A medium-term high-grading plan for this asset envisages the construction of a new hydrocracking unit and a new deasphalting unit in order to improve operational flexibility, yields of valuable products, and refinery economics. Expected start-up of these new facilities is by end 2008. Conversion capacity is targeted to increase significantly (from the current 46.2% to a planned 63%), resulting in the production of an additional 1 mtonnes/y of high-quality middle distillates, mainly diesel fuel and jet-fuel.

This refinery is already one of the most efficient in Europe thanks to its conversion facilities including a fluid catalytic cracker, an HDCK middle distillate conversion unit and a visbreaking thermal conversion unit, as well as certain desulphurization facilities enabling the processing of a wide range of crudes from Russia, Africa and Asia, including the Caspian Sea area. This refinery is also integrated with the production of electricity by means of its gasification unit producing syngas to be used as feed gas for the nearby Eni power station at Ferrera Erbognone.

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TARANTO - A medium-term high-grading plan for this asset envisages:

- construction of a new high pressure hydrocracking unit, targeting production of additional 0.6 mmt/tonnes/y of high quality diesel oil. Start-up is planned in 2008;
- construction of a new topping unit, targeting additional process capacity in the range of 4 mmt/tonnes/y. This plant will be supported by new vacuum and desulphurization facilities to improve yields of middle distillates, and the construction of logistic assets to transport virgin naphtha to Eni's petrochemical plant in Brindisi, and to market fuels by means of a new storage centre and related pipelines. Eni aims at enlarging consumption areas served by this refinery, covering also the Campania Region as to eliminate supply of refined products to Naples by sea. Start-up is expected in 2009-2010.

projects enabling us to reduce energy consumption by approximately 90 ktoe/y when fully operational, resulting in a cut in carbon-dioxide emissions in the range of 270 ktonnes/y. Supplies of electricity and steam to Eni's refineries come from Eni's power generation plants using highly efficient, combined cycle gas fired technologies, thus further strengthening Group synergies and reducing carbon-dioxide emissions. A strong focus is also dedicated to adopting the best practices and the highest standards of environmental protection and in pursuing an eco-friendly relationship with the territory as witnessed by the large amount of resources allocated to this issue (on average approximately 22% of capital expenditure of the R&M division over the last three years).

With a current conversion rate of 61.1%, Taranto is one of the top performers among Eni's refineries thanks in particular to the availability of a two-stage thermal conversion plant (visbreaking/thermal cracking) and an RHU conversion plant allowing conversion of high sulphur content residues into valuable fuels and feedstock for Eni's petrochemical plants. It processes most of the oil produced in Eni's Val d'Agri fields carried to Taranto through the Monte Alpi pipeline.

Operational efficiency and environmental performance

Eni has always pursued high levels of operational efficiency and environmental performance. Energy consumption of our refineries has shown a steadily decreasing trend for many years to date. In particular, in the 2003-2006 period, we implemented energy saving

Eni can count on a valuable array of logistic assets contributing to the efficiency of its downstream operations.

ENI'S REFINING SYSTEM IN 2006

Conversion equivalent (%)	Primary balanced refining capacity Eni share (kbb/d)	Throughput (kbb/d)
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Wholly owned refineries	26.84	29.91	34.81
Italy			
- Sannazzaro	46.2	170	162
- Gela	143.5	100	97
- Taranto	61.1	110	119
- Livorno	11.4	84	80
- Porto Marghera	22.8	70	85
Partially owned refineries ^(a)	50.9	177	218
Total refineries	57.0	711	761

(a) Milazzo (Italy), Bayernoil (Germany) and the Ceska Rafinerska (Czech Republic).

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An example of this approach is represented by the Refiners Project at the Sannazzaro Refinery, where the adoption of avant-garde technology for the de-sulfuring of the combustion fumes from the fluid catalytic cracking process has resulted in emission levels well below the standards provided for by applicable regulations.

Eni's refineries in Italy have production systems fully compliant with standards provided for by the ISO 14001 International Certification; the Taranto, Venice, and Livorno refineries are also compliant with the stricter Environmental Management & Audit Scheme (EMAS) requirements recognized by the European Union.

Logistics

Eni is leader in the activities of storage and transport of petroleum products in Italy. Our logistical integrated infrastructure contributes in a significant way to an efficient management of downstream operations, ensuring a cost-effective product handling from our refineries to our commercial businesses, including marketing, wholesale, aviation and marine. Eni's logistic operations are supported by 12 directly managed storage sites, a network of pipelines extending over 3,210 kilometers, and a fleet of tanker trucks.

In the medium-term, Eni plans to upgrade its logistic system in line with a planned upgrade of refineries, and to further improve efficiency by implementing an integrated logistic platform according to a hub model, designed to centralize handling of product flows, further supporting the efficient integration of refinery and marketing operations.

Marketing

Eni is leader in the marketing of refined products in Italy and boasts important market shares in selected European areas where it can be supported by Italian production facilities and logistic infrastructure so as to maximize synergies. Popular in the Italian market, the Agip brand is well established in Europe and acknowledged by customers as a guarantee of service and quality. Eni's strategy in marketing is focused on extracting full value from its network by means of a selected investment programme and efficiency improvement actions.

In particular, management intends to:

- broaden the offer of non oil products, increasing the number of service stations with non oil activities from the current 55% to 80% by 2010;
- enhance brand loyalty by means of promotional initiatives tailored to different customer segments; and
- grow Eni's presence in selected European markets where it can leverage on strong brand awareness and logistic advantages.

Over the medium term, Eni plans to grow sales both in Italy and in the rest of Europe, targeting a combined volume of 17.4 billion liters by 2010 from 15.8 in 2006, corresponding to an average annual growth rate of 2.4%, and to match European best practice in terms of efficiency and service level.

ITALY In 2006, retail volumes of refined products marketed on the Agip branded network (8.66 mmt tonnes) were down 1% from 2005, with a market share of 29.3%; average throughput in terms of gasoline and diesel fuel was 2,463 kliters, down 1.8% from 2005. Eni completed the restructuring of its network by divesting the non-core portion of its assets in 2005. Eni's network currently consists of 4,356 outlets with high levels of service and efficiency. Eni will continue investing on the upgrading of the network, targeting new opportunities arising from the shifting in customers behavior when refuelling the car. In fact, Eni plans to enhance its competitive position and improve its margins in retail operations by developing new service station formats according to European quality and

service standards, increasing premium products offer, launching customer-focused marketing initiatives, also providing them an increasingly wide range of services and products beyond fuel, and differentiating fuel quality.

Contents**ENI IN 2006 / REFINING & MARKETING****You&Agip**

In March 2007, Eni launched its You&Agip promotional campaign designed to boost customer loyalty to the Agip brand. It is an innovative formula intended to outperform traditional loyalty programmes for motorists, mainly by cancelling the usual time limits, as it is set to last for the next three years until December 31, 2009. Furthermore, the list of prizes will be kept constantly updated thanks to the high number of partners joining the initiative. The defining features of the You&Agip programme include giving customers the freedom how to accumulate points, when to spend them and what kind of reward to choose. Points can be accumulated not only by buying fuel, but also by buying all the other services and products sold at AgipCafè outlets.

REST OF EUROPE In recent years, Eni's strategy has focused on selectively growing its market share by means of the acquisition of assets in European areas with interesting profitability perspectives, mainly in Central-Eastern Europe (in particular Southern Germany, Austria, the Czech Republic and Hungary) in South-Eastern France and the Iberian Peninsula. In pursuing such growth, Eni has been able to reap synergies leveraging on the proximity of target areas to Eni's production and logistic facilities. Over the last five years, retail volumes of refined products marketed in the rest of Europe have grown more than 50% (equal to a compound average growth rate of 9%).

In 2006, retail sales were 3.82 mmt tonnes, up 150 ktonnes from 2005, or 4.1%, particularly in Germany, Spain and Austria due to the ramp-up of new stations purchased or built with higher throughput than the average level of Eni's network, while a few less efficient outlets were divested.

Currently, Eni's network in Europe consists of approximately 1,938 outlets with continental standards of service and quality. The main countries where Eni is present are: South-Central Germany with a 4.4% market share, Spain with 3.2%, Austria with 7.2%, Switzerland with 5.8% and South-Western France with 1.2% on national base. In the medium term, Eni will continue to

Wholesale

Eni sells gasolines and fuels: diesel fuel for automotive use and for heating purposes, for agricultural vehicles and for vessels, gasolines and fuel oil. Major customers are wholesalers, the agricultural and manufacturing industries, public utilities and transports. In 2006 Eni's wholesale sales in Italy were 10.06 mmt tonnes, down 0.42 mmt tonnes from 2005, or 4%, reflecting mainly a decline in domestic consumption related to mild weather conditions in the fourth quarter of the year, with higher temperatures than the seasonal average.

Sales on wholesale markets outside Italy (4.60 mmt tonnes) increased 100 ktonnes, or 2.2%, mainly due to higher sales of diesel fuel in Germany and Spain.

deploy its strategy of selectively growing its market share.

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MULTIENERGY

Eni's constant attention to the environment has led to the construction of MultiEnergy stations that are equipped with solar panels able to provide all the energy necessary for the functioning of the service station, also providing environmentally-friendly fuels.

The inauguration of the Agip MultiEnergy service station at the Infraserb Höchst industrial park in Germany marks the conclusion of the first phase of the Zero Regio project, supported by the European Commission, for the realization of an innovative multifuel station supplying zero emission vehicles fuelled by hydrogen.

AGIP BRANDED NETWORK	2004	2005	2006
Retail sales (mmt tonnes)	12.35	12.42	12.48
Italy	8.88	8.75	8.66
Rest of Europe	3.47	3.67	3.82
Average throughput (kliters/no. service station)	2,488	2,479	2,470
Italy	2,527	2,509	2,463
Rest of Europe	2,393	2,427	2,486
Numbers of service stations at year end	6,225	6,282	6,294
Italy	4,329	4,349	4,356
Rest of Europe	1,896	1,933	1,938

Other businesses

Eni is a leader in the manufacture, distribution and sale of LPG, lubricants and lubricant bases in Italy, leveraging on its high technology production plants and on its high-quality products.

LPG - In 2006 Eni sold 589 ktonnes of LPG in Italy for heating and automotive use (under the Agip brand and wholesale), with an 18% market share.

Additional 350 ktonnes of LPG were sold through other channels mainly to oil companies and traders.

LUBRICANTS - Eni operates 8 (owned and co-owned) blending plants, in Italy, Europe, North and South America, Africa and the Far East producing a range of over 650 different blends.

Eni masters international state-of-the-art know-how for the formulation of products for vehicles (engine oil, special fluids and transmission oils) and industries (lubricants for hydraulic systems, industrial machinery and metal processing).

In 2006, retail and wholesale sales in Italy amounted to 133 ktonnes with a 23.9% market share.

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The semi-submersible platform Scarabeo 7 continued operations on the Erha field in Nigeria on behalf of ExxonMobil, as a part of a three-year contract.

Key performance indicators		2004	2005	2006
	(million euro)			
Net sales from operations ^(a)		5,696	5,733	6,979
Operating profit		203	307	505
Adjusted operating profit		215	314	508
Adjusted net profit		252	328	400
Capital expenditure		186	349	591
ROACE adjusted	(%)	10.5	12.0	12.8
Orders acquired:	(million euro)			
- Offshore construction		2,867	3,096	3,681
- Onshore construction		2,535	4,720	4,923
- Offshore drilling		107	367	2,230
- Onshore drilling		275	212	338
Order backlog:		8,521	10,122	13,191
- Offshore construction		3,420	3,721	4,283
- Onshore construction		4,488	5,721	6,285
- Offshore drilling		317	382	2,247
- Onshore drilling		296	298	376
Employees at year end	(unit)	25,819	28,684	30,902

(a) Before elimination of intersegment sales.

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ENI IN 2006 / ENGINEERING & CONSTRUCTION

STRATEGIES

Eni operates in engineering, oilfield services and construction both offshore and onshore through Saipem, a company listed on the Italian Stock Exchange (Eni's interest is 43%). Saipem boasts a strong competitive position in the relevant markets thanks to technological and operational skills, engineering and project management capabilities and ability to operate in complex environments, owing also to the integration with Snamprogetti. Leveraging on these strengths and rising demand for drilling equipment and oilfield services, Saipem intends to carry out the following fundamental strategies:

- **consolidate its competitive positioning in the field of large offshore and onshore projects for the development of hydrocarbon fields;**
- **develop its presence in the strategic field of gas monetization and heavy crude upgrading, including expansion in floating LNG treatment systems for liquefaction and regasification of LNG;**
- **intensify efficiency improvement actions in all its activities, in particular by reducing supply and execution costs while maintaining a high utilization rate of equipment and improving its flexible structure in order to reduce the impact of possible negative cycles; and**
- **support Eni's investment plans.**

In order to carry out these strategies, Saipem expects to invest approximately euro 3.5 billion to further expand the geographical reach and operational features of its world-class fleet over the next four years.

2006 HIGHLIGHTS

Adjusted net profit was euro 400 million, up euro 72 million from a year ago or 22%, reflecting a better operating performance against the backdrop of favorable trends in the demand for oilfield services.

Return on average capital employed calculated on an adjusted basis was 12.8% in 2006, up 12% from 2005.

Orders acquired amounted to euro 11,172 million, up euro 2,777 million from 2005 (+33.1%), in particular in onshore activities.

Order backlog was euro 13,191 million at December 31, 2006 (euro 10,122 million at December 31, 2005).

In the second half of the year, the semi-submersible pipelayer Saipem 7000 was engaged in the execution of various activities in the North Sea, including decommissioning of certain facilities and installation of pipelines and sub-sea facilities.

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ENI IN 2006 / ENGINEERING & CONSTRUCTION

Business areas

OFFSHORE CONSTRUCTION

Saipem has gained a sound competitive positioning in the market of large, complex projects for the development of offshore hydrocarbon fields leveraging on its technical and operational skills, supported by a world-class fleet, the ability to operate in complex environments, and engineering and project management capabilities acquired on the market over recent years. Saipem intends to enhance its market share by means of strengthening its EPIC oriented business model and its relationships with major oil companies and NOCs. Higher levels of profitability are expected to be achieved through outsourcing certain engineering and building activities to low cost centers. Investments will be focused on constantly upgrading and improving

technical characteristics and capabilities of Saipem's world-class fleet, and to build local construction centers. In 2006, revenues were euro 3,033 million accounting for 43% of total revenues. This business delivered a gross margin of euro 366 million, corresponding to 55% of total gross margin, higher than the euro 296 million result reported in 2005. This increase reflected higher activity in the Caspian region and Nigeria.

Among the major orders acquired in 2006 were:

- a contract for the conversion of an oil tanker into an FPSO unit with production capacity of 1.8 mmbbl for the development of the offshore Gimboa field in Angola for Sonangol P&P;
- an EPIC contract for Burullus Gas Co for the construction of underwater systems for the development of eight new wells within the expansion plan of the Scarab/Saffron and Simian fields offshore in the Nile Delta;

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The deep-water drilling ship Saipem 10000 continued to carry out drilling operations on behalf of Total Exploration & Production Angola, as a part a two-year contract.

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- an EPIC-type project for CNR International Limited for the construction of three wellhead towers, a support platform, and interconnecting pipelines and umbilicals within the development of the offshore Olowi field in Gabon.

ONSHORE CONSTRUCTION

Saipem operates in the construction of plants for hydrocarbon production (separation, stabilization, collection of hydrocarbons, pumping stations, water injection) and treatment (removal and recovery of sulphur dioxide and carbon dioxide, fractioning of gaseous liquids, recovery of condensates) and in the installation of large onshore transport systems (pipelines, compression stations, terminals).

Saipem intends to capture opportunities arising from expected increasing demand from oil majors, by leveraging on its solid competitive position and integration with Snamprogetti engineering capabilities.

In 2006, revenues were euro 3,333 million accounting for 48% of total revenues. Gross margin came in at euro 147 million as compared to euro 73 million in 2005. This increase reflected higher activity levels related essentially to the start-up of certain large projects acquired in 2005.

Among the major orders acquired in 2006 were:

- an EPC contract for Saudi Aramco for the construction of four trains for gas and crude separation with a total capacity of 1.2 mmbbl/d and production facilities within the development of the onshore Khursaniyah field in Saudi Arabia;
- an EPC contract for Shell Petroleum Development Company of Nigeria for the laying of pipelines, flowlines and composite fibre optic and high voltage electrical cables within the development Gbaran project. The contract was won in consortium with Desicon Engineering Ltd;
- an EPC contract for Canaport LNG for the construction of a regasification terminal, inclusive of auxiliary facilities for gas offloading, pumping, vaporization and transmission, in addition to two storage tanks. The contract was won in consortium with the Canadian company SNC - Lavalin.

OFFSHORE DRILLING

Saipem provides offshore drilling services to oil companies mainly in West Africa, the North Sea and the Mediterranean Sea. It boasts significant market positions in the most complex segments of deep and ultra-deep offshore leveraging on the outstanding technical features of its drilling platforms and vessels, capable of drilling holes at a maximum depth of 9,200 meters. Demand for drilling services is expected to increase in future years reflecting exploratory plans of oil majors, leading to a substantial rise in tariffs due to equipment shortage. In view of this, Saipem is planning to build a new drilling rig capable of reaching a 10,000 meter drilling depth.

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ENI IN 2006 / ENGINEERING & CONSTRUCTION

In 2006, revenues were euro 365 million accounting for 5% of total revenues. Gross margin amounted to euro 119 million as compared to euro 65 million in 2005. This increase was supported by higher tariffs for the Scarabeo 3 and Scarabeo 5 semi-submersible platforms and higher activity levels of the Perro Negro 5 jack-up and Scarabeo 4 semi-submersible platform.

The most significant contracts awarded during the period include:

- a 16-month long contract for the use of the semi-submersible drilling platform Scarabeo 7 in Nigeria for ExxonMobil;
- a 49-month long contract for the use of the semi-submersible drilling platform Scarabeo 5 in Norway for Statoil;
- a 27-month long contract for the use of the semi-submersible drilling platform Scarabeo 3 in Nigeria for Addax Petroleum.

ONSHORE DRILLING

Saipem operates in this area as main contractor for the major international oil companies executing its activity mainly in Saudi Arabia, North Africa and Peru, where it can leverage on its knowledge of markets, long-term relations with customers and integration with other business areas.

In 2006, revenues were euro 248 million accounting for 4% of total revenues. Gross margin amounted to euro 38 million as compared to euro 26 million in 2005, reflecting a higher activity level.

The contracts awarded during the period amounted to euro 338 million.

Capital expenditure

In 2006, capital expenditure in the Engineering and Construction segment (euro 591 million) concerned: (i) the conversion of the Margaux tanker ship into an FPSO vessel that will operate in Brazil on the Golfinho 1 field; (ii) maintenance and upgrading of equipment; (iii) fabrication and installation of facilities in the offshore phase of the Kashagan project in Kazakhstan.

Over the next four-year period, Saipem plans to invest approximately euro 3.5 billion directed to further upgrade its world-class fleet and to build local construction centers in order to strengthen relationship with key host countries, including Kazakhstan, Angola and Nigeria. New vessels which are planned to start operation in the next four years include a drilling rig as outlined above and a pipelayer designed to perform tasks in extreme environments.

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ENI IN 2006 / GROUP RESULTS FOR THE YEAR

Group results for the year**Trading environment**

Eni's results from operations and the year to year comparability of its financial results are affected by a number of external factors which exist in the industry environment, including changes in oil, natural gas and refined products prices, industry-wide movements in refining and petrochemical margins and fluctuations in exchange rates and interest rates. Changes in weather conditions from year to year can influence demand for natural gas and some petroleum products for heating, thus affecting results of operations of the natural gas business and, to a lesser extent, of the refining and marketing business.

The trading environment was broadly favorable in 2006 with Brent crude oil prices close to \$60/bl, up 19.8% compared to 2005. Natural gas margins increased in 2006 compared to 2005, reflecting

a favorable trading environment and a softer impact of sector specific regulation in Italy. These positives were partially offset by declining refining margins, which were down by 34.4% compared to 2005.

The euro appreciated by 1% over the dollar.

Petrochemical product margins decreased in 2006 as compared to 2005, essentially due to higher purchase costs of oil-based feedstocks not being completely transferred to selling prices.

TRADING ENVIRONMENT INDICATORS	2004	2005	2006
Average price of Brent dated crude oil ^(a)	38.22	54.38	65.14
Average EUR/USD exchange rate ^(b)	1.244	1.244	1.256
Average price in euro of Brent dated crude oil	30.72	43.71	51.86
Average European refining margin ^(c)	4.35	5.78	3.79
Average European refining margin in euro	3.50	4.65	3.02
Euribor - three-month euro rate	(%) 2.1	2.2	3.1
Libor - three-month dollar rate	(%) 1.6	3.5	5.2

(a) In US per barrel. Source: Platt's Oilgram.

(b) Source: BCE.

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

RESULTS FOR THE YEAR						
2004		(million euro)	2005	2006	Change	% Ch.
7,059	Eni's net profit		8,788	9,217	429	4.9
(281)	Exclusion of inventory holding (gains) losses		(759)	33	792	
(133)	Exclusion of special items:		1,222	1,162	(60)	
5	- non recurring items		290	239	(51)	
(138)	- other special items		932	923	(9)	
6,645	Eni's adjusted net profit		9,251	10,412	1,161	12.5

In 2006 Eni delivered **record net profit**, up 4.9% from 2005 to euro 9,217 million; on an adjusted base net profit was up 12.5% to euro 10,412 million (which excludes an inventory holding loss of euro 33 million and special charges of euro 1,162 million).

This increase was driven by continued improvements in performance and consistent execution of Eni's strategy, in a broadly favorable trading environment.

Special charges for the year were principally related to asset impairments, impacting mainly assets in the Exploration & Production division, environmental provisions, redundancy incentives, risk provisions with respect to certain fines imposed by certain regulatory and antitrust authorities and a deferred tax charge, reflecting the windfall tax levied by the Algerian Government and the supplemental tax rate in the UK.

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Contents**ENI IN 2006 / GROUP RESULTS FOR THE YEAR**

Total Shareholder Return for the year came in at 14.8%, one of the highest in the industry.

period ending December 31, 2006 was 22.7% (20.5% in 2005).

Return on average capital employed (ROACE) calculated on an adjusted basis for the twelve-month

The break-down of **adjusted net profit** by division is shown in the table below:

ADJUSTED NET PROFIT BY DIVISION						
2004		(million euro)	2005	2006	Change	% Ch.
4,033	Exploration & Production		6,186	7,279	1,093	17.7
2,290	Gas & Power		2,552	2,862	310	12.1
674	Refining & Marketing		945	629	(316)	(33.4)
242	Petrochemical		227	174	(53)	(23.3)
252	Engineering & Construction		328	400	72	22.0
(241)	Other activities		(297)	(301)	(4)	(1.3)
(86)	Corporate and financial companies		(142)	54	196	..
(37)	Unrealized profit in inventory ^(a)		(89)	(79)	10	11.2
7,127	Adjusted net profit		9,710	11,018	1,308	13.5
	of which:					
482	minority interest		459	606	147	32.0
6,645	Eni s adjusted net profit		9,251	10,412	1,161	12.5

(a) Unrealized profit in inventory concerned intragroup sales of goods and services recorded in the assets of the purchasing division as of end of the period.

From January 1, 2006 Eni s subsidiaries operating in diversified sectors (such as real estate services, insurance and financing intermediation, R&D and training services) are reported in the Corporate and financing companies aggregate with exception of Tecnomare which is reported in the Exploration & Production division (previously all these diversified activities were reported in the Other activities aggregate). The Other activities aggregate includes only Syndial SpA, a subsidiary which runs minor petrochemical activities and reclamation and decommissioning activities pertaining to certain businesses which Eni exited in past years. In order to allow for comparison, 2005 data has been reclassified accordingly; 2004 data has not been reclassified.

The Group adjusted net profit for the year was supported by the increase reported in the:

- **Exploration & Production** division (up euro 1,093 million, or 17.7%), reflecting a better operating performance (up euro 2.860 million) as a result of higher realizations in dollars (oil up 22.4% and natural gas up 17.8%) combined with increased production volumes sold (up 10.2 mmmboe). These positives were offset in part by higher operating costs and amortization charges, and increased exploration expenses. Adjusted net profit for the year was also negatively affected by the effects of exchange rates and a higher tax rate (from 51.8 to 53.9%);
- **Gas & Power** division (up euro 310 million, or 12.1%), reflecting a better operating

- **Engineering & Construction** division (up euro 72 million or 22%), reflecting a better operating performance against the backdrop of favorable trends in the demand for oilfield services.

These increases were partly offset by lower adjusted net profit reported in the **Refining & Marketing** division (down euro 316 million, or 33.4%), due to a poor operating performance (down euro 424 million) dragged down by a weak refining environment, the appreciation of the euro over the dollar and the impact of a higher level of planned maintenance activity at refineries. Divisional results were also adversely impacted by the weaker performance of marketing activities in Italy due to lower sales as a consequence of the mild weather conditions of the fourth quarter.

performance (up euro 351 million) resulting from higher natural gas selling margins due to a favorable trading environment and the reduced impact of the tariff regime implemented by the Authority for Electricity and Gas with Resolution No. 248/2004. Growth in natural gas sales by consolidated subsidiaries (up 3.14 bcm, or 3.8%) and in volumes transported out-side Italy contributed positively. On a negative note, transportation activities in Italy posted lower operating results due to the tariff regime enacted by the Authority for Electricity and Gas with Resolution No. 166/2005 and distribution activities suffered from lower volumes. Adjusted net profit for the year was supported by a better performance of certain equity accounted entities;

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CAPITAL EXPENDITURE

2006 **capital expenditure** amounted to euro 7,833 million, of which 89.7% related to the Exploration & Production, Gas & Power and Refining & Marketing divisions.

Capital expenditure was primarily related to: (i) the development of oil and gas reserves (euro 3,629 million) in particular in Kazakhstan, Angola, Egypt and Italy and exploration projects (euro 1,348 million) particularly in Angola, Egypt, Norway, Nigeria, the Gulf of Mexico and Italy, including also the acquisition of 152,000 square kilometers of new acreage (99% operated by Eni); (ii) the upgrading and maintenance of Eni's natural gas transport and distribution networks in Italy (euro 785 million); (iii) ongoing construction of combined cycle power plants (euro 5,229 million); (iv) projects aimed at improving flexibility and yields of refineries (euro 376 million), including the start-up of construction of a new hydrocracking unit at the Sannazzaro refinery,

and the upgrading of the refined product distribution network in Italy and in the rest of Europe (euro 223 million); and (v) the construction of a new FPSO unit and upgrading of the fleet and logistic centers in the Engineering & Construction division (euro 591 million).

CAPITAL EXPENDITURE BY DIVISION:

2004		(million euro)	2005	2006	Change	% Ch.
4,853	Exploration & Production		4,965	5,203	238	4.8
1,451	Gas & Power		1,152	1,174	22	1.9
693	Refining & Marketing		656	645	(11)	(1.7)
148	Petrochemical		112	99	(13)	(11.6)
186	Engineering & Construction		349	591	242	69.3
49	Other activities		48	72	24	50.0
119	Corporate and financial companies		132	88	(44)	(33.3)
	Unrealized profit in inventory			(39)	(39)	..
7,499			7,414	7,833	419	5.7

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities came in at euro 17,001 million. These cash flow enabled us to finance: (i) capital expenditure and investments for euro 7,928 million; (ii) dividend payments amounting to euro 4,832 million; (iii) the repurchase of own shares for euro 1,241 million. Cash from divestments (euro 329 million) and currency translation effects (approximately euro 650 million) also contributed to the reduction in net borrowings.

NET BORROWINGS

Net borrowings at December 31, 2006 were euro 6,767 million, representing a decrease of euro 3,708 million from December 31, 2005 due mainly to cash inflow generated by operating activities (euro 17,001 million). Currency translation effects also contributed to the reduction in net borrowings. Debts and bonds

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amounted to euro 11,699 million, of which euro 4,324 million were short-term (including the portion of long-term debt due within twelve months for euro 890 million) and euro 7,375 million were long-term.

At December 31, 2006, leverage was 0.16, compared to 0.27 at December 31, 2005.

DIVIDENDS AND SHARE REPURCHASES

In 2006 total cash dividends to Eni shareholders amounted to euro 4,610 million (euro 5,070 million in 2005) of which euro 2,400 million pertained to the payment of the balance of the dividend for fiscal year 2005 and euro 2,210 million pertained to the payment of an interim dividend (euro 0.60 per share) for fiscal year 2006 paid in October 2006.

On May 23-24, 2007, Annual General Meeting is convened to approve a unit dividend of euro 1.25 per share for fiscal year 2006 as proposed by Eni's Board of Directors. This dividend proposal represents an increase of 13.6% compared to the unit dividend paid for fiscal year 2005 (euro 1.10 per share). If the proposal is approved by shareholders, in June Eni will pay a balance of euro 0.65 per share for fiscal year 2006.

From January 1 to December 31, 2006 a total of 53.13 million own shares were purchased at a cost of euro 1,241 million (on average euro 23.35 per share). From the beginning of the share buy-back plan (September 1, 2000), Eni has purchase 335 million of its own shares, equal to 8.36% of outstanding capital stock, at a total cost of euro 5,512 million (representing an average cost of euro 16.45 per share).

In future, management plans to distribute significant amounts of cash to shareholders through an attractive and sustainable flow of dividends. Management also plans to continue paying dividends on an interim basis. Cash in excess (i.e. cash available after funding growth, paying dividend and maintaining a stable financial structure) will be returned to shareholders via continuing repurchase of own shares.

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Commitment to sustainable development

SUSTAINABLE DEVELOPMENT: PERFORMANCE DATA		2004	2005	2006
Employees in Italy at year-end	(units)	41,331	40,192	39,765
<i>of which women</i>		6,792	6,977	7,124
Employees outside Italy at year-end	(units)	30,186	32,066	33,807
<i>of which women</i>		3,347	3,578	3,660
Employees in research and development activities (<i>at year-end</i>)	(units)	1,470	1,420	1,160
Injury frequency rate (<i>accidents per million hours worked</i>)	(number)	4.47	3.17	3.07
Injury severity rate (<i>day of absence per thousand hours worked</i>)	(number)	0.11	0.10	0.09
Number of oil spills	(number)	226	335	139
Volumes of oil spilt	(barrels)	7,814	6,908	6,151
GHG emissions	(MtCO _{2eq})	58.41	61.74	59.34
Applications for patents	(number)	60	26	39
Research and development costs	(million euro)	257	204	222
Cost incurred for safety	(million euro)	292	391	394
Environmental expenditure	(million euro)	802	1,080	1,165

A strong commitment to sustainable development, involving each aspect of the business ranging from empowering people, to caring for the environment, developing communities, and technological innovation, has always stood at the heart of Eni's strategies. In 2006, this commitment was confirmed and empowered. Eni is engaged in improving the sustainability of its business model over the time by means of strengthening the relationship with its stakeholders, improving social performance and increasing the value of intangible assets. Sustainability objectives are expected to become an integral part of its management, planning and development

processes. In light of this, for the first time in its history, Eni addressed in its industrial planning the key challenges and commitments it is expected to cope with in future years, as described in the table below. 2006 marks the first year in which Eni has published a Sustainability Report to communicate more effectively with stakeholders. We now have a more coherent approach to sustainability, and are even more committed to managing and developing our company in a responsible and accountable way. More detailed information on Eni's commitment to sustainability is given on Eni's website in the section Sustainability and in the Report on Sustainability.

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Sustainability issues	Challenge	Eni's commitment
Corporate governance	Increasing focus on transparency and sustainability of corporate governance models and processes	<ul style="list-style-type: none"> • strengthen a governance system aligned to international best practices, capable of managing the complexity of the contexts in the several countries in which the Group operates and the challenges of sustainable development; • systematically involve stakeholder through suitable ways of engagement.
People	Increasing competition to hire and retain qualified personnel and need to empower local resources, at the same time protecting their health and ensuring high standard of workplace safety	<ul style="list-style-type: none"> • attract the best domestic and international resources; • manage human resources internationally with homogenous tools, promoting diversity; • promote health and safety of employees, contractors and local communities; • enhance the potential and professional capability of its human resources.
Environmental responsibility	Satisfying growing energy needs, while at the same time reducing emissions and the impact on ecosystems	<ul style="list-style-type: none"> • develop preferentially fossil sources with low carbon intensity, particularly gas; • participate actively in emission trading systems and implement projects aimed at reducing emissions based on the flexible mechanisms suggested by the Kyoto Protocol; • mitigate the local environmental impact of its activities by improving environmental performance and recovering and reusing resources; • reduce its ecological footprint also by means of remediation and reclaiming activities; • preserve biodiversity also by means of improved monitoring techniques of onshore and offshore ecosystems.
Innovation	Strategic role of innovation in ensuring a sustainable use of energy sources	<ul style="list-style-type: none"> • develop technologies aiming at increasing availability of hydrocarbons, maximizing recoverability of existing reserves and protecting safety and the environment in the exploration of new resources;

Territory and communities

Expectations for local community involvement and support

- reduce its impact on climate change by investing in innovation capable of generating discontinuity such as emerging solar technologies;
- manufacture fuels that anticipate future regulation requirements, evolution of engines and of market demands, also by means of pursuing and developing the use of biofuels with high performance and low environmental impact.

- promote stakeholder engagement also on industrial projects aimed at enhancing the value of socio-economic systems of the countries and local communities where Eni operates;
- cooperate with governments and local authorities and with international non-governmental organizations on crucial issues;
- promote actions for supporting the ability for autonomous development of local communities.

Human resources and organization

In Eni's view, all men and women working within its global organization represent an asset to be safeguarded and enhanced with the utmost care, in the conviction that a highly-motivated, talented and well trained workforce is key to the creation of sustainable value in the long term. Eni's main objectives for its human resources are:

- to guarantee safety and health of all employees and contractors;
- to implement initiatives for the management and development of human resources, ensuring personnel development and growth are consistent with the evolution of the business;

- to attract and retain the best resources at domestic and international level through strong links with universities and research centers and actively contributing to the training of young generations;
- to develop and share know-how through the systematization and dissemination of knowledge and the best international corporate practices;
- to manage human resources internationally with homogenous tools, respecting local regulations and cultures;
- to obtain excellent results in industrial relations at domestic and international level.

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(232 senior managers, 6,822 middle managers and senior staff, 12,180 employees and 6,192 workers) for a total of 90,319 participations.

INDUSTRIAL RELATIONS

Industrial relations within a consolidated and structured system represented an efficient and consistent support to Eni's strategic choices and to the completion of reorganization processes underway. Internationally, Eni continued its dialogue with workers' unions in specific forums such as the European Works Council. Eni's Multicultural Training Project, which takes place every year in a different country with the cooperation of members of the EWC, held training courses in France addressed to 300 employees of Saipem SA. This course was awarded the first prize Etica&Impresa at the end of 2006.

HEALTH

Activities for the protection of health aim at improving general work conditions and are developed according to three main principles:

- protection of employees' health;
- prevention of accidents and professional diseases;
- promotion of healthier behaviors and life styles in workplaces.

Eni has a network of 307 own health care centers located in its main operating areas of these 217 are located outside Italy. A set of international agreements with the best local and international health centers guarantees efficient service and timely reactions to emergencies.

In particular, outside Italy Eni promotes specific information campaigns for the protection of its employees, their families and local communities, such as those for the prevention of malaria (in Nigeria) and the prevention of HIV transmission (in Nigeria and Congo).

SAFETY

Eni has always been deeply engaged in the issue of the safety of its workers, of the people living in the areas where its industrial sites are located and of its producing assets. Its strategy has been based on:

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

Eni implemented various initiatives aimed at improving evaluation and development of human resources. In particular, Eni completed a plan of management rejuvenation and enhanced the tools for evaluation of development potential of resources, coupling the appraisals made at (hierarchical and functional) line level with those performed by external experts. These activities were addressed to key managers, developing young managers and newly recruited graduates. Eni performed an updating of policies directed to employees outside Italy and introduced compensation schemes adequate with the dynamics of international resource markets.

With nearly 46% of its employees of non-Italian nationality, Eni has always considered diversity as an element generating value and the ability in managing it as a key factor for success. In the countries where it operates, Eni promotes the development of skills of local human resources and the construction of a shared culture by means of training initiatives addressing issues of intercultural diversity.

TRAINING

Eni considers training one of the strong points of the management of human resources. The number of hours dedicated to training and the

number of employees participating in training initiatives are evidence of Eni's significant commitment in Italy and outside Italy.

In 2006, expenditure for training amounted to euro 57.2 million. In particular in Italy, a total of 1,167,633 training hours were provided to a total of 23,941 employees

- the dissemination of a safety culture within its organization;
- a common policy, specific guidelines for proper management systems meeting international standards;
- control, prevention and protection from exposure to dangerous situations;
- minimization of exposure to risk in all production activities.

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In 2006, safety indicators have continued to improve, confirming a trend in place for many years to date. Both the injury frequency and severity rates hit historical lows: the former is calculated as ratio of injuries per million hours worked and was 3.07, down 3% from 2005; the latter is calculated as ratio of lost working days per thousand hours worked and was 0.09, down 10% from 2005. In 2006, Eni spent approximately euro 390 million mainly in facilities to improve safety levels, safety current measures, research and development and training.

Responsibility towards the environment

OUTLOOK

The current focus on global environmental issues spurred by an increasingly tight regulatory framework and socio-political debate stimulates companies to devote a strong commitment to both local and worldwide environmental matters beyond the simple compliance with applicable rules and regulations. In addition, the current operating context is characterized by increasing risk aversion, due to the progressive internalization of environmental externalities and also the growing participation of local stakeholders in decision making processes. Companies are therefore required to be more transparent on their environmental performance, as they are subject to careful scrutiny by stakeholders.

of biodiversity. To this end, in 2006 Eni spent approximately euro 1.2 billion to preserve the environment and to support reclamation and remediation activities.

RATIONAL USE OF NATURAL RESOURCES

We manage natural resources aiming at their rational and sustainable use and conservation throughout all Eni's operations.

Coping with risks of climate change

Eni has been devoting a great deal of effort to mitigate risks of climate change by reducing GHG emissions and energy consumption through a global strategy of carbon management aiming at:

- preferably developing fossil fuels with low carbon intensity, in particular natural gas;
- pursuing gas-electricity integration exploiting the high efficiency of combined cycles and co-generation;
- actively participating in the European emission trading scheme, promoting the reduction of emissions at its industrial sites;
- implementing Clean Development Mechanisms (CDM) and Joint Implementation Project (JIP) foreseen by the Kyoto protocol;
- progressively reducing gas flaring and gas venting associated to oil production creating the conditions for monetizing such volumes;

In all its activities, Eni is actively committed to reducing its environmental footprint, decreasing its energy and water consumption, reducing local pollution of air, water and soil as well as waste production and reclaiming discontinued industrial sites. Special attention is paid to the protection

- developing fuel with low environmental impact and technologies for the separation and the geologic confinement of carbon dioxide and efficient production of hydrogen.

Along these guidelines, Eni has been achieving such environmental results as to be featured as a low carbon dioxide emission company.

Contents**ENI IN 2006 / COMMITMENT TO SUSTAINABLE DEVELOPMENT****MANAGING OPERATIONAL RISKS**

The broad scope of Eni's activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, production of non biodegradable waste. All these events could possibly damage or even destroy plants, facilities, equipment and other property, cause injury or even death to persons or cause environmental damage.

Eni adopted the most stringent guidelines for the evaluation and management of health, safety and environmental (HSE) risks, with the objective of protecting Eni's employees, contractors and clients, the populations involved in its activity, the environment and being in compliance with local and international rules and regulations. Eni's guidelines prescribe the adoption of international best practices in setting internal principles, standards and solutions. An ongoing process for identifying, evaluating and managing HSE risks is at the heart of HSE operations in each phase of the business activity and is performed through the adoption of procedures tailored on the peculiarities of each business and industrial site.

HSE risks are effectively managed through an integrated management system designed along the principles set in Eni's Model of HSE operations. This is a general procedure to be applied in all its operating sites, based on an annual cycle of planning, implementation, control, review of results and definition of new objectives. The model is directed towards the prevention of risks, the systematic monitoring and control of HSE performance in a continuous improvement cycle subject also to audits by internal and independent experts. Any environmental emergency is managed by business units locally with their own organization under preset reaction plans to foreseeable events aimed at limiting damage and at activating adequate responses.

Eni has two emergency rooms (at Milan and Rome) provided with real time monitoring systems for the collection of data on georeferenced maps for all Eni sites and logistics worldwide. Mathematical models are in place to assess dimension, temporal development and other consequences of certain catastrophic events and to enable a real-time planning of first-aid interventions to help mitigate consequences.

In addition to its own emergency teams, Eni entered international agreements in order to maximize its ability to react in all its operating sites.

Water preservation

Eni effectively manages water consumption by means of actions intended to develop recycling opportunities and minimize water discharge aiming in many instances at achieving better performances than those required by applicable laws.

Eni invested to implement integrated production cycles entailing a limited and combined use of water, to build water treatment plants with the most updated technologies and to adopt monitoring systems capable of providing periodic controls of the most significant water parameters. In 2006, water consumption at 3.2 bcm was stable over the previous year.

Soil protection

The protection of soil and ground water is a crucial matter for the preservation of environment. For years, Eni has been carrying out numerous programs for the protection of soils and the reclamation of soils and ground waters. Eni's business units are provided with an internal organization that takes care of managerial and technical aspects, using highly qualified external professionals to carry out reclaiming activities.

Eni is also active in the area of waste produced by its industrial units with the aim of reducing its generation and improving its final destination by increasing recycling and recovery.

Oil spills

Production, handling and transport of oil products can give rise to spills of variable size. In order to protect the

areas where it operates, Eni defined responsibilities and operating modes aimed at reducing the negative impact of oil spills. In 2006, a total of 139 oil spills were registered for a total of 6,150 bbl of oil spilled, confirming a downward trend.

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Community involvement

Eni operates in over 70 countries respecting the human rights of populations, their territory and the environment, contributing to improving the quality of life and the socio-economic development of the communities where it is present. This commitment is the basis of entrepreneurial behaviors based on the respect for ethnic, social or cultural diversity of the various communities with which Eni interacts.

The search for integration with varied social and cultural situations is part of Eni's tradition. In order to favor a proper integration Eni:

- cooperates with national and local authorities and with international NGOs;
- sponsors initiatives that will proceed autonomously in the social, cultural and environmental fabric of the different communities;
- promotes dialogue with local communities on the industrial options by means of tool of active participation;
- favors the improvement of the socio-economic system where it operates wherever possible using local goods and services, consistently with its industrial requirements, in order to maximize local content;
- extends the initiatives for its personnel to their families and to local communities where it operates, in particular as concerns health.

Eni's main interventions for the protection and development of local communities concern:

- Italy: activities included in the intent protocol signed with the Basilicata Region for the Val d'Agri for an overall expenditure of approximately euro 160 million in the 1999-2019 period;
- Karachaganak: infrastructure projects requested by the local authorities for an overall expenditure of approximately euro 9 million, paid by the Consortium;
- Caspian Sea: infrastructure projects requested by the local authorities for an overall expenditure of approximately euro 309 million,

Innovation

Our relentless commitment to technological research and innovation underscores a fundamental belief that technology is a key to increasing our competitive advantage over the long term and promoting sustainable growth. All the global challenges in future years require ingenuity and commitment: from the environmental and climate emergencies to the increasingly difficult access to hydrocarbon reserves; from the identification of discontinuities in the production of energy from renewable sources to the optimization of production processes up to the solution of problems existing in countries where Eni has been present for a long time or where it recently entered. We are conducting research aimed primarily at reducing the costs of finding and recovering hydrocarbons, upgrading heavy oils, monetizing stranded gas and protecting the environment. In the next four-year period, we plan to devote a significant amount of resources to research and development activities in the range of euro 1,5 billion in order to support our strategy in innovation.

In 2006, Eni invested euro 222 million in research and development (euro 204 million in 2005). Of these 39% was directed to the Exploration & Production segment, 32% to the Refining & Marketing segment, 22% to the Petrochemical segment and 7% to the Engineering and Construction segment. In particular we moved forward on our breakthrough technologies: EST (Eni Slurry Technology) for the full exploitation of the heavy barrel, TAP (gas transportation at high pressure) and GTL (gas-to-liquids) for gas monetization, and GHG project as described below.

Conversion of heavy crudes and fractions into light products (EST)

Testing of this technology progressed at the Taranto demonstration plant. This proprietary technology is based on a process of catalytic hydroconversion in the slurry phase of non conventional crudes, extra heavy crudes and refining residues enabling it to fully convert asphaltenes (the hard fraction of heavy crudes) into naphtha, kerosene, diesel fuel. In 2007, Eni plans to complete the collection of information for designing and building its first industrial plant.

paid by the Consortium;

- Libya: recruiting, training, health assistance, archaeology, industrial development, as provided for by the masterplan for an overall expenditure of approximately euro 110 million for a period of 8 years.

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Gas to liquids project (GTL)

In 2006, with the cooperation of IFP/Axens, Eni completed preparation of a technology handbook for this proprietary technology aiming at conversion of gas to liquids via Fischer-Tropsch synthesis and the basic engineering for a 37 kbbl/d industrial unit.

A technical feasibility study of the geological sequestration of carbon dioxide has been completed and in 2007 Eni expects to start testing this project in a field.

Natural gas high pressure transport (TAP)

The TAP project aims to develop an advanced long distance, high capacity, high pressure and high grade solutions for gas transport targeting:

- transport on distances over 3,000 kilometers;
- volumes to be transported in the range of 20-30 billion cubic meters/year;
- pressure equal to or higher than 15 MPa;
- use of high and very high grade steel.

The TAP technology is expected to allow a decrease in gas consumption of compressor stations.

In 2006, testing progressed on two infrastructures (one integrated in the system of Snam Rete Gas), a technology handbook was released and a hypothetical 3,400 kilometer long gasline in X100 steel in Central Asia was designed.

GHG Project (Green House Gases)

The Green House Gases research program progressed during the course of the year, aiming at verifying the industrial feasibility of the geological sequestration of carbon dioxide in depleted fields and salty aquifers.

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Financial Information**SUMMARY OF ACCOUNTING POLICIES AND PRACTICES**

Eni prepares its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission.

The consolidated financial statements of Eni include accounts of the parent company Eni SpA and of all Italian and foreign significant subsidiaries in which Eni directly or indirectly holds the majority of voting rights or is otherwise able to exercise control as in the case of *de facto* controlled entities. Control comprises the power to govern the financial and operating policies of the investee so as to obtain rewards from its activities. Insignificant subsidiaries, jointly controlled entities, and other entities in which the group is in a position to exercise a significant influence through participation in the financial and operating policy decisions of the investee are generally accounted for under the equity method of accounting.

Revenues from sales of crude oil, natural gas, petroleum and petrochemical products are recognized when the products are delivered and title passes to the customer. Revenue recognition in the Engineering & Construction division is based on the stage of completion of contracts as measured on the cost-to-cost basis applied to contractual revenues.

Stock-based compensation to employees is recognized in the profit and loss account based on the fair value of grants awarded to the employee; the portion relevant to the year is calculated pro rata over the vesting period of relevant grants.

Eni enters into various derivative financial transactions to manage exposures to certain market risks, including foreign currency exchange rate risks, interest rate risks and commodity risks. From January 1, 2005, such derivative financial instruments are assets and liabilities recognized at fair value starting on the date on which a derivative contract is entered into and are subsequently reassessed at fair value. Derivatives are designated as hedges when the hedging relationship between the hedged item or transaction and the hedging instrument is highly effective and formally documented. Changes in the fair value of hedging derivatives are recognized: (i) for fair value hedges, hedging the exposure to changes in the fair value of a recognized asset or liability, in the profit and loss account; (ii) for cash flow hedges, hedging exposure to variability in cash flows, the effective portion is recognized directly in equity, while the ineffective portion in the profit and loss account; subsequently amounts taken to equity are transferred to the profit and loss account when the hedged transaction occurs. Changes in fair value of derivatives held for trading purposes, i.e. derivatives for which the hedging relationship is not formally documented or is ineffective, are recognized in the profit and loss account. Eni does not enter into derivative transactions on a speculative basis.

Inventories of crude oil, natural gas and oil products are stated at the lower of cost and net realizable value. Cost is determined based on the weighted-average cost method. Contract work in progress is recorded on the basis of contractual considerations by reference to the stage of completion of a contract measured on a cost-to-cost basis.

Property, plant and equipment and **intangible assets** are stated at cost less accumulated depreciation and accumulated losses impairment. Depreciation, depletion and amortization of oil and gas properties (capitalized costs incurred to obtain access to proved reserves and to provide facilities for extracting, gathering and storing oil and gas) is calculated based on the Unit-Of-Production (UOP) method on proved reserves or proved developed reserves. Exploratory costs (costs associated with exploratory activities for oil and gas producing properties) are capitalized and fully amortized as incurred. Other tangible assets and intangibles with a defined useful life are amortized

systematically, based on the straight-line method. Goodwill and intangibles lacking a defined useful life are not amortized but are reviewed periodically for impairment. Eni assesses its property, plant and equipment and intangible assets, including goodwill, for possible impairment if there are events or changes in circumstances that indicate that the carrying values of the assets are not recoverable.

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Such indicators include changes in the Group's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated proved reserve quantities.

Asset retirement obligations, that may be incurred for the dismantling and removal of assets and the reclamation of sites, are evaluated estimating the costs to be incurred when the asset is retired. Future estimated costs are discounted when the settlement date is in a long-time horizon in order to reflect the time value of money. Initial estimate is reviewed periodically to reflect changes in circumstances and other factors surrounding the estimate, including the discount rates. The company recognizes material provisions for asset retirement in the upstream business. No significant asset retirement obligations associated with any legal obligations to retire refining, marketing and transportation (downstream) and chemical long-lived assets are generally recognized, as indeterminate settlement dates for the asset retirement prevent estimation of the fair value of the associated asset retirement obligation.

Provisions, including environmental liabilities, are recognized when the group has a present obligation (legal or constructive) as a result of a past event, when is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and when the obligation can be reliably estimated. The initial estimate to settle the obligation is discounted when the effect of the time value of money is material. The estimate is reviewed periodically to take account of changes in costs expected to be incurred to settle the obligation and other factors, including changes in the discount rates.

Eni is a party to a number of **legal proceedings** arising in the ordinary course of business. Although Eni's management does not currently expect a material adverse effect on Eni's financial position and results of operations on the basis of information available to date and taking account of existing provisions, there can be no assurance that in the future Eni will not incur material charges in connection with pending litigations as new information becomes available and new developments may occur. For further information about pending litigations, see "Legal proceedings", note 25 to the consolidated financial statements of Eni's Annual Report 2006.

The preparation of consolidated financial statements requires management to apply accounting methods and policies that are based on difficult or subjective judgments, estimates based on past experience and assumptions determined to be reasonable and realistic based on the related circumstances. The application of these estimates and assumptions, particularly those affecting estimates of proved reserves, asset impairments and contingent liabilities, affects the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates given the uncertainty surrounding the assumptions and conditions upon which estimates are based.

For further information regarding accounting policies and practices, see "Evaluation criteria" and "Use of accounting estimates" in the Notes to the consolidated financial statements of Eni's Annual Report 2006.

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CONSOLIDATED FINANCIAL STATEMENTS

PROFIT AND LOSS ACCOUNT	(million euro)	2004	2005	2006
Profit and loss account				
Revenues				
Net sales from operations		57,545	73,728	86,105
Other income and revenues		1,377	798	783
Total revenues		58,922	74,526	86,888
Operating expenses				
Purchases, services and other		(38,347)	(48,567)	(57,490)
- of which significant non recurring events and operations		5	(290)	(239)
Payroll and related costs		(3,245)	(3,351)	(3,650)
Total operating expenses		(41,592)	(51,918)	(61,140)
Depreciation, amortization and impairments		(4,931)	(5,781)	(6,421)
OPERATING PROFIT		12,399	16,827	19,327
Financial income		2,589	3,131	4,132
Financial expense		(2,745)	(3,497)	(3,971)
Financial income (expense)		(156)	(366)	161
Effects of investments accounted for using the equity method		332	737	795
Other income (expense) from investments		488	177	108
Income (expense) from investments		820	914	903
PROFIT BEFORE INCOME TAXES		13,063	17,375	20,391
Income taxes		(5,522)	(8,128)	(10,568)
NET PROFIT		7,541	9,247	9,823
Pertaining to:				
- Eni		7,059	8,788	9,217
- minority interest		482	459	606

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BALANCE SHEET	(million euro)	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
ASSETS				
Current assets				
Cash and cash equivalents		1,003	1,333	3,985
Other financial assets for trading or available for sale		1,266	1,368	972
Trade and other receivables		13,734	17,902	18,799
Inventories		2,847	3,563	4,752
Income tax receivables		674	697	658
Other current assets		588	369	855
Total current assets		20,112	25,232	30,021
Non-current assets				
Property, plant and equipment		40,586	45,013	44,312
Other tangible assets				629
Inventories - compulsory stock		1,386	2,194	1,827
Intangible assets		3,313	3,194	3,753
Investments accounted for using the equity method		3,156	3,890	3,886
Other investments		529	421	360
Other financial assets		936	1,050	805
Deferred tax assets		1,827	1,861	1,725
Other non-current assets		1,008	995	994
Total non-current assets		52,741	58,618	58,291
TOTAL ASSETS		72,853	83,850	88,312
LIABILITIES AND SHAREHOLDERS EQUITY				
Current liabilities				
Short-term financial liabilities		4,150	4,612	3,400
Current portion of long-term debt		927	733	890
Trade and other payables		10,533	13,095	15,995
Taxes payable		2,498	3,430	2,830
Other current liabilities		505	613	634
Total current liabilities		18,613	22,483	23,749
Non-current liabilities				
Long-term debt		7,607	7,653	7,409
Provisions for contingencies		5,736	7,679	8,614
Provisions for employee benefits		982	1,031	1,071
Deferred tax liabilities		3,948	4,890	5,852
Other non-current liabilities		427	897	418
Total non-current liabilities		18,700	22,150	23,364
TOTAL LIABILITIES		37,313	44,633	47,113
	(million euro)	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
Shareholders equity				
Minority interests		3,166	2,349	2,170
Shareholders equity:				
Share capital: 4,005,358,876 fully paid shares nominal value euro 1 each (the same amount as of December 31, 2005)		4,004	4,005	4,005
Share premium				

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Other reserves	9,629	10,910	6,013
Retained earnings	14,911	17,381	25,168
Net profit	7,059	8,788	9,217
Treasury shares	(3,229)	(4,216)	(5,374)
Total Eni Shareholders equity	32,374	36,868	39,029
TOTAL SHAREHOLDERS EQUITY	35,540	39,217	41,199
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	72,853	83,850	88,312

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STATEMENTS OF CASH FLOW	(million euro)	2004	2005	2006
Net profit of the year		7,541	9,247	9,823
Depreciation and amortization		4,598	5,509	6,153
Revaluations, net		27	(288)	(386)
Net change in provisions for contingencies		418	1,279	(86)
Net change in the provisions for employee benefits		49	18	72
Gain on disposal of assets, net		(793)	(220)	(59)
Dividend income		(72)	(33)	(98)
Interest income		(198)	(214)	(387)
Interest expense		567	654	346
Exchange differences		(79)	(64)	6
Income taxes		5,522	8,128	10,568
Cash generated from operating profit before changes in working capital		17,580	24,016	25,952
(Increase) decrease:				
- inventories		(355)	(1,402)	(953)
- trade and other receivables		(1,241)	(4,413)	(1,952)
- other assets		43	351	(315)
- trade and other payables		727	3,030	2,146
- other liabilities		(83)	12	50
Cash from operations		16,671	21,594	24,928
Dividends received		394	366	848
Interest received		167	214	395
Interest paid		(533)	(619)	(294)
Income taxes paid		(4,199)	(6,619)	(8,876)
NET CASH PROVIDED FROM OPERATING ACTIVITIES		12,500	14,936	17,001
Investments:				
- tangible assets		(6,785)	(6,558)	(6,138)
- intangible assets		(714)	(856)	(1,695)
- consolidated subsidiaries and businesses			(73)	(46)
- investments		(316)	(54)	(42)
- securities		(675)	(464)	(49)
- financing receivables		(470)	(683)	(516)
- change in payables and receivables in relation to investments and capitalized depreciation		(13)	149	(26)
Cash flow from investments		(8,973)	(8,539)	(8,512)
Disposals:				
- tangible assets		279	99	237
- intangible assets		13	13	12
- consolidated subsidiaries and businesses		538	252	8
- investments		61	178	36
- securities		659	369	382
- financing receivables		808	804	794
- change in payables and receivables in relation to disposals		(1)	9	(8)
Cash flow from disposals		2,357	1,724	1,461
Net cash used in investing activities (*)		(6,616)	(6,815)	(7,051)
Proceeds from long-term debt		1,229	2,755	2,888
Payments of long-term debt		(797)	(2,978)	(2,621)

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Reductions of short-term debt	(4,175)	(317)	(949)
	(3,743)	(540)	(682)
Net capital contributions by/to minority shareholders	1	24	22
Net repurchase of shares by Eni subsidiaries	(22)	(30)	(477)
Acquisitions of additional interests in consolidated subsidiaries	643	(3)	(7)
Sale of additional interests in consolidated subsidiaries			35
Dividends to shareholders	(3,076)	(6,288)	(4,832)
- of which to Eni shareholders	(2,828)	(5,070)	(4,610)
Net repurchase of Eni shares	(65)	(987)	(1,156)
Net cash used in financing activities	(6,262)	(7,824)	(7,097)
<i>Effect of change in consolidation</i>	12	(38)	(4)
<i>Effect of exchange differences</i>	(67)	71	(197)
Net cash flow for the period	(433)	330	2,652
Cash and cash equivalent at beginning of the year	1,436	1,003	1,333
Cash and cash equivalent at end of the year	1,003	1,333	3,985

(*) Net cash used in investing activities includes some investments which Eni, due to their nature (temporary cash investments or carried on in order to optimize management of treasury operations) are considered as a reduction of net borrowings as defined in the "Financial Review" in the "Report of the Directors".

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ENI IN 2006 / FINANCIAL INFORMATION

NON-GAAP MEASURES

Reconciliation of reported operating profit and net profit to results on an adjusted basis

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, finance charges on finance debt, interest income, charges or income deriving from the fair value evaluation of derivative financial instruments held for trading purposes, and exchange rate differences are excluded when determining adjusted net profit of each business segment.

The taxation effect of such items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item, with the exception for finance charges or income, to which the Italian statutory tax rate of 33% is applied.

Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them to facilitate comparison of base business performance across periods and allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

The following is a description of items which are excluded from the calculation of adjusted results.

Inventory holding gain or loss is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold calculated using the weighted-average cost method of inventory accounting.

Special items include certain relevant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; or (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non recurring material income or charges are to be clearly reported in the management's discussion and financial tables.

Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. In addition the effect of the fair value evaluation of derivative financial instruments held for trading purposes and exchange rate differences are excluded from the adjusted net profit of business segments. Therefore, the adjusted net profit of business segments includes finance charge or income deriving from certain segment-operated assets, i.e., interest income on certain receivable financing and securities related to operations and finance charge pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration & Production division).

Finance charges or interest income and related taxation effects excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

For a reconciliation of adjusted operating profit and adjusted net profit to reported operating profit and reported net profit see tables below.

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(million euro)

2006									
	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	15,580	3,802	319	172	505	(622)	(296)	(133)	19,327
Exclusion of inventory holding (gains) losses		(67)	215	(60)					88
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges		55	109	13		62			239
Other special charges:	183	92	147	94	3	261	56		836
environmental charges		44	111			126	11		292
asset impairments	231	51	14	50	1	22			369
gains on disposal of assets	(61)								(61)
provisions to the reserve for contingencies			8	31		75			114
provision for redundancy incentives	13	37	47	19	2	17	43		178
other		(40)	(33)	(6)		21	2		(56)
Special items of operating profit	183	147	256	107	3	323	56		1,075
Adjusted operating profit	15,763	3,882	790	219	508	(299)	(240)	(133)	20,490
Net financial (expense) income (*)	(59)	16				(7)	205		155
Net income from investments (*)	85	489	184	2	66	5			831
Income taxes (*)	(8,510)	(1,525)	(345)	(47)	(174)		89	54	(10,458)
<i>Tax rate (%)</i>	<i>53.9</i>	<i>34.8</i>	<i>35.4</i>						<i>48.7</i>
Adjusted net profit	7,279	2,862	629	174	400	(301)	54	(79)	11,018
<i>of which:</i>									
- net profit of minorities									606
- Eni s adjusted net profit									10,412
Eni s reported net profit									9,217
Exclusion of inventory holding (gains) losses									33
Exclusion of special items									1,162
- <i>Non-recurring (income) charges</i>									239
- <i>Other special charges</i>									923
Eni s adjusted net profit									10,412

(*) Excludes special items.

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(million euro)

2005									
	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	12,592	3,321	1,857	202	307	(934)	(377)	(141)	16,827
Exclusion of inventory holding (gains) losses		(127)	(1,064)	(19)					(1,210)
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges		290							290
Other special charges:	311	47	421	78	7	638	149		1,651
environmental charges		31	337			413	54		835
asset impairments	247	1	5	29	4	75	2		363
provisions to the reserve									
for contingencies			39	36		126			201
increase insurance charges	57	6	30	17		4	64		178
provision for redundancy incentives	7	8	22	4	3	6	29		79
other		1	(12)	(8)		14			(5)
Special items of operating profit	311	337	421	78	7	638	149		1,941
Adjusted operating profit	12,903	3,531	1,214	261	314	(296)	(228)	(141)	17,558
Net financial (expense) income (*)	(80)	37					(296)		(339)
Net income from investments (*)	10	370	231	3	141	(1)	23		777
Income taxes (*)	(6,647)	(1,386)	(500)	(37)	(127)		359	52	(8,286)
<i>Tax rate (%)</i>	<i>51.8</i>	<i>35.2</i>	<i>34.6</i>						<i>46.0</i>
Adjusted net profit	6,186	2,552	945	227	328	(297)	(142)	(89)	9,710
<i>of which:</i>									
- net profit of minorities									459
- Eni s adjusted net profit									9,251
Eni s reported net profit									8,788
Exclusion of inventory holding (gains) losses									(759)
Exclusion of special items									1,222
- <i>Non-recurring (income) charges</i>									290
- <i>Other special charges</i>									932
Eni s adjusted net profit									9,251

(*) Excludes special items.

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(million euro)

2004									
	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	8,185	3,428	1,080	320	203	(395)	(346)	(59)	12,399
Exclusion of inventory holding (gains) losses		(12)	(393)	(43)					(448)
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges		5							5
Other special charges:	17	27	236	(14)	12	172	176		626
environmental charges		5	142			84	72		303
asset impairments	287	6	21	3		19			336
gains on disposal of assets	(320)								(320)
provisions to the reserve									
for contingencies	29	18	77	3	1	15			143
increase insurance charges							91		91
provision for redundancy									
incentives	2	10	20	6	10	6	11		65
other	19	(12)	(24)	(26)	1	48	2		8
Special items of operating profit	17	32	236	(14)	12	172	176		631
Adjusted operating profit	8,202	3,448	923	263	215	(223)	(187)	(59)	12,582
Net financial (expense) income (*)	(85)	31	5				(107)		(156)
Net income from investments (*)	9	215	96	2	118	4	(14)		430
Income taxes (*)	(4,093)	(1,404)	(350)	(23)	(81)	(22)	222	22	(5,729)
<i>Tax rate (%)</i>	<i>50.4</i>	<i>38.0</i>	<i>34.2</i>						<i>44.6</i>
Adjusted net profit	4,033	2,290	674	242	252	(241)	(88)	(37)	7,127
<i>of which:</i>									
- net profit of minorities									482
- Eni s adjusted net profit									6,645
Eni s reported net profit									7,059
Exclusion of inventory holding (gains) losses									(281)
Exclusion of special items									(133)
- Non-recurring (income) charges									5
- Other special charges									(138)
Eni s adjusted net profit									6,645

(*) Excludes special items.

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(million euro)

ANALYSIS OF SPECIAL ITEMS				
2004		2005	2006	Change
5	Non-recurring (income) charges	290	239	(51)
626	Other special charges:	1,651	836	(815)
303	environmental charges	835	292	(543)
336	asset impairments	363	369	6
(320)	gains on disposal of assets		(61)	(61)
234	provisions to the reserve for contingencies	379	114	(265)
	<i>of which: increase insurance charges</i>	178		(178)
65	provisions for redundancy incentives	79	178	99
8	other	(5)	(56)	(51)
631	Special items of operating profit	1,941	1,075	(866)
	Net financial (expense) income	27	(6)	(33)
(390)	Net income from investments	(137)	(72)	65
	<i>of which:</i>			
	<i>gain on the disposal of Italiana Petroli (IP)</i>	(132)		132
	<i>gain on Galp Energia SGPS SA (disposal assets Rede Electrica Nacional)</i>		(73)	(73)
(308)	<i>gain on the disposal of shares of Snam Rete Gas SpA</i>			
(374)	Income taxes	(609)	165	774
	<i>of which:</i>			
	<i>supplemental tax rate UK</i>		91	91
	<i>windfall tax Algeria</i>		179	179
	<i>legal proceeding in Venezuela</i>		77	77
(133)	Total special items of net profit	1,222	1,162	(60)

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ENI IN 2006 / FREQUENTLY USED TERMS

Frequently Used Terms

For a reconciliation of Summarized Group Balance Sheet and Summarized Group Cash Flow Statement with the corresponding statutory tables see Eni's 2006 Annual Report, Reconciliation of Summarized Group Balance Sheet and Statement Of Cash Flows to statutory schemes pages 77-80.

SUMMARIZED GROUP BALANCE SHEET

Summarized Group Balance Sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing. Management believes that this summarized group balance sheet is useful information in assisting investors to assess Eni's capital structure and to analyze its sources of funds and investments in fixed assets and working capital. Management uses the Summarized Group Balance Sheet to calculate key ratios such as return on capital employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Eni's financing structure is sound and well-balanced.

SUMMARIZED GROUP BALANCE SHEET	(million euro)	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
Fixed assets				
Property, plant and equipment, net		40,586	45,013	44,312
Other tangible assets				629
Inventories - compulsory stock		1,386	2,194	1,827
Intangible assets, net		3,313	3,194	3,753
Investments, net		3,685	4,311	4,246
Accounts receivable financing and securities related to operations		695	775	557
Net accounts payable in relation to capital expenditure		(888)	(1,196)	(1,090)
		48,777	54,291	54,234
Net working capital				
Inventories		2,847	3,563	4,752
Trade accounts receivable		10,525	14,101	15,230
Trade accounts payable		(5,837)	(8,170)	(10,528)
Taxes payable and reserve for net deferred income tax liabilities		(3,056)	(4,857)	(5,396)
Reserve for contingencies		(5,736)	(7,679)	(8,614)
Other operating assets and liabilities ^(a)		(555)	(526)	(641)
		(1,812)	(3,568)	(5,197)
Employee termination indemnities and other benefits		(982)	(1,031)	(1,071)
Capital employed, net		45,983	49,692	47,966
Shareholders' equity including minority interests		35,540	39,217	41,199
Net borrowings		10,443	10,475	6,767
Total liabilities and shareholders' equity		45,983	49,692	47,966

(a) Include operating financing receivables and securities related to operations for euro 249 million (euro 492 million and euro 261 million at December 31, 2005 and September 30, 2006, respectively) and securities covering technical reserves of Padana Assicurazioni SpA for euro 417 million (euro 453 million and euro 550 million at December 31, 2005 and September 30, 2006, respectively).

NET BORROWINGS AND LEVERAGE

Eni evaluates its financial condition by reference to **net borrowings**, which is the measure of total finance debt less: cash, cash equivalents and certain very liquid investments not related to operations, including among others non-operating financing receivables and securities not related to operations. Non-operating financing receivables consist of amounts due to Eni's financing subsidiaries from banks and other financing institutions and amounts due to other subsidiaries from banks for investing purposes and deposits in escrow. Securities not related to operations consist primarily of government and corporate securities.

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Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt, and shareholders equity, including minority interests. Management makes use of leverage in order to assess the soundness and efficiency of the Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards.

In the medium term, management plans to maintain a strong financial structure targeting a level of leverage up to 0.40.

LEVERAGE (NET BORROWINGS ÷ EQUITY)	(million euro)	Dec. 31, 2004	Dec. 31, 2005	Dec. 31, 2006
Debts and bonds		12,684	12,998	11,699
Cash and cash equivalents		(1,003)	(1,333)	(3,985)
Securities not related to operations		(793)	(931)	(552)
Non-operating financing receivables		(251)	(259)	(395)
Other items		(194)		
Net borrowings		10,443	10,475	6,767
Shareholders' equity including minority interest		35,540	39,217	41,199
Leverage		0.29	0.27	0.16

SUMMARIZED GROUP CASH FLOW STATEMENT AND CHANGE IN NET BORROWINGS

Eni's Summarized Group Cash Flow Statement derives from the statutory statement of cash flows. It allows to create a link between changes in cash and cash equivalents (deriving from the statutory cash flows statement) occurred from the beginning of period to the end of period and changes in net borrowings (deriving from the summarized cash flow statement) occurred from the beginning of period to the end of period. The measure enabling to make such a link is represented by free cash flow which is the cash in excess of capital expenditure needs. Starting from free cash flow it is possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange differences.

SUMMARIZED GROUP CASH FLOW STATEMENT	(million euro)	2004	2005	2006
Net profit		7,541	9,247	9,823
<i>Adjustments to reconcile to cash generated from operating profit before changes in working capital:</i>				
- amortization and depreciation and other non monetary items		5,092	6,518	5,753
- net gains on disposal of assets		(793)	(220)	(59)
- dividends, interest, taxes and other changes		5,740	8,471	10,435
Cash generated from operating profit before changes in working capital		17,580	24,016	25,952
Changes in working capital related to operations		(909)	(2,422)	(1,024)
Dividends received, taxes paid, interest (paid) received		(4,171)	(6,658)	(7,927)
Net cash provided by operating activities		12,500	14,936	17,001
Capital expenditure		(7,499)	(7,414)	(7,833)
Investments		(316)	(127)	(95)

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Disposals	1,547	542	328
Other cash flow related to capital expenditure, investments and disposals	97	293	361
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ENI IN 2006 / FREQUENTLY USED TERMS

continued SUMMARIZED GROUP CASH FLOW STATEMENT

	(million euro)	2004	2005	2006
Free cash flow		6,329	8,230	9,762
Borrowings (repayment) of debt related to financing activities		211	(109)	216
Changes in short and long-term financial debt		(3,743)	(540)	(682)
Dividends paid and changes in minority interests and reserves		(3,175)	(7,284)	(6,443)
Effect of changes in consolidation and exchange differences		(55)	33	(201)
NET CASH FLOW FOR THE PERIOD		(433)	330	2,652

	(million euro)	2004	2005	2006
Change in net borrowings				
Free cash flow		6,329	8,230	9,762
Net borrowings of acquired companies			(19)	
Net borrowings of divested companies		190	21	1
Exchange differences on net borrowings and other changes		(64)	(980)	388
Dividends paid and changes in minority interests and reserves		(3,175)	(7,284)	(6,443)
CHANGE IN NET BORROWINGS		3,280	(32)	3,708

ROACE

Return on Average Capital Employed for the Group, on an adjusted basis is the return on Group average capital invested, calculated as the ratio between net adjusted profit before minority interests, plus net finance charges on net borrowings, less the related tax effect and net average capital employed. The tax rate applied on finance charges is the Italian statutory tax rate of 33%. The capital invested as of period-end used for the calculation of net average capital invested is obtained by deducting inventory gains or losses as of in the period, rectified from the related tax effect. ROACE by business segment is determined as the ratio between adjusted net profit and net average capital invested pertaining to each business segment and rectifying the net capital invested as of period-end, from net inventory gains or losses (after applying the business segment specific tax rate).

ROACE	(million euro)	2004	2005	2006
Adjusted net profit		7,127	9,710	11,018
Exclusion of after tax finance expenses/interest income		115	42	46
Adjusted net profit unlevered		7,242	9,752	11,064
Capital employed, net:				
- at the beginning of the year		45,240	45,983	49,692
- at the year end		45,724	48,933	47,999
Average capital employed, net		45,482	47,458	48,846
ROACE (%)		15.9	20.5	22.7

TSR (Total Shareholder Return)

Measures the total return of a share calculated on a yearly basis, based on the change in price from the beginning to the end of year, and dividends distributed and reinvested at the ex-dividend date.

Contents**ENI IN 2006 / FREQUENTLY USED TERMS****PRODUCTION SHARING AGREEMENTS (PSA)**

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

POSSIBLE RESERVES

Amounts of hydrocarbons that have a lower degree of certainty than probable reserves and are estimated with lower certainty, for which it is not possible to foresee production.

PROBABLE RESERVES

Amounts of hydrocarbons that are probably, but not certainly, expected to be extracted. They are estimated based on known geological conditions, similar characteristics of rock deposits and the interpretation of geophysical data. Further uncertainty elements may concern: (i) the extension or other features of the field; (ii) economic viability of extraction based on the terms of the development project; (iii) existence and adequacy of transmission infrastructure and/or markets; (iv) the regulatory framework.

PROVED RESERVES

Proved reserves are estimated volumes of crude oil, natural gas and gas condensates, liquids and associated substances which are expected to be retrieved from deposits and used commercially, at the economic and technical conditions applicable at the time of the estimate and according to current legislation. Proved reserves include: (i) proved developed reserves: amounts of hydrocarbons that are expected to be retrieved through existing wells, facilities and operating methods; (ii) non developed proved reserves: amounts of hydrocarbons that are expected to be retrieved following new drilling, facilities and operating methods. On these amounts the company has already defined a clear development expenditure program which is expression of the company's determination.

RECOVERABLE RESERVES

Amounts of hydrocarbons included in different categories of reserves (proved, probable and possible), without considering their different degree of uncertainty.

RESERVE REPLACEMENT RATIO

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

RESERVE LIFE INDEX

Ratio between the amount of reserves at the end of the year and total production for the year.

ABBREVIATIONS

mmcf	=	million cubic feet	bboe	=	billion barrel of oil equivalent
bcf	=	billion cubic feet	bbl	=	barrels
			kdbl	=	thousand barrels
			mmbbl	=	million barrels

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mmcm	=	million cubic meters	bbbl	=	billion barrels
bcm	=	billion cubic meters	mmt tonnes	=	million tonnes
boe	=	barrel of oil equivalent	ktonnes	=	thousand tonnes
kboe	=	thousand barrel of oil equivalent	/d	=	per day
mmboe	=	million barrel of oil equivalent	/y	=	per year

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Contents**ENI IN 2006 / FREQUENTLY USED TERMS****RECONCILIATION OF NET PROFIT AND SHAREHOLDERS EQUITY DETERMINED UNDER IFRS TO U.S. GAAP**

The following is a summary of the significant adjustments to net profit for 2004, 2005 and 2006 and to shareholders equity as of December 31, 2004, 2005 and 2006 that would be required if U.S. GAAP had been applied instead of IFRS in the consolidated financial statements.

(million euro)	2004	2005	2006
Net profit pertaining to Eni according to the Financial Statements prepared under IFRS	7,059	8,788	9,217
Items increasing (decreasing) reported net profit:			
A. effect of the differences related to companies consolidated under IFRS but carried at equity method under U.S. GAAP	(1)		(1)
B. successful-efforts accounting	(82)	47	359
C. elimination of assets impairments and revaluations	5		36
D. deferred income taxes	(21)	(279)	(120)
E. assets associated to the acquisition of a company (portfolio of clients)	(5)	(5)	(5)
F. valuation of inventories	(316)	(956)	267
Gain on disposal of Snamprogetti SpA to Saipem Projects SpA			252
Effect of the difference between IFRS and U.S. GAAP on investments accounted for using the equity method	34	12	1
Other adjustments	(280)	(3)	(4)
Effect of U.S. GAAP adjustments on minority interest ^(a)	8	(21)	3
Net adjustment	(658)	(1,205)	788
Net profit in accordance with U.S. GAAP	6,401	7,583	10,005
Basic profit per share ^(b)	1.70	2.02	2.71
Diluted profit per share ^(b)	1.70	2.01	2.70
Basic profit per ADS (based on two shares per ADS) ^(b)	3.39	4.03	5.41
Diluted profit per ADS (based on two shares per ADS) ^(b)	3.39	4.03	5.41

(a) Adjustment to account for minority interest portion of differences A through F, which include 100% of differences between IFRS and U.S. GAAP on less than wholly-owned subsidiaries.

(b) Amounts in euro.

(million euro)	Dec. 31, 2005	Dec. 31, 2006
Shareholders equity pertaining to Eni according to the Financial Statements prepared under IFRS	36,868	39,029
Items increasing (decreasing) reported shareholders equity^(a)		
A. effect of the differences related to companies consolidated under IFRS but carried at equity method under U.S. GAAP	37	33
B. successful-efforts accounting	2,504	2,672
C. elimination of assets impairments and revaluations	230	311
D. deferred income taxes	(3,415)	(3,495)
E. goodwill	811	786
E. assets associated with the acquisition of a company (portfolio of clients)	(16)	(22)
F. valuation of inventories	(2,036)	(1,769)
G. provisions for employees benefits		(32)
Effect of the difference between IFRS and U.S. GAAP on investments accounted for using the equity method	173	169
Other adjustments		2
Effect of U.S. GAAP adjustments on minority interest ^(b)	(31)	(28)

Net adjustment	(1,743)	(1,373)
Shareholders' equity in accordance with U.S. GAAP	35,125	37,656

- (a) Items increasing (decreasing) reported shareholders' equity of foreign companies are translated into euro at the exchange rate prevailing at the end of each period.
- (b) Adjustment to account for minority interest portion of differences A through G, which include 100% of differences between IFRS and U.S. GAAP on less than wholly-owned subsidiaries.

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ENI IN 2006 / DIRECTORS AND OFFICERS

Directors and Officers**Eni's Board of Directors****1****2****3****4****5****1. Roberto Poli - Chairman**

Roberto Poli was appointed Chairman of Eni SpA in May 2002. He is currently President of Poli e Associati SpA, a consulting firm for corporate finance, mergers, acquisitions and reorganizations. From 1966 to 1998 he was Professor of Business Finance at the Università Cattolica of Milan. He is a partner of one of the most important firms for corporate finance and legal affairs. He is a non executive director in important companies such as Fininvest SpA, Mondadori SpA, Merloni Termosanitari SpA and G.D. SpA. He has been an advisor for extraordinary finance operations for some of the most important companies in Italy. He has also been Chairman of Rizzoli-Corriere della Sera SpA and Publitalia SpA.

2. Paolo Scaroni - Group Chief Executive Officer and General Manager

Paolo Scaroni obtained an economics degree from Milan's Bocconi University in 1969 and an MBA from Columbia Business School in 1973. For a year following business school, he was an associate at McKinsey & Company. From 1973 until 1985, he held a series of positions with Saint Gobain, culminating with his appointment as President of the Saint Gobain flat glass division. In 1985, Paolo Scaroni became CEO of Techint. During his time at Techint, he was also Vice President of Falck and executive Vice President of SIV, a joint venture between Techint and Pilkington plc. He joined Pilkington in 1996 and was group CEO until May 2002. From May 2002 to June 2005 he was CEO of Enel, Italy's leading electricity utility. Paolo Scaroni is a member of the Board of Il Sole 24 Ore and of Teatro

3. Alberto Clò

Alberto Clò is a professor of Industrial Economy at the University of Bologna and was Minister of Industry and Minister of Foreign Trade ad interim in 1995 and 1996. During the Italian presidency of the European Union he was chairman of the Council of Ministers of Industry and Energy of the European Union. In 1996 he was awarded the title of Cavaliere di Gran Croce al Merito of the Republic of Italy. He is a Member of the Board of Directors of ASM Brescia SpA, De Longhi SpA, Italcementi SpA and Società Autostrade SpA.

4. Renzo Costi

Renzo Costi is an attorney and consultant. He served as a magistrate from 1964 to 1968 and is currently professor of commercial company law at the University of Bologna. He was founder, and currently is co-editor, of the magazines *Giurisprudenza Commerciale*, *Banca Impresa e Società* and *Banca, Borsa e titoli di credito*. He is a member of the Board of Directors of Editrice Il Mulino SpA.

5. Dario Fruscio

Dario Fruscio is a chartered accountant, public auditor and consultant; he is currently Professor of Economics and Management at the University of Pavia and taught at the Accademia Nazionale della Guardia di Finanza of Bergamo. He is Chairman of Italia Turismo SpA.

alla Scala. He is a member of the Supervisory Board of ABN AMRO Bank N.V. (Amsterdam), member of the Board of Overseers of Columbia Business School (New York) and member of the Board of Veolia Environnement (Paris). He was Chairman of Alliance Unichem plc. (UK) from 2005 to July 2006.

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ENI IN 2006 / DIRECTORS AND OFFICERS

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6. Marco Pinto

Marco Pinto is a magistrate and notary and has previously held various positions as a civil and administrative judge. Since December 2004 he has been professor of the Higher School of Economics and Finance. In 1994 he held the position of Legal Counsel and head of Legislative Department of the Ministry of Foreign Trade and the Ministry of Economics and Finance. From December 2004 to April 2005 he was head of the staff of the Vice President of the Council of Ministers. Since June 2005 he has been Deputy Head of the staff of the Minister of Economics and Finance.

7. Marco Reboa

Marco Reboa is a chartered accountant and auditor. He is professor of law at the Libero Istituto Universitario Carlo Cattaneo in Castellanza and author of essays on corporate governance, economic evaluation and financial statements. He is the editor of "Rivista dei Dottori Commercialisti" and is a professional advisor in Milan.

He is a member of the Board of Directors of Seat PG SpA, Interpump SpA, IMMSI SpA and Intesa Private Banking SpA. He is Chairman of the Board of Statutory Auditors of Luxottica Group SpA.

8. Mario Resca

Mario Resca is Chairman of Italia Zuccheri SpA (formerly Eridania SpA), National Board member of U.P.A. (the Italian Advertisers' Association) and Confimprese.

He is non executive Director of Mondadori SpA and special manager of the Cirio Del Monte Group, under special management. In 1974 he was appointed director of Biondi Finanziaria (Fiat Group) and from 1976 to 1991 he was partner of Egon Zehnder. In this period he was appointed director of Lancôme Italia and of companies belonging to the Rizzoli-Corriere della Sera Group and Versace Group. He also served as Chairman of Sambonet SpA, Kenwood Italia SpA and was a founding partner of Eric Salmon & Partners.

9. Pierluigi Scibetta

Pierluigi Scibetta is a chartered accountant and auditor and has been appointed director and auditor of a number of public bodies and companies. In 2003 he was appointed director of the Istituto Superiore per la previdenza e la sicurezza sul lavoro and of the Gestore del Mercato Elettrico SpA. In 2004, he was appointed director of Nucleco SpA. He is a professor of Environmental Economics at the University of Perugia.

Board Committees

Internal Control Committee: Marco Reboa - Chairman, Alberto Clô, Renzo Costi, Marco Pinto and Pierluigi Scibetta.

Compensation Committee: Mario Resca - Chairman, Renzo Costi, Marco Pinto and Pierluigi Scibetta.

International Oil Committee: Alberto Clô - Chairman, Renzo Costi, Dario Fruscio, Marco Reboa and Paolo Scaroni.

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ENI IN 2006 / DIRECTORS AND OFFICERS

Group Officers

Paolo Scaroni
Chief Executive Officer and General Manager of the parent company

Marco Mangiagalli
Chief Financial Officer

Stefano Lucchini
Senior Vice President for Public Affairs and Communication

Massimo Mantovani
Senior Vice President for Legal Affairs

Rita Marino
Senior Vice President for Internal Audit

Leonardo Maugeri
Senior Vice President for Strategies and Development

Sergio Polito
Senior Vice President for Procurement

Salvatore Sardo
Senior Vice President for Human Resources & Business Services

Roberto Ulissi
Senior Vice President for Corporate Affairs and Governance

Raffaella Leone
Executive Assistant to the Chief Executive Officer

Eni Divisions Officers

EXPLORATION & PRODUCTION

Stefano Cao
General Manager

Guido Michelotti
Senior Vice President for the Kazakhstan project

Claudio Descalzi
Senior Vice President for Italy, Africa and Middle East

Gino Giannone
Senior Vice President for R&D

Sergio Palma
Senior Vice President for Reserves

F. Arisi Rota
Senior Vice President for Exploration

Umberto Vergine
Senior Vice President for North Sea, Americas, Australasia, Russia

Stephen Prendergast
Coordinator LNG Development Team

GAS & POWER

Domenico Dispenza
General Manager

Marco Alverà
Senior Vice President for Supply and Portfolio Development

Francesco Caria
Senior Vice President for Sales to Business Italy

Laura Cioli
Senior Vice President for Retail Sales

Camillo M. Gloria
Senior Vice President for Sales outside Italy

Marco Toletti
Manager for Sales to Wholesalers Italy

REFINING & MARKETING

Angelo Taraborrelli
General Manager

Alberto Alberti
Senior Vice President Refining

Angelo Fanelli
Senior Vice President Marketing

ENGINEERING & CONSTRUCTION

Pietro Franco Tali
Chairman

Hugh O'Donnell
Chief Executive Officer

Angelo Caridi
Director of Saipem SpA and Chief Executive Officer of Snamprogetti SpA

Jacques Yves Léost
Director of Saipem SpA and Chairman of Saipem SA

Board of Statutory Auditors

1. **Paolo Andrea Colombo** - *Chairman*

Statutory Auditors

2. Filippo Duodo
3. Edoardo Grisolia
4. Riccardo Perotta
5. Giorgio Silva

External Auditors

PricewaterhouseCoopers SpA

Contents**ENI IN 2006 / DIRECTORS AND OFFICERS****Remuneration**

Remuneration earned for 2006 by members of the Board of Directors, General Managers and other managers with strategic responsibilities is reported in the table below.
(thousand euro)

Remuneration earned by managers who held a position in 2006 for a fraction of the year is reported too.

Name		Position ⁽¹⁾	Emoluments for service at Eni SpA	Non-cash benefits	Bonuses and other incentives ⁽²⁾	Salaries and other elements	Total
BOARD OF DIRECTORS							
Roberto Poli		Chairman	765	15	415		1,195
Paolo Scaroni		CEO	430	62	834 ⁽³⁾	1,014	2,340
Alberto Clô	Non-executive	Director	134		10		144
Renzo Costi	Non-executive	Director	130		10		140
Dario Fruscio	Non-executive	Director	124		10		134
Marco Pinto	Non-executive	Director	130		10		140
Mario Resca	Non-executive	Director	128		10		138
Marco Reboa	Non-executive	Director	134		10		144
Pierluigi Scibetta	Non-executive	Director	130		10		140

GENERAL MANAGERS

Stefano Cao	Exploration & Production				643	966	1,609
Domenico Dispenza	Gas & Power				386	669	1,055
Angelo Taraborrelli	Refining & Marketing				400	645	1,045
Other managers with strategic responsibilities ⁽⁴⁾					1,932	7,846 ⁽⁵⁾	9,778

(1) The term of position ends with the General Shareholders' Meeting approving financial statements for the year ending December 31, 2007.

(2) Based on performance achieved in 2005.

(3) Amount accrued related to the period of duration of the task from June 1 to December 31, 2005.

(4) Managers, who during the year, have been members of the Eni Steering Committee with the CEO and the General Managers of Eni divisions (nine managers).

(5) Includes also indemnities paid upon termination of employment contract.

Follows a description of each element of remuneration:

- Bonuses and other incentives comprise: (i) the portion of fees linked to performance which was

- Emoluments for service at Eni SpA comprise fixed fees to non-executive and executive Directors for their office as Board member, the amount of which is set by shareholders. Fixed fees to the Chairman and the CEO for the powers delegated to them by the Board are also reported, the amount of which is set by the Board of Directors, based on proposals of the Compensation Committee and after consultation with the Board of Statutory Auditors. Furthermore, fixed fees to Directors attending the Committees formed by the Board of Directors are included in this column;
- Non-cash benefits comprise amounts referring to all fringe benefits, including insurance policies;

awarded in the year to Directors and the Chairman based on the performance of Eni share as compared with the performance of the seven largest international oil companies for market capitalization, taking account of the dividend paid; (ii) the portion of fees linked to performance which was awarded in the year to both the Chairman and the CEO in connection with the power delegated to them by the Board, based on the achievement of specific company objectives; and (iii) the portion of salaries linked to performance which was awarded in the year to the CEO, in his quality as employee of Eni, the General Managers of Eni's divisions and other managers with strategic responsibilities based on the achievement of specific financial, operational and strategic targets and of individual performance goals pertaining to each business or functional unit;

Contents**ENI IN 2006 / DIRECTORS AND OFFICERS**

- Salaries and other elements – report base salaries paid to the CEO, the General Managers of Eni's divisions and other managers with strategic responsibilities, and indemnities paid upon termination of the employment contract.

Long-term incentive schemes

In March 2006, the Board of Directors approved a new long-term incentive scheme for senior managers of Eni Group companies (excluding listed subsidiaries), as proposed by the Compensation Committee. This new scheme is intended to motivate more effectively and retain managers, linking incentives to targets and performance achieved in a tighter way than previous incentives schemes. This new incentive scheme applies to the 2006-2008 three year period and is composed of a deferred bonus, linked to the achievement of certain business growth and

operating efficiency goals, and stock option awards based on the achievement of certain targets of total shareholder return. This scheme has a structure intended to balance monetary and stock-based components of the remuneration, as well as to link economic and operating performance to share performance in the long term.

Deferred bonus

This leg of the long-term incentive scheme envisages a basic bonus paid after three years according to a variable amount equal to a percentage ranging from 0 to 170% of the amount established for the target performance in relation to the performances achieved in a three-year period as approved by the Board of Directors. Performances are measured in terms of achievement of annual EBITDA targets preset for the 2006-2008 period, as assessed by comparing actual results with set targets under a constant trading environment for each year. The following table sets out the basic bonus awarded in the year 2006 to the CEO and to the General Managers of Eni's Divisions, and the total amount awarded to other managers with strategic responsibilities.

(thousand euro)

NAME		DEFERRED BONUS AWARDED
Paolo Scaroni	CEO	787
Stefano Cao	General Manager of the E&P Division	468
Domenico Dispenza	General Manager of the G&P Division	328
Angelo Taraborrelli	General Manager of the R&M Division	307
Other managers with strategic responsibilities (1)		1,293

(1) No. 6 managers.

Contents**ENI IN 2006 / DIRECTORS AND OFFICERS***Stock option plan*

Eni offers managers of Eni Group companies holding positions of significant responsibility for achieving profitability or strategic targets, the opportunity to acquire a shareholding in the company as an element of remuneration through the award of options for purchasing Eni's treasury shares.

Differently from previous schemes, the 2006-2008 stock option plan introduced a performance condition upon which options can be exercised.

At the end of each vesting period with a three-year duration, the Board of Directors determines the number of exercisable options, in a percentage ranging from 0% to 100% of the total amount awarded for each year of the plan, depending on the performance of Eni shares measured in terms of Total Shareholders Return as compared to that achieved

by a panel of major international oil companies in terms of capitalization. On July 27, 2006, the Board of Directors approved: (i) the award pertaining to 2006 within the three-year period covered by the plan; (ii) its rule; and (iii) the criteria to be followed in the identification of eligible managers. Under this plan, 7,050,000 options were awarded pertaining to 2006 with a strike price equal to euro 23.119.

At December 31, 2006, a total of 15,290,400 options were outstanding for the purchase of an equal amount of ordinary shares nominal value euro 1 of Eni SpA, carrying an average strike price of euro 21.022.

The following is a summary of stock option activity for the years 2005 and 2006:

	2005			2006		
	Number of shares	Weighted average exercise price	Market price ^(a)	Number of shares	Weighted average exercise price	Market price ^(a)
(euro)						
Options as of January 1	11,789,00	15.111	18.461	13,379,600	17.705	23.460
New options granted	4,818,500	22.512	22.512	7,050,000	23.119	23.119
Options exercised in the period	(3,106,400)	15.364	22.485	(4,943,200)	15.111	23.511
Options cancelled in the period	(121,500)	16.530	23.100	(196,000)	19.119	23.797
Options outstanding as of December 31	13,379,600	17.705	23.460	15,290,400	21.022	25.520
of which exercisable at December 31	1,540,600	16.104	23.460	1,622,900	16.190	25.520

(a) Market price relating to new rights assigned, rights exercised in the period and rights cancelled in the period corresponds to the average market value (arithmetic average of official prices recorded on Mercato Telematico Azionario in the month preceding: (i) the date of assignment; (ii) the date of the recording in the securities account of the managers to whom the options have been assigned; (iii) the date of the unilateral termination of employment for rights cancelled). Market price of shares referring to options as of the beginning and the end of the year, is the price recorded at December 31.

Contents**ENI IN 2006 / DIRECTORS AND OFFICERS**

The fair value of stock options granted during the years ended December 31, 2005, and 2006 of euro 3.33 and euro 2.89 respectively, was calculated applying the Black-Scholes method.

The following table presents the amount of stock options awarded to Eni's CEO, General Managers and other managers with strategic responsibilities.

	CEO Paolo Scaroni	General Manager E&P Division Stefano Cao	General Manager G&P Division Domenico Dispenza ⁽²⁾	General Manager R&M Division Angelo Taraborrelli	Other managers with strategic responsibilities ⁽¹⁾	
Options outstanding at the beginning of the period:						
- number of options	699,000	201,500	43,000	269,500 ⁽³⁾	123,000	686,500
- average exercise price (euro)	22.509	17.920	14.171	3.988	18.308	18.208
- average maturity in months	91	82	64	85	83	79
Options granted during the period:						
- number of options	681,000 ⁽⁴⁾	175,500	122,500	-	115,000	552,500
- average exercise price (euro)	23.100	23.100	23.100	-	23.100	23.100
- average maturity in months	72	72	72	-	72	72
Options exercised at the end of the period:						
- number of options	-	62,500	28,500	-	-	312,500
- average exercise price (euro)	-	13.743	13.743	-	-	16.478
- average market price at date of exercise (euro)	-	23.341	24.095	-	-	23.256
Options outstanding at the end of the period:						
- number of options	1,380,000	314,500	137,000	269,500	238,000	926,500
- average exercise price (euro)	22.801	21.641	22.244	3.988	20.624	21.709
- average maturity in months	73	70	65	73	68	69

(1) No. 9 managers.

(2) Appointed on January 1, 2006.

(3) Options on Snam Rete Gas shares: assigned by the company to Domenico Dispenza who held the position of Chairman of Snam Rete Gas until December 23, 2005.

(4) The assignment to the CEO has been integrated by a deferred bonus linked to the market performance of Eni shares, to be paid after a three year period and corresponding to 96,000 options with a strike price of euro 23.100 and a vesting period of three years.

Overall remuneration of key management personnel
On the whole, remuneration of persons responsible of key positions in planning, direction and control functions of Eni Group companies, including executive

and non-executive directors, General Managers and other managers holding strategic responsibilities¹ amounted to euro 23 million for 2006. The break-down is as follows

(million euro)	2006
Fees and salaries	16
Post employment benefits	1

Other long-term benefits	3
Fair value stock grants/options	3
	23

(1) These managers together with the CEO and the General Managers are permanent members of Eni's Steering Committee.

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ENI IN 2006 / INVESTORS INFORMATION

Investor Information

ANNUAL GENERAL MEETING

The 2007 Annual General Shareholders Meeting is convened on May 23-24, 2007, on first and second call respectively, in Rome at one of Eni's headquarters, Via del Serafico, 89/91, at 10:00 am (CET).

A notice convening the meeting is published on April 14, 2007, on the Official Gazette of the Republic of Italy and can be found at eni.it>Press Room>Notice in newspaper.

Beneficial Owners of ADRs, listed on the New York Stock Exchange, each ADR representing two Eni ordinary shares, who are recorded in Eni ADRs register of JPMorgan Chase Bank, N.A. by May 4, 2007 will be entitled to participate in the Meeting or to exercise votes by mail, after having complied with the deposit and registration requirements. Beneficial Owners who have taken advantage of Proxy Vote or Vote by Mail options are entitled to assist at the Meeting upon written request to be made to JPMorgan Chase Bank, N.A., ADRs Depository.

Eni SpA's Corporate Secretary is available for any further information Shareholders may need at the toll-free number 800 940 924 (for calls from abroad Italy: 80011223456) or fax number + 39 0659822233.

The Notice and the documentation regarding the Shareholders Meeting will be available on www.eni.it and may be requested by e-mail at segreteria societaria.azionisti@eni.it or by calling the above-mentioned toll-free numbers.

DIVIDENDS

Eni announces dividends on its ordinary shares in terms of euro. In the Annual General Meeting, shareholders approve the dividend proposal made by the Board. For the fiscal year 2006, the Board proposed a dividend of euro 1.25 per share.

Eni paid an interim dividend for fiscal year 2006 amounting to euro 0.60 per share to shares on the register at the ex-dividend date (October 23, 2006). Following shareholders approval, the balance of euro 0.65 to the amount proposed by the Board is scheduled for June 21, 2007 (being the ex-dividend date June 18, 2007).

Holders of ADRs will receive euro 1.30 per ADR, payable on June 28, 2007 to ADR holders as of the June 20, 2007 record date.

Eni intends to continue paying interim dividends in the future.

Following Italian tax laws in force from January 1, 2004, dividends do not entitle to a tax credit and are either subject to a withholding tax or partially cumulated to the receiver's taxable income, depending on the receiver fiscal status.

Holders of ADRs receive their dividends in US dollars. The rate of exchange used to determine the amount in dollars is equal to the official rate recorded on the date of dividend payment in Italy (June 21).

On ADR payment date, JPMorgan Chase Bank, N.A. pays the dividend less the amount of withholding tax under Italian law (currently 27%) to all Depository Trust Company Participants, representing payment of Eni SpA's gross dividend.

Under a convention between the United States of America and Italy for the Avoidance of Double Taxation (Treaty), US residents who hold less than 10% of the Company, as defined in the Treaty, can effectively reduce the tax liability on dividends, from 27% to 15%. By submitting to JPMorgan Chase Bank, NA (JPMorgan) certain required documents with respect to each dividend payment, US holders of ADRs will enable the Italian Depository bank and JPMorgan as ADR Depository to pay the dividend at the reduced withholding tax rate of 15%.

US shareholders can obtain relevant documents as

well as a complete instruction packet to benefit from this tax relief by contacting Eni's Corporate Secretary or JPMorgan - Globe Tax Services at 1-800-929-5484.

Contents**ENI IN 2006 / INVESTORS INFORMATION**

1. **Annual Report 2006** (www.eni.it/Investor_Relations>Reports) a comprehensive report on Eni's activities and results for the year.
 2. **Fact Book 2006** (www.eni.it/Investor_Relations>Reports), a report on Eni's businesses, strategies, objectives and development projects.
 3. **Sustainability Report 2006** ([www.eni.it/Sustainability>Eni's Documents](http://www.eni.it/Sustainability>Eni's_Documents)) provides readers with a thorough presentation of Eni's commitment to the global sustainability issue. It describes the main interactions of Eni's activities on human resources, the environment, communities and the territory, focusing on improvement targets and results achieved.
 4. **The World Oil and Gas Review** ([www.eni.it/Publications>Economic and Energy Analyses](http://www.eni.it/Publications>Economic_and_Energy_Analyses)) provides economic and energy historical series of the World Energy and Economic Atlas. Readers can use and aggregate individual statistics. The review is available in both full and abridged versions, and downloadable as a pdf file. Requests for printed copies should be made to: worldoil&gasreview@eni.it
 5. **Code of Practice** ([www.eni.it/Publications>Corporate Responsibility](http://www.eni.it/Publications>Corporate_Responsibility)). Information regarding Eni's Corporate Governance guidelines as well as Eni's By-laws and charts of the Board's Committees can be found in [www.eni.it/The Company>Corporate Governance](http://www.eni.it/The_Company>Corporate_Governance).
- These and other Eni publications are available on Eni's internet site **www.eni.it**, in the section *Documents Download*. Shareholders may receive a hard copy of Eni's publications, free of charge, by filling in the request form found in the section *Documents Download* or through an email request addressed to segreteria.societaria.azionisti@eni.it or to investor.relations@eni.it.
- Any other information relevant to shareholders and investors can be found at Eni's website under the *Investor Relations* section.

FINANCIAL CALENDAR

The dates of the Board of Directors' Meetings to be held during 2007 in order to approve/review the Company's financial accounts are the following:

- | | |
|--|--------------------|
| • Report on the first quarter of 2007 | May 10, 2007 |
| • Report on the second quarter of 2007 | July 25, 2007 |
| • Report on the first half 2007 | September 20, 2007 |
| | November 8, 2007 |

and proposal of interim dividend for the financial year 2007

- Report on the third quarter of 2007
- Report on the fourth quarter of 2007, Preliminary results for the year 2007 and Dividend proposal for the financial year 2007

February 2008

Related press releases are normally issued on the following day the event.

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ENI REPORT ON THE FIRST QUARTER OF 2007

STATISTIC RECAP

Summary financial data

Fourth Quarter	(million euro)	First Quarter			
		2006	2007	Change	% Ch.
21,416	Net sales from operations	23,584	21,913	(1,671)	(7.1)
3,957	Operating profit	5,595	5,105	(490)	(8.8)
4,776	Adjusted operating profit ^(a)	5,533	5,253	(280)	(5.1)
1,520	Net profit ^(b)	2,974	2,588	(386)	(13.0)
0.41	- per ordinary share (euro) ^(c)	0.80	0.70	(0.10)	(12.5)
1.06	- per ADR (\$) ^{(b) (c)}	1.92	1.83	(0.09)	(4.7)
2,355	Adjusted net profit ^{(a) (b)}	2,954	2,680	(274)	(9.3)
0.64	- per ordinary share (euro) ^(b)	0.79	0.73	(0.06)	(7.6)
1.65	per ADR (\$) ^{(b) (c)}	1.90	1.91	0.01	0.5
1,778	Net cash provided by operating activities	5,863	5,563	(300)	(5.1)
2,944	Capital expenditure	1,340	2,013	673	50.2

(a) For a detailed explanation of adjusted operating profit and adjusted net profit see page 34.

(b) Profit attributable to Eni shareholders.

(c) Fully diluted. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.

(d) One ADR (American Depositary Receipt) is equal to two Eni ordinary shares.

Key market indicators

Fourth Quarter		First Quarter			
		2006	2007	Change	% Ch.
59.68	Average price of Brent dated crude oil ^(a)	61.75	57.75	(4.00)	(6.5)
1.290	Average EUR/USD exchange rate ^(b)	1.202	1.310	0.108	9.0
46.26	Average price in euro of Brent dated crude oil	51.37	44.08	(7.29)	(14.2)
2.18	Average European refining margin ^(c)	2.95	3.06	0.11	3.7
1.69	Average European refining margin in euro	2.45	2.34	(0.11)	(4.5)
3.6	Euribor - three month rate (%)	2.6	3.8	1.2	46.2
5.3	Libor - three month dollar rate (%)	4.7	5.3	0.6	12.8

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

(2) Source: ECB.

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

Summary operating data

Fourth Quarter	First Quarter
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2006		2006	2007	Change	% Ch.	
1,796	Production of hydrocarbons ^(a)	(kboe/d)	1,827	1,734	(93)	(5.1)
1,079	Liquids	(kbbbl/d)	1,143	1,030	(113)	(9.9)
4,132	Natural gas ^(a)	(mmcf/d)	3,920	4,061	141	3.6
26.93	Worldwide gas sales	(bcm)	31.20	28.14	(3.06)	(9.8)
1.06	<i>of which: upstream sales in Europe</i>		1.12	1.07	(0.05)	(4.5)
7.79	Electricity sold	(TWh)	7.73	7.61	(0.12)	(1.6)
3.13	Retail sales of refined products in Europe	(mmtonnes)	2.93	2.88	(0.05)	(1.7)
1,323	Petrochemical product sales	(ktonnes)	1,411	1,417	6	0.4

(1) Includes own consumption of natural gas (51 kboe/d in the first quarter of 2007, 48 kboe/d in the first quarter of 2006 and 50 kboe/d in the fourth quarter of 2006).

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ENI REPORT ON THE FIRST QUARTER OF 2007

BASIS OF PRESENTATION

Eni's accounts at March 30, 2007, unaudited, have been prepared in accordance with the criteria defined by the Commissione Nazionale per le Società e la Borsa (CONSOB) in its regulation for companies listed on the Italian Stock Exchange.

Financial information relating to the profit and loss account are presented for the first quarter of 2007 and for the first and fourth quarter of 2006. Financial information relating to balance sheet data are presented at March 31, 2007, March 31, 2006 and December 31, 2006. Tables are comparable with those of 2006 financial statements and first half report.

Eni's accounts at March 31, 2007 have been prepared in accordance with the evaluation and measurement criteria contained in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Commission according to the procedure set forth in Article 6 of the European Regulation (CE) No. 1606/2002 of the European Parliament and European Council of July 19, 2002.

Non-GAAP financial measures disclosed throughout this report are accompanied by explanatory notes and tables to help investors to gain a full understanding of said measures in line with guidance provided for by recommendation CESR/05-178b.

Disclaimer

This report contains certain forward-looking statements, in particular in the Outlook section those regarding capital expenditure, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply, demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors.

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

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ENI REPORT ON THE FIRST QUARTER OF 2007

Financial review

PROFIT AND LOSS ACCOUNT AND DIVISIONAL HIGHLIGHTS

Fourth Quarter		(million euro)	First Quarter			
			2006	2007	Change	% Ch.
2006			2006	2007	Change	% Ch.
21,416	Net sales from operations		23,584	21,913	(1,671)	(7.1)
302	Other income and revenues		209	281	72	34.4
(15,874)	Operating expenses		(16,739)	(15,462)	1,277	7.6
(182)	<i>of which non-recurring items</i>					
(1,887)	Depreciation, amortization and impairments		(1,459)	(1,627)	(168)	(11.5)
3,957	Operating profit		5,595	5,105	(490)	(8.8)
52	Net financial income (expense)		42	(133)	(175)	..
157	Net income from investments		240	202	(38)	(15.8)
4,166	Profit before income taxes		5,877	5,174	(703)	(12.0)
(2,468)	Income taxes		(2,747)	(2,431)	316	11.5
59.2	Tax rate (%)		46.7	47.0	0.3	
1,698	Net profit		3,130	2,743	(387)	(12.4)
	pertaining to:					
1,520	- Eni		2,974	2,588	(386)	(13.0)
178	- minority interest		156	155	(1)	(0.6)

Eni's net profit for the first quarter of 2007 was euro 2,588 million, down euro 386 million from the first quarter of 2006, or 13.0%, due essentially to a lower operating performance (down euro 490 million, or 8.8%) as result of a decline in the Exploration & Production division, partially offset by a

positive performance delivered by Eni's downstream and the Engineering & Construction businesses. This reduction in net profit was also due to higher net financial expenses mainly owing to losses on the fair value evaluation of certain financial derivative instruments.

Fourth Quarter		(million euro)	First Quarter			
			2006	2007	Change	% Ch.
2006			2006	2007	Change	% Ch.
1,520	Net profit pertaining to Eni		2,974	2,588	(386)	(13.0)
213	Exclusion of inventory holding (gain) loss		(59)	97	156	
622	Exclusion of special items:		39	(5)	(44)	
	<i>of which:</i>					
184	- non-recurring items					
438	- other special items		39	(5)	(44)	

2,355	Eni's adjusted net profit ^(a)	2,954	2,680	(274)	(9.3)
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(a) For a definition and reconciliation of reported operating profit and reported net profit to adjusted results, which exclude inventory holding gains/losses and special items, Reconciliation of reported operating profit and net profit to results on an adjusted basis page 34.

Eni's adjusted net profit amounted to euro 2,680 million, down 9.3% from the first quarter 2006. Adjusted net profit is arrived at by excluding an inventory holding loss of euro 97 million and special income of euro 5 million net.

Special charges concerned essentially environmental charges and employee redundancy incentives, offset by a gain from the settlement reached by Syndial and Dow

Chemical on some contractual issues pending between the two companies.

Return on Average Capital Employed (ROACE) calculated on an adjusted basis for the twelve-month period ending March 31, 2007 was 22.7% (21.8% for the twelve-month period ending March 31, 2006).

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Contents**ENI REPORT ON THE FIRST QUARTER OF 2007**

The trading environment was affected by lower oil prices with Brent crude prices averaging \$57.75 per barrel, down 6.5% compared to the first quarter of 2006, and the appreciation of the euro over the dollar (up 9.0%). These negatives were partially offset by: (i) favorable trends in

The following table sets forth adjusted net profit¹ by division:

Fourth Quarter		(million euro)	First Quarter			
			2006	2007	Change	% Ch.
2006			2006	2007	Change	% Ch.
1,304	Exploration & Production		2,095	1,409	(686)	(32.7)
873	Gas & Power		879	1,159	280	31.9
115	Refining & Marketing		86	113	27	31.4
141	Petrochemical		16	79	63	393.8
131	Engineering & Construction		87	145	58	66.7
(85)	Other activities		(58)	(50)	8	(13.8)
57	Corporate and financial companies		6	(86)	(92)	..
(3)	Impact of unrealized profit in inventory ^(a)		(1)	66	67	..
2,533			3,110	2,835	(275)	(8.8)
	of which:					
178	Net profit of minorities		156	155	1	(0.6)
2,355	Eni's adjusted net profit		2,954	2,680	(274)	(9.3)

(a) Unrealized profit in inventory concerned intra-group sales of goods and services recorded at period end in the equity of the purchasing business segment.

The decline in the Group adjusted net profit was owed to the reduction of adjusted net profit registered in the **Exploration & Production** division (down euro 686 million or 32.7%), due to a weaker operating performance (down euro 1,119 million or 26.3%) which was adversely impacted by the appreciation of the euro over the dollar (up 9.0%), a decline in production sold (down 9.5 mmoed/d), lower oil realizations in dollars (oil down 3.3%), and higher exploration expenses.

The decline in the adjusted net profit of the Exploration & Production division was partly offset by a higher adjusted net profit reported in the divisions:

- **Gas & Power** (up euro 280 million or 31.9%), as a result of an improved operating performance (up euro 480 million or 40%) reflecting higher natural gas selling margins supported mainly by a favorable trading environment, relating in particular to trends in the euro vs dollar exchange rate. This divisional performance

energy and exchange rate parameters used in determining purchase and selling prices of natural gas; (ii) an increase in refining margins on the Brent crude marker (up 3.7%), and (iii) higher sales margins on petrochemical products.

benefited also from a positive evolution of the regulatory framework in Italy. These positives were partly offset by lower natural gas sales (down 2.87 bcm or 10.4%) hurt by lower European gas demand due to the unusually mild weather conditions registered in the first quarter 2007;

- **Refining & Marketing** (up euro 27 million or 31.4%), reflecting an improved refining performance boosted by higher processed volumes and better yields also in light of lower maintenance shutdowns;

- **Petrochemical** (up euro 63 million, or 393.8%), due to an improved operating performance (up euro 99 million) reflecting a recovery in product selling margins;

- **Engineering & Construction** (up euro 58 million, or 66.7%) reflecting an improved operating performance (up euro 98 million) against the backdrop of favorable demand trends in oilfield services.

- (1) For a definition and reconciliation of reported operating profit and reported net profit to adjusted results, which exclude inventory holding gains/losses and special items, Reconciliation of reported operating profit and net profit to results on an adjusted basis page 32.

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ENI REPORT ON THE FIRST QUARTER OF 2007

ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

Net sales from operations

Fourth Quarter		(million euro)	First Quarter			
			2006	2007	Change	% Ch.
2006			2006	2007	Change	% Ch.
6,152	Exploration & Production		7,412	6,361	(1,051)	(14.2)
8,170	Gas & Power		9,134	8,543	(591)	(6.5)
8,579	Refining & Marketing		9,280	7,943	(1,337)	(14.4)
1,740	Petrochemical		1,728	1,674	(54)	(3.1)
1,969	Engineering & Construction		1,310	1,962	652	49.8
161	Other activities		214	57	(157)	(73.4)
345	Corporate and financial companies		307	282	(25)	(8.1)
(5,700)	Consolidation adjustment		(5,801)	(4,909)	892	
21,416			23,584	21,913	(1,671)	(7.1)

Eni's net sales from operations (revenues) for the first quarter of 2007 (euro 21,913 million) were down euro 1,671 million, a 7.1% decline from the first quarter of 2006, primarily reflecting the impact of the appreciation of the euro versus the dollar (up 9%) and the decline in oil prices, as well as sold production of hydrocarbons and natural gas sales. These negative factors were offset in part by higher activity levels in the Engineering & Construction segment and higher gas prices.

Revenues generated by the Exploration & Production segment (euro 6,361 million) declined by euro 1,051 million, down 14.2%, essentially due to the impact of the appreciation of the euro versus the dollar and the decline in oil realizations in dollars (down 3.3%) and lower hydrocarbon production sold (down 9.5 million boe). These factors were offset in part by higher gas prices (up 1.3%).

Revenues generated by the Gas & Power segment (euro 8,543 million) declined by euro 591 million, down 6.5%, essentially due to lower natural gas volumes sold by consolidated subsidiaries (down 2.87 billion cubic meters or 10.4%) and lower volumes transported and distributed as a consequence of an unusually mild winter.

These negative factors were offset in part by increased natural gas prices, related in particular to trends of energy parameters to which gas prices are contractually indexed.

Revenues generated by the Refining & Marketing segment (euro 7,943 million) declined by euro 1,337 million, down 14.4%, essentially due to lower international prices for oil and refined products and the effect of the appreciation of the euro over the dollar. An additional negative factor was the decline in volumes marketed on retail and wholesale markets in Italy (down 410 ktonnes, or 8%) related to the competitive pressure and a mild winter that reduced the demand for heating oil.

Revenues generated by the Petrochemical segment (euro 1,674 million) were substantially stable from the first quarter of 2006.

Net sales from operations generated by the Engineering & Construction segment (euro 1,962 million) increased by euro 652 million, up 49.8%, due to increased activity levels in the Offshore and Onshore construction business.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Revenues by geographic area

	(million euro)		First quarter	
	2006	2007	Change	% Ch.
Italy	11,118	9,711	(1,407)	(12.7)
Rest of European Union	5,528	5,146	(382)	(6.9)
Rest of Europe	2,118	1,808	(310)	(14.6)
Americas	1,479	1,326	(153)	(10.3)
Asia	1,339	1,678	339	25.3
Africa	1,768	2,048	280	15.8
Other areas	234	196	(38)	(16.2)
Total outside Italy	12,466	12,202	(264)	(2.1)
	23,584	21,913	(1,671)	(7.1)

Operating expenses

Fourth Quarter		(million euro)		First Quarter	
2006		2006	2007	Change	% Ch.
14,897	Purchases, services and other	15,912	14,584	(1,328)	(8.3)
	<i>of which:</i>				
184	- non-recurring items				
115	- other special items	5	17	12	
977	Payroll and related costs	827	878	51	6.2
	<i>of which:</i>				
101	- provision for redundancy incentives	24	10	(14)	
15,874		16,739	15,462	(1,277)	(7.6)

Operating expenses for the first quarter of 2007 (euro 15,462 million) declined by euro 1,277 million from the first quarter of 2006, down 7.6%, essentially due to: (i) lower prices for oil-based and petrochemical feedstocks and for natural gas reflecting an appreciation of the euro versus the dollar; (ii) lower supplies of natural gas in line with lower sales and the fact that in the first quarter of 2006 higher gas supplies costs were recorded due to a climatic emergency; (iii) lower costs for refinery maintenance activity.

Employees

	(units)	Dec. 31, 2006	Mar. 31, 2007	Change	% Ch.
Exploration & Production		8,336	8,432	96	1.2
Gas & Power		12,074	11,957	(117)	(1.0)
Refining & Marketing		9,437	9,384	(53)	(0.6)
Petrochemical		6,025	6,876	851	14.1

Labor costs (euro 878 million) increased by euro 51 million, up 6.2%, due mainly to an increase in unit labor cost in Italy and outside Italy and an increase in the average number of employees outside Italy in the Engineering & Construction segment related to higher activity levels.

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Engineering & Construction	30,902	31,661	759	2.5
Other activities	2,219	1,447	(772)	(34.8)
Corporate and financial companies	4,579	4,775	196	4.3
	73,572	74,532	960	1.3

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ENI REPORT ON THE FIRST QUARTER OF 2007

As of March 31, 2007, employees were 74,532, with an increase of 960 employees from December 31, 2006, up 1.3%.

Employees in Italy were 39,878. The 113 employee increase was related mainly to the positive balance of hiring and dismissals (79 employees) related to changes in consolidation.

Depreciation, amortization and impairments

Fourth Quarter		(million euro)	First Quarter			
			2006	2007	Change	% Ch.
2006			2006	2007	Change	% Ch.
1,418	Exploration & Production		1,095	1,240	145	13.2
185	Gas & Power		162	166	4	2.5
101	Refining & Marketing		110	108	(2)	(1.8)
33	Petrochemical		31	31		
56	Engineering & Construction		38	63	25	65.8
2	Other activities		2	1	(1)	(50.0)
21	Corporate and financial companies		19	16	(3)	(15.8)
(7)	Impact of unrealized profit in inventory		(1)	(1)		
1,809	Total depreciation and amortization		1,456	1,624	168	11.5
78	Impairments		3	3		
1,887			1,459	1,627	168	11.5

Depreciation and amortization charges (euro 1,624 million) increased by euro 168 million, up 11.5%, mainly in the Exploration & Production segment (euro 145 million) related to higher exploration costs and higher amortization

In the first quarter of 2007 a total of 540 employees were hired, of these 375 on open-end contracts and 461 employees were dismissed (of these 281 employees on open-end contracts).

Outside Italy employees were 34,654, with a 847 employee increase mainly concerning fixed-term workers in the Engineering & Construction segment.

charges for site restoration and abandonment costs related to a revision of cost estimates carried out when closing 2006 accounts.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Operating profit

Fourth Quarter		(million euro)	First Quarter			
2006			2006	2007	Change	% Ch.
3,957	Operating profit		5,595	5,105	(490)	(8.8)
341	Exclusion of inventory holding (gains) losses		(94)	155	249	
478	Exclusion of special items:		32	(7)	(39)	
	<i>of which:</i>					
184	<i>- non-recurring items</i>					
294	<i>- other special items</i>		32	(7)	(39)	
4,776	Adjusted operating profit		5,533	5,253	(280)	(5.1)
	Break down by division:					
3,195	Exploration & Production		4,251	3,132	(1,119)	(26.3)
1,269	Gas & Power		1,203	1,683	480	39.9
148	Refining & Marketing		89	120	31	34.8
154	Petrochemical		23	122	99	430.4
152	Engineering & Construction		78	176	98	125.6
(77)	Other activities		(63)	(50)	13	20.6
(53)	Corporate and financial companies		(46)	(35)	11	23.9
(12)	Effect of unrealized profit in inventory		(2)	105	107	..
4,776			5,533	5,253	(280)	(5.1)

Adjusted operating profit was euro 5,523 million, down 5.1% from a year ago. Adjusted net profit is arrived at by excluding an inventory holding loss of euro 155 million and special income of euro 7 million net. The main factors affecting this decline were the operating performance of the **Exploration & Production** division (down euro 1,119 million from the first quarter 2006, or 26.3%), due primarily to the 9% appreciation of the euro versus the dollar, lower production sold (down 9.5 mmboe), lower oil realizations in dollars (down 3.3%) and higher expenses incurred in connection with exploratory activity. These declines were partly offset by an increase in adjusted operating profit in the following segments: (i) **Gas & Power** (up euro 480 million or 39.9%), reflecting primarily increased natural gas selling margins mainly owing to a favorable trading environment, relating in particular to trends in the euro vs dollar exchange rate.

A favorable evolution of the regulatory framework in Italy also supported operating profit. These positives were partly offset by a decline in natural gas sales (down 2.87 bcm, or 10.4%) due to lower European gas demand as a consequence of the unusually mild weather conditions of the first quarter 2007, partly offset by a growth in sales in certain target markets in the rest of Europe; (ii) **Petrochemical** (up euro 99 million or 430.4%) related to an increase in selling margins; (iii) **Engineering & Construction** (up euro 98 million or 125.6%) due to a positive trend in the market for oilfield services; (iv) **Refining & Marketing** (up euro 31 million or 34.8%) reflecting primarily a better operating performance delivered by the refining activity, which was boosted by higher processed volumes and better yields also in light of lower maintenance shutdowns.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Net financial expense

In the first quarter of 2007 net financial expense (euro 133 million) increased by euro 175 million from the first quarter of 2006. This increase was due to: (i) losses recognized on the fair value evaluation of certain financial derivatives instruments recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments because these instruments do not meet the formal criteria to

Net income from investments

be assessed as hedge under IFRS, including the time value component of certain cash flow hedges Eni entered into to hedge risk on commodities in the quarter (see comment to net working capital below); (ii) the impact of higher interest rates on euro (Euribor up 1.2 percentage points) and dollar loans (Libor up 0.6 percentage points), offset in part by a decline in average net borrowings.

First Quarter 2007	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	Group
Effect of the application of the equity method of accounting		9	114	36	26	185
Dividends		3	1	15		19
Other income (losses) from investments		(2)				(2)
		10	115	51	26	202

Net income from investments in the first quarter of 2007 amounted to euro 202 million and concerned essentially: (i) Eni's share of income of affiliates accounted for with the equity method of accounting (euro 185 million), in particular in the Gas & Power, Refining & Marketing and

Engineering & Construction division; (ii) dividends received by affiliates accounted for at cost (euro 19 million).

The comparison with the first quarter 2006 data is shown in the table below:

Fourth Quarter	(million euro)	First Quarter		
		2006	2007	Change
164	Effect of the application of the equity method of accounting	187	185	(2)
4	Dividends	27	19	(8)
(3)	Net gains on disposal	18		(1)
(8)	Other income (losses) from investments	8	(2)	(1)
157		240	202	(38)

The euro 38 million decrease in net income from investments was due essentially to lower results reported by

certain affiliates engaged in natural gas distribution in Italy, due to mild weather conditions.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Income taxes

Fourth Quarter		(million euro)	First Quarter		
2006			2006	2007	Change
Profit before income taxes					
1,105	Italy		1,903	2,007	104
3,061	Outside Italy		3,974	3,167	(807)
4,166			5,877	5,174	(703)
Income taxes					
480	Italy		729	792	63
1,988	Outside Italy		2,018	1,639	(379)
2,468			2,747	2,431	(316)
Tax rate (%)					
43.4	Italy		38.3	39.5	1.2
64.9	Outside Italy		50.8	51.8	1.0
59.2			46.7	47.0	0.3

Income taxes were euro 2,431 million, down euro 316 million, or 11.5%, due primarily to lower income before taxes (down euro 703 million). The 47% Group tax rate is substantially in line with that of the first quarter of 2006.

Adjusted tax rate, obtained from the ratio of taxes and profit before taxes net of inventory holding gains (losses) and special charges was 46.7% (46.5% in the first quarter of 2006).

Minority interests

Minority interests were euro 155 million and concerned primarily Snam Rete Gas SpA (euro 69 million) and Saipem (euro 78 million).

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ENI REPORT ON THE FIRST QUARTER OF 2007

SUMMARIZED GROUP BALANCE SHEET

Summarized group balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing.

Management believes that this summarized group balance sheet is useful information in assisting investors to

assess Eni's capital structure and to analyze its sources of funds and investments in fixed assets and working capital.

Management uses the summarized group balance sheet to calculate key ratios such as return on capital employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Eni's financing structure is sound and well-balanced.

Summarized group balance sheet ^(a)

	(million euro)	Dec. 31, 2006	Mar. 31, 2007	Change
Fixed assets				
Property, plant and equipment, net		44,312	44,435	123
Other tangible assets		629	622	(7)
Inventories - compulsory stock		1,827	1,711	(116)
Intangible assets, net		3,753	3,885	132
Investments, net		4,246	4,373	127
Accounts receivable financing and securities related to operations		557	515	(42)
Net accounts payable in relation to capital expenditure		(1,090)	(897)	193
		54,234	54,644	410
Net working capital				
Inventories		4,752	4,888	136
Trade accounts receivable		15,230	15,006	(224)
Trade accounts payable		(10,528)	(9,692)	836
Taxes payable and reserve for net deferred income tax liabilities		(5,396)	(7,306)	(1,910)
Reserve for contingencies		(8,614)	(8,335)	279
Other operating assets and liabilities ^(b)		641	(1,230)	(589)
		(5,197)	(6,669)	(1,472)
Employee termination indemnities and other benefits		(1,071)	(1,032)	39
		47,966	46,943	(1,023)
Capital employed, net				
Shareholders' equity including minority interests		41,199	43,091	1,892
Net borrowings		6,767	3,852	(2,915)
Total liabilities and shareholders' equity		47,966	46,943	(1,023)

(a) For a reconciliation with the corresponding statutory tables see Eni's 2006 Annual Report, Reconciliation of Summarized Group Balance Sheet to statutory schemes pages 77-78.

(b) Include operating financing receivables and securities related to operations for euro 220 million (euro 249 million at December 31, 2006) and securities covering technical reserves of Eni's insurance activities for euro 451 million (euro 417 million at December 31, 2006).

The appreciation of the euro over other currencies, in particular the dollar (at March 31, 2007 the EUR/USD

and in net borrowings of approximately euro 50 million as a result of currency conversions at March 31, 2007.

exchange rate was 1.332 as compared to 1.317 at December 31, 2006, up 1.1%) determined with respect to year-end 2006 an estimated decrease in the book value of net capital employed of approximately euro 300 million, in net equity of approximately euro 250 million

At March 31, 2007, net capital employed totalled euro 46,943 million, representing a decrease of euro 1,023 million from December 31, 2006.

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Contents**ENI REPORT ON THE FIRST QUARTER OF 2007**

Fixed assets totalled euro 54,644 million, representing an increase of euro 410 million from December 31, 2006 (euro 54,234 million). Capital expenditure for the period (euro 2,013 million) was offset in part by provisions for depreciation, amortization and impairments (euro 1,627 million) and the effect of the appreciation of the euro over the dollar in the translation of financial statements of subsidiaries operating with currencies other than the euro.

Other assets included, for a book value of \$829 million (corresponding to euro 622 million at the March 31, 2007 EUR/USD exchange rate), the assets related to the service contract for oil activities in the Dación area of the Venezuelan branch of Eni's subsidiary Eni Dación BV. With effective date April 1, 2006, the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) unilaterally terminated the Operating Service Agreement (OSA) governing activities at the Dación oil field where Eni acted as a contractor, holding a 100% working interest. As a consequence, starting on the same date, operations at the Dación oil field are conducted by PDVSA. Eni proposed to PDVSA to agree on terms in order to recover the fair value of its Dación assets. On November 2006, based on the bilateral investments treaty in place between the Netherlands and Venezuela (the Treaty), Eni commenced a proceeding before an International Centre for Settlement of Investment Disputes (ICSID) Tribunal (i.e., a tribunal acting under the auspices of the ICSID Convention and being competent pursuant to the Treaty) to claim its rights. Despite this action, Eni is still ready to negotiate a solution with PDVSA to obtain a fair compensation for its assets. Based on the opinion of its legal consultants, Eni believes to be entitled to a compensation for such expropriation in an amount equal to the market value of the OSA before the expropriation took place. The market value of the OSA depends upon its expected profits. In accordance with established international practice, Eni has calculated the OSA's market value using the discounted cash flow method, based on Eni's interest in the expected future hydrocarbon production and associated capital expenditures and operating costs, and applying to the projected cash flow a discount rate reflecting Eni's cost of capital as well as the specific risk of concerned activities. Independent evaluations carried out by a primary petroleum consulting firm fully support

field, as calculated by Eni, is higher than the net book value of the Dación assets which consequently have not been impaired. In accordance with the ICSID Convention, a judgement by the ICSID Tribunal awarding compensation to Eni would be binding upon the parties and immediately enforceable as if it were a final judgement of a court of each of the States that have ratified the ICSID Convention. The ICSID Convention was ratified in 143 States. Accordingly, if Venezuela fails to comply with the award and to pay the compensation, Eni could take steps to enforce the award against commercial assets of the Venezuelan Government almost anywhere those may be located (subject to national law provisions on sovereign immunity).

At March 31, 2007, **net working capital** totalled euro 6,669 million, representing a decrease of euro 1,472 million from December 31, 2006 mainly due to: (i) higher taxes payable and an increase in reserves for taxation related to taxes due for the period and the fact that excise taxes on oil products marketed in Italy in the first 15 days of December are settled within the end of this month, instead of being paid in the following month as in the rest of the year; (ii) the increase in Other operating liabilities related to a euro 575 million loss recognized on the fair value evaluation of certain financial derivative instruments. The Group entered into such transactions in order to hedge cash flow expected in the 2008-2011 period from the sale of approximately 2% of Eni's proved hydrocarbon reserves as of 2006 year-end in connection with its purchase of proved and unproved property onshore in Congo (from the French company Maurel & Prom) and in the Gulf of Mexico (from the US company Dominion) finalized in February and April 2007, respectively. In light of this, Eni put in place certain forward sale contracts at a fixed price and call and put options with the same date of exercise. These options can be exercised in presence of crude oil market prices higher or lower compared with contractual prices. This treatment does not apply to the time value component arising from market price fluctuations within the range provided by these call and put options which is recognized in the profit and loss account under the item net financial expenses because the hedging relationship is ineffective.

The share of the Exploration & Production, Gas &

Eni's internal evaluation. The estimated net present value of Eni's interest in the Dación Power and Refining & Marketing divisions on net capital employed was 89% (90% at December 31, 2006).

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Return On Average Capital Employed (ROACE)

Return on Average Capital Employed for the Group, on an adjusted basis is the return on the Group average capital invested, calculated as the ratio between net adjusted profit before minority interest, plus net finance charges on net borrowings net of the related tax effect, and net average capital employed. The tax rate applied on finance charges is the Italian statutory tax rate of 33%. The capital invested as of period-end used for the calculation of net average capital invested is

obtained by deducting inventory holding gains or losses for the period, net of the related tax effect.

ROACE by business segment is determined as the ratio between adjusted net profit and net average capital invested pertaining to each business segment, adjusting net capital invested as of period-end by net inventory gains or losses (net of the related tax effect based on each business segment specific tax rate).

Calculated on a 12-month period ending on March 31, 2007	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		6,593	3,142	656	10,743
Exclusion of after-tax finance expenses/interest income					50
Adjusted net profit unlevered		6,593	3,142	656	10,793
<i>Capital employed, net</i>					
- at the beginning of period		19,702	17,656	5,556	47,843
- at the end of period		17,143	18,985	5,830	47,132
Average capital employed, net		18,423	18,321	5,693	47,488
ROACE adjusted (%)		35.8	17.2	11.5	22.7

Calculated on a 12-month period ending on March 31, 2006	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		6,931	2,427	908	10,303
Exclusion of after-tax finance expenses/interest income					(80)
Adjusted net profit unlevered		6,931	2,427	908	10,223
<i>Capital employed, net</i>					
- at the beginning of period		18,708	18,283	4,247	46,623
- at the end of period		19,702	17,590	4,950	47,147
Average capital employed, net		19,205	17,937	4,599	46,885
ROACE adjusted (%)		36.1	13.5	19.7	21.8

Calculated on a 12-month period ending on December 31, 2006	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		7,279	2,862	629	11,018
Exclusion of after-tax finance expenses/interest income					46
Adjusted net profit unlevered		7,279	2,862	629	11,064

<i>Capital employed, net</i>				
- at the beginning of period	20,206	18,978	5,993	49,692
- at the end of period	18,590	18,864	5,766	47,999
Average capital employed, net	19,398	18,921	5,880	48,846
ROACE adjusted (%)	37.5	15.1	10.7	22.7

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ENI REPORT ON THE FIRST QUARTER OF 2007

Net borrowings and leverage

Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt and shareholders' equity, including minority interests. Management makes use of leverage in order to assess the soundness and efficiency of the Group balance

sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards. In the medium term, management plans to maintain a strong financial structure targeting a level of leverage up to 0.40.

	(million euro)	Dec. 31, 2006	Mar. 31, 2007	Change
Total debt		11,699	16,470	4,771
- Short-term debt		4,290	9,670	5,380
- Long-term debt		7,409	6,800	(609)
Cash and cash equivalents		(3,985)	(6,670)	(2,738)
Securities not related to operations		(552)	(270)	282
Non-operating financing receivables		(395)	(5,625)	(5,230)
Net borrowings		6,767	3,852	(2,915)
Shareholders' equity including minority interest		41,199	43,091	1,892
Leverage		0.16	0.09	(0.07)

Net borrowings at March 31, 2007 were euro 3,852 million, representing a decrease of euro 2,915 million from December 31, 2006 due mainly to cash inflow generated by operating activities (euro 5,563 million). Total debt amounted to euro 16,470 million, of which euro 9,670 million were short-term (including the portion of long-term debt due within 12 months for euro 870 million) and euro 6,800 million were long-term. Short-term finance debt increased by euro 5,380 million compared with December 31, 2006. This increase was due to the need to collect the necessary funds to participate in a bid to

purchase ex-Yukos gas assets (see Post closing events). Eni made recourse to undrawn borrowing facilities. These funds were placed in escrow resulting in a corresponding increase of non-operating receivables financing, with a neutral impact on net borrowings as of the end of the period.

At March 31, 2007, leverage ratio between net borrowings and shareholders' equity was 0.09, compared with 0.16 at December 31, 2006.

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Changes in shareholders' equity

(million euro)

Shareholders' equity at December 31, 2006		41,199
Net profit	2,743	
Reserve for cash flow hedges	(301)	
Shares repurchased	(203)	
Issue of ordinary share capital for employee share incentive schemes	8	
Dividends paid by consolidated subsidiaries to shareholders	(3)	
Effect on equity of the shares repurchased by consolidated subsidiaries (Snam Rete Gas/Saipem)	(140)	
Exchange differences from translation of financial statements denominated in currencies other than the euro	(223)	
Other changes	11	
Total changes		1,892
Shareholders' equity at March 31, 2007		43,091

Shareholders' equity at March 31, 2007 (euro 43,091 million) increased by euro 1,892 million from December 31, 2006, due essentially to net profit (euro 2,743 million) whose effects were offset in part by losses in cash flow

hedges taken to reserve (euro 301 million net to the related tax effect)², the purchase of own shares and currency translation effects.

(2) For further details see comment to net working capital.

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ENI REPORT ON THE FIRST QUARTER OF 2007

SUMMARIZED CASH FLOW STATEMENT AND CHANGE IN NET BORROWINGS

Eni's summarized group cash flow statement derives from the statutory statement of cash flows. It allows to create a link between changes in cash and cash equivalents (deriving from the statutory cash flows statement) occurred from the beginning of period to the end of period and changes in net borrowings (deriving from the summarized cash flow statement) occurred from the beginning of period to the end of period. The measure enabling to make such a link is represented by free cash flow which is the cash in excess of capital expenditure needs. Starting from free cash flow it is

possible to determine either: (i) changes in cash and cash equivalents for the period by adding/deducting cash flows relating to financing debts/receivables (issuance/repayment of debt and receivables related to financing activities), shareholders' equity (dividends paid, net repurchase of own shares, capital issuance) and the effect of changes in consolidation and of exchange rate differences; (ii) changes in net borrowings for the period by adding/deducting cash flows relating to shareholders' equity and the effect of changes in consolidation and of exchange rate differences.

Summarized Group Cash Flow Statement ^(a)

Fourth Quarter 2006		(million euro)	First Quarter		% Ch.
			2006	2007	
1,698	Net profit		3,130	2,743	(387)
	<i>adjustments to reconcile to cash generated from operating profit before changes in working capital:</i>				
1,568	- amortization and depreciation and other non-monetary items	1,321	1,251		(70)
(4)	- net gains on disposal of assets	(63)	(14)		49
2,314	- dividends, interest, taxes and other changes	2,843	2,397		(446)
5,576	Cash generated from operating profit before changes in working capital	7,231	6,377		(854)
(847)	Changes in working capital related to operations	131	445		314
(2,951)	Dividends received, taxes paid, interest (paid) received	(1,499)	(1,259)		240
1,778	Net cash provided by operating activities	5,863	5,563		(300)
(2,944)	Capital expenditure	(1,340)	(2,013)		(673)
(19)	Investments	(19)	(10)		9
201	Disposals	85	12		(73)
407	Other cash flow related to capital expenditure, investments and disposals	(108)	(152)		(44)
(577)	Free cash flow	4,481	3,400		(1,081)
(247)	Borrowings (repayment) of debt related to financing activities	380	(5,035)		(5,415)
839	Changes in short and long-term financial debt	(1,851)	4,887		6,738
(2,412)	Dividends paid and changes in minority interests and reserves	(356)	(445)		(89)
(77)	Effect of changes in consolidation and exchange differences	(30)	(69)		(39)
(2,474)	NET CASH FLOW FOR THE PERIOD	2,624	2,738		114

Change in net borrowings

Fourth Quarter	(million euro)	First Quarter
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2006		2006	2007	% Ch.
(577)	Free cash flow	4,481	3,400	(1,081)
	Net borrowings of acquired companies			
	Net borrowings of divested companies	46		(46)
72	Exchange differences on net borrowings and other changes	13	(40)	(53)
(2,412)	Dividends paid and changes in minority interests and reserves	(356)	(445)	(89)
(2,917)	CHANGE IN NET BORROWINGS	4,184	2,915	(1,269)

(a) For a reconciliation with the corresponding statutory tables see Eni's 2006 Annual Report, Reconciliation of Cash Flows to statutory schemes pages 79-80.

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Net cash provided by operating activities came in at euro 5,563 million, allowing to cover financial requirements for capital expenditure for euro 2,013 million, the repurchase of own shares for euro 203 million by Eni SpA and for euro 242 million by Snam Rete Gas SpA and Saipem SpA, and to reduce net borrowings by euro 2,915 million.

From January 1 to March 31, 2007 a total of 8.52 million Eni shares were purchased by the company for a total cost of euro 203 million (representing an average cost of euro 23.847 per share). Since the inception of the share buy-back programme (September 1, 2000), Eni has repurchased 344 million shares, equal to 8.58% of its share capital, at a total cost of euro 5,716 million (representing an average cost of euro 16.638 per share).

CAPITAL EXPENDITURE

Fourth Quarter 2006		(million euro)	First Quarter		
			2006	2007	Change
1,937	Exploration & Production	961	1,366	405	42.1
453	Gas & Power	151	221	70	46.4
272	Refining & Marketing	95	134	39	41.1
47	Petrochemical	10	14	4	40.0
188	Engineering & Construction	97	248	151	..
38	Other activities	3	14	11	..
48	Corporate and financial companies	23	16	(7)	(30.4)
(39)	Impact of unrealized profit in inventory				
2,944		1,340	2,013	673	50.2

In the first quarter of 2007 capital expenditure amounted to euro 2,013 million, of which 85.5% related to the

Exploration & Production, Gas & Power and Refining & Marketing divisions.

Exploration & Production

Fourth Quarter 2006		(million euro)	First Quarter			
			2006	2007	Change	% Ch.
139	Acquisitions of proved and unproved property			73	73	..
139	Italy					..
	North Africa			5	5	..
	West Africa					..
	Rest of world			68	68	..
706	Exploration	173	373	200	..	
38	Italy	23	34	11	47.8	
91	North Africa	48	83	25	72.9	
366	West Africa	47	68	21	44.7	
75	North Sea	15	75	60	..	
136	Rest of world	40	113	73	..	

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1,056	Development	777	909	132	17.0
133	Italy	85	107	22	25.9
209	North Africa	140	188	48	34.3
294	West Africa	138	266	128	92.8
121	North Sea	94	89	(5)	(5.3)
299	Rest of world	320	259	(61)	(19.1)
36	Other	11	11		..
1,937		961	1,366	405	42.1

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Capital expenditure of the Exploration & Production segment (euro 1,366 million) concerned essentially development directed mainly outside Italy, in particular Kazakhstan, Egypt, Angola and Congo. Development expenditure in Italy concerned in particular the continuation of work for well drilling, plant and infrastructure in Val d'Agri and sidetrack and infilling work in mature areas. About 91% of exploration expenditure was directed outside Italy in particular Norway, Nigeria, Egypt, the United States and Indonesia. In Italy essentially the offshore

Gas & Power

Fourth Quarter 2006		(million euro)	First Quarter		
			2006	2007	Change
397	Italy	140	154	14	10.0
56	Outside Italy	11	67	56	..
453		151	221	70	46.4
22	Market	7	5	(2)	(28.6)
	Italy				..
22	Outside Italy	7	5	(2)	(28.6)
54	Distribution	27	25	(2)	(7.4)
287	Transport	91	144	53	58.2
253	Italy	87	82	(5)	(5.7)
34	Outside Italy	4	62	58	..
90	Power generation	26	47	21	80.8
453		151	221	70	46.4

Capital expenditure in the Gas & Power segment totalled euro 221 million and related essentially to: (i) development and maintenance of Eni's primary transmission network in Italy (euro 82 million); (ii) the import pipeline upgrade (euro 62 million); (iii) the continuation of the construction of combined cycle power plants (euro 47 million) in particular at Ferrara; (iv) development and maintenance of Eni's natural gas distribution network in Italy (euro 25 million).

of Sicily. Acquisition of proved and unproved property essentially concerned the 70% of total expenditure for the Nikaitchuq oilfield in Alaska, in which Eni reached the 100% ownership.

As compared to the first quarter of 2006, capital expenditure increased by euro 405 million, up 42.1%, due in particular to the increase in development expenditure in Congo, Egypt and Angola, the increase in exploration expenditure in Norway, Indonesia, the United States and Nigeria, and the acquisition of reserves.

The euro 70 million increase from the first quarter of 2006 (up 46.4%) was due essentially to the import pipeline upgrade.

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Refining & Marketing

Fourth Quarter 2006		(million euro)	First Quarter			% Ch.
			2006	2007	Change	
241	Italy		79	123	44	55.7
31	Outside Italy		16	11	(5)	(31.3)
272			95	134	39	41.1
139	Refining, Supply and Logistics		67	104		55.2
139	Italy		67	104	37	55.2
90	Marketing		25	30	5	20.0
59	Italy		9	19	10	..
31	Outside Italy		16	11	(5)	(31.3)
43	Other activities		3		(3)	..
272			95	134	39	41.1

Capital expenditure in the Refining & Marketing segment amounted to euro 134 million and concerned: (i) refining, supply and logistics in Italy (euro 104 million), in particular actions for improving flexibility and yields of refineries, among which the construction of a new hydrocracking unit at the Sannazzaro refinery; (ii) the upgrade of the distribution network in Italy (euro 19 million); (iii) the upgrade of the refined product distribution network and the purchase of service stations in the rest of Europe (euro 11 million).

Engineering & Construction

Capital expenditure in the Engineering & Construction segment amounted to euro 248 million and concerned: (i) conversion of two tanker ships into FPSO vessels that will operate in Brazil on the Golfinho 2 field and in Angola; (ii) startup of construction of a new rig and a new pipelayer.

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ENI REPORT ON THE FIRST QUARTER OF 2007

POST CLOSING EVENTS***Upstream asset acquisition in the Gulf of Mexico***

On April 30, 2007 Eni agreed to acquire the Gulf of Mexico upstream activity of Dominion, one of the major American energy companies, listed on the New York Stock Exchange at the agreed price equal to US \$4,757 million inclusive of exploration assets for US \$680 million.

The transaction includes production, development and exploration assets located in deepwater Gulf of Mexico. The acquisition will increase Eni's equity production in the Gulf of Mexico from the current 36 kboepd to more than 110 kboepd in the second half of 2007 and the proved and probable equity reserves by 222 million boe, at an implied cost per barrel of US \$18.40. In the 2007-2010 period, production from the acquired assets is expected to average more than 75 kboepd. In addition, Eni will further enhance its portfolio in the Gulf of Mexico thanks to new leases with significant exploration potential; approximately 60% of these leases are operated.

The transaction is subject to government approvals, 30 days notice to holders of certain preferential rights to purchase (which apply to less than 5% of total reserves), and to other customary conditions precedent. Closing is expected on July 2, 2007.

Yukos assets acquisition

On April 4, 2007 Eni, through the partnership in EniNeftegaz (60% Eni, 40% Enel SpA) acquired Lot 2 in the Yukos liquidation procedure for a total price of \$5.83 billion. Lot 2 includes: 100% of OAO Arctic Gas Company, 100% of ZAO Urengoil Inc and 100% of OAO Neftegaztehnologia.

These three companies own 5 gas and condensate fields and parts of other fields in the Yamal Nenets (YNAO) region, the world's largest gas producing region. Together they have large oil and gas reserves.

Eni and Enel have offered Gazprom an option to acquire a 51% interest in these assets within two years. In the event that Gazprom exercises its call option, the assets will be operated through a joint venture between Eni and Gazprom which will have access to Eni's most advanced technologies.

Lot 2 includes also various minor assets that will be sold or liquidated and 20% of OAO Gazprom Neft which will be wholly owned by Eni.

Eni offered Gazprom an option to acquire a 20% interest in OAO Gazprom Neft within two years, at a total price of \$3.7 billion, in addition to financial expenses related to the acquisition. These agreements are an additional step in implementing the strategic Partnership between Eni and Gazprom signed in November 2006, under which the two companies established an alliance to develop upstream, midstream and downstream energy projects inside and outside of Russia.

Acquisition of the retail station network in the Czech Republic, Slovakia and Hungary

On April 27, 2007 Eni and ExxonMobil Central Europe Holding GmbH signed an agreement for the sale of shares of Esso spol sro (Esso Czechia), Esso Slovensko spol sro (Esso Slovakia) and ExxonMobil Hungary Kft to Eni. The agreement, subject to the approval of the relevant authorities, includes ExxonMobil's retail station network in the three countries, totaling 102 stations and its aviation business at the Prague and Bratislava airports. Additionally, the lubricants business conducted in these countries by ExxonMobil Petroleum and Chemical, is included in the transaction.

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Acquisition of 70% and of the operatorship of the Nikaitchuq Field in Alaska

On April 11, 2007 Eni acquired 70% and the operatorship of the Nikaitchuq field, located on-offshore in the North Slope of Alaska. Eni, which already owned a 30% stake in the field, now retains the 100% working interest. Eni acquired the additional interest and operatorship as the result of an agreement with Kerr-McGee Oil and Gas Corporation, a wholly-owned subsidiary of Anadarko Petroleum Corporation. Nikaitchuq would be the first development project operated by Eni in Alaska. Successful appraisal drilling has been completed, confirming the potential viability of the development project. Plans for a phased development are currently being evaluated with the target of sanctioning the project by year end, and first oil to flow by the end of 2009. The Nikaitchuq project comprises the drilling of approximately 80 wells, out of which 32 are located onshore and the remaining from an offshore artificial island. All wells will then be tied back to a production facility located at Oliktok Point to reach a production of 40 kboe/d. Total investment will amount to approximately \$900 million.

Memorandum of Understanding for the acquisition of an interest in Angola LNG Ltd

On April 2, 2007 Eni and Sonangol signed a Memorandum of Understanding for the acquisition of a 13.6% stake in Angola LNG Limited Consortium (A-LNG). This company is responsible for the construction of an LNG plant in Soyo, 300 km North Luanda, with a yearly capacity of 5 mmt tonnes. Upon completion of this agreement, Angola LNG Limited's shareholding structure will be as follows: Sonangol 22.8%, Chevron 36.4%, Eni 13.6%, Total 13.6% and BP 13.6%. The project, for a total investment of approximately \$4 billion, has been approved by the Angolan Government and Parliament. It envisages, for 28 years, the development of 220 bcm of gas, the production of 128 mmt tonnes of LNG, 104 mmbbl of condensate and 257 mmbbl of LPG. The LNG will be directed to the United States market and will be delivered to the re-gasification plant of Pascagoula, in the Gulf of Mexico, in which Eni, following this agreement, will acquire re-gasification capacity of 5 bcm/y.

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OUTLOOK FOR 2007

The outlook for Eni in 2007 remains positive, with key business trends for the year as follows:

- **Production of liquids and natural gas** is forecast to remain at the same level as 2006 (in 2006 oil and gas production averaged 1.77 mmb/d). Additional production expected in the second half of the year from acquired properties in the Gulf of Mexico and Congo, and the expected build-up in gas production in Libya will enable Eni to recover the first quarter decline in production due to escalating social unrest in Nigeria and the loss of the Daci3n oilfield in Venezuela;
- **Sales volumes of natural gas** worldwide are expected to increase by 1% over 2006 (actual sales volumes in 2006 were 97.48 bcm). Major increases are expected in certain target markets in the Rest of Europe, mainly in the Iberian Peninsula, the North of Europe, France and Germany/Austria markets;
- **Sales volumes of electricity** are expected to slightly increase from 2006 (actual volumes in 2006 were 31.03 TWh);
- **Refining throughputs on Eni's account** are forecast to slightly decrease from 2006 (actual throughputs in 2006 were 38.04 mmt/yr) due to the expiration of a processing contract at the Priolo refinery owned by a third party late in 2006, to be offset by higher throughputs expected at the Gela, Livorno and Taranto refineries;
- **Retail sales of refined products** are expected to slightly increase from 2006 (actual volumes sold in 2006 were 12.48 mmt/yr). Increases are expected on both the Italian and European markets due to the entry into service of new outlets, following also the acquisition of service stations in target markets.

In 2007 management expects Eni's **capital expenditure** on exploration and capital projects to amount to approximately euro 10.5 billion, representing a 34% increase over 2006. Approximately 86% of this capital expenditure programme is expected to be deployed in the Exploration & Production, Gas & Power and Refining & Marketing divisions. Furthermore, acquisitions of assets and interests amounting to euro 9.2 billion are forecast in the year, mainly related to: (i) the already closed transaction for the purchase of ex-Yukos assets; (ii) the other transactions whose closing is foreseen by the end of the year, including the purchase of upstream assets in the Gulf of Mexico and Congo, and a retail station network in the Central-Eastern Europe. Assuming Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft and a 51% interest in ex-Yukos gas assets from Eni, net cash outflows used in investing activities will decrease to euro 16.2 billion.

On the basis of the expected cash outflows for this capital expenditure and acquisition program, and shareholders remuneration, also assuming a \$55/barrel scenario for the Brent crude oil, Eni foresees a leverage ranging from 0.3 to 0.4 by the end of the year, depending on the exercise of the above mentioned call options by Gazprom.

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OPERATING RESULTS BY DIVISION

Exploration & Production

Fourth Quarter	Results	(million euro)	First Quarter			% Ch.
			2006	2007	Change	
6,152	Net sales from operations		7,412	6,361	(1,051)	(14.2)
3,141	Operating profit		4,308	3,132	(1,176)	(27.3)
54	Exclusion of special items:		(57)		57	
51	- <i>asset impairments</i>					
(7)	- <i>gains on disposal of assets</i>		(57)		57	
10	- <i>provision for redundancy incentives</i>					
3,195	Adjusted operating profit		4,251	3,132	(1,119)	(26.3)
(22)	Net financial incomes (expenses) ^(a)		(17)	(35)	(18)	
(18)	Net income (expenses) from investments ^(a)		10	10		
(1,851)	Income taxes ^(a)		(2,149)	(1,698)	451	
58.7	<i>Tax rate</i>	(%)	50.6	54.7	4.1	
1,304	Adjusted net profit		2,095	1,409	(686)	(32.7)
	Results also include:					
1,418	- amortizations and depreciations		1,095	1,240	145	13.2
419	- <i>of which amortizations of exploration expenditure</i>		187	375	188	..
1,937	Capital expenditure		961	1,366	404	42.1
	Production ^(b)					
1,079	Liquids ^(c)	(kbbbl/d)	1,143	1,030	(113)	(9.9)
4,132	Natural gas	(mmcf/d)	3,920	4,061	141	3.6
1,796	Total hydrocarbons	(kboe/d)	1,827	1,734	(93)	(5.1)
	Average realizations					
54.85	Liquids ^(c)	(\$/bbl)	56.27	54.39	(1.88)	(3.3)
5.39	Natural gas	(\$/mmcf)	5.23	2.30	0.07	1.3
45.53	Total hydrocarbons	(\$/boe)	46.71	45.12	(1.59)	(3.40)
	Average oil market prices					
59.68	Brent dated	(\$/bbl)	61.75	57.75	(4.00)	(6.5)
46.26	Brent dated	(euro/bbl)	51.37	44.08	(7.29)	(14.2)
59.94	West Texas Intermediate	(\$/bbl)	63.29	57.99	(5.30)	(8.4)
235.20	Gas Henry Hub	(\$/kmc)	271.90	266.60	(5.30)	(1.9)

(a) Excluding special items.

(b) Includes Eni's share of production of equity-accounted entities.

(c) Includes condensates.

Results

Adjusted operating profit for the first quarter of 2007 was euro 3,132 million, a decrease of euro 1,119 million from the first quarter 2006, or 26.3%, due primarily to:

in connection with exploratory activity (euro 188 million; euro 218 on a constant exchange rate basis); (v) higher production costs and amortization/depreciation charges, reflecting also the impact of sector-specific

(i) the adverse impact of approximately euro 300 million inflation. resulting from the appreciation of the euro versus the dollar; (ii) lower production sold, down 9.5 mmboe; (iii) lower oil realizations in dollars (down 3.3%), partly offset by higher gas prices (up 1.3%); (iv) higher expenses incurred

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Production**Daily production of hydrocarbons by region**

Fourth Quarter 2006			First Quarter			% Ch.
			2006	2007	Change	
1,796	Daily production of oil and natural gas ^(a)	(kboe/d)	1,827	1,734	(93)	(5.1)
232	Italy		247	223	(24)	(9.7)
571	North Africa		541	566	25	4.6
372	West Africa		382	337	(45)	(11.8)
291	North Sea		298	287	(11)	(3.7)
330	Rest of World		359	321	(38)	(10.6)
159.2	Oil and natural gas production sold ^(a)	(mmboc)	159.5	150.1	(9.4)	(5.9)

Daily production of liquids by region

Fourth Quarter 2006			First Quarter			% Ch.
			2006	2007	Change	
1,079	Production of liquids ^(a)	(kbbbl/d)	1,143	1,030	(113)	(9.9)
80	Italy		82	77	(5)	(6.1)
334	North Africa		325	328	3	0.9
315	West Africa		339	288	(51)	(15.0)
181	North Sea		188	170	(18)	(9.6)
169	Rest of World		209	167	(42)	(20.1)

Daily production of natural gas by region

Fourth Quarter 2006			First Quarter			% Ch.
			2006	2007	Change	
4,132	Production of natural gas ^(a)	(mmcf/d)	3,920	4,061	141	3.6
883	Italy		954	848	(106)	(11.1)
1,377	North Africa		1,236	1,377	141	11.4
318	West Africa		247	283	36	14.6
636	North Sea		636	671	35	5.5
918	Rest of World		847	882	35	4.1

(a) Includes Eni's share of production of equity-accounted entities.

Oil and natural gas production in the first quarter 2007 averaged 1,734 kboe/d, a decrease of 93 kboe/d from the same period of the previous year (down 5.1%). This reduction was due primarily to the unilateral cancellation of the Dación field service contract by the

the Gulf of Mexico offsetting mature field declines mainly in Italy and facility shutdown.

Daily production of oil and condensates (1,030 kbbbl) decreased by 113 kbbbl, or 9.9% from the first quarter of

Venezuelan state company PDVSA with effect from April 1, 2006 (down 60 kboe/d) and social unrest in Nigeria. Factoring in these effects, oil and natural gas production level was in line with the first quarter 2006. Production increases were achieved mainly in Libya, Kazakhstan and

2006. Production decreases were reported mainly in Venezuela and Nigeria due to the above mentioned causes and in the United Kingdom due to a technical problem occurred in the Elgin/Franklin field (Eni's interest 21.87%) and ordinary maintenance shutdowns at other

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facilities. In Italy a few technical problems occurred at the FPSO operating the Aquila field. Main increases were registered in Kazakhstan due to maintenance actions on facilities performed in the first quarter of 2006, and the United States due to the resumption of full activity at plants damaged by hurricanes in the second half of 2005.

Daily production of natural gas for the first quarter (4,061 mmcf/d) increased by 141 mmcf, or 3.6% mainly as a result of the build-up of the Bahr Essalam field offshore Libya, full operations at the fifth train of the Bonny LNG plant in Nigeria, a better performance of Norway's largest fields, and full production of Bayu Undan gas field offshore Australia. Gas production in Italy decreased due to mature field declines.

Gas & Power

Fourth Quarter 2006	Results	(million euro)			
		2006	2007	Change	% Ch.
8,170	Net sales from operations	9,134	8,543	(591)	(6.5)
1,303	Operating profit	1,199	1,641	442	36.9
(41)	Exclusion of inventory holding (gains) losses	(30)	40	70	
7	Exclusion of special items:	34	2	(32)	
	of which:				
	Non-recurring items				
7	Other special items	34	2	(32)	
2	- <i>environmental provision</i>	20		(20)	
15	- <i>provisions for redundancy incentives</i>	14	2	(12)	
(10)	- <i>other</i>				
1,269	Adjusted operating profit	1,203	1,683	480	39.9
832	<i>Market and Distribution</i>	705	1,177	472	67.0
286	<i>Transport in Italy</i>	305	286	(19)	(6.2)
144	<i>Transport outside Italy</i>	154	163	9	5.8
7	<i>Power generation</i> ^(a)	39	57	18	46.2
(1)	Net financial incomes (expenses) ^(b)	6	3	(3)	
97	Net income (expenses) from investments ^(b)	137	115	(22)	
(492)	Income taxes ^(b)	(467)	(642)	(175)	
36.0	<i>Tax rate (%)</i>	34.7	35.6	0.9	
873	Adjusted net profit	879	1,159	280	31.9
453	Capital expenditure	151	221	70	46.4

(a) Starting on January 1, 2007, results from marketing of electricity have been included in results from market and distribution activities following an internal reorganization. As a consequence of this, electricity generation activity conducted by EniPower subsidiary comprises only results from production of electricity. Prior quarter results have not been restated.

(b) Excluding special items.

Results

The adjusted operating profit of the Gas & Power division totalled euro 1,683 million, up euro 480 million or 39.9% from the first quarter of 2006, reflecting primarily: (i) increased natural gas selling margins

users related to the period from January 1, 2005 to June 30, 2006. Following this, Eni has partially or totally reversed provisions accrued in the accounts for 2005 and the first half of 2006; (iii) the fact that higher purchase costs were incurred in the first quarter of 2006, owing to

mainly owing to a favorable trading environment reflecting in particular the effect of the euro/dollar exchange rate; (ii) a favorable evolution of the regulatory framework in Italy. This reflected the enactment of Resolution No. 79/2007 by the Authority for Electricity and Gas implementing a new setup of the indexation mechanism of the raw material cost component in supplies to residential and commercial

a climatic emergency for the winter time 2005-2006. These positives were partly offset by a decline in natural gas sales of affiliates (down 2.87 bcm, or 10.4%) due to lower European gas demand as a consequence of the unusually mild weather conditions of the first quarter of 2007, partly offset by a growth in sales in certain target

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markets in the Rest of Europe. Lower gas demand negatively affected the operating performance of transport activities in Italy and volumes distributed on low pressure networks. Sales volumes of electricity decreased by 0.12 TWh, or 1.6%.

The adjusted net profit was euro 1,159 million up euro 280 million, or 31.9%, reflecting the increased adjusted operating profit, offset in part lower results reported by certain affiliates engaged in natural gas distribution in Italy, due to mild weather conditions.

Special charges for the quarter referred to redundancy incentives (euro 2 million).

Sales

Fourth Quarter	2006	Natural gas sales	(bcm)	First Quarter			% Ch.
				2006	2007	Change	
14.09		Italy to third parties (*)		17.47	15.41	(2.06)	(11.8)
3.45		Wholesalers (selling companies)		5.06	4.62	(0.44)	(8.7)
0.56		Gas release		0.59	0.49	(0.10)	(16.9)
10.08		End Customers		11.82	10.30	(1.52)	(12.9)
3.50		Industries		3.80	3.33	(0.47)	(12.4)
4.30		Power generation		4.27	3.93	(0.34)	(8.0)
2.28		Residential		3.75	3.04	(0.71)	(18.9)
1.55		Own consumption (*)		1.47	1.39	(0.08)	(5.4)
8.14		Rest of Europe (*)		8.57	7.90	(0.67)	(7.8)
0.12		Outside Europe		0.16	0.10	(0.06)	(37.5)
23.90		Total sales to third parties and own consumption		27.67	24.80	(2.87)	(10.4)
1.97		Sales of natural gas of Eni's affiliates (net to Eni)		2.41	2.27	(0.14)	(5.8)
0.01		Italy (*)		0.01	0.01		
1.83		Rest of Europe (*)		2.33	2.10	(0.23)	(9.9)
0.13		Outside Europe		0.07	0.16	0.09	128.6
25.87		Total sales and own consumption (G&P)		30.08	27.07	(3.01)	(10.0)
1.06		Upstream in Europe		1.12	1.07	(0.05)	(4.5)
26.93		Worldwide gas sales		31.20	28.14	(3.06)	(9.8)
26.68		Gas sales in Europe		30.97	27.88	(3.09)	(10.0)
25.62		G&P in Europe (*)		29.85	26.81	(3.04)	(10.2)
1.06		Upstream in Europe		1.12	1.07	(0.05)	(4.5)
22.45		Gas volumes transported in Italy	(bcm)	24.89	23.51	(1.38)	(5.5)
14.97		Eni		8.77	15.55	6.78	77.3
7.48		On behalf of third parties		16.12	7.96	(8.16)	(50.6)
7.79		Electricity sold	(TWh)	7.73	7.61	(0.12)	(1.6)

(*) Market segments with asterisk merge into "G&P in Europe".

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Natural gas sales for the first quarter of 2007 amounted to 28.14 bcm, including own consumption and sales by affiliates and upstream sales in Europe, with a decrease of 3.06 bcm from the first quarter of 2006, or 9.8%. This decline was impacted by lower seasonal gas sales due to an unusually mild winter.

In an increasingly competitive market, sales in the Italian market were 15.41 bcm with a decrease of 2.06 bcm, or 11.8%. All market segments posted sale volumes declines from the first quarter of 2006: sales to residential users were down by 0.71 bcm; sales to industrial users were down by 0.47 bcm; sales to wholesalers were down by 0.44 bcm; sales to power generation were down by 0.34 bcm. Sales under the gas release¹ program (0.49 bcm) declined by 0.1 bcm. Own consumption (1.38 bcm) declined by 0.08 bcm due to lower supplies to EniPower.

Gas sales in the Rest of Europe were 7.9 bcm with a decrease of 0.67 bcm, or 7.8%, due to: (i) lower sales under long-term supply contracts to Italian importers (down 0.75 bcm), despite the full production of natural gas from the Libyan fields; (ii) lower sales in the Hungarian market (down 0.49 bcm). These decreases were partly offset by increases in the supplies to the Turkish (up 0.34 bcm) and Spanish (up 0.18 bcm) markets.

Sales of subsidiaries outside Europe (0.1 bcm) declined by 0.06 bcm due to lower supplies to the Argentinean market.

Natural gas sales of Eni's affiliates in the rest of Europe (net to Eni and net of Eni's supplies) amounted to 2.1 bcm, a 0.23 bcm decline related in particular to: (i) GVS (Eni's interest 50%) with 0.93 bcm; (ii) Unión Fenosa Gas (Eni's interest 50%) with 0.57 bcm.

Natural gas sales of Eni's affiliates outside Europe (net to Eni and net of Eni's supplies) amounted to 0.16 bcm, a 0.23 bcm decline related in particular to Unión Fenosa Gas (Eni's interest 50%) with 0.13 bcm.

Eni transported 23.51 bcm of natural gas in Italy, a decrease of 1.38 bcm from the first quarter of 2006, down 5.5%, due to a decline in domestic demand.

Volumes transported on behalf of third parties declined by 0.81 bcm, those transported on behalf of Eni declined by 0.57 bcm.

Sales of electricity (7.61 TWh) declined by 0.12 TWh, or 1.6%.

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

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Resolution No. 79/2007 of the Authority for Electricity and Gas Revision of the economic conditions of supplies in the January 1, 2005 to March 31, 2007 period and criteria for their updating .

Following the cancellation of Resolution No. 248/2004 by the Council of State for formal flaws, on March 29, 2007 the Authority for Electricity and Gas published Resolution No. 79/2007 after concluding a consultation procedure with gas operators. This Resolution organizes in a single document all the changes applied to the determination and updating of economic conditions for natural gas supplies. In particular with this Resolution the Authority: (i) confirmed the indexation mechanism for the raw material cost component contained in Resolution No. 248/2004 and the changes introduced to this mechanism by Resolution No. 134/06 starting on July 1, 2006; (ii) waiving this provision, it reviewed the updating of the raw material cost component for 2005 reaching incremental values equal to those deriving

from the application of the indexation criteria of Resolution No. 195/02; this cancels the negative impact of Resolution No. 248/2004 on Eni's 2005 accounts; (iii) decided that selling companies, only for wholesale purchase/sale contracts entered after January 1, 2005 and valid in the January 1, 2006-June 30, 2006 period, offer their customers new contractual conditions consistent with the new indexation mechanism before June 4, 2007², and inform the Authority, before June 29, 2007², together with their wholesaler that they have complied with this requirement. Selling companies complying with this requirement will be entitled to 50% of the difference between the updating of the raw material cost component under the new mechanism and the more favorable one under Resolution No. 195/2002 applied to volumes consumed by customers under the 200 kcm threshold. This Resolution determined the total or partial redundancy of liabilities accrued in Eni's accounts for 2005 and 2006 that have been consequently reversed.

(2) Dates changes by Resolution No. 101/2007 of the Authority for Electricity and Gas.

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Refining & Marketing

Fourth Quarter	Results	(million euro)	First Quarter			% Ch.
			2006	2007	Change	
8,579	Net sales from operations		9,280	7,943	(1,337)	(14.4)
(386)	Operating profit		89	(10)	(99)	..
386	Exclusion of inventory holding (gains) losses		(47)	112	159	
148	Exclusion of special items:		47	18	(29)	
	of which:					
109	Non-recurring items					
39	Other special items		47	18	(29)	
13	- <i>asset impairments</i>					
27	- <i>environmental provisions</i>		44	17	(27)	
30	- <i>provisions for redundancy incentives</i>		5	1	(4)	
4	- <i>provision to the reserve for contingencies</i>		1		(1)	
(35)	- <i>other</i>		(3)		3	
148	Adjusted operating profit		89	120	31	34.8
31	Net income (expenses) from investments ^(a)		47	51	4	8.5
(64)	Income taxes ^(a)		(50)	(58)	(8)	16.0
35.8	Tax rate (%)		36.8	33.9	(2.9)	
115	Adjusted net profit		86	113	27	31.4
272	Capital expenditure		95	134	39	41.1
	Global indicator refining margin					
2.18	Brent	(\$/bbl)	2.95	3.06	0.11	3.7
1.69	Brent	(euro/bbl)	2.45	2.34	(0.11)	(4.5)
4.87	Ural	(\$/bbl)	5.76	6.07	0.31	5.4

(a) Excluding special items.

Results

The Refining & Marketing division reported an adjusted operating profit of euro 120 million, representing an increase of euro 31 million from the first quarter of 2006, or 34.8%. This increase reflected primarily a better operating performance delivered by the refining activity, which was boosted by higher processed volumes and better yields also in light of lower maintenance shutdowns. The benefit of higher refining margins (margins on Brent crude oil were up 0.11 dollar/bbl, or 3.7%) was more than offset by the negative impact of the euro appreciation over the dollar. Marketing activities in Italy reported a lower operating profit due

mainly to lower retail margins and a decline in wholesale volumes as a consequence of lower heating oil demand in Italy, in particular from the power generation sector caused by an unusually mild winter.

The adjusted net profit was euro 113 million, up euro 27 million, or 31.4%, due to the improved operating performance.

Special charges excluded from the adjusted operating profit for the first quarter of 2007 were euro 18 million, reflecting environmental provisions and provisions for redundancy incentives.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Throughputs and sales

Fourth Quarter 2006	Refining throughputs and sales	(mmt tonnes)	First Quarter			
			2006	2007	Change	% Ch.
9.05	Refining throughputs on own account Italy		7.49	7.86	0.37	4.9
1.20	Refining throughputs on own account rest of Europe		1.12	1.14	0.02	1.8
7.36	Refining throughputs of wholly-owned refineries		5.86	6.67	0.81	13.8
100	Utilization rate of balanced capacity	(%)	100	100		
2.16	Retail sales Italy		2.06	1.98	(0.08)	(3.9)
0.97	Retail sales rest of Europe		0.87	0.90	0.03	3.4
3.13	Sub-total retail sales		2.93	2.88	(0.05)	(1.7)
2.93	Wholesale Italy		2.94	2.61	(0.33)	(11.2)
1.06	Wholesale rest of Europe		1.03	1.05	0.02	1.9
0.10	Wholesale rest of World		0.10	0.13	0.03	30.0
5.96	Other sales		5.32	5.67	0.35	6.6
13.18	Sales		12.32	12.34	0.02	0.2
	Refined product sales by region	(mmt tonnes)				
7.71	Italy		7.55	7.30	(0.25)	(3.3)
2.03	Rest of Europe		1.90	1.95	0.05	2.6
3.44	Rest of World		2.87	3.09	0.22	7.7

Refining throughputs on Eni's own account increased by 390 ktonnes from the first quarter of 2006, to 9 mmt tonnes, or 4.5%. This increase was due to higher volumes processed at the in Livorno and Venice refineries also reflecting lower maintenance shutdowns, partly offset by the expiration of a processing contract at the Priolo refinery owned by a third party and lower throughputs at the Gela and Taranto refineries due to planned maintenance shutdowns.

The wholly-owned refineries throughputs increased by 0.81 mmt tonnes from the first quarter of 2006, to 6.67 mmt tonnes, or 13.8%, mainly in the Livorno, Taranto and Porto Marghera refineries. The wholly-owned refinery utilization rate was 100% based on utilization rates of refinery balanced capacity.

Sales of refined products increased by 20 ktonnes from the first quarter of 2006, to 12.34 mmt tonnes, or 0.2%, due to: (i) higher volumes sold to oil companies and traders in Italy, partly offset by lower volumes sold to the petrochemical sector reflecting the expiration of a

Sales of refined products on the retail market in Italy decreased by 80 ktonnes from the first quarter of 2006, to 1.98 mmt tonnes, or 3.9%, primarily due to competitive pressure and lower demand. Retail market share in Italy declined by 1 percentage point from 29.3% in the first quarter of 2006 to 28.3%. Average throughput (0.56 mmliters in the first quarter of 2007) declined by approximately 20 kliters from the same period in 2006. Sales on the retail market in the Rest of Europe increased by 30 ktonnes from the first quarter of 2006, to 0.9 mmt tonnes, or 3.4%, mainly in Spain. Market share outside Italy grew slightly from 3.1% in the first quarter of 2006 to 3.2% in the first quarter of 2007. Average throughput (0.58 mmliters in the first quarter of 2007) increased by approximately 20 kliters from the same period in 2006.

Sales on wholesale markets in Italy decreased by 330 ktonnes from the first quarter of 2006, to 2.61 mmt tonnes, due to lower demand for heating products in particular from the power generation sector caused by unusually milder weather.

processing contract at the Priolo refinery (overall up 350 ktonnes); and (ii) higher sales on both the retail and wholesale markets in the Rest of Europe (up 50 ktonnes). These positives were partly offset by a decline in both the retail and wholesale markets in Italy (down 410 ktonnes) due to the impact of mild weather in the first quarter 2007 and competitive pressure.

Sales on wholesale markets in the Rest of Europe increased by 20 ktonnes, to 1.05 mtonnes, primarily reflecting the increase in sales in the Czech Republic.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Petrochemicals

Fourth Quarter 2006	Results	(million euro)	First Quarter			% Ch.
			2006	2007	Change	
1,740	Net sales from operations		1,728	1,674	(54)	(3.1)
72	Operating profit		39	115	76	..
(4)	Exclusion of inventory holding (gains) losses		(17)	3	20	
86	Exclusion of special items:		1	4	3	
	of which:					
13	Non-recurring items					
73	Other special items		1	4	3	
50	- <i>asset impairments</i>					
14	- <i>provisions for redundancy incentives</i>			4	4	
11	- <i>provision to the reserve for contingencies</i>		2		(2)	
(2)	- <i>other</i>		(1)		1	
154	Adjusted operating profit		23	122	99	..
1	Net income (expenses) from investments ^(a)					
(14)	Income taxes ^(a)		(7)	(43)	(36)	
141	Adjusted net profit		16	79	63	..
47	Capital expenditure		10	14	4	40.0

Results

Adjusted operating profit in the first quarter of 2007 amounted to euro 122 million increasing by euro 99 million from the first quarter of 2006 due mainly to higher selling margins, essentially the cracker margin and to a lower extent the aromatics business.

Production and sales

Fourth Quarter 2006	Results	(ktonnes)	First Quarter			% Ch.
			2006	2007	Change	
1,789	Production		1,915	2,227	312	16.3
1,323	Sales of petrochemical products		1,411	1,417	6	0.4
781	<i>Basic petrochemicals</i>		758	771	13	1.7
226	<i>Styrene and elastomers</i>		261	272	11	4.2
316	<i>Polyethylene</i>		392	374	(18)	(4.6)

Sales of petrochemical products (1,417 ktonnes) were stable from the first quarter of 2006, due essentially to higher sales of (i) olefins (up 8.1%) due to higher availability of ethylene (up 15.2%) and polypropylene

Special charges in the first quarter concerned essentially redundancy incentives.

following the accident occurred in the nearby refinery in the second quarter of 2006; (iii) polyethylene (down 4.6%) due to lower LDPE (down 7.3%) and LLDPE (down 6.3%) sales due to an unusually high demand in

(up 5.5%) due to the purchase by Syndial of the Porto Torres plant; (ii) styrene (up 4.7%) due to a positive demand, in particular for ABS/SAN (up 100%).

Declines concerned: (i) intermediates (down 8.4%) due to lower product availability, in particular cyclohexanone (down 17.5%) and acetone (down 11.9%); (ii) aromatics (down 4.8%) related in particular to xylene (down 13.3%), due to a different setup of the Priolo plant

the first months of 2006 resulting from the build-up of inventories.

Petrochemical production (2,227 ktonnes) increased by 312 ktonnes from the first quarter of 2006, up 16.3% due to the consolidation of operations at Porto Torres (up 282 ktonnes). Excluding this effect production increased by 30 ktonnes (up 2%) due in particular to the growth registered at the Sarroch, Ravenna and Brindisi plants.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Engineering & Construction

Fourth Quarter	Results	(million euro)	First Quarter			% Ch.
			2006	2007	Change	
	1,969	Net sales from operations	1,310	1,962	652	49.8
	149	Operating profit	78	176	98	..
3	Exclusion of special items:					
1	- <i>asset impairments</i>					
2	- <i>provisions for redundancy incentives</i>					
	152	Adjusted operating profit	78	176	98	..
47	Net income (expenses) from investments ^(a)					
(68)	Income taxes ^(a)					
	131	Adjusted net profit	87	145	58	66.7
	188	Capital expenditure	97	248	151	..

(a) Excluding special items.

Results

Adjusted operating profit for the first quarter of 2007 was euro 176 million, up euro 98 million from the first quarter of 2006 due to a better operating performance in all business areas, in particular in the Offshore and Onshore construction areas due to higher activity levels and margins.

Exploration & Production, Gas & Power and Refining & Marketing divisions.

Orders

	(million euro)	First Quarter			
		2006	2007	Change	% Ch.
Orders acquired		1,310	2,368	1,058	80.8
Offshore construction		308	1,065	757	245.8
Onshore construction		839	1,177	338	40.3
Offshore drilling		105	72	(33)	(31.4)
Onshore drilling		58	54	(4)	(6.9)
<i>of which:</i>					
- Eni		223	445	222	99.6
- third parties		1,087	1,923	836	76.9
<i>of which:</i>					
- Italy		112	71	(41)	(36.6)
- Outside Italy		1,196	2,297	1,099	91.7

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	Dec. 31, 2006	Mar. 31, 2007	Change	% Ch.
Order backlog	13,191	13,268	77	0.6
Offshore construction	4,283	4,404	121	2.8
Onshore construction	6,285	6,284	(1)	
Offshore drilling	2,247	2,221	(26)	(1.2)
Onshore drilling	376	359	(17)	(4.5)
<i>of which:</i>				
- Eni	2,602	2,853	251	9.6
- third parties	10,589	10,415	(174)	(1.6)
<i>of which:</i>				
- Italy	1,280	1,168	(112)	(8.8)
- Outside Italy	11,911	12,100	189	1.6

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ENI REPORT ON THE FIRST QUARTER OF 2007

Other activities

Fourth Quarter 2006	Results	(million euro)	First Quarter			% Ch.
			2006	2007	Change	
161	Net sales from operations		214	57	(15)	(73.4)
(221)	Operating profit		(65)	(16)	49	75.4
144	Exclusion of special items:		2	(34)	(36)	
	of which:					
62	Non-recurring items					
82	Other special items		2	(34)	(36)	
62	- <i>environmental provisions</i>					
12	- <i>asset impairments</i>		3	3		
1	- <i>provisions for redundancy incentives</i>					
7	- <i>other</i>		(1)	(37)	(36)	
(77)	Adjusted operating profit		(63)	(50)	13	20.6
(7)	Net financial incomes (expenses) ^(a)					
(1)	Net income (expenses) from investments ^(a)		5		(5)	
(85)	Adjusted net profit		(58)	(50)	8	13.8
38	Capital expenditure		3	14	11	..

(a) Excluding special items.

Adjusted net loss of euro 50 million is essentially in line with the first quarter of 2006.

Special charges excluded from net losses of euro 34 million

Corporate and financial companies

Fourth Quarter 2006	Results	(million euro)	First Quarter			% Ch.
			2006	2007	Change	
345	Net sales from operations		307	282	(25)	(8.1)
(89)	Operating profit		(51)	(38)	13	25.5
36	Exclusion of special items:		5	3	(2)	
29	- <i>provisions for redundancy incentives</i>		5	3	(2)	
11	- <i>environmental provisions</i>					
(4)	- <i>other</i>					
(53)	Adjusted operating profit		(46)	(35)	11	23.9
87	Net financial incomes (expenses) ^(a)		53	(101)	(154)	
1	Net income (expenses) from investments ^(a)					
22	Income taxes ^(a)		(1)	50	51	
57	Adjusted net profit		6	(86)	(92)	..
48	Capital expenditure		23	16	(7)	(30.4)

(a) Excluding special items.

Adjusted net loss of euro 86 million increased by euro 92 million from the first quarter of 2006 due to losses recognized on the fair value evaluation of certain financial derivatives instruments recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments

because these instruments do not meet the formal criteria to be assessed as contracts hedges under IFRS including the time value component.

This negative was partly offset by a lower operating loss (down euro 11 million).

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ENI REPORT ON THE FIRST QUARTER OF 2007

Non-GAAP measures**RECONCILIATION OF REPORTED OPERATING PROFIT AND NET PROFIT TO RESULTS ON AN ADJUSTED BASIS**

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, finance charges on finance debt, interest income, charges or income deriving from the fair value evaluation of derivative financial instruments held for trading purposes, and exchange rate differences are excluded when determining adjusted net profit of each business segment.

The taxation effect of such items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item, with the exception of finance charges or income, to which the Italian statutory tax rate of 33% is applied.

Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them to facilitate comparison of base business performance across periods and allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

The following is a description of items which are excluded from the calculation of adjusted results.

Inventory holding gain or loss is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold calculated using the weighted average cost method of inventory accounting.

Special items include certain relevant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items

under such circumstances; or (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write-ups and gains or losses on divestments even though they occurred in past periods or are likely to occur in future ones. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non-recurring material income or charges are to be clearly reported in the management's discussion and financial tables.

Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. In addition, gains or losses on the fair value evaluation of derivative financial instruments held for trading purposes and exchange rate differences are excluded from the adjusted net profit of business segments.

Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment-operated assets, i.e., interest income on certain receivables financing and securities related to operations and finance charges pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of the asset retirement obligations in the Exploration & Production division).

Finance charges or interest income and related taxation effects excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

For a reconciliation of adjusted operating profit and adjusted net profit to reported operating profit and reported net profit see tables below.

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ENI REPORT ON THE FIRST QUARTER OF 2007

First Quarter 2007

(million euro)

	E&P	G&P	R&M	Petrochemical	E&C	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group
Reported operating profit	3,132	1,641	(10)	115	176	(16)	(38)	105	5,105
Exclusion of inventory holding (gains) losses			40	112	3				155
Exclusion of special items:									
<i>of which:</i>									
Non-recurring (income) charges									
Other special (income) charges:			2	18	4	(34)	3		(7)
environmental charges				17					17
asset impairments						3			3
provision for redundancy incentives			2	1	4		3		10
other						(37)			(37)
Special items of operating profit			2	18	4	(34)	3		(7)
Adjusted operating profit	3,132	1,683	120	122	176	(50)	(35)	105	5,253
Net financial (expense) income ^(*)	(35)	3					(101)		(133)
Net income from investments ^(*)	10	115	51		26				202
Income taxes ^(*)	(1,698)	(642)	(58)	(43)	(57)		50	(39)	(2,487)
<i>Tax rate (%)</i>	<i>54.7</i>	<i>35.6</i>	<i>33.9</i>						<i>46.7</i>
Adjusted net profit	1,409	1,159	113	79	145	(50)	(86)	66	2,835
<i>of which:</i>									
- net profit of minorities									155
- Eni's adjusted net profit									2,680
Eni's reported net profit									2,588
Exclusion of inventory holding (gains) losses									97
Exclusion of special items									(5)
- <i>non-recurring (income) charges</i>									
- <i>other special (income) charges</i>									(5)
Eni's adjusted net profit									2,680

(*) Excluding special items.

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ENI REPORT ON THE FIRST QUARTER OF 2007

First Quarter 2006

(million euro)

	E&P	G&P	R&M	Petrochemical	E&C	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group
(million euro)									
Reported operating profit	4,308	1,199	89	39	78	(65)	(51)	(2)	5,595
Exclusion of inventory holding (gains) losses			(30)	(47)	(17)				(94)
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges									
Other special (income) charges:	(57)	34	47	1		2	5		32
environmental charges		20	44						64
asset impairments						3			3
gains on disposal of assets	(57)								(57)
provisions to the reserve for contingencies				1	2				3
provision for redundancy incentives		14	5				5		24
other			(3)	(1)		(1)			(5)
Special items of operating profit	(57)	34	47	1		2	5		32
Adjusted operating profit	4,251	1,203	89	23	78	(63)	(46)	(2)	5,533
Net financial (expense) income (*)	(17)	6					53		42
Net income from investments (*)	10	137	47		41	5			240
Income taxes (*)	(2,149)	(467)	(50)	(7)	(32)		(1)	1	(2,705)
Tax rate (%)	50.6	34.7	36.8						46.5
Adjusted net profit	2,095	879	86	16	87	(58)	6	(1)	3,110
<i>of which:</i>									
- net profit of minorities									156
- Eni's adjusted net profit									2,954
Eni's reported net profit									2,974
Exclusion of inventory holding (gains) losses									(59)
Exclusion of special items									39
- non-recurring (income) charges									
- other special (income) charges									39
Eni's adjusted net profit									2,954

(*) Excluding special items.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Fourth Quarter 2006

(million euro)

	E&P	G&P	R&M	Petrochemical	E&C	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group
Reported operating profit	3,141	1,303	(386)	72	149	(221)	(89)	(12)	3,957
Exclusion of inventory holding (gains) losses			(41)	386	(4)				341
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges			109	13		62			184
Other special (income) charges:	54	7	39	73	3	82	36		294
environmental charges			2	27		62	11		102
asset impairments	51			13	50	1	12		127
gains on disposal of assets	(7)								(7)
provisions to the reserve for contingencies				4	11				15
provision for redundancy incentives	10	15	30	14	2	1	29		101
other		(10)	(35)	(2)		7	(4)		(44)
Special items of operating profit	54	7	148	86	3	144	36		478
Adjusted operating profit	3,195	1,269	148	154	152	(77)	(53)	(12)	4,776
Net financial (expense) income ^(*)	(22)	(1)				(7)	87		57
Net income from investments ^(*)	(18)	97	31	1	47	(1)	1		158
Income taxes ^(*)	(1,851)	(492)	(64)	(14)	(68)		22	9	(2,458)
<i>Tax rate (%)</i>	<i>58.7</i>	<i>36.0</i>	<i>35.8</i>						<i>49.2</i>
Adjusted net profit	1,304	873	115	141	131	(85)	57	(3)	2,533
<i>of which:</i>									
- net profit of minorities									178
- Eni's adjusted net profit									2,355
Eni's reported net profit									1,520
Exclusion of inventory holding (gains) losses									213
Exclusion of special items									622
- non-recurring (income) charges									184
- other special (income) charges									438
Eni's adjusted net profit									2,355

(*) Excluding special items.

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ENI REPORT ON THE FIRST QUARTER OF 2007

Breakdown of special charges

Fourth Quarter 2006	(million euro)	2006	First Quarter 2007	% Ch.
184	Non-recurring (income) charges			
294	Other special charges:	32	(7)	(39)
102	environmental charges	64	17	(47)
127	asset impairments	3	3	
(7)	gains on disposal of assets	(57)		57
15	provisions to the reserve for contingencies	3		(3)
101	provision for redundancy incentives	24	10	(14)
(44)	other	(5)	(37)	(32)
478	Special items of operating profit	32	(7)	(39)
5	Net financial (expense) income			
1	Net income from investments			
	<i>of which:</i>			
	<i>gain on Galp Energia SGPS SA (disposal of gas assets to Rede</i>			
(73)	<i>Electrica Nacional)</i>			
138	Income taxes	7	2	(5)
	<i>of which:</i>			
179	<i>wind-fall tax Algeria</i>			
2	<i>legal proceeding in Venezuela</i>	38		(38)
622	Total special items of net profit	39	(5)	(44)

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Società per Azioni
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MISSION

We are a major integrated energy company, committed to growth in the activities of finding, producing, transporting, transforming and marketing oil and gas. Eni men and women have a passion for challenges, continuous improvement, excellence and particularly value people, the environment and integrity

Countries of activity

EUROPE

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

CIS

Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan

AFRICA

Algeria, Angola, Cameroon, Chad, Congo, Cote d'Ivoire, Egypt, Gabon, Libya, Mali, Morocco, Mozambique, Nigeria, Tunisia

MIDDLE EAST

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

CENTRAL ASIA

India, Pakistan

SOUTH EAST ASIA AND OCEANIA

Australia, China, East Timor, Indonesia, Malaysia, Papua-New Guinea, Thailand

AMERICAS

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

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Ordinary Shareholders Meeting of May 23 and 24, 2007

The notice convening the meeting was published on the
Gazzetta Ufficiale of the Republic of Italy
No. 44, section II of April 14, 2007 page 1 to 5

This annual report includes the report of Eni's Board of Directors and
Eni's consolidated financial statements for the year ended December 31,
2006, which have been prepared under the International Financial
Reporting Standards (IFRS), as adopted by the European Union.

Disclaimer

This annual report contains certain forward-looking statements in particular under the section Outlook regarding capital expenditure, development and management of oil and gas resources, dividends, share repurchases, allocation of future cash flow from operations, future operating performance, gearing, targets of production and sale growth, new markets, and the progress and timing of projects. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements, depending on a variety of factors, including the timing of bringing new fields on stream; management's ability in carrying out industrial plans and in succeeding in commercial transactions; future levels of industry product supply; demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; changes in public expectations and other changes in business conditions; the actions of competitors and other factors discussed elsewhere in this document.

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ENI ANNUAL REPORT / PROFILE OF THE YEAR

Profile of the year**Results**

In 2006 Eni delivered record earnings, up 4.9% from 2005 to euro 9.2 billion; on an adjusted base, earnings were up 12.5% to euro 10.4 billion. This result was driven by continued improvements in performance and consistent execution of Eni's strategy, in a broadly favorable trading environment. Total Shareholder Return for the year came in at 14.8%, one of the highest in the industry.

Dividend

2006 record earnings and cash flow, along with a sound balance sheet structure, allow a dividend distribution of euro 1.25 per share, up 13.6% from 2005 (euro 1.10 per share in 2005). Included in this annual payment is euro 0.60 per share already distributed as interim dividend in October 2006. Pay-out stands at 50%.

Oil and natural gas production

Oil and natural gas production for the year averaged 1.77 mmboe/d, up 1.9% compared with 2005. This included the loss of production at the Venezuelan Dación oilfield (down 46 kbbbl/d) and lower entitlements in certain Production Sharing Agreements (PSAs) and buy-back contracts (down 21 kbbbl/d) due to higher oil and gas prices. Eni delivered its 3% production growth rate based on a \$55 per barrel scenario, as announced in the 2006 quarterly production outlook. Libya, Angola and Egypt were the main growth areas.

Proved oil and natural gas reserves

Net proved reserves at December 31, 2006 stood at 6.44 bboe (down 6% compared with December 31, 2005), representing 10 years of remaining production at the current rate. Organic proved additions, as calculated by applying a year-end Brent price of \$58.93 per barrel, replaced 65% of production. Assuming Brent is constant at \$40 per barrel when determining entitlements in PSAs, the three-year average proved reserve replacement ratio would be 106%.

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ENI ANNUAL REPORT / PROFILE OF THE YEAR

**Natural gas sales**

Natural gas sales were up approximately 4% to 97.48 bcm due primarily to the growth in sales in a number of target European markets (up approximately 16% in particular in Turkey, Germany/Austria and France) also for the build-up of supplies of natural gas from Libya, partly offset by a decrease in sales in Italy due to mild weather conditions in the fourth quarter of the year.

Sales of liquefied natural gas (LNG) were 9.9 bcm, up 41.4% from 2005.

Strategic agreement with Gazprom

In November 2006, Eni and Gazprom signed a broad strategic agreement. This alliance sets up a long term partnership enabling the two companies to launch joint projects in the mid- and downstream gas sector, in the upstream and in technological cooperation.

A key feature of this deal is the extension of the duration of Russian gas supply contracts until 2035, further strengthening Eni's supply portfolio.

Expansion strategy: purchase of oil producing and exploratory assets in Congo

In February 2007, Eni defined a deal with the French company Maurel & Prom to acquire producing assets and exploration licenses located onshore in Congo, entailing a cash consideration of \$1.4 billion.

The deal is consistent with Eni's strategy of purchasing proved and unproved reserves and producing assets in legacy countries where Eni can achieve synergies leveraging on its competencies and the availability of facilities.

This transaction is subject to approval by the Congolese authorities.

Exploration activity

In 2006, Eni invested euro 1,348 million in exploratory activities, up 106% from 2005, executing a huge exploration campaign leading to the completion of 68 exploratory wells (36 net to Eni) with a commercial rate of success of 43% (49% net to Eni). A further 26 wells were in progress as of the year-end.

Eni enhanced its exploration portfolio by acquiring assets in core areas such as North Africa, West Africa, Brazil, Norway and the United States, and in new high-potential basins such as Mali, Mozambique and East Timor. New acreage covers 152,000 square kilometers (99% operated by Eni).

Contents**ENI ANNUAL REPORT / PROFILE OF THE YEAR**

Selected consolidated financial data	2004	2005	2006
(euro million)			
Net sales from operations	57,545	73,728	86,105
Operating profit	12,399	16,827	19,327
Adjusted operating profit	12,582	17,558	20,490
Net profit	7,059	8,788	9,217
Adjusted net profit	6,645	9,251	10,412
Cash flow from operations	12,500	14,936	17,001
Capital expenditure	7,499	7,414	7,833
Dividends pertaining to the year ^(a)	3,384	4,086	4,594
Cash dividends	2,828	5,070	4,610
Common stock purchases (gross)	70	1,034	1,241
Research and development costs	257	204	222
Total assets at year end	72,853	83,850	88,312
Debts and bonds at year end	12,684	12,998	11,699
Shareholders' equity including minority interest at year end	35,540	39,217	41,199
Net borrowings at year end	10,443	10,475	6,767
Net capital employed at year end	45,983	49,692	47,966
Share price at year end	(euro) 18.42	23.43	25.48
Number of shares outstanding at year end	(million) 3,770.0	3,727.3	3,680.4
Market capitalization ^(b)	(billion euro) 69.4	87.3	93.8

(a) Amounts due on the payment of the balance of 2006 dividend are estimated.

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

Key financial ratios	2004	2005	2006
Profit			
- per share ^(a)	(euro) 1.87	2.34	2.49
- per ADS ^(b)	(\$) 4.66	5.81	6.26
Adjusted net profit			
- per share ^(a)	(euro) 1.76	2.46	2.81
- per ADS ^(b)	(\$) 4.38	6.12	7.07
Return On Average Capital Employed (ROACE)			
- reported	(%) 16.6	19.5	20.3
- adjusted	(%) 15.9	20.5	22.7
Leverage	0.29	0.27	0.16
Dividend pertaining to the year	(euro per share) 0.90	1.10	1.25
Pay-out	(%) 48	46	50
Total shareholder return (TSR)	(%) 28.5	35.3	14.8
Dividend yield ^(c)	(%) 4.9	4.7	5.0

(a)

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Fully diluted. Ratio of net profit and average number of shares outstanding in the year. Dollar amounts are converted on the basis of the average EUR/USD exchange rate quoted by the ECB for the periods presented.

- (b) One American Depository Share is equal to two Eni ordinary shares.
- (c) Ratio of dividend for the period and average price of Eni shares in December.

Trading environment indicators	2004	2005	2006
Average price of Brent dated crude oil ^(a)	38.22	54.38	65.14
Average EUR/USD exchange rate ^(b)	1.244	1.244	1.256
Average price in euro of Brent dated crude oil	30.72	43.71	51.86
Average European refining margin ^(c)	4.35	5.78	3.79
Average European refining margin in euro	3.50	4.65	3.02
Euribor - three-month euro rate	(%) 2.1	2.2	3.1
Libor - three-month dollar rate	(%) 1.6	3.5	5.2

(a) In US per barrel. Source: Platt's Oilgram.

(b) Source: BCE.

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

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ENI ANNUAL REPORT / PROFILE OF THE YEAR

Selected operating data		2004	2005	2006
Exploration & Production				
Net proved reserves of hydrocarbons (at December 31)	(mmbbl)	7,218	6,837	6,436
- Liquids	(mmbbl)	4,008	3,773	3,481
- Natural gas	(bcf)	18,435	17,591	16,965
Average reserve life index	(year)	12.1	10.8	10.0
Production of hydrocarbons	(kboe/d)	1,624	1,737	1,770
- Liquids	(kbbbl/d)	1,034	1,111	1,079
- Natural gas	(mmcf/d)	3,387	3,595	3,966
Gas & Power				
Worldwide gas sales	(bcm)	87.03	94.21	97.48
Total gas sales in Europe	(bcm)	85.32	92.50	95.97
- G&P division sales	(bcm)	80.62	87.99	91.90
- Upstream sales ^(a)	(bcm)	4.70	4.51	4.07
Customers in Italy	(million)	5.95	6.02	6.54
Gas volumes transported in Italy	(bcm)	80.41	85.10	87.99
Electricity production sold	(TWh)	13.85	22.77	24.82
Refining & Marketing				
Refining throughputs on own account	(mm tonnes)	37.69	38.79	38.04
Refining throughputs of wholly-owned refineries	(mm tonnes)	26.75	27.34	27.17
Balanced capacity of wholly-owned refineries	(kbbbl/d)	504	524	534
Balanced capacity utilization rate	(%)	100	100	100
Sales of petroleum products on Agip branded network in Europe	(mm tonnes)	12.35	12.42	12.48
Agip branded service stations in Europe at period end	(units)	6,225	6,282	6,294
Average throughput of Agip branded network in Europe	(k liters/y)	2,488	2,479	2,470
Petrochemical				
Production	(k ton)	7,118	7,282	7,072
Sales	(k ton)	5,187	5,376	5,276
Average capacity utilization rate	(%)	75.2	78.4	76.4
Engineering & Construction				
Orders acquired	(euro million)	5,784	8,395	11,172
Order backlog at period end	(euro million)	8,521	10,122	13,191
Employees at period end	(units)	70,348	72,258	73,572

(a) Does not include Eni's share of Nigerian LNG (Eni 10.4%) sales in Europe amounting to 1.30; 1.31; 1.55 bcm; in 2004, 2005 and 2006, respectively.

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ENI ANNUAL REPORT / LETTER TO SHAREHOLDERS

Eni's Board of Directors

Roberto Poli
*Chairman*Paolo Scaroni
CEO

To our Shareholders

2006 was a remarkable year for Eni in terms of both financial performance and operational accomplishments

Our earnings and cash flow were the highest in our history, driven by continued improvements in performance and consistent execution of our strategy in a broadly favourable trading environment.

In particular, we maintained pleasing production growth despite the impact of disruption in Venezuela, achieved several exploration successes, secured access to promising new acreage and further expanded our global natural gas business.

On top of that, we struck a landmark agreement with Gazprom which extends our gas contracts to 2035 and opens up new opportunities for upstream expansion in Russia.

Financial performance

Our reported net profit of euro 9.2 billion in 2006 was the highest in the history of the Company.

Adjusted net profit rose 12.5% to euro 10.4 billion, representing a return on average capital employed of 22.7%. Net cash generated by operating activities totalled euro 17 billion, allowing us to finance capital expenditure of euro 7.8 billion and to reduce our debt/equity ratio to 0.16. Those strong results enabled us to propose a dividend of euro 1.25 per share to our Annual General Shareholders Meeting, up 14%

compared to 2005 (euro 1.10 per share), of which euro 0.60 was paid as an interim dividend in October 2006. During the year, we purchased a total of 53.1 million of our own shares for euro 1.2 billion, bringing the total cash returned to shareholders for the year to euro 5.8 billion. Our total shareholder return was 14.8%, making this the fifth year running that we have outperformed our peer group.

Sustaining growth and shareholder return

Growth is at the heart of our strategic priorities.

A strong pipeline of projects and investment opportunities will enable us to achieve our ambitious short and long-term growth targets.

Over the next four years, we will invest euro 44.6 billion in our businesses to ensure our continued growth, also beyond 2010.

This investment program, the largest ever in Eni's history, will be carried out with tight financial discipline.

The projected free cash flow in 2010 will allow us to sustain the current flow of dividends in real terms, even with a scenario of 40\$/bl Brent.

Among Eni's business divisions, **EXPLORATION & PRODUCTION** showed the strongest growth.

In 2006, the division's adjusted net profit increased by 17.7% to euro 7.3 billion. Oil and gas production rose by approximately 2% to 1.77 million boepd.

This increase was entirely organic and was achieved despite the negative impact of the unilateral

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Alberto Clô
Director

Renzo Costi
Director

Dario Fruscio
Director

Marco Pinto
Director

termination of the Dación contract in Venezuela and the adverse entitlement effects in PSAs and buyback contracts due to higher oil prices. Excluding the effect of higher oil prices on PSAs and the termination of the Dación contract, organic production growth was close to an impressive 6%. We are committed to maintaining strong organic production growth.

The company targets a production level of 2 million boepd by 2010, with an average growth rate of approximately 3% per year.

Exploration activity reaped substantial results in 2006, reaching an average success rate of 49% and adding 152,000 sq km of net acreage, 99% operated.

Over the medium term, we are committed to replacing more than 100% of produced reserves.

Development activities are progressing in many fields around the world, including Kashagan, where we expect higher capex and a longer timetable.

However, we have also been able to confirm that the field is capable of higher production levels than previously thought.

We are progressing with the global expansion of the LNG business as a way to monetize our large gas reserve base. Major steps taken in 2006 include the start-up of train five at the Bonny liquefaction plant in Nigeria, where a sixth train will commence operations in 2008, and the signing of a framework agreement for doubling the capacity of the Damietta liquefaction plant in Egypt by 2010.

The growth options we are presently pursuing with our partner Gazprom could potentially enable us to accelerate the achievement of our growth targets.

In **GAS & POWER**, our strong and integrated position in Europe generates stable and robust earnings and cash flows. Adjusted net profit for the year rose by 12.1% to euro 2.9 billion, supported by an approximately 16% increase in volumes sold in Europe (excluding Italy) to 35 bcm (excluding gas sold by E&P of 4 bcm).

This result was achieved despite stiff competition and mild weather.

Our strategy is based on growing our market share in key European markets, preserving our domestic natural gas business and effectively managing our regulated business. European natural gas demand is forecast to grow steadily in the future, resulting in a cumulative increase of around 45% by 2020 (2.4% per annum). This, coupled with the decline of Europe's internal production, means that our continent will become more and more reliant on external supplies to fulfil its gas needs. In this context, Eni is poised to further strengthen its market leadership by leveraging on an unparalleled portfolio of assets in terms of infrastructure, availability of gas – both equity and purchased under long term supply contracts – long-standing relationships with natural gas producing countries, market knowledge and a large customer base. The recent alliance with Gazprom marks a new milestone in our relationship with the largest natural

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ENI ANNUAL REPORT / LETTER TO SHAREHOLDERS

Marco Reboa
Director

Mario Resca
Director

Pierluigi Scibetta
Director

gas producer in the world, and will enable us to reinforce our competitive profile. By 2010 we are committed to selling more than 105 bcm of gas worldwide, with sales outside Italy expected to grow at an average rate of 10% per year.

Our **REFINING & MARKETING** division reported an adjusted net profit of euro 629 million, which was 33.4% lower than in 2005 due to the weak refining margin environment, the appreciation of the euro against the dollar and the impact of higher levels of planned maintenance activity.

Looking forward, several trends are emerging in the refining landscape: the adoption of increasingly strict environmental standards, global imbalances in product availability (especially a deficit of diesel fuel in Europe), a relative abundance of heavy crude and the desire to increase efficiency. These are the key drivers of our strategy.

In Refining, Eni will increase its capital expenditure to enhance the refinery conversion rate in order to meet future product quality requirements, produce higher-value products and chemical feedstocks, lower operating costs and increase refinery flexibility in processing low-quality crude oils. In Marketing, we aim to extract full value from our retail business in Italy through a selective investment program, customer-focused marketing initiatives, effective differentiation of pricing, an improved premium-products offer, and operating efficiencies.

In managing our **PETROCHEMICAL** operations, which reported an adjusted net profit of euro 174 million for 2006, we remain committed to improving efficiency and selectively developing those plants with sufficient scale and a favourable geographic location. Capital expenditure will be focussed on implementing de-bottlenecking projects, enhancing the efficiency and flexibility of plants in areas of excellence (styrenes and elastomers) and maintaining high standards of health, safety, security and environmental performance.

In **ENGINEERING & CONSTRUCTION**, adjusted net profit rose by 22% to euro 400 million, reflecting the strong competitive position held by Saipem, also as a result of the integration of Snamprogetti. To cope with rising demand for drilling equipment and oilfield services, Saipem is planning to further expand the geographical reach and operational features of its world-class fleet.

Our relentless commitment to technological research and innovation underscores a fundamental belief that technology is key to increasing our competitive advantage over the long term and promoting sustainable growth. We are conducting research aimed primarily at reducing the costs of finding and recovering hydrocarbons, upgrading heavy oils, monetizing stranded gas and protecting the environment. In particular we are moving forward on our breakthrough technologies: EST (Eni Slurry Technology) for the full exploitation of the heavy barrel, TAP (gas transportation at high pressure) and GTL (gas-to-liquids) for gas monetization.

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ENI ANNUAL REPORT / LETTER TO SHAREHOLDERS

Sustainable development

2006 marks the first year in which Eni has published a Sustainability Report to communicate more effectively with stakeholders. We now have a more coherent approach to sustainability, and are even more committed to managing and developing your company in a responsible and accountable way. Among the various initiatives, our focus is on reducing greenhouse

March 29, 2007

gas emissions from industrial processes and developing projects to economically exploit flared gas.

In conclusion, 2006 was a very good year for Eni. As well as delivering impressive results, we have worked to create future growth opportunities in all our divisions. We are confident that we can continue to deliver industry-leading growth and superior shareholder returns.

In representation of the Board of Directors

Chairman

Chief Executive Officer and General Manager

BOARD OF DIRECTORS ⁽¹⁾

Chairman

Roberto Poli ⁽²⁾

Chief Executive Officer

Paolo Scaroni ⁽³⁾

Directors

Alberto Cló, Renzo Costi, Dario Fruscio, Marco Pinto, Marco Reboa, Mario Resca, Pierluigi Scibetta, Francesco Bilotti, Massimo Gentile

GENERAL MANAGERS

Exploration & Production Division

Stefano Cao ⁽⁴⁾

Gas & Power Division

Domenico Dispenza ⁽⁵⁾

Refining & Marketing Division

Angelo Taraborelli ⁽⁶⁾

The composition and powers of the Internal Control Committee, Compensation Committee and International Oil Committee are presented in the section Corporate Governance in the Report of the Directors.

BOARD OF STATUTORY AUDITORS ⁽⁷⁾

Chairman

Paolo Andrea Colombo

Statutory Auditors

Filippo Duodo, Edoardo Grisolia, Riccardo Perotta, Giorgio Silva

Alternate Auditors

Francesco Bilotti, Massimo Gentile

MAGISTRATE OF THE COURT OF ACCOUNTS

DELEGATED TO THE FINANCIAL CONTROL OF ENI

Lucio Todaro Marescotti ⁽⁸⁾

Alternate

Angelo Antonio Parente ⁽⁹⁾

External Auditors ⁽¹⁰⁾

PricewaterhouseCoopers SpA

(1) Appointed by the Shareholders Meeting held on May 27, 2005 for a three-year period. The Board of Directors expires at the date of approval of the financial statements for the 2007 financial year.

(2) Appointed by the Shareholders Meeting held on May 27, 2005.

(3) Powers conferred by the Board of Directors on June 1, 2005.

(4) Appointed by the Board of Directors on November 14, 2000.

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- (5) Appointed by the Board of Directors on December 14, 2005, effective from January 1, 2006.
- (6) Appointed by the Board of Directors on April 14, 2004.
- (7) Appointed by the Shareholders Meeting held on May 27, 2005 for a three-year period, expiring at the date of approval of the financial statements for the 2007 financial year.
- (8) Duties assigned by resolution of the Governing Council of the Court of Accounts on July 19-20, 2006.
- (9) Duties assigned by 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 term.

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ENI ANNUAL REPORT / OPERATING REVIEW

Exploration & Production

Key performance indicators		2004	2005	2006 ^(a)
	(million euro)			
Net sales from operations ^(b)		15,346	22,531	27,173
Operating profit		8,185	12,592	15,580
Adjusted operating profit		8,202	12,903	15,763
Adjusted net profit		4,033	6,186	7,279
Capital expenditure		4,853	4,965	5,203
<i>of which: exploration ^(c)</i>		499	656	1,348
Capital employed, net		17,937	20,206	18,590
ROACE adjusted	(%)	22.7	32.4	37.5
Average realizations				
- Liquids	(\$/bbl)	34.73	49.09	60.09
- Natural gas	(\$/mmcf)	3.89	4.49	5.29
- Total hydrocarbons	(\$/boe)	30.40	41.06	48.87
Production				
- Liquids	(kbbbl/d)	1,034	1,111	1,079
- Natural gas	(mmcf/d)	3,387	3,595	3,966
- Total hydrocarbons	(kboe/d)	1,624	1,737	1,770
Net proved reserves				
- Liquids	(mmbbl)	4,008	3,773	3,481
- Natural gas	(bcf)	18,435	17,591	16,965
- Total hydrocarbons	(mmboe)	7,218	6,837	6,436
Reserve life index	(year)	12.1	10.8	10.0
Proved reserve replacement ratio	(%)	105	23	65
Employees at year end	(unit)	7,477	8,030	8,336

- (a) Starting January 1, 2005, Eni's subsidiary Tecnomare has been reported within the Exploration & Production segment. In previous years, it was reported within the aggregate "Other activities".
- (b) Before elimination of intersegment sales.
- (c) Includes exploration bonus.

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ENI ANNUAL REPORT / OPERATING REVIEW

Acquisition of operated assets in Congo

On February 2007, Eni purchased exploration and production onshore activities operated by Maurel & Prom in Congo, entailing a cash consideration of \$1.4 billion. This deal is consistent with Eni's strategy of purchasing proved and unproved reserves and producing assets in legacy countries where Eni can achieve synergies leveraging on own competencies and the availability of facilities. This transaction is subject to approval by the Congolese authorities

Financial results

Adjusted net profit was euro 7,279 million, up euro 1,093 million from a year ago (+17.7%), reflecting an enhanced operating profit as a result of higher oil and natural gas realization in dollars combined with increased production volumes sold. These positives were offset in part by higher operating costs and a higher adjusted tax rate

Return on average capital employed calculated on an adjusted basis was 37.5% in 2006, higher than in 2005 (32.4%)

In 2006, price differentials between equity realizations and the price of the Brent crude marker were equal to minus \$3.63 per barrel, improving from 2005 levels, as a result of appreciation on the market of oil produced in Angola and higher realizations recorded on Kazakh oil. Natural gas prices increased in virtually all areas, reflecting higher prices for oil and products

Eni invested euro 3.6 billion in the development of oil and natural gas reserves, in particular in Kazakhstan, Angola, Egypt and Italy, and euro 1.4 billion (up 106% compared with 2005) in exploration activities, in particular in Angola, Egypt, Nigeria, the Norwegian offshore and the Gulf of Mexico

Production

Oil and natural gas production for the year averaged 1.77 mmb/d, up 1.9% from 2005. This included the loss of production at the Venezuelan Dación oilfield and lower entitlements in certain Production Sharing Agreements (PSAs) and buy-back contracts¹ due to higher oil and gas prices. Eni delivered its 3% production growth rate based on a \$55 per barrel scenario, as announced in the 2006 quarterly production outlook

Production increases were driven primarily by start-ups/full production of large gas projects in Libya (achievement of full production at the Bahr Essalam field in the Western Libyan Gas Project), Nigeria (start-up of trains 4 and 5 of the Bonny LNG plant), Egypt (development of offshore reserves in the Nile Delta), Australia (start-up of the gas phase of the Bayu-Undan field), Croatia (start-up of the Ika, Ida and Ivana C-K fields) and liquid production growth in Angola and Libya

In the medium term, Eni expects to deliver a 3% compound average growth rate from 2007 to 2010, targeting a production level in excess of 2 mmb/d by 2010

(1) For a definition of PSA and buy-back contracts see "Glossary" below.

Contents**ENI ANNUAL REPORT / OPERATING REVIEW****Net proved reserves**

Net proved reserves at December 31, 2006 stood at 6.44 bboe (down 6% compared with December 31, 2005), representing 10 years of remaining production at the current rate. Organic proved additions, as calculated by applying a year-end Brent price of \$58.93 per barrel, replaced 65% of production. Assuming Brent is constant at \$40 per barrel when determining entitlements in PSAs, the three-year average proved reserve replacement ratio would be 106%

In the medium term, management expects Eni's reserve replacement ratio to be supported by the high mineral potential of assets located in core areas such as the Caspian Sea, West and North Africa

Exploration activities and renewal of mineral right portfolio

Eni carried out several hydrocarbon discoveries, mainly in Indonesia, Egypt, Kazakhstan, Norway, Nigeria, United Kingdom, the Gulf of Mexico, Italy, Angola and Congo. A total of 68 exploratory wells were completed (35.9% net to Eni), with a commercial rate of success of 43% (49% net to Eni). Other 26 wells are in progress as of year-end

Eni's exploration portfolio was strengthened through acquisition of assets in both core areas such as Angola, Alaska, Brazil, Congo, Egypt, Nigeria, Norway, Pakistan, the Gulf of Mexico and new countries/areas with a high mineral potential such as Mali, Mozambique and East Timor. Gross acquired acreage extends for approximately 259,000 square kilometers (152,000 net to Eni, 99% operated)

Reserves**Reserve Governance**

The Company has adopted comprehensive classification criteria for proved, proved developed and proved undeveloped oil and gas reserves in accordance with applicable U.S. Securities and Exchange Commission (SEC) regulations, as provided for in Regulation S-X, Rule 4-10.

Proved oil and gas reserves are the estimated quantities that geologic and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Engineering estimates of the Company's oil and gas reserves are inherently uncertain. Although authoritative guidelines exist regarding engineering criteria that have to be met before estimated oil and gas reserves can be designated as proved, the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Consequently, the estimated proved reserves of oil and natural gas may be subject to future revision and upward and downward revisions may be made to the initial booking of reserves

due to analysis of new information concerning production, reservoir performance, commercial factors, acquisition and divestment activity and additional reservoir development activity.

Field resources will only be categorized as proved reserves when all criteria for the attribution of proved status has been met, including technical, economic and commercial criteria.

Proved reserves to which Eni is entitled under concession contracts are determined by applying Eni's share of production to total proved reserves of the contractual area, in respect of the duration of the relevant mineral right that normally coincides with the duration over which a field can be produced economically.

Proved reserves to which Eni is entitled under Production Sharing Agreements or buy-back contracts are calculated so that the sale of production entitlements should cover expenses incurred by the Group to develop a field (cost oil) and on the profit oil set contractually. A similar scheme applies to buy-back and service contracts. In a high oil price environment, the volume of entitlements necessary to cover the same amount of expenses is lower.

Eni has always exercised rigorous control over the booking process of proved reserves. The Reserve

Contents**ENI ANNUAL REPORT / OPERATING REVIEW**

Department of the Exploration & Production division, reporting directly to the General Manager, is entrusted with the task of continuously updating the Company's guidelines concerning reserve evaluation and monitoring the periodic quantification process. Company guidelines have been reviewed by DeGolyer and MacNaughton (D&M), an independent petroleum engineers company which has declared their compliance with applicable SEC rules. D&M has also stated that the company guidelines regulate situations for which the SEC rules are less precise, providing a reasonable interpretation in line with the generally accepted practices in international markets. Eni estimates its proved reserves on the basis of the mentioned guidelines, also when participating in

exploration and production activities operated by other entities. The process for evaluating reserves involves: (i) business unit managers (geographic units) and Local Reserve Evaluators (LRE), who perform the evaluation and classification of technical reserves (production profiles, capital expenditure, operating costs and costs related to asset retirement obligations); (ii) geographic area managers at head offices checking evaluations carried out by business unit managers; (iii) the Reserve Department, providing independent reviews of the fairness and correctness of classifications carried out by business units, who also aggregates worldwide reserve data and calculates equity volumes. Moreover, the Reserve Department has the following responsibilities: to ensure the periodic certification

process of reserves, to perform economic evaluation of reserves and to continuously update the Company guidelines on reserves evaluation and classification.

All personnel involved in the process of reserve evaluation are knowledgeable on SEC guidelines for proved reserves classification and have professional abilities adequate to the complexity of the task,

rotational basis. In particular, in 2006, a total of 1.4 billion boe of proved reserves was evaluated, representing 21% of Eni's total proved reserves at December 31, 2006. Outcomes of these independent evaluations confirmed Eni's evaluations, as they did in previous years. During the 2004-2006 three year period, independent evaluations covered 76% of Eni's total proved reserves.

expressing their judgment independently and respectful of professional ethics.

Since 1991, Eni has employed qualified independent petroleum engineers companies to perform independent evaluations² of its proved reserves on a

Further information on reserves is provided in Note 35 to Eni consolidated financial statements. Supplemental oil and gas information for the exploration and production activities. Oil and natural gas reserves .

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

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ENI ANNUAL REPORT / OPERATING REVIEW

ria: Drilling unit

Evolution of proved reserves

Eni's net proved reserves of oil and natural gas at December 31, 2006 totaled 6,436 mmboe (oil and condensates 3,481 mmbbl; natural gas 2,955 mmboe). These reserves are located in Italy (12% of Eni's total proved reserves); North Africa (32%; in particular in Libya, Egypt and Algeria); West Africa (17%; in particular in Nigeria and Angola); the North Sea (11%; Norway and the United Kingdom) and Rest of World (28%; in particular in Kazakhstan, Pakistan, Australia and Ecuador).

At December 31, 2006, proved reserves associated with PSAs represented 53% of total proved reserves (48% as at December 31, 2005). Proved reserves associated with service and buy-back contracts represented 2% of all proved reserves at December 31, 2006 (2% at December 31, 2005).

Additions to proved reserves booked in 2006 were 417 mmboe deriving from: (i) extensions and discoveries (161 mmboe), in particular in Kazakhstan, Algeria,

Egypt, Trinidad & Tobago and Libya; (ii) improved recovery (105 mmboe), in particular in Egypt, Angola, Algeria, Kazakhstan and Nigeria; (iii) revisions of previous estimates (up 151 mmboe) related to upward revisions registered in Kazakhstan, Libya and Egypt, offset in part by downward revisions in Nigeria and Ecuador.

The unilateral cancellation of the service contract for the Dación oilfield by the Venezuelan state oil company PDVSA determined a decrease in Eni's proved reserves of 170 mmbbl (see Venezuela below).

In 2006 Eni's proved reserves replacement ratio was 65% (38% all sources, including the loss of proved reserves at the Venezuelan Dación oilfield and other disposals) representing 10 years of remaining production at the current rate (10.8 as at December 31, 2005). Considering the adverse entitlement impact in certain PSAs and buy-back contracts resulting from higher oil prices (Brent price was \$58.925 per barrel at December 31, 2005) and assuming Brent constant at

Evolution of proved reserves in the year

(million boe)

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Net proved reserves at December 31, 2005		6,837
Revisions, extensions and discoveries and improved recovery	417	
Production for the year	(646)	(229)
		6,608
Purchase of proved property		(2)
Unilateral cancellation by PDVSA of the contract concerning the Dación field		(170)
Net proved reserves at December 31, 2006		6,436

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\$40 per barrel when determining entitlements in PSAs, the three-year average proved reserve replacement ratio would be 106%.

At December 31, 2006, Eni's proved developed reserves stood at 4,059 mmboe (oil and condensates 2,144 mmbbl, natural gas 1,915 mmboe) or 63% of total proved reserves (63% at December 31, 2005).

Mineral right portfolio and exploration activities

As of December 31, 2006, Eni's mineral right portfolio consisted of 1,029 exclusive or shared rights for exploration and development in 36 countries on five continents for a total net acreage of 385,219 square kilometers (266,000 at December 31, 2005). Of these, 48,273 square kilometers concerned production and development (55,098 at December 31, 2005). Outside Italy net acreage (362,723 square kilometers) increased by 120,775 square kilometers mainly due to the acquisition of assets after international bid procedures in Angola, Australia, Brazil, Congo, Egypt, Morocco, Nigeria, Norway, Pakistan and the United States, as well as in the new countries/areas of Mali, Mozambique and East Timor.

In Italy, net acreage (22,496 square kilometers) declined by 1,557 square kilometers due to releases.

In 2006, a total of 68 new exploratory wells were drilled (35.9 of which represented Eni's share), as compared to 52 exploratory wells completed in 2005 (21.8 of which represented Eni's share). Overall commercial success rate was 43% (49% net to Eni) as compared to 39.3% (47.4% net to Eni) in 2005.

Net proved hydrocarbon reserves ^{(a) (b)}

	2004			2005			2006			Change 2006 vs 2005		
	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Liquids (mmbbl)	Natural gas (bcf)	Hydrocarbons (mmboe)	Ch.	%	
Italy		225	3,818	890	228	3,676	868	215	3,391	805	(63)	(7.3)
North Africa		993	6,453	2,117	979	6,132	2,047	998	5,963	2,037	(10)	(0.5)
West Africa		1,056	1,729	1,357	942	1,967	1,285	793	1,929	1,129	(156)	(12.1)
North Sea		450	2,051	807	433	1,864	758	386	1,697	682	(76)	(10.0)
Rest of World		1,284	4,384	2,047	1,191	3,952	1,879	1,089	3,985	1,783	(96)	(5.1)
Total		4,008	18,435	7,218	3,773	17,591	6,837	3,481	16,965	6,436	(401)	(5.9)

(a) The conversion rate of natural gas from cubic feet to boe is 1,000 cubic feet = 0.1742 barrels of oil.

(b) Includes Eni's share of proved reserves of equity-accounted entities (36 mmboe in 2006).

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Production

In 2006 oil and gas production averaged 1,770 kboe/d, up 32 kboe from 2005 or 1.9%, despite the impact of the production loss in the Dación oil field in Venezuela (down 46 kboe/d) and of adverse entitlement effects (down 21 kboe/d) in PSAs and buy-back contracts due to higher oil prices. Libya, Egypt, Nigeria, Australia and Croatia were the main growth areas in natural gas, while oil production increased in Angola and Libya. Declines in production were attributable to mature fields and technical problems in Nigeria due to social

unrest. Production outside Italy covered 87% of the total (85% in 2005).

Daily oil and condensates production for the year (1,079 kbbbl/d) increased mainly in: (i) Angola due to the production ramp-up at the Kissanje and Dikanza fields in Phase B of the development of Kizomba in Block 15 (Eni's interest 20%) and the start-up of the Benguela/Belize/Lobito/Tomboco fields in Block 14 (Eni's interest 20%); (ii) Libya, due to the ramp-up of the Bahr Essalam offshore field (Eni's interest 50%) as part of the Western Libyan Gas Project and the El Feel

Hydrocarbon production ^{(a) (b)}

	2004			2005			2006			Change 2006 vs 2005		
	Liquids (kbbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Liquids (kbbbl/d)	Natural gas (mmcf/d)	Hydrocarbons (kboe/d)	Ch.	%	
Italy		80	1,098.3	271	86	1,002.9	261	79	907.6	238	(23)	(8.8)
North Africa		261	681.6	380	308	988.8	480	329	1,299.6	555	75	15.6
Egypt		94	607.4	200	90	706.3	213	85	812.3	227	14	6.6
Libya		89	45.9	97	120	254.3	164	144	452.0	222	58	35.4
Algeria		86	17.7	88	86	14.1	88	88	21.2	91	3	3.4
Tunisia		12	10.6	15	12	14.1	15	12	14.1	15		
West Africa		285	176.6	316	310	190.7	343	322	282.5	372	29	8.5
Nigeria		134	155.4	161	123	165.9	152	106	247.2	149	(3)	(2.0)
Angola		78	10.6	80	122	17.7	124	151	24.7	156	32	25.8
Congo		72	10.6	74	65	7.1	67	65	10.6	67		
Gabon		1		1								
North Sea		203	603.9	308	179	600.4	283	178	596.8	282	(1)	(0.4)
Norway		102	236.6	143	96	243.7	138	98	243.7	140	2	1.4
United Kingdom		101	360.2	164	83	356.7	145	80	353.1	142	(3)	(2.1)
Netherlands			7.1	1								
Rest of world		205	826.3	349	228	812.3	370	171	879.3	323	(47)	(12.7)
Australia		21		21	21	3.5	22	18	49.4	26	4	18.2
China		5		5	7		7	6	10.6	8	1	14.3
Croatia			35.3	6		42.4	7		67.1	12	5	71.4
Ecuador		19		19	17		17	15		15	(2)	(11.8)
Indonesia		4	173.0	34	3	137.7	27	2	116.5	23	(4)	(14.8)
Iran		9		9	35		35	29		29	(6)	(17.1)
Kazakhstan		54	194.2	88	64	222.5	102	64	229.5	103	1	1.0
Pakistan		1	257.8	46	1	275.5	49	1	289.6	51	2	4.1
United States		25	109.5	44	19	74.2	33	21	63.6	32	(1)	(3.0)
Trinidad & Tobago			56.5	10		56.5	10		53.0	9	(1)	(10.0)
Venezuela		67		67	61		61	15		15	(46)	(75.4)
Total		1,034	3,386.7	1,624	1,111	3,595.1	1,737	1,079	3,965.9	1,770	33	1.9

- (a) Includes natural gas consumed in operations (283, 247, 212 mmcf/d, in 2006, 2005 and 2004, respectively).
- (b) Includes Eni's share of production of equity-accounted entities.

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field (Eni's interest 23.3%). Production decreased in Venezuela, Nigeria, despite obtaining full production at the Bonga field in OML 118 permit (Eni's interest 12.5%) and Italy due to technical problems occurred at the FPSO unit in the Aquila field and to production declines of mature fields.

Daily production of natural gas for the year (3,962 mmcf/d) increased mainly in: (i) Libya, due to the reaching of full production at the Bahr Essalam offshore field (Eni's interest 50%); (ii) Egypt, for full production/start-up of the Barboni, Baltim North, and Anshuga fields and the increase in the number of production wells at the el Temsah 4 platform in the offshore of the Nile Delta and increased supplies to the Damietta liquefaction plant (Eni's interest 40%); (iii) Nigeria, due to increased supplies to the Bonny LNG plant (Eni's interest 10.4%) related to the start-up of trains 4 and 5; (iv) Australia, due to the start-up of supplies to the Darwin liquefaction plant linked to the Bayu Undan liquid and gas field (Eni's interest 12.04%); (v) Croatia, due to the start-up of the Ika, Ida and Ivana C-K fields (Eni's interest 50%) in the Adriatic offshore. These increases were offset in part by a decline registered in Italy resulting from the production decline of mature fields.

Oil and gas production sold amounted to 625.1 mmboe. The 20.8 mmboe difference over production (645.9 mmboe) reflected volumes of gas consumed in operations (18.4 mmboe).

Approximately 68% of oil and condensate production sold (391.1 mmbbl) was destined to Eni's Refining & Marketing segment; 40% of natural gas production sold (1,346 bcf) was destined to Eni's Gas & Power segment.

Main exploration and development projects

NORTH AFRICA

Algeria Main discoveries for the year were: a) in onshore Block 403a (Eni's interest 100%), the appraisal wells Rom N2 and N3 found oil at a depth of about 3,300 meters; b) in onshore Block 404a (Eni's interest 25%), the BBKS-1 discovery well showed the presence of oil at a depth of 3,160 meters which yielded 700 barrels/d in test production; the appraisal well BBKSE-1

showed the presence of oil at a depth of about 3,200 meters and confirmed the eastward extension of the BBKS structure.

The main ongoing development projects are: (i) the ROM flaring down project (Eni's interest 100%), targeting a 90% decrease in current volumes of flared gas at the ROM satellite center, in accordance with

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ot: Abu Rudeis field, Production unit

Algerian law; (ii) the ROM and ZEA Integrated Development project (Eni's interest 100% and 75%, respectively), aiming at developing reserves recently confirmed by the appraisal work by means of water re-injection to support pressure in field. Peak production is expected at 21 kbb/d (12 net to Eni) in 2010; (iii) El Merk Synergy project with start-up expected in 2010. Leveraging on synergies with the development of reserves in Block 208, 212, 405a and 404, the project provides for the construction of a central facility which will produce stabilized oil, condensates and NGL with an initial level of production at 144 kboe/d (19 net to Eni) in 2010. In 2006, 85% of basic engineering work was completed.

Algeria is currently reviewing the fiscal regime applicable to oil companies. With regard to the legislative text already enacted, fiscal terms applicable to existing PSAs to which foreign oil companies are parties have not been directly modified. Nevertheless, Sonatrach, the State oil company is currently bearing higher taxation on behalf of foreign oil companies. On this basis, Sonatrach intends to renegotiate the economic terms of certain PSAs to which Eni or other Eni co-venture partners are party. According to

barrel and foresees rates ranging from 5 to 50% depending on the share of production to which a foreign company is entitled and the contractual scheme in force with Sonatrach. In 2006, the application of such tax entailed higher current taxation and a deferred tax charge for a total of euro 328 million impacting Eni's accounts.

Egypt Main discoveries for the year were in: a) offshore Abu Rudeis permit (Eni's interest 100%) the Abu Rudeis Marine 4 discovery well showing the presence of liquids at a depth of over 3,000 meters; the well was linked to existing production facilities; b) onshore West Razzak permit (Eni's interest 80%) the Aghar SW-1X discovery well showed the presence of high quality liquids at a various levels at a depth between 1,800 and 2,300 meters; c) offshore West Baltim permit (Eni's interest 100%) the Meret 1 and 2 discovery wells showed the presence of natural gas and condensates at various levels at depth between 1,500 and over 3,000 meters; d) offshore Thekah permit (Eni 50%) the Thekah North 1 discovery well showed the presence of natural gas at a depth between 1,350 and 1,650 meters; the well was linked to existing production facilities; e) onshore

Sonatrach, renegotiation of contractual terms is necessary in order to restore the initial economics of such contracts. At present, management is not able to foresee the final outcome of such renegotiations. In addition, the Algerian parliament with the Decree No. 06-440 of December 2, 2006 enacted the procedure, the application framework and the calculation methodology of a windfall tax charged to foreign oil companies as approved by the local Government. Effective August 1, 2006, said windfall tax applies to the extent that oil prices exceed \$30 per

Meleiha permit (Eni's interest 56%) the Lotus North 1-X discovery well showed the presence of oil at a depth of over 2,000 meters and has started to produce.

The Nada Ne 1-X discovery well showed the presence of oil and natural gas at a depth of 1,900 meters in the same area and has started to produce.

Development activities are underway in the offshore area of the Nile Delta: (i) in the North Port Said concession (Eni's interest 100%), the Anshuga gas field was linked to the production facilities of the nearby Nouras field by means of a sea line, starting production

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in October 2006. Peak production is expected at 17.7 mmcf/d net to Eni. This and other ongoing development activities aim at maintaining the current gas production level of 459 mmcf/d net to Eni; (ii) in the Ras el Barr concession (Eni's interest 50%), engineering activities are underway for the development of gas reserves in the offshore Taurt field. This project provides for the drilling of seven wells which are expected to be linked to existing onshore treatment facilities. Production is expected to start in 2008.

A second development step of the Happy field was completed. Ongoing development activities aim at maintaining the current gas production level of 177 mmcf/d net to Eni; (iii) in the el Temsah concession (Eni operator with a 50% interest), gas and condensates production started at the Temsah NW 2 platform. Ongoing development activities aim at reaching peak production of 111 kboe/d (33 net to Eni) in 2008. Main projects include the development of reserves at the Denise field and its satellites through existing facilities at Denise A installed on the TNW 2 platform.

As part of the expansion plan of the Damietta LNG plant, Eni and its partners signed a framework agreement in June 2006 for doubling the capacity of the Damietta liquefaction plant by means of the construction of a second train with a treatment capacity of 268 bcf/y of gas corresponding to approximately 5 mmt/tonnes/y of LNG for a twenty-year period starting in 2010. This project is expected to support the ramp-up of Eni's natural gas production in the Nile Delta, targeting supplies of 88 bcf/y.

Eni is currently supplying 53 bcf/y to the first train for a twenty-year period.

Libya Main discoveries for the year were in: a) offshore Block NC 41, the T1 discovery well showed the presence of oil at a depth of 2,800 meters; b) onshore concession 82-10 (Eni's interest 50%), the KK4-82/ST3 discovery well showed the presence of oil at a depth of 5,000 meters.

As part of the Western Libyan Gas project (Eni's interest 50%), less than one year after the start-up of the

offshore Bahr Essalam field located in the NC-41 permit, drilling activity was completed with 26 production wells linked to the Sabratha platform. Production from Bahr Essalam and Wafa fields is processed at the onshore Mellitah plant on three trains fully operational in 2006. Export of natural gas leverages on the GreenStream gasline, delivering 240 bcf in 2006. This gasline is expected to become fully operational in 2007, exporting some 283 bcf (equal to 77 mmcf/d) supplied to third parties on the Italian natural gas market under long term contracts. In addition, 71 bcf of production gas per year will be sold on the Libyan market. The El Feel field (Eni's interest 33%) reached peak production at 150 kbbl/d supported by available processing capacity at the Mellitah plant. As part of development activities in the Bouri Est Area, four producing wells were successfully drilled and linked to existing facilities.

Mali In November 2006, Eni purchased five onshore exploration licenses (Eni operator with a 50% interest) from the companies Baraka Mali Operations Limited and Baraka Mali Ventures Limited, covering a gross acreage of 193,000 square kilometers. Blocks are located in the central part of the Taodueni Basin, a completely unexplored and high potential basin according to recent studies. The life span of this exploration license was fixed at four years. In March 2007, this operation was approved by Malian Authorities.

Tunisia Main discoveries for the year were in: a) Larish concession (Eni's interest 50%), the Larish SE-1 well found oil at a depth of about 3,000 meters and was linked to existing production facilities; b) Adam concession (Eni operator with a 25% interest), the Karma-1 well showed an oil formation at a depth of 3,617 meters, which confirmed it as a high potential basin; c) in Bordj el Kadra concession (Eni operator with a 50% interest), the Nakhil-1 discovery well showed the presence of high quality oil at a depth of approximately 4,000 meters.

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Angola Main discoveries for the year were in: a) the development concessions deriving from former Block 15 (Eni's interest 20%), the Tchihumba 2 appraisal well confirmed the presence of oil at a depth of about 3,000 meters; b) Block 14K/A IMI unit (Eni's interest 11.5%), where the Lianzi discovery was made, appraisal activities conducted in the area confirmed the presence of hydrocarbon layers at a depth over 3,000 meters; c) offshore Block 14 (Eni's interest 20%), the Lucapa 1 discovery well found oil and natural gas at a depth of about 1,200 meters. In May 2006, following an international bid procedure, Eni was awarded the role of operator in the exploration license of offshore Block 15/06 (Eni's interest 35%).

This Block is located in an area with great exploration potential, covering a gross acreage of approximately 3,000 square kilometers. The exploration plan envisages drilling of eight wells during a five-year period and an option for extending the license period over a further three-year period and the drilling of three additional wells. In November 2006, Eni signed the relevant Production Sharing Contract (PSC) with the State oil company Sonangol.

In 2006, production started at Benguela/Belize and Lobito/Tomboco fields in Block 14 (Eni's interest 20%), in January and June, respectively. Joint development of these fields was performed by installing a compliant piled tower provided with treatment facilities for Benguela/Belize and an underwater connection to this tower for Lobito/Tomboco. Peak production at 158 kbbbl/d (20 net to Eni) is expected in 2009 upon completion of the drilling program.

Development of the Banzala oil field in Block 0 in Cabinda (Eni's interest 9.8%) moved forward with the installation of a production platform and drilling of producing and water injection wells. Production is expected to start in the first quarter of 2007 and to peak at 27 kbbbl/d (3 net to Eni) in 2009.

An intense campaign to develop reserves in Block 15 (Eni's interest 20%) is underway: (i) in March 2006, development of the Mondo and Saxi/Batuque oil fields started as part of Phase C of the development of reserves in the Kizomba deep offshore area. A

in Kizomba A. Peak production is expected in 2008 at 39 kboe/d (7 net to Eni).

Development activities at the Landana and Tombua oil fields in Block 14 offshore (Eni's interest 20%) progressed with the drilling of producing wells, one of which has already been started up in June 2006. A few production wells, one of which was started-up in June 2006 shall be linked to existing facilities at Benguele/Belize-Lobito/Tomboco. Peak production at 130 kbbbl/d (22 net to Eni) is expected in 2010.

Congo A discovery was made in the Mer Très Profond Sud permit (Eni's interest 30%) with the Aurige Nord Marine one well yielding 5 kbbbl/d of oil in test production.

In February 2007, Eni acquired certain onshore exploration and production assets operated by Maurel & Prom, entailing a cash consideration of \$1,434 million. This transaction includes the producing fields of M Boundi (48.6%) and Kouakouala A (66.7%), the production concession of Kouakouala B (50%) as well as most of the interests in the Le Kouilou (50%) exploration permit which are subject to a pre-emption right in favor of Burren Energy, partner of Maurel & Prom. Eni and Burren Energy reached an agreement providing for Burren Energy's waiver of the exercise of its pre-emption right and Eni's divestiture to the English oil company of a 5.5% interest in the

common development strategy is expected to be deployed in both projects, envisaging the installation of an FPSO vessel. Production is expected to start in the first quarter and in second quarter of 2008, respectively. Peak production at 100 kbb/d (18 net to Eni) is expected in both projects in 2009; (ii) in December 2006, development of the Marimba oil field started with the drilling of producing wells which will be connected to existing facilities

M'Boundi concession and a 2% stake in the Le Kouilou exploration permit under the same economic terms as the acquisition from Maurel & Prom, for an amount of \$154 million. Eni retains the operatorship and participating interests of 43.1% and 48% in the M'Boundi concession and Le Kouilou exploration permit, respectively.

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ria: Drilling unit

The transaction is subject to approval by the Congolese authorities.

In May 2006, Eni signed a Protocole d' Accord to exploit natural gas reserves in the Marine XII permit, in order to ensure supplies to a power station.

In February 2007, Eni signed an agreement providing for a swap of interests in exploration blocks located in India and in Congo. Within this agreement, Eni acquired a 34% interest in the MN-DWN-2002/1 block, located off the coast of Eastern India, covering an acreage of approximately 10,000 square kilometers at a maximum water depth of over 2,000 meters. The MN-DWN-2002/1 block lies in a high mineral potential basin where significant oil and gas discoveries have already been made. Eni's partner in this initiative (ONGC Videsh, an Indian oil company) acquired a 20% interest in the Mer Très Profonde Nord exploration block (Eni operator with a 60% interest), located off the coast of Congo from Eni. In June 2006, the offshore Litanzi field (Eni's interest 35%) started production, peaking at 4 kboe/d (1.4 net to Eni).

Development activities at the Awa Palouku and Ikalou-Ikalou Sud field are underway. Production is expected to start in 2008 peaking at 13 kboe/d net to Eni

The Forcados/Yokri oil and gas fields (Eni's interest 5%) are currently under development offshore and onshore the Niger Delta. Development is expected to be completed in 2007 as a part of the integrated project aiming at providing natural gas supplies to the Bonny liquefaction plant. Offshore production facilities have been installed. The onshore project provides for the upgrading of the Okri and North/South Bank flowstations and the realization of a gas compressor plant.

Eni holds a 10.4% interest in the Bonny liquefaction plant located in the eastern Niger Delta. In 2006, the fifth train started operations, increasing plant capacity to 17 mmt tonnes/y of LNG (812 bcf/y of natural gas feedstock). A sixth train with production capacity of 4.1 mmt tonnes/y is under construction with start-up expected in 2008; the seventh unit is being engineered. When fully operational total capacity will hit approximately 30 mmt tonnes/y, corresponding to a feedstock of 1,448 bcf/y. Development initiatives for ensuring natural gas supplies to the plant regard Blocks OML 60, 61, 62 and 63 (Eni's interest 20%). When the 6-train plant is fully operational, Eni is expected to supply 268 mmcf/d of

in 2009.

Nigeria Several successful appraisal wells were drilled in the year: a) in OML 118 offshore block (Eni's interest 12.5%) with the Bonga North 2 well, drilled at a depth of 3,560 meters; b) in OML 120 offshore block (Eni's interest 40%) with the Oyo 2 Dir well, drilled at a depth of 1,700 meters; c) in OPL 219 block (Eni's interest 12.5%), with the Bolia 4 well drilled at a depth of 3,600 meters; d) in the OML 28 (Eni's interest 5%) with the Kolo Creek 39 well.

equity gas (47 kboe/d), of these 169 mmcf/d (30 kboe/d) from Eni's interest in NAOC JV and 99 mmcf/d (17 kboe/d) from Eni's interest in SPDC JV. Engineering activities to build a new LNG plant in Brass, with liquefaction capacity of 10 mmt/yr on two trains, are underway. In September 2006, Eni signed a Shareholder Agreement with the partners of this project. Project sanction is expected in 2008, with start-up expected in 2011. Supplies to the plant will come from associated upstream projects targeting 50% of gas feedstock requirements.

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h Sea: Saipem 7000

In March 2007, Eni obtained the role of operator with a 48% interest in the OPL 135 permit. The exploration plan envisages research for and development of oil and natural gas reserves in the proximity of existing facilities and the Kwale/Okpai power station where Eni is operator.

NORTH SEA

Norway Main discoveries for the year were: a) in the Prospecting License 229 (Eni operator with a 65% interest), three appraisal wells of the Goliath discovery confirmed the presence of hydrocarbons at a depth between 1,017 and 1,853 meters; b) in the Prospecting License 128 (Eni's interest 11.5%), a gas formation was discovered at a depth of 3,000 meters; c) in the Prospecting License 134 (Eni's interest 30%), an appraisal well of the Morvin discovery confirmed the presence of oil at a depth between 4,600 and 4,900 meters.

In February 2006, following an international bid procedure, Eni was awarded offshore Block 6607/11-122D (Eni's interest 20%) in the Halten Terrace basin, near the Maruk discovery (Eni operator with a 20% interest,) covering a gross acreage of 7 square

high temperature conditions of the reservoir; (ii) in the Prospecting License 264 (Eni's interest 40%) where the Hvitveis gas discovery is located.

In January 2007, following an international bid procedure, Eni was awarded offshore Block 6506/9-6507/7 (Eni's interest 30%).

Ongoing development activities are focused primarily on hydrocarbon bearing structures located near the Kristin field (Eni's interest 8.25%). Development of the Tyrihans field (Eni's interest 6.23%) is expected to be profitable through synergies with the Kristin production facilities. In July, the development plan was sanctioned; relevant contracts for building infrastructure and production facilities are being awarded. Production is expected to start in 2009, in coincidence with the expected production decline of Kristin which will make spare capacity available to process production from Tyrihans.

United Kingdom Main discoveries for the year were in: a) the P/011 permit in Block 30/06a (Eni's interest 33%) in the central section of the North Sea an appraisal well was drilled at a depth between 4,500 and 5,100 meters confirming the presence of hydrocarbons; b) the P/672

kilometers.

In March 2006, following an international bid procedure, Eni was awarded offshore Blocks 7124/6, 7125/4 and 5 in the Prospecting License 393 (Eni's interest 30%), covering a gross acreage of 525 square kilometers, in the Barents Sea. Exploration plans envisage the drilling of a well in the first three years of the license.

In September 2006, Eni purchased further interests in two exploration licenses off the coast of Norway: (i) in the Prospecting License 221 (Eni's interest 30%) where the Victoria gas discovery is located, representing a technological challenge due to the high pressure and

permit in Block 30/02c (Eni's interest 7%) in the central section of the North Sea, a discovery of a natural gas and condensate bearing layer was made at a depth of 5,000 meters; this well was linked to the production facilities of the nearby Jade field (Eni's interest 7%). In March 2006, production started at the offshore gas and condensate Glenelg field (Eni's interest 8%), developed by means of the facilities of the nearby Elgin Franklin production platform (Eni's interest 21.87%). In 2006 production totaled 12 kboe/d (1 net to Eni). Development activities are nearing completion at the Blane field in Block 30/3a (Eni's interest 18%).

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Eni was awarded offshore Block S-M-857 (Eni's interest 100%), covering a gross acreage of 700 square kilometers, in the deep waters of the Santos basin. The assignment of blocks has not yet been completed.

Croatia In the offshore Ivana concession (Eni's interest 50%) the Ana 1 and Vesna 1 discovery wells identified the presence of natural gas at a depth between 650 and 1,200 meters. Ivana C/K platforms and Ika and Ida fields started production as part of the development of the natural gas reserves of the Ivana concession. Production from these fields is gathered at the Ivana K platform from which is sent to the Garibaldi K platform to be sold on the Italian market, through a 67-kilometer long pipeline. Production from these four fields is currently flowing at 152 mmcf/d (49 net to Eni). At the end of 2006, production at the Katarina field started by means of two platforms linked to existing transport facilities.

East Timor In May 2006 following an international bid procedure Eni was awarded the operatorship of five exploration licenses (Eni's interest 100%) covering contract areas A, B, C, E and H with a gross acreage of about 12,183 square kilometers located in the deep offshore between the Timor island and the international cooperation zone between East Timor and Australia. Relevant Production Sharing contracts were signed.

Kazakhstan Eni is single operator with an 18.52% interest of the North Caspian Sea PSA. Such contract regulates activity in the relevant contractual area where the Kashagan field was discovered, which is deemed to be the most important discovery in the world in the past thirty years. The development plan of this field was sanctioned in February 2004, entailing a three-phase development scheme to produce from 7 to 9 bbl of recoverable reserves, extendable to 13 bbl through partial gas reinjection.

The first development phase is progressing leveraging on the use of the most advanced techniques in order to cope with high pressures in

United States (Gulf of Mexico): The Allegheny production platform

Production at 12 kboe/d (2.2 net to Eni) is expected to start in the first half of 2007.

REST OF WORLD

Australia In offshore Block WA-25-L (Eni operator with a 65% interest), the Woollybutt-5 appraisal well confirmed the presence of oil at a depth of 2,865 meters.

In June 2006, development started at the offshore Blacktip gas and liquids field (Eni's interest 100%) located in the WA-279-P Block at a water depth of 50 meters in the Bonaparte basin, south of the Australian coast. This project envisages the installation of a production platform approximately 100 kilometers from the mainland and construction of an onshore treatment plant with a capacity of 46 bcf/y. Start-up is expected in January 2009. Under a 25-year agreement signed with the Darwin Power & Water Utility Co, a total amount of 706 bcf of natural gas is expected to be supplied with an option for further volume increases.

In February 2006, the first shipment of LNG was delivered to two Japanese operators from the Darwin liquefaction plant with a capacity of 3.5 mmt/yr of LNG (equivalent to approximately 173 bcf/y of natural gas). This plant is linked by means of a 500-kilometer long pipeline to the liquids and

gas Bayu Undan field located at a water depth of 80 meters in permits JPDA 03-12 and JPDA 03-13 in the waters of the international cooperation zone between Australia and East Timor (Eni's interest 12.04%).

Brazil In January 2006, following an international bid procedure, Eni was awarded a six-year exploration license in Block BM Cal-14, acting as operator. Gross acreage extends over approximately 700 square kilometers in the deep waters of the Camamu-Almada basin.

In November 2006, following an international bid,

the reservoir, the presence of high concentration of hydrogen sulphide and harsh environmental conditions. By the end of 2006, works had been completed corresponding to 59% of the initial scope, with the total amount of contracts awarded at \$10.6 billion. Drilling activities and completion of development wells from the two artificial islands already installed have been progressing. In addition, three rigs, two of which being of the most advanced class, were installed on said islands. Three development wells were completed yielding high rates of productivity under test phase. Production start-up is currently scheduled for the third quarter of 2010 as compared to an initial forecast

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indicating a start-up in 2008, due also to the need on part of Eni to perform certain studies to define measures intended to enhance the overall level of safety and operability of facilities. As a result of said reconfiguration completed by year-end, the onshore design has been confirmed, while certain enhancements have been identified offshore which do not alter the original development concept. These enhancements are expected to be included in the development plan and implemented. Estimated capital expenditure to reach the 300 kbb/d production target in first development phase stands currently at \$19 billion, representing a remarkable increase over the approved budget of \$10.3 billion in real terms 2007, sanctioned in 2004. This cost increase was driven by: (i) a cost increase of materials and services driven by sector-specific inflation and a negative impact due to a weakening US dollar; (ii) an underestimation of costs to conduct offshore operations in shallow/ultra shallow waters where the Kashagan field is located due to a lack of benchmarks, also reflecting technical and logistic issues and environmental constraints; (iii) the enhancements to the original layout of offshore facilities. Based on the high level of productivity yielded by the first three development wells, management currently expects a full field production plateau of 1.5 mmb/d, representing a 25% increase from the original target envisaged by the development plan.

Evaluation activities of the discoveries made in the contractual area covered by the North Caspian Sea PSA made some good progress. A first appraisal well of the Kairan discovery was successfully drilled. Drilling of a second appraisal well of the Kalamkas discovery yielded productive results that emphasize the good productivity of the reservoir and a much larger extension of said discovery as compared to the initial estimate.

At the Karachaganak field (Eni co-operator with a 32.5% interest), good well performance and high yields of gas treatment and injection plants allowed: (i) to ship an average of 43,900 bbl/d net to Eni to the terminal of the North Caspian Pipeline Consortium at Novorossiysk on the Black Sea; (ii) to sell approximately 78 bcf of natural gas, net to Eni, in Russia.

In July 2006, a first cargo of oil was delivered to Odessa and Primorsk via the Atyrau-Samara pipeline, marking the start-up of the Baltic route for the export of production to Western markets.

which were previously marketed on local Russian markets, resulting in an enhancement of prices realizations.

Mozambique In March 2006, following an international bid tender, Eni obtained the exploration license for Area 4, located in the deep offshore of the Rovuma Basin. This block covers a gross area of 17,646 square kilometers in an unexplored geological basin with great mineral potential according to surveys performed. In December 2006, Eni signed the relevant exploration contract.

Pakistan In February 2006, following an international bid procedure, Eni was awarded the operatorship of four exploration licenses relating to Block Rjar/Mithi - zone I and Thar/Umarkot - zone III. These blocks are located in the East Sindh near the border with India and cover a gross area of about 9,900 square kilometers. In March 2006, an expansion plan of the Bhit and Badhra operated permits was sanctioned, envisaging the construction of a third train for increasing treatment capacity of the Bhit plant also enabling to process Badhra field gas production. In the Zamzama field construction of a new treatment plant is underway.

United States - Gulf of Mexico Main discoveries for the year were: a) in Mississippi Canyon Block 546 (Eni's interest 50%), the Longhorn appraisal well confirmed the presence of natural gas at a depth of about 3,900 meters; b) in Mississippi Canyon Block 502 (Eni's interest 100%), the Longhorn North discovery well showed the presence of natural gas at a depth of 3,400 meters. A feasibility study to develop this discovery is underway.

The Allengheny South (Eni's interest 100%) and North Black Widow (Eni's interest 25.19%) fields started production as part of activities to develop reserves in the Gulf of Mexico.

United States - Alaska In November 2006, Eni started an exploration campaign in the onshore Rock Flour area (Eni's interest 100%). The approved plan provides for the drilling of three wells.

In March 2006, following an international bid procedure, Eni was awarded 11 exploration blocks near Rock Flour.

Maintenance activities have been continuing targeting the support of the current liquid production plateau. During the year, new wells were drilled and an upgrading of liquid treatment facilities was sanctioned envisaging the construction of a fourth unit. Such new capacity is expected to increase export of production volumes

Eni signed an agreement with a partner for a swap of interests in 64 exploration blocks (Eni's interest 60%) located in the Beaufort Sea, offshore North Alaska. Based on this agreement, Eni is entitled to 140 exploration blocks (50% of which operated). Exploration plans provide for 3D seismic surveys and drilling of an exploration well by 2010.

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ed States (Gulf of Mexico): The Allegheny production platform

In January 2006, the development plan of the offshore Oooguruk field in the Beaufort Sea started. Production is expected to start at the end of 2007 with production peaking at 17 kboe/d (over 5 net to Eni) in 2010. Drilling activities in Nikaitchuq field (Eni's interest 30%), located in the Beaufort Sea, are underway.

Turkey In June 2006, construction licenses for the Samsun-Ceyhan pipeline were assigned to the Turkish company Çalik Enerji, partnering Eni in this initiative (both with a 50% stake). This pipeline is expected to bypass the Turkish Straits of Bosphorus and Dardanelles, enabling delivery of oil produced in the Caspian region to the Ceyhan commercial hub on the Mediterranean coast. This new infrastructure will be 550 kilometer long with a maximum transport capacity of 1.5 mmbbl/d of oil, corresponding to approximately 75 mntonnes/y and will represent a more efficient and environment friendly alternative as compared to the option of transporting oil by ship through the Bosphorus and Dardanelles straits. Construction activities started in second half of 2006.

Venezuela In January 2006, following an international

Production is expected to start in 2007.

With effective date April 1, 2006, the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) unilaterally terminated the Operating Service Agreement (OSA) governing activities at the Dación oil field where Eni acted as a contractor, holding a 100% working interest. As a consequence, starting on the same day, operations at the Dación oil field are conducted by PDVSA. Eni proposed to PDVSA to agree on terms in order to recover the fair value of its Dación assets. On November 2006, Eni commenced a proceeding before the International Centre for Settlement of Investment Disputes (ICSID) Tribunal (*i.e.* a tribunal acting under the auspices of the ICSID Convention and being competent pursuant to the Treaty) to claim its rights. In fact, a bilateral investments treaty is in place between the Netherlands and Venezuela (the Treaty). Despite this action, Eni is still ready to negotiate a solution with PDVSA to obtain a fair compensation for its assets. Based on the opinion of its legal consultants, Eni believes to be entitled to a compensation for such expropriation in an amount equal to the market value of the OSA before the expropriation took place. The market value of the OSA depends upon its expected

bid procedure, Eni was awarded a thirty year long exploration license for the Cardon IV Block (Eni's interest 50%) in joint venture with an international oil company. This Block is part of the Rafael Urdaneta project for the development of natural gas reserves in an area of about 30,000 square kilometres in the Gulf of Venezuela.

In May 2006, a first development phase of the Corocoro field in Gulf of Paria West Block (Eni's interest 26%) started with some drilling work. A second development phase is expected to be designed based on the results achieved in the first one as regards well production rate and field performance under water and gas injection.

profits. In accordance with established international practice, Eni has calculated the OSA's market value using the discounted cash flow method, based on Eni's interest in the expected future hydrocarbon production and associated capital expenditures and operating costs, and applying to the projected cash flow a discount rate reflecting Eni's cost of capital as well as the specific risk of concerned activities. Independent evaluations carried out by a primary petroleum consulting firm fully support Eni's internal evaluation. The estimated net present value

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of Eni's interest in the Dación field, as calculated by Eni, is higher than the net book value of the Dación assets which consequently have not been impaired. In accordance with the ICSID Convention, a judgement by the ICSID Tribunal awarding compensation to Eni would be binding upon the parties and immediately enforceable as if it were a final judgement of a court of each of the States that have ratified the ICSID Convention. The ICSID Convention was ratified in 143 States. Accordingly, if Venezuela fails to comply with the award and to pay the compensation, Eni could take steps to enforce the award against commercial assets of the Venezuelan Government almost anywhere those may be located (subject to national law provisions on sovereign immunity). In 2005 and in the first quarter of 2006, oil production from the Dación field averaged approximately 60 kbbl/d and booked reserves at December 31, 2005 amounted to 175 mmbbl. On February 26, 2007, the President of Venezuela enacted a decree providing for the transformation of certain strategic partnerships operating in the petroleum region of Orinoco (Faja) and certain agreements to conduct risk shared exploration activities into a regime of *empresa mixta* within six months from publication of said decree. Under the new regime, a company incorporated under the law of Venezuela is expected to be entitled to relevant mineral rights and to conduct petroleum operations. A stake of at least 60% in the capital of such company is expected to be held by an affiliate of PDVSA, preferably Corporación Venezolana de Petróleo. Such decree could impact Eni's activities in Venezuela, as Eni's subsidiary Eni Venezuela

BV holds a stake in a joint venture operating the Gulf of Paria West Block, located in the Orinoco delta as outlined above. However, management is currently unable to assess such impact, as terms and conditions regulating the participation of foreign companies to an *empresa mixta* have not yet been agreed upon.

Italy Main gas discoveries for the year were made in: a) the onshore San Polito concession in Emilia, the Longanesi 1 well, at a depth of 2,540 meters; b) the offshore of Sicily (GR.13.AG permit, Argo 1 well, Eni's interest 60%) at a depth between 1,350 and 1,520 meters; c) the Adriatic Sea (AR.95.EA permit, Benedetta 1 well) at a depth of 2,090 meters which yielded 145 kcm/d of gas in test production; d) the onshore of Sicily (San Teodoro permit, Borgo Giuliano 1 well) at a depth of about 2,000 meters. Development activities concerned in particular: (i) optimization of producing fields by means of sidetracking and infilling (Barbara A/H, Daria, Basil and Anemone for gas and Rospo for oil); (ii) continuation of drilling and upgrading of producing facilities in the Val d'Agri. The main oil reserves development project is Miglianico, located onshore in the Abruzzi Region. Production is expected to start in the second half of 2008. This project provides for the construction of facilities intended to treat production volumes of oil, to be delivered to logistic structures of the Refining & Marketing Division, and to desulfurize production volumes of gas to be input into the Italian natural gas transportation network.

Capital expenditure	(million euro)	2004	2005	2006	Change	% Ch.
Acquisition of proved and unproved property			301	152	(149)	(49.5)
Italy				139		
North Africa				10		
West Africa			60			
Rest of World			241	3		
Exploration		499	656	1,348	692	105.5
Italy		51	38	128	90	..
North Africa		90	153	270	117	76.5
West Africa		70	75	471	396	..

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North Sea	66	126	174	48	38.1
Rest of World	222	264	305	41	15.5
Development	4,310	3,952	3,629	(323)	(8.2)
Italy	378	411	403	(8)	(1.9)
North Africa	1,358	1,007	701	(306)	(30.4)
West Africa	865	889	864	(25)	(2.8)
North Sea	338	385	406	21	5.5
Rest of World	1,371	1,260	1,255	(5)	(0.4)
Other	44	56	74	18	32.1
	4,853	4,965	5,203	238	4.8

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Development of onshore gas fields is nearing completion at: (i) Tea, Arnica, Lavanda in the Adriatic offshore where start-up of production is expected in 2007. In 2006, a production platform and linkage facilities have been installed; (ii) Candela, where start-up is expected in 2007; (iii) certain gas fields in Sicily: Pizzo Tamburino, scheduled for the second half of 2007 with expected production of 0.5 kboe/d, Samperi 1, which started in 2006 with a production peak of approximately 1 kboe/d, and recovery of additional reserves of Fiumetto concession, where start-up is expected in the first half of 2007 peaking at 600 boe/d.

Capital expenditure

In 2006, capital expenditure of the Exploration & Production segment amounted to euro 5,203 million and concerned mainly development expenditure, directed mainly outside Italy, in particular in Kazakhstan, Angola and Egypt. Development expenditure in Italy concerned in particular the continuation of drilling development wells, the completion of work for plant and infrastructure in Val d'Agri and sidetrack and infilling actions in mature areas. Exploration expenditure, of which 90% was directed outside Italy, concerned in particular Angola, Egypt, Norway, Nigeria and the Gulf of Mexico. In Italy exploration concerned essentially the offshore of Sicily, the Po Valley and the Adriatic Sea.

As compared to 2005, capital expenditure increased by euro 238 million, up 4.8%, due to the increase in exploration expenditure mainly in Egypt and Nigeria. These effects were offset in part by lower development expenditure resulting essentially from the completion of relevant projects in Libya (Bahr Essalam), Nigeria (trains 4 and 5 of the Bonny LNG plant) and the purchase of an additional 1.85% interest in the Kashagan field in the first half of 2005 (euro 169 million).

Storage

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

Storage services are provided by Stogit through eight storage fields located in Italy, based on 10 storage concessions vested by the Ministry of Productive Activities.

In 2006, the share of storage capacity used by third parties was 46%. From the beginning of its operations, Stogit markedly increased the number of customers served and the share of revenues from third parties; the latter, from a non significant value, passed to 42%.

		2004	2005	2006
Available capacity				
Modulation and mineral	(bcm)	7.5	7.5	8.4
- share utilized by Eni	(%)	47	44	54
Strategic	(bcm)	5.1	5.1	5.1
Total customers	(units)	39	44	38
Customers of modulation and mineral services	(units)	29	35	38

Regulatory framework**Storage code**

With Resolution No. 220/06, the Italian Authority for Electricity and Gas approved the storage code proposed by Stocaggi Gas Italia on the basis of the framework

fulfilment of obligations concerning operating programming and fees to be charged to customers. The code has been in force since November 1, 2006, as of the beginning of the storage cycle. The storage company offers services, on economic conditions and according to an access priority

and criteria established by Resolution No.119/05 (Adoption of guarantees for free access to natural gas storage services, duties of subjects operating storage activities and rules for the preparation of a storage code).

This code disciplines access to and provision of storage services during normal operational conditions, regulates procedures for conferring storage capacities,

established by the Italian Authority for Electricity and Gas as follows:

- (i) services which the storage company is obliged to offer consisting of: modulation storage services, mineral storage services, and strategic storage services.
- (ii) operating balancing services of transport companies, including hourly modulation.

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The modulation storage service is finalized to satisfy daily, seasonal and eloinare demand peak modulation needs. Final clients consuming less than 200,000 cm on an annual basis are entitled to a priority when satisfying their modulation requirements. To that end, the storage company makes available its capacity for space, injection and offtake on an annual basis in accordance with its storage code.

The mineral storage service is finalized to allow natural gas producers to perform their activity under optimal operating conditions, according to criteria determined by the Ministry of Economic Development.

The strategic storage service is destined to satisfy certain obligations of natural gas importers from countries not belonging to the EU in accordance with Art. 3 of Legislative Decree No. 164/2000. The relevant storage capacity dedicated to this service is determined by the Ministry of Economic Development.

Determination of tariffs

According to Resolution No. 50/06 of the Italian Authority for Electricity and Gas (Criteria for the determination of tariffs for natural gas storage services), the storage company calculates revenues for the determination of unit tariffs for storage services by adding the following cost elements:

- i) a return on the capital employed by the storage company equal to 7.1% (8.33% in the first regulated period). The Resolution confirmed the mechanisms for the evaluation of net capital employed established in the prior regulatory period;
- ii) technical and economic depreciation charges;
- iii) operating costs.

In the years following the first year of the new regulated period, reference revenues are updated to take account of variations of capital employed and the impact of the indexation of depreciation charges and operating costs to consumer price inflation lowered by a preset rate of productivity recovery.

Storage tariffs are articulated as follows:

- i) a unit fee for the use of space;
- ii) a unit fee for the use of injection capacity;
- iii) a unit fee for the use of offtake capacity;
- iv) a unit fee for gas volumes handling;
- v) a unit fee for having such volumes of gas available as necessary to fulfil strategic storage obligations on part of interested operators.

Applicable regulation provides for incentives to capital expenditure intended to develop and upgrade storage capacity by recognizing an additional rate of return of 4% on the basic rate to capital expenditure projects aiming at developing new storage deposits and increasing existing capacity. Such incentives are applicable for a sixteen-year period and an eight-year period, respectively.

Fees charged for balancing activities and storage restoration

Fees deriving from balancing activities and restoration of strategic volumes offtaken are regulated by certain prescriptions from the Italian Authority for Electricity and Gas providing for repartition of such fees among customers of storage services until the 2005-2006 thermal year.

Resolution No. 50/2006 changed such regime by establishing that such fees cover revenues deriving from new investment.

Gas & Power

Key performance indicators		2004	2005	2006
Net sales from operations ^(a)	(million euro)	17,302	22,969	28,368
Operating profit		3,428	3,321	3,802
Adjusted operating profit		3,448	3,531	3,882
Adjusted net profit		2,290	2,552	2,862
Capital expenditure		1,451	1,152	1,174
Adjusted capital employed, net		18,383	18,898	18,864
ROACE adjusted	(%)	12.6	13.7	15.1
Worldwide gas sales	(bcm)	87.03	94.21	97.48
Total gas sales in Europe		85.32	92.50	95.97
- G&P division sales		80.62	87.99	91.90
- Upstream sales ^(b)		4.70	4.51	4.07
Customers in Italy	(million units)	5.95	6.02	6.54
Gas volumes transported in Italy	(bcm)	80.41	85.10	87.99
Electricity production sold	(terawatthour)	13.85	22.77	24.82
Employees at year end	(units)	12,843	12,324	12,074

(a) Before elimination of intersegment sales.

(b) Does not include Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006 respectively.

Strategic agreement with Gazprom

In November 2006, Eni and Gazprom signed a broad strategic agreement. This agreement strengthens a long term partnership between the two companies and represents a fundamental step towards the security of energy supplies to

Italy. Key features of this deal are the extension of the duration of Gazprom gas supply contracts to Eni until 2035, further strengthening Eni's supply portfolio and the pursuing of joint initiatives in the upstream sector. Gazprom is expected to enter the Italian market by selling volumes of gas starting in 2007. Gazprom will obtain the availability of such volumes by means of a corresponding reduction in volumes previously supplied to Eni

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Financial results

The Gas & Power business confirmed its ability to generate strong and stable performances. The adjusted net profit rose euro 310 million to euro 2,862 million compared to 2005 (up 12.1%) reflecting primarily higher selling margins on natural gas sales, a lower impact of Resolution No. 248/2004 of the Italian Authority for Electricity and Gas, a growth in natural gas volumes sold, volumes transported for the coming on line of the GreenStream gasline and electricity production sold

Return on average capital employed was 15.1% on an adjusted basis in 2006 (13.7% in 2005)

Capital expenditure totalled euro 1,174 million and related essentially to development and maintenance of Eni's transport and distribution networks in Italy, the finalization of the upgrading plan of electricity generation capacity and the start up of the upgrading plan of import gaslines

Operating results

Natural gas sales were up approximately 4% to 97.48 bcm primarily reflecting a growth in sales in a number of target European markets (up approximately 16% in particular in Turkey, Germany/Austria, France) also for the build-up of supplies of natural gas from Libya, partly offset by a decrease in sales in Italy due to mild weather conditions in the fourth quarter of the year

Electricity production sold was 24.82 terawatt-hour, up 9% compared with 2005 reflecting the ramp-up of new production capacity

Other developments

As a part of its development strategy of the natural gas distribution and sale businesses by means of regional alliances, Eni and its local authority partners defined the Toscana project with the establishment of a regional distribution company, managed by Eni and boasting 1.6 million users and a regional selling company controlled by Eni boasting 600 thousand clients and 1.1 billion cubic meters of annual sales

NATURAL GAS

Supply of natural gas

In 2006, Eni's Gas & Power segment supplied 89.27 bcm of natural gas, with an increase of 6.71 bcm from 2005, up 8.1%. Natural gas volumes supplied outside Italy (79.06 bcm) represented 89% of total supplies of fully consolidated subsidiaries (87% in 2005) with a 7.23 bcm increase from 2005 (up 10.1%), primarily reflecting the reaching of full volumes of supplies from Libyan fields (up 2.79 bcm), higher purchases from the Netherlands (up 1.99 bcm), from Russia to the Turkish market (up 1.21 bcm) and via LNG (1.01 bcm). In addition, supplies from Croatia increased (up 0.43 bcm) due to the ramp-up of new production from Eni-operated natural gas fields in the Adriatic offshore. The main declines

concerned purchases from Algeria (down 0.74 bcm) and extra Europe supplies. Supplies in Italy (10.21 bcm) declined by 0.52 bcm, down 4.8%, from 2005, due to a production decline of Eni's natural gas fields.

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In 2006, natural gas volumes input to storage deposits owned by Stoccaggi Gas in Italy and Gaz de France in French territory and in Austria were 3.01 bcm, compared to net offtakes of 0.84 bcm in 2005.

TAKE-OR-PAY

In order to meet the medium and long-term demand for natural gas, in particular in the Italian market, Eni entered into long-term purchase contracts with producing countries. Specifically, following the strategic agreement with Gazprom signed on November 14, 2006, effective from February 1, 2007, Eni extended the duration of its gas supply contracts with Gazprom until 2035, bringing the residual average life of its supply portfolio to approximately 23 years. Existing contracts, which in general contain take-or-pay clauses, will ensure a total of approximately 62.4 bcm/y of natural gas by 2010.

Despite the fact that an increasing portion of natural gas volumes purchased under said contracts has been sold outside Italy, management believes that in the long term unfavorable trends in the Italian demand and supply for natural gas, also due to the possible implementation of all publicly announced plans for the construction of new supply infrastructure, and

the evolution of Italian regulations of the natural gas sector, represent risk factors to the fulfilment of Eni's obligations in connection with its take-or-pay supply contracts.

Sales of natural gas

Natural gas sales (97.48 bcm, including own consumption, Eni's share of affiliates sales and upstream sales in Europe) were up 3.27 bcm from 2005, or about 4%, due to higher sales in the rest of Europe (4.9 bcm, up approximately 16%), higher supplies of natural gas to Eni's wholly-owned subsidiary EniPower for power generation (up 0.59 bcm, or 10.6%), offset in part by lower sales by fully consolidated subsidiaries in Italy (down 1.53 bcm, or 2.9%).

In an increasingly competitive market, natural gas sales of fully consolidated subsidiaries in Italy (50.94 bcm) declined by 1.53 bcm from 2005, due to lower supplies related to mild weather conditions in the fourth quarter, negatively affecting sales volumes to the power generation segment (down 0.93 bcm), wholesalers (down 0.51 bcm) and residential and commercial users (down 0.4 bcm), offset in part by higher sales to the industrial sector (up 0.26 bcm). Sales under the so-called gas release¹ (2 bcm) increased by 0.05 bcm from 2005.

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

Supply of natural gas	(bcm)	2004	2005	2006	Change	% Ch.
Italy		11.30	10.73	10.21	(0.52)	(4.8)
Russia for Italy		20.62	21.03	21.3	0.27	1.3
Russia for Turkey		1.60	2.47	3.68	1.21	49.0
Algeria		18.86	19.58	18.84	(0.74)	(3.8)
Netherlands		8.45	8.29	10.28	1.99	24.0
Norway		5.74	5.78	5.92	0.14	2.4
Hungary		3.56	3.63	3.28	(0.35)	(9.6)
Libya		0.55	3.84	6.63	2.79	72.7
Croatia		0.35	0.43	0.86	0.43	100.0
United Kingdom		1.76	2.28	2.5	0.22	9.6
Algeria (LNG)		1.27	1.45	1.58	0.13	9.0
Others (LNG)		0.70	0.69	1.57	0.88	..
Other supplies Europe		0.12	1.18	1.85	0.67	56.8
Outside Europe		1.21	1.18	0.77	(0.41)	(34.7)

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<i>Outside Italy</i>	64.79	71.83	79.06	7.23	10.1
Total supplies	76.09	82.56	89.27	6.71	8.1
Offtake from (input to) storage	0.93	0.84	(3.01)	(3.85)	..
Network losses and measurement differences	(0.53)	(0.78)	(0.50)	0.28	(35.9)
Available for sale of Eni's own companies	76.49	82.62	85.76	3.14	3.8
Available for sale of Eni's affiliates	5.84	7.08	7.65	0.57	8.1
Total available for sale	82.33	89.70	93.41	3.71	4.1

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Own consumption² was 6.13 bcm, up 0.59 bcm or 10.6%, reflecting primarily higher supplies to EniPower due to the coming on stream of new generation capacity. In 2006, natural gas sales of fully consolidated subsidiaries in the rest of Europe increased by 4.49 bcm to 27.93, or 19.2%, reflecting a growth in: (i) sales under long-term supply contracts to Italian importers (up 2.57 bcm) for the progressive reaching of full supplies from Libyan fields; (ii) supplies to the Turkish market (up 1.22 bcm); (iii) Germany and Austria (up 0.84 bcm) essentially due to increased spot sales to Gaz de France and higher supplies to other industrial operators and wholesalers; (iv) France (up 0.42 bcm) relating to higher supplies to industrial operators. These increases were partly offset by a decrease in sales in Hungary (down 0.29 bcm) and Northern Europe (down 0.1 bcm). Sales of natural gas by Eni's affiliates in the rest of Europe, net to Eni and net of Eni's supplies, amounted to 6.88 bcm, up 0.4 bcm with Unión Fenosa Gas posting the major increase, and concerned: (i) GVS (Eni's interest 50%) with 2.94 bcm; (ii) Unión Fenosa Gas

(Eni's interest 50%) with 2.17 bcm; and (iii) Galp Energia (Eni's interest 33.34%) with 1.65 bcm.

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

Natural gas sales	(bcm)	2004	2005	2006	Change	% Ch.
Italy (*)		50.08	52.47	50.94	(1.53)	(2.9)
Wholesalers (selling companies)		13.87	12.05	11.54	(0.51)	(4.2)
Gas release		0.54	1.95	2	0.05	2.6
End customers		35.67	38.47	37.40	(1.07)	(2.8)
Industries		12.39	13.07	13.33	0.26	2.0
Power generation		15.92	17.6	16.67	(0.93)	(5.3)
Residential		7.36	7.8	7.4	(0.40)	(5.1)
Own consumption (*)		3.7	5.54	6.13	0.59	10.6
Rest of Europe (*)		21.54	23.44	27.93	4.49	19.2
Outside Europe		1.17	1.17	0.76	(0.41)	(35.0)
Total sales to third parties and own consumption		76.49	82.62	85.76	3.14	3.8
Sales of natural gas of Eni's affiliates (net to Eni)		5.84	7.08	7.65	0.57	8.1
Italy (*)			0.07	0.02	(0.05)	(71.4)
Rest of Europe (*)		5.3	6.47	6.88	0.41	6.3
Outside Europe		0.54	0.54	0.75	0.21	38.9
Total sales and own consumption (G&P)		82.33	89.7	93.41	3.71	4.1
Upstream in Europe ^(a)		4.7	4.51	4.07	(0.44)	(9.8)

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Worldwide	87.03	94.21	97.48	3.27	3.5
Gas sales in Europe	85.32	92.5	95.97	3.47	3.8
G&P in Europe (*)	80.62	87.99	91.9	3.91	4.4
Upstream in Europe ^(a)	4.7	4.51	4.07	(0.44)	(9.8)

(*) Market sectors denoted with an asterisk are included in "G&P in Europe".

(a) Does not include Eni's share of sales made by Nigeria LNG (Eni's share 10.4%) in Europe amounting to 1.30, 1.31 and 1.55 bcm in 2004, 2005 and 2006, respectively.

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Unión Fenosa Gas sold 0.45 bcm in international markets, in particular in Japan (0.27 bcm) and South Korea (0.09 bcm), as new market opportunities arose allowing to optimize selling margins.

Transport and regasification of natural gas

In 2006, volumes of natural gas input in the national grid (87.99 bcm) increased by 2.89 bcm from 2005, up 3.4%, primarily reflecting higher volumes input to storage. Eni transported 30.9 bcm of natural gas on behalf of third parties in Italy, up 0.68 bcm from 2005, or 2.3%.

In 2006, the LNG terminal in Panigaglia (La Spezia) regasified 3.13 bcm of natural gas (2.49 bcm in 2005), discharging 96 tanker ships (79 in 2005). The increase

in volumes regasified reflected a higher availability of LNG on the market.

Development projects

LNG Egypt

Eni, through its interest in Unión Fenosa Gas, owns a 40% stake in the Damietta liquefaction plant producing approximately 5 mmt/yr of LNG equal to a feedstock of 7.6 bcm/y of natural gas. In June 2006, the partners of the project (Unión Fenosa Gas, the Spanish-Egyptian company SEGAS an affiliate of Unión Fenosa Gas, State owned Egyptian companies EGAS and EGPC, and oil producers Eni and BP) defined terms and conditions for doubling the plant capacity by means of another treatment train. Expected capital expenditure amounts to

Gas volumes transported ^(a)	(bcm)	2004	2005	2006	Change	% Ch.
Eni		52.15	54.88	57.09	2.21	4.0
On behalf of third parties		28.26	30.22	30.9	0.68	2.3
Enel		9.25	9.9	9.67	(0.23)	(2.3)
Edison Gas		8.00	7.78	8.8	1.02	13.1
Others		11.01	12.54	12.43	(0.11)	(0.9)
		80.41	85.1	87.99	2.89	3.4

(a) Include amounts destined to domestic storage.

approximately \$1.5 billion; start-up is expected by 2010. For further information about the upstream section of the project see Exploration & Production - Main exploration and development projects .

The project also foresees the construction of two tankers each with a capacity of 155,000 cm.

LNG Spain

In April 2006, the Sagunto regasification plant with a capacity of 6.7 bcm/y started operations near Valencia. Eni, through Unión Fenosa Gas, holds a 21.25% interest in this plant. At present, Eni's share of regasification capacity amounts to 1.6 bcm/y of gas. A capacity upgrading plan has been sanctioned targeting a 0.8 bcm/y capacity increase by 2009. Relevant works started

bcm/y of natural gas. The gas is delivered at Eynatten at the German-Belgian border.

Marketing activities targeting an increase in natural gas sales in Germany and the pursuit of new opportunities arising from the ongoing liberalization process have been started.

In 2006, Eni started direct sales of natural gas in the French market with a new branch in Paris. New industrial and wholesaler clients were acquired; sales for the year hit the 1 bcm level.

Supplies to the French company EDF ramped up, in execution of the long term supply contract signed in July 2005.

Galp

in the second half of 2006.

Eni through Unión Fenosa Gas also holds a 9.5% interest in the El Ferrol regasification plant, located in Galicia, under construction and expected to be completed by the first half of 2007, targeting a treatment capacity of approximately 3.6 bcm/y, 0.4 bcm/y being Eni's share.

Marketing actions in Germany and France

In 2006, Eni began to supply the German company Wingas under a long-term contract, envisaging 1.2

On March 29, 2006, an eight-year agreement among Galp partners became effective addressing the joint management of the company. Galp partners include Eni, Amorim Energia (a privately held Portuguese company in which Sonangol, the national oil company of Angola, holds a minority stake), Rede Electrica Nacional (REN), and Caixa Geral de Depositos (a primary Portuguese financial institution). On September 26, 2006, in accordance with the

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(Gela): GreenStream - Gas terminal

agreement, Galp's regulated activities comprising a high pressure network, storage sites and a regasification terminal located in Sines were spun-off and sold to REN which exited Galp capital on October 18, 2006. On October 24, 2006, the Portuguese State divested part of its stake in Galp through an IPO. At the same time, Galp shares were registered on the national Portuguese stock exchange.

The shareholders of Galp post-IPO are: Eni (33.34%), Amorim Energia (33.34%), the Portuguese State (7.00%), Iberdrola (4%), Caixa (1%) and Setgas (0.04%); floating shares represent 21.28 % of the share capital.

Upgrade of import gaslines

Eni started implementing the upgrading plan of the natural gas import gaslines TTPC from Algeria and TAG from Russia.

TTPC - Algeria

The transport capacity of the TTPC gasline from Algeria is expected to be increased by 6.5 bcm/y of which a 3.2 bcm/y portion is planned to come on line on April 1, 2008, and a 3.3 bcm/y portion on October 1, 2008.

The procedure to assign the second portion was closed in February 2007.

TAG - Russia

The transport capacity of the TAG gasline from Russia is expected to increase by 6.5 bcm/y coming on line on October 1, 2008. Expected capital expenditure amounts to euro 253 million; Eni's share of this expenditure is 94%. A 3.2 bcm portion of the upgrade was assigned to third parties in February 2006 and the procedure assigning the residual portion has been defined.

At the beginning of 2007, a previously implemented upgrade of this gasline came on line in order to allow the build up of the fourth supply contract from Russia. As a result, the gasline transport capacity increased from 33 to 37 bcm/y. The ongoing upgrading plan is expected to increase the gasline transport capacity to 44 bcm/y by 2009.

GreenStream - Libya

Eni plans to upgrade the GreenStream import gasline from Libya in order to expand volumes input in the national transport network by 3 bcm/y. Said upgrade is expected to come on line by 2011 and to entail an

Capital expenditure is expected at euro 450 million, increasing the amount initially budgeted in 2005 due to cost overruns and revisions of the engineering of the project. When the upgrading is fully operational, the gasline will deploy a transport capacity of 33.5 bcm/y. A corresponding capacity on the TMPC downstream gasline is already available. TMPC crosses underwater the Sicily channel. The first portion of the TTPC upgrade was assigned to third parties in November 2005.

expenditure of euro 84 million.

When the ongoing plan of upgrading the TTPC and TAG gasline is fully operational and taking into account the full capacity of the GreenStream gasline from Libya currently in place (8 bcm/y), a total of approximately 21 bcm/y of new import capacity will be available to third parties on the basis of non-discriminating procedures of allocation (17.7 bcm of this new capacity have already been allocated to third parties).

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long-term supply contract. In 2007, Eni expects to reduce its supplies from Gazprom by 1 bcm, and Gazprom to sell approximately 1 bcm under this scheme.

ii) Upstream

Eni and Gazprom have identified major projects (companies and assets) in Russia and outside Russia that will be jointly pursued by the two partners. Eni and Gazprom have agreed to work with each other on an exclusive basis on these projects, which are expected to be finalized by the end of 2007.

iii) Technological cooperation and development

Eni and Gazprom will sign specific agreements in the following areas:

- long-distance gas transportation. In this sector Eni and Snam Rete Gas will provide their know-how and expertise, including proprietary transport technology TAP (high pressure transmission) for the development of Russia's gas transportation system;
- development of LNG projects for the global gas market.

Agreement between Eni and Nigeria LNG

Eni signed a twenty-year sale and purchase agreement with Nigeria LNG (NLNG) Limited for the purchase of 1.375 mmt/tonnes/y (equivalent to approximately 2 bcm/y) of (LNG). LNG volumes sold to Eni are part of the volumes which are expected to be produced from the expansion of the capacity of the Bonny plant by means of the installation of a seventh train expected to come into operation in 2012.

LNG will be delivered by Nigeria LNG to the terminal of Cameron, Louisiana, where Eni already holds regasification capacity for about 6 bcm/year and will be sold to the US market. The volumes of LNG delivered to Eni through this agreement represent about 17% of the whole production of Bonny's Train 7 expansion.

This agreement will make a further sizeable contribution to Eni's supply portfolio, enabling the company to strengthen its activities in the US and its role as leading player in the global LNG market.

Italy (Panigaglia): Regasification terminal

Regasification terminal

Eni plans to build a new regasification terminal located off the Adriatic coast and to increase the capacity of the Panigaglia plant. These two projects are expected to upgrade the import capacity to Italy by 8 and 4.5 bcm/y, respectively, when fully operational. The planned start-up is expected by 2013 and 2014, respectively. The capital expenditure expected for the offshore regasification project amounts to approximately euro 800 million. In 2006, preliminary studies were performed in order to screen potential sites where the terminal may be located and on the configuration of the plant.

Agreement between Eni and Gazprom

On November 14, 2006, Eni and Gazprom signed a broad strategic agreement. This agreement sets up an international alliance enabling the two companies to launch joint projects in the mid and downstream gas, in the upstream and technological cooperation. This agreement is a major step towards the security of energy supply to Italy.

i) Midstream and downstream gas

The duration of Russian gas supply contracts to Eni is extended until 2035, confirming that Eni is presently the world's single largest customer of Gazprom. Through this agreement, starting from 2007, Gazprom is expected to sell increasing volumes of gas directly on the Italian market, building up to some 3 bcm in 2010 and to maintain such level in subsequent years for the duration of said long term supply contract. Volumes expected to be sold by Gazprom will be

subtracted from volumes supplied to Eni under the fourth

Toscana project

On January 24, 2006, Eni, Italgas (Eni's interest 100%) and the local authorities partners of Fiorentina Gas SpA (Eni's interest 51.03%) and Toscana Gas SpA (Eni's interest 46.1%), signed a framework agreement for developing an alliance in the field of natural gas distribution and sale in the Toscana Region.

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As a part of the agreement, Toscana Energia SpA (Eni's interest 48.72%) was established upon contribution in-kind of the partners' stakes in the distribution companies Fiorentina Gas and Toscana Gas.

The local authorities partners of Toscana Energia SpA hold the responsibility for strategic decisions and control, while Eni maintains operating and management responsibilities, being the industrial partner of the initiative. In addition, this agreement provides for Fiorentina Gas Clienti SpA (Eni's interest 100%) to be merged into Toscana Gas Clienti SpA (Eni's interest 46.1%, Tuscan municipalities 53.9%), resulting in the establishment of a regional selling company under Eni's control (79.22%), re-named Toscana Energia Clienti and boasting 600 thousand clients and sale volumes of 1.1 bcm/y in 147 Tuscan municipalities.

The Italian Antitrust Authority authorized this transaction on July 20, 2006. The merger deed was defined on February 22, 2007, effective from March 1, 2007.

Restructuring power activities and launching of Dual Offer

In 2006, the G&P division started a project aiming at revamping the power generation business.

Under this project, the G&P division is expected to conduct directly the marketing activity of electricity, previously conducted by EniPower, starting in 2007. This scheme will allow the integrated management of marketing activities of gas and electricity and the development of a joint-offer of natural gas and electricity to customers.

Regulatory framework**Determination of reference prices for non eligible customers at December 31, 2002 - Resolutions No. 248/2004 and 134/2006 of the Italian Authority for Electricity and Gas**

With a decision of November 13, 2006, the Council of State concluded the dispute between operators of the natural gas business, among which Eni, and the Italian Authority for Electricity and Gas related to Resolution No. 248 of December 29, 2004 - Determination of reference prices for non eligible customers at December 31, 2002 - confirming the existence of formal flaws

were liberalized by Law No. 239/2004 (in particular the sale of natural gas). Said regulatory powers enable the Authority to preserve competition and protect final clients. Based on these considerations and on the uncertainty of the efficacy of decisions implementing Resolution No. 248/2004 (among these No. 298/2005, No. 65/2006 and No. 134/2006) Eni's management prepared its consolidated financial statements for 2006 by assessing the impact of the regulatory regime based on the indexation mechanism set out by Resolution No. 248/2004. This treatment was consistent with the one adopted in the preparation of quarterly and semi-annual accounts for 2006. In addition, Eni began to renegotiate the terms of supply contracts with its wholesale customers as provided for by Resolution No. 134/2006, which obliged Italian wholesalers to offer final clients new pricing terms which take into account the revision of the indexation mechanism of the raw material component as introduced by Resolution No. 248/2004. This provision applies only to wholesale contracts closed after the entry into force of Resolution No. 248/2004.

The provision accrued in the 2005 consolidated financial statements as an estimate of the impact of the indexation mechanism of Resolution No. 248/2004 in 2005 was deemed partially redundant as a result of the provisions of Resolution No. 134/2006. In fact, Resolution No. 134/2006 granted to companies complying with the renegotiation requirement an amount corresponding to 50% of the difference between the updating of the cost of raw materials calculated under Resolution No. 284/2005 and that calculated under the previous regime (under Resolution No. 195/2002) for the 2005 fiscal year as well as 50% of the variable compensation component in wholesale contracts. For further information on this matter see Eni's Report on the First Half of 2006 - Operating Review - Gas & Power - Regulation - Determination of reference prices for non eligible customers at December 31, 2002 - Resolutions No. 248/2004 and No. 134/2006 of the Italian Authority for Electricity and Gas.

With Resolution No. 12/2007 of January 23, 2007, the Italian Authority for Electricity and Gas started a procedure to adopt a new indexation mechanism of the cost of raw material effective retroactively as of January 1, 2005. On March 1, 2007, the Authority published a consultative document.

impairing the efficacy of the appeal presented by the Authority against the first degree decision that annulled the Authority's decision against operators. As far as the substance of the appeal is concerned, the Council of State previously stated that the Authority is entitled to hold such powers as to regulate certain activities of the energy sector in Italy which

**Opening of an inquiry on prices
from the Italian Authority for Electricity and Gas**
With Resolution No. 226/2006 of October 21, 2006,

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Control room of the Ferrera Erbognone EniPower station.

the Italian Authority for Electricity and Gas closed a formal inquiry against Eni that commenced with Resolution No. 107/2005, stating that Eni allegedly failed to comply with an obligation to transmit certain pieces of information regarding Eni's natural gas import contracts to the Authority. Therefore, the Authority fined Eni by an amount of euro 10 million.

In spite of the circumstance that Eni spontaneously transmitted the requested pieces of information, the Authority objected to the fact that Eni delayed the fulfilment of its obligation to transmit said information, resulting in a behaviour in breach of the rules requiring the establishment of information flows intended to allow the Authority to perform its tasks. Eni filed a claim against the Authority's decision before the Regional Administrative Court of Lombardy. For further information on this matter see Eni's Report on the First Half of 2006 - Operating Review - Gas & Power - Regulation - Opening of an inquiry on prices from the Authority for Electricity and Gas.

Eni accrued a provision for this matter.

Inquiry of the Italian Authority for Electricity and Gas on behaviors of operators selling natural gas to

the Authority confirmed the existence of certain critical points about the real level of competition within this market segment and proposed different options to complete and adjust the regulatory framework in order to overcome acknowledged deficiencies.

Resolution No. 137/2002 of the Italian Authority for Electricity and Gas - Access to transport services and Network Code of Snam Rete Gas

The Italian Authority for Electricity and Gas, with Resolution No. 137/2002, defined the criteria for regulating access to national natural gas transport networks, in particular the issue of priority. Eni filed a claim against this decision with the Regional Administrative Court of Lombardy that was partially accepted with the Court's resolution on December 2004. The Authority filed a claim against this decision with the Council of State and informed Eni on February 19, 2004. The hearing for the discussion of this case has not yet been scheduled.

Legislative Decree No. 164/2000

Legislative Decree No. 164/2000 imposed thresholds to operators until December 31, 2010 in relation to a

end customers

With Resolution No. 235/06 of November 6, 2006, the Italian Authority for Electricity and Gas closed the inquiry that started in October 2005, on the commercial behavior of companies selling natural gas to end customers located in urban centers (residential, services, commercial activities and small enterprises) aiming at acquiring new customers or re-acquiring customers transferred to other sellers, with particular reference to hurdles posed by companies to customers wishing to leave one distributor or to the entry of competitors on the market. In its final report,

percentage share of domestic consumption set as follows: (i) 75%, from January 1, 2002, for imported or domestically produced natural gas volumes input in the domestic transmission network destined to sales; this percentage decreases by 2 percentage points per year until it reaches 61% in 2009; (ii) 50% from January 1, 2003 for sales to final customers. These ceilings are calculated net of volumes consumed in operations and

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in the case of sales also net of losses. The decree also provides for periodic controls of the respect of said ceilings. This control is performed each year by the Italian Antitrust Authority by comparing the allowed three-year average percent share of domestic consumption for both input volumes and sales volumes with the one actually achieved by each operator. In particular, 2006 closes the third three-year regulated period for natural gas volumes input in the domestic transmission network, for which the allowed percentage was 69% of domestic consumption of natural gas, and the second three-year regulated period for sales volumes. Eni's presence on the Italian market complied with said limits.

POWER GENERATION

Eni's electricity business is conducted by EniPower SpA and its subsidiaries owning power stations located at Eni's sites in Ferrera Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara with an installed capacity of 4.9 gigawatts as of December 31, 2006. Eni is implementing an upgrading plan of its power generation capacity, targeting an installed capacity of 5.5 gigawatt in 2010. When this capacity is on line in 2010, production volumes are expected at 31 terawatt-hour, corresponding to approximately 8% of expected volumes of electricity generated in Italy by that year. Planned capital expenditure amounts to approximately euro 2.4 billion, of these euro 2 billion have already been deployed.

The development plan has been completed at all sites except for Ferrara (Eni's interest 51%), where in partnership with Swiss company EGL AG, construction of two new 390 megawatt combined cycle units is

underway. This will bring installed capacity to 840 megawatt and with start-up is expected in the second half of 2007. Moreover, Eni has planned the installation of a new 240 megawatt combined cycle unit located in Taranto (current capacity 75 megawatt).

New installed generation capacity uses the combined cycle gas fired technology (CCGT), ensuring a high level of efficiency and low environmental impact. In particular, management estimates that for a given amount of energy (electricity and heat) produced, the use of the CCGT technology on a production of 30 terawatt-hour reduces emissions of carbon dioxide by approximately 11 million tonnes, as compared to emissions using conventional power generation technology.

In 2006, electricity production sold was 24.82 terawatt-hour, up 2.05 terawatt-hour or 9% as compared to 2005. Increased production reflected the ramp-up of the three combined cycle units at the Brindisi plant entering full commercial operation since September 2006 (up approximately 3 terawatt-hour) and of the two combined cycle units at the Mantova plant fully operational in 2006 (up 0.9 terawatt-hour). These increases were offset in part by the standstill of the Ravenna power plant (down 0.85 terawatt-hour) due to maintenance activity.

Eni also purchased 6.21 terawatt-hour from third parties in and outside Italy. Sales of steam amounted to 10,287 million tonnes, down 3.5% from 2005.

Approximately 55% of sales were directed to end users, 28% to the Electricity Exchange, 8% to GRTN/Terna (under CIP 6/92 contracts and imbalances in input) and 9% to wholesalers. All the steam produced was sold to end users.

		2004	2005	2006	Change	% Ch.
Purchases						
Natural gas	(mmcm)	2,617	4,384	4,775	391	8.9
Other fuels	(ktoe)	784	659	616	(43)	(6.5)
Include cracking steam		89	96	136		
Sales						
Electricity production sold	(terawatt-hour)	13.85	22.77	24.82	2.05	9.0
Electricity trading	(terawatt-hour)	3.1	4.79	6.21	1.42	29.6

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Steam	(ktonnes)	10,040	10,660	10,287	(373)	(3.5)
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Capital expenditure

Capital expenditure in the Gas & Power segment totaled euro 1,174 million and related essentially to:(i) development and maintenance of Eni's primary transport network in Italy (euro 627 million); (ii) the continuation of the construction of combined cycle

power plants (euro 229 million), in particular at the Ferrara and Brindisi sites; (iii) development and maintenance of Eni's natural gas distribution network in Italy (euro 158 million).

Capital expenditure	(million euro)	2004	2005	2006	Change	% Ch.
Italy		1,236	1,066	1,014	(52)	(4.9)
Outside Italy		215	86	160	74	86.0
		1,451	1,152	1,174	22	1.9
Market		56	40	63	23	57.5
Italy		36	2	0	(2)	(100.0)
Outside Italy		20	38	63	25	65.8
Distribution		187	182	158	(24)	(13.2)
Transport		757	691	724	33	4.8
Italy		562	643	627	(16)	(2.5)
Outside Italy		195	48	97	49	102.1
Power generation		451	239	229	(10)	(4.2)
		1,451	1,152	1,174	22	1.9

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Refining & Marketing

Key performance indicators		2004	2005	2006
	(million euro)			
Net sales from operations ^(a)		26,089	33,732	38,210
Operating profit		1,080	1,857	319
Adjusted operating profit		923	1,214	790
Adjusted net profit		674	945	629
Capital expenditure		693	656	645
Adjusted capital employed, net		4,835	5,326	5,766
ROACE adjusted	(%)	13.0	18.2	10.7
Refining throughputs on own account	(mmttonnes)	37.69	38.79	38.04
Refining throughputs of wholly-owned refineries		26.75	27.34	27.17
Balanced capacity of wholly-owned refineries	(kbbbl/d)	504	524	534
Balanced capacity utilization rate	(%)	100	100	100
Retail sales of petroleum products on Agip branded network in Europe	(mmttonnes)	12.35	12.42	12.48
Agip branded service stations in Europe at period end	(units)	6,225	6,282	6,294
Average throughput of Agip branded service stations in Europe	(kliters)	2,488	2,479	2,470
Employees at year end	(units)	9,224	8,894	9,437

(a) Before elimination of intersegment sales.

Financial results

In 2006, adjusted net profit was down euro 316 million to euro 629 million, or 33.4%, mainly due to a decline in refining margins as a result of a weak trading environment

Eni's realized refining margins recorded a better trend than market reference margins reflecting Eni's refinery capacity to process heavy crudes which are discounted as compared to the Brent crude market benchmark, thus resulting in a higher profitability of the heavy barrel

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Return on average capital employed was 10.7% on an adjusted basis, declining from 2005 (18.2% in 2005)

Capital expenditure totalled euro 645 million and mainly related to projects aimed at improving flexibility and yields of refineries and upgrading the refined product retail network in Italy and in the rest of Europe

Operating results

Refining throughputs on own account in Italy and outside Italy (38.04 mmt tonnes) declined by 0.75 mmt tonnes from 2005, down 1.9%, due mainly to higher maintenance standstills, particularly at third party refineries, while wholly-owned refineries achieved stable processing levels

Retail sales of refined products in Italy (8.66 mmt tonnes) declined 1% from 2005 mainly due to competitive pressure. This decrease was more than offset by a growth in retail volumes marketed in the rest of Europe (3.82 mmt tonnes, up 4.1%), mainly in Germany and Spain

Sales on the wholesale market in Italy (10.06 mmt tonnes) were down 4% due primarily to the decline registered in the fourth quarter due to the impact of mild weather conditions. This decline was partially offset by a growth in volumes marketed on wholesale markets in the rest of Europe (4.6 mmt tonnes, up 2.2%), in particular in Germany and Spain

Supply and trading

In 2006, a total of 65.70 mmt tonnes of oil were purchased (66.48 mm in 2005), of which 36.81 mmt tonnes from Eni's Exploration & Production segment, 18.16 mmt tonnes under long-term contracts with producing countries and 10.73 mmt tonnes on the spot market. Some 21% of oil purchased came from West Africa, 21% from North Africa, 18% from countries of the former Soviet Union, 14% from the Middle East,

14% from the North Sea, 7% from Italy and 5% from other areas. Some 30.66 mmt tonnes were traded, down 1.3% from 2005. In addition, 3.18 mmt tonnes of intermediate products were purchased (3.58 in 2005) to be used as feedstock in conversion plants and 16 mmt tonnes of refined products (16.21 in 2005) were purchased to be sold on markets outside Italy (11.48 mmt tonnes) and on the Italian market (4.52 mmt tonnes) as a complement to own production.

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

Supply of oil	(mmt tonnes)	2004	2005	2006	Change	% Ch.
Production outside Italy		31.7	32.86	32.76	(0.10)	(0.3)
Production in Italy		4.03	4.44	4.05	(0.39)	(8.8)
Total production		35.73	37.30	36.81	(0.49)	(1.3)
Spot markets		11.42	14.33	10.73	(3.60)	(25.1)
Long-term contracts		19.9	14.85	18.16	3.31	22.3
		67.05	66.48	65.70	(0.78)	(1.2)

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Refining

In 2006, refining throughputs on own account in Italy and outside Italy were 38.04 mmt tonnes, down 0.75 mmt tonnes from 2005, or 1.9%, owing to lower throughputs on third party refineries as a consequence of an accident occurred at the Priolo refinery and a maintenance standstill at the Milazzo refinery (Eni's interest 50%).

Refining throughputs on own account were stable. In particular, refining throughputs increased at the Venice, Gela and Taranto refineries and decreased at the Sannazzaro refinery due to a maintenance standstill of the catalytic cracking unit and the visbreaking unit, and at the Livorno refinery due to general maintenance activity.

In April, a new unit for heavy residue gasification started operating at the Sannazzaro refinery.

Total throughputs on wholly-owned refineries (27.17 mmt tonnes) decreased 0.17 mmt tonnes from 2005, down 0.6%; balanced capacity of refineries was fully utilized. Approximately 35.9% of volumes of processed oil was supplied by Eni's Exploration & Production segment (32.3% in 2005), representing a three percentage point increase from 2005. Incremental volumes of some 1.1 mmt tonnes of equity oil processed related to higher supplies of heavy oil from Nigeria (due to the start-up of the Bonga field) and from Sicily, against a reduction of supplies of the Libyan Bu-Attifel oil processed at Priolo.

Distribution of refined products

In 2006, sales volumes of refined products (51.13 mmt tonnes) were down 500 ktonnes from 2005, or 1%, mainly due to lower wholesale volumes (down

320 ktonnes) as a consequence of mild weather conditions in the last part of the year adversely affecting heating products sales. In addition, lower volumes were supplied to the petrochemical sector (down 460 ktonnes) owing to the technical accident that occurred at the Priolo refinery. These declines were offset in part by higher sales to oil companies and traders and by a growth in retail sales on the Agip branded network in Italy and outside Italy (up 60 ktonnes).

The impact of the Italiana Petroli (IP) divestment, effective September 1, 2005 (1.3 mmt tonnes), was partly offset by supply of fuels to the same company under a

five-year contract signed concurrently with the divestment.

Petroleum products availability	(mmttonnes)	2004	2005	2006	Change	% Ch.
<i>Italy</i>						
Refinery intake in wholly-owned refineries		26.75	27.34	27.17	(0.17)	(0.6)
Refinery intake for third parties		(1.50)	(1.70)	(1.53)	0.17	(10.0)
Refinery intake in non-owned refineries		8.10	8.58	7.71	(0.87)	(10.1)
Consumption and losses		(1.64)	(1.87)	(1.45)	0.42	(22.5)
Products available		31.71	32.35	31.90	(0.45)	(1.4)
Purchases of finished products and change in inventories		5.07	4.85	4.45	(0.40)	(8.2)
Finished products transferred to foreign cycle		(5.03)	(5.82)	(5.35)	0.47	(8.1)
Consumption for power generation		(1.06)	(1.09)	(1.10)	(0.01)	(0.9)
Products sold		30.69	30.29	29.90	(0.39)	(1.3)
<i>Outside Italy</i>						
Products available		4.04	4.33	4.37	0.04	0.9
Purchases of finished products and change in inventories		13.78	11.19	11.51	0.32	2.9
Finished products transferred from Italian cycle		5.03	5.82	5.35	(0.47)	(8.1)
Products sold		22.85	21.34	21.23	(0.11)	(0.5)
Sales in Italy and outside Italy		53.54	51.63	51.13	(0.50)	(1.0)

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Sales of refined products in Italy and outside Italy	(mmtonnes)	2004	2005	2006	Change	% Ch.
Retail marketing		10.93	10.05	8.66	(1.39)	(13.8)
- Agip brand		8.88	8.75	8.66	(0.09)	(1.0)
- IP brand		2.05	1.30		(1.30)	(100.0)
Wholesale marketing		10.7	10.48	10.06	(0.42)	(4.0)
Petrochemical		3.05	3.07	2.61	(0.46)	(15.0)
Other sales ^(a)		6.01	6.69	8.57	1.88	28.1
Sales in Italy		30.69	30.29	29.90	(0.39)	(1.3)
Retail marketing rest of Europe		3.47	3.67	3.82	0.15	4.1
Retail marketing Africa and Brazil		0.57				
Wholesale marketing outside Italy		5.30	4.50	4.60	0.10	2.2
<i>of which wholesale marketing rest of Europe</i>		<i>3.94</i>	<i>4.10</i>	<i>4.19</i>	<i>0.09</i>	<i>2.2</i>
Other sales ^(a)		13.51	13.17	12.81	(0.36)	(2.7)
Sales outside Italy		22.85	21.34	21.23	(0.11)	(0.5)
		53.54	51.63	51.13	(0.50)	(1.0)

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

Retail sales in Italy

Retail volumes of refined products marketed on the Italian network (8.66 mmtonnes) were down 1.39 mmtonnes from 2005, or 13.8% mainly due to the IP divestment as outlined above.

Retail volumes marketed on the Agip branded network (8.66 mmtonnes) decreased of some 90 ktonnes, down 1%, due to a higher competitive pressure. This decline essentially concerned gasoline and BluDiesel, following a pattern aligned with national consumption trends. Market share of the Agip branded network was down 0.4 percentage points from 29.7% to 29.3% in 2006; average throughput in terms of gasoline and diesel fuel was 2,463 kliters, down 1.8% from 2005.

At December 31, 2006, Eni's retail distribution network in Italy consisted of 4,356 service stations, seven more than at December 31, 2005 (4,349 units), resulting from the opening of new service stations (20 units) and the positive balance of acquisitions/releases of lease concessions (11 units), offset in part by the closing of service stations with low throughput (21 units) and the release of 3 service stations under highway concessions.

Retail volumes of BluDiesel – a high performance and low environmental impact diesel fuel – amounted to

about 98 ktonnes (114 mm liters), down 9% from 2005, showing a trend similar to the one of BluDiesel. At year-end, service stations marketing BluSuper totaled 2,316 (1,719 at December 31, 2005) corresponding to approximately 53% of Eni's network.

In 2006, Eni continued its Do-It-Yourself campaign which allows participating customers to obtain discounts or gifts (under agreements with Vodafone and Coop) in proportion to volumes of fuel purchased at self-service outlets, charged on an electronic card. Further bonuses are offered to the most faithful customers. At year-end, the number of active cards was approximately 3.9 million; turnover on cards increased by 3% from 2005. Volumes of fuel marketed under this initiative represented some 39% of total volumes

about 726 ktonnes (840 mmliters), down 14.8% from 2005, mainly due to an increasingly high sensitivity of consumers to retail prices of fuels in light of their escalation that pushed prices to historical peaks. At year-end, virtually all Agip branded service stations marketed BluDiesel (about 4,061 equal to 93%). Retail volumes of BluSuper a high performance and low environmental impact gasoline amounted to

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Storage unit.

marketed on the Agip branded outlets joining the campaign, and some 31% of overall volumes marketed on the Agip network.

Retail sales outside Italy

In recent years, Eni's strategy focused on selectively growing its market share, by means of acquisition of assets in European areas with interesting profitability perspectives, mainly in Central-Eastern Europe (in particular Southern Germany, Austria, the Czech Republic and Hungary), in South-Eastern France and the Iberian Peninsula. In pursuing such growth, Eni has been able to reap synergies in these areas facilitated by their proximity to Eni's production and logistic facilities. Over the last five years, retail volumes of refined products marketed in the rest of Europe have grown more than 50% (equal to a compound average growth rate of 9%). In 2006, retail sales were 3.82 mmt tonnes, up 150 ktonnes from 2005, or 4.1%, particularly in Germany, Spain and Austria due to the ramp-up of new stations purchased or built with higher throughput than the average level of Eni's network, while a few less efficient outlets were dismissed.

Volume growth was driven primarily by increased sales

in the rest of Europe consisted of 1,938 units, an increase of five units from December 31, 2005. The network's evolution was as follows: (i) 31 service stations were acquired in Austria and France; (ii) 24 new outlets were opened in Spain and Austria; (iii) 46 low throughput service stations were closed in Spain and France; (iv) a negative balance of acquisitions/releases of lease concessions (down four units) was recorded, with negative changes in Portugal and Germany, positive ones in France and Spain. Average throughput (2,486 kliters) was up 2.4%.

Wholesale and other sales

Sales volumes on wholesale markets in Italy (10.06 mmt tonnes) were down 0.42 mmt tonnes from 2005, or 4%, reflecting mainly a decline in domestic consumption related to mild weather conditions in the fourth quarter of the year, with higher temperatures than the seasonal average. This decline mainly involved heating oil and fuel oil, as sales of the latter were also negatively impacted by a process of progressive substitution of fuel oil by natural gas as feedstock for power plants. Instead, jet fuel volumes increased from a year ago reflecting a recovery in the airline industry.

of diesel fuel and LPG, while gasoline volumes declined.
At December 31, 2006, Eni's retail distribution network

Sales on wholesale markets outside Italy (4.60 mmt tonnes) increased 100 ktonnes, or 2.2%, mainly due to higher sales of diesel fuel in Germany and Spain.

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Other sales (21.38 mmt tonnes) increased by 1.52 mmt tonnes, or 7.7%, mainly due to supplies to IP (up 1.3 mmt tonnes) despite its divestment in September 2005, and to sales to oil companies and traders (up 220 ktonnes).

Supplies of feedstock to the petrochemical industry (2.61 mmt tonnes) declined by 460 ktonnes as a consequence of an accident that occurred at the Priolo refinery where Eni had a processing contract to produce feedstock for its nearby petrochemical complex. This agreement expired on December 31, 2006.

Capital expenditure

In 2006, capital expenditure in the Refining & Marketing segment amounted to euro 645 million and concerned: (i) refining, supply and logistics (euro 376 million) in Italy, aiming at improving flexibility and yields of refineries, in particular the start-up of construction of a new hydrocracking unit at the Sannazzaro refinery; (ii) upgrade and restructuring of the retail network in Italy (euro 125 million), including construction of new outlets; (iii) upgrade of the retail network in the rest of Europe (euro 98 million), including purchase and realization of new outlets, and, to a lesser extent, restructuring of existing ones.

Capital expenditure	(million euro)	2004	2005	2006	Change	% Ch.
Italy		625	585	547	(38)	(6.5)
Outside Italy		68	71	98	27	38.0
		693	656	645	(11)	(1.7)
Refining, supply and logistics		420	349	376	27	7.7
Italy		420	349	376	27	7.7
Marketing		232	225	223	(2)	(0.9)
Italy		164	154	125	(29)	(18.8)
Outside Italy		68	71	98	27	38.0

Other activities	41	82	46	(36)	(43.9)
	693	656	645	(11)	(1.7)

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Petrochemical

Key performance indicators	2004	2005	2006
	(million euro)		
Net sales from operations ^(a)	5,331	6,255	6,823
Operating profit	320	202	172
Adjusted operating profit	263	261	219
Adjusted net profit	242	227	174
Capital expenditure	148	112	99
Production	(ktonnes)	7,118	7,282
Sales of petrochemical products	5,187	5,376	5,276
Average plant utilization rate	(%)	75.2	78.4
Employees at year end	(units)	6,565	6,462

(a) Before elimination of intersegment sales.

Adjusted net profit was euro 174 million, down euro 53 million from a year ago, or 23.3%, due to a poor operating performance dragged down by a weak petrochemical environment in the first half of 2006

Sales of petrochemical products were 5,276 ktonnes, down 100 ktonnes from last year, or 1.9%, due to a lower product availability as a consequence of the outage of the Priolo cracker owing to an accident that occurred at the nearby refinery, negatively impacting the entire production cycle

Petrochemical production volumes were 7,072 ktonnes, down 209 ktonnes from 2005, or 2.9%, mainly due to the outage of the Priolo cracker and related plants

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Sales - production - prices

In 2006, sales of petrochemical products (5,276 ktonnes) decreased by 100 ktonnes from 2005, down 1.9%. Main declines concerned: (i) basic petrochemicals (down 4.6%), due to lower product availability as a consequence of the outage of the Priolo cracker due to an accident occurred at the nearby refinery; (ii) elastomers (down 2.3%), due to a slow recovery of the Ferrara and Ravenna plant performance after maintenance activities carried out in the first half of the year; (iii) intermediates (down 10.4%), due to a weak demand. These negatives were offset in part by increased sales of polyethylene (up 3.2%) and aromatics (in particular, xylenes up 4.8%) reflecting good market conditions.

Production (7,072 ktonnes) declined by 209 ktonnes from 2005, down 2.9%, in particular in elastomers, polyethylene and basic petrochemicals, where lower production due to the standstill of the Priolo cracker was offset in part by higher production at the Porto Marghera, Sarroch and Dunkerque plants. Styrene

production also increased reflecting poor performance in 2005 affected by plant outages and technical issues. Nominal production capacity was in line with 2005. Rising nominal capacity in a few crackers was offset in part by the outage of the Priolo cracker and related plants. Average plant utilization rate calculated on nominal capacity declined by 2 percentage points from 78.4% to 76.4%, mainly due to lower production volumes.

Approximately 35.2% of total production was directed to Eni's own productions cycle (35.8% in 2005). Oil-based feedstock supplied by Eni's Refining & Marketing Division covered 10% of requirements (23% in 2005).

Prices of Eni's main petrochemical products increased on average by 12%; all business areas posted increases. The most relevant increases were registered in: (i) olefins (up 16.5%), in particular ethylene and propylene; (ii) aromatics (up 19.6%), in particular xylenes; (iii) polyethylene (up 12%) with increases in all products; (iv) styrenes (up 8.2%), in particular styrene and polystyrenes; (v) elastomers (up 4.2%), in particular BR and TPR rubbers.

Product availability	(ktonnes)	2004	2005	2006	Change	% Ch.
Basic petrochemicals		4,236	4,450	4,275	(175)	(3.9)
Styrene and elastomers		1,606	1,523	1,545	22	1.4
Polyethylene		1,276	1,309	1,252	(57)	(4.4)
Production		7,118	7,282	7,072	(210)	(2.9)
Consumption of monomers		(2,616)	(2,606)	(2,488)	118	(4.5)
Purchases and change in inventories		685	700	692	(8)	(1.1)
		5,187	5,376	5,276	(100)	(1.9)

Sales	(ktonnes)	2004	2005	2006	Change	% Ch.
Basic petrochemicals		2,766	3,022	2,882	(140)	(4.6)
Styrene and elastomers		1,038	1,003	1,000	(3)	(0.3)
Polyethylene		1,383	1,351	1,394	43	3.2
		5,187	5,376	5,276	(100)	(1.9)

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Business areas**Basic petrochemicals**

Sales of basic petrochemicals of 2,882 ktonnes declined by 256 ktonnes from 2005, down 4.6%, mainly due to the outage of the Priolo cracker. Declines were registered in olefins (down 1.5%), intermediates (down 10.4%) and benzene (down 23%). Increasing sales in xylene (up 4.8%) and ethylene (up 3.2%) reflected higher product availability at other plants.

Basic petrochemical production (4,275 ktonnes) decreased by 175 ktonnes, down 3.9%. Lower production resulting from the Priolo cracker outage was offset in part by higher production at the Porto Marghera and Dunkerque.

Styrene and elastomers

Styrene sales (587 ktonnes) were slightly higher from 2005 (up 1.1%). Increasing sales in styrene reflected higher production availability. Declines were registered in compact polystyrene (down 1.5%) due to a lack of feedstock owing to the outage of the Priolo cracker and in ABS/SAN due to the outage of the EniPower power station with a negative impact on the Mantova plant.

Elastomers sales (413 ktonnes) increased by 1.2% from 2005 excluding the impact of the shutdown of the Champagnier plant in the second half of 2005. Increases concerned all products, with the exception of BR rubbers (down 8%) due to a maintenance standstill of the Ravenna Neocis plant.

Styrene production (1,088 ktonnes) increased by 3.8% reflecting mainly technical issues and a maintenance standstill that occurred at the Mantova plant in 2005. Elastomer production (457 ktonnes) decreased by 1.3% excluding the impact of the shutdown of the Champagnier plant, due to a weak demand in BR (down 8.5%) and SBR (down 3.6%) rubbers. Production volumes of other rubbers increased in line with trends registered in demand.

Polyethylene

Polyethylene sales (1,394 ktonnes) were up 43 ktonnes or 3.2%, from 2005, reflecting positive market conditions for LLPDE (up 9.3%) and HPDE (up 1.5%). These increases were offset by a decline in EVA (down 3.7%) due to certain technical issues at the Oberhausen plant.

Production (1,252 ktonnes) declined by 57 ktonnes, or 4.4%, mainly due to the standstill of the Priolo cracker and related plants.

Capital expenditure

In 2006, capital expenditure (euro 99 million; euro 112 million in 2005) concerned efforts in upkeep (euro 32 million), improving plant efficiency and streamlining (euro 32 million), environmental protection, safety and environmental regulation compliance (euro 23 million) and extraordinary and periodic maintenance (euro 12 million).

Engineering & Construction

Key performance indicators		2004	2005	2006
	(million euro)			
Net sales from operations ^(a)		5,696	5,733	6,979
Operating profit		203	307	505
Adjusted operating profit		215	314	508
Adjusted net profit		252	328	400
Capital expenditure		186	349	591
ROACE adjusted	(%)	10.5	12.0	12.8
Orders acquired		5,784	8,395	11,172
Order backlog		8,521	10,122	13,191
Employees at year end	(units)	25,819	28,684	30,902

(a) Before elimination of intersegment sales.

Adjusted net profit was euro 400 million, up euro 72 million from a year ago or 22%, reflecting a better operating performance against the backdrop of favourable trends in the demand for oilfield services

Return on average capital employed calculated on an adjusted basis was 12.8% in 2006, up 12% from 2005

Orders acquired amounted to euro 11,172 million, up euro 2,777 million from 2005 (+33.1%), in particular in onshore activities

Order backlog was euro 13,191 million at December 31, 2006 (euro 10,122 million at December 31, 2005)

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Activity for the year

Among the main orders acquired in 2006 were:

- an EPC contract for Saudi Aramco for the construction of four trains for gas and crude separation with a total capacity of 1.2 mmbbl/d and production facilities within the development of the onshore Khursaniyah field in Saudi Arabia;
- a contract for the conversion of an oil tanker into an FPSO unit with production capacity of 1.8 mmbbl for the development of the Gimboa field in the deep offshore of Angola for Sonangol P&P;
- an EPIC contract for Burullus Gas Co for the construction of underwater systems for the development of eight new wells within the expansion plan of the Scarab/Saffron and Simian fields offshore the Nile Delta;

- a 16-month long contract for the use of the semisubmersible drilling platform Scarabeo 7 in Nigeria for ExxonMobil.

Orders acquired amounted to euro 11,172 million, of these projects to be carried out outside Italy represented 91%, while orders from Eni companies amounted to 24% of the total. Eni's order backlog was euro 13,191 million at December 31, 2006 (euro 10,122 million at December 31, 2005). Projects to be carried out outside Italy represented 90% of the total order backlog, while orders from Eni companies amounted to 20% of the total.

In February 2007, a contract for the construction of a new pipelayer has been signed. The unit, with a carrying capacity of 25 ktonnes and a lifting capacity of 600 tonnes by means of a crane, will be manufactured in China.

	(million euro)	2005	Full year 2006	Change	% Ch.
Orders acquired ^(a)		8,395	11,172	2,777	33.1
Offshore construction		3,096	3,681	585	18.9
Onshore construction		4,720	4,923	203	4.3
Offshore drilling		367	2,230	1,863	..
Onshore drilling		212	338	126	59.4
of which:					
- Eni		887	2,692	1,805	..
- Third parties		7,508	8,480	972	12.9
of which:					
- Italy		858	1,050	192	22.4
- Outside Italy		7,537	10,122	2,585	34.3

	(million euro)	Dec. 31, 2005	Dec. 31, 2006	Change	% Ch.
Order backlog ^(a)		10,122	13,191	3,069	30.3
Offshore construction		3,721	4,283	562	15.1
Onshore construction		5,721	6,285	564	9.9
Offshore drilling		382	2,247	1,865	..
Onshore drilling		298	376	78	26.2

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of which:

- Eni	695	2,602	1,907	..
- Third parties	9,427	10,589	1,162	12.3

of which:

- Italy	1,209	1,280	71	5.9
- Outside Italy	8,913	11,911	2,998	33.6

(a) Includes the Bonny project for euro 28 million in orders acquired and euro 101 million in order backlog.

Capital expenditure

In 2006, capital expenditure in the Engineering & Construction segment (euro 591 million) concerned: (i) the conversion of the Margaux tanker ship into an FPSO vessel that will operate in Brazil on the Golfinho 1 field; (ii) maintenance and upgrading of equipment; (iii) fabrication and installation of facilities in the offshore phase of the Kashagan project in Kazakhstan.

CEPAV Uno and CEPAV Due

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

With regard to the project for the construction of the line from Milan to Bologna, an Addendum to the contract between CEPAV Uno and TAV was signed on June 27, 2003, redefining certain terms and conditions of the contract. Subsequently, the CEPAV Uno consortium requested a time extension for the completion of works and an additional payment amounting to euro 800 million. CEPAV Uno and TAV failed to solve this dispute amicably,

and on April 27, 2006, CEPAV Uno notified TAV a request for arbitration as provided for under terms of the contract. At the end of 2006, the CEPAV Uno consortium had completed works corresponding to 75% of the total contractual price.

With regard to the project for the construction of the tracks from Milan to Verona, in December 2004, CEPAV Due presented the final project, prepared in accordance with Law No. 443/2001 on the basis of the preliminary project approved by an Italian governmental authority (CIPE). As concerns the arbitration procedure requested by CEPAV Due against TAV for the recognition of damage related to TAV's belated completion of its tasks, in January 2007, the arbitration committee came to a partial decision in support of CEPAV Due confirming the recovery of higher incurred costs for design activities.

A technical survey is underway to establish a final evaluation of the compensation as requested by the arbitration committee.

A law decree revoking the framework contract for the construction of the Milan-Verona line is due to be published. Rights of the Consortium to recover costs incurred up to date for design activities are expected to be preserved.

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	(million euro)	2005	2006	Change	% Ch.
Offshore construction		262	390	128	48.9
Onshore construction		20	53	33	165.0
Offshore drilling		46	101	55	119.6
Onshore drilling		13	36	23	176.9
Other		8	11	3	37.5
Capital expenditure		349	591	242	69.3

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Financial Review**Profit and Loss Account**

2004	(million euro)	2005	2006	Change	% Ch.
57,545	Net sales from operations	73,728	86,105	12,377	16.8
1,377	Other income and revenues	798	783	(15)	(1.9)
(41,592)	Operating expenses	(51,918)	(61,140)	(9,222)	(17.8)
5	<i>of which non recurring items</i>	(290)	(239)	51	
(4,931)	Depreciation, amortization and impairments	(5,781)	(6,421)	(640)	(11.1)
12,399	Operating profit	16,827	19,327	2,500	14.9
(156)	Net financial income (expense)	(366)	161	527	..
820	Net income from investments	914	903	(11)	(1.2)
13,063	Profit before income taxes	17,375	20,391	3,016	17.4
(5,522)	Income taxes	(8,128)	(10,568)	(2,440)	(30.0)
42.3	<i>Tax rate (%)</i>	46.8	51.8	5.0	
7,541	Net profit	9,247	9,823	576	6.2
	Pertaining to:				
7,059	- Eni	8,788	9,217	429	4.9
482	- minority interest	459	606	147	32.0

Eni's **net profit** for 2006 was a record euro 9,217 million, up euro 429 million compared to 2005, or 4.9%. This increase reflected a better operating performance (up euro 2,500 million, or 14.9%), partially offset by a higher Group tax rate, which rose from 46.8% to 51.8%. The increase in the Group tax rate was recorded mainly in the Exploration & Production division due to: (i) the Algerian windfall tax on upstream earnings effective as from August 1, 2006 (with an overall impact of euro 328 million, of which euro 149 million pertaining to taxation for

the period and euro 179 million pertaining to the deferred tax impact); (ii) an increase in the supplemental tax rate implemented by the British Government, applicable to profit before taxes earned by operations in the North Sea, effective as from January 1, 2006, affecting both current taxation and deferred tax liabilities (with an overall impact of euro 198 million of which euro 107 million, pertaining to taxation for the period and euro 91 million pertaining to the deferred tax impact).

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2004	(million euro)	2005	2006	Change	% Ch.
7,059	Eni's net profit	8,788	9,217	429	4.9
(281)	Exclusion of inventory holding (gains) losses	(759)	33	792	
(133)	Exclusion of special items:	1,222	1,162	(60)	
5	- non recurring items	290	239	(51)	
(138)	- other special items	932	923	(9)	
6,645	Eni's adjusted net profit^(a)	9,251	10,412	1,161	12.5

(a) For a definition and reconciliation of reported operating profit and reported net profit to adjusted results, which exclude inventory holding gains/losses and special items, see the paragraph "Reconciliation of reported operating profit and net profit to results on an adjusted basis" pages 66.

Eni's adjusted net profit for the year was up 12.5% to euro 10,412 million. Adjusted net profit is calculated by excluding an inventory holding loss of euro 33 million and special charges of euro 1,162 million (both amounts are net of the related fiscal effect).

Special charges for the year were principally related to asset impairments, impacting mainly assets in the Exploration & Production division, environmental provisions, redundancy incentives, risk provisions with respect to certain fines imposed by certain regulatory and antitrust authorities and a deferred tax charge, reflecting the windfall tax levied by the Algerian Government and the supplemental tax rate in the UK, as mentioned above.

The break-down of **adjusted net profit** by division¹ is shown in the table below:

2004	(million euro)	2005	2006	Change	% Ch.
4,033	Exploration & Production	6,186	7,279	1,093	17.7
2,290	Gas & Power	2,552	2,862	310	12.1
674	Refining & Marketing	945	629	(316)	(33.4)
242	Petrochemicals	227	174	(53)	(23.3)
252	Engineering & Construction	328	400	72	22.0
(241)	Other activities	(297)	(301)	(4)	(1.3)
(86)	Corporate and financial companies	(142)	54	196	..
(37)	Unrealized profit in inventory ^(a)	(89)	(79)	10	11.2
7,127		9,710	11,018	1,308	13.5
	<i>of which:</i>				
482	minority interest	459	606	147	32.0
6,645	Eni's adjusted net profit	9,251	10,412	1,161	12.5

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(a) Unrealized profit in inventory concerned intragroup sales of goods and services recorded in the assets of the purchasing division as of end of the period.

From January 1, 2006 Eni's subsidiaries operating in diversified sectors (such as real estate services, insurance and financing intermediation, R&D and training services) are reported in the aggregate Corporate and financing companies with the exception of Tecnomare which is reported in the Exploration & Production division (previously all these diversified activities were reported in the aggregate Other activities). The Other activities aggregate includes only Syndial SpA, a subsidiary which runs minor petrochemical activities and reclamation and decommissioning activities pertaining to certain businesses which Eni exited in past years. In order to allow for comparison, 2005 data has been reclassified accordingly; 2004 data has not been reclassified.

(1) For a definition and calculation method of adjusted net profit by division, see paragraph Reconciliation of reported operating profit and net profit to results on an adjusted basis page 66.

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The Group adjusted net profit for the year was supported by the increase reported in the:

- **Exploration & Production** division (up euro 1,093 million, or 17.7%), reflecting a better operating performance (up euro 2.860 million) as a result of higher realizations in dollars (oil up 22.4% and natural gas up 17.8%) combined with increased production volumes sold (up 10.2 mmbbl). These positives were offset in part by higher operating costs and amortization charges, and increased exploration expenses. Adjusted net profit for the year was also negatively affected by the effects of exchange rates and a higher tax rate (from 51.8 to 53.9%);
- **Gas & Power** division (up euro 310 million, or 12.1%), reflecting a better operating performance (up euro 351 million) resulting from higher natural gas selling margins due to a favorable trading environment and the reduced impact of the tariff regime implemented by the Authority for Electricity and Gas with Resolution No. 248/2004. Growth in natural gas sales by consolidated subsidiaries (up 3.14 bcm, or 3.8%) and in volumes transported outside Italy contributed positively. On a negative note, transport activities in Italy posted lower operating results due to the tariff regime enacted by the Authority for Electricity and Gas with Resolution No. 166/2005 and distribution activities suffered from lower volumes. Adjusted net profit for the year was supported by a better performance of certain equity-accounted entities;

- **Engineering & Construction** division (up euro 72 million or 22%), reflecting a better operating performance against the backdrop of favorable trends in the demand for oilfield services.

These increases were partly offset by lower adjusted net profit reported in the **Refining & Marketing** division (down euro 316 million, or 33.4%), due to a poor operating performance (down euro 424 million) dragged down by a weak refining environment, the appreciation of the euro over the dollar and the impact of a higher level of planned maintenance activity at refineries. Divisional results were also adversely impacted by the weaker performance of marketing activities in Italy due to lower sales as a consequence of the mild weather conditions of the fourth quarter.

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Analysis of profit and loss account items**Net sales from operations**

2004	(million euro)	2005	2006	Change	% Ch.
15,346	Exploration & Production	22,531	27,173	4,642	20.6
17,302	Gas & Power	22,969	28,368	5,399	23.5
26,089	Refining & Marketing	33,732	38,210	4,478	13.3
5,331	Petrochemicals	6,255	6,823	568	9.1
5,696	Engineering & Construction	5,733	6,979	1,246	21.7
1,279	Other activities	863	823	(40)	(4.6)
851	Corporate and financial companies	1,239	1,174	(65)	(5.2)
(14,349)	Consolidation adjustment	(19,594)	(23,445)	(3,851)	..
57,545		73,728	86,105	12,377	16.8

Eni's net **sales from operations** (revenues) for 2006 were euro 86,105 million, up euro 12,377 million from 2005, or 16.8%, primarily reflecting higher product prices in all of Eni's main operating segments, higher volumes sold of hydrocarbons and natural gas and higher activity levels in the Engineering & Construction division, offset in part by the negative impact of the appreciation of the euro versus the dollar (up 1%).

Revenues generated by the Exploration & Production division were euro 27,173 million, up euro 4,642 million, or 20.6%, primarily reflecting higher realizations in dollars (oil up 22.4%, natural gas up 17.8%) and higher oil and gas production sold (up 10.2 mmmboe). These positives were partially offset by the appreciation of the euro over the dollar.

Revenues generated by the Gas & Power division were euro 28,368 million, up euro 5,399 million, or 23.5%, primarily reflecting increased natural gas prices related in

particular to a favorable trading environment, higher natural gas volumes sold by consolidated subsidiaries (up 3.14 bcm, or 3.8%) and higher electricity production sold (up 2.05 TWh, or 9%).

Revenues generated by the Refining & Marketing division were euro 38,210 million, up euro 4,478 million, or 13.3%, primarily reflecting higher international prices for oil and refined products.

Revenues generated by the Petrochemical division were euro 6,823 million, up euro 568 million, or 9.1%, primarily reflecting an increase in average selling prices.

Revenues generated by the Engineering & Construction division were euro 6,979 million, up euro 1,246 million, or 21.7%, primarily reflecting higher activity levels in the Offshore and Onshore construction businesses and a higher utilization rate of vessels and higher tariffs in the Offshore Drilling area.

Other income and revenues

The analysis of Other income and revenues is shown in the table below:

2004	(million euro)	2005	2006	Change
407	Gains on divestments of tangible and intangible assets	71	100	29

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93	Income from rentals	102	98	(4)
43	Income from contractual obligations	114	61	(53)
87	Income from damage payments	89	40	(49)
61	Gains on commodity derivative financial contracts			
686	Other income (*)	422	484	62
1,377		798	783	(15)

(*) Each amount in this line item is less than euro 25 million.

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Operating expenses

2004	(million euro)	2005	2006	Change	% Ch.
38,347	Purchases, services and other	48,567	57,490	8,923	18.4
	of which:				
5	- non-recurring items	290	239	(51)	
298	- other special items	1,300	390	(910)	
3,245	Payroll and related costs	3,351	3,650	299	8.9
	of which:				
65	- provision for redundancy incentives	79	178	99	
41,592		51,918	61,140	9,222	17.8

Operating expenses for 2006 (euro 61,140 million) were up euro 9,222 million from 2005, or 17.8%, reflecting primarily: (i) higher prices for oil-based and petrochemical feedstocks and for natural gas, affected also by higher charges related to the climatic emergency of the first quarter of 2006; (ii) higher operating costs in the Exploration & Production division, in particular the increase in operating costs resulted from the higher share of development projects in hostile environments and reflected sector-specific inflation; (iii) higher costs for refinery maintenance. These negative factors were offset in part by the impact of the appreciation of the euro over the dollar.

Operating expenses include **non recurring charges** of euro 239 million in 2006 related essentially to a provision related to fines imposed by certain antitrust and regulatory authorities; in 2005 non-recurring charges of euro 290 million concerned a provision related to a fine levied by the Italian Antitrust Authority.

Other special charges included in operating costs in 2006 (euro 390 million) related to environmental provisions (euro 292 million), in particular in Syndial and in the Refining & Marketing division; in 2005 other special items of euro 1,300 million concerned essentially environmental provisions (euro 835 million) recorded in particular in Syndial and in the Refining & Marketing division, and provisions to the risk reserve (euro 379 million) related in particular to insurance charges deriving from the extra premium due for 2005 and for the next five years (assuming normal accident rates) related to the participation of Eni to Oil Insurance Ltd. These higher charges took account of the exceptionally high rate of accidents which occurred in the 2004-2005 two year period.

Labor costs (euro 3,650 million) were up euro 299 million, or 8.9%, reflecting primarily higher redundancy incentives (up euro 99 million), ordinary wage trends and higher average workforce outside Italy, in particular in the Engineering & Construction division, partly offset by a reduction in average workforce in Italy.

Depreciation, amortization and impairments

2004	(million euro)	2005	2006	Change	% Ch.
3,047	Exploration & Production	3,945	4,646	701	17.8
637	Gas & Power	684	687	3	0.4
465	Refining & Marketing	462	434	(28)	(6.1)
114	Petrochemical	118	124	6	5.1
184	Engineering & Construction	176	195	19	10.8

45	Other activities	16	6	(10)	(62.5)
106	Corporate and financial companies	112	70	(42)	(37.5)
	Unrealized profit in inventory	(4)	(9)	(5)	..
4,598	Total depreciation and amortization	5,509	6,153	644	11.7
333	Impairments	272	268	(4)	(1.5)
4,931		5,781	6,421	640	11.1

In 2006 **depreciation and amortization** charges (euro 6,153 million) were up euro 644 million, or 11.7%, from 2005 mainly in the Exploration & Production division (euro 701 million) reflecting primarily higher exploration expenditure and

increased development costs incurred for developing new fields and maintaining production levels in mature fields combined with the effects of higher production.

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Impairments (euro 268 million) concerned essentially mineral assets in the Exploration & Production division,

intangible assets in the Gas & Power division and tangible assets in the Petrochemical division.

Operating profit

2004	(million euro)	2005	2006	Change	% Ch.
12,399	Operating profit	16,827	19,327	2,500	14.9
(448)	Exclusion of inventory holding (gains) losses	(1,210)	88	1,298	
631	Exclusion of special items:	1,941	1,075	(866)	
	of which:				
5	- non-recurring items	290	239	(51)	
626	- other special items	1,651	836	(815)	
12,582	Adjusted operating profit	17,558	20,490	2,932	16.7
Break-down by division:					
8,202	Exploration & Production	12,903	15,763	2,860	22.2
3,448	Gas & Power	3,531	3,882	351	9.9
923	Refining & Marketing	1,214	790	(424)	(34.9)
263	Petrochemicals	261	219	(42)	(16.1)
215	Engineering & Construction	314	508	194	61.8
(223)	Other activities	(296)	(299)	(3)	(1.0)
(187)	Corporate and financial companies	(228)	(240)	(12)	(5.3)
(59)	Unrealized profit in inventory	(141)	(133)	8	..
12,582		17,558	20,490	2,932	16.7

Adjusted operating profit, excluding an inventory holding loss of euro 88 million and special charges of euro 1,075 million, amounted to euro 20,490 million, an increase of euro 2,932 million from 2005 (up 16.7%), related in particular to: (i) the Exploration & Production division (up euro 2,860 million, or 22.2%), reflecting higher realizations and higher production sold (up 10.2 mmboe, or 1.7%), partly offset by higher operating costs and amortization charges and increased exploration expenses; (ii) the Gas & Power division (up euro 351 million, or 9.9%) due to higher natural gas selling

margins, a softer impact of Resolution No. 248/2004 of the Authority for Electricity and Gas and higher sales of consolidated companies (up 3.14 bcm, or 3.8%); (iii) the Engineering & Construction division (up euro 194 million, or 61.8%) due to a positive performance against the backdrop of favorable oil services markets. These increases were offset in part by the decline of the Refining & Marketing division (down euro 424 million, or 34.9%) due to a negative refining trading environment and the impact of longer standstills of refineries due to planned maintenance.

Net financial income

	(million euro)	2005	2006	Change
Income (expense) on derivatives		(386)	383	769
Exchange differences, net		169	(152)	(321)

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Net interest due to banks	60	194	134
Financial expense on short and long-term debt	(420)	(462)	(42)
Financial expense due to the passage of time	(109)	(116)	(7)
Other financial income and expense, net	161	198	37
	(525)	45	570
Financial expense capitalized	159	116	(43)
	(366)	161	527

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2006 **net financial income** (euro 161 billion) was up euro 527 million from 2005 when net financial charges of euro 366 were recorded. The increase reflected: (i) the positive change in the fair value evaluation of financial derivative instruments recorded in the profit and loss account instead of being recognized in connection with related assets, liabilities and commitments because

Eni's financial derivative instruments do not meet the formal criteria to be assessed as hedging instruments under IFRS; (ii) higher interest income deriving from a higher average availability of cash and cash equivalents offset in part by the impact of higher interest rates on dollar loans (Libor up 1.7 percentage points) and on euro loans (Euribor up 0.9 percentage points).

Net income from investments

The table below sets forth 2006 break-down of net income from investments by division:

(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	Group
Effect of the application of the equity method of accounting	28	509	194	66	795
Dividends	68	3	26		98
Net gains on disposal	(6)	21			18
Other income (losses) from investments	(5)	(7)			(8)
	85	526	220	66	903

Net income from investments in 2006 were euro 903 million and concerned primarily: (i) Eni's share of income of affiliates accounted for with the equity method (euro 795 million), in particular affiliates in the Gas & Power and Refining & Marketing divisions. The effects of the equity method of accounting include the gain

(euro 73 million net to Eni) recorded by Galp Energia SGPS SA on the sale of regulated assets in the natural gas business to Rede Eléctrica Nacional, classified as special; (ii) dividends received by affiliates accounted for at cost (euro 98 million, of which euro 57 million related to Nigeria LNG); (iii) net gains on disposal (euro 18 million).

The comparison with 2005 data is shown in the table below:

2004	(million euro)	2005	2006	Change
332	Effect of the application of the equity method of accounting	737	795	58
72	Dividends	33	98	65
129	Net gains on disposal	171	18	(153)
287	Other income (losses) from investments	(27)	(8)	19
820		914	903	(11)

The euro 11 million decrease in net income from investments from 2005 was due essentially to lower

results of operations of affiliates in the Gas & Power division, in particular Unión Fenosa Gas SA and Blue

gains related in particular to the recording in 2005 of the gain on the sale of Italiana Petroli SpA (euro 132 million), whose effects were offset in part by improved

Stream Pipeline Co BV and higher dividends distributed by Nigeria LNG.

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Income taxes

	(million euro)	2005	2006	Change
Profit before income taxes				
Italy		5,779	5,566	(213)
Outside Italy		11,596	14,825	3,229
		17,375	20,391	3,016
Income taxes				
Italy		2,206	2,237	31
Outside Italy		5,922	8,331	2,409
		8,128	10,568	2,440
Tax rate (%)				
Italy		38.2	40.2	2.0
Outside Italy		51.1	56.2	5.1
		46.8	51.8	5.0

Income taxes were euro 10,568 million, up euro 2,440 million from 2005 and reflected primarily higher income before taxes (euro 3,016 million). The 5 percentage point increase in statutory tax rate (from 46.8 to 51.8%) related mainly to: (i) the introduction of a windfall tax on upstream earnings in Algeria effective as from August 1, 2006 (with an overall impact of euro 328 million, of which euro 149 million pertaining to taxation for the period and euro 179 million pertaining to the deferred tax impact); (ii) an increase in the supplemental tax rate implemented by the British Government, applicable to profit before taxes earned by operations in the North Sea, effective as from the

beginning of the year, affecting both current taxation and deferred tax (with an overall impact of euro 198 million, of which euro 107 million pertaining to taxation for the period and euro 91 million pertaining to the deferred tax impact); (iii) provisions for the settlement of a tax claim in Venezuela. Adjusted tax rate, which is calculated by excluding special charges, was 48.7% (46% in 2005).

Minority interest

Minority interest were euro 606 million and concerned primarily Snam Rete Gas SpA (euro 287 million) and Saipem (euro 311 million).

Divisional performance**Exploration & Production**

2004	(million euro)	2005	2006	Change	% Ch.
8,185	Operating profit	12,592	15,580	2,988	23.7
17	Exclusion of special items:	311	183	(128)	
287	- <i>asset impairments</i>	247	231	(16)	
(320)	- <i>gains on disposal of assets</i>		(61)	(61)	
2	- <i>provision for redundancy incentives</i>	7	13	6	
29	- <i>provision to the reserve for contingencies</i>	57		(57)	
19	- <i>other</i>				

8,202	Adjusted operating profit	12,903	15,763	2,860	22.2
(85)	Net financial expense ^(a)	(80)	(59)	21	
9	Net income from investments ^(a)	10	85	75	
(4,093)	Income taxes ^(a)	(6,647)	(8,510)	(1,863)	
50.4	Tax rate (%)	51.8	53.9	2.1	
4,033	Adjusted net profit	6,186	7,279	1,093	17.7
	Results also include:				
3,334	- amortizations and depreciations	4,101	4,776	675	16.5
563	- of which amortizations of exploration expenditure	618	1,075	457	73.9

(a) Excludes special items.

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The **adjusted operating profit** for the year was euro 15,763 million, up euro 2,860 million from one year ago, reflecting higher realizations in dollars (oil up 22.4%, natural gas up 17.8) combined with higher sold production volumes (up 10.2 mmboe or 1.7%).

This enhanced operating performance was partly offset by: (i) increased production costs and amortization charges related in particular to the higher cost of developing new fields and maintaining production levels at mature fields and sector specific inflation; (ii) an increased exploration expense; (iii) the effect of the appreciation of the euro over the dollar (approximately euro 155 million).

This enhanced operating performance was partly offset by an increase in the **adjusted tax rate** (up 2.1% from 51.8% to 53.9%), resulting in a euro 1.093 million increase (or 17.7%) in the adjusted net profit for the year.

Special charges excluded from the adjusted operating profit were euro 183 million and reflected mineral asset impairments offset in part by gains on the disposal of mineral assets. Special charges excluded from the adjusted net profit also include the deferred tax impact of the windfall tax in Algeria, the supplemental tax rate applicable to profit earned in the North Sea enacted by the British Government and a charge for the settlement of a taxation proceeding against a Venezuelan authority for a combined amount of euro 342 million.

Gas & Power

2004	(million euro)	2005	2006	Change	% Ch.
3,428	Operating profit	3,321	3,802	481	14.5
(12)	Exclusion of inventory holding (gains) losses	(127)	(67)	60	
32	Exclusion of special items	337	147	(190)	
5	<i>of which: non-recurring items</i>	290	55	(235)	
27	<i>Other special items</i>	47	92	45	
6	<i>- asset impairments</i>	1	51	50	
5	<i>- environmental provisions</i>	31	44	13	
10	<i>- provisions for redundancy incentives</i>	8	37	29	
18	<i>- provision to the reserve for contingencies</i>	6		(6)	
(12)	<i>- other</i>	1	(40)	(41)	
3,448	Adjusted operating profit	3,531	3,882	351	9.9
1,827	<i>Market and Distribution</i>	1,777	2,062	285	16.0
1,164	<i>Transport in Italy</i>	1,162	1,087	(75)	(6.5)
396	<i>Transport outside Italy</i>	448	579	131	29.2
61	<i>Power generation</i>	144	154	10	6.9
31	Net financial expense ^(a)	37	16	(21)	
215	Net income from investments ^(a)	370	489	119	
(1,404)	Income taxes ^(a)	(1,386)	(1,525)	(139)	
38.0	<i>Tax rate (%)</i>	35.2	34.8	(0.4)	
2,290	Adjusted net profit	2,552	2,862	310	12.1

(a) Excludes special items.

The **adjusted operating profit** of the Gas & Power division rose by euro 351 million or 9.9% to euro 3,882

bcm, or 3.8%), in volumes transported outside Italy due to the coming on line of volumes transported through the

million, primarily reflecting: (i) higher selling margins on natural gas against the backdrop of a favorable trading environment; (ii) a lower impact of the tariff regime implemented by the Authority for Electricity and Gas with Resolution No. 248/2004; (iii) a growth in natural gas sales by consolidated subsidiaries (up 3.14

Greenstream gasline from Libya, and in electricity production sold (up 2.05 TWh, or 9%). These positives were partly offset by a lower operating result from transportation activities in Italy due to the tariff regime enacted by the Authority for Electricity and Gas with Resolution No. 166/2005 and a lower operating result

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from distribution activities due to lower volumes. In addition, higher purchase costs were incurred in the first quarter of the year, owing to a climatic emergency. Full year **adjusted net profit** of euro 2,862 million increased by euro 310 million from 2005 (up 12.1%) and also benefited from the improved performance of certain equity-accounted entities.

Special charges for the full year recorded in the operating profit (euro 147 million) included certain non recurring

charges pertaining to fines imposed by the Authority for Electricity and Gas, and impairments of certain intangible assets, environmental charges and provisions for redundancy incentives. Special charges excluded from the adjusted net profit also include Eni's share of a gain recorded by the equity-accounted Galp on the sale of certain regulated gas assets.

Refining & Marketing

2004	(million euro)	2005	2006	Change	% Ch.
1,080	Operating profit	1,857	319	(1,538)	(82.8)
(393)	Exclusion of inventory holding (gains) losses	(1,064)	215	1,279	
236	Exclusion of special items	421	256	(165)	
	<i>of which: non-recurring items</i>		109	109	
236	<i>Other special items</i>	421	147	(274)	
21	- impairments	5	14	9	
142	- environmental charges	337	111	(226)	
20	- provision for redundancy incentives	22	47	25	
77	- provision to the reserve for contingencies	39	8	(31)	
	- increase insurance charges	30		(30)	
(24)	- other	(12)	(33)	(21)	
923	Adjusted operating profit	1,214	790	(424)	(34.9)
5	Net financial expense ^(a)				
96	Net income from investments ^(a)	231	184	(47)	
(350)	Income taxes ^(a)	(500)	(345)	155	
34.2	Tax rate (%)	35.6	35.4	0.8	
674	Adjusted net profit	945	629	(316)	(33.4)

(a) Excludes special items.

The **adjusted operating profit** for 2006 was euro 790 million, down euro 424 million, or 34.9%, from 2005 reflecting primarily: (i) lower realized refining margins reflecting the unfavorable trading environment and the appreciation of the euro versus the dollar, combined with the impact of longer refinery standstills due to planned maintenance partly offset by the higher profitability of processed crudes; (ii) a decline in the operating performance of Italian marketing activities due to lower volumes sold which were negatively

divestment of Italiana Petroli carried out in September 2005. On the positive side, marketing activities in the rest of Europe performed well as a result of higher retail margins and higher volumes sold.

The **adjusted net profit** for 2006 was euro 629 million, down euro 316 million, or 33.4%, from 2005, reflecting primarily a decrease in operating profit.

Special charges excluded from the adjusted operating profit were euro 256 million, reflecting primarily the impact of a non-recurring charge related to a fine

affected by the mild weather conditions registered in the fourth quarter and the

imposed by the Italian Antitrust Authority, and environmental provisions and provisions for redundancy incentives.

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Petrochemical

2004	(million euro)	2005	2006	Change	% Ch.
320	Operating profit	202	172	(30)	(14.9)
(43)	Exclusion of inventory holding (gains) losses	(19)	(60)	(41)	
(14)	Exclusion of special items	78	107	29	
	<i>of which: non-recurring items</i>		13	13	
(14)	<i>Other special items</i>	78	94	16	
3	<i>- impairments</i>	29	50	21	
6	<i>- provision for redundancy incentives</i>	4	19	15	
3	<i>- provision to the reserve for contingencies</i>	36	31	(5)	
	<i>- increase insurance charges</i>	17		(17)	
(26)	<i>- other</i>	(8)	(6)	2	
263	Adjusted operating profit	261	219	(42)	(16.1)
2	Net income from investments ^(a)	3	2	(1)	
(23)	Income taxes ^(a)	(37)	(47)	(10)	
242	Adjusted net profit	227	174	(53)	(23.3)

(a) Excludes special items.

Adjusted operating profit was euro 219 million, down euro 42 million, or 16.1%, from a year ago, due to lower selling margins on products recorded in the first half of the year. This decline affected all businesses with the exception of polyethylene, owing to increases in the cost of oil-based feedstocks not transferred to selling prices. Results for the year were also negatively impacted by the accident occurred at the Priolo refinery in April resulting in lower

product availability. These negative factors were offset in part by the positive effect of Eni's sales mix along with an improved industrial and commercial performance.

Special charges excluded from the adjusted operating profit were euro 107 million, reflecting primarily asset impairments, the impact of a non-recurring charge related to a fine imposed by an European antitrust authority, and provisions for risks and redundancy incentives.

Engineering & Construction

2004	(million euro)	2005	2006	Change	% Ch.
203	Operating profit	307	505	198	64.5
12	Exclusion of special items:	7	3	(4)	
10	<i>- provision for redundancy incentives</i>	3	2	(1)	
	<i>- impairments</i>	4	1	(3)	
1	<i>- provision to the reserve for contingencies</i>				
1	<i>- other</i>				
215	Adjusted operating profit	314	508	194	61.8
118	Net income from investments ^(a)	141	66	(75)	

(81) Income taxes ^(a)	(127)	(174)	(47)	
252 Adjusted net profit	328	400	72	22.0

(a) Excludes special items.

Adjusted operating profit for 2006 was euro 508 million, up euro 194 million (up 61.8%) from 2005. This increase was recorded in particular in the following areas: (i) Offshore, due to higher activity in the Caspian region and Nigeria; (ii) Offshore Drilling, due to higher tariffs for the Scarabeo 3 and Scarabeo 5 semi-submersible platforms and higher activity levels

of the Perro Negro 5 jack-up and Scarabeo 4 semi-submersible platform; (iii) Onshore due to higher activity related essentially to the start-up of some large projects acquired in 2005.

Adjusted net profit of euro 400 million increased by euro 72 million from 2005 (up 22%) due to an enhanced operating performance, offset in part by losses of affiliates.

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Other activities

2004	(million euro)	2005	2006	Change	% Ch.
(395)	Operating profit	(934)	(622)	312	33.4
172	Exclusion of special items	638	323	(315)	
	<i>of which: non-recurring items</i>		62	62	
172	<i>Other special items</i>	638	261	(377)	
84	- environmental charges	413	126	(287)	
15	- provision to the reserve for contingencies	130	75	(55)	
19	- impairments	75	22	(53)	
6	- provision for redundancy incentives	6	17	11	
48	- other	14	21	7	
(223)	Adjusted operating profit	(296)	(299)	(3)	(1.0)
	Net financial expense ^(a)		(7)	(7)	
4	Net income from investments ^(a)	(1)	5	6	
(22)	Income taxes ^(a)				
(241)	Adjusted net profit	(297)	(301)	(4)	(1.3)

(a) Excludes special items.

In 2006 Syndial reported an **adjusted operating loss** of euro 299 million, in line with the previous year.

Special charges excluded from the adjusted operating profit totalled euro 323 million (euro 638 million in 2005),

reflecting primarily environmental charges and provisions for risks, and the impact of a non-recurring charge related to a fine imposed by the European antitrust authority.

Corporate and financial companies

2004	(million euro)	2005	2006	Change	% Ch.
(363)	Operating profit	(377)	(296)	81	21.5
176	Exclusion of special items:	149	56	(93)	
11	- provision for redundancy incentives	29	43	14	
91	- provision to the reserve for contingencies	64	11	(53)	
72	- environmental charges	54		(54)	
	- impairments	2		(2)	
2	- other		2		
(187)	Adjusted operating profit	(228)	(240)	(12)	(5.3)
(107)	Net financial expense ^(a)	(296)	205	501	
(14)	Net income from investments ^(a)	23		(23)	
222	Income taxes ^(a)	359	89	(270)	
(86)	Adjusted net profit	(142)	54	196	..

(a) Excludes special items.

The aggregate Corporate and financial companies reported an **adjusted operating loss** of euro 240 million (euro 228 million in 2005) which excludes special charges of euro 56 million (euro 149 million in 2005) related mainly to provision for redundancy incentives.

Adjusted net profit of euro 54 million increased by euro 196 million from 2005 due to a better financing performance reflecting the positive change in the fair value evaluation of financial derivative instruments and higher interest income deriving from a higher average availability of cash and cash equivalents.

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NON-GAAP Measures

Reconciliation of reported operating profit and net profit to results on an adjusted basis

Management evaluates Group and business performance on the basis of adjusted operating profit and adjusted net profit, which are arrived at by excluding inventory holding gains or losses and special items. Further, finance charges on finance debt, interest income, charges or income deriving from the fair value evaluation of derivative financial instruments held for trading purposes, and exchange rate differences are excluded when determining adjusted net profit of each business segment.

Taxation effect of such items excluded from adjusted net profit is determined based on the specific rate of taxes applicable to each item, with the exception of finance charges or income, to which the Italian statutory tax rate of 33% is applied.

Adjusted operating profit and adjusted net profit are non-GAAP financial measures under either IFRS, or U.S. GAAP. Management includes them to facilitate comparison of base business performance across periods and allow financial analysts to evaluate Eni's trading performance on the basis of their forecasting models. In addition, management uses segmental adjusted net profit when calculating return on average capital employed (ROACE) by each business segment.

The following is a description of items which are excluded from the calculation of adjusted results.

Inventory holding gain or loss is the difference between the cost of sales of the volumes sold in the period based on the cost of supplies of the same period and the cost of sales of the volumes sold in the period calculated using the weighted-average cost method of inventory accounting.

Special items include certain relevant income or charges pertaining to either: (i) infrequent or unusual events and transactions, being identified as non-recurring items under such circumstances; or (ii) certain events or transactions which are not considered to be representative of the ordinary course of business, as in the case of environmental provisions, restructuring charges, asset impairments or write ups and gains or losses on divestments even though they occurred in past exercises or are likely to occur in future ones. As provided for in Decision No. 15519 of July 27, 2006 of the Italian market regulator (CONSOB), non recurring material income or charges are to be clearly reported in the management's discussion and financial tables.

Finance charges or income related to net borrowings excluded from the adjusted net profit of business segments are comprised of interest charges on finance debt and interest income earned on cash and cash equivalents not related to operations. In addition the effect of the fair value evaluation of derivative financial instruments held for trading purposes and exchange rate differences are excluded from the adjusted net profit of business segments. Therefore, the adjusted net profit of business segments includes finance charges or income deriving from certain segment-operated assets, *i.e.*, interest income on certain receivable financing and securities related to operations and finance charges pertaining to the accretion of certain provisions recorded on a discounted basis (as in the case of asset retirement obligations in the Exploration and Production division).

Finance charges or interest income and related taxation effects, excluded from the adjusted net profit of the business segments are allocated on the aggregate Corporate and financial companies.

For a reconciliation of adjusted operating profit and adjusted net profit to reported operating profit and net profit see tables below.

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2006

(million euro)

	E&P	G&P	R&M	Petrochemical	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit	15,580	3,802	319	172	505	(622)	(296)	(133)	19,327
Exclusion of inventory holding (gains) losses			(67)	215	(60)				88
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges			55	109	13	62			239
Other special charges:	183	92	147	94	3	261	56		836
environmental charges			44	111		126	11		292
asset impairments	231	51	14	50	1	22			369
gains on disposal of assets	(61)								(61)
provisions to the reserve for contingencies				8	31	75			114
provision for redundancy incentives	13	37	47	19	2	17	43		178
other		(40)	(33)	(6)		21	2		(56)
Special items of operating profit	183	147	256	107	3	323	56		1,075
Adjusted operating profit	15,763	3,882	790	219	508	(299)	(240)	(133)	20,490
Net financial (expense) income (*)	(59)	16				(7)	205		155
Net income from investments (*)	85	489	184	2	66	5			831
Income taxes (*)	(8,510)	(1,525)	(345)	(47)	(174)		89	54	(10,458)
<i>Tax rate (%)</i>	<i>53.9</i>	<i>34.8</i>	<i>35.4</i>						<i>48.7</i>
Adjusted net profit	7,279	2,862	629	174	400	(301)	54	(79)	11,018
<i>of which:</i>									
- net profit of minorities									606
- Eni s adjusted net profit									10,412
Eni s reported net profit									9,217
Exclusion of inventory holding (gains) losses									33
Exclusion of special items									1,162
<i>Non-recurring (income) charges</i>									239
<i>Other special charges</i>									923
Eni s adjusted net profit									10,412

(*) Excludes special items.

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2005

(million euro)

	E&P	G&P	R&M	Petrochemical	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group	
Reported operating profit	12,592		3,321	1,857	202	307	(934)	(377)	(141)	16,827
Exclusion of inventory holding (gains) losses			(127)	(1,064)	(19)					(1,210)
Exclusion of special items										
<i>of which:</i>										
Non-recurring (income) charges			290							290
Other special charges:	311	47	421	78	7	638	149			1,651
environmental charges			31	337		413	54			835
asset impairments	247	1	5	29	4	75	2			363
provisions to the reserve for contingencies				39	36	126				201
increase insurance charges	57	6	30	17		4	64			178
provision for redundancy incentives	7	8	22	4	3	6	29			79
other		1	(12)	(8)		14				(5)
Special items of operating profit	311	337	421	78	7	638	149			1,941
Adjusted operating profit	12,903	3,531	1,214	261	314	(296)	(228)	(141)		17,558
Net financial (expense) income (*)	(80)	37					(296)			(339)
Net income from investments (*)	10	370	231	3	141	(1)	23			777
Income taxes (*)	(6,647)	(1,386)	(500)	(37)	(127)		359	52		(8,286)
Tax rate (%)	51.8	35.2	34.6							46.0
Adjusted net profit	6,186	2,552	945	227	328	(297)	(142)	(89)		9,710
<i>of which:</i>										
- net profit of minorities										459
- Eni s adjusted net profit										9,251
Eni s reported net profit										8,788
Exclusion of inventory holding (gains) losses										(759)
Exclusion of special items										1,222
<i>Non-recurring (income) charges</i>										290
<i>Other special charges</i>										932
Eni s adjusted net profit										9,251

(*) Excludes special items.

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2004

(million euro)

	E&P	G&P	R&M	Petrochemical	E&C	Other activities	Corporate and financial companies	Unrealized profit in inventory	Group
Reported operating profit		8,185	3,428	1,080	320	203	(395)	(346)	(59) 12,399
Exclusion of inventory holding (gains) losses			(12)	(393)	(43)				(448)
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges			5						5
Other special charges:		17	27	236	(14)	12	172	176	626
environmental charges			5	142			84	72	303
asset impairments		287	6	21	3		19		336
gains on disposal of assets		(320)							(320)
provisions to the reserve for contingencies		29	18	77	3	1	15		143
increase insurance charges								91	91
provision for redundancy incentives		2	10	20	6	10	6	11	65
other		19	(12)	(24)	(26)	1	48	2	8
Special items of operating profit		17	32	236	(14)	12	172	176	631
Adjusted operating profit		8,202	3,448	923	263	215	(223)	(187)	(59) 12,582
Net financial (expense) income ^(*)		(85)	31	5				(107)	(156)
Net income from investments ^(*)		9	215	96	2	118	4	(14)	430
Income taxes ^(*)		4,093	(1,404)	(350)	(23)	(81)	(22)	222	22 (5,729)
Tax rate (%)		50.4	38.0	34.2					44.6
Adjusted net profit		4,033	2,290	674	242	252	(241)	(88)	(37) 7,127
<i>of which:</i>									
- net profit of minorities									482
- Eni s adjusted net profit									6,645
Eni s reported net profit									7,059
Exclusion of inventory holding (gains) losses									(281)
Exclusion of special items									(133)
<i>Non-recurring (income) charges</i>									5
<i>Other special charges</i>									(138)
Eni s adjusted net profit									6,645

(*) Excludes special items.

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Analysis of special items

2004	(million euro)	2005	2006	Change
5	Non-recurring (income) charges	290	239	(51)
626	Other special charges:	1,651	836	(815)
303	environmental charges	835	292	(543)
336	asset impairments	363	369	6
(320)	gains on disposal of assets		(61)	(61)
234	provisions to the reserve for contingencies	379	114	(265)
	of which:			
91	increase insurance charges	178		(178)
65	provisions for redundancy incentives	79	178	99
8	other	(5)	(56)	(51)
631	Special items of operating profit	1,941	1,075	(866)
	Net financial (expense) income	27	(6)	(33)
(390)	Net income from investments	(137)	(72)	65
	of which:			
	gain on the disposal of Italiana Petroli (IP)	(132)		132
	gain on Galp Energia SGPS SA (disposal assets Rede Electrica National)		(73)	(73)
(308)	gain on the disposal of shares of Snam Rete Gas SpA			
(374)	Income taxes	(609)	165	774
	of which:			
	supplemental tax rate UK		91	91
	windfall tax Algeria		179	179
	legal proceeding in Venezuela		77	77
(133)	Total special items of net profit	1,222	1,162	(60)

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Summarized Group Balance Sheet

Summarized group balance sheet aggregates the amount of assets and liabilities derived from the statutory balance sheet in accordance with functional criteria which consider the enterprise conventionally divided into the three fundamental areas focusing on resource investments, operations and financing. Management believes that this summarized group balance sheet is useful information in assisting investors

to assess Eni's capital structure and to analyze its sources of funds and investments in fixed assets and working capital. Management uses the summarized group balance sheet to calculate key ratios such as return on capital employed (ROACE) and the proportion of net borrowings to shareholders' equity (leverage) intended to evaluate whether Eni's financing structure is sound and well-balanced.

Summarized Group Balance Sheet ^(a)

(million euro)	Dec. 31, 2005	Sep. 30, 2006	Dec. 31, 2006	Change vs Dec. 31, 2005	Change vs Sep. 30, 2006
Fixed assets					
Property, plant and equipment, net	45,013	43,408	44,312	(701)	904
Other tangible assets		656	629	629	(27)
Inventories - compulsory stock	2,194	1,962	1,827	(367)	(135)
Intangible assets, net	3,194	3,285	3,753	559	468
Investments, net	4,311	4,234	4,246	(65)	12
Accounts receivable financing and securities related to operations	775	640	557	(218)	(83)
Net accounts payable in relation to capital expenditure	(1,196)	(912)	(1,090)	106	(178)
	54,291	53,273	54,234	(57)	961
Net working capital					
Inventories	3,563	4,440	4,752	1,189	312
Trade accounts receivable	14,101	12,858	15,230	1,129	2,372
Trade accounts payable	(8,170)	(8,136)	(10,528)	(2,358)	(2,392)
Taxes payable and reserve for net deferred income tax liabilities	(4,857)	(6,867)	(5,396)	(539)	1,471
Reserve for contingencies	(7,679)	(7,741)	(8,614)	(935)	(873)
Other operating assets and liabilities ^(b)	(526)	(553)	(641)	(115)	(88)
	(3,568)	(5,999)	(5,197)	(1,629)	802
Employee termination indemnities and other benefits	(1,031)	(1,054)	(1,071)	(40)	(17)
Capital employed, net	49,692	46,220	47,966	(1,726)	1,746
Shareholders' equity including minority interests	39,217	42,370	41,199	1,982	(1,171)
Net borrowings	10,475	3,850	6,767	(3,708)	2,917
Total liabilities and shareholders' equity	49,692	46,220	47,966	(1,726)	1,746

(a) For a reconciliation to the statutory balance sheet see paragraph Reconciliation of Summarized Group Balance Sheet and Statement of Cash Flows to statutory schemes pages 77 and 78.

(b) Include operating financing receivables and securities related to operations for euro 249 million (euro 492 million and euro 261 million at December 31, 2005 and September 30, 2006, respectively) and securities covering technical reserves of Padana Assicurazioni SpA for euro 417 million (euro 453 million and euro 550 million at December 31, 2005 and September 30, 2006, respectively).

The appreciation of the euro over other currencies, in particular the dollar (at December 31, 2006 the EUR/USD exchange rate was 1.317 as compared to 1.180 at December 31, 2005, up 11.6%) determined with respect to year-end 2006, an estimated decrease in the book value of net capital employed of approximately euro 2,200 million, in net equity of approximately euro 1,550 million and in net borrowings of approximately euro 650 million as a result of currency conversions at December 31, 2006.

At December 31, 2006, **net capital employed** totaled euro 47,966 million, representing a decrease of euro 1,726 million from December 31, 2005.

Fixed assets (euro 54,234 million) are substantially in line with December 31, 2005 (euro 54,291 million). Provisions for depreciation, amortization and impairments (euro 6,421 million) and the effect of the appreciation of the euro over the dollar in the translation of financial statements of subsidiaries operating with currencies other than the euro (euro 2,200 million) offset capital expenditure for the

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period (euro 7,833 million). Property, plant and equipment (euro 44,312 million) were primarily related to the Exploration & Production (51.9%), Gas & Power (31.7%) and Refining & Marketing (8.6%) segments.

Provisions for depreciation, amortization and writedowns (euro 49,143 million) represented 52.6% of gross property, plant and equipment (50.4% at December 31, 2005).

Other assets included, for a book value of \$829 million (corresponding to euro 629 million at the year end EUR/USD exchange rate), the assets related to the service contract for mining activities in the Dación area of the Venezuelan branch of Eni's subsidiary Eni Dación BV.

With effective date April 1, 2006, the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) unilaterally terminated the Operating Service Agreement (OSA) governing activities at the Dación oil field where Eni acted as a contractor, holding a 100% working interest. As a consequence, starting on the same day, operations at the Dación oil field are conducted by PDVSA. Eni proposed to PDVSA to agree on terms in order to recover the fair value of its Dación assets. On November 2006, Eni commenced a proceeding before an International Centre for Settlement of Investment Disputes (ICSID) Tribunal (i.e. a tribunal acting under the auspices of the ICSID Convention and being competent pursuant to the Treaty) to claim its rights. In fact, a bilateral investments treaty is in place between the Netherlands and Venezuela (the Treaty), Despite this action, Eni is still ready to negotiate a solution with PDVSA to obtain a fair compensation for its assets. Based on the opinion of its legal consultants, Eni believes to be entitled to a compensation for such expropriation in an amount equal to the market value of the OSA before the expropriation took place. The market value of the OSA depends upon its expected profits. In accordance with established international practice, Eni has calculated the OSA's market value using the discounted cash flow method, based on Eni's interest in the expected future hydrocarbon production and associated capital

expenditures and operating costs, and applying to the projected cash flow a discount rate reflecting Eni's cost of capital as well as the specific risk of concerned activities. Independent evaluations carried out by a primary petroleum consulting firm fully support Eni's internal evaluation. The estimated net present value of Eni's interest in the Dación field, as calculated by Eni, is higher than the net book value of the Dación assets which consequently have not been impaired. In accordance with the ICSID Convention, a judgement by the ICSID Tribunal awarding compensation to Eni would be binding upon the parties and immediately enforceable as if it were a final judgement of a court of each of the States that have ratified the ICSID Convention. The ICSID Convention was ratified in 143 States. Accordingly, if Venezuela fails to comply with the award and to pay the compensation, Eni could take steps to enforce the award against commercial assets of the Venezuelan Government almost anywhere those may be located (subject to national law provisions on sovereign immunity).

At December 31, 2006, **net working capital** totaled euro 5,197 million, representing a decrease of euro 1,629 million from December 31, 2005 mainly due to: (i) an increase in taxes payable and the reserve for net deferred tax liabilities, reflecting primarily the recording of deferred tax liabilities for the period; (ii) an increase in the reserve for contingencies, due to the evaluation review of the site restoration and abandonment reserve (in particular in the Exploration & Production division), the risk provisions with respect to certain fines imposed by certain regulatory and antitrust authorities, environmental charges and provision for redundancy incentives. Commercial working capital (inventories and trade accounts receivable/payable) was substantially in line with the value recorded in 2005.

The share of the Exploration & Production, Gas & Power and Refining & Marketing divisions on net capital employed was 89.9% (90.9% at December 31, 2005).

Return On Average Capital Employed (ROACE)

Return on Average Capital Employed for the Group, on an adjusted basis is the return on Group average capital

capital invested is obtained by deducting inventory gains or losses as of in the period, rectified from the related

invested, calculated as the ratio between net adjusted profit before minority interests, plus net finance charges on net borrowings, less the related tax effect and net average capital employed. The tax rate applied on finance charges is the Italian statutory tax rate of 33%. The capital invested as of period-end used for the calculation of net average

tax effect. ROACE by business segment is determined as the ratio between adjusted net profit and net average capital invested pertaining to each business segment and rectifying the net capital invested as of period-end, from net inventory gains or losses (after applying the business segment specific tax rate).

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2006	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		7,279	2,862	629	11,018
Exclusion of after-tax finance expenses/interest income		-	-	-	46
Adjusted net profit unlevered		7,279	2,862	629	11,064
Capital employed, net:					
- at the beginning of period		20,206	18,978	5,993	49,692
- at the end of period		18,590	18,864	5,766	47,999
Average capital employed, net		19,398	18,921	5,880	48,846
ROACE (%)		37.5	15.1	10.7	22.7

2005	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		6,186	2,552	945	9,710
Exclusion of after-tax finance expenses/interest income		-	-	-	42
Adjusted net profit unlevered		6,186	2,552	945	9,752
Capital employed, net:					
- at the beginning of period		17,954	18,387	5,081	45,983
- at the end of period		20,206	18,898	5,326	48,933
Average capital employed, net		19,080	18,643	5,204	47,458
ROACE (%)		32.4	13.7	18.2	20.5

2004	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		4,033	2,290	674	7,127
Exclusion of after-tax finance expenses/interest income		-	-	-	115
Adjusted net profit unlevered		4,033	2,290	674	7,242
Capital employed, net:					
- at the beginning of period		17,635	18,017	5,536	45,240
- at the end of period		17,937	18,383	4,835	45,724
Average capital employed, net		17,786	18,200	5,186	45,482
ROACE (%)		22.7	12.6	13.0	15.9

Net borrowings and leverage

Leverage is a measure of a company's level of indebtedness, calculated as the ratio between net borrowings which is calculated by excluding cash and cash equivalents and certain very liquid assets from financial debt and shareholders' equity, including

Group balance sheet in terms of optimal mix between net borrowings and net equity, and to carry out benchmark analysis with industry standards. In the medium term, management plans to maintain a strong financial structure targeting a level of leverage up

minority interests. Management makes use of leverage to 0.40.
in order to assess the soundness and efficiency of the

(million euro)	Dec. 31, 2005	Sep. 30, 2006	Dec. 31, 2006	Change vs Dec. 31, 2005	Change vs Sep. 30, 2006
Debts and bonds	12,998	11,006	11,699	(1,299)	693
Cash and cash equivalents	(1,333)	(6,459)	(3,985)	(2,652)	2,474
Securities not related to operations	(931)	(418)	(552)	379	(134)
Non-operating financing receivables	(259)	(279)	(395)		