

ENI SPA
Form 6-K
April 04, 2008
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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 March 2008

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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Press Release dated March 14, 2008

Annual Report 2007 (not including the opinion of the external Auditors which will be made public within the terms set by the current legislation)

Notice of Annual General Meeting 2008

Report on the proposals of the Board of Directors to the Shareholders Meeting

Press Release dated March 27, 2008

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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: Corporate Secretary

Date: March 31, 2008

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ENI 2007 CONSOLIDATED FINANCIAL STATEMENTS

Net profit for the year confirmed at euro 10 billion

Proposed a dividend per share of euro 1.30

San Donato Milanese, March 14, 2008 - Eni's Board of Directors today approved Eni's 2007 consolidated financial statements, which reported net profit of euro 10,011 million¹ and draft financial statements of the parent company Eni SpA, which reported net profit of euro 6,600 million. The Board of Directors resolved to propose to the Annual Shareholders' Meeting the distribution of a dividend amounting to euro 1.30 per share (pay-out 47%). Taking account of an interim dividend of euro 0.60 per share paid in October 2007, a balance amounting to euro 0.70 per share (euro 1.40 per ADR³) will be paid on May 22, 2008 to all outstanding shares on the register at the ex-dividend date of May 19, 2008.

Eni's consolidated financial statements and the draft financial statements of the parent company were submitted to the Board of Statutory Auditors and to Eni's external auditors. Enclosed are the consolidated profit and loss account and balance sheet and the profit and loss account and balance sheet of the parent company.

The Board of Directors also approved Eni's 2007 Sustainability Report in which the Company illustrates its commitment to sustainable development in line with international best practice.

Convening of the Annual Shareholders' Meeting on April 22 and 29, 2008 to approve the 2007 financial statements

In addition to the approval of the 2007 financial statements of the parent company and of the dividend proposal, the Annual Shareholders' Meeting is convened on April 22 and 29, 2008, on first and second call respectively, to approve the following:

Financial statements of AgipFuel SpA and Praoil Oleodotti Italiani SpA: the Board of Directors proposes the approval of 2007 financial statements of these Eni subsidiaries that were merged into the parent company, effective January 1, 2008. Reported net profit, amounting to euro 900,816 and euro 14,818,016 respectively, is proposed to be attributed to retained earnings.

Share buy-back: the Board of Directors intends to propose the continuation of the share buy back program for a period of 18 months after the Shareholders' Meeting for a maximum amount of euro 7.4 billion, equating to 400 million shares or approximately 9.9866% of the issued share capital. Both limits will take account of treasury shares on the Shareholders' Meeting date.

From the inception of the share buy-back programme to March 13, 2008, Eni has repurchased a total of 369.7 million of its own shares, equal to 9.23% of issued share capital, for a total cost of euro 6,352 million (representing an average cost of euro 17.182 per share), equal to 85.8% of the maximum of euro 7.4 billion authorized by the Annual Shareholders' Meeting of May 24, 2007.

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- (1) Attributable to Eni shareholders. This result is the same as the preliminary results announced in February 2008; for details see Eni's Press Release of February 15, 2008.
- (2) As a consequence of new tax laws in force from January 1, 2004, dividends are not entitled to a tax credit and, depending on the receiver, are subject to a withdrawal tax on distribution or are partially cumulated to the receiver's taxable income.
- (3) On ADR payment date, JPMorgan Chase Bank, N.A. will pay the dividend less the entire amount of a withholding tax under Italian law (currently 27%) to all Depository Trust Company Participants, representing payment of Eni SpA's interim dividend.

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Convening of the Shareholders Meeting on June 9 and 10, 2008 for the renewal of the corporate bodies

The Board of Directors, with the majority of its members approving the resolution and with the consent of the Board of Statutory Auditors, convened the Shareholders Meeting on June 9 and 10, 2008, on first and second call respectively to appoint corporate bodies, proposing to set the number of Directors to be appointed by the Shareholders Meeting at nine.

Convening of the Noteholders Meeting

Eni's Board of Director also convened the Meeting of Noteholders of the Eni's bond Eni SpA - Euro Medium Term Notes Third Issuance on April 21, 22 and 28, 2008, on first, second and third call respectively to appoint the joint representative of the Noteholders, and to resolve on term and emolument of his/her office.

The report on Corporate Governance is available at Eni headquarter and on Eni's website, **www.eni.it**. This report provides information about the adoption of the corporate governance code endorsed by the Italian Stock Exchange authority (Borsa Italiana SpA) and adherence to relevant commitments.

Eni's 2007 Annual Report is available on Eni's website **www.eni.it**, in the section Publications, Reports.

The convening notice and the Board of Directors report on the proposals to the Shareholders Meeting convened on April 22, 2008 will be available on Eni's website **www.eni.it**, by March 21, 2008.

* * *

Financial statements and information herewith set forth are extracted from 2007 consolidated annual report and the parent company's financial statements (available only in the Italian version) which have been disseminated along with this press release. The 2007 consolidated annual report and Eni SpA financial statements include the certification rendered by management pursuant to Article 154-bis, paragraph 5 of Legislative Decree No. 58/1998, in accordance with the format set by the Italian market regulatory body (CONSOB).

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Eni

Società per Azioni, Rome, Piazzale Enrico Mattei, 1

Capital Stock: euro 4,005,358,876 fully paid

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* * *

This press release is 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 capitalization.

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Table of Contents**Eni consolidated profit and loss account**

(million euro)	2006	2007	Change	% Ch.
Net sales from operations	86,105	87,256	1,151	1.3
Other income and revenues	783	827	44	5.6
Operating expenses	(61,140)	(61,979)	(839)	(1.4)
<i>of which non recurring items</i>	(239)	(8)		
Depreciation, depletion, amortization and impairments	(6,421)	(7,236)	(815)	(12.7)
Operating profit	19,327	18,868	(459)	(2.4)
Finance income (expense)	161	(83)	(244)	..
Net income from investments	903	1,243	340	37.7
Profit before income taxes	20,391	20,028	(363)	(1.8)
Income taxes	(10,568)	(9,219)	1,349	12.8
Net profit	9,823	10,809	986	10.0
<i>attributable to:</i>				
- Eni	9,217	10,011	794	8.6
- Minority interest	606	798	192	31.7

Eni consolidated balance sheet

(million euro)	Dec. 31, 2006	Dec. 31, 2007	Change
Fixed assets			
Property, plant and equipment	44,312	50,137	5,825
Other assets	629	563	(66)
Inventories - compulsory stock	1,827	2,235	408
Intangible assets	3,753	4,333	580
Investments accounted for using the equity method and other investments	4,246	6,111	1,865
Financing receivables and securities related to operations	557	725	168
Net payables in relation to capital expenditures	(1,090)	(1,191)	(101)
	54,234	62,913	8,679
Net working capital			
Inventories	4,752	5,435	683
Trade receivables	15,230	15,609	379
Trade payable	(10,528)	(11,092)	(564)
Tax payable and provision for net deferred tax liabilities	(5,396)	(4,412)	984
Provisions	(8,614)	(8,486)	128
Other current assets and liabilities:			
<i>Equity instruments</i>		2,476	2,476
<i>Other</i>	(641)	(2,600)	(1,959)

	(5,197)	(3,070)	2,127
Provisions for employee benefits	(1,071)	(935)	136
Net assets held for sale including related net borrowings		286	286
CAPITAL EMPLOYED, NET	47,966	59,194	11,228
Shareholders' equity including minority interest	41,199	42,867	1,668
Net borrowings	6,767	16,327	9,560
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	47,966	59,194	11,228

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Table of Contents**Eni SpA ⁽⁴⁾ profit and loss account**

(million euro)	2006	2007	Change
Net sales from operations	52,985	47,810	(5,175)
Other income and revenues	255	168	(87)
Operating expenses	(49,264)	(43,656)	5,608
<i>of which non recurring items</i>	<i>(164)</i>	<i>21</i>	
Depreciation, depletion, amortization and impairments	(829)	(863)	(34)
Operating profit	3,147	3,459	312
Finance income (expense)	98	(1,387)	(1,485)
Net income from investments	3,785	4,953	1,168
Profit before income taxes	7,030	7,025	(5)
Income taxes	(1,164)	(425)	739
Net profit	5,866	6,600	734

Eni SpA balance sheet

(million euro)	Dec. 31, 2006	Dec. 31, 2007	Change
Fixed assets			
Property, plant and equipment	5,507	5,748	241
Compulsory stock	1,701	2,109	408
Intangible assets	948	1,019	71
Investments accounted for using the equity method and other investments	20,897	23,545	2,648
Financing receivables and securities related to operations	6,662	7,985	1,323
Net payables in relation to capital expenditures	(313)	(240)	73
	35,402	40,166	4,764
Net working capital	(128)	(667)	(539)
Provisions for employee benefits	(310)	(288)	22
CAPITAL EMPLOYED, NET	34,964	39,211	4,247
Shareholders' equity	26,935	28,926	1,991
Merger surplus	588		
Net borrowings	7,441	10,285	2,844
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	34,964	39,211	4,247

(4) Following the merger of the wholly-owned subsidiaries Enifin SpA and Eni Portugal Investment SpA into Eni SpA effective since January 1, 2006, 2006 results have been restated in order to allow a homogeneous comparison among periods. All amounts deriving from inter-company transactions involving Eni SpA and the mentioned subsidiaries have been eliminated.

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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, Czech Republic, Denmark, Faroe Islands, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom

CIS

Azerbaijan, Georgia, Kazakhstan, Russia, Turkmenistan

AFRICA

Algeria, Angola, Cameroon, Congo, Côte d'Ivoire, Egypt, Gabon, Libya, Mali, Morocco, Mozambique, Nigeria, Tunisia

MIDDLE EAST

Iran, Kuwait, Oman, Qatar, Saudi Arabia, the United Arab Emirates

CENTRAL ASIA

India, Pakistan

SOUTH EAST ASIA AND OCEANIA

Australia, China, East Timor, Indonesia, Malaysia, Papua-New Guinea, Singapore, Thailand

AMERICAS

Argentina, Brazil, Canada, Dominican Republic, Ecuador, Mexico, Peru, Trinidad & Tobago, the United States, Venezuela

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Ordinary Shareholders Meeting of April 22 and 29, 2008

This notice convening the meeting was published on the Gazzetta Ufficiale of the Republic of Italy No. 34, section II of March 20, 2008

This annual report includes the report of Eni's Board of Directors and Eni's consolidated financial statements for the year ended December 31, 2007, 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 means the parent company Eni SpA and its consolidated subsidiaries

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ENI ANNUAL REPORT 2007 / PROFILE OF THE YEAR

Results

Eni reported net profit of euro 10 billion for the full year 2007, up 8.6% from a year earlier. On an adjusted basis, net profit amounted to euro 9.5 billion, down 9%, driven by lower operating performance in the upstream and downstream oil businesses, partly offset by better results in the Engineering & Construction and Gas & Power divisions.

Dividend

Based on 2007 earnings and cash flow, coupled with a sound financial structure, a dividend of euro 1.30 per share will be distributed to shareholders (euro 1.25 per share in 2006, up 4%) confirming management commitment to return to shareholders a dividend flow among the most attractive in the industry. Included in this annual payment is euro 0.60 per share which was distributed as interim dividend in October 2007. The balance of euro 0.70 per share is payable on May 22, 2008 to shareholders on the register on May 19, 2008. Pay-out stands at 47%.

Oil and natural gas production

Oil and natural gas production for the year averaged 1.736 mmb/d, down by 1.9% compared with 2006.

Management plans to achieve strong production growth over the medium-term and leveraging on its portfolio of capital projects and the integration of acquired assets.

The company targets a production level of more than 2.05 million boe/d by 2011, with an yearly average growth rate of 4.5% under Eni's assumptions for Brent prices of 55 \$/barrel.

Proved oil and natural gas reserves

Estimated net proved reserves at December 31, 2007 amounted to 6.37 bboe determined under a Brent price of 96 \$/barrel. Eni's estimated proved reserves comprised 30% of proved reserves of the three equity accounted Russian gas companies purchased as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that it is probable that Gazprom will exercise a call option to acquire a 51% interest in these companies. The all sources reserve replacement ratio was 90% and the average reserve life index was 10 years. In the medium term Eni targets a reserve replacement ratio higher than 100% based on Eni's assumptions for Brent prices.

Natural gas sales

Natural gas sales were up approximately 0.9% to

Production performance was impacted by mature field declines, price impacts in certain PSAs, disruptions and unplanned events in Nigeria, the North Sea and Venezuela. Partially offsetting these effects was the benefit of the acquired assets in the Gulf of Mexico and Congo as well as the organic growth achieved in Libya, Egypt and Kazakhstan.

98.96 bcm driven by the organic growth achieved in international markets, partially offset by the lower European gas demand registered in the first quarter of 2007 due to unusually mild winter weather. In the

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ENI ANNUAL REPORT 2007 / PROFILE OF THE YEAR

medium term, Eni expects to target more than 110 bcm leveraging on international sales growth, which are planned to increase at a 9% yearly average growth rate in the four-year period 2008-2011.

Portfolio developments

In 2007, Eni executed a number of competitively-priced acquisitions of assets and investments and signed certain major deals in core areas.

Made important transactions to acquire oil and gas assets in the Gulf of Mexico and in Congo onshore with total expenditures amounting to euro 4.52 billion. In 2008 these assets are expected to produce approximately 100 kboe/d under Eni scenario.

As part of the strategic alliance with Gazprom, Eni in partnership with Enel (60% Eni, 40% Enel) was awarded a bid for the acquisition of Lot 2 of ex-Yukos assets including a 100% interest in the three companies OAO Arctic Gas Company, ZAO Urengoil Inc, OAO Neftegaztehnologia which are engaged in exploration and development of large predominantly gas reserves. Acquired assets allow Eni to access to 2.5 bboe of resources net to Eni according to a participating interest of 30%, considering that Gazprom retains a call option to purchase a 51% interest in those three gas companies. Through the same transaction Eni has also purchased 20% of OAO Gazprom Neft. The cash consideration for these transactions amounted to euro 3.73 billion net to Eni.

Announced in November 2007 the terms of recommended cash offer to acquire the entire issued share capital of the UK-based oil company Burren Energy plc. Total cash consideration is expected to amount to approximately euro 2.4 billion. Burren holds producing assets in Congo and Turkmenistan flowing at a rate of over 25 kboe/d and partners Eni in the Congolese assets that Eni bought from Maurel & Prom. The deal closed in January 2008.

Signed a major petroleum agreement with NOC, the Libyan National Oil Corporation. The agreement provides for the extension of the duration of Eni's

Acquired a 13.6% stake in Angola LNG Ltd Consortium responsible for the construction of an LNG plant. It will be designed with a capacity to process one bcf/d of natural gas and produce 5.2 mmt tonnes a year of LNG and related products.

Signed a framework agreement with Gazprom to build the South Stream pipeline system which is expected to import to Europe volumes of natural gas produced in Russia across the Black Sea.

Exploratory program

In 2007, Eni invested euro 1,659 million in executing its exploratory program, up 23% from 2006. Activity for the year led to the completion of 81 exploratory wells (43.5 net to Eni) with a commercial rate of success of 40% (38% net to Eni). A further 28 wells were in progress as of the year end. The main discoveries were achieved in Angola, Brazil, Congo, Egypt, Indonesia, Nigeria, Norway, Pakistan, the United Kingdom, the Gulf of Mexico and Alaska.

Eni's exploratory portfolio has been strengthened by acquiring new acreage in the Gulf of Mexico, onshore Congo and Alaska, in line with Eni's strategy of focusing on core areas. The new acquired acreage extends for 26,000 square kilometers (net to Eni, 95% operated).

Kazakhstan - Agreement for the development project of the Kashagan oilfield

On January 14, 2008, all parties to the North Caspian Sea Production Sharing Agreement (NCSPSA) consortium and the Kazakh authorities signed a memorandum of understanding to settle a dispute commenced in August 2007 regarding conditions and rights for developing and exploiting the Kashagan field. The agreement establishes a renewed economic equilibrium of the contract in consideration of changed market conditions and provides stability for the project execution which will continue to play a fundamental role in Eni's future.

Venezuela: Settlement of the dispute on the Dacion field and Orinoco project

On February 15, 2008 Eni and the Venezuelan

mineral rights in Libya and the launch of large projects aiming at monetizing substantial gas reserves and overhauling offshore exploration activities.

Signed a gas sale agreement between the Consortium conducting operations at the Karachaganak field (Eni is co-operator with a 32.5% stake) and KazRosGaz, a joint venture established by the Kazakh and Russian companies KazMunaiGaz and Gazprom. This agreement lays the foundations for the development of gas reserves of the field.

authorities reached a final settlement over the dispute regarding the expropriation of the Dación field. Under the terms of the settlement, Eni will receive a cash compensation in line with the carrying value of the expropriated asset.

On February 29, 2008 Eni and the Venezuelan State oil company PDVSA signed a strategic agreement for the development of the Junin Block 5 located in the Orinoco oil belt. This block covering a gross acreage of 670 square kilometers holds a resource potential estimated to be in excess of 2.5 bboe of heavy oil. Eni intends to maximize the value of the heavy oil using the Eni Slurry Technology (EST).

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ENI ANNUAL REPORT 2007 / PROFILE OF THE YEAR

STATISTIC RECAP

Financial highlights		2005	2006	2007
(million euro)				
Net sales from operations		73,728	86,105	87,256
Operating profit		16,827	19,327	18,868
Adjusted operating profit ^(a)		17,558	20,490	18,986
Net profit ^(b)		8,788	9,217	10,011
Adjusted net profit ^{(a) (b)}		9,251	10,412	9,470
Net cash provided by operating activities		14,936	17,001	15,517
Capital expenditures		7,414	7,833	10,593
Dividends pertaining to the year ^(c)		4,086	4,594	4,750
Cash dividends		5,070	4,610	4,583
Cost of purchased own shares		1,034	1,241	680
Research and development costs		204	222	208
Total assets at year end		83,850	88,312	101,560
Debts and bonds at year end		12,998	11,699	19,830
Shareholders' equity including minority interest at year end		39,217	41,199	42,867
Net borrowings at year end		10,475	6,767	16,327
Net capital employed at year end		49,692	47,966	59,194
Share price at year end	(euro)	23.43	25.48	25.05
Number of shares outstanding at year end	(million)	3,727.3	3,680.4	3,656.8
Market capitalization ^(d)	(billion euro)	87.3	93.8	91.6

(a) For a detailed explanation of adjusted operating and net profit see page 68.

(b) Profit attributable to Eni shareholders.

(c) Amounts due on the payment of the balance of 2007 dividend are estimated.

(d) Number of outstanding shares by reference price at period end.

Summary financial data		2005	2006	2007
Net profit				
- per ordinary share ^(a)	(euro)	2.34	2.49	2.73
- per ADR ^{(a) (b)}	(USD)	5.81	6.26	7.49
Adjusted net profit				
- per ordinary share ^(a)	(euro)	2.46	2.81	2.58
- per ADR ^{(a) (b)}	(USD)	6.12	7.07	7.07
Return On Average Capital Employed (ROACE)				
- reported	(%)	19.5	20.3	20.5
- adjusted	(%)	20.5	22.7	19.3
Leverage		0.27	0.16	0.38
Dividend pertaining to the year	(euro per share)	1.10	1.25	1.30
Pay-out ^(c)	(%)	46	50	47
Total Shareholder Return (TSR)	(%)	35.3	14.8	3.2
Dividend yield ^(d)	(%)	4.7	5.0	5.3

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- (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 American Depository Receipt (ADR) is equal to two Eni ordinary shares.
- (c) 2007 pay-out ratio is estimated with reference to the amounts due on the payment of the dividend balance of 2007.
- (d) Ratio of dividend for the period and average price of Eni shares in December.

Key market indicators	2005	2006	2007
Average price of Brent dated crude oil ^(a)	54.38	65.14	72.52
Average EUR/USD exchange rate ^(b)	1.244	1.256	1.371
Average price in euro of Brent dated crude oil	43.71	51.86	52.90
Average European refining margin ^(c)	5.78	3.79	4.52
Average European refining margin in euro	4.65	3.02	3.30
Euribor - three-month euro rate	(%) 2.2	3.1	4.3
Libor - three-month dollar rate	(%) 3.5	5.2	5.3

(a) In USD 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 ANNUAL REPORT 2007 / PROFILE OF THE YEAR

Summary operating data		2005	2006	2007
Exploration & Production				
Estimated net proved reserves of hydrocarbons (at period end)	(mboe)	6,837	6,436	6,370
- Liquids	(mmbbl)	3,773	3,481	3,219
- Natural gas	(bcf)	17,591	16,965	18,090
Average reserve life index	(year)	10.8	10.0	10.0
Production of hydrocarbons	(kboe/d)	1,737	1,770	1,736
- Liquids	(kbbbl/d)	1,111	1,079	1,020
- Natural gas	(mmcf/d)	3,595	3,964	4,144
Gas & Power				
Worldwide gas sales	(bcm)	94.21	98.10	98.96
- of which E&P sales ^(a)	(bcm)	4.51	4.69	5.39
LNG sales	(bcm)	7.0	9.9	11.7
Customers in Italy	(million)	6.02	6.54	6.61
Gas volumes transported in Italy	(bcm)	85.10	87.99	83.28
Electricity sold	(TWh)	27.56	31.03	33.19
Refining & Marketing				
Refining throughputs on own account	(mm tonnes)	38.79	38.04	37.15
Conversion index	(%)	56	57	56
Refining throughputs of wholly-owned refineries	(mm tonnes)	27.34	27.17	27.79
Balanced capacity of wholly-owned refineries	(kbbbl/d)	524	534	544
Retail sales of petroleum products in Europe	(mm tonnes)	12.42	12.48	12.65
Service stations in Europe at period end	(units)	6,282	6,294	6,441
Average throughput of service stations in Europe	(kliters)	2,479	2,470	2,486
Petrochemicals				
Production	(ktonnes)	7,282	7,072	8,795
Sales of petrochemical products	(ktonnes)	5,376	5,276	5,513
Average plant utilization rate	(%)	78.4	76.4	80.6
Engineering & Construction				
Orders acquired	(million euro)	8,395	11,172	12,011
Order backlog at period end	(million euro)	10,122	13,191	15,390
Employees at period end	(units)	72,258	73,572	75,862

(a) E&P sales include volumes marketed by the Exploration and Production division in Europe for 3.59 bcm and in the Gulf of Mexico for 1.8 bcm for the full year 2007 (4.07 and 0.62 bcm for the full year 2006 respectively). It also includes volumes marketed in Europe for 4.51 bcm for the full year 2005.

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ENI ANNUAL REPORT 2007 / PROFILE OF THE YEAR

THE ENI SHARE

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ENI ANNUAL REPORT 2007 / LETTER TO SHAREHOLDER

Eni's Board of Directors

Roberto Poli
Chairman

Paolo Scaroni
CEO and General
Manager

To our Shareholders

2007 was another good year for Eni, in which we delivered excellent financial and operational results. In accordance with our strategy and objectives, we pursued projects that will enable us to achieve sector-leading growth and value creation. We completed a number of strategic and competitively-priced acquisitions and closed major agreements in our core areas, strengthening our position in key markets. We delivered solid results and distributed a total of euro 5.3 billion to our shareholders through dividends and share buy-backs.

Financial performance

Eni's 2007 net profit was euro 10 billion. Adjusted net profit was euro 9.5 billion, a decrease of 9% compared to 2006 due to the significant appreciation of the euro against the US dollar (up 9.2%). Return on average capital employed was 19.3%.

Net cash generated from operating activities of euro 15.5 billion enabled us to finance euro 20.5 billion of investments. Of this, euro 10.6 billion was dedicated to organic growth projects, including exploration, and euro 9.9 billion to acquisitions. Our net debt to equity ratio was 0.38 at year end.

The results achieved in 2007 enable us to propose a dividend of euro 1.30 per share to our Annual General Shareholders Meeting, of which euro 0.60 was paid as an interim dividend in October 2007. This represents an increase of 4% compared to 2006 (euro 1.25 per share), confirming the Company's policy of distributing

Sustaining growth and shareholder returns

Growth is at the centre of our strategy. We will achieve our short and long term growth targets through the development of our portfolio of assets, including those acquired in 2007, and by strengthening our leadership role in the European gas market.

Over the next four years, we will invest euro 49.8 billion, up 15% compared to our previous plan. More than two thirds of the increase refers to new capital projects which will drive the company's short and long-term growth strategy. The projected free cash flow in 2011 will allow us to sustain the current level of dividends in real terms, even with a Brent scenario lower than 40 \$/bl.

The **Exploration & Production** division delivered a cash flow from operations of euro 11.6 billion confirming the record level of 2006, despite the euro's appreciation versus the US dollar, cost pressures and the adverse impact of disruptions and contingencies on production.

In 2007, the division's adjusted net profit was euro 6.5 billion, down 10.8% compared to 2006. Oil and gas production totalled 1,736 kboe/day, down 1.9% from 2006 with a price scenario of 72.5 \$/bl (11% higher than 2006). At our forecast oil price of 55 \$/bl, production would have been in line with 2006.

Our key priority in the E&P division remains the maximization of returns through production growth in the medium and long term, in the context of higher oil prices.

generous dividend flows to its shareholders.

Leveraging on the high quality of our portfolio and the integration of purchased assets, we target an average annual production increase of 4.5% in the 2008-2011 period and forecast an annual growth rate of

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Alberto Clò
Director

Renzo Costi
Director

Dario Fruscio
Director

Marco Pinto
Director

approximately 3% in 2012-2014. In 2008, production will exceed 1.8 million boe/d, whilst in 2011 it will exceed 2.05 million boe/day based on Eni's 55 \$/bl Brent scenario.

In 2007, we added 5.1 billion barrels to our hydrocarbon resource base of 28 billion barrels through focused acquisitions and successful exploration. These resources will enable us to deliver our ambitious long-term production growth targets.

In 2007 we also reached an agreement on the key Kashagan project which reflects the evolution in market conditions and increases the project's stability. The original PSA contract remains unchanged, ensuring the value of the project remains very satisfactory for Eni.

We are progressing with the global expansion of our LNG business, which will enable us to monetize our substantial gas reserves. In 2007 we acquired a 13.6% stake in the Angola LNG Ltd Consortium, which is building an LNG plant with an annual capacity of 5.2 million tonnes. New LNG projects will increase liquefaction capacity to 11.3 billion cubic meters in 2011 and 18.8 billion cubic meters in 2014. LNG sales will grow from 11.7 billion cubic meters in 2007 to 14.5 in 2011, and will reach 25.8 in 2014.

In the **Gas & Power** division, we achieved excellent operating and financial results. Gas sales reached 99 billion cubic meters, an increase of 4% compared to 2006 if we exclude the weather impact. Adjusted net profit for the year rose by 2.6% to euro 2.9 billion, supported by a 17.6% increase in volume sold in the European markets to 24.35 bcm (excluding gas sold by E&P of 3.6

bcm), partially offset by decreasing supplies to Italian importers (down 3.43 bcm to 10.67 bcm) and on the Italian market (down 0.96 bcm to 56.13 bcm). Adjusted free cash flow rose by 10%, from euro 1.9 billion in 2006 to euro 2.1 billion, underpinning around 40% of Eni's dividend.

Our strategy is based on further increasing our international sales, consolidating our domestic natural gas business, and effectively managing our regulated business. Eni can leverage on a unique portfolio of gas both equity and purchased under long term supply contracts, in-depth market knowledge and a large customer base to further strengthen its market leadership. We target gas sales of 110 billion cubic meters in 2011, including E&P North Sea and USA equity gas production, and average international sales growth of 9% per year between 2008 and 2011.

Our **Refining & Marketing** division reported an adjusted net profit of euro 319 million. This was 49.3% lower than in 2006 due to a reduction in heavy sour crude discounts in the market, the appreciation of the euro against the dollar and a decline in the profitability of marketing activities as the rapid increase in international crude prices was not fully reflected in product sale prices.

Our strategy in R&M aims to significantly increase profitability along the whole of the value chain, targeting a euro 400 million EBIT increase by 2011 at 2007 scenario. In Refining, we will increase the conversion rate to 60% to achieve a middle distillate yield of 43% by 2011, partly thanks to new hydrocrackers in Sannazzaro and Taranto. On both these measures, we see further improvements following the start-up of EST in

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Marco Reboa
Director

Mario Resca
Director

Pierluigi Scibetta
Director

Sannazzaro in 2012. Furthermore, an efficiency programme targeting maintenance, energy consumption and general expenses will provide cost savings of around euro 130 million by 2011.

In Marketing, we aim to consolidate our leadership in Italy, improving the quality and the range of our offer with premium products, new loyalty programs and non-oil formats. In Europe, we are focusing on those markets where we can leverage on scale, supply & logistic synergies and brand awareness.

In **Engineering & Construction**, adjusted net profit rose by 65% to euro 658 million, reflecting the strong competitive position held by Saipem and the favourable environment for engineering and construction activities. Saipem is planning to further expand the geographical reach and operational features of its world-class fleet to cope with rising demand for drilling equipment and oilfield services.

Our strategy in the **Petrochemicals** division, which reported an adjusted net profit of euro 57 million for 2007, is to improve efficiency and selectively develop those plants in areas of excellence (styrenes and elastomers) with competitive scale and a favourable geographic location.

Eni's efforts in the field of **Research and Innovation** are primarily aimed at reducing the costs of finding and recovering hydrocarbons, upgrading heavy oils, monetizing stranded gas and protecting the environment. Our significant research and innovation activities are coherent with our strategy, which posits

technology as a key factor to increase our competitive advantage over the long term, promoting sustainable growth and profitable partnerships with producing countries.

We also raised our **efficiency target** by 50% to euro 1.5 billion in the 2006-2011 period, having already achieved a cost reduction of euro 500 million in 2006-2007.

Sustainable development

With regards to sustainable development, 2007 was a landmark year for Eni. We were selected to join the FTSE4Good and Dow Jones Sustainability World indices, the most prestigious stock-market indices in the world in the field of corporate social responsibility. The two indices select companies on the basis of their performance in environmental sustainability, research and innovation and on the quality of their relationship with shareholders, suppliers, employees and local communities.

For Eni, sustainable development is part of a broad process of identifying and implementing concrete actions to manage the complexities of a large, integrated energy company. Admission of the Eni share to worldwide sustainability indices confirm to us that managing a company in a responsible manner is rewarded by investors and stakeholders.

We will continue to promote the development of the communities in which we operate, to increase investment in research and innovation, and to focus on reducing greenhouse gas emissions from industrial processes.

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In conclusion, 2007 was an excellent year for Eni. As well as delivering impressive results, we have worked to create growth opportunities in all our businesses.

March 14, 2008

We are confident that we will continue to deliver industry-leading growth and generate value for our shareholders.

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 and General Manager

Paolo Scaroni ⁽³⁾

Directors

Alberto Clô, Renzo Costi, Dario Fruscio ⁽⁴⁾, Marco Pinto, Marco Reboa, Mario Resca, Pierluigi Scibetta

GENERAL MANAGERS

Exploration & Production Division

Stefano Cao ⁽⁵⁾

Gas & Power Division

Domenico Dispenza ⁽⁶⁾

Refining & Marketing Division

Angelo Caridi ⁽⁷⁾

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 ⁽⁸⁾

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 ⁽⁹⁾

Alternate

Angelo Antonio Parente ⁽¹⁰⁾

External Auditors ⁽¹¹⁾

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) On January 30, 2008 Dario Fruscio resigned from the Board of Directors.

(5) Appointed by the Board of Directors on November 14, 2000.

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

(7) Appointed by the Board of Directors on August 3, 2007 replacing Angelo Taraborrelli, appointed Chief Executive Officer and General Manager of Syndial SpA, in the same date.

(8) 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.

(9) Duties assigned by resolution of the Governing Council of the Court of Accounts on July 19-20, 2006.

(10) Duties assigned by resolution of the Governing Council of the Court of Accounts on May 27-28, 2003.

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

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Key performance indicators		2005	2006	2007
	(million euro)			
Net sales from operations ^(a)		22,531	27,173	27,278
Operating profit		12,592	15,580	13,788
Adjusted operating profit		12,903	15,763	14,051
Adjusted net profit		6,186	7,279	6,491
Capital expenditures		4,965	5,203	6,625
<i>of which: exploratory expenditures</i> ^(b)		656	1,348	1,659
Adjusted capital employed, net		20,206	18,590	24,643
Adjusted ROACE	(%)	32.4	37.5	30.0
Average realizations				
- Liquids	(\$/bbl)	49.09	60.09	67.70
- Natural gas	(\$/mmcf)	4.49	5.29	5.42
- Total hydrocarbons	(\$/boe)	41.06	48.87	53.17
Production ^(c)				
- Liquids	(kbb/d)	1,111	1,079	1,020
- Natural gas	(mmcf/d)	3,595	3,964	4,114
- Total hydrocarbons	(kboe/d)	1,737	1,770	1,736
Estimated net proved reserves ^{(c) (d)}				
- Liquids	(mmbbl)	3,773	3,481	3,219
- Natural gas	(bcf)	17,591	16,965	18,090
- Total hydrocarbons	(mmboe)	6,837	6,436	6,370
Reserve life index	(year)	10.8	10.0	10.0
Reserve replacement ratio of subsidiaries (SEC criteria)	(%)	43	38	38
Reserve replacement ratio including equity-accounted entities ^(d)	(%)	40	38	90
Employees at year end	(units)	8,030	8,336	9,334

- (a) Before elimination of intragroup sales.
- (b) Includes exploration bonuses.
- (c) Includes Eni's share of equity-accounted entities.
- (d) Includes a 30% stake of the reserves of the three equity-accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that it is probable that Gazprom will exercise a call option to acquire a 51% interest in these companies so as to dilute Eni's interest to 30%. Reserves of the 20% participated OAO Gazprom Neft were also excluded considering the call option attributed to Gazprom.

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Agreement for the development project of the Kashagan oilfield

On January 14, 2008, all parties to the North Caspian Sea Production Sharing Agreement (NCSPSA) consortium and the Kazakh authorities signed a memorandum of understanding to settle a dispute commenced in August 2007 regarding conditions and rights for developing and exploiting the Kashagan field. The agreement establishes a renewed economic equilibrium of the contract in consideration of changed market conditions and provides stability for the project execution which will continue to play a fundamental role in Eni's future.

Agreements in Venezuela

On February 15, 2008 Eni and the Venezuelan Authorities reached a final settlement over the dispute regarding the expropriation of the Dación field which took place on April 1, 2006. Under the terms of the settlement, Eni will receive a cash compensation in line with the carrying value of the expropriated asset. Eni believes this settlement represents an important step towards improving and strengthening cooperation with PDVSA.

As part of improving cooperation with the Venezuelan State oil company PDVSA, on February 29, 2008 the two partners signed a strategic agreement for the development of the Junin Block 5 located in the Orinoco oil belt. This block covering a gross acreage of 670 square kilometers holds a resource potential estimated to be in excess of 2.5 bbl of heavy oil. Once relevant studies have been performed and a development plan defined, a joint venture between PDVSA (60%) and Eni (40%) will be established to execute the project. Eni intends to contribute its experience and leading technology to the project in order to maximize the value of the heavy oil. In particular, it will make available its EST (Eni Slurry Technology) proprietary technology. This is a highly innovative technology for the complete conversion of heavy oils into high-quality light products.

Financial results

Adjusted net profit for the full year was euro 6,491 million, a decline of euro 788 million from 2006 (down 10.8%) reflecting a lower operating performance impacted by the appreciation of the euro over the dollar, rising costs and lower production volumes sold.

Return on average capital employed calculated on an adjusted basis was 30% in 2007, lower than in 2006 (37.5%).

Average liquids and gas realizations increased in dollar terms by 8.8% from 2006 due to slightly higher oil realizations as compared to the marker Brent which benefited from a reduction in sour crude discounts in the marketplace.

Portfolio developments

Made important transactions to acquire oil and gas assets in the Gulf of Mexico from Dominion Resources and in onshore Congo from Maurel & Prom with total expenditures amounting to euro 4.52 billion. In 2008 these assets are expected to produce approximately 100 kboe/d under Eni Brent price assumptions.

Purchased in partnership with Enel (Eni 60%, Enel 40%) a 100% interest in OAO Arctic Gas Company, ZAO Urengoil Inc, OAO Neftegaztehnologia as part of the liquidation procedure of bankrupt Russian company Yukos. The acquired entities are engaged in exploration and development of large predominantly gas reserves, amounting to approximately 2.5 bboe of resources net to Eni according to a 30% interest determined assuming Gazprom exercises its call option to acquire a 51% stake in the three companies. Through the same transaction Eni also purchased a 20% stake in the oil and gas company OAO Gazprom Neft. Eni granted Gazprom a call option to purchase the 20% stake in OAO Gazprom Neft. The cash consideration for these transactions amounted to euro 3.73 billion net to Eni.

Signed a major agreement with NOC, the Libyan National Oil Corporation. The agreement provides for the extension

of the duration of Eni's mineral rights in Libya, for oil properties until 2042 and for gas properties until 2047, and the launch of large projects aiming at monetizing substantial gas reserves and overhauling offshore exploration activities. This deal further strengthens Eni's competitive position in Libya, reaffirming its leadership among the international oil companies engaged in this country. Relevant agreements are effective from January 1, 2008.

Announced in November 2007 the terms of recommended cash offer to acquire the entire issued share capital of the UK-based oil company Burren Energy Plc. Total cash consideration is expected to amount to approximately euro 2.4 billion. Burren holds producing assets in Congo and Turkmenistan flowing at a rate of over 25 kboe/d and partners Eni in the Congolese assets that Eni bought from Maurel & Prom. Burren also owns a

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number of exploration licenses in Egypt, Yemen and India. On January 11, 2008 Eni declared its recommended offer to be unconditional and at the end of February held a 96.9% stake in the company share capital.

Signed a gas sale agreement between the consortium conducting operations at the Karachaganak field (Eni is co-operator with a 32.5% stake) and KazRosGaz, a joint venture established by the Kazakh and Russian companies KazMunaiGaz and Gazprom. This agreement lays the foundations for the development of gas reserves of the field.

Acquired a 13.6% stake in Angola LNG Ltd Consortium responsible for the construction of an LNG plant. It will be designed with a processing capacity of 1 bcf/d of natural gas and produce 5.2 mmt tonnes a year of LNG and related products.

Acquired a 70% interest in the Nikaitchuq oilfield in Alaska, in which Eni reached both the 100% ownership and the operatorship. Production start-up is expected at the end of 2009.

Awarded 26 new exploration licenses in Gulf of Mexico following an international bid procedure. The acquired acreage is estimated to have a significant mineral potential and is located near to Eni's production facilities in the area.

Signed an agreement to extend duration of the development and production licence for oilfield of Block 403 (Eni's interest 50%) with Sonatrach in Algeria. In 2007 production from this block represented approximately 14% of Eni's total production in the country.

Production

Oil and natural gas production for the full year averaged 1.736 mmboe/d, down by 1.9% compared with 2006. Production performance was impacted by mature field declines, price impacts in certain Production Sharing Agreements (PSAs)¹, disruptions and unplanned events in Nigeria, the North Sea and Venezuela. Partially offsetting these effects was the benefit of the acquired assets in the Gulf of Mexico and Congo as well as the organic growth achieved in Libya, Egypt and Kazakhstan. The production of liquids and natural gas was in line with 2006 under the assumption of Brent crude oil prices at \$55 per barrel in determining volume entitlements in certain PSAs.

Leveraging on the contribution of the acquired assets and organic growth Eni expects to deliver a 4.5% compound average growth rate over the next four-year period, targeting a production level in excess of 2.05 mmboe/d by 2011 under Eni's Brent scenario at \$55 per barrel.

Estimated net proved reserves

Estimated net proved reserves at December 31, 2007 were 6.37 bboe (down 1% from 2006) determined based on a year-end Brent price of \$96.02 per barrel. The amount of proved reserves comprised 30% of quantities of the three equity accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that it is probable that Gazprom will exercise a call option to acquire a 51% interest in these companies. All sources reserve replacement ratio was 90% with an average reserve life index of 10 years. Eni's reserve replacement ratio calculated according to SEC criteria was 38% including only reserve additions of consolidated subsidiaries.

In the medium term, Eni expects to more than replace produced reserves leveraging on the contribution of acquired assets and the high mineral potential of Eni's assets located in core areas such as the Caspian Sea, West and North Africa and North Sea.

Exploration and development expenditures

In 2007, exploration expenditures amounted to euro 1,659 million (up 23% from 2006) to execute a very extensive campaign in well established areas of presence. A total of 81 new exploratory wells were drilled (43.5 of which represented Eni's share) in addition to 28 exploratory and development wells in progress. The overall commercial success rate was 40% (38% net to Eni). The main discoveries were made in: Angola, Brazil, Congo, Egypt, Indonesia, Nigeria, Norway, Pakistan, the United Kingdom, the Gulf of Mexico and Alaska. New acreage was acquired with an extension of 26,000 square kilometers (net to Eni, 95% operated).

Development expenditures were euro 4,788 million (up 32% from 2006), in particular in Kazakhstan, Angola, Egypt, Italy and Congo.

(1) For a definition of PSA see "Glossary" below.

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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 of crude oil, natural gas and natural gas liquids which geologic 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. 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

reporting directly to the General Manager, is entrusted with the task of continuously updating the Company's guidelines concerning reserve evaluation, classification and monitoring the periodic determination 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 lack details, 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 assessment 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, expressing their judgment independently and respectful of professional ethics. Since 1991, Eni has requested qualified independent oil engineering companies carry out an independent evaluation² of its proved reserves on a rotation basis. Eni believes these independent evaluators to be experienced and qualified in the marketplace. In the preparation of their reports, these independent evaluators relied, without independent verification, upon information furnished by Eni with respect to property interest, production, current cost of operation and development, agreements relating to future

necessary to cover the same amount of expenditures is lower.

Eni has always exercised rigorous control over the booking process of proved reserves. The Reserve Department of the Exploration & Production division,

operations and sale, prices and other factual information and data that were accepted as represented by the independent evaluators. This information was used by Eni in determining its proved reserves and included log, directional surveys, core and PVT analysis, maps, oil/gas/water monthly production/injection data of wells, reservoir and field; field studies, reservoir studies;

(2) From 1991 to 2002, DeGolyer and MacNaughton; from 2003, also Ryder Scott.

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engineers comments relative to field performances, reservoir performances, development programs, work programs etc.; budget data for each field, long range development plans, future capital and operating costs, actual prices received from hydrocarbon sales, instructions on future prices, and other pertinent information to calculate NPV for the fields required to undertake an independent evaluation. Accordingly, Eni believes that the work performed by the independent evaluators is to be considered an evaluation of Eni's proved reserves as opposed to a determination. We also note that the work performed in evaluating our reserves may not be the same work that the independent evaluators perform when evaluating other companies reserves. Notwithstanding the above, the circumstance that the independent evaluations achieved the same results as those of the Company for the vast majority of fields supports the management's confidence that the company's booked reserves meet the regulatory definition of proved reserves and are reasonably certain to be produced in the future. Additionally, for those fields where a discrepancy arose, the Company has adopted the reserve estimate indicated by the independent evaluators, whenever the latter was lower than the Company's estimate. In any case, those differences were not significant.

In particular, in 2007, a total of 2.4 billion boe of proved reserves was evaluated, representing 37% of Eni's total proved reserves at December 31, 2007 (calculated including a 60% interest of the proved reserves of the three Russian gas companies). Outcomes of these independent evaluations confirmed Eni's evaluations, as they did in previous years. During the 2005-2007 three year period, independent evaluations covered 67% of Eni's total proved reserves. Further information on reserves is provided in notes to Eni consolidated financial statements - Supplemental oil and gas information for the exploration and production activities - Oil and natural gas reserves .

Movements in estimated net proved reserves

Eni's estimated net proved reserves amounts were determined taking into account Eni's share of proved reserves of equity-accounted entities. The year end amounts comprised 30% of proved reserves of the three equity-accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that it is probable that Gazprom will exercise a call option to acquire a 51% interest in these companies. Based on this assumption, movements in Eni's 2007 estimated proved reserves were as follows:

(mmboe)	Consolidated subsidiaries	Equity-accounted entities	Total
Estimated net proved reserves at December 31, 2006	6,400	36	6,436
Extensions, discoveries and other additions, revisions of previous estimates and improved recovery, gross of year-end price revision	429	24	453
Year-end price revision in PSAs	(348)	(2)	(350)
Reserve additions	81	22	103
Proved property acquisitions	156	309	465
Production for the year	(627)	(7)	(634)
Estimated net proved reserves pro-forma at December 31, 2007	6,010	360	6,370
Reserve replacement ratio, all sources (%)	38	n.c.	90
	-	-	145

Reserve replacement ratio, all sources and gross of
year-end price revision

Additions to proved reserves booked in 2007 were 103 mmboe deriving from: (i) extensions and discoveries (202 mmboe), with major increases booked in Angola, Congo, Egypt, Kazakhstan, Tunisia and United States; (ii) improved recovery (24 mmboe) mainly in Algeria and Angola. These increases were offset in part by a negative balance of 123 mmboe resulting from downward and upward revisions of previous estimates. Downward revisions of previous estimates related mainly to adverse price impacts in determining volume entitlements in

certain PSAs (down 350 mmboe) resulting from higher year end oil prices (Brent price was \$96.02 per barrel at December 31, 2007 compared to \$58.925 per barrel at December 31, 2006). These negative revisions were recorded mainly in Kazakhstan, Libya and Angola, and were partly offset by upward revisions in Egypt, Italy, Nigeria and Norway. Acquisitions amounted to 465 mmboe reflecting a 30% stake of proved reserves of the three equity accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos, and

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contribution of purchased properties in the Gulf of Mexico and Congo.

During 2007, assuming a 30% stake of proved reserves of the three equity-accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos, Eni achieved an all sources reserve replacement ratio of 90% in spite of significant PSA effects associated with high oil prices. Excluding the impact of year end price revisions in certain PSAs, the replacement ratio would be 145%. The average reserve life index is 10 years (10 years at December 31, 2006). Under SEC reporting standards, Eni's reserve replacement ratio³ was 38% calculated based on reserve additions from Eni's consolidated subsidiaries.

At December 31, 2007, Eni's proved developed reserves stood at 3,925 mmbbl (oil and condensates 1,974 mmbbl, natural gas 11,204 bcf) or 62% of total proved reserves (63% at December 31, 2006).

Estimated net proved reserves pro-forma

		Consolidated subsidiaries							Equity-accounted entities	Total
		Italy	North Africa	West Africa	North Sea	Caspian Area ^(b)	Rest of world	Total consolidated subsidiaries		
2005										
Liquids	(mmbbl)	228	961	936	433	778	412	3,748	25	3,773
Natural gas	(bcf)	3,676	6,117	1,965	1,864	1,774	2,105	17,501	90	17,591
Hydrocarbons	(mmboe)	868	2,026	1,279	758	1,087	778	6,796	41	6,837
2006										
Liquids	(mmbbl)	215	982	786	386	893	195	3,457	24	3,481
Natural gas	(bcf)	3,391	5,946	1,927	1,697	1,874	2,062	16,897	68	16,965
Hydrocarbons	(mmboe)	805	2,018	1,122	682	1,219	554	6,400	36	6,436
2007 ^(a)										
Liquids	(mmbbl)	215	878	725	345	753	211	3,127	92	3,219
Natural gas	(bcf)	3,057	5,751	2,122	1,558	1,770	2,291	16,549	1,541	18,090
Hydrocarbons	(mmboe)	747	1,879	1,095	617	1,061	611	6,010	360	6,370

The conversion rate of natural gas from cubic feet to boe is 1,000 cubic feet = 0.1742 barrels of oil.

(a) Includes a 30% stake of the reserves of the three equity-accounted Russian companies purchased as part of a bid procedure for assets of bankrupt Yukos and participated by Eni with a 60% interest, considering that it is probable that Gazprom will exercise a call option to acquire a 51% interest in these companies so as to dilute Eni's interest to 30%. Reserves of the 20% participated OAO Gazprom Neft were also excluded considering the call option attributed to Gazprom. Eni's estimated proved reserves would be 6,678 mmboe including the proved reserves of three Russian gas companies on the basis of Eni's current 60% interest.

(b)

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Eni's proved reserves of the Kashagan field were determined based on Eni working interest of 18.52% as of December 31, 2007. As part of the agreements defined with the Kazakh Republic, the change of Eni's interest to 16.81% in 2008 will determine a decrease of approximately 50 mmbbl in Eni's estimated net proved reserves of the Kashagan field with respect to December 31, 2007 (information on the Kashagan agreements is provided under the section "Main exploration and development projects - Caspian Area" on page 26).

- (3) Ratio of changes in proved reserves for the year resulting from revisions of previously reported reserves, improved recovery, extensions, discoveries and sales or purchases of minerals in place, to production for the year. A ratio higher than 100% indicates that more proved reserves were added than produced in a year. The Reserve Replacement Ratio is a measure used by management to indicate the extent to which production is replaced by proved oil and gas reserves booked according with the Securities Exchange Commission (SEC) criteria under the S-X Regulation, Rule 4-10. The Reserve Replacement Ratio is not an indicator of future production because the ultimate development and production of reserves is subject to a number of risks and uncertainties. These include the risks associated with the successful completion of large-scale projects, including addressing ongoing regulatory issues and completion of infrastructure, as well as changes in oil and gas prices, political risks and geological and other environmental risks.

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Mineral right portfolio and exploration activities

As of December 31, 2007, Eni's mineral right portfolio consisted of 1,220 exclusive or shared rights for exploration and development in 36 countries on five continents for a total net acreage of 394,490 square kilometers (385,219 at December 31, 2006). Of these 37,642

square kilometers concerned production and development (48,273 at December 31, 2006). Outside Italy net acreage (373,826 square kilometers) increased by 11,103 square kilometers mainly due to the acquisition of assets in Angola, Congo, Russia and the Gulf of Mexico, as well as exploration property in Australia, India, Nigeria, Pakistan, the United Kingdom and Alaska. In Italy, net

Oil and natural gas interests ^(a)

	December 31, 2006	December 31, 2007			Number of interest
	Gross exploration and development acreage	Gross exploration and development acreage	Net exploration and development acreage	Net development acreage	
Italy	28,508	25,991	20,664	12,582	162
Outside Italy	673,631	731,292	373,827	25,060	1,058
North Africa					
Algeria	12,739	11,432	3,041	902	36
Egypt	23,214	24,443	14,469	3,011	56
Libya	39,569	37,749	33,289	796	16
Tunisia	6,464	6,464	2,274	1,558	11
	81,986	80,088	53,073	6,267	119
West Africa					
Angola	18,776	20,527	3,570	1,398	55
Congo	9,797	11,099	4,905	968	24
Nigeria	43,215	44,049	7,756	5,715	50
	71,788	75,675	16,231	8,081	129
North Sea					
Norway	18,851	15,335	5,390	123	49
United Kingdom	5,860	5,445	1,239	610	88
	24,711	20,780	6,629	733	137
Caspian Area	4,934	4,933	959	488	6
Rest of world					
Australia	24,143	62,510	31,544	891	19
Brazil	2,948	2,920	2,774		4
China	866	632	103	103	3
Croatia	6,056	1,975	988	988	2
East Timor	12,224	12,224	9,779		5
Ecuador	2,000	2,000	2,000	2,000	1
India	14,445	24,425	9,091		3
Indonesia	28,438	27,999	16,047	656	10

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Iran	1,456	1,456	820	820	4
Pakistan	29,790	38,426	21,155	601	22
Russia		5,126	3,076	1,168	4
Saudi Arabia	51,687	51,687	25,844		1
Trinidad & Tobago	382	382	66	66	1
United States	7,803	10,619	6,024	937	558
Venezuela	1,958	1,556	614	145	3
	184,196	243,937	129,925	8,375	640
Other countries	6,311	6,311	1,364	1,116	9
Other countries with only exploration activity	299,705	299,568	165,646		18
Total	702,139	757,283	394,491	37,642	1,220

(a) Square kilometers.

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acreage (20,664 square kilometers) declined by 1,832 square kilometers due to release.

In 2007, a total of 81 new exploratory wells were drilled (43.5 of which represented Eni's share), as compared to 68 exploratory wells completed in 2006 (35.9 of which represented Eni's share). Overall commercial success rate was 40% (38% net to Eni) as compared to 43% (49% net to Eni) in 2006.

Production

Oil and gas production for the full year averaged 1,736 kboe/d, a decrease of 34 kboe/d, or 1.9%, from a year earlier mainly due to disruptions in Nigeria due to continuing social unrest (down 25 kboe/d), unplanned downtime and technical issues in the North Sea and mature field declines, particularly in Italy and the United Kingdom, as well as price impacts in certain PSAs. Production performance for the year was also impacted by Venezuela's expropriation of the Dación oilfield assets which took place on April 1, 2006 (down 15 kbbbl/d). These negative factors were offset in part by the

contribution of acquired assets in the Gulf of Mexico and Congo (up 45 kboe/d on annual average) and production increases in Libya, Egypt and Kazakhstan. Oil and natural gas production share outside Italy was 88% (87% in 2006).

Daily production of oil and condensates for the full year (1,020 kbbbl/d) decreased by 59 kbbbl/d, or 5.5%, from last year. Production decreases were reported mainly in Nigeria, Venezuela and the United Kingdom due to the above mentioned causes. The most significant increases were registered in: (i) the United States due to the contribution of purchased assets and the resumption of full activity at plants damaged by hurricanes in the second half 2005; (ii) Egypt, as a result of production rump-up at the el Temsah fields; (iii) Kazakhstan due to a better performance of the Karachaganak field.

Daily production of natural gas for the full year (4,114 mmcf/d) increased by 150 mmcf/d, or 3.6%, mainly in Libya, as a result of the build-up of the Western Libyan Gas Project, the Gulf of Mexico, due to the contribution

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of acquired assets, Norway, particularly at the Aasgard (Eni's interest 14.81%) and Kristin (Eni's interest 8.25%) fields. Gas production decreased due to mature field declines in Italy and the United Kingdom.

Oil and gas production sold amounted to 611.4 mmboe. The 22.3 mmboe difference over production (633.7 mmboe) reflected volumes of gas consumed in operations (18.8 mmboe).

Approximately 61% of oil and condensates production sold (370.3 mmbbl) was destined to Eni's Refining & Marketing division; 37% of natural gas production sold (1,385 bcf) was destined to Eni's Gas & Power division.

Daily production of oil and natural gas ^{(a) (b)}												
	Liquids	Natural gas	Hydrocarbons	Liquids	Natural gas	Hydrocarbons	Liquids	Natural gas	Hydrocarbons	Change		
	(kbbbl/d)	(mmcf/d)	(kboe/d)	(kbbbl/d)	(mmcf/d)	(kboe/d)	(kbbbl/d)	(mmcf/d)	(kboe/d)	Ch.	%	
	2005			2006			2007			2007 vs 2006		
Italy		86	1,002.9	261	79	911.4	238	75	789.7	212	(26)	(10.9)
North Africa		308	988.8	480	329	1,299.1	555	337	1,474.2	594	39	7.0
Egypt		90	706.3	213	85	813.4	227	97	811.2	238	11	4.8
Libya		120	254.3	164	144	452.1	222	142	629.6	252	30	13.5
Algeria		86	14.1	88	88	19.4	91	85	18.8	88	(3)	(3.3)
Tunisia		12	14.1	15	12	14.2	15	13	14.6	16	1	6.7
West Africa		310	190.7	343	322	281.7	372	280	274.2	327	(45)	(12.1)
Nigeria		123	165.9	152	106	247.8	149	81	237.7	122	(27)	(18.1)
Angola		122	17.7	124	151	24.1	156	132	25.1	136	(20)	(12.8)
Congo		65	7.1	67	65	9.8	67	67	11.4	69	2	3.0
North Sea		179	600.4	283	178	597.0	282	157	594.7	261	(21)	(7.4)
Norway		96	243.7	138	98	245.2	140	90	271.1	137	(3)	(2.1)
United Kingdom		83	356.7	145	80	351.8	142	67	323.6	124	(18)	(12.7)
Caspian Area		64	222.5	102	64	227.6	103	70	237.9	112	9	8.7
Rest of world		164	589.8	268	107	647.4	220	101	743.2	230	10	4.5
Australia		21	3.5	22	18	47.9	26	11	41.5	18	(8)	(30.8)
China		7		7	6	9.4	8	6	11.0	8		..
Croatia			42.4	7		66.8	12		52.5	9	(3)	(25.0)
Ecuador		17		17	15		15	16		16	1	6.7
Indonesia		3	137.7	27	2	118.1	23	2	105.4	20	(3)	(13.0)
Iran		35		35	29		29	26		26	(3)	(10.3)
Pakistan		1	275.5	49	1	289.2	51	1	292.5	52	1	2.0
Russia								2		2	2	..

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United States	19	74.2	33	21	64.3	32	37	181.4	69	37	..
Trinidad & Tobago		56.5	10		51.7	9		58.9	10	1	11.1
Venezuela	61		61	15		15				(15)	..
Total	1,111	3,595.1	1,737	1,079	3,964.2	1,770	1,020	4,113.9	1,736	(34)	(1.9)

(a) Includes own consumption of natural gas (296, 286, 247 mmcf/d, in 2007, 2006 and 2005 respectively)

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

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Algeria - Bir Rebaa, Treatment plant

Main exploration and development projects**NORTH AFRICA**

Algeria In October 2007, Eni and Sonatrach signed an agreement to extend the duration of the development and production licence for oil fields of Block 403 (Eni's interest 50%) including the BRN, BRW and BRSW fields, located in Algeria in the Bir Rebaa area in the south-eastern part of the Sahara desert. In 2007 production from this block was 12 kbbl/d net to Eni. The main ongoing development projects are: (i) the Rom Integrated project, designed to develop the reserves of the ROM Main (Eni's interest 100%), ZEA (Eni's interest 75%) and ROM Nord fields. The project provides for the construction of a new oil treatment plant with a capacity of 32 kbbl/d. Production is expected to start in 2011; (ii) El Merk Synergy project, designed to jointly develop the reserves of Block 208 (Eni's interest 12.25%), 212 (Eni's interest 22.38%) and adjoining blocks (operated by other companies). Start-up is expected after 2011. In 2007, the basic engineering work was completed.

In 2006, the State oil company Sonatrach requested to renegotiate the economic terms of certain PSAs operated by Eni or Eni co-venture partners, in particular in Blocks 401a/402a (Eni's interest 55%), 404 (Eni's interest 12.25%) and 208 (Eni's interest 12.25%). According to Sonatrach the renegotiation of contractual terms was necessary to restore the initial economics of such contracts. At present, management is not able to foresee

discovery well (Eni's interest 50%), showing the presence of significant amounts of gas at a depth of over 6,500 meters, as well as the Andaleeb-1 and Aten-1 discovery wells (Eni's interest 100%); b) the onshore area of the Western Desert with two near field discoveries in the Melehia (Eni's interest 56%) and West Razzak (Eni's interest 80%) development permits and in the East Obayed exploration permit (Eni's interest 100%) with in Faramid 1 exploration well; c) the Gulf of Suez with near field discoveries in the offshore Belayim Marine permit (Eni's interest 100%). These ongoing exploration activities aim at supporting the expansion plan of the Damietta LNG plant providing for the construction of a second train with a treatment capacity of 5 mtonnes/y of LNG. The project is expected to be approved by the Egyptian authorities in the first half of 2008.

Development activities are underway in the offshore area of the Nile Delta: (i) in the North Port Said concession (Eni's interest 100%), production started at the Semman gas field. Production is expected to peak at 46 mmcf/d net to Eni. Development activities at the el Gamil plant progressed by increasing compression capacity to support the el Temsah and Ras el Barr production concessions; (ii) in the Ras el Barr concession (Eni's interest 50%), development activities of the Taurt field are underway. Production is expected to start in second half of 2008; (iii) in the el Temsah concession (Eni operator with a 50% interest), production started at the Denise A platform. The production build-up is expected to be completed in the first half of 2008.

the final outcome of such renegotiations.

Egypt Main discoveries for the year were achieved in:
a) the offshore area of the Nile Delta with the Satis-1

The Taurt and Denise fields are expected to ensure natural gas supplies of 23 kboe/d to the first train of the Damietta LNG plant.

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Libya - Mellitah, Treatment and gas compressor plant

Libya Main discoveries for the year were achieved in: a) offshore Block NC41 (Eni's interest 100%), where the U1-NC41 discovery well showed the presence of oil and natural gas at a depth of over 2,600 meters; b) onshore concession 82 (Eni's interest 50%), where the YY1-82 discovery well showed the presence of oil at a depth of about 5,000 meters.

In October 2007, Eni signed a major petroleum agreement with NOC, the Libyan National Oil Corporation. The agreement provides for the extension of the duration of Eni's mineral rights in Libya until 2042 and 2047 for the oil and gas properties respectively, and the launch of large projects in gas monetization and exploration. This agreement will enable Eni to develop its long-life producing fields over a longer time frame by applying its advanced techniques for maximizing the recoverability of hydrocarbons. The projects defined by the agreement regard: (i) overhauling the exploration activities in areas where Eni is already present; (ii) monetizing additional and substantial gas reserves through the upgrading of the GreenStream export pipeline achieving an additional transport capacity of 106 bcf/y and the construction of a new LNG plant near Mellitah designed to produce 177 bcf/y equivalent of LNG to be marketed worldwide.

In May 2007 the Government of Libya issued a tax law regarding that amends profit taxation for foreign oil companies operating under PSA schemes. In line with past practice Libya's National Oil Company (NOC) was designated as tax agent on behalf of foreign oil

tax base recognized at January 1, 2008, that might result in an adjustment of the related deferred taxation, and detailed recognition criteria applied. The adoption of the new law is not expected to have a significant impact on the agreed oil profit share under PSAs currently existing between the Libyan state company and Eni.

As a part of the Western Libyan Gas project (Eni's interest 50%), ongoing upgrading facilities aim at increasing current natural gas production of 35 bcf/y and supporting current oil production plateau of the Wafa field. Export of natural gas leverages on the GreenStream pipeline which delivered 313 bcf in 2007. In addition, 29 bcf were sold on the Libyan market for power generation. In 2007 the production of the Wafa and Bahr Essalam fields was 160 kboe/d net to Eni (up 33% from 2006).

Main ongoing projects include the development of the A-NC118 field (Eni's interest 50%) through existing facilities at the Wafa and Mellitah plants and the monetization of gas volumes currently flared at the Bouri field (Eni's interest 50%) by processing at the Sabratha platform and exporting via the GreenStream pipeline.

Tunisia Main discoveries for the year were achieved in: a) the Adam concession (Eni operator with a 25% interest), where the Karma-1 and Ikhil-1 exploration wells found oil at a depth of approximately 3,500 meters and the Nadir-1 exploration well showed the presence of gas at a depth of approximately 3,600 meters. The three wells were linked to existing production facilities; b) the Bordj el Khadra permit (Eni's interest 50%), where the Nakhil-1 exploration well showed an oil formation at a depth of approximately 1,700 meters and was linked to existing production facilities; c) the Larich concession (Eni's interest 50%), where the Larich SW-1 exploration well showed the presence of oil and gas at a depth of approximately 4,000 meters.

In 2007 the development of Maamoura offshore field (Eni's interest 100%) was sanctioned. Production is expected to start in 2009 flowing at 7 kboe/d.

WEST AFRICA

Angola Main discoveries were made in Block 14 (Eni's interest 20%) where the Lucapa-1, Menongue-1 and

companies operating under PSA. The new tax regime is expected to become effective from 2008, after receiving instructions from NOC on the determination of the asset

Malange-1 wells showed the presence of oil. In November 2007, Eni acquired a 13.6% stake in the Angola LNG Ltd Consortium responsible for the construction of an LNG plant in Soyo, 300 kilometers North of Luanda, with a yearly capacity of 5.2 mmt/yr. The project has been sanctioned by the Angolan Government and Parliament. It envisages the development of 10,594 bcf of gas reserves in 30 years. The project has a high environmental value since it allows the collection of the associated gas from offshore

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Angola - Kizomba FPSO (Floating Production, Storage and Offloading)

production blocks, in compliance with the zero flaring policy. The LNG is expected to be delivered to the United States market at the re-gasification plant in Pascagoula, in the Gulf of Mexico, in which Eni, following this agreement, will acquire a re-gasification capacity equivalent to approximately 177 bcf/y.

In December 2007, Eni finalized another agreement to be part of a second gas consortium which will evaluate existing gas discoveries and explore further potential in the Angolan offshore to support the feasibility of a second LNG train. Eni is technical operator with a 20% interest.

Development activities at the Landana and Tombua oil fields in offshore Block 14 (Eni's interest 20%), progressed achieving early production at the Landana field which was linked to existing facilities at Benguela/Belize. Production is expected to peak in 2009 at 130 kbbbl/d (23 net to Eni).

Development of the Banzala oil field in Block 0 in Cabinda (Eni's interest 9.8%) moved forward with the installation of the two scheduled production platforms which have already been started up in June 2007 and in January 2008, respectively. Production is expected to peak in 2009 at 27 kbbbl/d (3 net to Eni).

As part of Phase C of the development of reserves in the Kizomba deep offshore area, development activities of the Mondo and Saxi/Batuque fields in Block 15 (Eni's interest 20%) are ongoing. A common development strategy is expected to be deployed in both projects, envisaging the installation of an FPSO vessel. In January 2008 the Mondo field has been started up. The Saxi/Batuque fields are expected to start-up in 2009.

production started at the Marimba field by linking to existing facilities at Kizomba A. Production is expected to peak in 2008 at 13 kbbbl/d (7 net to Eni). The projects outlined and other ongoing development activities aim at maintaining current oil production plateau in the area.

Congo Main oil discoveries were made in Mer Très Profonde Sud permit (Eni's interest 30%) with the Persée Nord Est-1 well, drilled at a depth between 2,700 and 3,500 meters, and the Cassiopea Est-1 well, drilled at a depth of 2,900 meters which yielded 5,300 bbl/d in test production.

In April 2007, an agreement was signed awarding to Eni the Marine XII exploration permit (Eni operator with a 90% interest) offshore Congo; the object of the initiative is to exploit the relevant gas potential and feeding a power plant.

In May 2007, Eni acquired exploration and production assets from the French company Maurel & Prom onshore Congo, for a cash consideration of approximately for euro 1 billion. Acquired properties brought in an additional production of approximately 17 kboe/d and proved and probable reserves amounting to 112 bbl equivalent to to an average purchase cost of 10.7 \$/bl. Assets acquired include the producing fields of M Boundi (Eni's interest 43.1%) and Kouakouala A (Eni's interest 66.67%) and the Le Kouilou exploration permit (Eni's interest 48%); all assets are operated.

Development activities of the M Boundi field moved forward with the revision of the production schemes and layout and a design to reduce the amount of gas flared. Leveraging on the assets recently purchased from

Peak production at 100 kbb/d (18 net to Eni) is expected in 2008 and 2009, respectively. In September 2007

Burren Energy plc and the development of acquired fields, Eni expects to increase its production in Congo from the current 69 kbb/d level

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Nigeria - Drilling unit

to approximately 135 kbb/d in 2010.

Development activities at the Awa Paloukou (Eni's interest 90%) and Ikalou-Ikalou Sud (Eni's interest 100%) fields are underway. Production is expected to start in 2009 peaking at 13 kboe/d net to Eni in 2009.

Nigeria In March 2007, Eni signed a Production Sharing Contract (PSC) for the OPL 135 permit (Eni operator with a 48% interest) located in the Niger Delta. The plan envisages an exploration stage with a five-year term and a subsequent development phase of oil and natural gas reserves with a 25 year term in the proximity of existing facilities and the Kwale/Okpai power station where Eni is operator.

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 2008 as 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 Yokri 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, with a treatment capacity of approximately 1,236 bcf/y of feed gas corresponding to a production of 22 mtonnes/y of LNG on 6 trains. The sixth train has been started in 2007. The seventh unit is being engineered with start-up expected in 2012. When fully operational total capacity will amount to approximately 30 mtonnes/y of LNG,

SPDC joint venture (Eni's interest 5%) and the NAOC JV of OMLs 60, 61, 62 and 63 (Eni's interest 20%). When fully operational in 2008, supplies will total approximately 3,461 mmcf/d (268 net to Eni, corresponding to approximately 46 kboe). In 2007, Eni supplies were 173 mmcf/d. LNG production is sold under long term contracts and exported to European and American markets by the Bonny Gas transport fleet, wholly-owned by Nigeria LNG Co.

Eni is operator with a 17% interest of the Brass LNG Ltd company for the construction of a natural gas liquefaction plant to be built near the existing Brass terminal. This plant is expected to start operating in 2012 with a treatment capacity of 10 mtonnes/y of LNG corresponding to 618 bcf/y (approximately 64 net to Eni) of feed gas on 2 trains for twenty years. Supplies to this plant will derive from the collection of associated gas from nearby producing fields and from the development of gas fields in the OMLs 61 and 62 onshore blocks (Eni's interest 20%). The venture signed preliminary long term contracts to sell the whole LNG production capacity. Eni acquired 2 mtonnes/y of LNG capacity. The front end engineering is underway and the final investment decision is expected in the first half of 2008.

NORTH SEA

Norway The main discovery was achieved in the Prospecting License 393 (Eni's interest 30%), near the Goliath discovery, where the 7125/4-1 Nucula exploration well showed the presence of hydrocarbons at a depth between 800 and 1,450 meters.

In the 229 Prospecting License (Eni operator with a 65% interest), the appraisal of the mineral potential of the large Goliath discovery is underway. The project is progressing in accordance with the program. The final investment decision is expected in 2008. Critical equipments to develop the field have already been booked. In the Prospecting License 122 (Eni's interest 20%), the appraisal of the Marulk discovery increased the recognized mineral potential.

In 2007, Eni sold a 30% stake of the Prospecting License 259 (Eni's interest 70%) and the whole interest of the Prospecting License 256.

Development activities were targeted to optimize of production from the Ekofisk field (Eni's interest 12.39%) and the hydrocarbon bearing structures located near the

corresponding to a feedstock of approximately 1,624 bcf/y. Natural gas supplies to the plant are provided under a gas supply agreement with a 20 year term from the

Kristin field. Development of the Tyrihans field (Eni's interest 6.23%) is expected to be profitable through synergies with the Kristin production facilities. 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.

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Caspian Sea - Kashagan field

United Kingdom Exploration activity was successful in the Block 205/5a (Eni's interest 23%) with the Tormore discovery, at a depth of 610 meters, which yielded 32 mmcf/d of gas and 2,200 bbl/d of condensates.

Production is expected to start through synergies with the adjoining Laggan discovery (Eni's interest 20%).

In September 2007, production started at the Blane (Eni's interest 18%) and West Franklin (Eni's interest 21.87%) fields. The Blane field was linked to existing production facilities with a peak production of 21 kboe/d (approximately 4 net to Eni) already reached.

The West Franklin field was linked to the production facilities of the nearby Elgin Franklin field (Eni's interest 21.87%) expected to peak at 20 kboe/d (4 net to Eni) in the second half of 2008 with the scheduled start-up of a second development well.

Appraisal of the large Jasmine discovery in the J-Block (Eni's interest 33%) is underway.

CASPIAN AREA

Kazakhstan - Kashagan Eni has been present in Kazakhstan since 1992. Eni is the single operator of the North Caspian Sea Production Sharing Agreement (NCSPSA) with a participating interest currently equal to 18.52% as of December 31, 2007. The other partners of this initiative are Total, Shell and ExxonMobil, each with a participating interest currently of 18.52%, ConocoPhillips currently with 9.26%, and Inpex and KazMunayGas each currently with 8.33%. Each partner's participating interest in the project will change according to the terms of the Memorandum of Understanding signed among the parties, including the

The NCSPSA defines terms and conditions for the exploration and development activities to be performed in the area covered by the contract.

The Kashagan field was discovered in the northern section of the contractual area in the year 2000. Management believes this field to contain a large amount of hydrocarbon resources.

As of December 31, 2007, Eni's proved reserves booked for the Kashagan field amounted to 520 mmboe, recording a decrease of 76 mmboe with respect to 2006 mainly due to the impact of increased year-end oil prices on reserve entitlements in accordance with the PSA scheme. Proved reserves for the field as of December 31, 2007 are determined according to Eni's then current participating interest of 18.52%.

As of December 31, 2007, the aggregate costs incurred by Eni for the Kashagan project capitalized in the financial statements amount to \$2.6 billion. This capitalized amount included: (i) \$1.8 billion relating to expenditures incurred by Eni for the development of the oilfield; and (ii) \$0.8 billion relating primarily to accrued finance charges and expenditures for the acquisition of interests in the North Caspian Sea PSA consortium from exiting partners upon exercise of pre-emption rights in previous years. The \$2.6 billion amount was equivalent to euro 1.8 billion based on the 2007 year-end euro/US dollar exchange rate.

The development plan of the Kashagan field was originally sanctioned by the Kazakh authorities in February 2004, contemplating a three-phase development scheme including partial gas re-injection in

Kazakh authorities, on January 14, 2008. Information on this agreement is included below. The change in participating interests will apply retroactively as of January 1, 2008.

the reservoir to enhance the recovery factor of the crude oil.

The sanctioned plan budgeted expenditures amounting

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to US \$10.3 billion (in 2007 real terms) to develop phase-one, with a target production level of 300 kbbl/d. First oil was originally scheduled to be produced by the end of 2008. Eni was expected to fund these expenditures according to its participating interest in this project.

On June 29, 2007, Eni, as operator, filed with the relevant Kazakh authorities amendments to the sanctioned development plan. These amendments rescheduled the production start-up to 2010 and estimated development expenditures for phase-one at US \$19 billion. The production delay and cost overruns were driven by a number of factors: depreciation of the US Dollar versus the Euro and other currencies; cost price escalation of goods and services required to execute the project; an original underestimation of the costs and complexity to operate in the North Caspian Sea due to lack of benchmarks; design changes to enhance the operability and safety standards of the off-shore facilities.

In July 2007, the Kazakh authorities rejected the proposed amendments to the sanctioned development plan. In August 2007, the Government of the Kazakh Republic sent to the companies forming the NCSPSA consortium a notice of dispute alleging failure on the part of the consortium to fulfil certain contractual obligations and violation of the Republic's laws. Negotiations commenced with a view to settle this dispute.

On January 14, 2008, all parties to the NCSPSA consortium and the Kazakh authorities signed a memorandum of understanding for the amicable solution of this dispute. The material terms of the agreement are: (i) the proportional dilution of the participating interest

each be equal to 16.81%. These changes will be effective January 1, 2008. The Kazakh partner will pay to the other co-venturers an aggregate amount of US \$1.78 billion; (ii) a value transfer package to be implemented through changes to the terms of the NCSPSA, the amount of which will vary in proportion to future levels of oil prices. Eni is expected to contribute to the value transfer package in proportion to its new participating interest in the project; (iii) an increased role of the Kazakh partner in operations and a new operating and governance model which will entail a greater involvement of the major international partners. Although the project continued during the negotiation process, its progress was delayed. The parties have therefore agreed that Eni as operator will file with the Kazakh authorities a revised expenditure budget and schedule for the execution of the phase one by the end of March 2008.

The magnitude of the reserves base, the results of the first four tests conducted on development wells and the subsurface studies completed so far support expectations for a full field production plateau of 1.5 mmbbl/d, which represents a 25% increase above the original plateau as presented in the 2004 development plan.

The achievement of the full field production plateau will require a material amount of expenditures in addition to the development expenditures needed to complete the execution of phase-one. However, taking into account that future development expenditures will be incurred over a long time horizon, management does not expect any material impact on the company's liquidity or its ability to fund these capital expenditures.

In addition to the expenditures for developing the field, further capital expenditures will be required to build the infrastructures needed for exporting the production to international markets, for which various options are currently under consideration 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, both of which are expected to undergo a capacity expansion; and (ii) the construction of a new transportation system. In this respect, it is worth mentioning the project aimed at building a line connecting the onshore Bolashak production centre with the Baku-Tbilisi-Ceyhan pipeline (where Eni holds an interest of 5% corresponding to the right to transport 50 kbbl/d).

of all the international members of the Kashagan consortium, following which the stake held by the national Kazakh company KazMunayGas and the stakes held by the other four major shareholders will

Kazakhstan - Karachaganak In June 2007, the Karachaganak Petroleum Operating Consortium (KPO), in which Eni is co-operator with a 32.5% interest, and KazRosGaz, a joint company established by KazMunaiGaz and Gazprom, signed a gas sale contract. According to

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the terms of this agreement, the consortium will deliver, from 2012, about 565 bcf/y of raw gas to the Orenburg plant, in Russia. This agreement creates the conditions for the start up of Phase 3 of the development project of the field entailing the development of over 2 bboe of natural gas recoverable reserves. The agreement was approved by the Boards of both parties.

As of December 31, 2007, Eni's proved reserves booked for the Karachagan field amount to 541 mmboe, recording a decrease of 82 mmboe with respect to 2006 resulting from downward and upward revisions of previous estimates. Downward revisions of previous estimates related mainly to adverse price impact in determining volume entitlements in accordance with the PSA scheme. These negative revisions were partly offset by upward revisions related mainly to the finalization of the gas sale contract.

REST OF WORLD

Australia In August 2007, Eni signed an agreement to purchase a 30% interest in four exploration blocks in the Exmouth Plateau, one of the richest gas producing areas in Australia. The four blocks are located at a maximum water depth of 2,000 meters. Eni's equity interest will increase by 10% after at least one exploration well is drilled. Eni will be the operator during the development phase.

In September 2007, Eni acquired a 40% interest and the operatorship of the JPDA 06-105 exploration permit, located in the international offshore cooperation zone between East Timor and Australia. Two oil discoveries are located in this permit. The exploration plan provides

appraisal well of the Aster field (Eni's interest 66.25%) was drilled and yielded 5 kboe/d in test production. In January 2007, Eni and Pertamina signed a Memorandum of Understanding aimed at identifying joint development opportunities for exploration and development activities.

The main ongoing project includes the joint development of the five discoveries in the Kutei Deep Water Basin area (Eni's interest 20%). Production will be treated at the Bontang LNG plant. The project has not yet been sanctioned by authorities.

Pakistan The main discoveries for the year were achieved in: a) the Gambat permit (Eni's interest 30%) where the Tajjal 1 exploration well showed the presence of gas at a depth of 3,845 meters; b) the Kadanwari permit (Eni operator with a 18.42% interest) where the Kadanwari 18 appraisal well confirmed the presence of gas at a depth of approximately 3,400 meters; c) the Latif permit (Eni's interest 33.3%) where the Latif 1 exploration well discovered a hydrocarbon formation at a depth of 3,520 meters.

In 2007, Eni and State oil company PPL signed an agreement providing for a swap of interests in the offshore Blocks M, N and C. Within this agreement, Eni holds 70% interest in the M and N blocks and 60% interest as operator in the C block.

Russia In April 2007, as part of Eni's strategic alliance with Gazprom, Eni, through the partnership in SeverEnergia (60% Eni, 40% Enel), former EniNeftegaz, acquired Lot 2 in the Yukos liquidation

for the drilling of a well in 2008.

Indonesia Exploration activity was successful with the Tulip East offshore discovery (Eni's interest 100%) and an

procedure for a cash consideration of euro 3.73 billion net to Eni. Acquired assets included: (i) a 100% interest in three Russian companies operating in the exploration and development of natural gas reserves,

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United States (Gulf of Mexico) - Allegheny production platform

OAo Arctic Gas Co, ZAO Urengoil Inc and OAo Neftegaztehnologia as well as certain minor assets that are expected to be sold or liquidated. Eni and Enel granted to Gazprom a call option on a 51% interest in SeverEnergia to be exercisable within two years from the purchase date (for further details on this deal, see the discussion on the balance sheet section of the financial review); and (ii) a 20% interest in OAo Gazprom Neft which was purchased only by Eni. Eni granted to Gazprom a call option on this 20% interest in OAo Gazprom Neft to be exercisable within two years from the purchase date (for further details on this deal, see the discussion on the balance sheet section of the financial review). The three acquired companies own significant predominantly gas resources estimated at approximately 2.5 bboe net to Eni (assuming Gazprom exercises its call option) located in the Yamal Nenets region, the largest natural gas producing region in the world: (i) OAo Arctic Gas Company owns two exploration licences, Sambugurskii and Yevo-Yahinskii including seven fields currently in the appraisal/development phase. Main fields are Sambugorskoye currently under development and production testing and Urengoiskoye; (ii) ZAO Urengoil Inc owns exploration and development licences for the Yaro-Yakhinskoye gas and condensate field; (iii) OAo Neftegaztehnologia owns the exploration and development licence of the Severo-Chasselskoye field.

During the year, certain activities were executed in order to set up the operational organization and take control of existing assets. Ongoing development activities moved forward bringing the wells to a sufficient level of safety

United States - Gulf of Mexico In July 2007, Eni closed the acquisition of the Gulf of Mexico upstream activities of Dominion Resources, one of the major US energy companies, for a cash consideration of euro 3.5 billion. Acquired properties brought in an additional production of approximately 75 kboe/d and proved and probable reserves amounting to 222 mmbbl equivalent to an average purchase cost of 18.4\$/bl. Assets acquired include production, development and exploration assets located in deepwater Gulf of Mexico and the continental shelf. Management believes that purchased leases hold significant volumes of resources. Around 60% of these leases are operated. Main producing fields are Devils Tower, Triton and Goldfinger (Eni operator with a 75% interest); purchased assets included also certain fields where appraisal and development activities are underway, among which the Front Runner (Eni's interest 37.5%) and Thunderhawk (Eni's interest 25%). Leveraging on this acquisition Eni expects to achieve a production level of 100 kboe/d in the Gulf of Mexico to in 2008.

Development of acquired assets in the year allowed the startup of production at the San Jacinto (Eni is operator with a 53.3% interest), Q (Eni's interest 50%) e Spiderman (Eni's interest 36.7%) fields. Joint development of these fields was performed by installing underwater facilities to link to the Independence Hub platform. Production of approximately 25 kboe/d has been reached at the end of 2007.

In October 2007, following an international bid procedure Eni was awarded 26 new exploration licenses in the Gulf of Mexico, covering a gross acreage of 606 square kilometers.

Main projects include the development of reserves at the Longhorn discovery (Eni's interest 75%) through installing production platform. Production is expected to start in 2009 peaking at 28 kboe/d (approximately 19 net to Eni).

United States - Alaska In April 2007, Eni acquired 70% and the operatorship of the Nikaitchuq field, located offshore on the North Slope of Alaska. Eni, which already owned a 30% stake in the field, now retains the 100% working interest. Nikaitchuq will be the first development project operated by Eni in Alaska. In October 2007, the phased development plan was sanctioned by the authorities. Production is expected to

and revising production and transportation facilities according to Western standards, as well as defining a seismographic activity. The final assessment of the gas sale contracts is underway.

start at the end of 2009 with production plateau at 25 kboe/d in 2014.

Venezuela In June 2007, Eni signed a Memorandum of Understanding with national state-owned company PDVSA which defines the terms for the transfer of the development activity of the Corocoro field in Venezuela to the new contractual regime of *empresa mixta*. Eni

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will retain its 26% interest in this project. On December 5, 2007, the agreement was finalized.

In February 2008, Eni and the Venezuelan Authorities reached a final settlement over the dispute regarding the expropriation of the Dación field which took place on April 1, 2006. Under the terms of the settlement, Eni will receive a cash compensation in line with the carrying amount of the expropriated asset.

In February 2008, Eni and PDVSA signed a strategic agreement for the development of the Junin Block 5 located in the Orinoco oil belt. This block covering a gross acreage of 670 square kilometers holds a resource potential estimated to be in excess of 2.5 bboe of heavy oil. Once relevant studies have been performed and a development plan defined, a joint venture between PDVSA (60%) and Eni (40%) will be established to execute the project. Eni intends to contribute its experience and leading technology to the project in order to maximize the value of the heavy oil. In particular, it will make available its EST (Eni Slurry Technology) proprietary technology. This is a highly innovative technology for the complete conversion of heavy oils into high-quality light products.

Italy Exploration activity was successful in the onshore of the Abruzzi Region with Colle Sciarra 1 gas discovery well. In 2007, production started at: (i) Fiumetto and Pizzo Tamburino concessions in the onshore of Sicily, with a production at 600 boe/d and 1,000 boe/d, respectively; (ii) Tea/Arnica/Lavanda field in the Adriatic Sea with production peaking at 35 mmcf/d which was linked to Ravenna Mare power station; (iii) Candela field in the Puglia Region with a production at 3,351 cf/d. The first development phase was completed through linking at existing facilities. Development activities concerned in particular: (i) optimization of producing fields by means of sidetracking and infilling (Gela, Gagliano, Cervia, Barbara, Bonaccia and Emma); (ii) continuation of drilling and upgrading of

producing facilities in the Val d'Agri; (iii) development of the oil and natural gas reserves at the Miglianico field located in the onshore of the Abruzzi Region. Three development wells has been drilled. The projects provides for the construction of facilities to treat production volumes of oil, to be delivered to logistic structures of the Refining & Marketing division. The production volumes of gas shall be input into Italian natural gas transportation network. Production is expected to start in the second half of 2009 peaking at 7 kboe/d.

Capital expenditures

Capital expenditures of the Exploration & Production division (euro 6,625 million) concerned development of oil and gas reserves directed mainly outside Italy, in particular Kazakhstan, Angola, Egypt and Congo. Development expenditures in Italy concerned in particular well drilling program and facility upgrading in Val d'Agri and sidetrack and infilling interventions in mature fields. Important expenditures were directed to exploratory projects. About 94% of these expenditures were directed outside Italy in particular the Gulf of Mexico, Egypt, Brazil, Norway and Nigeria. In Italy, exploration activities were directed mainly to the offshore of Sicily.

Acquisition of proved and unproved property concerned mainly a 70% interest in the Nikaitchuq oilfield in Alaska, in which Eni reached a 100% ownership. As compared to 2006, capital expenditures increased by euro 1,422 million, up 27.3%, due in particular to an increase in exploration expenditures in the Gulf of Mexico, Brazil, Egypt, Congo and East Timor, and higher development expenditures in Congo, Egypt, Italy, Angola and Kazakhstan.

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Capital expenditure	(million euro)	2005	2006	2007	Change	% Ch.
Acquisition of proved and unproved property		301	152	96	(56)	(36.8)
Italy			139			
North Africa			10	11		
West Africa		60				
Caspian Area		169				
Rest of World		72	3	85		
Exploration		656	1,348	1,659	311	23.1
Italy		38	128	104	(24)	(18.8)
North Africa		153	270	380	110	40.7
West Africa		75	471	239	(232)	(49.3)
North Sea		126	174	193	19	10.9
Caspian Area		15	25	36	11	44.0
Rest of World		149	280	707	427	..
Development		3,952	3,629	4,788	1,159	31.9
Italy		411	403	606	203	50.4
North Africa		1,007	701	948	247	35.2
West Africa		889	864	1,343	479	55.4
North Sea		385	406	397	(9)	(2.2)
Caspian Area		593	593	733	140	23.6
Rest of World		667	662	761	99	15.0
Other expenditures		56	74	82	8	10.8
		4,965	5,203	6,625	1,422	27.3

Storage

Natural gas storage activities are performed by Stoccaggi 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 10 storage concessions vested by the Ministry of Economic Development.

In 2007, the share of storage capacity used by third parties was 56%. 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 43%.

		2005	2006	2007
Available capacity				
Modulation and mineral	(bcm)	7.5	8.4	8.5
- share utilized by Eni	(%)	44	54	44
Strategic	(bcm)	5.1	5.1	5.1
Total customers	(number)	44	38	44

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Key performance indicators		2005	2006	2007
	(million euro)			
Net sales from operations ^(a)		22,969	28,368	27,633
Operating profit		3,321	3,802	4,127
Adjusted operating profit		3,531	3,882	4,092
Adjusted net profit		2,552	2,862	2,936
EBITDA pro-forma adjusted		4,320	4,895	5,077
Capital expenditures		1,152	1,174	1,366
Adjusted capital employed, net		18,898	18,864	20,547
Adjusted ROACE	(%)	13.7	15.1	14.9
Worldwide gas sales	(bcm)	94.21	98.10	98.96
- of which: E&P sales ^(b)		4.51	4.69	5.39
LNG sales		7.0	9.9	11.7
Customers in Italy	(million)	6.02	6.54	6.61
Gas volumes transported in Italy	(bcm)	85.10	87.99	83.28
Electricity sold	(TWh)	27.56	31.03	33.19
Employees at year end	(units)	12,324	12,074	11,582

(a) Before the elimination of intragroup sales.

(b) E&P sales include volumes marketed by the Exploration & Production division in Europe for 3.59 bcm and in the Gulf of Mexico for 1.8 bcm for the full year 2007 (4.07 and 0.62 bcm for the full year 2006 respectively). It also includes volumes marketed in Europe for 4.51 bcm for the full year 2005.

Agreement with Gazprom: South Stream project

Signed a framework agreement with Gazprom to build the South Stream pipeline system which is expected to import to Europe volumes of natural gas produced in Russia across the Black Sea.

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Expansion on the French market

Acquired a significant stake in Altergaz, the main independent operator in the French gas market. Eni plans to support Altergaz development in the French retail and small enterprises segments, through a 10 years supply contract of 1.3 bcm gas volumes per year.

Financial results

The Gas & Power business confirmed its ability to generate strong and stable performances. The adjusted net profit was euro 2.94 billion up 2.6% from 2006, reflecting better operating performance.

Return on average capital employed on an adjusted basis was 14.9% in 2007 (15.1% in 2006).

Capital expenditures totalled euro 1.37 billion and mainly related to the development and upgrading of Eni's transport and distribution networks in Italy, the upgrading of international pipelines and the ongoing plan of building new electricity generation capacity.

Operating results

Natural gas sales of 98.96 bcm, including own consumption and sales by affiliates and E&P sales in Europe and in the Gulf of Mexico, increased by 0.86 bcm from 2006, or nearly 1%, reflecting growth achieved in the main markets in the rest of Europe (+17.6%, in Spain, Turkey, France and Northern Europe) and higher LNG volumes sold on the North American and Asian markets.

Management plans to achieve 110 bcm of sales volumes in 2011 leveraging on growth in international markets where sales are expected to increase by as much as 9% on average in the next four years.

Electricity volumes sold were 33.19 terawatt-hour, up 7% from 2006.

Natural gas volumes transported on the Italian network were 83.28 bcm, down 5.4% from 2006.

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NATURAL GAS

Supply of natural gas

In 2007 Eni's consolidated subsidiaries supplied 83.80 bcm with a 5.47 bcm decrease from 2006, down 6.1%. Natural gas volumes supplied outside Italy (75.15 bcm) represented 90% of total supplies with a 3.91 bcm decrease from 2006, or 4.9%, due to generally mild climate in Europe with lower volumes purchased: (i) from the Netherlands (down 2.54 bcm); (ii) from Russia (down 2.51 bcm) also due to the implementation of agreements signed in 2006 with Gazprom providing for Gazprom's entrance in the market of supplies to Italian importers and the corresponding reduction in Eni offtakes; (iii) from Algeria via pipeline (down 2.29 bcm). Supplies from Libya increased by 1.54 bcm due to the build-up of gas production from Eni-operated fields. Also supplies from

Russia to Turkey increased by 0.97 bcm, in line with the development Turkish market.

Supplies in Italy (8.65 bcm) declined by 1.56 bcm, down 15.3%, from 2006 due to mature fields declines.

Supplied gas volumes from equity production were 20 bcm representing approximately 20% of total volumes available for sales. Main equity volumes derived from: (i) Italian gas fields (7.87 bcm); (ii) the Wafa and Bahr Essalam fields in Libya linked to Italy through the GreenStream pipeline. In 2007 these two fields supplied 3.62 bcm net to Eni; (iii) fields located in the British and Norwegian sections of the North Sea (5.81 bcm); (iv) the Gulf of Mexico (1.8 bcm); (v) the Bonny's liquefaction plant in Nigeria.

Supply of natural gas	(bcm)	2005	2006	2007	Change	% Ch.
Italy		10.73	10.21	8.65	(1.56)	(15.3)
Russia for Italy		21.03	21.30	18.79	(2.51)	(11.8)
Russia for Turkey		2.47	3.68	4.65	0.97	26.4
Algeria		19.58	18.84	16.55	(2.29)	(12.2)
The Netherlands		8.29	10.28	7.74	(2.54)	(24.7)
Norway		5.78	5.92	5.78	(0.14)	(2.4)
Libya		4.61	7.70	9.24	1.54	20.0
United Kingdom		2.28	2.50	3.15	0.65	26.0
Hungary		3.63	3.28	2.87	(0.41)	(12.5)
Croatia		0.43	0.86	0.54	(0.32)	(37.2)
Algeria (LNG)		1.45	1.58	1.86	0.28	17.7
Others (LNG)		0.69	1.57	2.32	0.75	47.8
Other supplies Europe		0.41	0.78	0.76	(0.02)	(2.6)
Outside Europe		1.18	0.77	0.90	0.13	16.9
Outside Italy		71.83	79.06	75.15	(3.91)	(4.9)
Total supplies of consolidated companies		82.56	89.27	83.80	(5.47)	(6.1)
Offtake from (input to) storage		0.84	(3.01)	1.49	4.50	..
Network losses and measurement differences		(0.78)	(0.50)	(0.46)	0.04	(8.0)
Available for sale of Eni's own companies		82.62	85.76	84.83	(0.93)	(1.1)
Available for sale of Eni's affiliates		7.08	7.65	8.74	1.09	14.2
E&P volumes		4.51	4.69	5.39	0.70	14.9
Total available for sale		94.21	98.10	98.96	0.86	0.9

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Sales of natural gas

In 2007 natural gas sales (98.96 bcm, including own consumption, Eni's share of affiliates sales and E&P sales in Europe and in the Gulf of Mexico) were up 0.86 bcm from 2006, or 0.9%, due to growth achieved on international markets, in particular in the main consumption target areas in the rest of Europe (up 3.64 bcm) and outside Europe (up 0.91 bcm), offset in part by lower sales to Italian importers (down 3.43 bcm) and to the domestic market (down 0.96 bcm).

Natural gas sales in Italy (56.13 bcm, including own consumption) declined by 0.96 bcm from 2006, or 1.7%, primarily due to lower sales to industrial users (down 1.56 bcm), also owing to competitive pressure, and residential users (down 0.64 bcm) mainly due to unusually mild winter weather. Supplies to the power generation segment and wholesalers increased by 0.54 and 0.38 bcm respectively. Sales under the so-called gas release¹ (2.37 bcm) increased by 0.37 bcm from 2006, relating to a procedure settled between Eni and the Italian antitrust authority.

Sales to importers in Italy (10.67 bcm) declined by 3.43 bcm mainly due to a switch from supplies of Libyan gas to volumes directly sold in Italy to a number of clients in view of optimizing Eni equity production, as well as the expiration of supply contract with Promgas.

Gas sales in target markets in the Rest of Europe (24.35 bcm including affiliates) increased by 3.64 bcm, or 17.6%, reflecting also market share gains. Main increases were registered mainly in: (i) Spain (up 1.67 bcm), due to higher supplies to the power generations segment; (ii) Turkey (up 0.94 bcm), due to the progressive reaching of full operations of the Blue Stream pipeline; (iii) France (up 0.55 bcm) due to marketing initiatives targeting small businesses and residential customers; and (iv) Northern Europe (up 0.53 bcm).

Sales to markets outside Europe (2.42 bcm) grew by 0.91 bcm, or 60.3%, on the back of higher LNG volumes sold on the Asian and Northern American markets by the affiliate Unión Fenosa Gas (Eni's share 50%).

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. Particularly, 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 22 years. Existing contracts, which generally 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 fulfillment of Eni's obligations in connection with its take-or-pay supply contracts.

- (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/y) in the four thermal years from October 1, 2004 to September 30, 2008 at the Tarvisio entry point into the Italian network. In March 2007 a new gas release programme was signed for a total volumes of 4 bcm of natural gas to sell in the two thermal years from October 1, 2007 to September 30, 2009 at the virtual exchange point.

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Natural gas sales by market	(bcm)	2005	2006	2007	Change	% Ch.
Italy		58.08	57.09	56.13	(0.96)	(1.7)
Wholesalers		12.05	11.54	11.92	0.38	3.3
Gas release		1.95	2.00	2.37	0.37	18.5
Industries		13.07	13.33	11.77	(1.56)	(11.7)
Power generation		17.60	16.67	17.21	0.54	3.2
Residential		7.87	7.42	6.78	(0.64)	(8.6)
Own consumption		5.54	6.13	6.08	(0.05)	(0.8)
Rest of Europe		29.91	34.81	35.02	0.21	0.6
Importers in Italy		11.53	14.10	10.67	(3.43)	(24.3)
Target Market		18.38	20.71	24.35	3.64	17.6
<i>Iberian Peninsula</i>		<i>4.59</i>	<i>5.24</i>	<i>6.91</i>	<i>1.67</i>	<i>31.9</i>
<i>Germany-Austria</i>		<i>4.23</i>	<i>4.72</i>	<i>5.03</i>	<i>0.31</i>	<i>6.6</i>
<i>Turkey</i>		<i>2.46</i>	<i>3.68</i>	<i>4.62</i>	<i>0.94</i>	<i>25.5</i>
<i>Northern Europe</i>		<i>2.93</i>	<i>2.62</i>	<i>3.15</i>	<i>0.53</i>	<i>20.2</i>
<i>Hungary</i>		<i>3.39</i>	<i>3.10</i>	<i>2.74</i>	<i>(0.36)</i>	<i>(11.6)</i>
<i>France</i>		<i>0.15</i>	<i>1.07</i>	<i>1.62</i>	<i>0.55</i>	<i>51.4</i>
<i>Other</i>		<i>0.63</i>	<i>0.28</i>	<i>0.28</i>		
Outside Europe		1.71	1.51	2.42	0.91	60.3
E&P in Europe and in the Gulf of Mexico		4.51	4.69	5.39	0.70	14.9
Worldwide gas sales		94.21	98.10	98.96	0.86	0.9

Gas sales by entity	(bcm)	2005	2006	2007	Change	% Ch.
Sales of consolidated companies		82.62	85.76	84.83	(0.93)	(1.1)
Italy (including own consumption)		58.01	57.07	56.08	(0.99)	(1.7)

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Rest of Europe	23.44	27.93	27.86	(0.07)	(0.3)
Outside Europe	1.17	0.76	0.89	0.13	17.1
Sales of Eni's affiliates (net to Eni)	7.08	7.65	8.74	1.09	14.2
Italy	0.07	0.02	0.05	0.03	..
Rest of Europe	6.47	6.88	7.16	0.28	4.1
Outside Europe	0.54	0.75	1.53	0.78	..
E&P in Europe and in the Gulf of Mexico	4.51	4.69	5.39	0.70	14.9
Worldwide gas sales	94.21	98.10	98.96	0.86	0.9

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LNG sales	(bcm)	2005	2006	2007	Change	% Ch.
G&P sales		3.7	6.4	8.0	1.6	25.0
Italy		0.7	1.5	1.2	(0.3)	(20.0)
Iberian Peninsula		3.0	4.4	5.6	1.2	27.3
Extra european markets			0.5	1.2	0.7	..
E&P sales		3.3	3.5	3.7	0.2	5.7
<i>Liquefaction plants:</i>						
Bontang (Indonesia)		1.2	0.9	0.7	(0.2)	(22.2)
Point Fortin (Trinidad & Tobago)		0.6	0.4	0.6	0.2	50.0
Bonny (Nigeria)		1.5	1.8	2.0	0.2	11.1
Darwin (Australia)			0.4	0.4		
		7.0	9.9	11.7	1.8	18.2

LNG

In 2007, LNG sales (11.7 bcm) increased by 1.8 bcm from 2006, up 18.2%, mainly reflecting higher volumes sold by the Gas & Power segment (8 bcm, included in the worldwide gas sales) due to higher volumes achieved by Eni's affiliate Unión Fenosa Gas (Eni 50%) in the Iberian Peninsula, in the Far East and in the United States.

Electricity sales

In 2007 sales of electricity (33.19 TWh) increased by 2.16 TWh from 2006, up 7%, reflecting higher production availability due to full operations of the Brindisi plant and higher volumes bought from third parties in Italy and outside Italy. Sales of steam (10,849 ktonnes) increased by 562 ktonnes from 2006, up 5.5% and were directed to end customers.

Sales of electricity amounting to 33.19 TWh were directed to the free market (63%), the electricity exchange (26%), industrial sites (8%) and GSE/Cip 6 (3%). In 2007 Eni started to market electricity to the retail segment leveraging on the launch of an integrated offer of gas and electricity (dual offer) leading to the acquisition of approximately 120,000 customers. To this end, in 2007 Eni implemented a project for reorganizing its activities of production and marketing of electricity. Effective from 1 January 2007, electricity marketing activity has been managed by Eni gas marketing function in order to better manage and integrate the marketing of gas and electricity. Power generation activity remained entrusted to Eni's subsidiary EniPower.

Electricity sales	(TWh)	2005	2006	2007	Change	% Ch.
Free market		14.76	16.22	20.73	4.51	27.8
Italian Exchange for electricity		7.74	9.67	8.66	(1.01)	(10.4)
Industrial plants		2.71	2.70	2.81	0.11	4.1
Electricity Services Operator		2.35	2.44	0.99	(1.45)	(59.4)
		27.56	31.03	33.19	2.16	7.0
Electricity production		22.77	24.82	25.49	0.67	2.7
Trading of electricity		4.79	6.21	7.70	1.49	24.0

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Transport and regasification of natural gas

In 2007, volumes of natural gas input in the national grid (83.28 bcm) decreased by 4.71 bcm from 2006, down 5.4%, mainly due to lower volumes of natural gas input to storage for the rebuilding of stocks.

Eni transported 30.89 bcm of natural gas on behalf of third parties in Italy in line with 2006.

In 2007, the LNG terminal in Panigaglia (La Spezia) regasified 2.38 bcm of natural gas (3.13 bcm in 2006), discharging 73 tanker ships (96 in 2006).

Gas volumes transported in Italy ^(a)	(bcm)	2005	2006	2007	Change	% Ch.
Eni		54.88	57.09	52.39	(4.70)	(8.2)
On behalf of third parties		30.22	30.90	30.89	(0.01)	
Enel		9.90	9.67	9.36	(0.313)	(3.2)
Edison Gas		7.78	8.80	7.16	(1.64)	(18.6)
Others		12.54	12.43	14.37	1.94	15.6
		85.10	87.99	83.28	(4.71)	(5.4)

(a) Include amounts destined to domestic storage.

Development projects**MARKETING****Marketing actions in France: agreement for the acquisition of a stake in Altergaz**

On June 28, 2007 Eni signed the agreement for the acquisition of a 27.8% stake in Altergaz, the main independent French operator in marketing natural gas to end users and small enterprises. The transaction entailed a cash consideration of euro 20.3 million. Eni acquired joint control of the company through a shareholders agreement with the founding partners. In 2010 Eni will also have the right to acquire the shares currently owned by the founding partners, thus acquiring direct control of Altergaz. In January Eni purchased a further 10% interest in the company from an institutional shareholder. Currently Altergaz supplies approximately 3,500 clients in the retail and commercial market, with sales of approximately euro 60 million. The company has the necessary rights and authorizations to access to the French transport, distribution and storage infrastructures and market gas to small industries, the public administration and residential and commercial customers. Eni intends to support Altergaz's development plan in the retail and small enterprises

The agreement is a part of Eni's international development strategy in marketing gas and will strengthen Eni's leadership in the European gas market.

LNG**Egypt**

Eni, through its interest in Unión Fenosa Gas, owns a 40% stake in the Damietta liquefaction plant producing approximately 5 mmt/tonnes/y of LNG equal to a feedstock of 7.6 bcm/y of natural gas. In 2007, the Gas & Power segment withdrew 0.8 mmt/tonnes of LNG to be marketed in Europe.

The partners of the project (Unión Fenosa Gas, the state owned Egyptian company EGAS and oil producers Eni and BP) defined terms and conditions for doubling the plant capacity with an expected capital expenditure of approximately \$2 billion.

The project is expected to be approved by the Egyptian authorities in the first half of 2008.

Spain

Eni through Unión Fenosa Gas holds a 21.25% interest in the Sagunto (Valencia) regasification plant with a capacity of 6.7 bcm/y. Eni's share of regasification capacity amounts to 1.6 bcm/y of gas. In 2007 the plant regasified 0.9 mmt/tonnes of LNG net to Eni, equivalent

markets through a 10-year supply contract of 1.3 bcm/y. Due to the opening of the French gas market from July 1, 2007, the French retail market presents significant development opportunities representing more than 60% of overall gas volumes sold in France with a potential of 11.5 million customers.

to 1.4 bcm to be marketed in the Iberian Peninsula, particularly to power producers. A capacity upgrading plan is underway targeting a 0.8 bcm/y capacity

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increase by 2009 and the construction of a third storage tank. Eni through Unión Fenosa Gas also holds a 9.5% interest in the El Ferrol regasification plant, located in Galicia, that started operations in the second half of 2007. The plant has a treatment capacity of approximately 3.6 bcm/y, 0.4 bcm/y being Eni's share of capacity. Through Unión Fenosa Gas Eni acquired the Spanish company Nuegas, which owns a few small natural gas fields nearing depletion with the aim of turning them into storage sites.

USA

Eni is implementing a global development strategy of its LNG business aimed in particular at expanding its presence in the strategic US market where Eni holds a 40% interest in the regasification terminal under construction on the coast of Louisiana (with an initial outbound capacity of 15.5 bcm/y, 6 net to Eni). Eni is implementing certain initiatives to ensure its share of supplies to the plant, particularly: (i) in February 2007, an agreement was signed with Nigeria LNG Ltd, which operates the Bonny LNG plant in Nigeria, to purchase, over a twenty-year period, 1.375 mmt/tonnes/y of LNG, equivalent to 2 bcm/y of gas, deriving from the upgrade of the Bonny liquefaction plant (7th train) expected for 2012; (ii) negotiations are also progressing with Brass LNG Ltd for the purchase of 1.67 mmt/tonnes/y of LNG approximately equivalent to 2.3 bcm/y of gas.

In December 2007, Eni purchased a share of 5.6 bcm/y capacity of the Pascagoula regasification plant under construction in Mississippi. This transaction is related to the Angola LNG project in partnership with Sonangol (See Development initiatives in the Exploration & Production division) which provides construction of an LNG plant designed to produce 5.2 mmt/tonnes/year to be fed with natural gas produced in Angola. The LNG will be marketed in the United States at the Pascagoula site, for an amount corresponding to 7.3 bcm of gas. Under the agreement, Eni will also have the right to have its equity gas in Angola liquefied, shipped and regasified at Pascagoula by Angola LNG for a quantity equivalent to 0.94 bcm/y.

Italy

Eni plans to upgrade the existent regasification capacity at Panigaglia plant by 4.5 bcm/y with expected start up

TRANSPORT INFRASTRUCTURES**Agreement with Gazprom: South Stream project**

On June 23, 2007, as part of the strategic alliance with Gazprom, Eni signed a Memorandum of Understanding for building the South Stream pipeline system that will transport Russian gas to European markets across the Black Sea. The agreement provides for a technical and economic feasibility study of the project, the necessary political and regulatory evaluations and approvals, and establishes the guidelines for the cooperation between both companies for the planning, financing, construction and technical and commercial management of the pipelines. The transport capacity of South Stream will be defined through feasibility studies on the basis of market analyses that will be carried out in the countries involved as well as in the end markets. To this end, the partners established a joint venture, South Stream AG which will execute the technical, economic and political feasibility study of the project by end of 2008. An evaluation by Saipem indicates expenditures required by this project to be similar to those required for the construction of a full LNG chain.

The South Stream pipeline is expected to be composed of two sections: (i) an offshore section crossing the Black Sea from the Russian coast at Beregovaya (where also the Blue Stream pipeline originates) to Varna on the Bulgarian coast for a total of 900 kilometers at maximum depths of 2,000 meters; (ii) an onshore section crossing Bulgaria with two alternatives: one directed to North-West crossing Serbia and Hungary linking with the gaslines from Russia and the other directed to South-West through Greece and Albania linking directly to the Italian network. This initiative will support Eni in extracting further value from the acquisition of ex-Yukos gas assets.

GreenStream - Libya

Eni plans to upgrade the GreenStream gasline from Libya targeting an expansion of transport capacity from 8 to 11 bcm/y by 2012.

TAG - Russia

The TAG gasline is undergoing an upgrade designed to increase the transport capacity by 6.5 bcm/y from the current 37 bcm/year. A first 3.2 bcm portion of the upgrade was assigned to third parties in February 2006 and is expected to be operating from October 1, 2008.

in 2014. In addition, preliminary studies are underway for the realization of a new regasification terminal in the Adriatic offshore aimed at identifying technical solutions.

The second portion of 3.3 bcm/y is expected to start operating in the fourth quarter of 2008 due to difficulties in authorization procedures. Its awarding will take place in 2008.

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TTPC - Algeria

The transport capacity of the TTPC gasline from Algeria is expected to be increased by 6.5 bcm/y from the current 27 bcm/y. A 3.2 bcm/y portion is planned to come on line on April 1, 2008, and it was awarded to third parties in November 2005. A second 3.3 bcm/y portion due to come on line on October 1, 2008 has been awarded to third parties in February 2007.

A corresponding capacity on the TMPC downstream gasline is already available. TMPC crosses underwater the Sicily channel.

Eni is also planning to upgrade the capacity of its import trunklines from the Netherlands and Norway (Tenp and Transitgas pipelines).

Galsi

Snam Rete Gas is planning to build the Italian section of the new Galsi pipeline for importing Algerian gas to Italy through Sardinia with a capacity of 8 bcm/y.

The Italian section of this new infrastructure will be made up of an onshore section crossing Sardinia and an offshore section from Sardinia to Tuscany where it will link to the national network with a total length of 600 kilometers. Galsi is in charge for planning and engineering the project and obtaining all the required authorizations. Snam Rete Gas is in charge for building the pipeline and managing gas transport once it starts operations.

Italy: Portovenere, LNG Lerici tanker

Regulatory framework**Legislative Decree No. 164/2000**

Legislative Decree No. 164/2000 imposed thresholds to operators until December 31, 2010 computed as a share of domestic consumption as follows: (i) effective January 1, 2002, operators are forbidden from transmitting into the national transport network imported or domestically produced gas volumes higher than a preset share of Italian final consumption. This share is 75% of total final consumption in the first year of regulation and then is to decrease by 2 percentage points per year to achieve a 61% threshold in terms of final consumption by 2009; and (ii) effective January 1, 2003, operators are forbidden from marketing gas volumes to final customers in excess of 50% of overall volumes marketed to final customers. Compliance with these ceilings is verified yearly by comparing the allowed average share computed on a three-year period for both volumes input and volumes marketed to the actual average share achieved by each operator in the same three-year period. Allowed shares are calculated net of losses (in the case of sales) and volumes of natural gas consumed in own operations. Particularly, 2007 closes the third three-year regulated period for natural gas volumes input in the domestic transport network, for which the allowed percentage was 67% of domestic consumption of natural gas, and the second three-year regulated period for sales volumes to the Italian market. Eni's presence on the Italian market complied with said limits.

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POWER GENERATION

Eni's electricity generation sites are located in Ferrara, Erbognone, Ravenna, Livorno, Taranto, Mantova, Brindisi and Ferrara.

In 2007, electricity production sold was 25.49 TWh, up 0.67 TWh or 2.7% from 2006, due mainly to dull operation of the Brindisi plant. At December 31, 2007 installed capacity was 4.9 GW.

Eni expects to complete the upgrading plan of its power generation capacity in 2010, targeting an

installed capacity of 5.5 GW. The development plan is underway at Ferrara (Eni's interest 51%), where in partnership with Swiss company EG Luxembourg AG the construction of two new 390 megawatt combined cycle units is nearing completion. This will bring installed capacity to 840 megawatt with start-up expected in 2008. The start-up of a new 240 megawatt combined cycle unit located in Taranto (current capacity 75 megawatt) is expected in 2008.

		2005	2006	2007	Change	% Ch.
Purchases						
Natural gas	(mmcm)	4,384	4,775	4,860	85	1.8
Other fuels	(ktoe)	563	616	720	104	16.9
Electricity production sold	(TWh)	22.77	24.82	25.49	0.67	2.7
Steam	(ktonnes)	10,660	10,287	10,849	562	5.5

Capital expenditures

Capital expenditures in the Gas & Power segment totaled euro 1,366 million and mainly related to:

(i) developing and upgrading Eni's primary transport network in Italy (euro 691 million); (ii) the upgrading plan of international pipelines (euro 253 million); (iii) developing and upgrading Eni's natural gas

distribution network in Italy (euro 195 million); (iv) ongoing construction of combined cycle power plants (euro 175 million), in particular at the Ferrara site.

Capital expenditures	(million euro)	2005	2006	2007	Change	% Ch.
Italy		1,066	1,014	1,063	49	4.8
Outside Italy		86	160	303	143	89.4
		1,152	1,174	1,366	192	16.4
Market		40	63	52	(11)	(17.5)
Italy		2		2	2	
Outside Italy		38	63	50	(13)	(20.6)
Distribution		182	158	195	37	23.4
Transport		691	724	944	220	30.4

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Italy	643	627	691	64	10.2
Outside Italy	48	97	253	156	..
Power generation	239	229	175	(54)	(23.6)
	1,152	1,174	1,366	192	16.4

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Key performance indicators		2005	2006	2007
	(million euro)			
Net sales from operations ^(a)		33,732	38,210	36,401
Operating profit		1,857	319	729
Adjusted operating profit		1,214	790	329
Adjusted net profit		945	629	319
Capital expenditures		656	645	979
Adjusted capital employed, net		5,326	5,766	7,149
Adjusted ROACE	(%)	18.2	10.7	5.0
Refining throughputs on own account	(mmtonnes)	38.79	38.04	37.15
Conversion index	(%)	56	57	56
Refining throughputs of wholly-owned refineries		27.34	27.17	27.79
Balanced capacity of wholly-owned refineries	(kbbbl/d)	524	534	544
Retail sales of petroleum products in Europe	(mmtonnes)	12.42	12.48	12.65
Service stations in Europe at period end	(units)	6,282	6,294	6,441
Average throughput of service stations in Europe	(kliters)	2,479	2,470	2,486
Employees at year end	(units)	8,894	9,437	9,428

(a) Before elimination of intragroup sales.

Portfolio developments

Purchased 102 retail stations owned by ExxonMobil in the Czech Republic, Slovakia and Hungary. The agreement also includes the business of marketing fuels at the Prague and Bratislava airports and certain lubricants activities.

Purchased a 16.11% stake in the Czech Refining Company, increasing Eni's ownership interest to 32.4% equal to a refining capacity of 2.6 mmtonnes per year. This acquisition supports the selective growth in Europe.

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In accordance with the agreement signed in December 2005 by majority shareholders (Eni 33.34%, Amorim Energia and Caixa Geral de Depósitos) Galp Energia exercised its call option to acquire Eni's Agip branded oil products marketing activities in the Iberian region both in the retail and wholesale markets. The transaction, subject to approval from antitrust authorities, includes 371 service stations. The closing is expected in 2008.

Financial results

In 2007, adjusted net profit was down euro 310 million to euro 319 million, or 49.3%, reflecting lower realized refining margins, mainly for complex refineries, and the appreciation of the euro over the dollar. The negative result was also influenced by a lower operating performance of marketing activities in Italy.

Eni's realized refining margins were sharply lower mainly due to narrowed sour crude discounts which reduced the competitive advantage of Eni's complex refineries to process low-cost feedstock.

Return on average capital employed on an adjusted basis was 5% (10.7% in 2006).

Capital expenditures totalled euro 979 million and related mainly to projects designed to improve the conversion rate and flexibility of refineries and upgrade 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 (37.15 mmt tonnes) declined by 0.89 mmt tonnes from 2006, down 2.3%, reflecting the expiry of a processing contract at the Priolo refinery owned by third parties. Excluding this effect, refining throughputs in Italy increased by 1.5% due to better performance of Livorno e Gela refineries.

Retail market share in Italy was 29.2%. Sales of refined products (8.62 mmt tonnes) declined by 0.5% from 2006 particularly due to the decline in domestic consumption.

Retail sales of refined products in the rest of Europe (4.03 mmt tonnes) were up 5.5%, particularly in Central Eastern Europe reflecting growth via acquisitions.

In 2007 Eni started/restructured at its service stations in Italy 89 stores for the sale of convenience items and car services. Non oil revenues in Europe amounted to euro 144 million, up 6% from 2006.

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Italy - Livorno refinery

Supply and trading

In 2007, a total of 59.56 mmt tonnes of crude were purchased (65.70 mm in 2006), of which 31.57 mmt tonnes from Eni's Exploration & Production segment, 16.65 mmt tonnes under long-term contracts with producing countries and 11.34 mmt tonnes on the spot market. Some 24% of crude purchased came from West Africa, 22% from countries of the former Soviet Union, 18% from North Africa, 15% from the Middle East,

12% from the North Sea, 7% from Italy and 2% from other areas.

Some 25.82 mmt tonnes of crude purchased were marketed, down 15.8% from 2006. In addition, 3.59 mmt tonnes of intermediate products were purchased (3.18 mmt tonnes in 2006) to be used as feedstock in conversion plants and 16.14 mmt tonnes of refined products (16 mmt tonnes in 2006) were purchased to be sold on markets outside Italy (13.87 mmt tonnes) and on the Italian market (2.27 mmt tonnes) as a complement to own production.

Supply of oil	(mmt tonnes)	2005	2006	2007	Change	% Ch.
Production outside Italy		32.86	32.76	27.47	(5.29)	(16.1)
Production in Italy		4.44	4.05	4.10	0.05	1.2
Total Eni production		37.30	36.81	31.57	(5.24)	(14.2)
Spot markets		14.33	10.73	11.34	0.61	5.7
Long-term contracts		14.85	18.16	16.65	(1.51)	(8.3)
		66.48	65.70	59.56	(6.14)	(9.3)

(1) The Refining & Marketing segment purchases approximately two-thirds of the Exploration & Production segment's liquid production and resold on the marketplace those crude and condensate qualities that are not fit for processing at Eni's refineries also considering the geographic area of production.

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Refining

In 2007, refining throughputs on own account in Italy and outside Italy were 37.15 mmtonnes, down 0.89 mmtonnes from 2006, or 2.3%, owing to the expiry of a processing contract at the Priolo refinery. Excluding this effect, refining throughputs in Italy increased by 1.5% due to better performance of Livorno e Gela refineries related to lower planned and unplanned downtime.

Total throughputs on wholly-owned refineries (27.79 mmtonnes) increased 0.62 mmtonnes from 2006, up 2.3%.

Approximately 30.2% of volumes of processed crude was supplied by Eni's Exploration & Production segment (35.9% in 2006), representing an over five percentage point decrease from 2006. Lower equity volumes of some 2.44 mmtonnes related to a reduction of supplies of the

Availability of refined products	(mmtonnes)	2005	2006	2007	Change	% Ch.
<i>Italy</i>						
<i>Refinery throughputs</i>						
At wholly-owned refineries		27.34	27.17	27.79	0.62	2.3
Less input on account of third parties		(1.70)	(1.53)	(1.76)	(0.23)	15.0
At affiliates refineries		8.58	7.71	6.42	(1.29)	(16.7)
Refinery throughputs on own account		34.22	33.35	32.45	(0.90)	(2.7)
Consumption and losses		(1.87)	(1.45)	(1.63)	(0.18)	12.4
Products available for sale		32.35	31.90	30.82	(1.08)	(3.4)
Purchases of refined products and change in inventories		4.85	4.45	2.16	(2.29)	(51.5)
Products transferred to operations outside Italy		(5.41)	(4.82)	(3.80)	1.02	(21.2)
Consumption for power generation		(1.09)	(1.10)	(1.13)	(0.03)	2.7
Sales of products		30.70	30.43	28.05	(2.38)	(7.8)
<i>Outside Italy</i>						
Refinery throughputs on own account		4.57	4.69	4.70	0.01	0.2
Consumption and losses		(0.24)	(0.32)	(0.31)	0.01	(3.1)
Products available for sale		4.33	4.37	4.39	0.02	0.5
Purchases of refined products and change in inventories		11.19	11.51	13.91	2.40	20.9
Finished products transferred from Italian operations		5.41	4.82	3.80	(1.02)	(21.2)
Sales of products		20.93	20.70	22.10	1.40	6.8
Refining throughputs on own account		38.79	38.04	37.15	(0.89)	(2.3)
Total equity crude input		12.53	13.66	11.22	(2.44)	(17.8)
Total sales of refined products		51.63	51.13	50.15	(0.98)	(1.9)

Libyan Bu-Attifel crude processed at the Priolo refinery due to the above mentioned process contract expiry.

Purchase of Ceska Rafinerska

On September 1, 2007 Eni closed an agreement for the purchase of a 16.11% stake in the Czech Refining

Company from ConocoPhillips, thus increasing Eni's ownership interest to 32.4% equal to a refining capacity of 2.6 mmt tonnes per year. This acquisition supports the selective growth of marketing activities in Central-Eastern Europe.

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Marketing of refined products

In 2007, sales volumes of refined products (50.15 mmt tonnes) were down 0.98 mmt tonnes from 2006, or 1.9%, mainly due to lower volumes sold to oil companies and traders in Italy, lower volumes supplied

to the petrochemical sector due to the expiry of a processing contract at the Priolo refinery and a decline in wholesale sales in Italy. These declines were partly offset by higher retail and wholesale sales on markets in the rest of Europe (up 0.41 mmt tonnes, or 5.1%).

Sales of refined products in Italy and outside Italy	(mmt tonnes)	2005	2006	2007	Change	% Ch.
Italy						
Retail marketing		10.05	8.66	8.62	(0.04)	(0.5)
- Agip brand		8.75	8.66	8.62	(0.04)	(0.5)
- IP brand		1.30				
Wholesale marketing		12.11	11.74	11.09	(0.65)	(5.5)
Petrochemicals		3.07	2.61	1.93	(0.68)	(26.1)
Other sales		5.47	7.42	6.41	(1.01)	(13.6)
Total		30.70	30.43	28.05	(2.38)	(7.8)
Outside Italy						
Retail marketing rest of Europe		3.67	3.82	4.03	0.21	5.5
Wholesale marketing outside Italy		4.50	4.60	4.96	0.36	7.8
<i>of which wholesale marketing rest of Europe</i>		<i>4.10</i>	<i>4.19</i>	<i>4.39</i>	<i>0.20</i>	<i>4.8</i>
Other sales		12.76	12.28	13.11	0.83	6.8
Total		20.93	20.70	22.10	1.40	6.8
		51.63	51.13	50.15	(0.98)	(1.9)

Retail and wholesale sales of refined products	(mmt tonnes)	2005	2006	2007	Change	% Ch.
Italy						
Retail sales		10.05	8.66	8.62	(0.04)	(0.5)
Gasoline		4.35	3.38	3.19	(0.19)	(5.6)
Gasoil		5.49	5.09	5.25	0.16	3.1
LPG		0.20	0.18	0.17	(0.01)	(5.6)
Lubricants		0.01	0.01	0.01		
Wholesale sales		12.11	11.74	11.09	(0.65)	(5.5)
Gasoil		4.86	4.60	4.42	(0.18)	(3.9)
Fuel oil		1.50	1.27	0.95	(0.32)	(25.2)
LPG		0.46	0.41	0.37	(0.04)	(9.8)
Gasoline		0.16	0.15	0.15		
Lubricants		0.13	0.13	0.13		
Bunker		1.63	1.68	1.58	(0.10)	(6.0)
Other		3.37	3.50	3.49	(0.01)	(0.3)
Outside Italy (retail + wholesale)		8.17	8.42	8.99	0.57	6.8
Gasoline		2.14	2.06	2.29	0.23	11.2
Gasoil		4.71	4.90	5.16	0.26	5.3

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Jet fuel	0.34	0.34	0.38	0.04	11.8
Fuel oil	0.12	0.23	0.25	0.02	8.7
Lubricants	0.10	0.10	0.09	(0.01)	(10.0)
LPG	0.44	0.46	0.49	0.03	6.5
Other	0.32	0.33	0.33		
	30.33	28.82	28.70	(0.12)	(0.4)

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Retail sales in Italy

Retail volumes of refined products marketed on the Italian network (8.62 mtonnes) were down 39 ktonnes from 2006, or 0.5% mainly due to a decline in domestic consumption.

This decline mainly regarded gasoline volumes, while gasoil sales increased following the same pattern as national consumption trends. Market share of the Agip branded network went from 29.3% in 2006 to 29.2% in 2007; average throughput measured on gasoline and gasoil sales was 2,444 kliters, down 0.8% from 2006. At December 31, 2007, Eni's retail network in Italy consisted of 4,390 service stations, 34 more than at December 31, 2006, resulting from the opening of new service stations (26 units) and the positive balance of acquisitions/releases of lease concessions (23 units), in addition to 13 service stations with other lease contracts, offset in part by the closing of service stations with low throughput (23 units) and the release of 5 service stations under highway concessions.

Retail volumes of BluDiesel – a high performance and low environmental impact gasoil – amounted to approximately 735 ktonnes (850 mmliters), up 1.2% from 2006 and represented 14% of gasoil sales on the Eni's retail network. At year-end, virtually all Agip branded service stations marketed BluDiesel (about 4,094 equal to 93%).

Retail volumes of BluSuper – a high performance and low environmental impact gasoline, on sale since 2004 – amounted to approximately 98 ktonnes (114 mmliters), in line with 2006 and covered 3% of gasoline volumes sold on the Eni's retail network. At year-end, service stations marketing BluSuper totaled 2,565 units (2,316 at December 31, 2006) covering to approximately 58% of Eni's network.

In March 2007, Eni launched its new You&Agip promotional programme designed to boost customer loyalty to the Agip brand. The three-year long initiative offers prizes to customers in proportion to purchases of fuels and convenience items at Agip's stores as well as at certain partners to the programme. At every purchase of fuels or mentioned items, clients are granted a proportional amount of points that are credited to a fidelity card. Clients are able to decide how to accumulate points and when to spend them. At year-end, the number of active cards was approximately 3.9 million. Volumes of fuel marketed under this initiative

Retail sales outside Italy

In recent years, Eni's strategy focused on selectively growing its market share, particularly by means of acquisition of assets in European areas with interesting profitability perspectives, mainly in Central-Eastern Europe (Southern Germany, Austria, the Czech Republic and Hungary) and in South-Eastern France. In implementing its growth strategy, Eni has been able to leverage on synergies ensured by the proximity of these markets to Eni's production and logistic facilities.

Over the last four years, retail volumes of refined products marketed in the rest of Europe have grown more than 33% (equal to a compound average growth rate of 7.5%). In 2007, retail sales were 4.03 mtonnes, up 212 ktonnes from 2006, or 5.5%, reflecting the purchase of 102 service stations in the Czech Republic, Slovakia and Hungary effective from October 1, 2007 and higher volumes sold in Austria.

Volume growth was driven primarily by increased sales of gasoil and LPG, while gasoline volumes declined. At December 31, 2007, Eni's retail network in the rest of Europe consisted of 2,051 units, an increase of 113 units from December 31, 2006. The network's evolution was as follows: (i) 106 service stations were acquired, of which 102 units in the Czech Republic, Slovakia and Hungary; (ii) 10 new outlets were opened in Spain and France; (iii) 25 low throughput service stations were closed in Spain and Austria; (iv) a positive balance of acquisitions/releases of lease concessions (up 3 units) was recorded, with positive changes in Spain, Hungary and the Czech Republic, and negative ones in Germany

represented 40.1% of total volumes marketed on Eni's service stations joining the programme, and 39.4% of overall volumes marketed on the Agip network.

and France. Average throughput (2,578 kliters) was up 3.7%.

Contents**ENI ANNUAL REPORT 2007 / OPERATING REVIEW***Purchase of a retail network in the Czech Republic, Slovakia and Hungary*

On October 1, 2007 Eni closed an agreement with ExxonMobil for the purchase of a network of service station in the Czech Republic, Slovakia and Hungary and the business for marketing fuels at the Prague and Bratislava airports and certain lubricant activities. The retail network acquired included 102 service stations with an average throughput of 4.5 mml/y in addition to 15 service stations whose construction is being evaluated. This agreement is part of a strategy of selective development of the Refining & Marketing division in markets with interesting growth opportunities where Eni can leverage on the integration of its marketing activities with own refining and logistics operations and an established brand.

Wholesale and other sales

Sales volumes on wholesale markets in Italy (11.09 mmt tonnes) were down 0.65 mmt tonnes from 2006, or 0.5%, reflecting mainly a decline in domestic consumption of heating oil from the power generation sector, the exceptionally mild weather conditions that negatively influenced the sales of heating products (gasoil and to a lower degree LPG) in the first quarter and competitive pressure. These declines were offset

only in part by the growth in aviation fuels sales reflecting a recovery in the airline industry. Sales on wholesale markets in the rest of Europe (4.39 mmt tonnes) increased 205 ktonnes, or 4.8%, mainly due to the contribution from assets acquired. Supplies of feedstock to the petrochemical industry (1.93 mmt tonnes) declined by 680 ktonnes due to the expiry of a processing contract at the Priolo refinery. Other sales (19.52 mmt tonnes) decreased by 0.86 mmt tonnes, or 3.9%, mainly due to lower sales to oil companies and traders (down 1.01 mmt tonnes) in Italy.

Capital expenditures

In 2007, capital expenditures in the Refining & Marketing segment amounted to euro 979 million (euro 645 million in 2006) and regarded mainly: (i) refining, supply and logistics (euro 675 million) in Italy, with projects designed to improve the conversion rate and flexibility of refineries, in particular the start-up of construction of a new hydrocracking unit at the Sannazzaro refinery, and expenditures on health, safety and environment upgrades; (ii) upgrade and restructuring of the retail network in Italy (euro 176 million); (iii) upgrade of the retail network in the rest of Europe (euro 106 million). Expenditures on health, safety and the environment amounted to euro 141 million.

Capital expenditures	(million euro)	2005	2006	2007	Change	% Ch.
Italy		585	547	873	326	59.6
Outside Italy		71	98	106	8	8.2
		656	645	979	334	51.8
Refining, supply and logistics		349	376	675	299	79.5
Italy		349	376	675	299	79.5
Marketing		225	223	282	59	26.5
Italy		154	125	176	51	40.8
Outside Italy		71	98	106	8	8.2
Other activities		82	46	22	(24)	(52.2)
		656	645	979	334	51.8

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Key performance indicators		2005	2006	2007
	(million euro)			
Net sales from operations ^(a)		6,255	6,823	6,934
Operating profit		202	172	74
Adjusted operating profit		261	219	90
Adjusted net profit		227	174	57
Capital expenditures		112	99	145
Production	(ktonnes)	7,282	7,072	8,795
Sales of petrochemical products		5,376	5,276	5,513
Average plant utilization rate	(%)	78.4	76.4	80.6
Employees at year end	(units)	6,462	6,025	6,534

(a) Before elimination of intragroup sales.

Adjusted net profit was euro 57 million, down euro 117 million from a year ago, or 67.2%, due to lower selling margins reflecting the sharp increase in cost of oil based feedstocks.

Sales of petrochemical products were 5,513 ktonnes, up 237 ktonnes from last year, or 4.5%, due to the outage of the Priolo cracker in 2006 and a better performance.

Petrochemical production volumes were 8,723 ktonnes, up 1,723 ktonnes from 2006, or 24.4%, mainly due to consolidation of operations at the Porto Torres plant.

Efficiency improvement plans implemented helped to partly offset the negative impact of the petrochemical cycle.

Contents**ENI ANNUAL REPORT 2007 / OPERATING REVIEW****Sales - production - prices**

In 2007, sales of petrochemical products (5,513 ktonnes) increased by 237 ktonnes from 2006, up 4.5%, increasing in all business areas except for aromatics (down 2.9%). Increases reflect the fact that performance in 2006 was hit by an accident occurred at the Priolo refinery in April 2006 and a positive market scenario. Petrochemical production (8,795 ktonnes) increased by 1,723 ktonnes from 2006, up 24.4% due to the transfer of the Porto Torres plant from the Other Activities segment (up 1,274 ktonnes) and the effect on 2006 production of an accident occurred at Priolo. Excluding these effects production increased by 195 ktonnes, or 2.8% due to a good performance at the Ravenna, Ragusa and Sarroch plants. Production was lower at Porto Marghera due to unplanned standstills in the second half of the year. Nominal production capacity was in line with 2006. Excluding the impact of the consolidation of the Porto Torres plant, average plant utilization rate calculated on nominal capacity increased by 4 percentage points from 76.4% to 80.6%, due to the impact of the Priolo plant outage in 2006.

Approximately 48.9% of total production was directed to Eni's own productions cycle (35.2% in 2006). Oil-based feedstock supplied by Eni's Refining & Marketing Division covered 21% of requirements (10% in 2005).

Prices of Eni's main petrochemical products increased on average by 4%; all business areas posted increases. The most relevant increases were registered in: (i) styrenes (up 6.0%), in particular compact polystyrene and ABS/SAN; (ii) elastomers (up 5.5%), in particular nitrilic, SBR and thermoplastic rubbers; (iii) polyethylene (up 4.9%) with increases in all products; (iv) intermediates (up 4.8%) in particular phenol and cyclohexanone; (v) olefins (up 3.8%), in particular ethylene.

These increases were significantly lower than the increase in the cost of oil-based feedstocks (virgin naphtha up 20.4% in dollars, 10.3% in euro) in particular in the second half of the year and determined a decline in margins.

Product availability	(ktonnes)	2005	2006	2007	Change	% Ch.
Basic petrochemicals		4,450	4,275	5,688	1,413	33.1
Styrene and elastomers		1,523	1,545	1,632	87	5.6
Polyethylene		1,309	1,252	1,475	223	17.8
Production		7,282	7,072	8,795	1,723	24.4
Consumption of monomers		(2,606)	(2,488)	(4,304)	(1,816)	73.0
Purchases and change in inventories		700	692	1,022	330	47.7
		5,376	5,276	5,513	237	4.5

Sales	(ktonnes)	2005	2006	2007	Change	% Ch.
Basic petrochemicals		3,022	2,882	3,023	141	4.9
Styrene and elastomers		1,003	1,000	1,041	41	4.1
Polyethylene		1,351	1,394	1,449	55	3.9
		5,376	5,276	5,513	237	4.5

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Business areas**Basic petrochemicals**

Sales of basic petrochemicals of 3,023 ktonnes increased by 141 ktonnes from 2006, up 4.9%, mainly due to higher product availability due in particular to the fact that 2006 was affected by the outage of the Priolo cracker. Main increases were registered in olefins (up 5.8%) and intermediates (up 8.9%) while aromatics sales declined (down 3%), in particular xylene (down 12.5%) due to the shutdown of the paraxylene line at Priolo in April 2007, offset in part by higher sales of benzene (up 15.8%).

Basic petrochemical production (5,688 ktonnes) increased by 1,413 ktonnes, up 33.1%.

Styrene and elastomers

Styrene sales (594 ktonnes) were slightly higher from 2006 (up 1.2%). Increasing sales in ABS/SAN (up 34%) reflect the higher product availability due to the fact that 2006 was affected by technical problems at the Mantova plant. Increases of compact polystyrene (up 7.3%) were due to market recovery. Declines were registered in styrene (down 41%) due to lower availability reflecting unexpected outages.

Elastomers sales (447 ktonnes) increased by 8.3% from 2006 due to the consolidation of nitrilic rubbers sales following the purchase of the Porto Torres plant from Syndial. Excluding this effect elastomer sales were in line with 2006. Increases recorded in SBR (up 1.3%), BR (up 5.3%) and thermoplastic rubbers (up 5.5%) due to a positive market trend were offset by lower sales of EPR (down 3.6%) and lattices (down 5.1%).

Styrene production (1,117 ktonnes) increased by 2.7%. Elastomer production (515 ktonnes) increased by 12.7% due to the consolidation of the Porto Torres plant. Excluding this effect, elastomer production increased by 6%. Increases were registered in all products, except for EPR rubber (down 2.7%) reflecting lower availability of raw materials due to technical problems at the Porto Marghera plant and lattices (down 3.8%) due to technical problems at the Hythe plant.

Polyethylene

Polyethylene sales (1,449 ktonnes) were up 55 ktonnes or 3.9%, from 2006, reflecting positive market conditions for LPDE (up 6.7%) and EVA (up 3.6%). Production (1,475 ktonnes) increased by 223 ktonnes, or 17.8%, affecting all products, except for EVA (down 2%). HDPE production increased (up 78.7%) due to the consolidation of the Porto Torres plant, also LLDPE and LDPE increased by 9.8% and 8% respectively due to the fact that 2006 was impacted by the outage of the Priolo cracker.

Capital expenditures

In 2007, capital expenditures (euro 145 million; euro 99 million in 2006) regarded mainly plant upgrades (euro 47 million), environmental protection, safety and environmental regulation compliance (euro 39 million), extraordinary maintenance (euro 29 million) and upkeeping (euro 28 million).

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Key performance indicators	2005	2006	2007
	(million euro)		
Net sales from operations ^(a)	5,733	6,979	8,678
Operating profit	307	505	837
Adjusted operating profit	314	508	840
Adjusted net profit	328	400	658
Capital expenditures	349	591	1,410
Adjusted ROACE	(%) 12.0	12.8	17.1
Orders acquired	8,395	11,172	12,011
Order backlog	10,122	13,191	15,390
Employees at year end	(units) 28,684	30,902	33,111

(a) Before elimination of intragroup sales.

Adjusted net profit was euro 658 million, up euro 258 million from a year ago or 64.5%, 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 17.1% in 2007, higher than 2006 (12.8%).

Orders acquired amounted to euro 12,011 million, up euro 839 million from 2006 (+7.5%), in particular in onshore activities.

Order backlog was euro 15,390 million at December 31, 2007 (euro 13,191 million at December 31, 2006).

Capital expenditures amounted to euro 1,410 million in 2007, up euro 819 million or 139% due mainly to the upgrade of the fleet.

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Activity for the year

Among the main orders acquired in 2007 were:

- An EPC contract for Qatar Fertilizer Co SAQ for the construction of two new plants for the production of ammonia and urea and related facilities in the Qafco industrial complex in Qatar;
- An EPC contract for Sonatrach for the construction of three oil stabilization and treatment trains with a capacity of 100 kbbl/d and transport and storage facilities within the development of the Hassi Messaoud onshore field in Algeria;
- An EPC contract for MEDGAZ for the installation of an underwater pipeline system for the transport of natural gas from Algeria to Spain;
- An EPC contract for Saudi Aramco for the construction of the nine sea water treatment modules for the expansion of the Qurayya plant within the development of the Khursaniyah field in Saudi Arabia;
- An EPC contract for Saudi Aramco for the construction and installation of 16 platforms, 80 kilometers of underwater pipelines and related facilities aimed at maintaining production capacity in Saudi Arabia;
- An EPC contract for Saudi Aramco for the construction of stations for pumping in fields the water from expansion of the Qurayya plant.

Orders acquired amounted to euro 12,011 million, of these projects to be carried out outside Italy represented 95%, while orders from Eni companies amounted to 16% of the total. Eni's order backlog was euro 15,390 million at December 31, 2007 (euro 13,191 million at December 31, 2006). Projects to be carried out outside Italy represented 95% of the total order backlog, while orders from Eni companies amounted to 22% of the total.

In October 2007, Saipem acquired almost total interest in Frigstad Discoverer Invest, listed on the Norwegian

	(million euro)	2006	Full year 2007	Change	% Ch.
Orders acquired		11,172 ^(b)	12,011	839	7.5
Offshore construction		3,681	3,496	(185)	(5.0)
Onshore construction		4,923	6,236	1,313	26.7
Offshore drilling		2,230	1,644	(586)	(26.3)
Onshore drilling		338	635	297	87.9
<i>of which:</i>					
- Eni		2,692	1,923	(769)	(28.6)
- third parties		8,480	10,088	1,608	19.0
<i>of which:</i>					
- Italy		1,050	574	(476)	(45.3)
- outside Italy		10,122	11,437	1,315	13.0

	(million euro)	Dec. 31, 2006	Dec. 31, 2007	Change	% Ch.
Order backlog		13,191 ^(b)	15,390	2,199	16.7

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Offshore construction	4,283	4,215	(68)	(1.6)
Onshore construction	6,285	7,003 ^(a)	718	11.4
Offshore drilling	2,247	3,471	1,224	54.5
Onshore drilling	376	701	325	86.4
<i>of which:</i>				
- Eni	2,602	3,399	797	30.6
- third parties	10,589	11,991	1,402	13.2
<i>of which:</i>				
- Italy	1,280	799	(481)	(37.6)
- outside Italy	11,911	14,591	2,680	22.5

(a) Net of the backlog of divested companies (Haldor Topsøe and Camom Group) for euro 181 million.

(b) Includes the Bonny project for euro 28 million in orders acquired and euro 101 million in order backlog.

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Stock Exchange. This company is engaged in the ultra-deep offshore drilling activities by means of an ongoing project for the construction of the semisubmersible rig D90 capable of drilling to a maximum depth of 3,600 meters. The vessel is expected to start operations in the third quarter of 2009. Total outlay for the purchase of the company and completion of construction of the vessel totals euro 520 million.

Capital expenditures

In 2007, capital expenditures in the Engineering & Construction division (euro 1,410 million) mainly regarded: (i) ongoing construction of the new semisubmersible platform Scarabeo 8 and a new pipelayer and a new deepwater drilling ship Saipem12000; (ii) the conversion of two tanker ships into FPSO vessels that will operate in Brazil on the Golfinho 2 field and in Angola.

	(million euro)	2005	2006	2007	Change	% Ch.
Offshore construction		262	390	566	176	45.1
Onshore construction		20	53	76	23	43.4
Offshore drilling		46	101	478	377	..
Onshore drilling		13	36	266	230	..
Other expenditures		8	11	24	13	..
Capital expenditures		349	591	1,410	819	138.6

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Financial Review

PROFIT AND LOSS ACCOUNT

2005	(million euro)	2006	2007	Change	% Ch.
73,728	Net sales from operations	86,105	87,256	1,151	1.3
798	Other income and revenues	783	827	44	5.6
(51,918)	Operating expenses	(61,140)	(61,979)	(839)	(1.4)
(290)	<i>of which non recurring items</i>	(239)	(8)		
(5,781)	Depreciation, depletion, amortization and impairments	(6,421)	(7,236)	(815)	(12.7)
16,827	Operating profit	19,327	18,868	(459)	(2.4)
(366)	Financial income (expense)	161	(83)	(244)	..
914	Net income from investments	903	1,243	340	37.7
17,375	Profit before income taxes	20,391	20,028	(363)	(1.8)
(8,128)	Income taxes	(10,568)	(9,219)	1,349	12.8
46.8	<i>Tax rate (%)</i>	51.8	46.0	(5.8)	
9,247	Net profit	9,823	10,809	986	10.0
	Attributable to:				
8,788	- Eni	9,217	10,011	794	8.6
459	- Minority interest	606	798	192	31.7

In 2007 Eni's **net profit** was euro 10,011 million, up euro 794 million from 2006, or 8.6%, primarily due to lower income taxes (down euro 1,349 million) mainly reflecting (i) an adjustment to deferred tax assets and liabilities for Italian subsidiaries relating to certain amendments to the Italian tax regime, including a lower statutory tax rate, enacted by the 2008 Budget Law; (ii) an increase in

net income from investments, up euro 340 million, mainly due to net gains on the divestment of interests in certain associates of the Engineering & Construction division. These positive factors were partly offset by a lower reported operating profit (down euro 459 million) mainly in the Exploration & Production division and higher net finance charges (up euro 244 million).

2005	(million euro)	2006	2007	Change	% Ch.
8,788	Net profit attributable to Eni	9,217	10,011	794	8.6
(759)	Exclusion of inventory holding (gain) loss	33	(499)		
1,222	Exclusion of special items	1,162	(42)		

of which.

290	- non recurring items	239	35		
932	- other special items	923	(77)		
9,251	Eni s adjusted net profit^(a)	10,412	9,470	(942)	(9.0)

(a) For a detailed explanation of adjusted operating profit and net profit see page 68.

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Eni's **adjusted net profit** for the year was euro 9,470 million, down euro 942 million, or 9% from 2006. Adjusted net profit is calculated by excluding an inventory holding gain of euro 499 million and special gains of euro 42 million (both amounts are net of the related fiscal effect) resulting in a downward adjustment to reported net profit (down euro 541 million). Special gains of euro 42 million related mainly to: (i) certain **non recurring charges** amounting to euro 35 million and relating to risk provision on ongoing antitrust proceeding against European authorities, partly offset by a gain deriving from a reduction in the provision accrued for post-retirement benefits for Italian employees following changes in applicable regulation (the so called curtailment of the provision for post retirement benefits); and (ii) **special net gains** amounting to euro 77 million and relating to an adjustment to deferred tax assets and liabilities for Italian subsidiaries as outlined above (totalling euro 394 million) and gains on the divestment of certain interests. These positives were partly offset by mineral asset impairments, environmental charges and provisions for redundancy incentives.

The break-down of **adjusted net profit** by division¹ is shown in the table below:

2005	(million euro)	2006	2007	Change	% Ch.
6,186	Exploration & Production	7,279	6,491	(788)	(10.8)
2,552	Gas & Power	2,862	2,936	74	2.6
945	Refining & Marketing	629	319	(310)	(49.3)
227	Petrolchemicals	174	57	(117)	(67.2)
328	Engineering & Construction	400	658	258	64.5
(297)	Other activities	(301)	(210)	91	30.2
(142)	Corporate and financial companies	54	(141)	(195)	..
(89)	Unrealized profit in inventory ^(a)	(79)	(16)	63	
9,710		11,018	10,094	(924)	(8.4)
	<i>of which attributable to:</i>				
459	Minority interest	606	624	18	3.0
9,251	Eni	10,412	9,470	(942)	(9.0)

(a) This item concerned mainly intragroup sales of goods, services and capital assets 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 reported in:
- **Exploration & Production** was down euro 788

Return on Average Capital Employed (ROACE) calculated on an adjusted basis for 2007 was 19.3% (22.7% for 2006). Assuming Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft held by Eni and a 51% interest in the three Russian gas companies purchased as part of a bid procedure for assets of bankrupt Yukos in which Eni held a 60% interest as of December 31, 2007, the Group ROACE would stand at 19.9%.

Eni's results were affected by the appreciation of the euro over the dollar (up 9.2%) and sharply lower realized refining margins reflecting a decrease in sour crude discounts that affected Eni's complex refineries, reducing the competitive advantage to process low-cost feedstock, and lower margins for the refining's secondary products (lubricants and bitumen). These negatives were partially offset by higher crude realizations (up 11.3% in dollar terms) supported by higher Brent prices averaging \$72.52 per barrel in the year.

million, or 10.8%, reflecting a lower operating performance (down euro 1,712 million, or 10.9%) impacted by the appreciation of the euro over the dollar (9.2%), lower production volumes sold (down 14.7 mmboe) and higher operating costs and amortization charges particularly relating to higher exploratory expenses (an increase of euro 703 million; euro 840 million on a constant exchange rate

- **Refining & Marketing** was down euro 310 million, or 49.3%, reflecting lower realized refining margins, mainly for complex refineries, and the appreciation of the euro over the dollar. The negative result was also influenced by a lower operating performance in marketing activities in Italy.

- **Petrochemicals** was down euro 117 million, or 67.2%, reflecting a decline in operating performance (down

(1) For a detailed explanation of adjusted operating profit and net profit see page 68.

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euro 129 million) resulting from lower selling margins of commodity chemicals.

These negatives were partly offset by the increased adjusted net profit reported in the:

- **Engineering & Construction** was up euro 258 million, or

64.5%, due to an improved operating performance (up euro 332 million) against the backdrop of favourable demand trends in oilfield services.

- **Gas & Power** was up euro 74 million, or 2.6%, due to a better operating performance (up euro 210 million, or 5.4%).

Analysis of profit and loss account items

Net sales from operations

2005	(million euro)	2006	2007	Change	% Ch.
22,531	Exploration & Production	27,173	27,278	105	0.4
22,969	Gas & Power	28,368	27,633	(735)	(2.6)
33,732	Refining & Marketing	38,210	36,401	(1,809)	(4.7)
6,255	Petrochemicals	6,823	6,934	111	1.6
5,733	Engineering & Construction	6,979	8,678	1,699	24.3
863	Other activities	823	205	(618)	(75.1)
1,239	Corporate and financial companies	1,174	1,313	139	11.8
(19,594)	Consolidation adjustment	(23,445)	(21,186)	2,259	
73,728		86,105	87,256	1,151	1.3

Eni's **net sales from operations** (revenues) for 2007 (euro 87,256 million) were up euro 1,151 million, a 1.3% increase from 2006, primarily reflecting higher activity levels in the Engineering & Construction division and higher realizations on oil and natural gas in dollar terms, partially offset by the impact of the appreciation of the euro versus the dollar (up 9.2%), a decline in hydrocarbon production sold and lower products volumes sold, as well as the negative trends of energy parameters to which gas prices are contractually indexed in the Gas & Power division.

Revenues generated by the Exploration & Production division (euro 27,278 million) increased by euro 105 million, up 0.4%, mainly due to higher oil realizations in dollars (up 12.7%), partially offset by the impact of the appreciation of the euro versus the dollar and lower hydrocarbon production sold (down 14.7 mmmboe, or 2.2%).

Revenues generated by the Gas & Power division (euro

Revenues generated by the Refining & Marketing division (euro 36,401 million) declined by euro 1,809 million, down 4.7%, mainly due to the effect of the appreciation of the euro over the dollar and lower product volumes marketed (-0.98 mmmtonnes), partly offset by higher international prices for oil and products.

Revenues generated by the Petrochemical division (euro 6,934 million) increased by euro 111 million from 2006, up 1.6%, reflecting mainly the fact that performance in 2006 was impacted by the unplanned downtime of the Priolo cracker and downstream plants as a consequence of an accident that occurred at the nearby refinery in April 2006, resulting in a recovery in production volumes sold (up 4.5%). Commodity chemicals prices were also up by 4% on average.

Net sales from operations generated by the Engineering & Construction division (euro 8,678 million) increased by euro 1,699 million, up 24.3%, due to increased activity levels in the Offshore and Onshore construction

27,633 million) declined by euro 735 million, down 2.6%, mainly due to lower average natural gas prices reflecting negative trends in energy parameters to which gas prices are contractually indexed and a negative shift in the mix of volumes sold.

businesses.

Revenues generated by the Other activities division decreased by euro 618 million to euro 205 million, due to the intragroup divestment of the Porto Torres plant for the production of basic petrochemical products to Polimeri Europa, which occurred in 2007.

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Other income and revenues

The analysis of other income and revenues is provided in the table below:

2005	(million euro)	2006	2007	Change	% Ch.
114	Contract penalties and other trade revenues	61	181	120	..
102	Lease and rental income	98	95	(3)	(3.1)
89	Compensation for damages	40	87	47	..
71	Gains from sale of assets	100	66	(34)	(34.0)
422	Other proceeds ^(a)	484	398	(86)	(17.8)
798		783	827	44	5.6

(*) Each individual amount included herein does not exceed euro 25 million.

Operating expenses

2005	(million euro)	2006	2007	Change	% Ch.
48,567	Purchases, services and other	57,490	58,179	689	1.2
	<i>of which:</i>				
290	- non-recurring items	239	91		
1,300	- other special items	390	470		
3,351	Payroll and related costs	3,650	3,800	150	4.1
	<i>of which:</i>				
	- non-recurring items		(83)		
79	- provision for redundancy incentives	178	198		
51,918		61,140	61,979	839	1.4

Operating expenses for 2007 (euro 61,979 million) increased by euro 839 million from 2006, up 1.4%, mainly due to higher purchase prices for refinery and petrochemical feedstock, as well as rising operating costs in the upstream in dollar terms, partly offset by the appreciation of the euro.

Purchases, services and other include: (i) **non recurring charges** amounting to euro 91 million mainly related to risk provision on ongoing antitrust proceeding against European authorities. In 2006 non recurring charges of euro 239 million referred mainly to risk provisions on antitrust and regulatory proceedings; (ii) other **special charges** amounting to euro 470 million related mainly to environmental charges (euro 365 million), accounted in particular by Syndial and the Refining & Marketing division. In 2006 other special

Payroll and related costs (euro 3,800 million) increased by euro 150 million, up 4.1%, mainly due to higher unit labour costs in Italy and outside Italy and an increase in the average number of employees outside Italy in the Engineering & Construction division related to higher activity levels and the Exploration & Production division related to acquired assets. These increases were offset in part by exchange rate translation differences and a non-recurring gain (euro 83 million) deriving from the curtailment of the provision for post-retirement benefits existing at 2006 year-end related to obligations towards Italian employees. In fact, effective January 1, 2007, Italian laws modified Italian post-retirement benefits scheme from a defined benefit plan to a defined contribution one. Following this, the provision for Italian employees was reassessed to take account of the exclusion of future salaries and relevant

charges were euro 390 million including environmental charges (euro 292 million) which were incurred mainly by Syndial and the Refining & Marketing division. increases from actuarial calculations.

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Depreciation, depletion, amortization and impairments

2005	(million euro)	2006	2007	Change	% Ch.
3,945	Exploration & Production	4,646	5,483	837	18.0
684	Gas & Power	687	687		
462	Refining & Marketing	434	433	(1)	(0.2)
118	Petrochemicals	124	116	(8)	(6.5)
176	Engineering & Construction	195	248	53	27.2
16	Other activities	6	4	(2)	(33.3)
112	Corporate and financial companies	70	68	(2)	(2.9)
(4)	Unrealized profit in inventory	(9)	(10)	(1)	
5,509	Total depreciation, depletion and amortization	6,153	7,029	876	14.2
272	Impairments	268	207	(61)	(22.8)
5,781		6,421	7,236	815	12.7

Depreciation, depletion and amortization charges (euro 7,029 million) increased by euro 876 million, up 14.2%, mainly in the Exploration & Production division (up euro 837 million) related to higher exploratory expenditures (euro 703 million, euro 840 million on a constant exchange rate basis), the consolidation of activities acquired in the Gulf of Mexico and Congo and the impact on amortization charges of an estimated update

of asset retirement obligations for certain Italian and U.S. fields carried out in the preparation of 2006 financial statements, offset in part by exchange rate differences.

Impairment charges for 2007 at euro 207 million regarded mainly mineral assets in the Exploration & Production division and plants and equipment in the Refining & Marketing division.

Operating profit

An analysis of reported operating profits by division is provided below:

2005	(million euro)	2006	2007	Change	% Ch.
12,592	Exploration & Production	15,580	13,788	(1,792)	(11.5)
3,321	Gas & Power	3,802	4,127	325	8.5
1,857	Refining & Marketing	319	729	410	..
202	Petrochemicals	172	74	(98)	(57.0)
307	Engineering & Construction	505	837	332	65.7
(934)	Other activities	(622)	(444)	178	28.6
(377)	Corporate and financial companies	(296)	(217)	79	26.7
(141)	Impact of unrealized profit in inventory	(133)	(26)	107	
16,827	Operating profit	19,327	18,868	(459)	(2.4)

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Adjusted operating profit

An analysis of adjusted operating profits by division is provided below:

2005	(million euro)	2006	2007	Change	% Ch.
16,827	Operating profit	19,327	18,868	(459)	(2.4)
(1,210)	Exclusion of inventory holding (gains) losses	88	(620)		
1,941	Exclusion of special items	1,075	738		
	<i>of which:</i>				
290	- non recurring items	239	8		
1,651	- other special items	836	730		
17,558	Adjusted operating profit	20,490	18,986	(1,504)	(7.3)
	Break-down by division:				
12,903	Exploration & Production	15,763	14,051	(1,712)	(10.9)
3,531	Gas & Power	3,882	4,092	210	5.4
1,214	Refining & Marketing	790	329	(461)	(58.4)
261	Petrochemicals	219	90	(129)	(58.9)
314	Engineering & Construction	508	840	332	65.4
(296)	Other activities	(299)	(207)	92	30.8
(228)	Corporate and financial companies	(240)	(183)	57	23.8
(141)	Impact of unrealized profit in inventory	(133)	(26)	107	
17,558		20,490	18,986	(1,504)	(7.3)

Adjusted operating profit for 2007 was euro 18,986 million, down euro 1,504 million or 7.3% from 2006. Adjusted operating profit is arrived at by excluding an inventory holding gain of euro 620 million and special charges of euro 738 million net. The main factor affecting this decline was a weaker operating performance reported by:

- the **Exploration & Production** division (down euro 1,712 million from 2006, or 10.9%), primarily due to a 9.2% appreciation of the euro versus the dollar, lower production sold (down 14.7 mboe), and rising operating costs and amortization charges taken in connection with exploratory activity. These negative

factors were partly offset by higher realizations in dollars (oil up 12.7%; natural gas up 2.2%).

- **Refining & Marketing** division (down euro 461 million; or 58.4%) reflecting lower realized refining margins, mainly for complex refineries, and the appreciation of the euro over the dollar.
- **Petrochemicals** (down euro 129 million; or 58.9%), resulting from lower selling margins of commodity chemicals.

These negatives were partly offset by the increased adjusted net profit reported by the **Engineering & Construction** (up euro 332 million, or 65.4%) and **Gas & Power** (up euro 210 million or 5.4%) divisions.

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Financial income (expense)

2005	(million euro)	2006	2007	Change
(334)	Finance income (expense) related to net borrowings	(207)	(412)	(205)
(419)	Finance expense on short and long-term debt	(463)	(703)	(240)
60	Net interest due to banks	194	236	42
25	Net income from receivables and securities for non-financing operating activities	62	55	(7)
(386)	Income (expense) on derivatives	383	26	(357)
169	Exchange differences, net	(152)	(51)	101
26	Other finance income and expense	21	174	153
	Income from equity instruments		188	188
123	Net income from receivables and securities for financing operating activities and interest on tax credits	136	127	(9)
(109)	Finance expense due to the passage of time (accretion discount)	(116)	(186)	(70)
12	Other	1	45	44
(525)		45	(263)	(308)
159	Finance expense capitalized	116	180	64
(366)		161	(83)	(244)

In 2007 **net finance expense** (euro 83 million) increased by euro 244 million from 2006 when a net finance income of euro 161 was recorded. This decrease was mainly due to: (i) the recognition of lower gains on the fair value evaluation of certain financial derivatives instruments which do not meet the formal criteria to be assessed as hedges under IFRS, including the ineffective portion of the change in fair value of certain derivatives designed as cash flow hedges. Eni entered into these instruments to hedge the exposure to variability in future cash flows in connection with the acquisitions of proved and unproved upstream properties executed in 2007 (for more details on this issues see the Balance sheet discussion under the paragraph net working capital); (ii) the increase in net finance expenses as a result of the increase registered in average net borrowings, as well as

the impact of higher interest rates on euro (Euribor up 1.2 percentage points) and dollar loans (Libor up 0.1 percentage points).

These negatives were partly offset by a net gain of euro 188 million recognized in connection with fair value valuation through profit and loss account of both the 20% interest in OAO Gazprom Neft and the related call option guaranteed by Eni to Gazprom related to this interest. This net gain is equal to the remuneration of the capital employed according to the contractual arrangements between the two partners (for more details on this issues see the Balance sheet discussion under the paragraph net working capital).

Net income from investments

The table below sets forth 2007 break-down of net income from investments by division:

2007	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Engineering & Construction	Other	Group
Share of gains (losses) from equity-accounted investments		23	449	216	79	6	773
Dividends		143	4	23			170

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Net gains on disposal	10			290		300
Other income (expense)		(5)		1	4	
	176	448	239	370	10	1,243

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Net income from investments in 2007 were euro 1,243 million and related mainly to: (i) Eni's share of income of affiliates accounted for with the equity method (euro 773 million), in particular in the Gas & Power, Refining & Marketing and Engineering & Construction divisions;

(ii) net gains on the divestment of interests in Haldor Topsøe AS and Camom Group (totalling euro 290 million) in the Engineering & Construction division; (iii) dividends received by affiliates accounted for at cost (euro 170 million), mainly related to Nigeria LNG Ltd.

The table below sets forth an analysis of net income/losses from investment by type for the periods indicated.

2005	(million euro)	2006	2007	Change
737	Share of gains (losses) from equity-accounted investments	795	773	(22)
33	Dividends	98	170	72
171	Net gains on disposal	18	300	282
(27)	Other income (expense)	(8)		8
914		903	1,243	340

Income taxes

2005	(million euro)	2006	2007	Change
Profit before income taxes				
5,779	Italy	5,566	5,849	283
11,596	Outside Italy	14,825	14,179	(646)
17,375		20,391	20,028	(363)
Income taxes				
2,206	Italy	2,237	1,798	(439)
5,922	Outside Italy	8,331	7,421	(910)
8,128		10,568	9,219	(1,349)
Tax rate (%)				
38.2	Italy	40.2	30.7	(9.5)
51.1	Outside Italy	56.2	52.3	(3.9)
46.8		51.8	46.0	(5.8)

Income taxes were euro 9,219 million, down euro 1,349 million, or 12.8%, mainly reflecting an adjustment to deferred tax assets and liabilities for Italian subsidiaries relating to certain amendments to the Italian tax regime, including a lower statutory tax rate, enacted by the 2008 Budget Law (euro 394 million), as well as the circumstance that in 2006 deferred tax liabilities were recorded due to changes in the fiscal regimes of Algeria and the United Kingdom and charges regarding disputes on certain tax matters (totalling euro 347 million). The adjustment to deferred tax assets and liabilities for Italian subsidiaries were recognized in connection with

The Group tax rate (46%) declined by 5.8 percentage points from 2006 (51.8%) reflecting: (i) a lower share of profit before taxes generated by the Exploration & Production division; (ii) the above mentioned adjustment to deferred tax assets and liabilities for Italian subsidiaries; (iii) the recognition of certain gains on divestment of certain interests which are subject to lower taxation. These positives were partly offset by a higher tax rate recorded in the upstream division.

Adjusted tax rate, calculated as ratio of net profit before taxes to income taxes on an adjusted basis, was 48.7%,

certain amendments to the Italian tax regime enacted by the 2008 Budget Law. These included a lower statutory tax rate (IRES from 33% to 27.5%, IRAP from 4.25% to 3.9%) effective January 1, 2008, and an option regarding the increase of the tax bases of certain tangible and other assets to their carrying amounts by paying a special tax with a rate lower than the statutory tax rate.

in line with 2006 adjusted tax rate.

Minority interest

Minority interest s share of profit was euro 798 million and related to Snam Rete Gas SpA (euro 268 million) and Saipem SpA (euro 514 million).

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Divisional performance²**Exploration & Production**

2005	(million euro)	2006	2007	Change	% Ch.
12,592	Operating profit	15,580	13,788	(1,792)	(11.5)
311	Exclusion of special items	183	263		
	<i>of which:</i>				
	Non-recurring items		(11)		
311	Other special items	183	274		
247	- asset impairments	231	226		
	- gains on disposal of assets	(61)			
57	- risk provisions				
7	- provision for redundancy incentives	13	6		
	- other		42		
12,903	Adjusted operating profit	15,763	14,051	(1,712)	(10.9)
(80)	Net finance income (expense) ^(a)	(59)	44	103	
10	Net income from investments ^(a)	85	176	91	
(6,647)	Income taxes ^(a)	(8,510)	(7,780)	730	
51.8	Tax rate (%)	53.9	54.5	0.6	
6,186	Adjusted net profit	7,279	6,491	(788)	(10.8)
	Results also include:				
4,101	- amortizations and depreciations	4,776	5,626	850	17.8
	<i>of which:</i>				
445	- amortizations of exploratory drilling expenditures and other	820	1,370	550	67.1
173	- amortizations of geological and geophysical exploration expenses	255	407	152	59.6

(a) Excluding special items.

The adjusted operating profit for the year was euro 14,051 million, down euro 1,712 million from one year ago, reflecting: (i) the effect of the appreciation of the euro over the dollar (approximately euro 1,400 million); (ii) lower sold production volumes (down 14.7 mmmboe); (iii) an increase in exploration expense (euro 703 million; euro 840 million on a constant basis); (iv) rising operating costs reflecting the impact of sector-specific inflation and higher amortization and depreciation charges. These negatives were partly offset by lower realizations in dollars (oil up 12.7%, natural gas up 2.2%).

Liquids and gas realizations for 2007 increased on average by 8.8% in dollar terms. Oil realizations increased more than the marker Brent (up 11.3%),

benefiting from a reduction in sour crude discounts in the market place.

Adjusted net profit of euro 6,491 million declined by euro 788 million, down 10.8% from 2006 due to a weaker operating performance and an increased adjusted tax rate (from 53.9% to 54.5%), reflecting the impact of changes in the fiscal regimes in Algeria enacted in the second half of 2006. These negative factors were partly offset by better earnings reported by certain affiliates, particularly the Nigeria LNG affiliate which operates the Bonny liquefaction plant in Nigeria.

Special charges excluded by the adjusted operating profit of euro 263 million primarily related to the impairment of mineral assets.

(2) For a detailed explanation of adjusted operating profit and net profit see page 68

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Gas & Power

2005	(million euro)	2006	2007	Change	% Ch.
3,321	Operating profit	3,802	4,127	325	8.5
(127)	Exclusion of inventory holding (gains) losses	(67)	44		
337	Exclusion of special items	147	(79)		
	<i>of which:</i>				
290	Non-recurring items	55	(61)		
47	Other special items	92	(18)		
31	- environmental provisions	44	15		
1	- asset impairments	51			
6	- risk provisions				
8	- provision for redundancy incentives	37	38		
1	- other	(40)	(71)		
3,531	Adjusted operating profit	3,882	4,092	210	5.4
1,777	Market and Distribution	2,062	2,202	140	6.8
1,162	Transport in Italy	1,087	1,114	27	2.5
448	International transportation	579	585	6	1.0
144	Power generation ^(a)	154	191	37	24.0
37	Net finance income (expense) ^(b)	16	11	(5)	
370	Net income from investments ^(b)	489	420	(69)	
(1,386)	Income taxes ^(b)	(1,525)	(1,587)	(62)	
35.2	Tax rate (%)	34.8	35.1	0.3	
2,552	Adjusted net profit	2,862	2,936	74	2.6

(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 yearly results have not been restated.

(b) Excluding special items.

Adjusted operating profit for 2007 increased by euro 210 million to euro 4,092 million, up 5.4%, notwithstanding the occurrence of unusually mild winter weather conditions resulting in lower volumes sold by consolidated subsidiaries (down 0.93 bcm, or 1.1%). The higher result was driven by (i) a positive development with Italy's regulatory framework on gas pricing to residential clients, reflecting a more favourable indexation mechanism of the raw material cost component as established by the Authority for Electricity and Gas with Resolution No. 79/2007, changing the regime in force in the first half of 2006 as established by Resolution No. 248/2004; (ii) higher supply costs incurred in the previous year caused by harsh weather during the 2005-2006

winter; (iii) a positive performance achieved by the regulated business in Italy (gas transportation and distribution).

Adjusted net profit for 2007 was euro 2,936 million, representing an increase of euro 74 million, up 2.6%, over 2006 due to higher adjusted operating profit. Special net gains excluded from the adjusted operating profit were euro 79 million mainly related to the recognition of a receivable from the Italian Sicily Region on positive developments with a litigation about an environmental tax levied by the Region on the ownership of pipelines in 2002 (euro 71 million).

Other performance indicators

Follows a breakdown of the proforma adjusted EBITDA by business:

(million euro)	2006	2007	Change	% Ch.
Adjusted EBITDA	4,896	5,077	181	3.7
Supply & Marketing	2,378	2,435	57	2.4
Regulated Business	1,222	1,289	67	5.5
International Transportation	1,009	1,028	19	1.9
Power Generation	287	325	38	13.2

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EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization charges) on an adjusted basis is calculated by adding amortization and depreciation charges to adjusted operating profit on a pro forma basis.

This performance indicator, which is not a GAAP measure under either IFRS or U.S. GAAP, includes:

- Adjusted EBITDA of Eni's wholly owned subsidiaries.
- Eni's share of adjusted EBITDA of Snam Rete Gas (56%, taking into account the amount of own shares purchased by Snam Rete Gas), which is fully consolidated when preparing consolidated financial statements in accordance with IFRS.

- Eni's share of adjusted EBITDA generated by certain affiliates which are accounted for under the equity method for IFRS purposes.

Management also evaluates performance in Eni's Gas & Power division on the basis of this measure taking account of the evidence that this division is comparable to European utilities in the gas and power generation sector. This measure is provided with the intent to assist investors and financial analysts in assessing the Eni Gas & Power divisional performance as compared to its European peers, as EBITDA is widely used as the main performance indicator for utilities.

Refining & Marketing

2005	(million euro)	2006	2007	Change	% Ch.
1,857	Operating profit	319	729	410	..
(1,064)	Exclusion of inventory holding (gains) losses	215	(658)		
421	Exclusion of special items	256	258		
	<i>of which:</i>				
	Non-recurring items	109	35		
421	Other special items	147	223		
337	- environmental provisions	111	128		
5	- asset impairments	14	58		
69	- risk provisions	8	9		
22	- provision for redundancy incentives	47	31		
(12)	- other	(33)	(3)		
1,214	Adjusted operating profit	790	329	(461)	(58.4)
231	Net income from investments ^(a)	184	126	(58)	
(500)	Income taxes ^(a)	(345)	(136)	209	
34.6	Tax rate (%)	35.4	29.9	(5.5)	
945	Adjusted net profit	629	319	(310)	(49.3)

(a) Excluding special items.

Adjusted operating profit for 2007 was euro 329 million, down euro 461 million from 2006, or 58.4%, due mainly to weaker operating performance delivered by the refining business on the back of an unfavourable trading environment for Eni's complex refineries, lowering margins for many of the company's secondary products (such as base lubricants and bitumen) as the prices for these products did not increase in proportion to the costs of the feedstock used to produce them and the

also reflecting unusually mild winter weather in the first quarter of 2007 causing lower sales of home-heating fuels.

Adjusted net profit for 2007 was euro 319 million, down euro 310 million, or 49.3%.

Special charges (euro 258 million, net) excluded from the adjusted operating profit related mainly to environmental provisions, impairment of assets, a risk

appreciation of the euro over the dollar.
Marketing activities in Italy also reported a lower operating profit mainly due to: (i) lower retail margins; (ii) a decline in wholesale business result due to lower margins and volumes marketed (down 1.8%), the latter

provision against an ongoing antitrust proceeding before the European authorities and redundancy incentives.

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Petrochemicals

2005	(million euro)	2006	2007	Change	% Ch.
202	Operating profit	172	74	(98)	(57.0)
(19)	Exclusion of inventory holding (gains) losses	(60)	(6)		
78	Exclusion of special items	107	22		
	<i>of which:</i>				
	Non-recurring items	13	(2)		
78	Other special items	94	24		
29	- <i>asset impairments</i>	50			
53	- <i>risk provisions</i>	31			
4	- <i>provision for redundancy incentives</i>	19	24		
(8)	- <i>other</i>	(6)			
261	Adjusted operating profit	219	90	(129)	(58.9)
	Net finance income (expense) ^(a)		1	1	
3	Net income from investments ^(a)	2	1	(1)	
(37)	Income taxes ^(a)	(47)	(35)	12	
227	Adjusted net profit	174	57	(117)	(67.2)

(a) Excluding special items.

Adjusted operating profit in 2007 decreased by euro 129 million from 2006 to euro 90 million due mainly to lower selling margins of commodity chemicals, in particular the margin on cracker and on aromatic products (paraxilene), reflecting a sharp increase in the cost of oil-based feedstock which was not fully transferred to final selling prices, particularly in the fourth quarter 2007. This negative was partly offset by higher production and sales volumes compared to 2006 when

an accident occurred at the Priolo refinery in April which heavily impacted performance.

Adjusted net profit decreased by euro 117 million to euro 57 million (down 67.2%).

Special charges excluded from the adjusted operating profit (euro 22 million) related mainly to provisions for employees redundancy incentives.

Engineering & Construction

2005	(million euro)	2006	2007	Change	% Ch.
307	Operating profit	505	837	332	65.7
7	Exclusion of special items	3	3		
	<i>of which:</i>				
	Non-recurring items		(4)		
7	Other special items	3	7		
4	- <i>asset impairments</i>	1			
3	- <i>provision for redundancy incentives</i>	2	7		
314	Adjusted operating profit	508	840	332	65.4
141	Net income from investments ^(a)	66	80	14	

(127)	Income taxes ^(a)	(174)	(262)	(88)	
328	Adjusted net profit	400	658	258	64.5

(a) Excluding special items.

Adjusted operating profit for 2007 was euro 840 million, up euro 332 million from 2006, or 65.4%, due to a better operating performance recorded in all business areas, particularly the best performances were registered in the Offshore and Onshore construction businesses due to higher activity levels and improved margins.

Adjusted net profit for 2007 was euro 658 million, up euro 258 million from 2006 due to a better operating performance also on part of certain equity-accounted affiliates.

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Other activities

2005	(million euro)	2006	2007	Change	% Ch.
(934)	Operating profit	(622)	(444)	178	28.6
638	Exclusion of special items	323	237		
	<i>of which:</i>				
	Non-recurring items	62	61		
638	Other special items	261	176		
413	- environmental provisions	126	210		
75	- asset impairments	22	6		
130	- risk provision	75	13		
6	- provision for redundancy incentives	17	18		
14	- other	21	(71)		
(296)	Adjusted operating profit	(299)	(207)	92	30.8
	Net finance income (expense) ^(a)	(7)	(8)	(1)	
(1)	Net income from investments ^(a)	5	5		
(297)	Adjusted net profit	(301)	(210)	91	30.2

(a) Excluding special items.

Adjusted net loss of euro 210 million improved decreased by euro 91 million from 2006. Special charges excluded from operating losses of euro 237 million related mainly to environmental charges (euro 210 million) and provisions to the risk reserve related to an

antitrust proceeding pending before European authorities, partly offset by a gain recognized upon settlement of certain contractual issues with Dow Chemical.

Corporate and financial companies

2005	(million euro)	2006	2007	Change	% Ch.
(377)	Operating profit	(296)	(217)	79	26.7
149	Exclusion of special items	56	34		
	<i>of which:</i>				
	Non-recurring items		(10)		
149	Other special items	56	44		
54	- environmental provisions	11	12		
2	- asset impairments				
64	- risk provision				
29	- provision for redundancy incentives	43	32		
	- other	2			
(228)	Adjusted operating profit	(240)	(183)	57	23.8
(296)	Net finance income (expense) ^(a)	205	(154)	(359)	
23	Net income from investments ^(a)		4	4	
359	Income taxes ^(a)	89	192	103	

(142) Adjusted net profit	54	(141)	(195)	..
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(a) Excluding special items.

The aggregate Corporate and financial companies reported an adjusted operating loss of euro 183 million (euro 240 million in 2006) excluding special charges of euro 34 million (euro 56 million in 2006) related mainly to provision for redundancy incentives.

The adjusted operating loss (euro 141 million) increased by euro 195 million from 2006 reflecting the negative impact of the financing performance as a result of the increase registered in average net borrowings.

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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, gains or losses deriving from evaluation of certain derivative financial instruments at fair value through profit or loss as they do not meet the formal criteria to be assessed as hedges under IFRS, 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 abovementioned derivative financial instruments 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.

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2007

(million euro)

	E&P	G&P	R&M	Petrochemicals	E&C	Other activities	Corporate and financial companies	Impact of unrealized profit in inventory	Group
Reported operating profit	13,788	4,127	729	74	837	(444)	(217)	(26)	18,868
Exclusion of inventory holding (gains) losses			44	(658)	(6)				(620)
Exclusion of special items									
<i>of which:</i>									
Non-recurring (income) charges	(11)	(61)	35	(2)	(4)	61	(10)		8
Other special (income) charges:	274	(18)	223	24	7	176	44		730
environmental charges			15	128		210	12		365
asset impairments		226		58		6			290
risk provisions				9		13			22
provision for redundancy incentives		6	38	31	24	7	18	32	156
other		42	(71)	(3)		(71)			(103)
Special items of operating profit	263	(79)	258	22	3	237	34		738
Adjusted operating profit	14,051	4,092	329	90	840	(207)	(183)	(26)	18,986
Net financial (expense) income ^(a)	44	11		1		(8)	(154)		(106)
Net income from investments ^(a)	176	420	126	1	80	5	4		812
Income taxes ^(a)	(7,780)	(1,587)	(136)	(35)	(262)		192	10	(9,598)
<i>Tax rate (%)</i>	<i>54.5</i>	<i>35.1</i>	<i>29.9</i>						<i>48.7</i>
Adjusted net profit	6,491	2,936	319	57	658	(210)	(141)	(16)	10,094
<i>of which:</i>									
- adjusted net profit of Minority interest									624
- Eni s adjusted net profit									9,470
Eni s reported net profit									10,011
Exclusion of inventory holding (gains) losses									(499)
Exclusion of special items									(42)
<i>Non-recurring (income) charges</i>									35
<i>Other special (income) charges</i>									(77)
Eni s adjusted net profit									9,470

(*) Excluding special items.

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2006

(million euro)

	<u>E&P</u>	<u>G&P</u>	<u>R&M</u>	<u>Petrochemicals</u>	<u>E&C</u>	<u>Other activities</u>	<u>Corporate and financial companies</u>	<u>Impact of unrealized profit in inventory</u>	<u>Group</u>
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 (income) 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>									
- adjusted net profit of Minority interest									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 (income) charges</i>									923
Eni s adjusted net profit									10,412

(*) Excluding special items.

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2005

(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	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 (income) 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>										
- adjusted net profit of Minority interest										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 (income) charges</i>										932
Eni s adjusted net profit										9,251

(*) Excluding special items.

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Breakdown of special items

2005	(million euro)	2006	2007
290	Non-recurring charges (income)	239	8
	<i>of which:</i>		
	- curtailment recognized of the reserve for post-retirement benefits for Italian employees		(83)
290	- provisions and utilizations against on antitrust proceedings and regulations	239	91
1,651	Other special charges (income):	836	730
835	environmental charges	292	365
363	asset impairments	369	290
	gains on disposal of property, plant and equipment	(61)	
379	risk provisions	114	22
79	provisions for redundancy incentives	178	156
(5)	other	(56)	(103)
1,941	Special items of operating profit	1,075	738
27	Net finance (expense) income	(6)	(23)
(137)	Net income from investments	(72)	(321)
	<i>of which:</i>		
(132)	- gain on the disposal of Italiana Petroli (IP)		
	- gain on Galp Energia SGPS SA (divestment of assets to Rede Electrica Nacional)	(73)	
	- gain on divestment of Haldor Topsøe AS and Camom SA		(290)
(609)	Income taxes	165	(610)
	<i>of which:</i>		
	- adjustment to deferred tax for Italian subsidiaries		(394)
	- supplemental tax rate UK	91	
	- wind-fall tax Algeria	179	
	- tax proceeding in Venezuela	77	
1,222	Total special items of net profit	1,162	(216)
	attributable to:		
	- Eni		(174)
	- Minority interest		(42)

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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, 2006	Dec. 31, 2007	Change
Fixed assets			
Property, plant and equipment	44,312	50,137	5,825
Other assets	629	563	(66)
Inventories - compulsory stock	1,827	2,235	408
Intangible assets	3,753	4,333	580
Investments accounted for using the equity method and other investments	4,246	6,111	1,865
Financing receivables and securities related to operations	557	725	168
Net payables related to capital expenditures	(1,090)	(1,191)	(101)
	54,234	62,913	8,679
Net working capital			
Inventories	4,752	5,435	683
Trade receivables	15,230	15,609	379
Trade payables	(10,528)	(11,092)	(564)
Tax payables and provision for net deferred tax liabilities	(5,396)	(4,412)	984
Provisions	(8,614)	(8,486)	128
Other current assets and liabilities:			
<i>Equity instruments</i>		2,476	2,476
<i>Other</i> ^(b)	(641)	(2,600)	(1,959)
	(5,197)	(3,070)	2,127
Provisions for employee benefits	(1,071)	(935)	136
Net assets held for sale including related net borrowings		286	286
CAPITAL EMPLOYED, NET	47,966	59,194	11,228
Shareholder equity:			
- Eni shareholder's equity	39,029	40,428	1,399
- Minority interest	2,170	2,439	269
	41,199	42,867	1,668
Net borrowings	6,767	16,327	9,560
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	47,966	59,194	11,228

(a) For a reconciliation to the statutory balance sheet see the paragraph "Reconciliation of summarized Group balance sheet and summarized Group cash flow statement to statutory schemes" pages 80-81.

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- (b) Include receivables and securities for financing operating activities for euro 248 million at December 31, 2007 (euro 245 million at December 31, 2006) and securities covering technical reserves of Eni's insurance activities for euro 368 million (euro 417 million at December 31, 2006).

Year end currency translation effects reduced the carrying amounts of net capital employed, shareholders equity and net borrowings by approximately euro 2,850 million, euro 2,000 million and euro 850 million, respectively, compared to 2006 year end amounts. This reduction was mainly driven by the appreciation of the euro over the dollar (at December 31, 2007

the euro/US\$ exchange rate was 1.472 as compared to 1.317 at December 31, 2006, up 11.8%).

At December 31, 2007, **net capital employed** totalled euro 59,194 million, representing an increase of euro 11,228 million from December 31, 2006.

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Fixed assets

Fixed assets totalled euro 62,913 million, representing an increase of euro 8,679 million from December 31, 2006 (euro 54,234 million) due to capital expenditures (euro 10,593 million) and acquisition of assets and investments (euro 7,138 million), partly offset by depreciation, depletion, amortization and impairments charges (euro 7,236 million) and currency translation effects.

Other assets included the expropriated assets relating to the Dación oilfield in Venezuela, with a carrying amount of \$829 million (corresponding to euro 563 million at the December 31, 2007 euro/US \$ exchange rate). The expropriation took place on April 1, 2006 by the Venezuelan State oil company Petróleos de Venezuela SA (PDVSA) which has been conducting operations since this date. In February 2008 Eni has reached a settlement agreement with the Republic of Venezuela thus terminating the dispute for the Dación field. Under the terms of the settlement agreement, Eni will receive a cash compensation to be paid in seven yearly instalments. This cash compensation is not subject to taxation and yields interest income from the date of the settlement. The net present value of this cash compensation is in line with the book value of assets, net of the related provisions. Consequently, Eni dropped the international arbitration proceeding commenced in 2006 against PDVSA.

The item **Investments** comprises a 60% interest in Arctic Russia BV (the former Eni Russia BV) which owns a 100% interest in three Russian companies acquired on April 4, 2007 in partnership with Enel (Eni 60%, Enel 40%), following award of a bid for Lot 2 in the Yukos liquidation procedure. These three companies OAO Arctic Gas, OAO Urengoil and OAO Neftegaztehnologiya are engaged in exploration and development of gas reserves. Eni and Enel granted to Gazprom a call option to acquire a 51% interest in these acquired companies to be exercisable by Gazprom within 24 months starting from the acquisition date. Eni evaluates the investment in Arctic Russia BV under the equity method as it jointly controls the three entities based on ongoing contractual arrangements, therefore

Net working capital

At December 31, 2007, net working capital totalled euro -3,070 million, representing an increase of euro 2,127 million from December 31, 2006 mainly due to:

- (i) The acquisition of a 20% interest in the Russian company OAO Gazprom Neft (see the following paragraph **Equity instruments**).
- (ii) The impact of higher year end prices in euro for oil and petroleum products on the evaluation of inventories at the weighted average cost.
- (iii) A decrease recorded in tax payable and provision for net deferred tax liabilities mainly reflecting an adjustment to deferred tax assets and liabilities for Italian subsidiaries relating to certain amendments to the Italian tax regime and lower current taxes.
- (iv) A receivable upon a dividend approved by OAO Gazprom Neft on June 22, 2007; this dividend has not yet been distributed.

These increases were partly offset by a loss of euro 2,248 million (euro 1,383 million net of taxes) recognized on the fair value evaluation of certain derivative financial instruments Eni entered into to hedge the exposure to variability in future cash flows³ deriving from marketing an amount of Eni's proved reserves equal to 2% of proved reserves as of December 31, 2006 (corresponding to approximately 125.7 mmbob). These hedging transactions were undertaken in connection with the acquisitions executed in 2007 of proved and unproved properties in Congo and in the Gulf of Mexico. 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 preset contractual prices. The ineffective portion of the change in fair value of these derivatives arising from market price fluctuations within the range provided by these call and put options (the time value component) was recognized in the profit and loss account under the item net finance expenses (down euro 52 million).

The item **Equity instruments** comprises the carrying amount of a 20% interest in OAO Gazprom Neft acquired on April 4, 2007 following finalization of a bid within the Yukos liquidation procedure. This entity is

exercising significant influence in the financial and operating policy decisions of the investees. This 60% interest corresponds to the present ownership interest of Eni in the acquired companies determined by not taking into account the eventual exercise of the call option by Gazprom.

currently listed at the London Stock Exchange where approximately 5% of the share capital is traded. This accounting classification reflects the circumstance that Eni granted to Gazprom a call option on the entire 20% interest to be exercisable by Gazprom within 24 months starting from the acquisition date, at a price of \$3.7 billion equalling the bid price, as modified by subtracting dividends received and adding possible

(3) Cash flow hedge.

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share capital increases, a contractual remuneration of 9.4% on the capital employed and financing collateral expenses. In accordance with the fair value option provided for by IAS 39, Eni recognized the change in fair value of this 20% interest in OAO Gazprom Neft through the profit or loss instead of net equity. Eni elected this way in order to eliminate a recognition inconsistency that would otherwise arise from measuring the equity instrument and the related call option on different bases. In fact, the call option granted to Gazprom is measured at fair value through profit or loss being a derivative instrument. Consequently, the carrying amount of this equity instrument is determined based on its fair value as expressed by current quoted market prices, as reduced by the fair value amount of the

relevant call option, thus equalling the option strike price as of December 31, 2007.

Net assets held for sale including related net borrowings were euro 286 million and related to: (i) the Engineering & Construction division's 30% stake in GTT (Gaztransport et Technigaz sas) and 20% stake in Fertinitro (Fertilizantes Nitrogenados de Oriente). GTT is a company owning a patent for the construction of tanks to transport LNG. Fertinitro is specialized in the production of fertilizers; (ii) Padana Assicurazioni SpA.

The share of the Exploration & Production, Gas & Power and Refining & Marketing divisions on net capital employed was 89% (90% at December 31, 2006).

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 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 gains or losses as of in the period, net of the related tax effect.

2007	(million euro)	Exploration & Production	Gas & Power	Refining & Marketing	Group
Adjusted net profit		6,491	2,936	319	10,094
Exclusion of after-tax finance expenses/interest income		-	-	-	174
Adjusted net profit unlevered		6,491	2,936	319	10,268
<i>Adjusted capital employed, net</i>					
- at the beginning of period		18,590	18,906	5,631	47,966
- at the end of period		24,643	20,547	7,149	58,695
Adjusted average capital employed, net		21,617	19,727	6,390	53,331
Adjusted ROACE (%)		30.0	14.9	5.0	19.3

Assuming Gazprom exercises its call options to purchase a 20% interest in OAO Gazprom Neft held by Eni and a 51% interest in the three Russian gas companies held according to a 60% interest by Eni as of

December 31, 2007, the ROACE of the Group and of the Exploration & Production division would stand respectively at 19.9% and 32.5%.

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>Adjusted 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
Adjusted average capital employed, net		19,398	18,921	5,880	48,846
Adjusted ROACE (%)		37.5	15.1	10.7	22.7

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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
<i>Adjusted capital employed, net</i>					
- 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
Adjusted average capital employed, net		19,080	18,643	5,204	47,458
Adjusted ROACE (%)		32.4	13.7	18.2	20.5

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	Dec. 31, 2007	Change
Total debt	11,699	19,830	8,131
- Short-term debt	4,290	8,500	4,210
- Long-term debt	7,409	11,330	3,921
Cash and cash equivalent	(3,985)	(2,114)	1,871
Securities not related to operations	(552)	(174)	378
Non-operating financing receivables	(395)	(1,215)	(820)
Net borrowings	6,767	16,327	9,560
Shareholders' equity including minority interest	41,199	42,867	1,668
Leverage	0.16	0.38	0.22

Net borrowings at December 31, 2007 were euro 16,327 million, representing an increase of euro 9,560 million from December 31, 2006.

Debts and bonds amounted to euro 19,830 million, of which euro 8,500 million were short-term (including the

At December 31, 2007, **leverage** ratio between net borrowings and shareholders' equity was 0.38 compared with 0.16 at December 31, 2006. 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 as of December 31, 2007, leverage

portion of long-term debt due within 12 months for euro 737 million) and euro 11,330 million were long-term. would stand at 0.31.

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Changes in shareholders equity

(million euro)

Shareholders equity at December 31, 2006		41,199
Net profit for the year	10,809	
Reserve for cash flow hedges	(1,370)	
Dividends paid by Eni to shareholders	(4,583)	
Dividends paid by consolidated subsidiaries to shareholders	(289)	
Shares repurchased	(680)	
Treasury shares attributed against employee share incentive schemes	55	
Effect on equity of the shares repurchased by consolidated subsidiaries (Snam Rete Gas/Saipem)	(201)	
Exchange differences from translation of financial statements denominated in currencies other than euro	(1,948)	
Other changes	(93)	
Total changes		1,668
Shareholders equity at December 31, 2007		42,867
Attributable to:		
- Eni		40,428
- Minority interest		2,439

Shareholders equity at December 31, 2007 (euro 42,867 million) increased by euro 1,668 million from December 31, 2006, mainly due to net profit for the year (euro 10,809 million), offset in part by the payment of dividends, losses upon fair value evaluation of certain cash flow

hedges taken to reserve (euro 1,370 million net of the related tax effect for euro 867 million), the purchase of own shares and the impact of currency translation differences.

Reconciliation of net profit and shareholders equity of the parent company Eni SpA to consolidated net profit and shareholders equity

	Net profit		Shareholders equity	
	2006	2007	Dec. 31, 2006	Dec. 31, 2007
(million euro)				
As recorded in Eni SpA's Financial Statements	5,821	6,600	26,935	28,926
Difference between the equity value of individual accounts of consolidated subsidiaries with respect to the corresponding book value in the statutory accounts of the parent company	3,823	4,122	16,136	16,320
Consolidation adjustments:				
- difference between purchase cost and underlying book value of net equity	(52)	(1)	1,138	1,245
- elimination of tax adjustments and compliance with group accounting policies	627	649	(1,435)	(1,235)
- elimination of unrealized intercompany profits	(237)	(435)	(2,907)	(3,383)
- deferred taxation	(195)	(97)	1,244	711

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- other adjustments	36	(29)	88	283
	9,823	10,809	41,199	42,867
Minority interest	(606)	(798)	(2,170)	(2,439)
As recorded in Consolidated Financial Statements	9,217	10,011	39,029	40,428

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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 enables investors to understand the link existing between changes in cash and cash equivalents (deriving from the statutory cash flows statement) and in net borrowings (deriving from the summarized cash flow statement) that occurred from the beginning of period to the end of period. The measure enabling such a link is represented by the 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. The free cash flow is a non-GAAP measure of financial performance.

Summarized Group cash flow statement ^(a)

2005	(million euro)	2006	2007	Change
9,247	Net profit	9,823	10,809	986
	Adjustments to reconcile to cash generated from operating profit before changes in working capital:			
6,518	- amortization and depreciation and other non monetary items	5,753	6,346	593
(220)	- net gains on disposal of assets	(59)	(309)	(250)
8,471	- dividends, interest, taxes and other changes	10,435	8,850	(1,585)
24,016	Net cash generated from operating profit before changes in working capital	25,952	25,696	(256)
(2,422)	Changes in working capital related to operations	(1,024)	(1,667)	(643)
(6,658)	Dividends received, taxes paid, interest (paid) received during the period	(7,927)	(8,512)	(585)
14,936	Net cash provided by operating activities	17,001	15,517	(1,484)
(7,414)	Capital expenditures	(7,833)	(10,593)	(2,760)
(127)	Investments and purchase of consolidated subsidiaries and businesses	(95)	(9,665)	(9,570)
542	Disposals	328	659	331
293	Other cash flow related to capital expenditures, investments and disposals	361	(35)	(396)
8,230	Free cash flow	9,762	(4,117)	(13,879)
(109)	Borrowings (repayment) of debt related to financing activities	216	(479)	(695)
(540)	Changes in short and long-term financial debt	(682)	8,761	9,443
(7,284)	Dividends paid and changes in minority interests and reserves	(6,443)	(5,836)	607
33	Effect of changes in consolidation and exchange differences	(201)	(200)	1
330	NET CASH FLOW FOR THE PERIOD	2,652	(1,871)	(4,523)

CHANGES IN NET BORROWINGS

2005	2006	2007	Change
8,230	9,762	(4,117)	(13,879)
(19)		(244)	(244)
21	1		(1)
(980)	388	637	249

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(7,284)	Dividends paid and changes in minority interests and reserves	(6,443)	(5,836)	607
(32)	CHANGE IN NET BORROWINGS	3,708	(9,560)	(13,268)

(a) For a reconciliation to the statutory statement of cash flows see paragraph Reconciliation of summarized Group balance sheet and statement of cash flows to statutory schemes pages 82-83.

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Cash inflow generated by operating activities (euro 15,517 million) and cash from divestments (euro 659 million) partly absorbed cash outflows related to: (i) capital and exploratory expenditures (euro 10,593 million); (ii) the acquisition of investments and businesses (euro 9,909 million, including acquired net borrowings) mainly relating to the 20% interest in OAO Gazprom Neft and 60% interest in three Russian companies engaged in developing natural gas following finalization of a bid procedure for ex-Yukos assets (euro 3.73 billion), the purchase of Dominion Resources upstream assets in the Gulf of Mexico (approximately euro 3.5 billion), the purchase of oil producing assets onshore Congo (approximately euro 1 billion), the purchase of a 24.9% interest in Burren Energy (euro 0.6 billion) and the acquisition of downstream oil assets (euro 0.4 billion); (iii) dividend payments (euro 4,872 million); (iv) the repurchase of own shares for euro 1,038 million.

Dividends paid and changes in minority interest and reserves (euro 5,836 million) mainly related to: (i) dividend

Capital expenditure

2005	(million euro)	2006	2007	Change	% Ch.
4,965	Exploration & Production	5,203	6,625	1,422	27.3
1,152	Gas & Power	1,174	1,366	192	16.4
656	Refining & Marketing	645	979	334	51.8
112	Petrochemicals	99	145	46	46.5
349	Engineering & Construction	591	1,410	819	..
48	Other activities	72	59	(13)	(18.1)
132	Corporate and financial companies	88	108	20	22.7
	Impact of unrealized profit in inventory	(39)	(99)	(60)	
7,414	Capital expenditures	7,833	10,593	2,760	35.2

Capital expenditures in 2007 amounted to euro 10,593 million (euro 7,833 million in 2006), of which 84.7% related to the Exploration & Production, Gas & Power and Refining & Marketing divisions, and concerned mainly:

- Development activities (euro 4,788 million) deployed mainly in Kazakhstan, Egypt, Angola,

payments by the parent company Eni SpA (euro 4,583 million), relating to the balance of the 2006 dividend (euro 2,384 million) and the 2007 interim dividend (euro 2,199 million), and by Snam Rete Gas SpA and Saipem SpA (euro 211 million and euro 71 million respectively); (ii) the repurchase of own shares by Eni SpA for euro 680 million, and by other listed subsidiaries (Snam Rete Gas SpA and Saipem SpA, totalling euro 358 million) for a total amount of euro 1,038 million (euro 965 million considering treasury shares attributed against employee share incentive schemes).

From January 1 to December 31, 2007, a total of 27.56 million **own shares** were purchased by the company for a total amount of euro 680 million (representing an average cost of euro 24.694 per share). Since the inception of the share buy-back programme (September 1, 2000), Eni has repurchased 362.56 million shares, equal to 9.05% of outstanding capital stock, at a total cost of euro 6,193 million (representing an average cost of euro 17.081 per share).

- Ongoing construction of combined cycle power plants (euro 175 million);
- The Refining & Marketing division (euro 979 million) for projects aimed at upgrading the conversion capacity and flexibility of refineries, including construction of a new hydrocracking unit at the Sannazzaro refinery, building of new

- Italy and Congo;
- Exploration projects (euro 1,659 million) of which 94% was spent outside Italy, primarily in the Gulf of Mexico, Egypt, Norway, Nigeria and Brazil;
 - Development and upgrading of Eni's natural gas transport and distribution networks in Italy (euro 886 million) and upgrading of natural gas import pipelines to Italy (euro 253 million);
 - service stations and upgrading of existing ones;
 - Upgrading of the fleet used in the Engineering & Construction division (euro 1,410 million).

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Reconciliation of summarized Group balance sheet and statement of cash flows to statutory schemes**Summarized Group balance sheet**

(million euro)

	Notes to the Consolidated Financial Statements	December 31, 2006		December 31, 2007	
		Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
Items of summarized Group balance sheet					
(where not expressly indicated, the item derives directly from the statutory scheme)					
Fixed assets					
Property, plant and equipment			44,312		50,137
Other assets			629		563
Inventories - compulsory stock			1,827		2,235
Intangible assets			3,753		4,333
Equity-accounted investments and other investments			4,246		6,111
Receivables and securities for financing operating activities	(see note 3 and note 13)		557		725
Net payables related to capital expenditures, made up of:			(1,090)		(1,191)
<i>Receivables related to capital expenditures/disposals</i>	(see note 3)	100		125	
<i>Receivables related to capital expenditures/disposals</i>	(see note 15)	2		7	
<i>Payables related to capital expenditures</i>	(see note 17)	(1,166)		(1,301)	
<i>Payables related to capital expenditures</i>	(see note 25)	(26)		(22)	
Total fixed assets			54,234		62,913
Net working capital					
Inventories			4,752		5,435
Trade receivables	(see note 3)		15,230		15,609
Trade payables	(see note 17)		(10,528)		(11,092)
Tax payables and provisions for net deferred tax liabilities, made up of:			(5,396)		(4,412)
<i>Income tax payables</i>		(1,640)		(1,688)	
<i>Other tax payables</i>		(1,190)		(1,383)	
<i>Deferred tax liabilities</i>		(5,852)		(5,471)	
<i>Other tax liabilities</i>	(see note 25)			(215)	
<i>Current tax assets</i>		116		703	
<i>Other current tax assets</i>		542		833	
<i>Deferred tax assets</i>		1,725		1,915	
<i>Other tax assets</i>	(see note 15)	903		894	
Provisions			(8,614)		(8,486)
Other current assets and liabilities					
Equity instruments					2,476
Other, made up of:			(641)		(2,600)
<i>Securities for financing operating activities</i>	(see note 2)	420		259	

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<i>Receivables for financing operating activities</i>	(see note 3)	242	357
<i>Other receivables</i>	(see note 3)	3,080	3,668
<i>Other (current) assets</i>		855	1,080
<i>Other receivables and other assets</i>	(see note 15)	89	209
<i>Advances, other payables</i>	(see note 17)	(4,301)	(4,823)
<i>Other (current) liabilities</i>		(634)	(1,556)
<i>Other payables and other liabilities</i>	(see note 25)	(392)	(1,794)
Total net working capital		(5,197)	(3,070)
Provisions for employee benefits		(1,071)	(935)
Net assets held for sale including related net borrowings, made up of:			286
<i>Assets held for sale</i>			383
<i>Liabilities directly associated to assets held for sale</i>			(97)
CAPITAL EMPLOYED, NET		47,966	59,194

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ENI ANNUAL REPORT 2007 / FINANCIAL REVIEW

continued **Summarized Group balance sheet**

(million euro)		December 31, 2006		December 31, 2007	
Items of summarized Group balance sheet	Notes to the Consolidated Financial Statements	Partial amounts from statutory scheme	Amounts of the summarized Group scheme	Partial amounts from statutory scheme	Amounts of the summarized Group scheme
CAPITAL EMPLOYED, NET			47,966		59,194
Shareholders equity including minority interest			41,199		42,867
Net borrowings					
Total debt, made up of:			11,699		19,830
<i>Non current debt</i>		7,409		11,330	
<i>Current portion of non current debt</i>		890		737	
<i>Current financial liabilities</i>		3,400		7,763	
less:					
Cash and cash equivalents			(3,985)		(2,114)
Securities not related to operations	(see note 2)		(552)		(174)
Non-operating financing receivables, made up of:			(395)		(1,215)
<i>Trade receivables for non-operating purposes</i>	(see note 3)	(143)		(990)	
<i>Financial assets made for non-operating purposes</i>	(see note 13)	(252)		(225)	
Total net borrowings ^(a)			6,767		16,327
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY			47,966		59,194

(a) For details on net borrowings see also Note No. 21 to the consolidated consolidated financial statements.

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Summarized Group cash flow statement

(million euro)

	2006		2007	
	Partial amount from statutory scheme	Amounts of the summarized Group scheme	Partial amount from statutory scheme	Amounts of the summarized Group scheme
Items of summarized Group cash flow statement and confluence/reclassification of items in the statutory scheme				
Net profit		9,823		10,809
<i>Adjustments to reconcile to cash generated from operating profit before changes in working capital:</i>				
amortization and depreciation and other non monetary items		5,753		6,346
amortization and depreciation	6,153		7,029	
writedowns (revaluations) net	(386)		(494)	
net change in the reserve for contingencies	(86)		(122)	
net changes in the reserve for employee benefit	72		(67)	
net gain on disposal of assets		(59)		(309)
dividends, interest, taxes and other non monetary items		10,435		8,850
dividend income	(98)		(170)	
interest income	(387)		(603)	
interest expense	346		523	
exchange differences	6		(119)	
current and deferred income taxes	10,568		9,219	
Net cash generated from operating profit before changes in working capital		25,952		25,696
Changes in working capital related to operations		(1,024)		(1,667)
inventories	(953)		(1,117)	
accounts receivable	(1,952)		(728)	
other assets	(315)		(362)	
trade and other accounts payable	2,146		433	
other liabilities	50		107	
Dividends received, taxes paid, interest (paid) received		(7,927)		(8,512)
dividend received	848		658	
interest received	395		333	
interest paid	(294)		(555)	
income taxes paid	(8,876)		(8,948)	
Net cash provided by operating activities		17,001		15,517
Capital expenditure		(7,833)		(10,593)
tangible assets	(6,138)		(8,532)	
intangible assets	(1,695)		(2,061)	
Investments and businesses		(95)		(9,665)
investments	(42)		(4,890)	
consolidated subsidiaries and businesses	(46)		(4,759)	
acquisition of additional interests in subsidiaries	(7)		(16)	
Disposals		328		659
tangible assets	237		172	
intangible assets	12		28	
consolidated subsidiaries and businesses	8		56	
investments	36		403	

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sales of interest in consolidated subsidiaries	35		
Other cash flow related to capital expenditure, investments and disposals		361	(35)
securities	(49)		(76)
financing receivables	(516)		(1,646)
change in accounts receivable in relation to disposals	(26)		185
<i>reclassification: purchase of securities and financing receivables non related to operations</i>	178		1,045
sale of securities	382		491
sale of financing receivables	794		545
change in accounts receivable in relation to disposals	(8)		(13)
<i>reclassification: sale of securities and financing receivables non related to operations</i>	(394)		(566)
Free cash flow		9,762	(4,117)

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ENI ANNUAL REPORT 2007 / FINANCIAL REVIEW

continued **Summarized Group cash flow statement**

(million euro)

	2006		2007	
	Partial amount from statutory scheme	Amounts of the summarized Group scheme	Partial amount from statutory scheme	Amounts of the summarized Group scheme
Items of summarized Group cash flow statement and confluence/reclassification of items in the statutory scheme				
Free cash flow		9,762		(4,117)
Borrowings (repayment) of debt related to financing activities		216		(479)
<i>reclassification: purchase of securities and financing receivables non related to operations</i>	(178)		(1,045)	
<i>reclassification: sale of securities and financing receivables non related to operations</i>	394		566	
Changes in short and long-term financial debt		(682)		8,761
proceeds from long-term debt	2,888		6,589	
payments of long-term debt	(2,621)		(2,295)	
additions (reductions) of short-term debt	(949)		4,467	
Dividends paid and changes in minority interests and reserves		(6,443)		(5,836)
net capital contributions/payments by/to minority shareholders	22		1	
dividends paid by Eni to shareholders	(4,610)		(4,583)	
dividends paid by consolidated subsidiaries to shareholders	(222)		(289)	
shares repurchased, net	(1,156)		(625)	
shares repurchased by consolidated subsidiaries	(477)		(340)	
Effect of changes in consolidation and exchange differences		(201)		(200)
effect of change in consolidation area	(4)		(40)	
effect of exchange differences	(197)		(160)	
Net cash flow for the period		2,652		(1,871)

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Other Information

Subsequent events

Main subsequent events are reported in the Operating Review above.

Business trends

Management's expectations regarding key Eni's business trends for the year 2008 are as follows:

- **Production of liquids and natural gas** is forecast to increase (actual oil and gas production averaged 1.736 mmmboe/d in 2007), under Eni's Brent price scenario. Full year contribution from the assets acquired in 2007 in the Gulf of Mexico and in Congo and, starting from January 2008, of Burren Energy, as well as the organic growth expected in Nigeria, Angola and Libya will sustain the production performance. Mature field declines are expected in the United Kingdom and in Italy;
- **Sales volumes of natural gas worldwide** are forecast to increase from 2007 level (actual sales volumes in 2007 were 98.96 bcm). Growth is expected to be achieved in the European target markets, mainly in France, Germany/Austria and Spain;
- **Sales volumes of electricity** are expected to increase over 2007 (actual volumes in 2007 were 33.19 TWh) due to the planned start-up of new production capacity at the Ferrara plant;
- **Refining throughputs** are expected slightly increase from 2007 (actual throughputs were 37.15 mmmtonnes in 2007). Higher throughputs are expected at the Ceska Rafinerska as a result of the acquisition of a stake made in 2007. This will be offset by planned downtime at the Venice and Taranto refineries in order to execute certain activities intended to enhance plant performance;
- **Retail sales of refined products** are expected to increase from 2007 level, excluding expected divestments (12.65 mmmtonnes in 2007). Sales in Italy are expected to remain stable, despite a decline in domestic consumption, counterbalanced by the effect of ongoing marketing initiatives. In Europe, when factoring in the impact of the planned divestment of retail activities in the Iberian region, sales are expected to increase mainly due to the full contribution of assets acquired in 2007 in Central-Eastern Europe.

In 2008 management expects to increase capital expenditures from 2007 (euro 10.59 billion in 2007). Major increases are expected in the development of oil and natural gas reserves, upgrading of construction vessels and rigs, and upgrading of natural gas transport infrastructure. Investments are also planned in order to complete the acquisition of Burren Energy. On the basis of the expected cash outflows for planned capital expenditures and shareholders remuneration and also assuming Eni's scenario for Brent prices, management expects group leverage to achieve a level that will be lower or higher than the level of 0.38 reported in 2007, depending on the exercising of the already mentioned call options by Gazprom.

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Report on Corporate Governance

This report on corporate governance is designed to provide a complete overview of Eni's governance system. In order to comply with applicable listing standards, information is furnished regarding ownership and adherence to governance codes as established by institutional bodies and relevant commitments to observe them, as well as the options the company has elected in implementing its governance. This report is published in Eni's website www.eni.it in the corporate governance section and is transmitted to Borsa Italiana according to set rules and deadlines.

Code of Ethics

The Board of Directors of Eni has deemed it appropriate to provide a clear definition of the value system that Eni recognizes, accepts and upholds and the responsibilities that Eni assumes internally and externally in order to ensure that all Group activities are conducted in compliance with laws, in a context of fair competition, with honesty, integrity, correctness and in good faith, respecting the legitimate interests of shareholders, employees, suppliers, customers, commercial and financial partners and the communities where Eni operates.

All those working for Eni, without exception or distinction, are committed to observing these principles within their function and responsibility and to ensure that others observe them. The belief of working for the advantage of Eni does not justify behaviours contrary to such principles. These values are stated in a Code of Ethics whose observance by employees is evaluated by the Board of Directors, based

on an annual report by the Guarantor for the Code of Ethics.

In its meeting of March 14, 2008 Eni's Board of Directors resolved to update Eni's Code of Ethics in order to include regulatory developments, to better capture the issues of human rights and sustainability, to guarantee compliance with international best practices and make the necessary updates to take into account the changes undergone by Eni's organizational structure. The Code represents a general principle of Model 231 of which it is an integral part, that cannot be waived. Eni's Code of Ethics is published on Eni's website www.eni.it.

Corporate Governance Code

In its meeting of December 13, 2006, the Board of Directors resolved to adopt a new code of corporate governance by Borsa Italiana on March 14, 2006 (*Borsa Italiana Code* ¹⁾ by adopting an Eni Code (the *Code*). Certain recommendations of the *Borsa Italiana Code* have been adapted to the specific setup of Eni, while certain others have been clarified thus strengthening Eni's corporate governance. The aim of the Code is to clearly and fully disclose Eni's corporate governance system.

The Code takes into consideration the fact that Eni is a parent company, is not controlled by any other company and is not subject to direction and co-ordination by any Italian or foreign entity (company or body); hence, all the principles expounded in the *Borsa Italiana Code* not consistent with this status have been adjusted to avoid misunderstanding among Eni's

(1) The Corporate Governance Code issued by Borsa Italiana and adopted by Eni is available on Borsa Italiana Spa website, at Internet address: www.borsaitaliana.it.

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shareholders and stakeholders.

Similarly, the By-Laws currently in force foresee a traditional administration and control model (removing the possibility to adopt a one-tier or a two-tier model of management and control system as foreseen in the Borsa Italiana Code), the separation of the roles of the Chairman and the CEO (making the appointment of a lead independent director unnecessary), and specific rules on the appointment and composition of the Board of Directors and of the Board of Statutory Auditors. In view of guaranteeing more transparency and understanding, the Eni Code directly makes specific choices where the Borsa Italiana Code leaves this option to listed companies, making further resolutions of the Board of Directors on these matters unnecessary (e.g., the choice not to re-allocate or modify the Board's internal committees functions, the choice to entrust internal control responsibilities to only one managerial position, the provision that the internal control manager refers to the CEO and the choice not to entrust internal auditing activities to third parties).

Certain provisions of the Borsa Italiana Code regarding matters reserved to the Shareholders Meeting were merely indicated or suggested by the Eni Code as the Board of Directors cannot resolve on matters reserved to the Shareholders Meeting. All this notwithstanding, the Board is committed to ensure that the Shareholders and the Shareholders Meeting focus a fair deal of attention on such matters or otherwise promote integrations to Eni By-Laws.

Certain generic recommendations of the Borsa Italiana Code have been specified in the Eni Code, in particular criteria regarding the independence of directors, by clearly stating the levels of supplementary remuneration, which jeopardizes the independence requirement, and the meaning of close relatives.

The Eni Code establishes certain principles that enhance the level of governance recommended by the Borsa Italiana Code; in particular:

- in achieving the Company's purpose, the directors shall take into account the interests of all stakeholders as a guideline;
- directors holding proxies are due to report their activity to the Board of Directors every two months, compared to the three-month period

- the number of members of Board committees shall be lower than the majority of Board members in order not to interfere with the Board's decision-making process;
- the Internal Control Committee's opinion on corporate rules has been introduced, ensuring that all transactions carried out with related parties and transactions in which a director has an interest, are performed in a transparent way and according to the criteria of substantial and procedural fairness;
- the proposal of appointment of the manager delegated to internal control to the Board of Directors is drafted by the CEO, in agreement with the Chairman;
- at least two members of the Internal Control Committee must have adequate experience in accounting and finance (the Borsa Italiana Code foresees only one member with these skills).

The Board of Statutory Auditors was invited to expressly agree to the provisions of the Borsa Italiana Code on the Board of Statutory Auditors, and promptly adhered during its December 13, 2006 meeting.

In its mentioned meeting of December 13, 2006, the Board of Directors approved several rules regarding the implementation and specifying the provisions of the Code; in particular:

- the tasks of the Board of Directors have been redefined: the Board maintains an absolute central role in Eni's corporate governance system, with wide responsibilities that cover also Eni and its subsidiaries organization;
- the most important transactions of Eni and its subsidiaries, that require the approval of the Board of Directors, have been defined;
- the Board of Directors has a central role in defining sustainability policies and approving the sustainability report submitted also to the Shareholders Meeting;
- the subsidiaries with strategic relevance have been identified;
- the Board of Directors has expressed its position on the admissible maximum number of

- prescribed by the Borsa Italiana Code;
- the Board's self-evaluation can be performed with the support of a specialized external consultant, to ensure its objectiveness;
 - directors and auditors shall hold their positions only as long as they deem to be able to devote the necessary time to diligently perform their duties;

- positions in other companies that can be held by Eni's directors to ensure a sufficient amount of time for the effective performance of their duties;
- the principle of the respect of managerial autonomy of subsidiaries listed on a regulated market (as Saipem and Snam Rete Gas) has been expressly stated as well as Eni's commitment to observing such principles as defined in the Borsa Italiana Code regarding persons holding significant positions in the share capital of listed companies.

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In its meeting of March 16, 2007, the Board of Directors as prescribed by the Code and with the positive opinion of the Internal Control Committee, entrusted the Internal Audit Manager as manager delegated for the Internal control.

In its meeting of March 29, 2007, the Board of Directors approved changes in the regulations regarding the functioning and the tasks of the Internal Control Committee and the Compensation Committee, to align them to the prescriptions of the Eni Code. As a consequence, in its meeting of June 7, 2007, it reduced the number of members of the Internal Control Committee from five to four, lower than the majority of Board members.

* * *

Eni's corporate governance model, therefore, complies with the provisions of the Borsa Italiana Code and foresees certain provisions intended to improve the level of corporate governance. In compliance with the recommendations of the Code a procedure for transactions with related parties is currently being prepared and will be approved after Consob issues general principles as per Article 2391-*bis* of the Civil Code. Pending the publication of such rules by Consob, Eni's internal rules provide that transactions with related parties are submitted to the Board of Directors, even when amounting to less than the materiality threshold set for the transactions to be approved by the Board.

Eni's Code is published on Eni's website. The Comment included in the Borsa Italiana Code has not been published there, in order to not lengthen the document, however Eni took it into account in the implementation of provisions and criteria.

* * *

In accordance with the requirements and indications of Borsa Italiana SpA, in particular, the Guidelines for the preparation of the yearly report on corporate governance of February 12, 2003, follows information on Eni's corporate governance system. The Guide to the preparation of the report on corporate governance published by Assonime and Emittenti Titoli SpA in March 2004 has also been taken into account in

company's purpose, thus representing the central element of Eni's corporate governance system. Monitoring functions are entrusted to the Board of Statutory Auditors and accounting control is entrusted to external auditors appointed by the Shareholders' Meeting.

According to Article 25 of Eni's By-Laws, the Chairman and the CEO represent the company.

The Board of Directors established committees with consulting and proposing functions.

The Board of Directors also appointed three General Managers responsible for the three operational divisions of Eni SpA.

Certain organizational and management choices presented in this report have been made in application of the U.S. law to which Eni must conform due to the listing of its shares on the New York Stock Exchange.

The Board of Directors

Tasks

On June 1, 2005, the Board of Directors appointed Mr. Paolo Scaroni as Chief Executive Officer (and General Manager) and delegated all necessary powers for the administration of the Company to him, with the exception of those powers that cannot be delegated in accordance with current legislation (Article 2381 of the Italian Civil Code) and those retained by the Board of Directors (as amended by the Board of Directors in its meeting of October 11, 2005). Eni's CEO is assisted by a Steering Committee made up of Corporate Senior Vice Presidents and General Managers of Eni Divisions, who hold a function of consultancy.

As mentioned above, in its meeting of December 13, 2006, the Board of Directors modified these resolutions in order to update their contents to the Code's prescriptions, implement a more effective coordination with the By-Laws and entrust the Board of Directors with a central role in the Group's sustainability policies. Further changes were approved by the Board in its meeting of April 17, June 7 and July 4, 2007.

The Board, in accordance to these rules, retained the following powers, in addition to those that cannot be delegated under applicable laws:

1. Establishes the Company and Group Corporate Governance system and rules. In particular, after consulting the Internal Control Committee, the Board

preparing this report.

Eni s organizational structure

Eni s organizational structure follows the traditional model of companies in which the Board of Directors is entrusted with the fullest power to manage the company in view of implementing and achieving the

approves the rules that ensure the substantial and procedural transparency and correctness of the transactions carried out with related parties and those in which a director holds an interest, on his behalf or on behalf of third parties. The Board adopts a procedure for the management and disclosure to

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third parties of documents and information concerning the Company, having special regard to price sensitive information.

2. Establishes among its members one or more committees with proposing and consulting functions, appoints their members, establishes their responsibilities, determines their compensation and approves their regulations.
3. Appoints and revokes the powers of the Chief Executive Officer and the Chairman; establishes the terms, limits and operating methods of the exercise of such powers and determines the compensation related to the powers, on the basis of proposals from the Compensation Committee and after consulting the Board of Statutory Auditors. The Board may issue instructions to the Chief Executive Officer and the Chairman and reserve to itself any operations that pertain to its powers.
4. Establishes the guidelines of the organizational, administrative and accounting structure of the parent company, of the most important subsidiaries and of the Group; evaluates the adequacy of the organizational, administrative and accounting structure set up by the Chief Executive Officer in particular with regard to the management of conflicts of interest.
5. Establishes, in particular, based on the recommendations of the Internal Control Committee, the guidelines of the internal control system, in order to ensure the identification, measurement, management and monitoring of the main risks faced by the Company and its subsidiaries. Evaluates the adequacy, effectiveness and effective functioning of the internal control system managed by the Chief Executive Officer on an annual basis.
6. Establishes, based on the recommendation of the Chief Executive Officer, Company and Group strategies and objectives, including Sustainability policies. Examines and approves the Company's and Group's strategic, operational and financial plans and the strategic agreements to be signed by the Company.
7. Examines and approves annual budgets for Eni's Divisions and the Company, as well as the Group's consolidated budget.
8. Evaluates and approves interim quarterly and half-yearly reports, as per current regulations. Evaluates and approves the sustainability report, submitted also to the Shareholders' Meeting.

exercising the powers attributed as well as updates on activities carried out by the Group and on atypical or unusual transactions or transactions with related parties that were not previously submitted to the evaluation and approval of the Board.

10. Receives half-year updates on the Board Committees activities.

11. Evaluates the general performance of the Company and the Group, on the basis of information received from Board members with powers, with particular attention to situations of conflicts of interest and compares results achieved – as contained in the annual report and interim financial statements, as per current regulations – with the budget.

12. Evaluates and approves any transaction executed by the Company and its subsidiaries that have a significant impact on the company's results of operations and liquidity. Particular attention is paid to situations in which Board members hold an interest on their own behalf or on behalf of third parties, and to related parties transactions. The Board ensures the principle of operational autonomy with specific regard to the listed companies of the Eni Group. It also ensures the confidentiality of trade relations between said subsidiaries and Eni or third parties for the protection of the subsidiaries' interests.

Transactions with a significant impact on the company's results of operations and liquidity include the following:

- a) acquisition and disposal of shareholdings, investments, businesses and individual properties, contributions in kind, mergers and de-mergers exceeding euro 50 million, notwithstanding Article 23.2 of the By-Laws;
- b) investments in fixed assets exceeding euro 200 million, or less if of particular strategic importance or particularly risky;
- c) any exploration initiatives and portfolio operations in the E&P sector in new areas;
- d) sale and purchase contracts relating to goods and services other than investments, for an amount exceeding euro 1 billion or a duration exceeding twenty years;
- e) financing to entities other than subsidiaries: i) for amounts exceeding euro 50 million or, ii) in any case, if the amount is not proportionate to the interest held;
- f) issuing by the Company of personal and real guarantees to entities other than subsidiaries: i) for

9. Receives from Board members with powers, at every Board meeting or at least every two months, reports informing the Board of activities carried out in

amounts exceeding euro 200 million, if in the interest of the Company or of Eni subsidiaries, or ii) in any case, if the guarantees are issued in the

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interest of non-controlled companies and the amount is not proportionate to the interest held. In order to issue the guarantees indicated in section i) of letter f), if the amount is between euro 100 million and euro 200 million, the Board confers powers to the Chief Executive Officer and the Chairman, to be exercised jointly in case of urgency.

13. Appoints and revokes, on recommendation of the Chief Executive Officer and in agreement with the Chairman, the General Managers of Divisions and attributes powers to them.

14. Appoints and revokes, on recommendation of the Chief Executive Officer and in agreement with the Chairman, and with the approval of the Board of Statutory Auditors, the Manager charged with preparing the Company's financial reports as per Legislative Decree No. 58/1998 delegating to him adequate powers and resources.

15. Appoints and revokes, on recommendation of the Chief Executive Officer and in agreement with the Chairman, after consulting the Internal Control Committee, the person in charge of internal control and determines his/her compensation in line with the Company's remuneration policies.

16. Ensures a person is identified as responsible for handling the relationships with the Shareholders.

17. Establishes, on the basis of the proposals received from the Compensation Committee, the criteria for top management compensation and implements the stock incentive plans approved by the Shareholders Meeting.

18. Examines and decides on proposals submitted by the Chief Executive Officer with respect to voting powers and to the appointment of members of the management and control bodies of the most important controlled subsidiaries. With specific regard to the shareholders meetings of listed companies of the Eni Group, the Board ensures the observance of the Corporate Governance Rules regarding the shareholders meetings.

19. Prepares the proposals to be submitted to the Shareholders Meeting.

20. Examines and resolves on other matters that the Chief Executive Officer deems appropriate to submit to the Board because of their importance and sensitivity. On July 4, 2007 the Board of Directors determined the criteria under which the Board of Directors approves for a second time certain projects the terms and conditions of which have significantly changed with respect to the

demergers of at least 90% directly owned subsidiaries; establishment and winding up of branches; amendments to the By-Laws in order to comply with applicable legislation.

On June 1, 2005, the Board of Directors entrusted the Chairman Roberto Poli with powers to conduct strategic international relations, pursuant to Article 24.1 of Eni's By-Laws.

In accordance with Article 27 of Eni's By-Laws, the Chairman chairs Shareholders Meeting and oversees the implementation of decisions made by it.

In its meeting of January 15, 2008 the Board of Directors evaluated as adequate the organizational, administrative and accounting setup of the company.

In its meeting of March 14, 2008 the Board of Directors evaluated the internal control system of the company to be adequate and effective.

Appointment

In accordance with Article 17 of Eni's By-Laws, the Board of Directors is made up of three to nine members. The Shareholders Meeting determines the number within said limits.

As per Article 6, paragraph 2, letter d) of Eni's By-Laws the Minister for Economy and Finance, in agreement with the Minister of Economic Development, may appoint one member of the Board without voting rights in addition to those appointed by the Shareholders Meeting.

The Minister for Economy and Finance chose not to appoint such member.

In order to allow for the presence of representatives elected by minority shareholders, as provided for by Legislative Decree No. 58 of February 24, 1998 (Testo Unico della Finanza - TUF), the appointment of the Board of Directors calls for a list vote. According to article 17 of Eni's By-Laws and the provisions of Law No. 474 of 1994, shareholders representing at least 1% of voting shares, alone or together with other shareholders, and the Board of Directors have the right to present lists for the appointment of directors. Each shareholder can present or participate in presenting only one list.

Entities controlling a shareholder and companies controlled by a common entity are forbidden from presenting or otherwise concurring to the presentation of additional lists.

first approval.

Pursuant to Article 23.2 of the By-Laws, the Board resolves on: mergers by incorporation and proportional

Lists are to be filed at Eni's headquarters at least ten days before the date set for the Shareholders' Meeting on first call (20 days in case of the Board of Directors presenting a list) and published in at least three national (two economic) newspapers. Lists must be also be filed with Borsa Italiana and published on Eni's Internet site. These lists must include the specification of which candidates are independent. All candidates must possess the

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honorability requirements as provided for by the applicable legislation and Eni's By-Laws. Lists must include a professional curriculum of each candidate and statements in which each candidate attests the possession of the honorability and independence requirements, lest the lists be considered inadmissible. The list vote is applied only when the whole Board is re-elected.

After the votes are cast, appointments take place by extracting seven tenths of directors from the majority list in the order in which they are listed and the remaining directors from the other lists that must not be directly or indirectly connected with the members that filed or voted the list that collected the majority of votes.

In case of appointment of directors that for whatever reason have not been voted according to the described procedure, the Shareholders Meeting decides with the majorities set by the law, provided that the composition of the Board complies with the law and Eni's By-Laws.

Composition

The Board of Directors presently in office is made up of nine members appointed by the Shareholders Meeting of May 27, 2005, for a three-year term; their mandate expires with the Meeting convened to approve financial statements for fiscal year 2007.

The current Board of Directors is formed by the Chairman, Roberto Poli, the CEO, Paolo Scaroni, and directors, Alberto Clô, Renzo Costi, Dario Fruscio (until January 30, 2008)², Marco Pinto, Marco Reboa, Mario Resca, and Pierluigi Scibetta.

Roberto Poli, Paolo Scaroni, Dario Fruscio, Marco Pinto, Mario Resca and Pierluigi Scibetta were candidates included in the list of the Ministry for Economy and Finance.

Alberto Clô, Renzo Costi and Marco Reboa were in the list presented by institutional investors coordinated by Fineco Asset Management SpA.

Since June 1, 2006, the Secretary of the Board of Directors is Roberto Ulissi, the Group's senior vice president for Corporate Affairs and Governance.

Positions held by directors in other Boards

Based on information received, follows information on positions held in other Boards of Directors or Boards of Statutory Auditors of companies listed in regulated markets also outside Italy, financial, banking or

ROBERTO POLI

Board member of Mondadori SpA, Fininvest SpA, Coesia SpA, Maire Technimont SpA, Perennius Capital Partners SGR SpA, Merloni Termosanitari SpA.

PAOLO SCARONI

Board member of Assicurazioni Generali, LSEG plc (London Stock Exchange Group), Veolia Environment SA.

ALBERTO CLÔ

Board member of ASM Brescia SpA (until December 31 2007), Atlantia SpA, Italcementi SpA, De Longhi SpA.

MARCO REBOA

Board member of Seat PG SpA, Interpump Group SpA, IMMSI SpA, Intesa Private Banking SpA. Chairman of the Board of Statutory Auditors of Luxottica Group SpA.

MARIO RESCA

Chairman of Italia Zuccheri SpA, Board member of Mondadori SpA, ARFIN SpA, Finance Leasing SpA.

PIERLUIGI SCIBETTA

Board member of Gestore del Mercato Elettrico SpA.

Board's opinion on the matter of the admissible number of positions held by directors in other companies

In its meeting of December 13, 2006, the Board of Directors expressed its opinion on the matter of the admissible number of positions held by directors in other companies, as required by the Eni Code, and following the resolution of the meeting held on June 20, 2007:

- an executive director should not hold: i) the position of executive director in any other Italian or foreign listed company, or in any finance, banking or insurance company or any company with a net equity exceeding euro 10 billion and ii) the position of non-executive director or statutory auditor (or member of any other advisory committee) in more than three of said companies;

insurance or large companies by members of Eni's Board of Directors. The personal and professional curriculum of Directors is available on Eni's website.

- a non-executive director, should not hold further positions than the one held in Eni, as: i) executive director in more than one of the companies mentioned above and non-executive director or statutory auditor (or member of any other control body) in more than three of the mentioned companies, or as ii) non-executive director or statutory auditor in more than six of the mentioned companies.

(2) On January 30, 2008, the Director Dario Fruscio resigned from the Board of Directors.

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All the positions held in Eni's subsidiaries are excluded for the purposes described above.

In case a director exceeds said limits in terms of positions held, he should timely inform the Board, who shall judge the situation taking into account the interest of the Company and call upon the interested director to make a decision on the matter. In any case, before accepting the office of director or statutory auditor (or member of any other control entity) of a company not related to Eni, the executive director informs the Board of Directors that evaluates its compatibility with his office at Eni and the interests of Eni. This rule applies also to the General Managers of Eni's divisions.

On the basis of available information, in its meeting of February 15, 2008, the Board of Directors verified that the number of positions held in other companies complies with these limits.

Independence and honorability requirements, causes for ineligibility and incompatibility

Legislative Decree No. 58 of February 24, 1998 (TUF), as amended by Legislative Decree No. 303 of December 29, 2006 states that at least one member, or two members if the Board is composed by more than seven members must possess the independence requirements provided for Statutory Auditors of listed companies.

Article 17.3 of Eni's By-Laws states that at least one member, if the Board is made up by up to five members, or three Board members, in case the Board is made up by more than five members, shall have the independence requirement. This rule actually increases the number of independent directors in Eni's Board, as compared to what is required by the law. In addition Eni's By-Laws provides for a substitution mechanisms that guarantees in any case the presence of the minimum number of independent directors in the Board.

Eni's Code foresees further independence requirements, in line with the ones provided by the Borsa Italiana Code. The TUF, as implemented in Article 17.3 of Eni's By-Laws, provides that the persons acting as directors and managers of listed companies possess the honorability requirements prescribed for the member of control entities of listed companies. Directors must comply with additional requirements specifically determined for them.

In accordance with Article 17.3 of Eni's By-Laws, the Board periodically evaluates independence and

application of criteria and procedures adopted by the Board to evaluate the independence of its members. In accordance with Article 17.3 of Eni's By-Laws, should the independence and honorability requirements be impaired or cease or the minimum number of independent directors diminish below the threshold set by Eni's By-Laws, the Board declares the termination of office of the member lacking said requirements and provides for his substitution. Board members are expected to inform the company if they lose their independence and honorability requirements or any reasons for ineligibility or incompatibility that might arise.

On February 15, 2008, Eni's Board of Directors, in accordance with the provisions of Eni's By-Laws and Code, determined that five out of its eight members are independent, specifically: non-executive directors Alberto Clô, Renzo Costi, Marco Reboa, Mario Resca and Pierluigi Scibetta³.

Renzo Costi was confirmed to be independent notwithstanding his permanence as board member for a period longer than nine years, due to the fact that he has been nominated by minority shareholders (specifically institutional investors) and has demonstrated ethical and professional qualities and independence when expressing his opinion during this period.

The Board of Statutory Auditors verified the proper application of criteria and procedures adopted by the Board to evaluate the independence of its members. In the same meeting, based on the statements received, the Board of Directors verified that all its members possess the honorability requirements.

Meetings and functioning

The general public is informed, with advance notice normally before the closing of the year, of the dates of meetings convened for the approval of annual, semi-annual, preliminary and quarterly accounts, to announce the amount of interim dividends and final dividends, and related ex-dividend and payment dates, and the general Shareholders' Meeting approving the annual financial statements. The financial calendar is available on Eni's website.

In its meeting of June 1, 2005, the Board of Directors defined the rules for the calling of its meetings. In particular, the Chairman convenes Board meetings, and, in agreement with the CEO, defines agenda items.

honorability of directors and the absence of reasons for ineligibility and incompatibility. Eni Code also provides for the Board of Statutory Auditors to verify the proper

Notice is sent to the Directors, Statutory Auditors and the Magistrate of the Court of Accounts within five days of the meeting's date, at least 24 hours in advance in case of urgency.

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- (3) As mentioned above, Dario Fruscio resigned from the Board of Directors on January 30, 2008. In its meeting of February 22, 2007, the Board of Directors determined Dario Fruscio as independent director.

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Eni's By-Laws allow meetings to be held by video or teleconference.

Board members, Statutory Auditors and the Magistrate of the Court of Accounts receive in advance adequate and thorough information on all issues subject to Board evaluation and resolutions, except when confidentiality is deemed necessary.

During meetings, directors can meet managers of Eni and its subsidiaries in order to obtain information on specific matters of the agenda items.

In 2007, the Board of Directors met 25 times (of which 17 ordinary meetings and 8 extraordinary meetings) for an average duration of two hours and twenty minutes (the average duration of ordinary meetings was about three hours). The average attendance rate to Board meetings was 91%, the attendance rate of independent non-executive Board members was 87%.

In the attached table, the percentage of attendance of each member of the Board to the Board of Directors and Board committees meetings is presented.

Until this date, non-executive and independent members have always met in presence of the other members of the Board; Eni's By-Laws allow them to decide whether it is necessary to hold meetings attended exclusively by non-executive and independent members.

Following the self evaluation performed in 2007, the Directors also agreed upon holding informal meetings to gain more insight on specific managerial and business matters, in order to better perform assigned duties.

Board self evaluation

The Board of Directors performed its self assessment of size, composition and functioning for the second year, in accordance with Eni's and Borsa Italiana Codes.

In accordance with Eni's Code, the Board of Directors has been supported by a specialized consulting firm, Egon Zehnder, the same company of the preceding year, to guarantee not only the maximum objectiveness of its assessment, but also continuity and homogeneity of analyses.

Egon Zehnder's work was focused on: a) the level of functioning and efficiency of the Board; b) identifying areas of improvement or weakness in the functionality and efficacy of the Board; c) efficiency of improvement actions decided after the previous board review and the related level of satisfaction of Board members; d) assessing Eni's Board efficiency by benchmarking it

Directors, that discussed and confirmed them in its meeting of February 28, 2008. The review was substantially positive, even better than that of the previous year.

As concerns the Board, whose size was considered adequate, the main items highlighted were: greater engagement of members; the satisfying level of quantity and quality of information provided even in the periods between meetings; the transparency in presenting issues to the Board.

These factors and a proper and constructive climate contributed to a more active participation and higher quality of interventions.

As concerns the Committees, the Board considers their size and composition optimal and appreciates their activities. The Board also stressed the cohesion, the cooperation between the Internal Control Committee, the Board of Statutory Auditors and the Internal Audit department.

Project for the training of Board Members

Eni prepared a training plan for the Board of Directors that shall be appointed at the date of approval of Eni's financial statements for 2007, aimed at providing Board members with a precise knowledge of Eni's activities, business segments and organization and the role the Board is expected to play in relation to the company's specific features. This training plan should involve also Statutory Auditors and later on, members of the Board Committees, for specific matters.

Remuneration

Board members' emoluments are determined by the Shareholders' Meeting, while the emoluments of the Chairman and CEO, in relation to the powers attributed to them, are determined by the Board of Directors, based on proposals of the Compensation Committee and after consultation with the Board of Statutory Auditors. On May 27, 2005 the Shareholders' Meeting resolved to determine the annual emolument of the Chairman in euro 265,000 and of Board members in euro 115,000. It also resolved a bonus up to a maximum of euro 80,000 for the Chairman and euro 20,000 for each Board member. The amount of the bonus is determined in accordance with the performance of Eni shares in the reference year as compared with the performance of the seven largest international oil companies for market

against national companies of comparable size, complexity and scope. Consultants performed an in-depth interview of each member and presented the results to the Board of

capitalization. The share performance takes account of the dividend paid. Said bonus amounts to euro 80,000 or euro 40,000, and euro 20,000 or euro 10,000 for the Chairman and each Board member, respectively, depending on whether the performance of Eni shares is rated first or second, or

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third or fourth in the reference year, respectively. No bonus is paid in case Eni scores a position lower than the fourth one.

In the meeting of March 29, 2007, the Board verified that Eni rated third in the mentioned positioning in 2006. In the meeting of July 27, 2006, the Board of Directors, as proposed by the Compensation Committee and advised by the Board of Statutory Auditors, determined an additional element of remuneration for the Board members holding positions in Board's committees, with the exclusion of the Chairman and CEO. Said fee amounts to euro 30,000, and euro 20,000 for the position of chairman of a committee and of member of a committee, respectively. This amount decreases to euro 27,000 and euro 18,000 in case a member holds positions in more than one committee.

The remuneration of the Chairman is made up of a fixed emolument and a bonus in relation to the powers delegated to him by the Board. The remuneration of the CEO, the general managers and other managers with strategic responsibilities⁴ is made up of a base salary, an annual bonus, and long term incentives.

The Chairman and CEO fixed emolument and is set taking into account the powers delegated to them by the Board.

The base salary of the three General Managers of Eni divisions and of other key managers is set considering the position held and their specific responsibilities, with reference to appropriate market levels as benchmarked against national and international companies of comparable size, complexity and scope in the oil and gas, industrial and service sectors. Base salaries are reviewed and adjusted on a yearly basis considering individual performance and career progression.

Management's bonuses are paid yearly, based on the achievement of both financial, operational and strategic company targets and individual performance targets pertaining to each business or functional unit. The bonuses of the Chairman and CEO are determined based on the achievement of the Company's targets.

Bonuses paid in 2007 were determined based on the achievement of Eni's target for 2006 as approved by the Board of Directors on proposal of the Compensation Committee and defined consistently with the targets of the strategic plan and yearly budget. These targets include a set level of profitability and cash flow from operations (with a 40% weight), divisional operating

have been verified by the Compensation Committee and approved by the Board of Directors. Based on these results, bonuses equalled 116% of the target level, within an interval ranging from 85% to 130% of said target level.

In March 2006, the Board of Directors approved a new long-term incentive plan for senior managers of Eni and its subsidiaries (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 monetary incentive, linked to the achievement of certain business growth and operating efficiency targets, replacing the previous stock grant plan, and of a stock option incentive focused on the achievement of certain targets of total shareholder return.

This scheme is intended to balance the monetary and stock-based elements of the remuneration, as well as links financial and operating results to share performance in the long term. The deferred monetary incentive granted in 2007 is paid after three years from the grant depending on the achievement of the annual EBITDA targets preset for the 2007-2009 period. Results in terms of EBITDA are assessed by comparing actual results with set targets under a constant trading environment for each year. Stock options granted in 2007 can be exercised after three years from the grant in a percentage depending on the performance of Eni shares measured in terms of Total Shareholder Return⁵ as compared to that achieved by a panel of major international oil companies over the 2007-2009 three-year period.

At the end of the three year period, the results of the long term incentive plan are reviewed by the Compensation Committee and approved by the Board of Directors.

The CEO, being the General Manager of the company, is entitled to take part to both legs of this scheme, adding also a deferred bonus linked to the increase in the Eni share price, to be paid after three years (see the paragraph "Stock options and other share-based compensation", below).

Upon expiry of the contract as employee of Eni, the CEO in his quality of General Manager of the parent

performance (30%), strategic projects (20%) and corporate efficiency (10%). Results achieved have been assessed assuming a constant trading environment and

company is entitled to receive an indemnity that is accrued along the service period with an annual provision of euro 240,737.93. This provision is determined by taking

(4) These members together with the CEO and the General Managers are permanent members of Eni's Management Committee.

(5) For a definition of TSR see Glossary .

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into account social security contribution rates and post-retirement benefit computations applied to the CEO base salary and 50% of the bonuses earned as a Director. In case the work contract of the CEO is terminated at or before the expiry of his office, the CEO will receive a payment of euro 7 million in lieu of notice thus waiving both parties from any obligation related to notice. This payment is not applicable in case the work contract is terminated upon due cause, death or resignation from office other than as a result of a reduction in powers currently attributed to the CEO.

Eni's Shareholders Meeting of May 25, 2006, determined to extend to all Board Directors and to Statutory Auditors the insurance against professional risks included in agreements for Eni managers. This insurance reflects market terms and standard conditions. Follows the breakdown of the 2007 remuneration of the Chairman, the CEO, the divisional General Managers and other managers with strategic responsibilities:

(%)	Chairman	CEO	Divisional General Managers	Other managers with strategic responsibility
Base salary	66	30	42	43
Bonuses (linked to performance)	34	27	27	32
Long term incentive (linked to performance) (*)	-	43	31	25
Total	100	100	100	100

(*) Evaluation of the deferred bonus (discounted) and the fair value of stock options assigned for target result; for the CEO the deferred bonus comprises also the deferred bonus linked to the market performance of Eni shares.

Remuneration earned by members of the Board of Directors, Statutory Auditors, General Managers, and other managers with strategic responsibilities

Pursuant to Article 78 of Consob Decision No. 11971 of May 14, 1999, and to its subsequent modifications, remuneration earned by members of the Board of Directors, Statutory Auditors, General Managers and other managers with strategic responsibilities is reported in the table below. Remuneration earned by managers who held a position in 2007 for a fraction of the year is reported too.

Pursuant to Consob decisions:

- in the column Emoluments for service at Eni SpA are reported fixed fees paid to non-executive and executive directors, fixed fees paid to Directors attending the Committees formed by the Board of Directors, and fees paid to Statutory Auditors. Fixed fees earned by the Chairman and the CEO include also fees earned

- in the column Non-cash benefits are reported amounts referring to all fringe benefits, including insurance policies;
- in the column Bonuses and other incentives are reported the portion of fees linked to performances which was awarded in the year to both non-executive directors and executive directors, and the portion of salaries linked to performances which was awarded in the year to the CEO, the General Managers of Eni's divisions and other managers with strategic responsibilities;
- in the column Salaries and other elements are reported 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. Referring to the Statutory Auditors, fees paid for positions held on the

for the powers delegated to them by the Board;

Board of Statutory Auditors in Eni's subsidiaries
are also reported.

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(thousand euro)

Name	Position	Term of office	Expiry date of the position ^(a)	Emoluments for service at Eni SpA	Non-cash benefits	Bonuses and other incentives ^(b)	Salaries and other elements	Total
Board of Directors								
Roberto Poli	Chairman	01.01-12.31	04.29.08	765	16	388		1,169
Paolo Scaroni	CEO	01.01-12.31	04.29.08	430	62	1,277	1,016	2,785
Alberto Clò	Director	01.01-12.31	04.29.08	138		10		148
Renzo Costi	Director	01.01-12.31	04.29.08	134		10		144
Dario Fruscio	Director	01.01-12.31	01.30.08 ^(c)	126		10		136
Marco Pinto	Director	01.01-12.31	04.29.08	133		10		143
Mario Resca	Director	01.01-12.31	04.29.08	130		10		140
Marco Reboa	Director	01.01-12.31	04.29.08	148		10		158
Pierluigi Scibetta	Director	01.01-12.31	04.29.08	134		10		144
Board of Statutory Auditors								
Paolo Andrea Colombo	Chairman	01.01-12.31	04.29.08	115			88 ^(d)	203
Filippo Duodo	Auditor	01.01-12.31	04.29.08	80			72 ^(e)	152
Edoardo Grisolia ^(f)	Auditor	01.01-12.31	04.29.08	80				80
Riccardo Perotta	Auditor	01.01-12.31	04.29.08	80			38 ^(g)	118
Giorgio Silva	Auditor	01.01-12.31	04.29.08	80			45 ^(h)	125
General Managers								
Stefano Cao	Exploration & Production	01.01-12.31			1	551	935	1,487
Domenico Dispenza	Gas & Power	01.01-12.31			1	457	654	1,112
Angelo Taraborrelli	Refining & Marketing	01.01-08.02 ⁽ⁱ⁾			1	386	340	727
Angelo Caridi	Refining & Marketing	08.03-12.31 ^(l)			1		210	211
Other managers with strategic responsibilities ^(m)								
					10	2,570	3,529	6,109

(a) The term of position ends with the Meeting approving financial statements for the year ending December 31, 2007.

(b) Based on performance achieved in 2006.

(c) Resigned from the Board of Directors.

(d) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of Saipem and EniServizi.

(e) Includes the compensation obtained as Statutory Auditor in Snamprogetti SpA and in Polimeri Europa and as Chairman of the Board of Statutory Auditors of CEPAV Uno and CEPAV Due.

(f) Compensation for the service is paid to the Ministry for Economy and Finance.

(g) Includes the compensation obtained as Chairman of the Board of Statutory Auditors of Snam Rete Gas SpA.

(h) Includes the compensation obtained as Statutory Auditor in Snamprogetti SpA and as Chairman of the Board of Statutory Auditors of TSKJ Italia Srl.

(i) In office until August 2, 2007.

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

(m) Managers, who during the year with the CEO and the General Managers of Eni divisions, have been member of the Eni Directors Committee (seven managers).

Deferred bonus awarded to the CEO, the General Managers and managers with strategic responsibilities

established for the target performance in relation to the performances achieved in a three-year period as approved by the Board of Directors.

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The deferred bonus plan approved for the 2006-2008 three-year period 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

The following table sets out the basic bonus awarded in the year 2007 to the CEO and to the General Managers of Eni's Divisions, and the total amount awarded to other managers.

(thousand euro)

Name		Deferred bonus awarded
Paolo Scaroni	CEO and General Manager of Eni	787
Stefano Cao	General Manager of the E&P Division	380
Domenico Dispenza	General Manager of the G&P Division	268
Angelo Taraborrelli	General Manager of the R&M Division ^(a)	236
Angelo Taraborrelli	General Manager of the R&M Division ^(b)	140 ^(c)
Other managers with strategic responsibilities ^(d)		1,126

(a) Position held until August 2, 2007.

(b) Appointed on August 3, 2007.

(c) Assigned on July 25, 2007, to Angelo Caridi who held the position of CEO of Snamprogetti until August 2, 2007.

(d) No. 7 managers.

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Stock options and other share-based compensation**STOCK GRANTS**

In 2003 Eni started a stock grant incentive scheme intended to motivate and retain managers. This scheme provided the offering of treasury shares purchased under Eni's buy back program for no consideration to a number of Eni managers who achieved corporate and individual targets. Said scheme applied to the three year-period 2003-2005 and was subsequently discontinued.

Under this stock grant plan, on December 31, 2007, a total of 902,800 grants were outstanding for the assignment of an equal amount of treasury shares (equal to 0.05% of capital stock) pertaining to 2003, 2004 and 2005 assignments as follows: (i) a total of 2,500 grants (fair value euro 11.20 per share) related to 2003, (ii) a total of 798,700 grants (fair value euro 14.57 per share) related to 2004 and (iii) a total of 1,072,400 grants (fair value euro 20.08 per share) related to 2005.

STOCK OPTIONS

Eni offers managers of Eni SpA and its subsidiaries as defined in the Article 2359 of the Civil Code 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 treasury shares.

On May 25, 2006, the Shareholders' Meeting approved the 2006-2008 stock option plan and authorized the Board of Directors to make available a maximum amount of 30 million treasury shares (equal to 0.749% of the share capital) for the stock option plan.

This stock option plan foresees three annual awards.

Unlike 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 Shareholder Return as compared to that achieved by a panel of major international oil companies in terms of capitalization. In 2006 and 2007, the Board of Directors approved: (i) the award pertaining to 2006 and 2007 within the three-year period covered by the plan; (ii) its regulation; and (iii) the criteria to be followed in the identification of managers to whom the option will be assigned. The Board of Directors delegated to the CEO the task to identify eligible managers by the end of each year covered by the plan. Under this plan, 6,128,500 options were awarded pertaining to 2007 with a strike price of euro 27.451. Previous stock option plans provided that grantees had the right to purchase treasury shares in a 1 to 1 ratio after three years from the award, with a strike price calculated as the arithmetic average of official prices registered on the Mercato Telematico Azionario in the month preceding award or, if greater, as the average carrying cost of treasury shares held by Eni as of the date preceding the award.

At December 31, 2007, a total of 17,699,625 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 23.822.

The weighted average remaining contractual life of options outstanding at December 31, 2006 and 2007 was 4 years and 7 months and 5 years and 7 months respectively.

The following is a summary of stock option activity for the years 2006 and 2007:

	2006			2007		
	Number of shares	Weighted average exercise price	Market price in euro ^(a)	Number of shares	Weighted average exercise price	Market price in euro ^(a)
Options as of January 1	13,379,600	17.705	23.460	15,290,400	21.022	25.520
New options granted	7,050,000	23.119	23.119	6,128,500	27.451	27.447
Options exercised in the period	(4,943,200)	15.111	23.511	(3,028,200)	16.906	25.338

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Options cancelled in the period	(196,000)	19.119	23.797	(691,075)	24.346	24.790
Options outstanding as of December 31	15,290,400	21.022	25.520	17,699,625	23.822	25.120
of which exercisable at December 31	1,622,900	16.190	25.520	2,292,125	18.440	25.120

- (1) 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.

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The fair value of stock options granted during the years ended December 31, 2006 and 2007 of euro 2.89 and euro 2.98

respectively, was calculated applying the Black-Scholes method using the following assumptions:

		2006	2007
Risk free interest rate	(%)	4.0	4.7
Expected life	(years)	6	6
Expected volatility	(%)	16.8	16.3
Expected dividends	(%)	5.3	4.9

The following table presents the amount of stock options awarded to Eni's CEO, general managers and other managers with strategic responsibilities.

	CEO	General Manager E&P Division	General Manager G&P Division	General Manager R&M Division	General Manager R&M Division	Other Managers with strategic responsibilities (a)		
	Paolo Scaroni (b)	Stefano Cao	Domenico Dispenza	Angelo Taraborrelli (c)	Angelo Caridi (d)			
Options outstanding at the beginning of the period:								
- number of options	1,380,000	314,500	137,000	269,500 (e)	238,000	54,500	73,500 (f)	926,500
- average exercise price (euro)	22.801	21.641	22.244	3.988	20.624	19.896	17.519	21.709
- average maturity in months	73	70	65	73	68	74	67	69
Options granted during the period								
- number of options	573,000	155,500	110,000	-	96,500	-	48,500 (f)	472,500
- average exercise price (euro)	27.451	27.451	27.451	-	27.451	-	26.521	27.451
- average maturity in months	72	72	72	-	72	-	72	72
Options exercised at the end of the period								
- number of options	-	63,500	14,500	-	73,000	24,000	-	46,000
- average exercise price (euro)	-	16.576	15.013	-	15.431	16.576	-	13.743
- average market price at date of exercise (euro)	-	27.529	24.721	-	25.774	25.306	-	24.756
Options outstanding at the end of the								

period									
- number of options		1,953,000	406,500	232,500	269,500 ^(e)	261,500	30,500	122,000 ^(f)	1,353,000
- average exercise price	(euro)	24.165	24.655	25.159	3.988	24.593	22.509	21.098	23.985
- average maturity in months		63	62	60	61	62	67	60	61

- (a) No. 7 managers.
- (b) The assignment to the CEO has been integrated by a monetary incentive to be paid after three-year in relation to the performance of Eni shares, and is equal to 96,000 options granted in 2006, with a strike price of euro 23.100 and 80,500 options granted in 2007, with a strike price of euro 27.451.
- (c) In office until August 2, 2007.
- (d) Appointed on August 3, 2007.
- (e) 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.
- (f) Options on Saipem shares: assigned by the company to Angelo Caridi who held the position of CEO of Snamprogetti until August 2, 2007.

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 responsibilities amounted to euro 25 million for 2007 consisting of: (i) fees and salaries for euro 17 million; (ii) post-employment benefits for euro 1 million; (iii) other long term benefits for euro 3 million; and (iv) fair value of stock grant/option for euro 4 million.

Board Committees

The Board has instituted three committees with proposal and advisory functions. Their composition, tasks and functioning are defined by the Board of Directors in respect of the criteria established by the Eni Code. They are: a) the Internal Control Committee, b) the Compensation Committee and c) the International Oil Committee, composed almost exclusively of independent Directors.

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In its meeting of June 1, 2005, the Board appointed the following directors as members of the Committees:

- *Internal Control Committee:* Marco Reboa (Chairman, independent), Alberto Clô (independent), Renzo Costi (independent), Marco Pinto (non-executive) and Pierluigi Scibetta (independent); on June 7, 2007 the number of directors in the Internal Control Committee declined from five to four due to the resignation of Marco Pinto, non executive director, in accordance with the provisions of Eni's Code. All members of this committee are currently independent and the chairman is a director elected by minority shareholders;
- *Compensation Committee:* Mario Resca (Chairman, independent), Renzo Costi (independent), Marco Pinto (non-executive) and Pierluigi Scibetta (independent);
- *Oil & Gas Committee:* Alberto Clô (Chairman, independent), Paolo Scaroni (CEO), Dario Fruscio (independent, until January 30, 2008) and Marco Reboa (independent).

The Code, in line with the Borsa Italiana Code, suggests the creation of a Nominating Committee. The Board of Directors has not formed this Committee in consideration of the shareholding characteristics of Eni.

Internal Control Committee

The Internal Control Committee is entrusted with advisory and consulting tasks in respect of the Board in the area of monitoring general management issues. In its meeting of March 29, 2007, the Board of Directors approved the new chart of the Internal Control Committee (the text is available on Eni's website) following adoption of a new version of the self-discipline code by Eni in order to adhere with the governance code adopted by Borsa Italiana. In 2007, the Internal Control Committee convened 14 times, with an average attendance rate of 77%, and reviewed the following items: (i) the 2006 activities report (operational audit, Watch Structure activity as required by Legislative Decree No. 231/2001, implementation of SOA activities and other non recurring activities) and the 2007 audit plan and its progress; (ii) the 2006 activities report and 2007 audit

Audit Manager as manager delegated for internal control; (ix) disclosures on certain inquiries conducted by both judicial and administrative authorities belonging to Italy and foreign states related to crimes which were allegedly committed by Eni or its subsidiaries and their managers; (x) the essential features of the 2006 financial statements, through meetings with top level representatives of administrative functions of main Eni subsidiaries, Chairmen of Boards of Statutory auditors and responsible partners from independent audit companies for each subsidiary; the draft 2007 half year report and the report on interim dividends; Eni's policies regarding risk management; (xi) change in the methodology for assessing the recoverability of the carrying amounts of tangible and intangible assets; (xii) the report on the progress of implementation of SOA activities; (xiii) the essential features of Eni's Annual Report on Form 20-F, updating on programs and controls to prevent and detect frauds and review of information furnished by management in response to SEC comment letters; (xiv) the report on the administrative and accounting setup of the parent company and the proposal to appoint the Chief Financial Officer as manager responsible for the preparation of the company's financial report, in accordance with Italian listing standards, the verification of the adequacy of his powers and means for the fulfilment of this task; (xv) the recommendations on the company's internal control over financial reporting presented by Eni's independent auditors in coincidence with the auditing activity regarding 2005 financial statements; (xvi) the report on the Internal Control System, to be included in the Corporate Governance section of the 2006 Annual Report; (xvii) reporting on the team work on the fulfilment as Article 18-ter and Article 18-sexies of Consob Regulation No. 11971; (xviii) the situation of appointments of external auditors as per December 31, 2006 filed with Consob; (xix) the report on audit reports for 2006 prepared by external auditors, their costs and the final report on the fees paid in 2006 to external auditors and companies in their network; (xx) the report presented by the Watch Structure established as required by Legislative Decree No. 231/2001; (xxi) Eni's policy on managing exposure to market risks; (xxii) the main aspects of the reorganization of the Group procurement activities and the procedures for reviewing suppliers selection following detection of illegal behaviours;

plan prepared by Saipem and Snam Rete Gas functions; (iii) outcomes of planned and unplanned Eni's internal audit activities, as well as results of monitoring activities on progresses made by operating units in implementing planned remedial actions in order to eliminate deficiencies highlighted by internal audit activities; (iv) outcomes from Eni's internal auditing interventions as required by Eni's control bodies; (v) the periodic reports concerning complaints collected; (vi) the Eni Internal Audit operating handbook and the new procedure for evaluating auditing activities (Risk Scoring Index); (vii) the new organization structure of Eni Internal Audit department; (viii) the proposal to entrust the Internal

(xxiii) the procedure for the Ascertainment of alleged illicit behaviour on the part of Eni employees ; (xxiv) the issue of the recruiting of personnel outside Italy in the E&P division.

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Compensation Committee

The Committee, established in 1996, is entrusted with proposing tasks on the matters of compensation of the Chairman and CEO as well as of the Board Committees members, and following the indications of the CEO, on the following: (i) long term incentive plans including stock-based compensation; (ii) criteria for the compensation of top managers of the Group; (iii) the setting of objectives and the assessment of results of performance and incentive plans.

In 2007, the Compensation Committee met four times with an average attendance of 88%, and accomplished the following: (i) reviewed the chart of the Committee, in accordance with the Self Discipline code for listed companies approved by Borsa Italiana and the Eni Code. This new chart was approved by the Board of Directors in March 2007 (available on Eni's website); (ii) examined the 2006 results and the objectives for 2007 in view of defining annual and long term incentives; (iii) reviewed the bonuses of the Chairman and CEO based on 2006 performance; (iv) reviewed the benchmarks for top management remuneration and the criteria of the annual remuneration policy; (v) the implementation of the long term incentive plans for the year 2007 and relevant grants to the CEO.

Oil & Gas Committee

The Committee is entrusted with the monitoring of trends in oil markets and the study of their aspects. In 2007 the International Oil Committee met 4 times with a 75% participation of its members.

In their meetings the members discussed Eni's 2008-2020 Master Plan – a key document in the planning process defining Eni industrial strategies. The first meeting concerned the analysis of worldwide energy market prospects to 2020, in particular world demand of oil and the evolution of the world's refining system (as a conclusion of the work started in late 2006). The other meetings concerned the main challenges of the energy industry, Eni's position in this industry, Eni's vision and long term strategy and the possible strategic options to respond to these challenges.

General Managers

In accordance with Article 24 of Eni's By-Laws, the Board of Directors can appoint one or more general managers defining their powers on proposal of the CEO

immediate termination of office. The general managers must also observe what resolved by the Board of Directors on the issue of other offices held.

The Board of Directors appointed three General Managers responsible of Eni's three operating divisions:

- Stefano Cao, General Manager of the Exploration & Production division;

- Domenico Dispenza, General Manager of the Gas & Power division;

- Angelo Caridi, General Manager of the Refining & Marketing⁶ division.

- In its meeting of February 15, 2008, the Board of Directors, based on the statements presented, confirmed that the General Managers possess the honorability requirements and respect the limits to the number of offices held for Directors. In particular, Stefano Cao is also member of the Board of Directors of Telecom SpA.

Controls**Board of Statutory Auditors**

The Board of Statutory Auditors, in accordance with Legislative Decree No. 58/1998 (TUF), monitors: (i) the respect of laws and of Eni's memorandum of association; (ii) the respect of the principles of fair administration; (iii) the adequacy of the company's organizational structure, for the parts covered by the Board's responsibility, of its internal control system and financial reporting system as well as the reliability of the latter in fairly representing the Company's transactions; (iv) the actual implementation of corporate governance rules foreseen by codes prepared by market regulators and company associations to which the company publicly declares to adhere; (v) the adequacy of instructions conveyed by the parent company to its subsidiaries according to Article 114, paragraph 2 of the above mentioned decree.

In accordance with the Eni Code, in line with the Borsa Italiana Code, the Board of Statutory Auditors monitors the independence of the principal external auditors, verifying both the compliance with the provisions of applicable laws and regulations governing the matter, and the nature and extent of services other than the audit services provided to Eni by the auditing firm and the entities belonging to its network.

According to the TUF, the Board of Statutory Auditors

in agreement with the Chairman, after ascertaining the honorability requirements provided for by the law. The Board periodically reviews the honorability of general managers, any default in said requirements entail

drafts a proposal regarding the appointment of the principal external auditors and their fee to be submitted to the Shareholders Meeting for approval. The Board of Directors, in its meeting of March 22,

(6) Angelo Caridi was appointed in August 2007, replacing Angelo Taraborrelli.

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2005, in accordance with the provision of the SEC Rule 10A-3 for non-US companies listed on US stock exchanges, elected the Board of Statutory Auditors to fulfil the role performed by the audit committee in US companies under the Sarbanes-Oxley Act and SEC rules, within the limits set by Italian legislation from June 1, 2005. On June 15, 2005, the Board of Statutory Auditors approved its chart for carrying out the tasks attributed to the audit committee under US laws⁷. This chart is published on Eni's website.

Composition and appointment

The Board of Statutory Auditors is comprised of five auditors and two alternate auditors, appointed by the Shareholders' Meeting for a three-year term. Statutory Auditors are appointed by means of a list vote; at least two auditors and one substitute are elected from minority candidates. Eni applies the special norms provided for by Law No. 474 of 1994 as concerns timing and modes for filing lists which are slightly different from Consob rules. Eni, however, endorses Consob rules as well and implemented them in its By-Laws. According to Article 28.2 of Eni's By-Laws, as revised by the Shareholders' Meeting of May 25, 2006, to implement the provision of Law No. 262 of December 28, 2005 (Law on the protection of savings), the Shareholders' Meeting shall elect Chairman of the Board of Statutory Auditors a member elected from a list other than the one obtaining the majority of votes; this prescription will be effective in the next appointment of the Board of Statutory Auditors due on the Shareholders' Meeting approving 2007 financial statements. The lists of candidates include declarations made by the candidates on the possession of honorability, expertise and independence requirements prescribed by applicable regulation and a professional resume of each candidate. Lists must be filed at the company's headquarters at least 10 days before the date of the Shareholders' Meeting on first call and are published in three national newspapers, two of which shall be economic newspapers. Lists are also filed with Borsa Italiana and published on Eni's website. On May 27, 2005, Eni's Shareholders' Meeting appointed the following statutory auditors for a three-year period and however until the Shareholders' Meeting approving financial statements for fiscal year 2007: Paolo Andrea Colombo (Chairman), Filippo Duodo, Edoardo Grisolia,

alternate auditors. The same Meeting also determined the yearly compensation of the Chairman of the Board of Statutory Auditors and each Auditor amounting to euro 115,000 and euro 80,000 respectively.

Paolo Andrea Colombo, Filippo Duodo, Edoardo Grisolia and Francesco Bilotti were candidates in the list presented by the Ministry for Economy and Finance; Riccardo Perotta, Giorgio Silva and Massimo Gentile were candidates in the list presented by institutional investors coordinated by Fineco Asset Management SpA.

The personal and professional curriculum of these auditors is published on Eni's website.

Expertise, honorability and independence, reasons for ineligibility and incompatibility

As reported in the Code, the Statutory Auditors shall act with autonomy and independence also towards the shareholders who elected them.

In accordance with the TUF, Statutory Auditors shall possess specific requirements of independence, and the professional and honorability requirements as prescribed by a regulation of the Minister of Justice.

As for professional qualifications of the candidates, Article 28 of Eni's By-Laws, in line with the said Decree of the Minister of Justice, foresees that the professional requirements can also be acquired with at least three years of professional experience or by teaching business law, business administration and finance, as well as at least a three year experience in a managerial position in geological or engineering businesses.

Eni's auditors are all chartered auditors.

Article 28 of Eni's By-Laws also allows statutory auditors to assume other appointments in control entities according to the limits set by Consob coming in force on June 30, 2008. Until that date Eni's By-Laws prohibits the appointment as statutory auditor of persons that are statutory auditors or members of the supervisory board or members of the management control committee of at least five companies with registered securities in regulated markets not subsidiaries of Eni SpA.

Statutory Auditors declared to possess independence and honorability requirements as foreseen by the law.

In its meeting of March 12, 2008 the Board of Statutory Auditors verified that all its members comply with the independence criteria prescribed.

Riccardo Perotta and Giorgio Silva. Francesco Bilotti
and Massimo Gentile are

Meetings and functioning

Statutory auditors receive information on all issues on
the agenda of the Board of Directors at the same time as
the Directors.

In line with the provisions of the Eni Code, an Auditor

(7) The chart was amended on March 30, 2007, taking into account changes introduced by the TUF, Eni Code, and a different organization structure compared to the one existing on June 15, 2005, when the previous chart was approved.

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who has an interest, either own or on behalf of third parties, in a certain transaction of the issuer, shall inform the Board of Directors and the other Auditors. Meetings can be held by video or telephone conference.

In 2007, the Board met 18 times with an average participation of 89% of its members and an average duration of 2 hours and 40 minutes.

The table attached at the end of this section indicates, the percentage of participation of each auditor to the Board of Auditors meetings.

Further Auditors' appointments

Based on information received, information on positions held by the members of Eni's Board of Statutory Auditors in other Boards of Directors and Boards of Statutory Auditors of listed companies, also abroad, financial, banking, insurance or large companies is provided below.

PAOLO ANDREA COLOMBO

Independent Director of Mediaset SpA, Interbanca SpA. Initiative Gestione Investimenti SGR SpA, SIAS SpA. Director of Versace SpA. Chairman of the Board of Statutory Auditors of Ansaldo STS and Saipem SpA. Auditor of Aviva SpA, Lottomatica SpA and Sirti SpA.

FILIPPO DUODO

Chairman of the Board of Statutory Auditors of Banca Meridiana SpA. Auditor of Benetton Group SpA.

RICCARDO PEROTTA

Chairman of the Board of Statutory Auditors of Gewiss SpA. Auditor of Snam Rete Gas SpA, Mediaset SpA and ECS International Italia SpA.

GIORGIO SILVA

Chairman of the Board of Statutory Auditors of Trevisan Cometal SpA. Auditor of Luxottica SpA and RCS Mediagroup SpA.

Other controls**External Auditors**

As provided for by Italian law, the auditing of financial statements is entrusted to external auditors registered on the register held by Consob. The principal external

to renew the appointment for the 2007-2009 period, as it did not yet complete the maximum nine year period allowed by the TUF.

Financial statements of Eni subsidiaries are audited mainly by PricewaterhouseCoopers. In order to express its opinion on Eni's consolidated financial statements PricewaterhouseCoopers took the responsibility of the audit activities performed by other auditors on certain Eni fully consolidated subsidiaries representing, however, a negligible part of Eni's consolidated assets and revenues.

Eni group companies are forbidden from engaging the principal external auditor and its affiliates for services other than audit and audit-related services. Certain services that are not prohibited by Consob and SOA can be awarded subject to approval by the Board of Directors of said company upon favorable opinion of their respective Board of Statutory Auditors and of Eni's Board of Statutory Auditors in case of direct subsidiaries. Eni's Board of Statutory Auditors must be informed of all engagements of the principal external auditors by Eni Group companies.

Italian Court of Accounts

The accounts of the parent company Eni SpA are subject also to the review of the Italian Court of Accounts. The relevant activity is performed by the Magistrate delegated to control, Lucio Todaro Maressotti (alternate Magistrate Angelo Antonio Parente), as decided on July 19-20, 2006, by the Governing Council of the Italian Court of Accounts.

The Magistrate delegated to control attends the meetings of the Board of Directors, the Board of Statutory Auditors and the Internal Control Committee.

Model 231

According to Italian laws regarding the Liability of legal entities for administrative crimes as defined in Legislative Decree No. 231 of June 8, 2001, legal entities, among them corporations, may be considered liable and therefore be subject to sanctions for crimes committed or attempted in Italy and abroad on their behalf or to their advantage. Legal entities can adopt organizational, management and control models adequate for preventing such crimes.

In its meetings of December 15, 2003 and January 28, 2004 the Board of Directors approved a Model for

auditor is appointed by the Shareholders Meeting. Eni's external auditor, PricewaterhouseCoopers SpA, was appointed for the first time on June 1, 2001 and was reappointed by the Shareholders Meeting of May 28, 2004 for a three-year term. The Shareholders Meeting of May 24, 2007 under proposal of the Board of Statutory Auditors, as foreseen by Eni's By-Laws, resolved organizational, management and control according to Legislative Decree No. 231/2001 and established a Watch Structure. In its meeting of June 5, 2007 the Board of Directors resolved to change the structure of the Watch Structure, originally comprising three members, by including two external members, one of

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them appointed as chairman of the Watch Structure. Subsequently, due to new laws relating to the field of application of Legislative Decree No. 231, the CEO provided for the implementation of three Addenda, dedicated to Crimes with terroristic aims or intended to subvert democracy and crimes against individuals, market abuse, protection of savings and discipline of financial market, and transnational crimes, respectively. On March 14, 2008 the Board of Directors approved an updating of the model intended to adapt it to changes in Eni's organizational setup, recent developments in courts decisions, studies on this matter and laws and regulations, experience gained from the application of the model, including experiences made in legal proceedings, the practice of Italian and foreign companies in these kinds of models, outcomes of audit and control activities.

The new Code of Ethics of Eni derives directly from the updating of the model 231 and is an integral part of it, that cannot be waived.

The Watch structure reports on the implementation of model 231, the emergence of any issues and on the outcomes of activities performed in executing its tasks. It reports to the Chairman, the CEO, who in turn informs the Board of Directors while reporting on the exercise of powers entrusted to him, the Internal Control Committee and the Board of Statutory Auditors.

The updates of model 231 are transmitted to Group companies so that they too adopt and/or update their respective models and establish their own watch structures.

Representatives nominated by Eni in the management bodies of subsidiaries, consortia and joint ventures promote the principles and contents of model 231 in their respective areas.

The principles of the 231 model are published on Eni's website.

Manager in charge of the preparation of financial reports

In accordance with Article 24 of Eni's By-Laws, as provided for by the TUF, the Board of Directors under proposal of the CEO in agreement with the Chairman and with the approval of the Board of Statutory Auditors appoints a manager in charge of the preparation of financial reports. The appointed person must be chosen among persons who for at least three years:

c) have performed professional activities or teaching at university level in accounting and finance, or

d) have held managerial positions in private or public entities engaged in finance, accounting and control. The Board of Directors verifies the adequacy of his powers and means in order to fulfil this task and the respect of relevant administrative and accounting procedures.

In its meeting of June 20, 2007, the Board of Directors, with the approval of the Board of Statutory Auditors, appointed Eni's Chief Financial Officer, Marco Mangiagalli, as Manager in charge of the preparation of financial reports, in accordance with Article 154-*bis* of Legislative Decree No. 58/1998 verifying the adequacy of his powers and means in order to fulfil this task. In the same meeting, the Board of Directors approved the Guidelines on Eni internal control system over financial reporting prepared by the manager in charge of the preparation of financial reports, defining rules and methodologies on the implementation and maintenance of the internal control system over financial reporting, as well as on the evaluation of the system's effectiveness. In its meeting of January 18, 2006 the Board of Director assessed the means available to the CFO in his quality of manager in charge of the preparation of financial reports as adequate.

Internal Control System

Eni has long established an internal control system designed to address main company risks.

Internal control rules, processes and structures are supported by the Eni's Code of Ethics which states that Eni employees at every organizational level shall comply with behavioural standards of legitimacy from a formal and substantial standpoint when executing their tasks. The Code also affirms the values of the transparency of accounts and disclosures and the spreading of a control oriented attitude. Eni is aware that investors trust that Eni's Bodies, management and employees observe the rules of the internal control system.

The Board of Directors assesses the consistency of the internal control system with the company size, complexity and scope. The Board of Directors in the resolution of December 13, 2006, confirming the provisions of the Eni Code, reserved to itself the responsibility of designing, having reviewed

a) have been in charge of financial reporting or control activities or business administration for listed Italian or European or OECD companies with share capital of at least one million euro, or
b) have acted as external auditors of the same companies described above, or

assessments from the Internal Control Committee, Guidelines for the company's internal control system so as to ensure that the main Group companies risks are correctly identified, measured, managed and monitored. To this end the Internal Control Committee reports to the Board at least every six months at the date of the approval of the annual and semi-annual

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financial statements on the activity performed as well as on the adequacy of the internal control system. The Committee, in addition to assisting the Board in performing its tasks in the area of internal control, among other things: (i) assesses in conjunction with the Manager entrusted with the preparation of financial reports and the External Auditors the proper use of accounting principles and their homogeneity for the preparation of the consolidated financial statements; (ii) examines the integrated audit plan, the periodical Internal Audit reports on activities performed and their outcomes; (iii) assesses the outcomes of Eni's internal auditing ordinary operating activity, review activity performed by Eni Internal Audit also to account of complaints, reports from the Board of Statutory Auditors and individual Statutory Auditors, reports and management letters of External Auditors, the annual report of the Guarantor of the Code of Ethics, reports of the Watch Structure, reports of the Manager responsible for internal audit and reports and investigations from third parties. The activities of the Internal Control Committee are described in the specific paragraph above.

The CEO is entrusted with the task of implementing the Guidelines designed by the Board and overseeing the functioning of the internal control system with the assistance of the manager in charge of the internal control and of the internal audit department.

The Internal Audit manager has been appointed as manager responsible of internal control by the Board of Directors in its meeting of March 16, 2007 on proposal of the CEO and in agreement with the Chairman, after consultation with the Internal Control Committee. The internal control manager is entrusted with the task of monitoring that the internal control system is adequate and fully operating, does not hold any responsibility over operating areas, reports directly to the CEO, the Internal Control Committee and the Board of Statutory Auditors and assesses the ability of the internal control system to achieve a tolerable company risk profile. Among the actors of the internal control system, an important role is played by the Internal Audit department, directly reporting to the CEO and the Board of Statutory Auditors acting as Audit Committee under the SOA. The Internal Audit department is entrusted with the task to provide an independent and objective activity aimed at promoting improvement of efficiency

line with the role assigned to the parent company in defining guidelines and assessing the adequacy, efficacy and actual operations of the internal control system as a whole. Eni SpA's Internal Audit department monitors the internal control systems by means of: (i) an integrated audit plan prepared annually with a top-down-risk-based approach, preventatively examined by the Internal Control Committee and the Board of Statutory Auditors and approved by the Board of Directors and for the aspects relevant to Legislative Decree No. 231/2001 by the Watch Structure; (ii) planned and unplanned internal audit activities decided upon request of management, top management, the Internal Control Committee, the Board of Statutory Auditors, the Watch Structure and complaints received (also anonymous) under current company's rules and procedures; (iii) independent monitoring activities performed for periodic financial reporting as explained below. The Internal Audit function reports periodically to the control bodies and the top management on the outcomes of its activities and monitoring and corrective actions designed to take account of internal audit's outcomes. The Internal Audit Manager, the Internal Audit department and the external auditors have the fullest access to data, information and documentation which can support the performance of auditing activities.

Periodic financial reporting

Eni has long adopted controls and procedures as to ensure that information required to be disclosed in periodic reports be recorded, processed, summarized and reported. These controls and procedures support the Group companies in the preparation of financial statements and the collection of information to be disclosed in accordance with generally accepted accounting standards and policies, uniformity of behavior, the disclosure of timely, complete and accurate financial information on the Group.

Eni's disclosure controls and procedures have been designed in accordance with the provisions of the Sarbanes-Oxley Act of 2002 (SOA) which Eni has to comply with as its securities are listed on the New York Stock Exchange.

In application of U.S. laws, on March 22, 2005 Eni's Board of Directors, make use of the option assigned by the SEC to foreign issuers listed on regulated U.S. markets, identified the Board of Statutory Auditors as

and efficacy of the internal control system and of the company's organization. In 2007 Eni completed the unification of the Group's internal audit functions in the Corporate Internal Audit department, except for the listed subsidiaries and those subsidiaries due to be unbundled. This organizational setup was adopted in

the body performing, within the limitations of Italian law, the tasks attributed to the Audit Committee by the SOA and SEC rules.

In application of Italian laws on June 20, 2007, Eni's Board of Directors appointed Eni's CFO as manager

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responsible of the preparation of financial statements and approved Guidelines on Eni's control system of financial reporting that define norms and procedures for the establishment, maintenance and assessment of said system, specifying tasks and responsibilities of group managers and departments.

Such control system was designed in accordance with two fundamental principles:

- to extend control to all the levels of the organizational structure, consistently with the operating task entrusted to each level;
- sustainability of controls in the long term, so as to ensure that the performance of controls is increasingly integrated in and compatible with operating needs; for this purpose, specific controls have been selected in order to identify such critical controls as to mitigate the level of risk.

The objectives of the internal control system have been defined consistently with applicable provisions of US rules distinguishing two systemic components:

- disclosure controls and procedures;
- internal control over financial reporting.

Disclosure controls and procedures are defined as controls and other procedures of the company that are designed to ensure that information required to be disclosed by the company in its reports is collected and communicated to Eni management, including Eni's CEO and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Eni's internal control over financial reporting has been designed to be consistent with the Internal Control-Integrated Framework created and published by the Committee of Sponsoring Organizations of the Tradeway Commission and comprises five interrelated components: control environment, risk assessment, control activities, information and communication, and monitoring. Such components in relation to their own

measures and controls have been designed.

Management has developed its own assessment procedures to evaluate the design of Eni's internal control over financial reporting and its operating effectiveness. To that end, management has implemented ongoing monitoring activities entrusted to managers who are responsible of conducting primary processes or activities, and separate evaluations have been entrusted to Eni's Internal Audit department. This department operates according to a preset plan of interventions defining scope and objectives of each intervention.

Outcomes from all monitoring activities are reported periodically in order to ascertain the state of Eni's internal control over financial reporting. All levels of Eni's organizational structure are involved in this reporting process.

In 2007 simplification actions have been performed according to a risk based approach that lead to the reduction in the number of processes and controls while engaging the same number of subsidiaries.

Transactions in which a director has an interest and transactions with related parties

In accordance with the TUF and with Article 23.3 of Eni's By-Laws, the Directors shall timely inform the Board of Statutory Auditors on transactions in which they have an interest.

During each Board of Directors' meeting, the Chairman expressly asks the Directors to declare any of their potential interest in transactions on the agenda.

The Eni Code, in accordance with the Borsa Italiana Code, foresees the adoption, by the Board of Directors, of measures ensuring that transactions in which a director has an interest, directly or on behalf of third parties, and all transactions carried out with related parties, are performed in a transparent way and meet criteria of substantial and procedural fairness. In addition, the Eni Code foresees a specific opinion of the Internal Control Committee on the rules adopted by the Board of Directors.

Preparation of a procedure regarding transactions with related parties is underway; however its finalization is stalling due to the circumstance that Italian listed companies are awaiting the emission on part of Consob of certain Guidelines as provided for by Article 2391-*bis* of the Italian Civil Code. Pending the emission of such

features operate at entity level (Group, business segment, divisions, subsidiary) and/or at a process level, including both operational and financial administration process (transaction, evaluation processes and closing the books).

The key objective of internal control over financial reporting is to mitigate risks due to negligence and risks of fraud, significantly impacting financial statements. In addition, a specific risk assessment has been performed on fraud risks, and from this anti-fraud

Guidelines, Eni's internal rules provide that transactions with related parties be submitted to the Board of Directors, also in case amounts are lower than the materiality threshold set for the transactions to be approved by the Board. The Board of Directors resolution defining the matters reserved to the Board

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itself requires to pay particular attention to those transactions in which a director has an interest and to transactions with related parties.

Moreover, Eni is committed to observing principles as defined in the Borsa Italiana Code regarding such persons holding significant positions in the share capital of listed companies and in particular respecting their managerial autonomy.

In the ordinary course of its business, Eni enters into transactions concerning the exchange of goods, provision of services and financing with related parties as defined by IAS 24. These include non consolidated subsidiaries and affiliates as well other entities owned or controlled by the Italian Government.

All such transactions are conducted on an arm's length basis and in the interest of Eni Group companies.

Eni's Directors, General Managers and managers with strategic responsibilities disclose every six months any transactions with Eni SpA and its subsidiaries that require disclosure under IAS 24.

Amounts and types of trade and financial transactions with related parties and their impact on consolidated results and cash flow, and on the Group's assets and liquidity are reported in Note 19 to the consolidated financial statements.

Shareholders and information on shareholding structure⁸

Share capital and main shareholders

Eni SpA's share capital issued at December 31, 2007, amounted to euro 4,005,358,876 fully paid and was represented by 4,005,358,876 ordinary shares, at a nominal value euro 1 each. Shares are not divisible and give right to one vote. Shareholders can exercise the rights to participate in profits or assets and to vote as provided by the law and subject to any applicable legal limitations.

In 1995 Eni issued a sponsored ADR (American Depositary Receipts) program directed to US investors. An ADR is a certificate issued by a US depository bank which represents shares of a non US company and are held and traded on US stock markets. One ADR is equal to two Eni ordinary shares; ADRs are listed on the New York Stock Exchange.

On May 24, 2007 Eni's Shareholders' meeting authorized the Board of Directors to purchase up to 400 million Eni shares, nominal value euro 1 within 18 months of the Shareholders' Meeting date, and within an authorized plafond of euro 7,400 million. The purchase price shall not be lower than the nominal value and not higher than the reference price recorded on the day preceding each purchase increased of 5%.

Eni is not aware of any pact involving shareholders. Based on information available and received in accordance with Consob Decision No. 11971/1999, as of December 31, 2007, shareholders holding more than 2% of Eni's share capital were the following:

Shareholders	Shares held	% of capital
Ministry of Economy and Finance	813,443,277	20.31
Cassa Depositi e Prestiti SpA ^(a)	400,288,338	9.99
Barclays Global Investor Group	80,267,278	2.01
Eni SpA (own shares)	348,525,005	8.70

(a) Cassa Depositi e Prestiti SpA is controlled by the Ministry of Economy and Finance.

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Shareholders	Number of shareholders	Number of shares	% of capital ^(a)
Italy	314,517	2,512,562,966	62.73
UK and Ireland	1,056	140,946,897	3.52
Other EU	4,138	507,550,360	12.67
USA and Canada	1,857	343,761,345	8.58
Rest of world	1,425	135,500,715	3.39
Own shares at the dividend date		336,892,397	8.41
Other		28,144,196	0.70
Total		4,005,358,876	100.00

(a) At the dividend payment date, June 21, 2007 (ex-dividend date was June 18, 2007).

(8) Under Italian listing standards, information on indemnities to be paid in case of termination of the office of Directors is provided under the Item Remuneration earned by members of the Board of Directors, Statutory Auditors, General Managers and other managers with strategic responsibilities .

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Shareholders by amount of shares held

Shareholders	Number of shareholders	Number of shares	% of capital ^(a)
>10%	1	813,443,277	20.31
3%-10	1	400,288,338	9.99
2%-3%	0	0	0
1%-2%	11	718,332,508	17.93
0.5%-1%	4	99,289,018	2.48
0.3%-0.5%	16	247,086,313	6.17
0.1%-0.3%	54	355,070,012	8.87
<= 0.1%	322,906	1,006,812,817	25.14
Own shares at the dividend date		336,892,397	8.41
Other		28,144,196	0.70
Total		4,005,358,876	100.00

(1) At the dividend payment date, June 21, 2007 (ex-dividend date was June 18, 2007).

Limitation of ownership and voting rights

In accordance with Article 6 of Eni's By-Laws, no shareholder, excepted the Italian Government, can directly or indirectly own more than 3% of Eni SpA's share capital; the shares held above this limit do not allow to exercise the relevant rights.

Special powers of the State - golden share

Eni's By-Laws in Article 6.2 attribute to the Minister of Economy and Finance, in agreement with the Minister of Economic Development, the following special powers to be used in compliance with the criteria indicated in the Decree of the President of the Council of Ministers of June 10, 2004: (a) opposition with respect to the acquisition of material shareholdings representing 3% of the share capital of Eni SpA having the right to vote at ordinary Shareholders' Meetings. Such opposition is required to be expressed within 10 days of the date of the notice to be filed by the Board of Directors at the time a request is made for registration in the Shareholder register, should the transaction be considered prejudicial to vital interests of the State; (b) opposition with respect to the subscription of shareholders' agreements or other arrangements (as defined by Article 122 of Legislative Decree No. 58 of February 24, 1998) whereby 3% or more of the share capital of Eni SpA having the right to vote at ordinary Shareholders' Meetings is involved; (c) veto power duly motivated by the case of prejudice to

Shares and equity instruments - Law No. 266 of December 23, 2005

Law No. 266 of December 23, 2005 (Budget Law) in Article 1, paragraphs 381 to 384 in order to favor the process of privatization of and the diffusion among the public of shareholdings in companies in which the State holds significant stakes, introduced the option to include in the by-laws of listed companies formerly entirely owned by the State, as in the case of Eni SpA, provisions for the issuance of shares and securities bearing the same characteristics as shares which give to the special meeting of relevant holders the right to request the issuance on their behalf of new shares, also at par value, or securities bearing the right to vote at both ordinary and extraordinary meetings. The introduction of these norms in Eni's By-Laws would entail the cancellation of the 3% threshold to individual shareholdings, except for the State, as contained in Article 6.1 of Eni's By-Laws. To date Eni's By-Laws have not yet been modified to adopt this provision.

Significant agreements that come into force, are modified or expire in case of a change in the control of Eni

Except for what explicitly indicated, Eni SpA and its subsidiaries are not party to any material agreement that can be disclosed without serious prejudice to the company, that come into force, are modified or expire in

the interests of the State with respect to shareholders resolutions to dissolve Eni SpA, to transfer the business, to merger or to demerger, to transfer the registered office of Eni SpA outside Italy, to change the corporate purposes or to amend or modify any of the special powers described in this section; (d) appointment of a Board member without voting right.

case of a change in the shareholders currently controlling Eni SpA. Material agreements are deemed to be those that require to be examined and approved by the Board of Directors as they fall without the matters reserved to the Board itself.

In particular, the agreements that fall in this category concern: (i) provisions of the agreement existing between Eni, Amorim Energia, and Caixa Geral de Depósitos for the joint management of Galp Energia

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SGPS SA, that provide that in case of change of control of any participating company, the option for the other partners to purchase the Galp shareholding held by the party whose controlling entity has modified; (ii) any expiry of the natural gas distribution licence of the subsidiary Distribuidora de Gas Cuyana SA, due to the provisions of applicable laws if the company were controlled by a shareholder active in Argentina, directly or through subsidiaries in the activities of production, storage or distribution of natural gas.

The Shareholders Meeting

During meetings, shareholders can request information on issues in the agenda. Information is provided within the limits of confidentiality, taking account of applicable rules regulating the matter of price sensitive information.

With the aim of facilitating the attendance of shareholders, calls for meetings are published in the Official Gazette of the Italian Republic and in the *Il Sole 24 Ore*, *Corriere della Sera* and *Financial Times* newspapers. Eni's By-Laws allow vote by correspondence and the collection of powers of attorney in Articles 13 and 14. Shareholders representing alone or jointly one fortieth of the share capital may request, within five days from the publication of the call for meeting, an integration to the items on the agenda. In addition, as provided by Article 14 of Eni's By-Laws, in order to facilitate the collection of powers of attorney of shareholders that are also employees of Eni and Group companies and members of associations of shareholders that comply with current regulations, Eni provides areas for communicating and collecting proxies to said associations in ways to be agreed from time to time with their legal representatives.

On December 4, 1998, Eni approved a regulation for its shareholders' meetings, available on Eni's website, in order to guarantee an efficient deployment of meetings, in particular the right of each shareholder to express his opinion on the items in the agenda⁹.

Shareholder and investor relations

In concert with the launch of its privatization process, Eni adopted a communication policy, confirmed by the Code of Ethics, aimed at promoting an ongoing dialogue with institutional investors, shareholders and the markets to ensure systematic dissemination of exhaustive

made available to investors, markets and the press is provided in the form of press releases, regular meetings with institutional investors and the financial community and the press, in addition to general documentation released and constantly updated on Eni's website. Within the month of December Eni disseminates and publishes on its Internet site its financial calendar detailing events for the following year. It also publishes all its annual and quarterly reports, its Code and the procedures concerning corporate governance, its By-Laws, the information to shareholders and bondholders, shareholders' meeting agenda and proceedings of meetings. Documents are free and can be requested filling in the relevant form on Eni's website. Relations with individual investors, institutional investors, shareholders and the press are handled by dedicated Eni departments.

Relations with investors and financial analysts are held by the Investor Relations manager. Information is available on Eni's website and can be requested by sending an email to investor.relations@eni.it. Relations with the press are held by the press manager. Relations with shareholders are held by the Corporate Secretary office. Information is available on Eni's website and can be requested by sending an email to segreteriaassociativa.azionisti@eni.it or calling the toll-free number 800.940.924 (Outside Italy 800.11.22.3456).

Handling of company information

On February 28, 2006, Eni's Board of Directors updated the Procedure for the disclosure of information to the market concerning Group activities approved on December 18, 2002 and published on Eni's website. The procedure acknowledges Consob Guidelines and the

Guidelines for information to the market issued in June 2002 by the Ref Forum on company information and those included in the laws implementing the European directive on market abuse, defines the requirements for disclosure to the public of price sensitive events (materiality, clarity, homogeneity, information symmetry, consistency and timeliness) and the information flows for acquiring data from Group companies and providing adequate and timely information to the Board and the market on price sensitive events. It also contains sanctions applied in case of violation of its rules in accordance with the

complete, selective and timely information on its activities, with the sole limitation imposed by the confidential nature of certain information. Information

crimes identified and sanctioned by the new law on the protection of savings. This procedure has been updated on September 29, 2006 to take into consideration the

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- (9) As far as rules on the appointment and replacement of Directors, see the specific item Board of Directors of this report. Information on changes on Eni By-Laws, the Company applies the ordinary rules, except for information reported in item Special powers of the State - golden share . Article 23.2 of Eni By-Laws entrusts the Board of Directors to amend the By-Laws in accordance to new laws.

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Consob interpretation expressed on March 28, 2006.

Eni's Code of Ethics defines confidentiality duties upheld by Group employees relating to the treatment of sensitive information.

Directors and Auditors ensure the confidentiality of documents and information acquired in performing these tasks and observe the procedure adopted by Eni for the internal treatment of these information and documents and for the timely disclosure to the market.

Register of the persons having access to privileged information

On February 28, 2006, the Board of Directors approved a procedure for establishing and maintaining a register of persons with a right to access privileged information, as provided for by Article 115-*bis* of Legislative Decree No. 58 of February 24, 1998.

The procedure implementing Consob Decision on listed companies, states: (i) terms and procedures for the recording and possible cancellation of the persons that, due to their professional activity or tasks performed on behalf of Eni, have access to privileged information; (ii) terms and procedures to inform said persons of their recording or cancellation and relevant reasons.

The procedure is in force from April 1, 2006 and was updated on September 29, 2006 to take into account the Consob position expressed on March 28, 2006. The procedure is published on Eni's website.

Internal Dealing

On February 28, 2006, the Board of Directors approved the Internal dealing procedure for the identification of relevant persons and the communication of transactions involving securities issued by Eni SpA and its listed subsidiaries made by these persons, replacing the Internal Dealing Code approved by the Board on December 18, 2002.

The procedure implements the provisions of Article 114, paragraph 7 of Legislative Decree No. 58 of February 24, 1998.

Eni's procedure, implementing Consob Decision on listed companies: (i) identifies relevant persons; (ii) defines the transactions involving securities issued by Eni SpA; (iii) determines the terms and conditions for the disclosure to the public of such information.

The procedure states that managers having regular access to privileged information, during specific periods of the year (blocking periods), are not allowed to buy or sell shares.

The procedure was updated on September 29, 2006 to take into account the Consob position expressed on March 28, 2006. The procedure is published on Eni's website.

* * *

Follow the tables included in the Handbook for the preparation of the report on corporate governance issued by Assonime and Emittente Titoli SpA in March 2004.

Structure of the Board of Directors and its Committees

Members	Board of Directors					Internal Control Committee		Compensation Committee		International Oil Committee	
	executive	non executive	independent	% attendance	other appointments (1)	members	% attendance	members	% attendance	members	% attendance
Chairman											
Roberto Poli			X	X	100	4					
CEO											
Paolo Scaroni		X			100	4				X	
Directors											
Alberto Clò (*)			X	X	92	4	X	64		X	100
Renzo Costi (*)			X	X	84		X	79	X	75	
Dario Fruscio			X	X	68					X	100

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Marco Pinto	X		92		(b)		X	75	
Marco Reboa (*)	X	X	96	5	X	100			X 100
Mario Resca	X	X	92	3			X	100	
Pierluigi Scibetta	X	X	92	1	X	71	X	100	
Number of meetings in 2007	25					14		4	4

(*) Appointed by the minority list.

(a) Appointments as director or statutory auditor in other listed companies, also outside Italy, in financial, banking, insurance or large companies.

(b) In June 2007, Marco Pinto resigned from the Internal Control Committee: until June, he participated to five meeting of the Committee, with a percentage of attendance equal to 71%.

The Corporate Governance Code issued by Borsa Italiana foresees the possibility to form, within the Board, a Committee for the proposal on the entrustment of Directors "especially in those case the Board of Directors notices the difficulty of the shareholders in organising the proposal for the appointment, as being in listed companies". The Board of Directors has not formed this Committee in consideration of the shareholding characteristics of Eni.

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Board of Statutory Auditors

Members	% attendance Meeting of the Board of Statutory Auditors	% attendance Meeting of the Board of Directors	Number of other appointments ^(a)
Chairman			
Paolo Andrea Colombo	100	100	6
Auditors			
Filippo Duodo	89	84	1
Edoardo Grisolia	72	72	
Riccardo Perotta ^(*)	100	96	3
Giorgio Silva ^(*)	83	92	3
Number of meetings in 2007	18	25	

(a) Appointments as director or statutory auditor in other listed company, also outside Italy, or in financial, banking, insurance or large companies.

(*) Appointed by the minority list.

For presenting a list shareholder or group of shareholders must hold at least 1% of voting shares in an ordinary shareholders' meeting.

Other information to be disclosed under the Corporate Governance Code published by Borsa Italiana in 2002

	Yes	No
System of delegated powers and transactions with related parties		
The Board of Directors delegated powers defining:		
a) limitations	X	
b) exercise	X	
c) periodicity of information	X	
The Board of Directors reserved examination and approval of relevant transactions (including transactions with related parties)	X	
The Board of Directors defined guidelines for identifying relevant transactions	X	
Such guidelines are described in the report	X	
The Board of Directors defined procedures for examination and approval of transactions with related parties		X ^(*)
Such procedures are described in the report		X ^(*)

Procedures for the latest appointment of Directors and Statutory Auditors

Lists of candidate directors were deposited at least 10 before the date set for appointment	X
Lists were accompanied by sufficient information on candidates	X
Candidates to the role of director disclosed information that qualified them as independent	X
Lists of candidate auditors were deposited at least 10 before the date set for appointment	X
Lists were accompanied by sufficient information on candidates	X

Meetings

The company approved regulations of meetings	X
The regulations are attached to the report (indication of where to find it online is provided)	X

Internal Control

The company appointed persons responsible for internal control	X
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Such persons do not report to managers of operating divisions	X
Internal office responsible of internal control (Article 9.3 of the code)	Internal Audit

Investor relations

The company appointed an investor relations manager	X
Information on investor relations manager (telephone, address, e-mail) and unit	Investor Relations (**)

(*) Procedures will be prepared after the publication by Consob of the general principles as per Article 2391-*bis* of the Civil Code. Following the new procedure, the operations are submitted to the Board of Directors, even when the amount is lower than the defined relevant threshold.

(**) Eni SpA - Piazza Vanoni, 1 - San Donato Milanese (Milan) 20097 Italy - Tel. 02 52051651 - Fax 02 52031929.

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ENI ANNUAL REPORT 2007 / COMMITMENT TO SUSTAINABLE DEVELOPMENT

Commitment to sustainable development**INTRODUCTION**

Sustainability is an integral part of Eni's culture and represents the engine of a process of continuous internal improvement. Eni's actions are oriented to value people, contributing to the development and welfare of communities where it operates, respecting the environment, investing in R&D, pursuing energy efficiency and mitigating the risks of climate change.

As a result of Eni's renewed commitment to sustainability, 2007 marked Eni's entry in the Dow Jones Sustainability World Index, in the FTSE4Good Index, in the CDP5 Climate Disclosure Leadership Index. In addition, Eni greatly improved its ranking in the GS SUSTAIN Focus List of Goldman Sachs (from the third to the second quartile) and in Fortune's annual list of the 100 most sustainable companies (from the 28th to the 3th place).

In its Shareholders' Meeting of May 2007, in addition to its Annual Report Eni presented for the first time its Sustainability Report, which was prepared and certified also by means of a new sustainability reporting system.

In July 2007 Eni completed and formalized its sustainability organizational model by publishing strategic guidelines that identify the processes of planning, control, reporting, communication and stakeholders' engagement.

In 2007 Eni also issued guidelines for the protection and promotion of human rights and promoted the adoption of operating procedures in some operating sites outside Italy. Eni also performed initiatives in favour of local communities related to development projects, the main ones were achieved in Libya, Kazakhstan, Ecuador and Nigeria.

Eni obtained significant reductions in GHG emissions in

Russia and started interventions for further reductions to be achieved in Nigeria, Congo and Libya. In the areas of refining and power generation Eni started new projects and completed current projects for the improvement of energy efficiency.

The Along with Petroleum program addressing innovation in the area of renewable energy sources, alternative energy sources and systems for energy efficiency financed projects in innovative photovoltaic solar energy (for euro 12 million) and biofuels (for euro 7 million).

As concerns information and communication, Eni achieved the **ENI 30PERCENTO** information campaign that suggests the diffusion of virtuous behaviours among families, that can save up to 30% of their energy bills and contribute to environmental protection by following 24 simple and efficient suggestions. With this campaign Eni intends to appear as a catalyst for the debate on energy efficiency, engaging various actors in the economic, industrial and social world. A panel of 100 households following the 24 suggestions and 100 households that continue with their usual behaviours are going to be monitored until May 2008 in order to compare the actual consumption of the two classes of users.

In March 2007 Eni started its **Welfare Project**, aimed at identifying and applying actions for the improvement of the quality of life and the wellbeing of Eni people, increasing their satisfaction with the company they work for. The main intervention areas are psycho-physical wellbeing, conciliation of personal life and work life, creation of opportunities for leisure time and health. In the latter area Eni started its **Health Project** aimed at improving the general health of the company, making available to all Eni employees the training and information tools for a proper management of stress

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factors. Eni also launched a Sustainability Intranet site aimed at informing and engaging Eni people in the various aspects of sustainable development reinforcing Eni's culture and providing users with various degrees of knowledge of relevant information.

Eni also started experimental and research projects for the promotion of an innovative management of cross-sectional issues strategically relevant for the company:

- Human Rights Compliance Assessment: testing a tool for the evaluation of the implementation of Eni guidelines in this area;

- Diversity: analysis of the various kinds of diversities present in Eni with special attention to those deriving from cultural differences (internationalization dynamics), gender difference and the so called age diversity (intergenerational differences).

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PEOPLE

To Eni people working in its production system represent an asset to be safeguarded and enhanced with careful career paths. This path, made up of accurate development and training initiatives customized to roles and persons, along with the respect of shared ethical values, represents a key factor for the creation of sustainable value in the long term.

Eni's main objectives for its human resources are:

- to preserve, share and develop know-how for the development of Eni's businesses;
- to develop its managers' leadership and ability to understand and interpret economic-financial events;
- to invest in young people in terms of development and retention;
- to improve the overall efficacy of management and development with particular attention to Eni's international role and its relations with competitors;
- to support employees' engagement as element related to the overall company performance.

More detailed information on the management of human resources is found on Eni's website in the area Sustainability and in the Report on Sustainability.

Employees

At December 31, 2007, Eni's employees totaled 75,862, with an increase of 2,290 employees from December 31, 2006, up 3.1%, reflecting a 2,628 increase in employees hired and working outside Italy and a decline of 338 employees hired in Italy.

Employees hired in Italy were 39,427 (52% of all Group employees). Of these, 36,300 were working in Italy, 2,940 outside Italy and 187 on board of vessels, with a 338 unit decline from 2006; of these 40 persons left the group due to changes in consolidation.

The process of improvement in the quality mix of employees continued in 2007 with the hiring of 2,632 persons, of which 726 with open-end contracts. A total of 1,906 persons were hired with this type of contract and with apprenticeship contracts, most of them with university qualifications (1,117 persons of which 759 are engineers) and 733 persons with a high school diploma. During the year 2,943 persons left their job at Eni, of these 2,189 had an open-end contract and 754 a fixed-term contract.

Employees hired and working outside Italy at December 31, 2007 were 36,435 (48% of all Group employees), with a 2,628 persons increase due to the positive

Employees at year-end	(units)	2005	2006	2007	Change	% Ch.
Exploration & Production		8,030	8,336	9,334	998	12.0
Gas & Power		12,324	12,074	11,582	(492)	(4.1)
Refining & Marketing		8,894	9,437	9,428	(9)	(0.1)
Petrochemical		6,462	6,025	6,534	509	8.4
Engineering & Construction		28,684	30,902	33,111	2,209	7.1
Other activities		2,636	2,219	1,172	(1,047)	(47.2)
Corporate and financial companies		5,228	4,579	4,701	122	2.7
		72,258	73,572	75,862	2,290	3.1

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balance of new hires with fixed-term contracts and persons leaving their job in the Engineering & Construction segment (approximately 1,800 employees) due mainly to new contracts in Saudi Arabia and the sale of Camom SA and 736 persons in the Exploration & Production segment, of these approximately 400 following the purchase of Dominion and Maurel & Prom.

Organization

In 2007 Eni continued to upgrade its structures and processes along guidelines consistent with the new integrated corporation model adopted by Eni which includes:

- a constant upgrading of organizational structures to corporate strategies and streamlining of the organizational and company set-up of Eni;
- the full accountability of business and functional units and their integration around Group initiatives.
- the strengthening of Eni Corporate's role of orientation and coordination;
- improved coordination of the ways to represent Eni outside Italy aimed at developing its businesses and international relations;
- the centralization and optimization of services to support the business with the aim of achieving

- the sustainability project designed to implement a structured system for planning and executing Eni activities in Italy and outside Italy under principles of sustainability. The first sustainability report was issued to fully disclose the activities performed by Eni divisions and subsidiaries in this area;
- the process for centralizing various staff activities (procurement, finance, insurance, ICT and documentation) while rationalizing and improving efficiency in certain projects (centralization of the management of employees of Eni Spa and its subsidiaries in EniServizi);
- certain reengineering processes of business activities in the upstream, downstream (in particular shipping and trading), construction and engineering, environmental and R&D.

Management and development of human resources

Eni continued various initiatives aimed at making the evaluation and development of human resources more efficient. In particular, the integration of the tools dedicated to managers' management and development (evaluation of abilities, performance assessment and positions) required to support the top management in its decisions of succession planning relevant to positions of major importance to the company, allowed to accelerate the growth of young managers to higher responsibility positions.

Eni continued its plan of rejuvenation of management which determined a significant decrease in average age at all levels of management, which led to management style more appropriate to the new challenges of a very competitive market.

Eni updated the tools for the recruitment of personnel, evaluation of the development potential of resources in order to guarantee transparency and traceability of processes thereby integrating in them the issues of sustainability.

In 2007 Eni continued its evaluation activities that led to an overall mapping of management roles in Italy and outside Italy aimed at supporting development and compensation decisions and favouring compensation

greater efficiency and quality of services provided;

- the compliance of processes and control systems to laws and regulations.

Among the most significant upgrading processes completed in 2007, the following are worth mentioning:

- the role played by Eni Corporate in guiding and controlling Group activities has been strengthened also by means of a new planning and control model designed to measure the performance of line and staff activities and reinforcing internal control structures (watch structure, centralization of the internal audit function);

benchmarking with competitors.

Eni started its first project of climate evaluation, called

Eni secondo te addressing questionnaires to employees of Eni and main subsidiaries for a total of 37,000 persons.

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Training

Eni considers training one of key drivers in managing human resources.

Eni's significant commitment to training is underpinned by the number of employees participating in training initiatives and the number of hours dedicated to it in Italy and outside Italy.

In 2007, expenditure for training amounted to euro 88 million, of which euro 28 million in Italy and euro 60 million outside Italy. A total of about 3,428,000 training hours were provided (1,430,000 in Italy and 1,998,000 outside Italy).

Eni Corporate University, a subsidiary of Eni, offering services in recruiting and personnel selection, is fostering the quality of Eni's human resources and the company's strategies, covering the whole knowledge cycle from planning the requirements of critical skills to the construction of integrated academic curricula in cooperation with universities in Italy, up to the selection of new talents and their training during their professional lives.

In 2007, the first edition of the master course in general manager was launched in cooperation with SDA Bocconi and the Milan Polytechnic. This course is addressed to 30 young Eni managers that will receive a second degree master diploma and is part of a wider training and development program of Eni managers.

In 2007, ECU prepared a thorough survey of the knowledge management issue in Eni's business units and in this area the E&P Division received the Giorgio Sacerdoti Award established by the Università Cattolica del Sacro Cuore, the Fondazione Politecnico and AICA (Italian association for information technology and automatic computing).

In early 2007, Eni celebrated the 50th anniversary of the establishment of the Scuola Mattei operating in research and post-graduate training. From its foundation in 1957, the school trained nearly 2,570 young talents, of which 1,415 came from nearly 100 countries of the world. In 2007-2008 three new curricula were introduced involving 81 students (33 from Italy and 48 from the rest of the world).

Industrial relations

most recent employees), in social activities (increased payments by the company to workers' organizations) and in professional training (new training activities under the sponsorship of Fondimpresa) as well as a successful plan for allowing early retirement (491 employees).

In 2007 Eni defined integrations to collective contracts for the segments of energy and oil and chemicals. Eni also signed an agreement for the establishment of a fund integrating public health assistance for employees operating in the energy and oil industry.

Internationally, Eni continued its dialogue with workers unions in specific forums such as the European Works Council.

Health

Eni is committed at protecting the health of its people, of the communities living in the areas where its plants are located and of all those that get in touch at various times with its production, distribution and marketing activities. Eni's activities for the protection of health aim at the continuous improvement of work conditions are developed along the following lines:

- continuous improvement of efficiency and reliability of plants;
- adoption of best practices and operating management based on advanced criteria of protection of health and the internal and external environment;
- research and innovation, with specific reference to the issues related to health and to the exposure of workers to working risks;
- results of audits for a continuous improvement;
- identification and monitoring of indicators and guidelines for analysis and intervention areas;
- programs of certification of management systems for production sites and operating units;
- definition and development of programs related to sustainability.

In 2007 Eni continued the activities started in 2006 and defined new ones. In particular, the following activities were realized:

Within a consolidated and structured system industrial relations represented an efficient and consistent support to Eni's strategic choices.

Leveraging on a constant dialogue with workers' unions Eni reached significant agreements to implement a reorganization program in the Gas & Power and Refining & Marketing Divisions, to progress in the area of additional pension payments (applied also to the

- mapping and rationalization of doctors working for Eni in Italy and outside Italy, of paramedics and contracts entered by Eni divisions and subsidiaries in the area of health with universities or institutions aimed at increasing their efficiency and service level;
- definition of a standard contract to be used in new instances or renewals;
- preparation of a procedure on issues related to HIV on workplaces;

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- preparation of a procedure for facing the consequences on workplaces of a possible influenza pandemics, with specific reference to the transmission of contagion and the protection of continuity of operations;
- updating of norms and promotion of health and medical support. With this aim since December a website has been dedicated to health prevention in Eni's Intranet;
- start up of the Health card project and opening of a health care center in Rome and support to the initiative of the Italian league against cancer in Rome within a project for early diagnosis of cancer;
- development of telemedicine program and opening of a center in Gela;
- support to the FASEN for the realization of a screening of cardiologic risk.

In the definition of choices, risk prevention has been considered a priority and has been implemented in all operating sites by means of an integrated HSE management system.

In 2007 Eni extended the application of this health management system to its activities outside Italy and continued the certification process to 28 entities. Particular attention has been paid to the implementation of prevention standards for working risks – such as chemical, physical and biological risks – and also to those related to local contexts – such as climate, infectious diseases, food problems – that are constantly updated and monitored by means of specific surveys, the implementation of socio-hygienic projects and Health Impact Assessments (32 HIA).

Eni has a network of 296 own health care centers located in its main operating areas of these 203 centers are outside Italy and are managed by expatriate and local staff. A set of international agreements with the best local and international health centers guarantees efficient service and timely reactions to emergencies.

Safety

Eni has always been deeply engaged in the issue of the safety of its workers, of the people living in the areas

- control, prevention and protection from exposure to dangerous situations;
- minimization of exposure to risk in all production activities.

Eni's Guidelines on the evaluation and mitigation of risks published in 2004 by the Corporate HSE department and in greater detail the Instructions for the management of HSE risk – published in January 2008 describe the methods applied in the identification of dangers, evaluation and mitigation of risks associated to plants, processes, transportation means, workplaces, chemical substances and products used, produced and marketed. This process includes the following phases:

- identification of all exposures and risks related to processes, products and operations performed;
- identification of prevention plans (where possible) and mitigation of risks;
- evaluation of risks in terms of seriousness and frequency of accidents;
- investigation and analysis of accidents in order to learn from them and increase the ability to prevent and mitigate risks;
- development of action plans to minimize risks focused mainly on capital expenditures, implementation of safety management systems and training of staff.

In 2007 Eni started a number of initiatives in the area of safety. The most relevant ones were:

- audit activities in business units testing the complete functioning of HSE management systems and specific audits on typical risks of certain sectors;
- engagement of resources in safety at various levels and of employees operating staff in a network connecting promoters of a safety culture within the organization (SAFELLOWS network);
- establishment of a module monitoring and managing geo-referenced data in the Mediterranean area supporting the management of relevant emergencies. This system favours

where its industrial sites are located and of its producing assets. Its strategy has been based on:

- the dissemination of a safety culture within its organization;
- a common policy, specific guidelines and proper management systems in line with international standards;

the evaluation and organization of response interventions in case of emergencies at sea (MEDSTAR project);

- development of the innovative Simulation of HSE processes allowing new projects to foresee any issues related to HSE. These issues could lead to delays in obtaining authorizations, changes during work in progress, etc.);
- application of Leading Indicators in HSE for monitoring the safety parameters and the aspects of health and the environment;

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- the promotion of training courses on specific issues;
- the establishment of international groups for sharing knowledge and the evaluation of advanced technical/structural standards for the control and monitoring of work environments in the prevention and protection of workers;
- completion of the technical guidelines for safety in new frontier activities (extreme working conditions), new procedure for the management of emergencies.

Documents required for the implementation of Legislative Decree 123/2007 on the evaluation of risks from interferences and contractual standards have been drafted as a result of the cooperation between business units, the HSE function and the legal department of Eni Corporate.

Eni is organizing a data base on accidents that should be operating in 2008, allowing access to information to selected users reducing time losses and assuring the possibility of learning from lessons learned especially in cases of near miss. In addition in 2008 a data base of laws and regulations is going to be prepared collecting all local and international regulations, UNI and CE standards and the main data bases on HSE issues. In 2007, safety indicators improved from 2006. The injury frequency rate was 3.01, down 5%, and the injury severity rate was 0.10 in line with 2006.

RESPONSIBILITY TOWARDS THE ENVIRONMENT

Reference scenario

Oil companies deploy activities with a potential impact on territories and the environment and are therefore subject to careful scrutiny by public opinion and stakeholders. This thrusts operational performance to fully comply with laws and international and domestic best practices especially as concerns risk prevention and reduction and minimization of environmental impacts. The sustainable operations of an oil company are measured also in terms of commitment to the development and implementation of programs and actions concerning relevant environmental criticalities in the various areas where it operates. Eni is a company that pays great attention to the issues of environmental sustainability and developed program aimed at the mitigation of climate change, the

sustainable use of natural resources and the conservation of biodiversity.

More detailed information on the reduction of the environmental footprint is found on Eni's website in the area Sustainability and in the Report on Sustainability.

Environmental management

In 2007 Eni further improved its HSE management system, paying greater attention to the planning and implementation of periodic control systems technical and compliance audits and the definition of four year objectives for business units. The planning and analysis process of four year HSE plans lead to the definition of improvement objectives for the main environmental performances that business units assumed and are achieving with innovative specific projects.

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Rational use of natural resources

In order to reduce its impact on territories Eni consolidated the development of activities and the application of technologies for the reduction in pure water consumption investing in the treatment and recycling of water used in industrial processes. Eni further reduced the amounts of waste deriving from its production activities and continues to increase waste deriving from reclaiming activities in proportions to the areas reclaimed. Improvement plans are underway for the reduction of waste sent to landfills and by developing treatment and other forms of waste disposal. Eni continues its commitment to environmental reclaiming and completed most of its safety interventions, especially the erection of hydraulic barriers in depleted sites and in operating sites awaiting for reclaiming.

The control of emissions into the atmosphere and in soils and waters is an area to which Eni pays special attention with its monitoring plans, required for receiving Integrated Environmental Authorizations, mandatory for any plant with an installed capacity higher than 50 MW.

In most of Eni's production sites (refineries, petrochemical plants and oil centers) Eni is introducing monitoring and control systems of methane losses and emissions containing organic volatile compounds, with the aim of reducing emissions into the atmosphere (photochemical smog, climate change).

As for integrated environmental management, Eni defined a single system for monitoring and collecting environmental data involving all business units. The system will be operational by the end of 2008 and will be used to meet the internal and external environmental reporting requirements of Eni.

Oil Spill

Production, handling and transport of oil products can give rise to spills of variable size. In order to protect the areas where Eni operates. Responsibilities and operating modes aiming at reducing the negative impact of oil spills have been defined. Tools available include the recourse to external professionals and/or international organizations.

In 2007, a total of 368 oil spills were registered for a total of 9,336 barrel of oil spilled.

Biodiversity

Eni considers biodiversity an integral element of sustainable development and is engaged in the evaluation and reduction of its exploration and production activities impact both onshore and offshore. Eni is engaged in supporting conservation projects onshore and offshore, evaluating the impact of activities in diverse ecosystems and organizing actions that raise attention for biodiversity. Current projects concern onshore and offshore sites in Val d'Agri in Italy, Ecuador, the Mediterranean Sea, the Arctic Sea and Kazakhstan.

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THE FUTURE OF ENERGY AND INNOVATION

The future challenges of energy

Hydrocarbons will be for many more decades the most important energy source for world economies due to their availability, flexibility of use and low cost. In the period considered and with the present technologies, renewable sources will be able to contribute only marginally to global energy requirements due to high costs and volumetric limitations. In this scenario the issue of dependence from imports of hydrocarbons will be felt even more worldwide, in particular in the countries and areas where domestic production is decreasing or economic growth is strong.

From the point of view of international oil companies, the global energy scenario shows increasing complexity due rather than to the feared exhaustion of oil resources according to the most recent estimates reserves are still abundant and sufficient to maintain current consumption for about 100 years – but rather to the increase in competition for access to reserves, the worsening of contract and tax conditions, increasing costs and scarcity of human and technical resources. In fact the actual ability of international oil companies to access the world's vast mineral potential have constantly decreased after the second world war through a process of reappropriation of resources by producing countries. This progress – never actually decreased in the years – was further accelerated in the past few years, also due to the high international oil prices. In addition to the difficulty in accessing easy hydrocarbon resources, international oil companies must face the maturity of traditional areas. All these factors are forcing international oil companies to move to frontier areas (e.g. deep waters, Arctic areas, remote areas) that require high technology and capital

intensive projects. The protection of the (local and global) environment and more in general the sustainability issues are fundamental components of a long term development model and make the reference context of the energy industry even more delicate. The most important challenge for the energy sector is represented by meeting the demand for energy mitigating its environmental impact. Eni intends to act by maximizing its commitment to technological innovation and energy efficiency that also have a direct impact on the safety of supply. The achievement of significant technological discontinuity and a more rational and careful use of resources are in fact the major levers for widening the availability of hydrocarbons, making renewable sources competitive and competing on environmental issues. More detailed information on Eni's commitment to innovation is found on Eni's website in the area Innovation and in the Report on Sustainability.

A new approach to access to oil reserves

In the scenario described above, in order to accelerate the development of new mineral resources, the approach of international oil companies must deploy new forms of cooperation tailored to the requirements of host countries which include social and economic development, the valorization of energy sources and attention to environmental issues. International oil companies need to suggest and manage integrated projects (upstream, midstream and downstream) including not only the development of fossil sources but also the promotion and enhancement of renewable energy sources. Eni's strategy moves in this direction as Eni has always entertained distinctive relations with

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producing countries, paying special attention to the number of local workers employed, to training and scholarship initiatives, to the demand for water resources. In this context, the ability to develop, manage and integrate state-of-the-art technologies in innovative projects plays a crucial role for implementing Eni's strategy in the medium and long term.

Climate change

In order to reduce greenhouse gas emissions Eni defined plans for gas flaring reduction, energy saving and efficiency improvement and projects aimed at financing R&D for the containment of CO₂. In particular for:

- increasing efficiency in the whole production process (including gas flaring and gas venting reduction), in transport and conversion as well as in final uses;
- developing technologies for a more efficient exploitation of renewable energy sources (e.g. solar, biofuels);
- development of processes for the capture and geologic confinement of CO₂ (technically feasible but still requiring testing for proving efficacy, cost efficiency and safety in the long term);
- biofixation of CO₂.

In 2007, greenhouse gas emissions expressed in mmt tonnes of CO_{2eq} (including CO₂ by burning and process, natural gas, gas flaring and gas venting) increased by 10.2% from 2006. The higher increase was recorded in the E&P division, mainly due to the increase of gas flaring emissions (up 30%) in relation to acquired assets in Congo and Russia.

Development of upstream activities and of natural gas

One of the most interesting options for the oil industry is represented by the full use of already identified mineral resources. Eni is committed first of all to developing and improving upstream technologies, aimed at the optimization of exploration and production from field also with complex geology implementing enhanced recovery processes and introducing techniques for monitoring production in real time. Enhanced oil and gas recovery techniques can also represent a lever for accessing non conventional resources (extra heavy oil and bitumen, tar sands, tight gas and coal bed methane). The development of the natural gas sector and the upgrade of transport infrastructure are a significant option considering the environmental and supply criticalities described above.

The use of natural gas in power generation is in fact a more efficient and less polluting solution as compared to other fossil sources. Unlike other international oil companies, Eni has a strong core of midstream and downstream activities and competences in its portfolio, which are confirmed by its strong presence and experience in natural gas transmission by pipeline, distribution and in its leading role in natural gas sale in Europe.

In this light, a relevant option is the full use of the relevant stranded gas reserves approximately half of all world reserves located in areas far from final markets, in deep and ultra deep water basins, in complex geological formations or in small fields. In addition to the extraction difficulties, the geographic dispersion and remoteness of these resources limited their production until now.

Technological innovation

Technological innovation represents the main tool used by Eni to face the challenges of the environment and climate, to overcome the limitations of use of large but remote resources of hydrocarbons, to establish and consolidate alliances with producing countries, to stimulate the use of renewable sources.

In 2007 Eni completed and made fully operational the new structure of its R&D activities and launched the Eni Award, an award established to support, promote and reward advanced scientific research and its innovative

applications in the field of sustainable energy. Eni Award includes three sections: Science and Technology, Research and Environment, and Debut in Research. Prizes have been awarded in February 2008. The Along with Petroleum initiative addressed to innovation in the field of renewable energy sources and

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systems for efficient energy use was assigned euro 120 million for the 2008-2011 four year period and in 2007 financed projects in the area of innovative photovoltaic projects (for euro 12 million) and biofuels (for euro 7 million).

In 2007, Eni invested over euro 208 million in research and development (euro 220 million in 2006), of these 47% were directed to the Exploration & Production division, 32% to the Refining & Marketing division, 14% to the Petrochemical division and 7% to the Engineering & Construction division.

At December 31, 2007, a total of 1,082 people were employed in research and development activities.

In 2007 a total 41 applications for patents were filed (29 in 2006).

Main innovation initiatives in 2007**E&P Division**

In the E&P division research was focused on numeric and high resolution geophysical prospecting techniques, geological simulation and field prospecting in Arctic environments.

The development of the proprietary seismic technology *3D Prestack Depth Migration Kirchhoff True Amplitude High Resolution (KTA Hi Res)* continued with the aim of overcoming the current vertical and horizontal limitations in the construction of a seismic image of the subsoil and of reducing exploration and mineral risks.

The first development phase of the seismic tomography technology (X-DVA) has been completed.

Demonstrations in use of the proprietary CRS technology (*3D Common Reflection Surface Stack*) for prospecting in areas characterized by low seismic response have been performed.

Work continued for the implementation of technologies for the simulation of the behaviour of fluids in the reservoir and the first stage of the project aiming at collecting seismic surveys in Arctic zones directly in the open sea (*On Ice Seismic*) has been completed.

Within Eni's *Drilling Advanced Technologies* project aimed at developing and integrating advanced drilling of oil wells, the field application stage of some proprietary technologies began in Egypt and Italy. The *Extreme Lean Profile* technique (*small diameter wells*) allows to reach greater depths and/or to drill only the last part of the well with larger diameters.

The new non conventional well testing method based on the injection into the well of fluids compatible with those contained in the field, has been developed and tested in a well for the delimitation of the Goliath field in Norway. This method avoids the emission of combustion residues and hydrocarbons in the atmosphere, thus reducing environmental and safety risks as compared to conventional methods. This is extremely useful in fields where extracted gas is associated to hydrogen sulphide (H₂S), such as Kashagan, Karachaganak and Val d'Agri.

Eni completed the executive project for the construction of a pilot plant for the demonstrative storage of sulphur expected to start operations in 2008 based on Eni's proprietary technology. Eni also completed the feasibility study for the new technology for the sweetening of natural gas and identified the location of a pilot plant

In the *Gas to Liquids project (GTL)* with the cooperation of IFP/Axens, Eni completed the tests on the catalytic performance and the mechanical stability of the catalyst for Fischer-Tropsch synthesis. The catalyst which will be produced in the first half of 2008 by Axens in the Salindres plant in France and later employed in the pilot tests of the GTL of Sannazzaro in 2008.

In the conversion of heavy crudes and fractions into light products, testing continued at the Taranto demonstration plant of Eni's proprietary technology EST (Eni Slurry Technology). Technical and economic evaluations performed show that the EST provides competitive advantage as compared to the conversion technologies available on the market for applications both upstream, in the upgrading of non conventional crudes, including oil from tar sands, and downstream for the conversion of heavy residues from distillation and visbreaking. In 2007 Eni filed 5 patent applications.

Within the *SCT-CPO Project (Short Contact Time - Catalytic Partial Oxidation)* project aimed at the development of a reforming technology called SCT-CPO (Short Contact Time - Catalytic Partial Oxidation) flexible in terms of production capacity and oil-based feedstocks in order to increase the availability of hydrogen at competitive costs for refinery operations

The joint application of the *Eni Circulation Device and Secure Drilling* techniques allowed to complete the drilling of some high pressure and high temperature wells in the Egyptian offshore and in Italy thanks to improved safety in drilling operations.

and oil upgrading. Ongoing activities tend to the validation of this technology on a pilot plant at the Milazzo Research Center aimed at the construction of a first industrial plant in one of Eni's refineries. In 2007 Eni filed two patent applications.

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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 team has been built for the design and development of a pilot plant in a depleted gas field employing the surface structures.

G&P Division

In the G&P Division work continued on the natural gas high pressure transport (TAP) project that provided an advanced long distance, high capacity, high pressure and high grade solution for:

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

This technology allows the exploitation of remote fields and the reduction of the consumption of gas in transit in compression stations.

In 2007, testing was completed on pilot lines in X100 steel at the Perdasdefogu experimental military polygon in Sardinia. Projects on intermediate transport pressure in traditional environments and projects for high pressure transport in non conventional environments characterized by non standard environmental and geological conditions are under definition for 2008-2011.

The MAST (Advanced monitoring of gas transport systems) project aims at developing advanced monitoring technologies and to test their application in the design phase, their installation during construction and their reliability in operation in order to obtain an integrated and automated system for monitoring these structures.

R&M Division

Eni continued to improve its Blu fuels (BluDiesel and BluSuper). In 2007 it launched BluDiesel Tech, a new diesel fuel adjusted to the requirements for detergency of new generation diesel engines. In addition to the keep clean function, BluDiesel Tech provides a clean up function which guarantees clean operations also to engines with a very high numbers of kilometres. It also has a very low level of sulphur (less than 10 ppm)

branded flagship lubricant, has been upgraded in order to meet the requirements of the most recent API specifications for cars. In 2007 Eni also developed a new lubricant with a high level of fuel economy totally compatible with after treatment systems based on innovative proprietary components. This new product can be considered the first of a series of engine lubricants suitable to meet the environmental sustainability required by the Euro 5 standard and for later ones. In 2007 Eni filed 2 patent applications.

Green Diesel This process, developed in cooperation with UOP by means of the EcofiningTM technology, consists in the hydrocracking of vegetable oils yielding an oxygen free hydrocarbon product which is a component of a diesel fuel. This biofuel called Green Diesel has a markedly higher quality than conventional biodiesel obtained by means of the transesterification of fatty acid methyl ester (FAME). The development project provides for a direct passage to industrial scale. In 2007 the basic design of an industrial plant for the production of 250 ktonnes/year of Green Diesel from soy and/or palm oil has been completed. A patent application was filed.

LCO Upgrading In agreement with the business objective of adjusting production to the evolution of demand (increase in gasoil with correspondent decrease in gasolines and decline in fuel oil) this project aims at the development on an industrial scale of a process for selectively converting highly aromatic gasoil from catalytic cracking (light cycle oil - LCO) a low density component of diesel fuel with low polyaromatic content and medium-high cetane number with reduced hydrogen consumption as compared to the conventional dearomatization process. The scaleup of catalysts and the technical-economic feasibility study currently underway.

Biofixation of CO₂ by means of micro algae The project aims at testing the technical and economic feasibility of a process based on the biofixation by means of micro algae for the recycling of CO₂ produced by oil refining plants and the purification of discharge waters with production of biomass that can be converted into biofuel and/or other energy vectors. Most of the testing activities are performed at the Gela refinery, where in

anticipating the specifications that will be mandatory from 2009.

As for gasolines, Eni is studying innovative solutions aimed at new generation engines with high fuel efficiency (low powered and overfueled vehicles). In 2007 Eni filed a patent application.

In synergy with the new fuels, Synt 2000, the Agip

2007 a small scale pilot plant made up of photobioreactors and open pools is operating. In 2008 Eni plans to build a pilot plant extended over one hectare and full scale demonstration plant covering 10

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hectares if the expected results are reached. In 2007 Eni filed 2 patent applications.

The Ensolvex technology developed and patented by Eni will be applied in 2008 in the construction of a 4 tonnes/h plant in the Gela refinery for the reclaiming of soil polluted by hydrocarbons within the limits imposed by Ministerial Decree No. 471/1999.

The En-Z-lite process removes organic compounds from water by means of adsorption on synthetic hydrophobic zeolites that can either represent the reactive element of permeable reactive barrier (PRB*) or the filling of filter in a treatment on the ground (pump & treat). In 2007 Eni filed a patent application for the thermal regeneration of synthetic hydrophobic zeolites. In the Taranto refinery a pilot PRB plant is operating for the local reclaiming of ground waters containing MTBE, hydrocarbons and arsenic. In 2008 a full scale PRB plant will be designed and its economic viability will be tested. This process is the only one capable to perform treatments resulting in the meeting of the requirements set for MTBE.

Process for the reduction of industrial mud The process of hydrolysis and anaerobic digestion developed and patented by Eni allows a stark reduction in mud derived from industrial operations to be disposed of (>75%) and a potential valorization of the residue (compost). A pilot test was performed at the Gela refinery along with the technical economic feasibility study preliminary to the construction of a full scale plant with a capacity of 800 tonnes/y of dry mud to be built in the refinery.

Corporate

In 2007 within the *Along with petroleum initiative* Eni started six research projects on solar energy and on the production of biofuels at its research center for renewable energies in Novara and with the cooperation of other Eni research centers (San Donato Milanese and Monterotondo). Eni also started the evaluation of technologies of solar concentration to build hybrid solar powered/turbogas power stations/desalination plants. Eni started to cooperate with Italian and foreign institutions (the Milan Polytechnic, the Turin Polytechnic, the universities of Milan and Ferrara) with Italian research centers (NRC institutes in Bologna, Messina and Milan) and with foreign institutes (the MIT

In the area of research on renewable sources, the Organic Solar project aims at reducing investment costs for photovoltaic plants. It then intends to identify materials, such as polymers, suitable for substituting the costly semiconductors traditionally employed in solar cells.

Research on the photoproduction of hydrogen is underway. This activity aims at identifying a system to generate hydrogen from the splitting of water by means of solar energy. Process equipment and materials have been bought for the construction of equipment for photoproduction of hydrogen. Experiments have started by means of operating prototypes.

Work on photoactive materials aims at identifying materials that can improve the exploitation of sunlight by photovoltaic cells. Experiments and modelling have started.

In the field of concentration solar CSP, the aim of the research is the design of hybrid concentration solar and gas turbine power stations (CCGT) that combine the advantage of plenty of sunlight and the availability of natural gas for electricity generation and for the desalination of water for agricultural or industrial use. The study will concentrate on a hybrid CCGT-solar-desalination plant locate in North Africa using linear parabolic technologies.

As concerns biomass for fuels, Eni research aims at substituting traditional cultivations with other highly productive non edible products or based on microorganisms capable of absorbing CO₂ and producing lipids that can be transformed into biofuels. Screening activities are underway on various breeds of microorganisms (bacteria, yeasts, algae) for a preliminary evaluation of the biomass-biodiesel process flow. Research is focused on the production of high quality biofuels without by-products to be disposed of, both from hydrogenation of vegetables (Ecofining) and from gasification or pyrolysis of biomass from waste with high cellulose content.

In this area Eni formalized its participation to the European Chrisgas network and started a cooperation with the University of Milan.

for a strategic alliance on solar energy to be started in 2008). Other agreements are under negotiation.

Petrochemicals division

In the Petrochemicals division (Polimeri Europa) a project is underway on new products for tyres. The functioning of the pilot plant has been consolidated and some improvements have been made to increase its reliability.

By means of proprietary technologies Eni developed

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prototypes of new polymers. The first samples have been offered to some of the major European manufacturers of tyres in order to evaluate their application properties, with specific reference to reduced rolling resistance other properties being equal (adherence on wet surfaces and snow).

New LLDPE series from new catalysis for high temperature processes In 2007 the series of products in low density linear polyethylene (with octane comonomer) has been enlarged with the industrialization of two new types, by means of a catalytic process with low environmental impact. innovative products (EPS) for insulation in buildings from a continuous mass process have been developed.

Some grade of polymers have been produced specifically suited to insulation in buildings characterized by a very low use of expanding agents. This allows for a reduction of emissions in air during processing and an increased insulating capacity in finished products. Improvements in terms of energy consumption have been achieved also in the final manufacturing phase.

Development of EPS from suspension processes in specific applications An experimental production of EPS with higher molecular weight has been achieved at Eni's Hungarian plants. Testing with clients showed that this product allows to reduce energy consumption (lower steam pressure) as compared to standard products.

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TERRITORY AND COMMUNITIES

Eni respects the social and cultural values and the traditions and economic aspirations of the countries where it operates and provided itself with the tools for analyzing its interventions and evaluating potential partnerships.

Policies

Eni is committed to integrating the concept of transparency of its management system in the countries where it operates through adhering to and promoting the Extractive Industries Transparency Initiative (EITI). In Nigeria, Eni's affiliate NAOC publishes data relating to royalties, profit taxes and gas flaring fees, in East Timor Eni is a member of the EITI Multistakeholder Working Group.

In addition, Eni is committed to providing transparent information on royalties paid to the Basilicata Region and to the municipalities touched by its oil extracting activities, according to an agreement signed with the Region.

After the issue of Eni's guidelines for the protection and promotion of human rights in 2007, Eni Australia developed a specific policy on indigenous peoples. In Nigeria human rights protection is included in the security policy.

Local Content

Maximizing local content is another distinctive factor characterizing Eni's presence in various countries through the purchase of goods and services, the hiring of local staff and the development of specific training

programs. Eni developed actions in Pakistan, Kazakhstan, Nigeria, India, Tunisia and Egypt. In particular, in Pakistan, in 2007, Eni's activities offered jobs to over 200 workers and contributed to the local economy with over US\$ 600,000 of goods and services purchased locally.

Eni is implementing a Social Impact Assessment (SIA) for the evaluation of the impact of its operations on territories and communities interested by relevant projects. In 2007, these activities were performed in Indonesia, Australia, India, Pakistan, Kazakhstan. Another tool for the evaluation of impact on territories is the Health Impact Assessment (HIA) developed in 2007 in Congo and Pakistan.

Relations with local stakeholders

In 2007, Eni developed community engagement initiatives in Italy, Ecuador, Mali, Norway, East Timor, Australia, Libya, Pakistan, Indonesia, Nigeria, Kazakhstan. In Val d'Agri it started a community mission in order to establish dialogue with local stakeholders and promote projects in the area of sustainable development.

Investments for communities

Eni considers investments in favour of communities as an integral part of its relation with the territory and of the management of local businesses. Its approach to these issues is therefore based on methods of analysis and implementation that are typical of project management.

In 2007 expenditures for communities amounted to euro 85.88 million.

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continued its training program for young Libyan graduates that lead to the hiring of 40 persons and the selection of other 20 graduates that will start their training in 2008. In Pakistan Eni built a training center for women and a computer training center. It also continued its EniScuola project started in 2000 with the cooperation of the Eni Enrico Mattei Foundation.

Health

Eni supports projects and programs for the improvement of health conditions and quality of life of populations by providing primary health care, prevention, health assistance and promoting vocational training. In Congo, Eni upgraded the Kento Muana project aimed at preventing the mother-child transmission of HIV targeted at approximately 15,000 women. It also increased its health structures and services in Indonesia, Libya and Ecuador. In Nigeria, a project organized by Unicef and sponsored by Eni provided services for the prevention of mother-child transmission of HIV in the Rivers and Bayelsa states. In Pakistan Eni opened 3 Community Health Centers and a center for mothers and babies.

Socio-economic development and basic infrastructure

In 2007 these interventions concerned the completion of specific projects aimed at providing access to energy (electricity, gas) and water resources, upgrading road networks in Nigeria, Ecuador, Pakistan, Indonesia. In Congo Eni continued to carry on its project for the reintroduction of rice farming. In Pakistan, micro-irrigation schemes were introduced for a more efficient use of water. In Pakistan, Nigeria, Australia, Indonesia and Ecuador micro-credit initiatives and personal financial management were fostered. In Pakistan funds were offered to 1,175 families for a total amount of 10.2 million of rupees.

Education and training

In 2007 Eni worked along three main lines: basic schooling, basic and advanced training. In Libya, Nigeria and Pakistan schools were built and equipped. In Australia an indigenous training and employment program was completed with the hiring of 16 local workers. In Nigeria, Eni launched the nationalization

Enhancement of cultural and environmental heritage

Eni promotes actions aimed at the conservation and promotion of cultural and environmental heritage of local communities. In Italy Eni sponsors the restoration of the Basilica of Saint Peter in Rome and two project for the protection of biodiversity in Val d'Agri and the Adriatic Sea. In Libya Eni is cooperating to the protection of the archaeological sites of Sabratha and Leptis Magna. In Australia, within the Blacktip project Eni prepared a cultural heritage plan for the protection of local heritage through which it manages the access of employees and suppliers to aboriginal territories. In Nigeria the Water fields project for the valorization of biomass is underway. In Algeria Eni and the Sonatrach Tassili Foundation signed an agreement for the electrification with solar energy of 4 water wells to be completed in 2008.

Sponsorship

In Italy Eni is founding partner of 4 music foundations and sponsors the organization of concerts and operas in 4 theatres, as well as the FAI concerts and the Ravenna

project for the development of local skilled labour, it built a training center for handicapped people and provided 1,797 scholarships to students with an expenditure of approximately US\$ 340,000. In Libya, Eni

festival. Cultural promotion is achieved also by sponsoring MaratonArte, promoted by the Italian Ministry for Culture and aimed at raising funds for the protection and safeguard of artistic heritage.

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Foundations

The Eni Enrico Mattei Foundation (FEEM) has the objective of contributing to the increase in knowledge in the fields of economy and sustainable development. In 2007, FEEM developed 69 international projects, 35 of these sponsored by the European Union for a total value of over euro 4 million and organized 66 seminars and meetings.

Eni Foundation intends to promote solidarity actions in support of disadvantaged and vulnerable persons, paying special attention to old age. In the second half of 2007, Eni Foundation started a project in Congo and for 2008 it plans a similar initiative in Angola.

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RISK FACTORS**Foreword**

The main company risks identified, monitored and, as described below, managed by Eni are the following: (i) the market risk deriving from the exposure to fluctuations in interest rates, foreign currency exchange rates and commodity prices; (ii) the credit risk deriving from the possible default of a counterparty; (iii) the liquidity risk deriving from the risk that suitable sources of funding for the Group's business activities may not be available; (iv) the country risk in oil & gas activities; (v) the operational risk; (vi) the possible evolution of the Italian gas market; (vii) the specific risks deriving from the exploration and production activities.

In 2007 Eni's management reviewed and revised policies and guidelines regarding standards to identify, assess, control and manage market risks of significance to Eni. The purpose was to issue a reference book on policies to be handily consulted and updated as appropriate. In 2007 risk policies have been revised to take account of changes in the group's organizational structure (following the merger with Enifin on January 1, 2007 and the establishment of Eni Trading & Shipping) as well as needs to further integrate risk management.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or commodity prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. Eni's market risk management activities is performed in accordance with standards prescribed by policies and guidelines mentioned above, providing for a centralized model of conducting finance, treasury and risk management operations based on three in separate entities: the parent

Eni Coordination Center and Banque Eni subject to certain bank regulatory restrictions preventing the group's exposure to concentrations of credit risk. Additionally, in 2007, Eni Trading & Shipping was established and has the mandate to manage and monitor solely commodity derivative contracts.

In particular Eni SpA and Eni Coordination Center manage subsidiaries' financing requirements in and outside of Italy, respectively, covering borrowing requirements and employing available surpluses. All the transactions concerning currencies and derivative financial contracts are managed by the parent company as well as the activity of trading certificates according to the European Union Emission Trading Scheme. The commodity risk is managed by each business unit with Eni Trading & Shipping ensuring the negotiation of hedging derivatives. Eni uses derivative financial instruments (derivatives) in order to minimize exposure to market risks related to changes in exchange rates and interest rates and to manage exposure to commodity prices fluctuations. Eni does not enter derivative transactions on a speculative basis. The framework defined by Eni's policies and guidelines prescribes that measurement and control of market risk are to be performed on the basis of maximum tolerable levels of risk exposure defined in accordance with value-at-risk techniques. These techniques make a statistical assessment of the market risk on the Group's activity, i.e., potential gain or loss in fair values, due to changes in market conditions taking account of the correlation existing among changes in fair value of existing instruments. Eni's finance departments define maximum tolerable levels of risk exposure to changes in interest rates and foreign currency exchange rates, pooling Group companies risk positions. Calculation

company s (Eni SpA) finance department,

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and measurement techniques for interest rate and foreign currency exchange rate risks followed by Eni are in accordance with established banking standards, as established by the Basel Committee for bank activities surveillance. Tolerable levels of risk are based on a conservative approach, considering the industrial nature of the company. Eni's guidelines prescribe that Eni's group companies minimize such kinds of market risks. With regard to the commodity risk, Eni's policies and guidelines define rules to manage this risk aiming at the optimization of core activities and the pursuing of preset targets of industrial margins. The maximum tolerable level of risk exposure is pre-defined in terms of value at risk in connection with trading and commercial activities, while the strategic risk exposure to commodity prices fluctuations i.e. the impact on the Group's business results deriving from changes in commodity prices is monitored in terms of value-at-risk, albeit not hedged in a systematic way. Accordingly, Eni evaluates the opportunity to mitigate its commodity risk exposure by entering into hedging transactions in view of certain acquisition deals of oil and gas reserves as part of the Group's strategy to achieve growth targets or ordinary asset portfolio management. The group controls commodity risk with a maximum value-at-risk limit authorized for each business unit. Hedging needs from business units are pooled by Eni Trading & Shipping which also manages its own risk exposure. The three different market risks, whose management and control have been summarized above, are described below.

Exchange rate risk

Exchange rate risk derives from the fact that Eni's operations are conducted in currencies other than the euro (mainly in the U.S. dollar). In particular revenues and costs denominated in foreign currencies may be significantly affected by fluctuations in the exchange rates typically due to conversion differences on specific transaction arising from the time lag existing between the execution of a given transaction and the definition of relevant contractual terms (economic risk) and conversion of foreign currency-denominated commercial and financial payables and receivables (transaction risk). Exchange rate fluctuations affect group's reported results and net

Generally, an appreciation of the U.S. dollar versus the euro has a positive impact on Eni's results of operations, and viceversa.

Eni's foreign exchange risk management policy is to minimize economic and transaction exposures arising from foreign currency movements. Eni does not undertake any hedging activity for risks deriving from translation of foreign currency denominated profits or investments except for single transactions to be evaluated on a case-by-case basis.

Effective management of exchange rate risk is performed within Eni's central finance departments which match opposite positions within Group companies, hedging the Group net exposure through the use of certain derivatives, such as currency swaps, forwards and options. Such derivatives are evaluated at fair value on the basis of market prices provided by specialized sources. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be recognized as hedges in accordance with IAS 39. The VAR techniques are based on variance/covariance simulation models and monitor the risk exposure arising from possible future changes in market values over a 24-hour period within a 99% confidence level and a 20-day holding period.

Interest rate risk

Changes in interest rates affect the market value of financial assets and liabilities of the company and the level of finance charges. Eni's interest rate risk management policy is to minimize risk with the aim to achieve financial structure objectives defined and approved in the management's plans. Borrowing requirements of the group's companies are pooled by the group's central finance department in order to manage net positions and the funding of portfolio developments consistently with management's plans while maintaining a level of risk exposure within prescribed limits. Eni enters into interest rate derivative transactions, in particular interest rate swap, to effectively manage the balance between fixed and floating rate debt. Such derivatives are evaluated at fair value on the basis of market prices provided from specialized sources. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be accounted for under

equity as financial statements of subsidiaries denominated in currencies other than the euro are translated from their functional currency into euro (translation risk).

the hedge accounting method in accordance with IAS 39. Value at risk deriving from interest rate exposure is measured daily on the basis of a variance/covariance model, with a 99% confidence level and a 20-day holding period.

Contents**ENI ANNUAL REPORT 2007 / COMMITMENT TO SUSTAINABLE DEVELOPMENT****Commodity risk**

Eni's results of operations are affected by changes in the prices of products and services sold. A decrease in oil and gas prices generally has a negative impact on Eni's results of operations and vice-versa. Eni manages the exposure to commodity price risk by optimizing core activities in order to achieve stable margins. In order to manage commodity risk in connection with its trading and commercial activities, Eni uses derivatives traded on the organized markets of ICE and NYMEX (futures) and derivatives traded over the counter (swaps, forward, contracts for differences and options) with the underlying commodities being crude oil, refined products or electricity. Such derivatives are evaluated at fair value on the basis of market prices provided from

(Value at risk - parametric method variance/covariance; holding period: 20 days; confidence level: 99%)

specialized sources or absent market prices, on the basis of estimates provided by brokers or suitable evaluation techniques. Changes in fair value of those derivatives are normally recognized through the profit and loss account as they do not meet the formal criteria to be recognized as hedges in accordance with IAS 39. Value at risk deriving from commodity exposure is measured daily on the basis of a historical simulation technique, with a 95% confidence level and a one-day holding period.

The following table shows values in terms of value at risk, recorded during 2007 (compared with year 2006) referring to interest rate risk and exchange rate in the first section, and the commodity risk in the second section.

	2006				2007			
	High	Low	Avg	At period end	High	Low	Avg	At period end
(euro million)								
Interest rate	5.15	0.45	2.01	1.10	7.36	0.47	1.39	4.35
Exchange rate	2.02	0.02	0.24	0.21	1.25	0.03	0.21	0.43

(Value at risk - historic simulation method; holding period: 1 day; confidence level: 95%)

	2006				2007			
	High	Low	Avg	At period end	High	Low	Avg	At period end
(\$ million)								
Hydrocarbons	35.69	5.40	17.80	8.59	44.59	4.39	20.17	12.68
Gas & power	46.63	18.36	31.01	22.82	54.11	20.12	34.56	25.57

Credit risk

Credit risk is the potential exposure of the Group to losses that would be recognized if counterparties failed to perform or failed to pay amounts due. The credit risk arising from the Group's normal commercial operations is controlled by each operating unit within Group-approved procedures for evaluating the reliability and solvency of each counterparty, including receivable collection and the managing of commercial litigation. The monitoring activity of credit risk exposure is performed at the Group level according to set guidelines

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the group may not be available, or the group is unable to sell its assets on the market place as to be unable to meet short term finance requirements and settle obligations causing material financial losses in the case the group is required to incur additional expenses to meet its obligations or under the worst of conditions a default. Eni manages liquidity risk by targeting an optimal ratio between equity and total debt consistent with management plans and business objectives

and measurement techniques to quantify and monitor counterparty risk. In particular, credit risk exposure to large clients and multi-business clients is monitored at the Group level on the basis of score cards quantifying risk levels. Eni has established guidelines prior to entering into cash management and derivative contracts to assess the counterparty's financial soundness and its rating. Eni has never experienced material non-performance by any counterparty. As of December 31, 2007, Eni has no significant exposure to concentrations of credit risk.

including prescribed limits in terms of maximum indebtedness rate and of minimum debt ratio between medium-long term debt and total debt as well as between fixed rate debt and total medium-long term debt. This enables Eni to maintain an appropriate level of liquidity and financial capacity as to minimize borrowing expenses and to achieve an optimal profile of composition and duration of indebtedness. The Group has access to a wide range of funding at competitive rates through the capital markets and banks and coordinates relationships with banks centrally. At present, the Group believes it has access to

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sufficient funding and has also both committed and uncommitted borrowing facilities to meet currently foreseeable borrowing requirements.

Effective management of the liquidity risk has the objective of ensuring both availability of adequate funding to meet short term requirements and due obligations, and a sufficient level of flexibility in order to fund the development plans of the Group businesses, maintaining an adequate finance structure in terms of debt composition and maturity.

This implies the adoption of a strategy for pursuing an adequate structure of borrowing facilities (particularly availability of committed borrowings facilities) and the maintenance of cash reserves.

Country risk

Substantial portions of Eni's hydrocarbons reserves are located in countries outside the EU and North America, certain of which may be politically or economically less stable than EU or North American. At December 31, 2007, approximately 70% of Eni's proved hydrocarbons reserves were located in such countries. Similarly, a substantial portion of Eni's natural gas supplies comes from countries outside the EU and North America. In 2007, approximately 60% of Eni's domestic supply of natural gas came from such countries. Developments in the political framework, economic crisis, social unrest can compromise temporarily or permanently Eni's ability to operate or to economically operate in such countries, and to have access to oil and gas reserves. Further risks related to the activity undertaken in these countries, are represented by: (i) lack of well established and reliable legal systems and uncertainties surrounding enforcement of contractual rights; (ii) unfavourable developments in laws and regulations leading to expropriation of Eni's titles and mineral assets relating to an important oil field in Venezuela which occurred in 2006, following the unilateral cancellation of the contract regulating oil activities in this field by the Venezuelan state oil company PDVSA; (iii) restrictions on exploration, production, imports and exports; (iv) tax or royalty increases; (v) civil and social unrest leading to sabotages, acts of violence and incidents. While the occurrence of these events is unpredictable, it is possible that they can have a material adverse impact on Eni's financial condition and results of operations. Eni

management defined in the procedure Project risk assessment and management .

Operational risk

Eni's business activities conducted in and outside of Italy are subject to a broad range of legislation and regulations, including specific rules concerning oil and gas activities currently in force in countries in which it operates.

In particular, these laws and regulations require the acquisition of a licence before exploratory drilling may commence and the compliance with the health, safety and environment rules. These environmental laws impose restrictions on the types, quantities and concentration of various substances that can be released into the environment and on discharges to surface and subsurface water.

In particular Eni is required to follow strict operating practices and standards to protect biodiversity when conducts exploration, drilling and production activities in certain ecologically sensitive locations (protected areas).

Environmental, health and safety laws and regulations have a substantial impact on Eni's operations and the expenses and liabilities that Eni may incur in relation to compliance with environmental, health and safety laws and regulations are expected to remain material to the group's results of operations or financial position. For this purpose, Eni adopted guidelines for the evaluation and management of health, safety and environmental (HSE) risks, with the objective of protecting Eni's employees, the populations involved in its activity, contractors and clients, and 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.

The ongoing process for identifying, evaluating and managing HSE operations in each phase of the business activity and is performed through the adoption of procedures and effective pollution management systems tailored on the peculiarities of each business and industrial site and on steady enhancement of plants and process.

Additionally, coding activities and procedures on operating phases allow to reduce the human component

periodically monitors political, social and economic risks of approximately 60 countries where it has invested or with regard to upstream projects evaluation where Eni is planning to invest, in order to assess returns of single projects based also on the evaluation of each country's risk profile. Country risk is mitigated in accordance with guidelines on risk

in the plant risk management.

Operating emergencies that may have an adverse impact on the assets, people and the environment are managed by the operating (business) units for each site. These units manage the HSE risk through a systematic way that involves having emergency response plans in place with a number of corrective actions to be taken

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that minimise damage in the event of an incident. In the case of major crisis, Division/Entity are assisted by the Eni Unit of Crises to deal with the emergency through a team which have the necessary training and skills to coordinate in a timely and efficient manner resources and facilities.

The integrated management system on health, safety and environmental matters is supported by the adoption of a Eni's Model of HSE operations in all the Division and companies of Eni Group. This is a procedure 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, also subject to audits by internal and independent experts. Eni has major facilities certified to international environmental standards, such as ISO14001, OHSAS 18001 and EMAS particularly in the Petrochemicals and Refining & Marketing division.

Eni provides a program of specific training and development for HSE staff in order to:

- Promote the execution of behaviours consistent with guidelines.
- Drive people's learning growth process by developing professionalism, management and corporate culture.
- Support management knowledge and control of HSE risks.

Further information on HSE activities, projects and R&D undertaken is provided on the Eni's Intranet site.

Possible evolution of the Italian gas market

Legislative Decree No. 164/2000 opened the Italian natural gas market to competition, impacting on Eni's activities, as the company is engaged in all the phases of the natural gas chain. The opening to competition was achieved through the enactment of certain antitrust thresholds on volumes input into the national transport network and on volumes sold to final customers. These enabled new competitors to enter the Italian gas market,

natural gas pricing and in establishing tariffs for the use of natural gas infrastructures. Particularly, the Authority for Electricity and Gas holds a general surveillance power on pricing in the natural gas market in Italy and the power to establish selling tariffs for supply of natural gas to residential and commercial users consuming less than 200,000 cm per year (qualified as non eligible customers at December 31, 2002 as defined by Legislative Decree No. 164/2000) taking into account the public goal of containing the inflationary pressure due to rising energy costs. Accordingly, decisions of the Authority on these matters may limit the ability of Eni to pass an increase in the cost of fuels onto final consumers of natural gas.

As a matter of fact, following a complex and lengthy administrative procedure started in 2004 and finalized in March 2007 with Resolution No. 79/2007, the Authority finally established a new indexation mechanism for updating the raw material cost component in supplies to residential and commercial users consuming less than 200,000 cubic meters per year, establishing, among other things: (i) that an increase in the international price of Brent crude oil is only partially transferred to residential and commercial users of natural gas in case international prices of Brent crude oil exceed the 35 dollars per barrel threshold; and (ii) that Italian natural gas importers including Eni must renegotiate wholesale supply contracts in order to take account of this new indexation mechanism.

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. These contracts which contain take-or-pay clauses, will ensure total supply volumes of approximately 62.4 bcm/y of natural gas to Eni by 2010. Despite the fact that an increasing portion of natural gas volumes purchased under said contracts is planned to be 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 import infrastructure (backbone upgrading and new LNG terminals), and possible evolution of Italian regulatory framework, represent risk factors to the fulfillment of Eni's obligations in connection with its take-or-pay¹⁰ supply contracts. Particularly, should natural gas demand in Italy grow at

resulting in declining selling margins on gas. Other material aspects regarding the Italian gas sector regulation are the regulated access to natural gas infrastructure (transport backbones, storage fields, distribution networks and LNG terminals), and the circumstance that the Authority for Electricity and Gas is entrusted with certain powers in the matters of

a lower pace than management expectations, also in view of expected developments in the supply of natural gas to Italy, Eni could face a further increase in competitive

(10) For an explanation of take-or-pay clauses, see Glossary.

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pressure on the Italian gas market resulting in a negative impact on its selling margins, taking account of Eni's gas availability under take-or-pay supply contracts and execution risks in increasing its sales volumes in European markets.

Specific risks associated with the exploration and production of oil and natural gas

The exploration and production of oil and natural gas requires high levels of capital expenditure and entails particular economic risks. It is subject to natural hazards and other uncertainties including those relating to the physical characteristics of oil or natural gas fields. Exploratory activity involves numerous risks including

the risk of dry holes or failure to find commercial quantities of hydrocarbons. Developing and marketing hydrocarbons reserves typically requires several years after a discovery is made. This is because a development project involves an array of complex and lengthy activities, including appraising a discovery in order to evaluate its commerciality, sanctioning a development project and building and commissioning relating facilities. As a consequence, rates of return of such long-lead-time projects are exposed to the volatility of oil and gas prices and the risk of an increase in developing and lifting costs, resulting in lower rates of return. This set of circumstances is particularly important to those projects intended to develop reserves located in deep water and hostile environments, where the majority of Eni's planned and ongoing projects is located.

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Glossary

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

FINANCIAL TERMS

Dividend Yield Measures the return on a share based on dividends for the year. Calculated as the ratio of dividends per share of the year and the average reference price of shares in the last month of the year.

Leverage Is a measure of a company's debt, calculated as the ratio between net financial debt and shareholders equity, including minority interests.

ROACE Return On Average Capital Employed is the return on average capital invested, calculated as the ratio between net income before minority interests, plus net financial charges on net financial debt, less the related tax effect and net average capital employed.

TSR (Total Shareholder Return) Measures the total return of a share calculated on a yearly basis, keeping account of changes in prices (beginning and end of year) and dividends distributed and reinvested at the ex-dividend date.

OIL AND NATURAL GAS ACTIVITIES

Average reserve life index Ratio between the amount of reserves at the end of the year and total production for the year.

Barrel Volume unit corresponding to 159 liters. A barrel of oil corresponds to about 0.137 metric tons.

Boe (Barrel of Oil Equivalent) Is used as a standard unit measure for oil and natural gas. The latter is converted from standard cubic meters into barrels of oil equivalent using a coefficient equal to 0.00615.

extracted, against the payment of royalties to the State on production and taxes on oil revenues.

Condensates These are light hydrocarbons produced along with gas, that condense to a liquid state at normal temperature and pressure for surface production facilities.

Conversion Refining processes that enable for the transformation of heavy fractions into lighter products. Cracking, visbreaking, coking, gasification of refining residues are conversion processes. The ratio of the processing capacity of these plants and distillation capacity expresses the refinery conversion index; the higher this index, the more flexible and potentially profitable the refinery.

Deep waters Waters deeper than 200 meters.

Development Drilling and other post-exploration activities aimed at the production of oil and gas.

Elastomers (or Rubber) Polymers, either natural or synthetic, which, unlike plastic, when stress is applied, return to their original shape, to a certain degree, once the stress ceases to be applied. The main synthetic elastomers are polybutadiene (BR), styrene-butadiene rubbers (SBR), ethylene-propylene rubbers (EPR), thermoplastic rubbers (TPR) and nitrilic rubbers (NBR).

Enhanced recovery Techniques used to increase or stretch over time the production of wells.

EPC (Engineering, Procurement, Construction) A contract typical of onshore construction of large plants in which the contractor supplies engineering, procurement and construction of the plant. The contract is defined "turnkey" when the plant is supplied for start-up.

EPIC (Engineering, Procurement, Installation, Commissioning) A contract typical of offshore construction of complex projects (such as the installation of production platforms or FPSO systems) in which the global or main contractor, usually a company or a

Concession contracts Contracts currently applied mainly in Western countries regulating relationships between States and oil companies with regards to hydrocarbon exploration and production. The company holding the mining concession has an exclusive on mining activities and for this reason it acquires a right on hydrocarbons

consortium of companies, supplies engineering, procurement, construction of plant and infrastructure, transport to the site and all preparatory activities for the start-up of plants.

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Exploration Oil and natural gas exploration that includes land surveys, geological and geophysical studies, seismic data gathering and analysis, and well drilling.

FPSO vessel Floating, Production, Storage and Offloading system made up of a large capacity oil tanker including a large hydrocarbon treatment plant. This system, moored at the bow in order to maintain a geostationary position, is in fact a temporary fixed platform linking by means of risers from the seabed the underwater wellheads to the treatment, storage and offloading systems onboard.

Infilling wells Infilling wells are wells drilled in a producing area in order to improve the recovery of hydrocarbons from the field and to maintain and/or increase production levels.

LNG Liquefied Natural Gas obtained through the cooling of natural gas to minus 160 °C at normal pressure. The gas is liquefied to allow transportation from the place of extraction to the sites at which it is transformed and consumed. One ton of LNG corresponds to 1,400 cubic meters of gas.

LPG Liquefied Petroleum Gas, a mix of light petroleum fractions, gaseous at normal pressure and easily liquefied at room temperature through limited compression.

Mineral Potential (Potentially recoverable hydrocarbon volumes) Estimated recoverable volumes which cannot be defined as reserves due to a number of reasons, such as the temporary lack of viable markets, a possible commercial recovery dependent on the development of new technologies, or for their location in accumulations yet to be developed or where evaluation of known accumulations is still at an early stage.

Mineral Storage Volumes of natural gas required for allowing optimal operation of natural gas fields in Italy for technical and economic reasons.

Modulation Storage Volumes of natural gas required for meeting hourly, daily and seasonal swings of demand.

Network Code A code containing norms and regulations for access to, management and operation of natural gas pipelines.

Offshore/Onshore The term offshore indicates a portion of open sea and, by induction, the activities carried out in such area, while onshore refers to land operations.

Olefines (or Alkenes) Hydrocarbons that are particularly active chemically, used for this reason as raw materials in the synthesis of intermediate products and of polymers.

Over/Underlifting Agreements stipulated between partners regulate the right of each to its share in the production of a set period of time. Amounts different from the agreed ones determine temporary Over/Underlifting situations.

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.

Production Sharing Agreement Contract in use in non OECD area countries, regulating relationships between States and oil companies with regard to the exploration and production of hydrocarbons. The mining concession is assigned to the national oil company jointly with the foreign oil company who has exclusive right to perform exploration, development and production activities and can enter agreements with other local or international entities. In this type of contract the national oil company assigns to the international contractor the task of

Natural gas liquids Liquid or liquefied hydrocarbons recovered from natural gas through separation equipment or natural gas treatment plants. Propane, normal-butane and isobutane, isopentane and pentane plus, that used to be defined natural gasoline, are natural gas liquids.

performing exploration and production with the contractor's equipment and financial resources. Exploration risks are borne by the contractor and production is divided into two portions: cost oil is used to recover costs borne by the contractor, profit oil is divided between contractor and national company according to variable

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schemes and represents the profit deriving from exploration and production. Further terms and conditions may vary from one country to the other.

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 proved property, 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. Management also calculates this ratio by excluding the effect of the purchase of proved property in order to better assess the underlying performance of the Company's operations.

Ship-or-pay Clause included in natural gas transportation contracts according to which the customer for which the transportation is carried out is bound to pay for the transportation of the gas also in case the gas is not transported.

Strategic Storage Volumes of natural gas required for covering lack or reduction of supplies from extra-European sources or crises in the natural gas system.

Swap In the gas sector, the swap term is referred to a buy/sell contract between some counterparties and is generally aimed to the optimization of transport costs and respective commitments in purchasing and supplying.

Take-or-pay Clause included in natural gas transportation contracts according to which the purchaser is bound to pay the contractual price or a fraction of such price for a minimum quantity of the gas set in the contract also in case it is not collected by the customer. The customer has the option of collecting the gas paid and not delivered at a price equal to the residual fraction of the price set in the contract in subsequent contract years.

Upstream/Downstream The term upstream refers to all hydrocarbon exploration and production activities. The term downstream includes all activities inherent to the oil sector that are downstream of exploration and production activities.

Wholesale sales Domestic sales of refined products to wholesalers/distributors (mainly gasoil), public administrations and end consumers, such as industrial plants, power stations (fuel oil), airlines (jet fuel), transport companies, big buildings and households. They do not include distribution through the service station network, marine bunkering, sales to oil and petrochemical companies, importers and international organizations.

Workover Intervention on a well for performing significant maintenance and substitution of basic equipment for the collection and transport to the surface of liquids contained in a field.

ABBREVIATIONS

mmcf	=	million cubic feet
bcf	=	billion cubic feet
mmcm	=	million cubic meters
bcm	=	billion cubic meters
boe	=	barrel of oil equivalent
kboe	=	thousand barrel of oil equivalent
mmboe	=	million barrel of oil equivalent
bboe	=	billion barrel of oil equivalent
bbbl	=	barrels
kbbl	=	thousand barrels
mmbbl	=	million barrels
bbbl	=	billion barrels
mmttonnes	=	million tonnes
ktonnes	=	thousand tonnes
/d	=	per day
/y	=	per year

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Balance sheet

(million euro)	Note	Dec. 31, 2006		Dec. 31, 2007	
		Total amount	<i>of which with related parties</i>	Total amount	<i>of which with related parties</i>
ASSETS					
Current assets					
Cash and cash equivalents	(1)	3,985		2,114	
Other financial assets held for trading or available for sale:	(2)				
- <i>equity instruments</i>				2,476	
- <i>other securities</i>		972		433	
		972		2,909	
Trade and other receivables	(3)	18,799	1,027	20,776	1,616
Inventories	(4)	4,752		5,435	
Current tax assets	(5)	116		703	
Other current tax assets	(6)	542		833	
Other current assets	(7)	855		1,080	
Total current assets		30,021		33,850	
Non-current assets					
Property, plant and equipment	(8)	44,312		50,137	
Other assets	(9)	629		563	
Inventories - compulsory stock	(10)	1,827		2,235	
Intangible assets	(11)	3,753		4,333	
Equity-accounted investments	(12)	3,886		5,639	
Other investments	(12)	360		472	
Other financial assets	(13)	805	136	923	87
Deferred tax assets	(14)	1,725		1,915	
Other non-current receivables	(15)	994		1,110	
Total non-current assets		58,291		67,327	
Assets classified as held for sale	(26)			383	
TOTAL ASSETS		88,312		101,560	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Short-term debt	(16)	3,400	92	7,763	131
Current portion of long-term debt	(21)	890		737	
Trade and other payables	(17)	15,995	961	17,216	1,021
Income taxes payable	(18)	1,640		1,688	
Other taxes payable	(19)	1,190		1,383	
Other current liabilities	(20)	634		1,556	
Total current liabilities		23,749		30,343	
Non-current liabilities					
Long-term debt	(21)	7,409		11,330	
Provisions for contingencies	(22)	8,614		8,486	
Provisions for employee post-retirement benefits	(23)	1,071		935	
Deferred tax liabilities	(24)	5,852		5,471	

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Other non-current liabilities	(25)	418	56	2,031	57
Total non-current liabilities		23,364		28,253	
Liabilities directly associated with the assets classified as held for sale	(26)			97	
TOTAL LIABILITIES		47,113		58,693	
SHAREHOLDERS EQUITY	(27)				
<i>Minority interest</i>		2,170		2,439	
<i>Eni shareholders equity</i>					
Share capital		4,005		4,005	
Reserves		33,391		34,610	
Treasury shares		(5,374)		(5,999)	
Interim dividend		(2,210)		(2,199)	
Net profit		9,217		10,011	
Total Eni shareholders equity		39,029		40,428	
TOTAL SHAREHOLDERS EQUITY		41,199		42,867	
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		88,312		101,560	

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Profit and loss account

(million euro)	Note	2005		2006		2007	
		Total amount	<i>of which with related parties</i>	Total amount	<i>of which with related parties</i>	Total amount	<i>of which with related parties</i>
REVENUES	(29)						
Net sales from operations		73,728	4,535	86,105	3,974	87,256	4,198
Other income and revenues		798		783		827	
Total revenues		74,526		86,888		88,083	
OPERATING EXPENSES	(30)						
Purchases, services and other		48,567	3,429	57,490	2,720	58,179	3,777
- <i>of which non-recurring charge</i>		290		239		91	
Payroll and related costs		3,351		3,650		3,800	
- <i>of which non-recurring income</i>						(83)	
Depreciation, depletion, amortization and impairments		5,781		6,421		7,236	
OPERATING PROFIT		16,827		19,327		18,868	
FINANCE INCOME (EXPENSE)	(31)						
Finance income		3,131	72	4,132	58	4,600	98
Finance expense		(3,497)		(3,971)		(4,683)	59
		(366)		161		(83)	
INCOME FROM INVESTMENTS	(32)						
Share of profit (loss) of equity-accounted investments		737		795		773	
Other gain (loss) from investments		177		108		470	
		914		903		1,243	
PROFIT BEFORE INCOME TAXES		17,375		20,391		20,028	
Income taxes	(33)	(8,128)		(10,568)		(9,219)	
Net profit		9,247		9,823		10,809	
Attributable to							
Eni		8,788		9,217		10,011	
Minority interest	(27)	459		606		798	
		9,247		9,823		10,809	
Earnings per share attributable to Eni (euro per share)	(34)						
Basic		2.34		2.49		2.73	
Diluted		2.34		2.49		2.73	

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Statements of changes in shareholders equity

(million euro)	Eni shareholders equity											
	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Minority interest	Total shareholders equity
Balance at December 31, 2004	4,004	959	5,392	3,965	(687)	(3,229)	14,911		7,059	32,374	3,166	35,540
Effect of change in accounting policy - adoption of IAS 32 and IAS 39				13			(40)			(27)	12	(15)
Adjusted balance at January 1, 2005	4,004	959	5,392	3,978	(687)	(3,229)	14,871		7,059	32,347	3,178	35,525
Net profit for the year									8,788	8,788	459	9,247
Gains (losses) recognized directly in equity												
Change in the fair value of available-for-sale securities				6						6		6
Change in the fair value of cash flow hedge derivatives				16						16		16
Foreign currency translation differences					1,497					1,497	15	1,512
Total recognized income and (expense) for the year				22	1,497				8,788	10,307	474	10,781
Transactions with shareholders												
Dividend distribution of Eni SpA (euro 0.90 per share)									(3,384)	(3,384)		(3,384)
Interim dividend (euro 0.45 per share)								(1,686)		(1,686)		(1,686)
Dividend distribution of other companies											(1,218)	(1,218)
Allocation of 2004 net profit				1,300			2,375		(3,675)			
Shares repurchased						(1,034)				(1,034)		(1,034)
Shares issued under stock grant plans	1			(1)								
Treasury shares sold under incentive plans for Eni managers			(47)	47			47			47		47
	1		(47)	1,346		(987)	2,375	(1,686)	(7,059)	(6,057)	(1,218)	(7,275)
Other changes in shareholders equity												
Cost related to stock options				5						5		5
Sale of consolidated subsidiaries											(40)	(40)
Foreign currency translation differences on the distribution of dividends and other					131		135			266	(45)	221

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changes

				5	131		135			271	(85)	186
Balance at December												
31, 2005 (Note 27)	4,005	959	5,345	5,351	941	(4,216)	17,381	(1,686)	8,788	36,868	2,349	39,217

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continued **Statements of changes in shareholders equity**

(million euro)	Eni shareholders equity											
	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Minority interest	Total shareholders equity
Balance at December 31, 2005 (Note 27)	4,005	959	5,345	5,351	941	(4,216)	17,381	(1,686)	8,788	36,868	2,349	39,217
Net profit for the year (Note 27)									9,217	9,217	606	9,823
Gains (losses) recognized directly in equity												
Change in the fair value of available-for-sale securities (Note 27)				(13)						(13)		(13)
Change in the fair value of cash flow hedge derivatives (Note 27)				(15)						(15)		(15)
Foreign currency translation differences					(1,266)					(1,266)	(29)	(1,295)
Total recognized income and (expense) for the year				(28)	(1,266)				9,217	7,923	577	8,500
Transactions with shareholders												
Dividend distribution of Eni SpA (euro 0.65 per share in settlement of 2005) interim dividend of euro 0.45 per share) (Note 27)								1,686	(4,086)	(2,400)		(2,400)
Dividend distribution of Eni SpA (euro 0.60 per share) (Note 27)								(2,210)		(2,210)		(2,210)
Dividend distribution of other companies											(222)	(222)
Payments by minority shareholders											22	22
Allocation of 2005 net profit							4,702		(4,702)			
Authorization to shares repurchase (Note 27)			2,000				(2,000)					
Shares repurchased (Note 27)						(1,241)				(1,241)		(1,241)
Treasury shares sold under incentive plans for Eni managers (Note 27)			(85)	54		85	21			75		75
Difference between the carrying amount and strike price of stock options exercised by Eni managers							7			7		7
Other changes in shareholders equity			1,915	54		(1,156)	2,730	(524)	(8,788)	(5,769)	(200)	(5,969)
				247						247	(247)	

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Sale to Saipem Projects SpA of Snamprogetti SpA (Note 27)												
Net effect related to the purchase of treasury shares by Saipem SpA and Snam Rete Gas SpA										(306)		(306)
Purchase and sale to third parties of consolidated companies										(5)		(5)
Cost related to stock options						14				14		14
Reclassification of reserves of Eni SpA	2	(5,224)			(2)	5,224						
Foreign currency translation differences on the distribution of dividends and other changes					(73)	(181)				(254)	2	(252)
	2	(4,977)			(73)	(2)	5,057			7	(556)	(549)
Balance at December 31, 2006 (Note 27)	4,005	959	7,262	400	(398)	(5,374)	25,168	(2,210)	9,217	39,029	2,170	41,199

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ENI ANNUAL REPORT 2007 / NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

continued **Statements of changes in shareholders equity**

(million euro)	Eni shareholders equity											
	Share capital	Legal reserve of Eni SpA	Reserve for treasury shares	Other reserves	Cumulative currency translation differences	Treasury shares	Retained earnings	Interim dividend	Net profit for the year	Total	Minority interest	Total shareholders equity
Balance at December 31, 2006 (Note 27)	4,005	959	7,262	400	(398)	(5,374)	25,168	(2,210)	9,217	39,029	2,170	41,199
Net profit for the year (Note 27)									10,011	10,011	798	10,809
Gains (losses) recognized directly in equity												
Change in the fair value of available-for-sale securities (Note 27)					(4)					(4)		(4)
Change in the fair value of cash flow hedge derivatives (Note 27)					(1,370)					(1,370)		(1,370)
Foreign currency translation differences					25	(1,954)				(1,929)	(51)	(1,980)
Total recognized income and (expense) for the year					(1,349)	(1,954)			10,011	6,708	747	7,455
Transactions with shareholders												
Dividend distribution of Eni SpA (euro 0.65 per share in settlement of 2006) interim dividend of euro 0.60 per share (Note 27)								2,210	(4,594)	(2,384)		(2,384)
Dividend distribution of Eni SpA (euro 0.60 per share) (Note 27)								(2,199)		(2,199)		(2,199)
Dividend distribution of other companies											(289)	(289)
Payments by minority shareholders											1	1
Allocation of 2006 net profit							4,623		(4,623)			
Shares repurchased (Note 27)						(680)				(680)		(680)
Treasury shares sold under incentive plans for Eni managers (Note 27)			(55)	35		55	11			46		46
Difference between the carrying amount and strike price of stock options exercised by Eni managers							9			9		9
Other changes in shareholders equity												
Net effect related to the purchase of treasury shares by Saipem SpA and Snam Rete Gas SpA										(201)	(201)	

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Cost related to stock options							18			18		18
Foreign currency translation differences on the distribution of dividends and other changes							119	(238)		(119)	11	(108)
							119	(220)		(101)	(190)	(291)
Balance at December 31, 2007 (Note 27)	4,005	959	7,207	(914)	(2,233)	(5,999)	29,591	(2,199)	10,011	40,428	2,439	42,867

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Statement of cash flows

(million euro)	Note	2005	2006	2007
Net profit of the year		9,247	9,823	10,809
Depreciation and amortization	(30)	5,509	6,153	7,029
Revaluations, net		(288)	(386)	(494)
Net change in provisions for contingencies		1,279	(86)	(122)
Net change in the provisions for employee benefits		18	72	(67)
Gain on disposal of assets, net		(220)	(59)	(309)
Dividend income	(32)	(33)	(98)	(170)
Interest income		(214)	(387)	(603)
Interest expense		654	346	523
Exchange differences		(64)	6	(119)
Income taxes	(33)	8,128	10,568	9,219
Cash generated from operating profit before changes in working capital		24,016	25,952	25,696
(Increase) decrease:				
- inventories		(1,402)	(953)	(1,117)
- trade and other receivables		(4,413)	(1,952)	(728)
- other assets		351	(315)	(362)
- trade and other payables		3,030	2,146	433
- other liabilities		12	50	107
Cash from operations		21,594	24,928	24,029
Dividends received		366	848	658
Interest received		214	395	333
Interest paid		(619)	(294)	(555)
Income taxes paid		(6,619)	(8,876)	(8,948)
Net cash provided from operating activities		14,936	17,001	15,517
- of which with related parties	(36)	1,230	2,206	549
Investing activities:				
- tangible assets	(8)	(6,558)	(6,138)	(8,532)
- intangible assets	(11)	(856)	(1,695)	(2,061)
- consolidated subsidiaries and businesses		(73)	(46)	(4,759)
- investments	(12)	(54)	(42)	(4,890)
- securities		(464)	(49)	(76)
- financing receivables		(683)	(516)	(1,646)
- change in payables and receivables in relation to investments and capitalized depreciation		149	(26)	185
Cash flow from investments		(8,539)	(8,512)	(21,779)
Disposals:				
- tangible assets		99	237	172
- intangible assets		13	12	28
- consolidated subsidiaries and businesses		252	8	56
- investments		178	36	403
- securities		369	382	491
- financing receivables		804	794	545
- change in payables and receivables in relation to disposals		9	(8)	(13)

Cash flow from disposals	1,724	1,461	1,682
Net cash used in investing activities ^(*)	(6,815)	(7,051)	(20,097)
<i>- of which with related parties</i>	(36)	(160)	(822)

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continued Statement of cash flows

(million euro)	Note	2005	2006	2007
Proceeds from long-term debt		2,755	2,888	6,589
Repayments of long-term debt		(2,978)	(2,621)	(2,295)
Increase (decrease) in short-term debt		(317)	(949)	4,467
		(540)	(682)	8,761
Net capital contributions by minority shareholders		24	22	1
Net acquisition of treasury shares different from Eni SpA		(30)	(477)	(340)
Acquisition of additional interests in consolidated subsidiaries		(3)	(7)	(16)
Sale of additional interests in consolidated subsidiaries			35	
Dividends paid to:				
- Eni s shareholders		(5,070)	(4,610)	(4,583)
- Minority interest		(1,218)	(222)	(289)
Net purchase of treasury shares		(987)	(1,156)	(625)
Net cash used in financing activities		(7,824)	(7,097)	2,909
- of which with related parties	(36)	23	(57)	20
Changes in cash and cash equivalents not related to inflows/outflows from operating, investing or financing activities				
<i>Effect of change in consolidation (inclusion/exclusion of significant/insignificant subsidiaries)</i>		(38)	(4)	(40)
<i>Effect of exchange rate changes on cash and cash equivalents</i>		71	(197)	(160)
Net cash flow for the period		330	2,652	(1,871)
Cash and cash equivalents - beginning of year	(1)	1,003	1,333	3,985
Cash and cash equivalents - end of year	(1)	1,333	3,985	2,114

(*) Net cash used in investing activities included 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". Cash flow of such investments were as follows:

(million euro)	2005	2006	2007
Financing investments:			
- securities	(186)	(44)	(75)
- financing receivables	(45)	(134)	(970)
	(231)	(178)	(1,045)
Disposal of financing investments:			
- securities	60	340	419
- financing receivables	62	54	147
	122	394	566
Net cash flows from financing activities	(109)	216	(479)

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ENI ANNUAL REPORT 2007 / NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTAL CASH FLOW INFORMATION

(million euro)	2005	2006	2007
Effect of investment of companies included in consolidation and businesses			
Current assets		68	398
Non-current assets	122	130	5,590
Net borrowings	(19)	53	1
Current and non-current liabilities	(22)	(92)	(972)
Net effect of investments	81	159	5,017
Sale of unconsolidated entities controlled by Eni		(60)	
Fair value of investments held before the acquisition of control	(8)		(13)
Purchase price	73	99	5,004
less:			
<i>Cash and cash equivalents</i>		(53)	(245)
Cash flow on investments	73	46	4,759
Effect of disposal of consolidated subsidiaries and businesses			
Current assets	204	9	73
Non-current assets	189	1	20
Net borrowings	42	(1)	26
Current and non-current liabilities	(217)	(4)	(94)
Net effect of disposals	218	5	25
Gain on disposal	140	3	33
Minority interest	(43)		
Selling price	315	8	58
less:			
<i>Cash and cash equivalents</i>	(63)		(2)
Cash flow on disposals	252	8	56

Transactions that did not produce cash flows

Acquisition of equity investments in exchange of businesses contribution:

(million euro)	2005	2006	2007
Effect of the businesses contribution			
Current assets	2	23	
Non-current assets	17	213	38
Net borrowings		(44)	(4)
Long-term and short-term liabilities	(1)	(53)	
Net effect of contribution	18	139	34
Minority interest		(36)	
Gain on contribution		18	
Acquisition of investments	18	121	34

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Basis of presentation

The Consolidated Financial Statements of Eni have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) pursuant to Article 6 of the EC Regulation No. 1606/2002 of the European Parliament and Council of July 19, 2002 and in accordance with Article 9 of Legislative Decree No. 38/2005. Differences in certain respects between IFRS as endorsed by the EU and IFRS as issued by IASB are on matters that do not relate to Eni. On this basis, Eni's financial statements are fully in compliance with IFRS as issued by IASB.

Oil and natural gas exploration and production activity is accounted for in conformity with internationally accepted accounting principles. Specifically, this concerns the determination of the amortization expenses using the unit-of-production method and the recognition of the production-sharing agreements and buy-back contracts. The Consolidated Financial Statements have been prepared on a historical cost except for certain items that under IFRS must be recognized at fair value as described in the evaluation criteria.

The Consolidated Financial Statements include the statutory accounts of Eni SpA and the accounts of controlled subsidiary companies where the company holds the right to directly or indirectly exercise control, determine financial and management decisions and obtain economic and financial benefits.

Immaterial subsidiaries¹ are not consolidated. A subsidiary is generally considered to be immaterial when it does not exceed two of the following three limits: (i) total assets or liabilities: euro 3,125 thousand; (ii) total revenues: euro 6,250 thousand; and (iii) average number of employees: 50 units. Moreover, companies for which consolidation does not produce significant economic and financial effects are not consolidated. These are usually entities acting as sole-operator in the management of oil and gas contracts on behalf of companies participating in a joint venture. These are financed proportionately based on a budget approved by the participating companies upon presentation periodical reports of proceeds and expenses. Costs and revenues and other operating data (production, reserves, etc.) of the project, as well as the obligations arising from the project, are recognized proportionally in the financial statements of the companies involved. The effects of these exclusions are immaterial.

Immaterial subsidiaries excluded from consolidation, jointly controlled entities, associates and other interests are accounted for as described below under the item "Financial fixed assets".

2007 Consolidated Financial Statements approved by Eni's Board of Directors on March 14, 2008 were audited by the independent auditor PricewaterhouseCoopers SpA (PWC) who reviewed disclosed information. The independent auditor of Eni SpA, as the main auditor of the Group, is in charge of the auditing activities of the subsidiaries, unless this is incompatible with local laws, and, to the extent allowed under Italian legislation, of the work of other independent auditors.

Amounts in the notes to these financial statements are expressed in millions of euros (euro million).

Principles of consolidation**Interest in consolidated companies**

Assets and liabilities, revenues and expenses related to fully consolidated subsidiaries are wholly incorporated in the Consolidated Financial Statements; the book value of interests in these subsidiaries is eliminated against the corresponding share of the shareholders' equity by attributing to each of the balance items its fair value at the acquisition date.

When acquired, the net equity of controlled subsidiaries is initially recognized at fair value. The excess of the purchase price of an acquire entity over the total fair value assigned to assets acquired and liabilities assumed is recognized as Goodwill; negative goodwill is recognised in profit and loss account.

The purchase of additional ownership interests in subsidiaries from minority shareholders is recognised as goodwill

and represents the excess of the amount paid over the carrying value of the minority interest acquired. Gains or losses associated with the sale of interests in consolidated subsidiaries are reflected in profit and loss account for the difference between proceeds from the sale and the divested portion of net equity. Equity and net profit of minority shareholders are included in specific lines of the financial statements; this share of equity is determined using the value of assets and liabilities, excluding any related goodwill, at the time when control is acquired.

(1) According to the requirements of the framework of international accounting standards, information is material if its omission or misstatement could influence the economic decisions that users make on the basis of the financial statements.

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Inter-company transactions

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are not eliminated since they are considered an impairment indicator of the asset transferred.

Foreign currency translation

Financial statements of foreign companies having a functional currency other than euro are translated into the presentation currency using closing exchange rates for assets and liabilities, historical exchange rates for equity accounts and average rates for the period to profit and loss account (source: Bank of Italy).

Cumulative exchange differences resulting from this translation are recognized in shareholders' equity under 'Other reserves' in proportion to the group's interest and under 'Minority interest' for the portion related to minority shareholders. Cumulative exchange differences are charged to the profit and loss account when the investments are sold or the capital employed is repaid.

Financial statements of foreign subsidiaries which are translated into euro are denominated in the functional currencies of the countries where the entities operate. The US dollar is the prevalent functional currency for the entities that do not adopt euro.

Summary of significant accounting policies

The most significant accounting policies used in the preparation of the Consolidated Financial Statements are described below.

Current assets

Held for trading financial assets and available-for-sale financial assets are measured at fair value with gains or losses recognized in the profit and loss account under 'Financial income (expense)' and as a component of equity within 'Other reserves'.

In the latter case, changes in fair value recognized under shareholders' equity are charged to the profit and loss account when they are impaired or realized. The objective evidence that an impairment loss has occurred is verified considering, inter alia, significant breaches of contracts, serious financial difficulties or the high probability of insolvency of the counterparty.

Available-for-sale financial assets include financial assets other than derivative financial instruments, loans and receivables, held for trading financial assets, held-to-maturity financial assets and investments associated to a derivative financial instrument. The latter are stated at fair value with effects of changes in fair value recognized to the profit and loss account, rather than shareholders' equity, the so-called 'fair value option', in order to ensure a match with the recognition in the profit and loss account of the changes in fair value of the derivative instrument.

The fair value of financial instruments is determined by market quotations or, in their absence, by the value resulting from the adoption of suitable financial valuation models which take into account all the factors adopted by market operators and prices obtained in similar recent transactions in the market. Interest and dividends on financial assets stated at fair value with gains or losses reflected in profit and loss account are accounted for on an accrual basis as 'Financial income (expense)' and 'Income (expense) from investments', respectively.

When the purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned, the transaction is accounted on settlement date.

Receivables are stated at amortized cost (see item 'Financial fixed assets' below).

Transferred financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets are transferred together with the risks and rewards of the ownership.

Inventories, including compulsory stocks and excluding contract work in progress, are stated at the lower of purchase or production cost and net realizable value. Net realizable value is the estimated selling price less the costs to sell.

The cost for inventories of hydrocarbons (crude oil, condensates and natural gas) and petroleum products is determined by applying the weighted-average cost method on a three-month basis; the cost for inventories of the Petrochemical segment is determined by applying the weighted-average cost on an annual basis.

Contract work in progress is measured using the costs-to-cost method by which contract revenue is recognized based on the stage of completion as determined by the cost sustained. Advances are deducted from inventories within the limits of

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contractual considerations; any excess of such advances over the value of the inventories is recorded as a liability. Losses related to construction contracts are accrued for once the company becomes aware of such losses. Contract work in progress not yet invoiced, whose payment will be made in a foreign currency, is translated to euro using the current exchange rates at year end and the effect of rate changes is reflected in profit and loss account. Hedging instruments are described in the section *Derivative Instruments* .

Non-current assets**Property, plant and equipment²**

Tangible assets, including investment properties, are recognized using the cost model and stated at their purchase or self-construction cost including any costs directly attributable to bringing the asset into operation. In addition, when a substantial period of time is required to make the asset ready for use, the purchase price or self-construction cost includes the borrowing costs incurred that could have otherwise been saved had the investment not been made.

In the case of a present obligation for the dismantling and removal of assets and the restoration of sites, the carrying value includes, with a corresponding entry to a specific provision, the estimated (discounted) costs to be borne at the moment the asset is retired. Changes in estimate of the carrying amounts of provisions due to the passage of time and changes in discount rates are recognized under *Provisions for contingencies* .

The company recognizes material provisions for the retirement of assets in the Exploration & Production 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 asset retirements do not allow a reasonable estimate of the fair value of the associated retirement obligation. The company performs periodic reviews of its downstream and chemical long-lived assets for any changes in facts and circumstances that might require recognition of a retirement obligation.

Property, plant and equipment is not revalued for financial reporting purposes.

Assets carried under financial leasing or concerning arrangements that do not take the legal form of a finance lease but substantially transfer all the risks and rewards of ownership of the leased asset are recognized at fair value, net of taxes due from the lessor or, if lower, at the present value of the minimum lease payments. Leased assets are included within property, plant and equipment. A corresponding financial debt payable to the lessor is recognized as financial liability. These assets are depreciated using the criteria described below.

When the renewal is not reasonably certain, leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Expenditures on renewals, improvements and transformations that extend the useful lives of the related asset are capitalized to property, plant and equipment.

Tangible assets, from the moment they begin or should begin to be used, are depreciated systematically using a straight-line method over their useful life which is an estimate of the period over which the assets will be used by the company. When tangible assets are composed of more than one significant element with different useful lives, each component is depreciated separately. The amount to be depreciated is represented by the book value reduced by the estimated net realizable value at the end of the useful life, if it is significant and can be reasonably determined. Land is not depreciated, even when purchased with a building. Tangible assets held for sale are not depreciated but are valued at the lower of book value and fair value less costs of disposal.

Assets that can be used free of charge are depreciated over the shorter term of the duration of the concession and the useful life of the asset.

Replacement costs of identifiable components in complex assets are capitalized and depreciated over their useful life; the residual book value of the component that has been substituted is charged to the profit and loss account.

Expenditures for ordinary maintenance and repairs are expensed as incurred.

The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the

carrying amounts for those assets may not be recoverable. The recoverability of an asset is assessed by comparing their carrying value with the recoverable amount represented by the higher of fair value less costs to sell and value in use.

(2) Recognition and evaluation criteria of exploration and production activities are described in the section Exploration and production activities below.

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If there is no binding sales agreement, fair value is estimated on the basis of market values, recent transactions, or the best available information that shows the proceeds that the company could reasonably expect to collect from the disposal of the asset.

Value in use is the present value of the future cash flows expected to be derived from the use of the asset and, if significant and reasonably determinable, the cash flows deriving from its disposal at the end of its useful life, net of disposal costs. Cash flows are determined on the basis of reasonable and documented assumptions that represent the best estimate of the future economic conditions during the remaining useful life of the asset, giving more importance to independent assumptions. Oil, natural gas and petroleum products prices (and to them which derive from the previous ones) used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years and management's long-term planning assumptions thereafter.

Discounting is carried out at a rate that takes into account the implicit risk in the sectors where the entity operates. Valuation is carried out for each single asset or, if the realizable value of a single asset cannot be determined, for the smallest identifiable group of assets that generates independent cash inflows from their continuous use, the so called "cash generating unit". When the reasons for their impairment cease to exist, Eni makes a reversal that is recognized in profit or loss account as income from asset revaluation. This reversed amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Intangible assets

Intangible assets are assets without physical substance, controlled by the company and able to produce future economic benefits, and goodwill acquired in business combinations. An asset is classified as intangible when management is able to distinguish it clearly from goodwill. This condition is normally met when: (i) the intangible asset arises from contractual or legal rights, or (ii) the asset is separable, i.e. can be sold, transferred, licensed, rented or exchanged, either individually or as an integral part of other assets. An entity controls an asset if it has the power to obtain the future economic benefits generated by the underlying asset and to restrict the access of others to those cash flows.

Intangible assets are initially stated at cost as determined by the criteria used for tangible assets and they are not revalued for financial reporting purposes.

Intangible assets with a definite useful life are amortized systematically over their useful life estimated as the period over which the assets will be used by the company; the recoverability of their carrying amount is verified in accordance with the criteria described in the section **Property, plant and equipment**.

Goodwill and other intangible assets with an indefinite useful life are not amortized. The recoverability of their carrying value is reviewed at least annually and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is tested for impairment at the level of the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure to which goodwill relates. When the carrying amount of the cash generating unit, including goodwill allocated thereto, exceeds the cash generating unit's recoverable amount, the excess is recognized as impairment. The impairment loss is first allocated to reduce the carrying amount of goodwill; any remaining excess to be allocated to the assets of the unit is applied pro-rata on the basis of the carrying amount of each asset in the unit. Impairment charges against goodwill are not reversed³. Negative goodwill is recognized in the profit and loss account.

Costs of technological development activities are capitalized when: (i) the cost attributable to the development activity can be reasonably determined; (ii) there is the intention, availability of funding and technical capacity to make the asset available for use or sale; and (iii) it can be demonstrated that the asset is able to generate future economic benefits.

Exploration and production activities⁴

Acquisition of mineral rights

Costs associated with the acquisition of mineral rights are capitalized in connection with the assets acquired (such as exploratory potential, probable and possible reserves and proved reserves). When the acquisition is related to a set of

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- (3) Impairment charges are not reversed also when, considering conditions existing in a subsequent interim period, they would have been recognized in a smaller amount or would not have been recognized.
 - (4) IFRS do not establish specific criteria for hydrocarbon exploration and production activities. Eni continues to use existing accounting policies for exploration and evaluation assets previously applied before the introduction of IFRS 6 Exploration for and evaluation of mineral resources .

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exploratory potential and reserves, the cost is allocated to the different assets acquired on the basis of the value of the relevant discounted cash flows.

Expenditure for the exploratory potential, represented by the costs for the acquisition of the exploration permits and for the extension of existing permits, is recognized under Intangible assets and is amortized on a straight-line basis over the period of the exploration as contractually established. If the exploration is abandoned, the residual expenditure is charged to the profit and loss account.

Acquisition costs for proved reserves and for possible and probable reserves are recognized in the balance sheet as assets. Costs associated with proved reserves are amortized on a UOP basis, as detailed in the section Development, considering both developed and undeveloped reserves. Expenditures associated with possible and probable reserves are not amortized until classified as proved reserves; in case of a negative result, the costs are charged to the profit and loss account.

Exploration

Costs associated with exploratory activities for oil and gas producing properties incurred both before and after the acquisition of mineral rights (such as acquisition of seismic data from third parties, test wells and geophysical surveys) are initially capitalized in order to reflect their nature as an investment and subsequently amortized in full when incurred.

Development

Development costs are those costs incurred to obtain access to proved reserves and to provide facilities for extracting, gathering and storing oil and gas. They are then capitalized within property, plant and equipment and amortized generally on a UOP basis, as their useful life is closely related to the availability of feasible reserves. This method provides for residual costs at the end of each quarter to be amortized at a rate representing the ratio between the volumes extracted during the quarter and the proved developed reserves existing at the end of the quarter, increased by the volumes extracted during the quarter. This method is applied with reference to the smallest aggregate representing a direct correlation between investments and proved developed reserves.

Costs related to unsuccessful development wells or damaged wells are expensed immediately as losses on disposal. Impairments and reversal of impairments of development costs are made on the same basis as those for tangible assets.

Production

Production costs are those costs incurred to operate and maintain wells and field equipment and are expensed as incurred.

Production-sharing agreements and buy-back contracts

Oil and gas reserves related to Production-sharing agreements and buy-back contracts are determined on the basis of contractual clauses related to the repayment of costs incurred for the exploration, development and production activities executed through the use of Company's technologies and financing (cost oil) and the Company's share of production volumes not destined to cost recovery (profit oil). Revenues from the sale of the production entitlements against both cost oil and profit oil are accounted for on an accruals basis whilst exploration, development and production costs are accounted for according to the policies mentioned above.

Retirement

Costs expected to be incurred with respect to the retirement of a well, including costs associated with removal of production facilities, dismantlement and site restoration, are capitalized and amortized on a UOP basis, consistent with the policy described under Property, plant and equipment.

Grants

Grants related to assets are recorded as a reduction of purchase price or production cost of the related assets when there is reasonable assurance that all the required conditions attached to them, agreed upon with government entities, have been met. Grants not related to capital expenditure are recognized in the profit and loss account.

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Financial fixed assets**INVESTMENTS**

Investments in subsidiaries excluded from consolidation, jointly controlled entities and associates may be accounted for using the equity method⁵. Subsidiaries, joint ventures and associates excluded from consolidation may be accounted for at cost, adjusted for impairment losses if this does not result in a misrepresentation of the company's financial condition. When the reasons for their impairment cease to exist, investments accounted for at cost are re-valued within the limit of the impairment made and their effects are included in Other income (expense) from investments.

Other investments, included in non current assets, are recognized at their fair value and their effects are included in shareholders' equity under Other reserves; this reserve is charged to the profit and loss account when it is impaired or realized. When fair value cannot be reasonably determined, investments are accounted for at cost, adjusted for impairment losses; impairment losses may not be reversed⁶.

The risk deriving from losses exceeding shareholders' equity is recognized in a specific provision to the extent the parent company is required to fulfil legal or implicit obligations towards the subsidiary or to cover its losses.

RECEIVABLES AND FINANCIAL ASSETS TO BE HELD TO MATURITY

Receivables and financial assets to be held to maturity are stated at cost represented by the fair value of the initial exchanged amount adjusted to take into account direct external costs related to the transaction (e.g. fees of agents or consultants, etc.). The initial carrying value is then adjusted to take into account capital repayments, devaluations and amortization of the difference between the reimbursement value and the initial carrying value. Amortization is carried out on the basis of the effective internal rate of return represented by the rate that equalizes, at the moment of the initial revaluation, the current value of expected cash flows to the initial carrying value (so-called amortized cost method). Any impairment is recognized by comparing the carrying value with the present value of the expected cash flows discounted at the effective interest rate defined at the initial recognition. Changes to the carrying amount of receivables or financial assets in accordance with the amortized cost method are recognized as Financial income (expense).

Financial liabilities

Debt is carried at amortized cost (see item Financial fixed assets above).

Provisions for contingencies

Provisions for contingencies are liabilities for risks and charges of a definite nature and whose existence is certain or probable but for which at year-end the timing or amount of future expenditure is uncertain. Provisions are recognized when: (i) there is a current obligation (legal or constructive), as a result of a past event; (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits; and (iii) the amount of the obligation can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time.

If the effect of the time value is material, and the payment date of the obligations can be reasonably estimated, provisions to be accrued are the present value of the expenditures expected to be required to settle the obligation at a discount rate that reflects the company's average borrowing rate taking into account of risks associated with the obligation. The increase in the provision due to the passage of time is recognized as financial income (expense). When the liability regards a tangible asset (e.g. site restoration and abandonment), the provision is stated with a corresponding entry to the asset to which it refers; profit and loss account charge is made with the amortization process. Costs that the company expects to bear in order to carry out restructuring plans are recognized when the company formally defines the plan and the interested parties have developed the reasonable expectation that the

restructuring will happen. Provisions are periodically updated to show the variations of estimates of costs, production times and actuarial rates; the estimated revisions to the provisions are recognized in the same profit and loss account item that had previously held the provision, or, when the liability regards tangible assets (i.e. site restoration and abandonment) with a corresponding entry to the assets to which they refer. In the notes to the consolidated

- (5) In the case of step acquisition of a significant influence (or jointly control), the investment is recognised at the date of the acquiring of significant influence (jointly control) at the amount deriving from the use of the equity method assuming the adoption of this method since initial acquisition; the step-up of the carrying amount of interests owned before the assumption of the significant influence (jointly control) is taken to equity.
- (6) Impairment charges are not reversed also when, considering conditions existing in a subsequent interim period, they would have been recognized in a smaller amount or would not have been recognized.

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financial statements the following potential liabilities are described: (i) possible, but not probable obligations deriving from past events, whose existence will be confirmed only when one or more future events beyond the company's control occur; and (ii) current obligations deriving from past events whose amount cannot be reasonably estimated or whose fulfillment will probably not result in an outflow of resources embodying economic benefits.

Employee benefits

Post-employment benefit plans, including constructive obligations, are classified as either defined contribution plans or defined benefit plans depending on the economic substance of the plan as derived from its principal terms and conditions. In the first case, the company's obligation, which consists of making payments to the State or a trust or a fund, is determined on the basis of contributions due. The liabilities related to defined benefit plans⁷, net of any plan assets, are determined on the basis of actuarial assumptions⁸ and charged on accrual basis during the employment period required to obtain the benefits. The actuarial gains and losses of defined benefit plans are recognized prorated on service, in the profit and loss account using the corridor method, if and to the extent that net cumulative actuarial gains and losses unrecognized at the end of the previous reporting period, exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of the plan assets, over the expected average remaining working lives of the employees participating to the plan. Such actuarial gains and losses derive from changes in the actuarial assumptions used or from a change in the conditions of the plan. Obligations for long-term benefits are determined by adopting actuarial assumptions; the effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Treasury shares

Treasury shares are recorded at cost and as a reduction of equity. Gains resulting from subsequent sales are recorded in equity.

Revenues and costs

Revenues associated with sales of products and services are recorded when significant risks and rewards of ownership pass to the customer or when the transaction can be considered settled and associated revenue can be reliably measured. In particular, revenues are recognized for the sale of:

- Crude oil, generally upon shipment.
- Natural gas, upon delivery to the customer.
- Petroleum products sold to retail distribution networks, generally upon delivery to the service stations, whereas all other sales are generally recognized upon shipment.
- Chemical products and other products, generally upon shipment.

Revenues are recognized upon shipment when, at that date, significant risks are transferred to the buyer. Revenues from crude oil and natural gas production from properties in which Eni has an interest together with other producers are recognized on the basis of Eni's net working interest in those properties (entitlement method). Differences between Eni's net working interest volume and actual production volumes are recognized at current prices at period end. Income related to partially rendered services is recognized in the measure of accrued income if the stage of completion can be reliably determined and there is no significant uncertainty as to the collectibility of the amount and the related costs. When the outcome of the transaction cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognised that are recoverable.

Revenues accrued in the period related to construction contracts are recognized on the basis of contractual revenues with reference to the stage of completion of a contract measured on the cost-to-cost basis. Requests of additional revenues, deriving from a change in the scope of the work, are included in the total amount of revenues when it is

probable that the customer will approve the variation and the related amount; claims deriving for instance from additional costs incurred for reasons attributable to the client are included in the total amount of revenues when it is probable that the counterpart will accept them.

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- (7) Given the uncertainties related to their payment date, employee termination indemnities are considered as a defined benefit plan.
 - (8) Actuarial assumptions relate to, inter alia, the following variables: (i) future salary levels; (ii) the mortality rate of employees; (iii) personnel turnover; (iv) the percentage of plan participants with dependents who are eligible to receive benefits (e.g. spouses and dependent children); (v) for medical plans, the frequency of claims and future medical costs; and (vi) interest rates.

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Revenues are stated net of returns, discounts, rebates, bonuses and direct taxation. The exchange of goods and services of similar nature and value do not give rise to revenues and costs as they do not represent sale transactions.

Costs are recorded when the related goods and services are sold, consumed or allocated, or when their future benefits cannot be determined. Costs associated with emission quotas, determined on the basis of the average prices of the main European markets at period end, are reported in relation to the amount of the carbon dioxide emissions that exceed the amount assigned; related revenues are recognized upon sale.

Operating lease payments are recognized in the profit and loss account over the length of the contract.

Labor costs include stock grants and stock options granted to managers, consistently with their actual remunerative nature. The instruments granted are recorded at fair value on vesting date and are not subject to subsequent adjustments; the current portion is calculated pro rata over the vesting period⁹. The fair value of stock grants is represented by the current value of the shares on vesting date, reduced by the current value of the expected dividends in the vesting period.

Fair value of stock options is determined using valuation techniques which consider conditions related to the exercise of options, current share prices, expected volatility and the risk-free interest rate. The fair value of the stock grants and stock options is recorded as a counter-balance of Other reserves .

The costs for the acquisition of new knowledge or discoveries, the study of products or alternative processes, new techniques or models, the planning and construction of prototypes or, in any case, costs borne for other scientific research activities or technological development, which cannot be capitalized, are included in profit and loss account.

Exchange rate differences

Revenues and costs associated with transactions in currencies other than functional currency are translated in the functional currency by applying the exchange rate at the date of the transaction.

Monetary assets and liabilities in currencies other than functional currency are converted by applying the year end exchange rate and the effect is stated in the profit and loss account. Non-monetary assets and liabilities in currencies other than the functional currency valued at cost are translated at the initial exchange rate; non-monetary assets that are remeasured to at fair value, recoverable amount or realizable value, are translated at the exchange rate applicable to the date of remeasurement.

Dividends

Dividends are recognized at the date of the general shareholders meeting in which they were declared, except when the sale of shares before the ex-dividend date is certain.

Income taxes

Current income taxes are determined on the basis of estimated taxable income. The estimated liability is included in

Income taxes payable . Current tax assets and liabilities are measured at the amount expected to be paid to (recovered from) the tax authorities, using tax laws that have been enacted or substantively enacted at the balance sheet date and the tax rates estimated on annual basis. Deferred tax assets or liabilities are provided on temporary differences arising between the carrying amounts of the assets and liabilities and their tax bases, based on tax rates (tax laws) that have been enacted or substantively enacted for the future years. Deferred tax assets are recognized when their realization is considered probable. Deferred tax assets and liabilities are included in non-current assets and liabilities and are offset at a single entity level if related to offsettable taxes. The balance of the offset, if positive, is recognized in the item

Deferred tax assets ; if negative, in the item Deferred tax liabilities . When the results of transactions are recognized directly in the shareholders equity, current taxes, deferred tax assets and liabilities are also charged to the shareholders equity.

Derivatives

Derivatives, including embedded derivatives which are separated from the host contract, are assets and liabilities recognized at their fair value which is estimated by using the criteria described in the section "Current assets".

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- (9) For stock grants, the period between the date of the award and the date of assignation of stock; for stock options, period between the date of the award and the date on which the option can be exercised.

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Derivatives are classified as hedging instruments when the relationship between the derivative and the subject of the hedge is formally documented and the effectiveness of the hedge is high and is checked periodically. When hedging instruments cover the risk of variation of the fair value of the hedged item (fair value hedge, e.g. hedging of the variability on the fair value of fixed interest rate assets/liabilities) the derivatives are stated at fair value and the effects charged to the profit and loss account. Hedged items are consistently adjusted to reflect the variability of fair value associated with the hedged risk. When derivatives hedge the cash flow variation risk of the hedged item (cash flow hedge, e.g. hedging the variability on the cash flows of assets/liabilities as a result of the fluctuations of exchange rate), changes in the fair value of the derivatives, considered effective, are initially stated in equity and then recognized in the profit and loss account consistently with the economic effects produced by the hedged transaction. The changes in the fair value of derivatives that do not meet the conditions required to qualify as hedging instruments are shown in the profit and loss account.

Economic effects of transactions, which relate to purchase or sales contracts for commodities signed to meet the entity's normal operating requirements and for which the settlement is provided with the delivery of the goods, are recognized on an accrual basis, the so called normal sale and normal purchase exemption or own use exemption.

Financial statements

Assets and liabilities of the balance sheet are classified as current¹⁰ and non-current. Items of the profit and loss account are presented by nature¹¹.

The statement of changes in shareholders' equity includes profit and loss for the year transactions with shareholders and other changes of the shareholders' equity.

The statement of cash flows is presented using the indirect method, whereby net profit is adjusted for the effects of noncash transactions.

Use of accounting estimates

The company's Consolidated Financial Statements are prepared in accordance with IFRS. These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities.

Estimates made are based on complex or subjective judgments, past experience other assumptions deemed reasonable in consideration of the information available at the time. The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of Consolidated Financial Statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of fixed assets, intangible assets and goodwill, asset retirement obligations, business combinations, pensions and other post-retirement benefits, recognition of environmental liabilities and recognition of revenues in the oilfield services construction and engineering businesses. Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used. A summary of significant estimates follows.

Oil and gas activities

Engineering estimates of the Company's oil and gas reserves are inherently uncertain. Proved reserves are the estimated volumes of crude oil, natural gas and gas condensates, liquids and associated substances which geological and engineering data demonstrate can be produced with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Although there are authoritative guidelines regarding the engineering criteria that must 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.

Field reserves will only be categorized as proved when all the criteria for attribution of proved status have been met. At this stage, all booked reserves will be classified as proved undeveloped. Volumes will subsequently be reclassified from proved undeveloped to proved developed as a consequence of development activity. The first proved developed bookings will occur at the point of first oil or gas production. Major development projects typically take one to four years from the time of initial booking to the start of production. Eni reassesses its estimate of proved reserves periodically. The estimated proved reserves of

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- (10) Starting from 2007, current tax receivable/payable has been grouped into the item current tax receivable/payable on income and other current tax receivable/payable. Comparative data for 2006 data has been restated accordingly. In prior years information on current tax receivable/payable on income and other current taxes was given in the Notes on financial statements.
- (11) Further information on financial instruments as classified in accordance with IFRS is provided under the Note Other information on financial instruments .

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oil and natural gas may be subject to future revision and upward and downward revision may be made to the initial booking of reserves due to production, reservoir performance, commercial factors, acquisition and divestment activity and additional reservoir development activity. In particular, changes in oil and natural gas prices could impact the amount of Eni's proved reserves as regards the initial estimate and, in the case of Production-sharing agreements and buy-back contracts, the share of production and reserves to which Eni is entitled. Accordingly, the estimated reserves could be materially different from the quantities of oil and natural gas that ultimately will be recovered.

Oil and natural gas reserves have a direct impact on certain amounts reported in the Financial Statements. Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense. Depreciation rates on oil and gas assets using the UOP basis are determined from the ratio between the amount of hydrocarbons extracted in the quarter and proved developed reserves existing at the end of the quarter increased by the amounts extracted during the quarter.

Assuming all other variables are held constant, an increase in estimated proved developed reserves for each field decreases depreciation, depletion and amortization expense. Conversely, a decrease in estimated proved developed reserves increases depreciation, depletion and amortization expense. In addition, estimated proved reserves are used to calculate future cash flows from oil and gas properties, which serve as an indicator in determining whether or not property impairment is to be carried out. The larger the volumes of estimated reserves, the lower is the likelihood of asset impairment.

Impairment of assets

Eni assesses its tangible assets and intangible assets, including goodwill, for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable. 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. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products.

The amount of an impairment loss is determined by comparing the book value of an asset with its recoverable amount. The recoverable amount is the greater of fair value net of disposal costs and value in use. The estimated value in use is based on the present values of expected future cash flows net of disposal costs. The expected future cash flows used for impairment reviews are based on judgmental assessments of future production volumes, prices and costs, considering available information at the date of review and are discounted by using a rate related to the activity involved.

For oil and natural gas properties, the expected future cash flows are estimated, principally, based on developed and non-developed proved reserves including, among other elements, production taxes and the costs to be incurred for the reserves yet to be developed. The estimated future level of production is based on assumptions on: future commodity prices, lifting and development costs, field decline rates, market demand and supply, economic regulatory climates and other factors.

Oil, natural gas and petroleum products prices (and to them which derive from the previous ones) used to quantify the expected future cash flows are estimated based on forward prices prevailing in the marketplace for the first four years and management's long-term planning assumptions thereafter. Previously, our expected future cash flow estimates were entirely based upon management's planning assumptions.

Goodwill and other intangible assets with indefinite useful life are not subject to amortization. The company tests such assets at the cash-generating unit level for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value below its carrying amount. In particular, goodwill impairment is based on the determination of the fair value of each cash-generating unit to which goodwill can be attributed on a reasonable and consistent basis.

A cash generating unit is the smallest aggregate on which the company, directly or indirectly, evaluates the return on the capital expenditure. If the recoverable amount of a cash generating unit is lower than the carrying amount, goodwill attributed to that cash generating unit is impaired up to that difference; if the carrying amount of goodwill is less than the amount of impairment, assets of the cash generating unit are impaired on a pro-rata basis for the residual difference.

Asset retirement obligations

Obligations to remove tangible equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded at our present in the consolidated financial statements. Estimating future asset retirement obligations is complex. It requires management to make estimates and judgments with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal.

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In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve in the countries where Eni operates, as well as political, environmental, safety and public expectations.

The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the fair value of a liability for an asset retirement obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location).

When liabilities are initially recorded, the related fixed assets are increased by an equal corresponding amount. The liabilities are increased with the passage of time (interest accretion) and any change of the estimates following the modification of future cash flows and discount rate adopted.

The recognized asset retirement obligations are based on future retirement cost estimates and incorporate many assumptions such as: expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the risk-free rate of interest adjusted for the Company's credit costs.

Business combinations

Accounting for business combinations requires the allocation of the company's purchase price to the various assets and liabilities of the acquired business at their respective fair values. Any positive residual difference is recognized as "Goodwill". Negative residual differences are credited to the profit and loss account. Management uses all available information to make these fair value determinations and, for major business acquisitions, typically engages an independent appraisal firm to assist in the fair value determination of the acquired assets and liabilities.

Environmental liabilities

Together with other companies in the industries in which it operates, Eni is subject to numerous EU, national, regional and local environmental laws and regulations concerning its oil and gas operations, production and other activities, including legislation that implements international conventions or protocols. Environmental costs are recognized when it becomes probable that a liability has been incurred and the amount can be reasonably estimated.

Although management, considering the actions already taken, insurance policies to cover environmental risks and provision for risks accrued, does not expect any material adverse effect on Eni's consolidated results of operations and financial position as a result of such laws and regulations, there can be no assurance that there will not be a material adverse impact on Eni's consolidated results of operations and financial position due to: (i) the possibility of a yet unknown contamination; (ii) the results of the ongoing surveys and other possible effects of statements required by Decree No. 471/1999 of the Ministry of Environment concerning the remediation of contaminated sites; (iii) the possible effect of future environmental legislation and rules; (iv) the effect of possible technological changes relating to future remediation; and (v) the possibility of litigation and the difficulty of determining Eni's liability, if any, as against other potentially responsible parties with respect to such litigation and the possible insurance recoveries.

Employee benefits

Defined benefit plans and other long-term benefits are evaluated with reference to uncertain events and based upon actuarial assumptions including among others discount rates, expected rates of return on plan assets, expected rates of salary increases, medical cost trend rates, estimated retirement dates, mortality rates. The significant assumptions used to account for pensions and other post-retirement benefits are determined as follows:

- (i) Discount and inflation rates reflect the rates at which benefits could be effectively settled, taking into account the duration of the obligation into account the duration of the obligation. Indications used in selecting the discount rate include rates of annuity contracts and rates of return on high quality fixed-income investments (such as government bonds). The inflation rates reflect market conditions observed country by country;
- (ii) The future salary levels of the individual employees are determined including an estimate of future changes attributed to general price levels (consistent with inflation rate assumptions), productivity, seniority and

promotion;

- (iii) Healthcare cost trend assumptions reflect an estimate of the actual future changes in the cost of the healthcare related benefits provided to the plan participants and are based on past and current healthcare cost trends including healthcare inflation, changes in healthcare utilization and changes in health status of the participants;
- (iv) Demographic assumptions such as mortality, disability and turnover reflect the best estimate of these future events for the individual employees involved, based principally on available actuarial data; and

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- (v) Determination of expected rates of return on assets is made through compound averaging. For each plan, the distribution of investments among bonds, equities and cash and their specific average expected rate of return is taken into account. Differences between expected and actual costs and between the expected return and the actual return on plan assets routinely occur and are called actuarial gains and losses.

Eni applies the corridor method to amortize its actuarial losses and gains. This method amortizes on a pro-rata basis the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period, that exceed 10% of the greater of: (i) the present value of the defined benefit obligation; and (ii) the fair value of plan assets, over the average expected remaining working lives of the employees participating in the plan.

Additionally, obligations for other long-term benefits are determined by adopting actuarial assumptions; the effect of changes in actuarial assumptions or a change in the characteristics of the benefit are taken to profit or loss in their entirety.

Contingencies

In addition to accruing the estimated costs for environmental liabilities, asset retirement obligation and employees benefits. Eni accrues for all contingencies that are both probable and estimable. These other contingencies are primarily related to litigation and tax issues. Determining appropriate amounts for accrual is a complex estimation process that includes subjective judgments.

Revenue recognition in the Engineering & Construction segment

Revenue recognition in the Engineering & Construction segment is based on the stage of completion of a contract as measured on the cost-to-cost basis applied to contractual revenues. Use of the stage of completion method requires estimates of future gross profit on a contract by contract basis. The future gross profit represents the profit remaining after deducing costs attributable to the contract from revenues provided for in the contract. The estimate of future gross profit is based on a complex estimation process that includes identification of risks related to the geographical region, market condition in that region and any assessment that it is necessary to estimate with sufficient precision the total future costs as well as the expected timetable. Requests of additional incomes, deriving from a change in the scope of the work, are included in the total amount of revenues when it is probable that the customer will approve the variation and the related amount; claims deriving for instance from additional costs incurred for reasons attributable to the client are included in the total amount of revenues when it is probable that the counterparty will accept them.

Recent accounting principles

Accounting standards and interpretations issued by IASB /IFRIC and endorsed by UE

By Commission Regulation No. 1358/2007 of November 21, 2007, IFRS 8 *Operating Segments* replaced IAS 14 *Segment Reporting*. IFRS 8 sets out requirements for disclosure of information about the group segments that management uses to make decisions about operating matters. The identification of operating segments is based on internal reports that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and assess their performances. IFRS 8 shall be applied for annual periods beginning on or after January 1, 2009.

By Commission Regulation No. 611/2007 of June 1, 2007, IFRIC interpretation 11 *IFRS 2 - Group and Treasury Share Transactions* was issued. This interpretation gives guidance, inter alia, on how the share-based payment arrangements involving parent company equity instruments should be accounted for in the separate financial statements of each group subsidiary. IFRIC 11 shall be applied for annual periods beginning on or after March 1, 2007 (for Eni: 2008 financial statements).

Accounting standards and interpretations issued by IASB/IFRIC and not yet been endorsed by UE

On March 29, 2007, IASB issued a revised IAS 23 Borrowing Costs . The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that take a substantial period of time to get ready for use or sale. The Company is required to capitalize such borrowing costs as part of the cost of the asset. The revised Standard shall be applied for annual periods beginning on or after January 1, 2009.

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On September 6, 2007, IASB issued a revised IAS 1 Presentation of Financial Statements . The revisions require, among other things, a statement of comprehensive income that begins with the amount of net profit for the year adjusted with all items of income and expense directly recognized in the equity, but excluded from net income, in accordance with IFRS. The revised standard will come into effect for the annual periods beginning on or after January 1, 2009.

On January 10, 2008, IASB issued a revised IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements . The revisions to IFRS 3 require, among other things, the acquisition-related costs to be accounted for separately from the business combination and then recognized as expenses rather than included in goodwill. The revised IFRS 3 also allows the choice of the full goodwill method which means to treat the full value of the goodwill of the business combination including the share attributable to minority interest. In the case of step acquisitions, the revisions also relate to the recognition in the profit and loss account of the difference between the fair value at the acquisition date of the net assets previously held and their carrying amounts.

The amendments of IAS 27 require, among other things, that acquisitions or disposals of non-controlling interests in a subsidiary that do not result in the loss of control, shall be accounted for as equity transactions.

By contrast, disposal of any interests that parent retains in a former subsidiary may result in a loss of control. In this case, at the date when control is lost the remaining investment retained is increased/decreased to fair value with gains or losses arising from the difference between the fair value and carrying amount of the held investment recognized in the profit or loss account. The revised Standards shall be applied for annual periods beginning on or after July 1, 2009 (for Eni: 2010 financial statements).

On January 17, 2008, IASB issued a revised IFRS 2 Share-based payment . The amendment specifies the accounting treatment of all cancellations of a grant of equity instruments to the employees. It also imposes that vesting conditions are only service and performance conditions required in return for the equity instruments issued. The amendment shall be applied for annual periods beginning on or after January 1, 2009.

On November 30, 2006, IFRIC issued IFRIC 12 Service Concession Arrangements which provides guidance on the accounting by operators for public-to-private service concession arrangements. An arrangement within the scope of this interpretation involves for a specified period of time an operator constructing, upgrading, operating and maintaining the infrastructure used to provide the public service. This interpretation shall be applied for annual periods beginning on or after January 1, 2008.

On June 28, 2007, IFRIC issued IFRIC 13 Customer Loyalty Programmes which addresses how companies, which grant their customers loyalty, award credits when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the credits. In particular IFRIC 13 requires companies to allocate some of the consideration received from the sales transaction to the award credits and their recognition at fair value. This interpretation shall be applied for annual periods beginning on or after July 1, 2008 (for Eni: 2009 financial statements).

On July 5, 2007, IFRIC issued IFRIC 14 The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction which provides guidance on how companies should determine the limit on the amount of a surplus in an employee benefit plan that they can recognise as an asset. The interpretation also gives guidance on the amounts that companies can recover from the plan, either as refunds or reductions in contribution. The interpretation shall be applied for annual periods beginning on or after January 1, 2008.

Eni is currently reviewing these new IFRS and interpretations to determine the likely impact on the Group's results.

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Notes to the Consolidated Financial Statements**Current activities****1 Cash and cash equivalents**

Cash and cash equivalents of euro 2,114 million (euro 3,985 million at December 31, 2006) included financing receivables originally due within 90 days for euro 415 million (euro 240 million at December 31, 2006). The latter were related to amounts on deposit with financial institutions accessible only on 48-hour notice. The decrease of euro 1,871 million primarily related to Eni Coordination Center SA (euro 2,686 million) and was partially offset by the increase of Banque Eni SA (euro 526 million).

2 Other financial assets held for trading or available for sale

Other financial assets held for trading or available for sale are set out below:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Investments		2,476
Securities held for operating purposes:		
- listed Italian treasury bonds	329	229
- listed securities issued by Italian and foreign financial institutions	80	27
- non-quoted securities	11	3
	420	259
Securities held for non-operating purposes:		
- listed Italian treasury bonds	508	168
- listed securities issued by Italian and foreign financial institutions	40	5
- non-quoted securities	4	1
	552	174
Total securities	972	433
	972	2,909

Equity instruments of euro 2,476 million included the carrying amount of a 20% interest in OAO Gazprom Neft which is listed on the London Stock Exchange and has been acquired on April 4, 2007 through a bid on the liquidation of the second lot of ex-Yukos assets. The classification of this transaction in this line reflects the call option granted by Eni to Gazprom on the entire interest. This option is exercisable within 24 months starting on the date of acquisition. If exercised, the price of the interest will be set at the acquisition price of euro 3.7 billion, less dividends, plus share capital increases, contractually agreed financial remuneration and additional financing costs. In application of the IAS 39 fair value option, the OAO Gazprom interest was carried at fair value and changes were reflected in the profit and loss account rather than in the relevant provisions in a way to maintain alignment with the inclusion in profit and loss of the derivative call option. Consequently, the carrying amount of this equity instrument was equal to its fair value as quoted on the market, less the fair value of the call option; this was the equivalent of the option strike price at December 31, 2007.

Available-for-sale securities decreased by euro 539 million to euro 433 million (euro 972 million at December 31, 2006) because securities owned by Eni SpA (euro 235 million) and the group insurance company Padana Assicurazioni SpA (euro 213 million) reached maturity. In addition a euro 125 million amount of securities owned by Padana Assicurazioni SpA was classified within assets held for sale. At December 31, 2006 and December 31, 2007,

Eni did not own financial assets held for trading.

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The effects of the valuation at fair value of securities are set out below:

(million euro)	Value at Dec. 31, 2006	Realization to the profit and loss account	Value at Dec. 31, 2007
Fair value	8	(6)	2
Deferred tax liabilities	2	(2)	
Other reserves of shareholders' equity	6	(4)	2

On disposal of securities owned primarily by Eni SpA, the cumulative changes in fair value of euro 6 million deriving from the recognition of such assets at fair value and the related deferred tax liabilities of euro 2 million, have been recognized in the profit and loss account as finance income and income taxes, respectively (see Note 27 - Shareholders' equity).

Securities held for operating purposes of euro 259 million (euro 420 million at December 31, 2006) were designed to provide coverage of technical reserves of Eni's insurance companies for euro 256 million (euro 417 million at December 31, 2006). The fair value of securities was determined by reference to quoted market prices.

3 Trade and other receivables

Trade and other receivables were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Trade receivables	15,230	15,609
Financing receivables:		
- for operating purposes - short-term	242	357
- for operating purposes - current portion of long-term receivables	4	27
- for non-operating purposes	143	990
	389	1,374
Other receivables:		
- from disposals	100	125
- other	3,080	3,668
	3,180	3,793
	18,799	20,776

Receivables are stated net of the allowance for impairment losses of euro 935 million (euro 874 million at December 31, 2006):

(million euro)	Value at Dec. 31, 2006	Additions	Deductions	Other changes	Value at Dec. 31, 2007
Trade receivables	587	98	(38)	(52)	595
Other receivables	287	109	(7)	(49)	340
	874	207	(45)	(101)	935

Included in 2007 trade receivables was the contractually agreed compensation of trade payables and receivables between Eni North Africa BV and the National Oil Co (the Libyan state company) for euro 1,798 million.

Advances of euro 156 million (euro 70 million at December 31, 2006) were paid as a guarantee of contract work in progress.

Trade receivables included euro 1,844 million of receivables not impaired that became due but were not provided for. Of these euro 999 million were 1-90 days overdue, euro 145 million were 3-6 months overdue, euro 329 million were 6-12 months overdue and euro 371 million were overdue for more than 12 months. These receivables were primarily due from high-credit-quality public administrations and other highly-reliable counterparties for oil, natural gas and chemicals products supplies.

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Receivables for financing operating activities of euro 384 million (euro 246 million at December 31, 2006) included euro 246 million due from unconsolidated entities under Eni's control, joint ventures and affiliates (euro 241 million at December 31, 2006) and a euro 112 million cash deposit to provide coverage of Eni Insurance Ltd technical reserves. Receivables for financing non-operating activities amounted to euro 990 million (euro 143 million at December 31, 2006) of which euro 898 million related to a collateral cash deposit made by Eni SpA to guarantee certain cash flow hedging derivatives. Further information is provided at the Note 20 - Other current liabilities and 25 - Other non-current liabilities.

Other receivables were as follows:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Accounts receivable from:		
- joint venture operators in exploration and production	1,376	1,699
- Italian government entities	266	386
- insurance companies	223	253
	1,865	2,338
Receivables relating to factoring operations	440	294
Prepayments for services	191	182
Other receivables	684	979
	3,180	3,793

Receivables deriving from factoring operations of euro 182 million (euro 191 million at December 31, 2006) were related to Serfactoring SpA and consisted primarily of advances for factoring operations with recourse and receivables for factoring operations without recourse.

Other receivables included euro 537 million of receivables not impaired that became due but were not provided for. Of these euro 160 million were 1-90 days overdue, euro 19 million were 3-6 months overdue, euro 97 million were 6-12 months overdue and euro 261 million were overdue for more than 12 months. These receivables were mainly due from public administrations.

Receivables with related parties are described in Note 36 - Transactions with related parties.

Because of the short term maturity of trade receivables, the fair value approximated their carrying amount.

4 Inventories

Inventories were as follows:

(million euro)	<u>Dec. 31, 2006</u>					<u>Dec. 31, 2007</u>				
	Crude oil, gas and petroleum products	Chemical products	Work in progress	Other	Total	Crude oil, gas and petroleum products	Chemical products	Work in progress	Other	Total
Raw and auxiliary materials and consumables	436	258		682	1,376	770	299		809	1,878
Products being processed and semi finished products	43	20		8	71	66	27		15	108
Work in progress			353		353			553		553
Finished products and goods	2,063	536		62	2,661	1,997	703		17	2,717

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Advances	1	287	3	291			179		179	
	2,543	814	640	755	4,752	2,833	1,029	732	841	5,435

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Inventories are stated net of the valuation allowance of euro 75 million (euro 92 million at December 31, 2006):

(million euro)	Value at Dec. 31, 2006	Additions	Deductions	Other changes	Value at Dec. 31, 2007
	92	9	(23)	(3)	75

5 Current tax assets

Current tax assets were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Italian subsidiaries	44	634
Foreign subsidiaries	72	69
	116	703

The euro 590 million increase in the current income tax assets of Italian subsidiaries primarily related to receivables for interim tax payments exceeding full-year taxation payable (euro 557 million) made by Eni SpA.

6 Other current tax assets

Other current tax assets were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
VAT	303	376
Excise and customs duties	86	316
Other taxes and duties	153	141
	542	833

The euro 230 million increase in excise and custom duties primarily related to receivables for interim tax payments exceeding full-year taxation payable (euro 235 million) made by Eni SpA.

7 Other assets

Other assets were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Fair value of non-hedging derivatives	569	629
Fair value of cash flow hedge derivatives	37	10
Fair value of fair value hedge derivatives	1	
Other assets	248	441
	855	1,080

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The fair value of derivative contracts which do not meet the criteria to be classified as hedges under IFRS was as follows:

(million euro)	Dec. 31, 2006			Dec. 31, 2007		
	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Non-hedging derivatives on exchange rate						
Interest Currency Swap	137	1,075	325	170	821	291
Currency swap	46	4,068	1,434	69	1,596	2,881
Other		38	4	3	18	11
	183	5,181	1,763	242	2,435	3,183
Non-hedging derivatives on interest rate						
Interest rate swap	66	127	3,266	91	248	3,466
	66	127	3,266	91	248	3,466
Non-hedging derivatives on commodities						
Over the counter	35	85	177	12	75	22
Other	285	1	850	284	2	1,218
	320	86	1,027	296	77	1,240
	569	5,394	6,056	629	2,760	7,889

The fair value of these derivative contracts was determined using an appropriate valuation method based on market data at closing date.

At December 31, 2007 cash flow hedging derivatives with a fair value of euro 10 million were entered into to manage foreign currency exposures of the Engineering & Construction segment. The nominal value of euro 48 million and euro 132 million referred to purchase and sale commitments respectively. At December 31, 2006 cash flow hedging derivatives with a fair value of euro 37 million were related to the future marketing of certain crude volumes produced by the Exploration & Production segment. The nominal value of euro 421 million was related to sale commitments (further information is given in Note 20 - Other current liabilities and Note 25 - Other non-current liabilities). Changes in fair value of the effective hedging instruments were recognized in equity for euro 27 million.

Information on the hedged risks and the hedging policies is given in Note 28 - Guarantees, commitments and risks - Risk management.

Other assets amounted to euro 441 million (euro 248 million at December 31, 2006) and included prepayments and accrued income for euro 297 million (euro 65 million at December 31, 2006), rentals for euro 21 million (euro 20 million at December 31, 2006), and insurance premiums for euro 10 million (same amount at December 31, 2006).

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Non-current assets**8 Property, plant and equipment**

Analysis of tangible assets is set out below:

(million euro)	Net value at the beginning of the year	Investments	Depreciations	Impairments	Currency translation differences	Other changes	Net value at the end of the year	Gross value at the end of the year	Provisions for amortization and impairments
Dec. 31, 2006									
Land	373	16		(3)		57	443	483	40
Buildings	1,453	81	(113)	(12)	(5)	38	1,442	3,236	1,794
Plant and machinery	36,568	1,858	(4,510)	(197)	(1,586)	3,240	35,373	79,873	44,500
Industrial and commercial equipment	372	130	(120)		(6)	50	426	1,659	1,233
Other assets	318	82	(78)	(1)	(9)	16	328	1,382	1,054
Tangible assets in progress and advances	5,929	3,971		(18)	(364)	(3,218)	6,300	6,822	522
	45,013	6,138	(4,821)	(231)	(1,970)	183	44,312	93,455	49,143
Dec. 31, 2007									
Land	443	4				151	598	628	30
Buildings	1,442	76	(99)	(3)	(3)	(37)	1,376	3,203	1,827
Plant and machinery	35,373	1,882	(4,724)	(41)	(1,535)	4,925	35,880	83,123	47,243
Industrial and commercial equipment	426	185	(125)	(1)	(8)	73	550	1,884	1,334
Other assets	328	86	(83)	(3)	(11)	24	341	1,361	1,020
Tangible assets in progress and advances	6,300	6,299		(97)	(646)	(464)	11,392	12,044	652
	44,312	8,532	(5,031)	(145)	(2,203)	4,672	50,137	102,243	52,106

Capital expenditures of euro 8,532 million (euro 6,138 million at December 31, 2006) primarily related to the Exploration & Production segment (euro 4,925 million), the Engineering & Construction segment (euro 1,401 million), the Gas & Power segment (euro 1,084 million) and the Refining & Marketing segment (euro 944 million). Capital expenditures included capitalized finance expenses of euro 180 million (euro 116 million at December 31, 2006) essentially related to the Exploration & Production segment (euro 105 million), the Gas & Power segment (euro 30 million) and the Refining & Marketing segment (euro 26 million). The interest rate used for the capitalization of finance expense ranged from 4.4% to 5.2% (3.3% and 5.4% at December 31, 2006).

The depreciation rates used were as follows:

(%)	
	Buildings
2 - 10	Plant and machinery
2 - 10	Industrial and commercial equipment
4 - 33	Other assets
6 - 33	

Impairments of euro 145 million were primarily related to producing oil and gas properties of the Exploration & Production segment (euro 86 million) and a refining plant of the Refining & Marketing segment (euro 52 million).

The recoverable amount used in assessing the impairments charges was determined by discounting the expected future

cash flows before taxation, at discount rates ranging from 11.2% to 12.2% derived from the weighted average cost of capital and that take into account the sector-specific risk.

Foreign currency translation differences of euro 2,203 million were primarily related to translation of entities accounts denominated in US dollar (euro 2,125 million).

Other changes in the net book value of tangible assets (euro 4,672 million) were primarily due to the acquisition of oil and gas upstream properties in the Gulf of Mexico (euro 3,050 million) from the US Company Dominion Resources and in Congo (euro 1,464 million) from the French company Maurel & Prom. The change from prior year was also due to the consolidation of the Frigstad Discover Invest Ltd acquired by the Engineering & Construction segment (euro 232 million) and the initial recognition and changes in the estimated decommissioning and restoration costs of euro 158 million related to the Exploration & Production segment.

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These increases were partially offset by asset disposals of euro 172 million of which euro 141 million related to the Exploration & Production segment. The accumulated impairments amounted to euro 3,295 million and euro 3,328 million at December 31, 2006 and 2007, respectively.

At December 31, 2007, Eni pledged tangible assets of euro 54 million primarily as collateral against certain borrowings (same amount at December 31, 2006).

Government grants recorded as decrease of property, plant and equipment amounted to euro 1,195 million (euro 1,067 million at December 31, 2006).

Assets acquired under financial lease agreements amounted to euro 42 million of which euro 29 million related to FPSO ships used by the Exploration & Production segment to support oil production and treatment activities and euro 13 million related to service stations in the Refining & Marketing segment.

Property, plant and equipment by segment

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Property, plant and equipment, gross		
Exploration & Production	49,002	54,284
Gas & Power	22,277	23,137
Refining & Marketing	11,273	12,421
Petrochemicals	4,380	4,918
Engineering & Construction	4,363	5,823
Other activities	1,967	1,543
Corporate and financial companies	321	344
Elimination of intra-group profits	(128)	(227)
	93,455	102,243
Accumulated depreciation, amortization and impairment losses		
Exploration & Production	26,000	27,806
Gas & Power	8,210	8,660
Refining & Marketing	7,482	7,926
Petrochemicals	3,308	3,819
Engineering & Construction	2,138	2,310
Other activities	1,874	1,461
Corporate and financial companies	145	148
Elimination of intra-group profits	(14)	(24)
	49,143	52,106
Property, plant and equipment, net		
Exploration & Production	23,002	26,478
Gas & Power	14,067	14,477
Refining & Marketing	3,791	4,495
Petrochemicals	1,072	1,099
Engineering & Construction	2,225	3,513
Other activities	93	82
Corporate and financial companies	176	196
Elimination of intra-group profits	(114)	(203)
	44,312	50,137

9 Other assets

Other assets of euro 563 million related to the service contract governing mineral activities in the Dación area owned by the Venezuelan branch of the Eni Dación BV subsidiary. Effective 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. Since then operations at the Dación oil field are conducted by PDVSA. In February 2008 Eni has reached a settlement agreement with the Republic of Venezuela thus terminating the dispute for the Dación field. Under the terms of the settlement agreement, Eni will receive a cash compensation to be paid in seven annual instalments. This cash compensation is not subject to taxation and yields interest income from the date of the settlement. The net present value of the compensation corresponds to the carrying value of expropriated assets, net of provisions. Consequently, Eni dropped the international arbitration proceeding commenced in 2006 against PDVSA.

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10 Inventory - compulsory stock

Inventory - compulsory stock was as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Crude oil and petroleum products	1,670	2,079
Natural gas	157	156
	1,827	2,235

Compulsory stock was primarily held by Italian companies (euro 1,688 million and euro 2,072 million at December 31, 2006 and 2007, respectively) in accordance with minimum stock requirements set forth by applicable laws.

11 Intangible assets

Intangible assets were as follows:

(million euro)	Net value at the beginning of the year	Investments	Amortization	Other changes	Net value at the end of the year	Gross value at the end of the year	Provisions for amortization and writedowns
Dec. 31, 2006							
Intangible assets with finite useful lives							
Exploration expenditures	164	1,337	(1,102)	10	409	1,290	881
Industrial patents and intellectual property rights	137	31	(97)	41	112	1,113	1,001
Concessions, licenses, trademarks and similar items	746	168	(110)	52	856	2,417	1,561
Intangible assets in progress and advances	76	146		(71)	151	156	5
Other intangible assets	157	13	(26)	(3)	141	457	316
	1,280	1,695	(1,335)	29	1,669	5,433	3,764
Intangible assets with indefinite useful lives							
Goodwill	1,914			170	2,084		
	3,194	1,695	(1,335)	199	3,753		
Dec. 31, 2007							
Intangible assets with finite useful lives							
Exploration expenditures	409	1,682	(1,812)	470	749	1,509	760
Industrial patents and intellectual property rights	112	40	(81)	77	148	1,179	1,031
Concessions, licenses, trademarks and similar items	856	12	(83)	1	786	2,449	1,663
Intangible assets in progress and advances	151	312		(86)	377	381	4
Other intangible assets	141	15	(24)	26	158	572	414
	1,669	2,061	(2,000)	488	2,218	6,090	3,872
Intangible assets with indefinite useful lives							
Goodwill	2,084			31	2,115		
	3,753	2,061	(2,000)	519	4,333		

Exploration expenditures of euro 749 million related to acquisition costs of unproved reserves included in business combinations and the purchase of mining rights. Main additions in the year included exploration drilling expenditures which were fully amortized as incurred for euro 1,610 million included within investments (euro 1,028 million at

December 31, 2006).

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Concessions, licenses, trademarks and similar items for euro 786 million primarily comprised transmission rights for natural gas imported from Algeria (euro 544 million) and concessions for mineral exploration (euro 204 million). Other intangible assets with finite useful lives of euro 158 million included royalties for the use of licenses by Polimeri Europa SpA (euro 76 million) and estimated costs for Eni's social responsibility projects in relation to mineral development programs in Val d'Agri (euro 22 million) following commitments made with the Basilicata Region. The depreciation rates used were as follows:

(%)	
Exploration expenditures	10 - 33
Industrial patents and intellectual property rights	20 - 33
Concessions, licenses, trademarks and similar items	7 - 33
Other intangible assets	4 - 25

Other changes in intangible assets with finite useful lives amounted to euro 488 million primarily related to the acquisition of unproved reserves in the Gulf of Mexico from the US company Dominion Resources (euro 470 million) and in Congo from the French company Maurel & Prom (euro 58 million). This increase was partially offset by negative exchange differences of euro 71 million.

Goodwill of euro 2,115 million primarily related to the Gas & Power segment (euro 1,125 million, of which euro 756 million related to the purchase of minorities in Italgas SpA in 2003 through a public offering), the Engineering & Construction segment (euro 746 million, of which euro 711 million was in respect of the purchase of Bouygues Offshore SA, now Saipem SA), the Exploration & Production segment (euro 158 million, of which euro 153 million was in respect of the purchase of Lasmo Plc, now Eni Lasmo Plc) and the Refining & Marketing segment (euro 86 million).

For impairment purposes, goodwill related to the acquisition of Bouygues Offshore SA and Italgas SpA has been allocated to the following cash-generating units:

(million euro)	<u>Dec. 31, 2007</u>
Italgas SpA	
Domestic gas market	706
Foreign gas market	50
	756
Bouygues Offshore SA	
Onshore constructions	296
Offshore constructions	415
	711

Goodwill is assessed by comparing the carrying amount of each cash-generating unit (comprehensive of goodwill) with its fair value. In absence of data allowing to determine the fair value of a unit, the recoverable amount is the value-in-use. Value-in-use was determined by computing, for the first four years, the discounted cash flows expected assuming current market assessments, and management's long-term planning assumptions thereafter.

The expected future cash flows before taxation have been discounted at rates ranging from 4.9% to 13.1% derived from the weighted average cost of capital for the Group and that take into account the sector-specific risk. Thereafter Eni has used growth rate assumptions ranging from 0% to 2%. Key assumptions are based on past experience and reflect current market assessment of the time value of money.

Other changes in goodwill of euro 31 million included the difference between the cost of acquisition of own shares by Snam Rete Gas SpA over the corresponding share of net equity (euro 139 million). Such increase was partially offset by the classification of the associated goodwill allocated on Gaztransport et Technigaz SA (euro 81 million) as asset

held for sale and the derecognition upon disposal of the associated goodwill allocated on Camom SA (euro 13 million). Goodwill allocated to these investments derived from the acquisition of Bouygues Offshore SA. Negative foreign currency translation differences amounted to euro 14 million.

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12 Investments

Investments accounted for using the equity method

Equity-accounted investments were as follows:

(million euro)	Value at the beginning of the year	Acquisitions and subscriptions	Share of profit of equity-accounted investments	Share of loss of equity-accounted investments	Deduction for dividends	Currency translation differences	Other changes	Value at the end of the year	
Dec. 31, 2006									
Investments in unconsolidated entities controlled by Eni		146	4	15	(8)	(8)	(6)	1	144
Investments in joint ventures		2,322	33	516	(26)	(302)	(79)	42	2,506
Investments in affiliates		1,422	1	356	(2)	(440)	(31)	(70)	1,236
		3,890	38	887	(36)	(750)	(116)	(27)	3,886
Dec. 31, 2007									
Investments in unconsolidated entities controlled by Eni		144	4	10	(2)	(9)	(6)		141
Investments in joint ventures		2,506	1,109	481	(130)	(351)	(173)	(132)	3,310
Investments in affiliates		1,236	813	415	(3)	(220)	(42)	(11)	2,188
		3,886	1,926	906	(135)	(580)	(221)	(143)	5,639

Acquisitions and subscriptions for euro 1,926 million mainly related to the: (i) subscription of capital increase of Artic Russia BV (euro 1,041 million; Eni 60%) following the acquisition of the three Russian gas companies OAO Arctic Gas, OAO Urengoil and OAO Neftegaztehnologiya by OOO SeverEnergia (Artic Russia BV 100%) as part of a bid procedure for assets of bankrupt Yukos; (ii) acquisition of 24.9% of Burren Energy Plc (euro 601 million); (iii) acquisition of 16.1% of Ceska Rafinerska AS (euro 211 million), and (iv) subscription of capital increase of Enirepsa Gas Ltd (euro 42 million).

Share of gain of equity-accounted investments of euro 906 million primarily related to Galp Energia SGPS SA (euro 255 million), Unión Fenosa Gas SA (euro 181 million), United Gas Derivatives Co (euro 79 million), EnBW - Eni Verwaltungsgesellschaft mbH (euro 64 million), Trans Austria Gasleitung GmbH (euro 43 million), Blue Stream Pipeline Co BV (euro 39 million), Supermetanol CA (euro 34 million) and Gaztransport et Technigaz SAS (euro 31 million).

Share of loss of equity-accounted investments of euro 135 million primarily related to Artic Russia BV (euro 63 million), Enirepsa Gas Ltd (euro 35 million) and Starstroi Llc (euro 15 million).

Deduction following the distribution of dividends of euro 580 million primarily related to Unión Fenosa Gas SA (euro 173 million), Galp Energia SGPS SA (euro 126 million), EnBW - Eni Verwaltungsgesellschaft mbH (euro 42 million), United Gas Derivatives Co (euro 40 million), Supermetanol CA (euro 36 million), Trans Austria Gasleitung GmbH (euro 28 million), Gaztransport et Technigaz SAS (euro 28 million) and Azienda Energia e Servizi Torino SpA (euro 17 million).

Other changes of euro 143 million were primarily related to: (i) the exclusion from the scope of consolidation of Haldor Topsøe AS (euro 69 million); (ii) the classification as held for sale of interests in Fertilizantes Nitrogenados de Oriente (euro 89 million) and Gaztransport et Technigaz SAS (euro 33 million).

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The following table sets out the net carrying amount of euro 5,639 million relating to equity-accounted investments (euro 3,886 million at December 31, 2006):

(million euro)	Dec. 31, 2006		Dec. 31, 2007	
	Net carrying amount	Eni s interest %	Net carrying amount	Eni s interest %
Unconsolidated entities controlled by Eni:				
- Eni Btc Ltd	46	100.00	42	100.00
- Others (*)	98		99	
	144		141	
Joint ventures:				
- Artic Russia BV			925	60.00
- Unión Fenosa Gas SA	503	50.00	507	50.00
- Blue Stream Pipeline Co BV	293	50.00	298	50.00
- EnBW - Eni Verwaltungsgesellschaft mbH	234	50.00	256	50.00
- Azienda Energia e Servizi Torino SpA	165	49.00	162	49.00
- Eteria Parohis Aeriou Thessalonikis AE	157	49.00	154	49.00
- Toscana Energia SpA	111	48.72	133	49.38
- Raffineria di Milazzo ScpA	171	50.00	126	50.00
- Trans Austria Gasleitung GmbH	81	89.00	96	89.00
- Super Octanos CA	97	49.00	90	49.00
- Lipardiz - Construção de Estruturas Maritimas Lda	97	50.00	88	50.00
- Supermetanol CA	90	34.51	78	34.51
- Unimar Llc	70	50.00	71	50.00
- FPSO Mystras - Produção de Petroleo Lda	63	50.00	58	50.00
- Transmediterranean Pipeline Co Ltd	50	50.00	47	50.00
- Eteria Parohis Aeriou Thessalias AE	46	49.00	41	49.00
- Transitgas AG	31	46.00	30	46.00
- CMS&A Wll	27	20.00	22	20.00
- Altergaz SA			18	27.80
- Saibos Akogep Snc	38	70.00	5	70.00
- Haldor Topsøe AS	71	50.00		
- Others (*)	111		105	
	2,506		3,310	
Affiliates:				
- Galp Energia SGPS SA	782	33.34	911	33.34
- Burren Energy Plc			592	24.90
- Ceska Rafinerska AS			325	32.44
- United Gas Derivatives Co	117	33.33	140	33.33
- ACAM Gas SpA	45	49.00	45	49.00
- Distribuidora de Gas del Centro SA	37	31.35	33	31.35
- Fertilizantes Nitrogenados de Oriente CEC	88	20.00		
- Gaztransport et Technigaz SAS	29	30.00		
- Others (*)	138		142	
	1,236		2,188	
	3,886		5,639	

(*) Each individual amount included herein does not exceed euro 25 million.

The net carrying amount of investments in unconsolidated entities controlled by Eni, joint ventures and affiliates included the differences between purchase price and Eni's equity in investments of euro 661 million. Such differences primarily related to Unión Fenosa Gas SA (euro 195 million), EnBW - Eni Verwaltungsgesellschaft mbH (euro 193 million), Galp Energia SGPS SA (euro 106 million), Ceska Rafinerska AS (euro 97 million) and Azienda Energia e Servizi Torino SpA (euro 69 million).

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The fair value of listed investments was as follows:

	Shares	Ownership (%)	Price per share (euro)	Fair value (euro million)
Galp Energia SGPS SA	276,472,160	33.34	18.39	5,084
Burren Energy Plc	35,136,033	24.90	16.60	583
Altergaz SA	750,892	27.80	24.00	18

The table below sets out the provisions for losses included in the provisions for contingencies of euro 135 million (euro 154 million at December 31, 2006), primarily related to the following equity-accounted investments:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Polimeri Europa Elastomères France SA (under liquidation)	50	50
Charville - Consultores e Serviços Lda	37	31
Industria Siciliana Acido Fosforico - ISAF - SpA (under liquidation)	31	28
Southern Gas Constructors Ltd	9	14
Geopromtrans Llc	19	
Others	8	12
	154	135

Other investments

Other investments were as follows:

(million euro)	Net value at the beginning of the year	Acquisition and subscriptions	Currency translation differences	Other changes	Net value at the end of the year	Gross value at the end of the year	Accumulated impairment charges
Dec. 31, 2006							
Investments in unconsolidated entities controlled by Eni	41			(20)	21	49	28
Investments in affiliates	9				9	10	1
Other investments	371	4	(31)	(14)	330	332	2
	421	4	(31)	(34)	360	391	31
Dec. 31, 2007							
Investments in unconsolidated entities controlled by Eni	21	3	(1)	2	25	36	11
Investments in affiliates	9			1	10	11	1
Other investments	330	190	(36)	(47)	437	443	6
	360	193	(37)	(44)	472	490	18

Investments in unconsolidated entities controlled by Eni and affiliates are stated at cost net of impairment losses. Other investments, for which fair value cannot be reliably determined, were recognized at cost and adjusted for impairment losses.

Acquisitions and subscriptions for euro 193 million mainly related to the acquisition of 13.6% of Angola LNG Ltd and Angola LNG Supply Services Llc (euro 190 million).

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The net carrying amount of other investments of euro 472 million (euro 360 million at December 31, 2006) was related to the following entities:

(million euro)	Dec. 31, 2006		Dec. 31, 2007	
	Net carrying amount	Eni's interest %	Net carrying amount	Eni's interest %
Investments in unconsolidated entities controlled by Eni	21		25	
Affiliates	9		10	
Other investments:				
- Angola LNG Ltd			175	13.60
- Darwin LNG Pty Ltd	108	12.04	87	10.99
- Nigeria LNG Ltd	90	10.40	80	10.40
- Ceska Rafinerska AS	31	16.33		
- Others (*)	101		95	
	330		437	
	360		472	

(*) Each individual amount included herein does not exceed euro 25 million.

Provisions for losses related to other investments, included within the provisions for contingencies, amounted to euro 28 million (euro 30 million at December 31, 2006) and were primarily in relation to the following entities:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Caspian Pipeline Consortium R - Closed Joint Stock Co	27	25
Other investments	3	3
	30	28

Other information about investments

The following table summarizes key financial data, net to Eni, as disclosed in the latest available Financial Statements of unconsolidated entities controlled by Eni, joint ventures and affiliates:

(million euro)	Dec. 31, 2006			Dec. 31, 2007		
	Unconsolidated entities controlled by Eni	Joint ventures	Affiliates	Unconsolidated entities controlled by Eni	Joint ventures	Affiliates
Total assets	1,315	7,906	2,998	1,247	7,781	4,252
Total liabilities	1,182	5,466	1,753	1,111	4,526	2,061
Net sales from operations	71	5,536	4,905	99	4,667	5,134
Operating profit	(1)	790	454	14	674	502
Net profit	3	465	351	14	318	410

The total assets and liabilities of unconsolidated controlled entities of euro 1,247 million and euro 1,111 million respectively (euro 1,315 million and euro 1,182 million at December 31, 2006) concerned for euro 873 million and

euro 873 million (euro 900 million and euro 900 million at December 31, 2006) entities for which the consolidation would not produce significant effects.

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13 Other financial assets

Other financing receivables were as follows:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Financing receivables:		
- receivables for financing operating activities	532	677
- receivables for financing non-operating activities	252	225
	784	902
Securities:		
- securities held for operating purposes	21	21
	21	21
	805	923

Financing receivables are presented net of the allowance for impairment losses of euro 24 million (same amount at December 31, 2006).

Operating financing receivables of euro 677 million (euro 532 million at December 31, 2006) primarily concerned loans made by the Exploration & Production segment (euro 512 million) and Gas & Power segment (euro 87 million). The euro 145 million increase was primarily related to the Exploration & Production segment for euro 157 million and was offset by negative exchange differences of euro 82 million.

Non-operating financing receivables of euro 225 million (euro 252 million at December 31, 2006) concerned a restricted deposit held by Eni Lasmo Plc as a guarantee of a debenture (euro 246 million at December 31, 2006). Receivables in currencies other than euro amounted to euro 821 million (euro 693 million at December 31, 2006). Receivables due beyond five years amounted to euro 509 million (euro 396 million at December 31, 2006).

Securities euro 21 million (same amount as at December 31, 2006) designated as held-to-maturity investments were issued by the Italian Government.

Securities have a maturity beyond five years.

The fair value of financing receivables has been determined based on the present value of expected future cash flows discounted at rates ranging from 3.8% and 6.0% (3.6% and 5.6% at December 31, 2006).

The fair value of securities was derived from quoted market prices. The fair value of financing receivables and securities did not differ significantly from their carrying amount.

14 Deferred tax assets

Deferred tax assets were recognized net of offsettable deferred tax liabilities for euro 3,526 million (euro 4,028 million at December 31, 2006).

(million euro)	<u>Value at Dec. 31, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Currency translation differences</u>	<u>Other changes</u>	<u>Value at Dec. 31, 2007</u>
	1,725	1,285	(1,736)	(217)	858	1,915

Other changes of euro 858 million were primarily related to additions reflecting: (i) a limited right for each subsidiaries to offset deferred tax assets against deferred tax liabilities (euro 502 million); (ii) the recognition of the deferred tax effect against equity on the fair value evaluation of derivatives designated as cash flow hedge for euro 378 million.

Further information is provided in Note 20 - Other current liabilities and Note 25 - Other non-current liabilities.

Deferred tax assets are described in Note 24 - Deferred tax liabilities.

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15 Other non-current receivables

The following table provides an analysis of other non-current receivables:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Tax receivables from:		
- Italian tax authorities		
. income tax	501	486
. interest on tax credits	322	325
. Value Added Tax (VAT)	37	42
. other	13	11
	873	864
- foreign tax authorities	30	30
	903	894
Other receivables:		
- in relation to disposals	2	7
- others	83	197
	85	204
Other non-current receivables	6	12
	994	1,110

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Current liabilities**16 Short-term debt**

Short-term debt was as follows:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Banks	3,178	4,070
Ordinary bonds		3,176
Other financial institutions	222	517
	3,400	7,763

Short-term debt increased by euro 4,363 million primarily due to the balance of repayments and new proceeds (euro 4,850 million) and to changes in the scope of consolidation (euro 98 million) offset by negative currency translation differences (euro 583 million). Debt comprised commercial papers of euro 3,176 million mainly issued by the financial company Eni Coordination Center SA.

Short-term debt per currency is shown in the table below:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Euro	3,119	5,453
US dollar	161	1,591
Other currencies	120	719
	3,400	7,763

In 2007, the weighted average interest rate on short-term debt was 4.9% (3.9% in 2006).

At December 31, 2007 Eni had undrawn committed and uncommitted borrowing facilities available of euro 5,006 million and euro 6,298 million, respectively (euro 5,896 million and euro 6,523 million at December 31, 2006). These facilities were under interest rates that reflected market conditions. Charges in unutilized facilities were not significant.

17 Trade and other payables

Trade and other payables were as follows:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Trade payables	10,528	11,092
Advances	1,362	1,583
Other payables:		
- in relation to investments	1,166	1,301
- others	2,939	3,240
	4,105	4,541
	15,995	17,216

Included in 2007 trade payables was the contractually agreed compensation of receivables and payables between Eni North Africa BV and the National Oil Co (the Libyan state company) for euro 1,798 million.

Advances of euro 1,583 million (euro 1,362 million at December 31, 2006) were related to payments received in excess of the value of the work in progress performed for euro 772 million (euro 884 million at December 31, 2006), advances on contract work in progress for euro 324 million (euro 197 million at December 31, 2006) and other advances for euro 487 million (euro 281 million at December 31, 2006). Advances on contract work in progress were in respect of the Engineering & Construction segment.

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Other payables were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Payables due to:		
- joint venture operators in exploration and production activities	1,146	1,624
- suppliers in relation to investments	923	1,015
- non-financial government entities	274	397
- employees	336	257
- social security entities	339	226
	3,018	3,519
Other payables	1,087	1,022
	4,105	4,541

Payables with related parties are described in Note 36 - Related-party transactions.

The fair value of trade and other payables did not differ significantly from their carrying amount considering the short-term maturity of trade payables.

18 Taxes payable

Taxes payable were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Italian subsidiaries	158	247
Foreign subsidiaries	1,482	1,441
	1,640	1,688

Income taxes payable of Italian subsidiaries were positively effected by the fair value valuation of cash flow hedging derivatives (euro 492 million). This effect was recorded in the relevant provision within equity. Further information is provided in Note 20 - Other current liabilities and Note 25 - Other non-current liabilities.

19 Other taxes payable

Other taxes payable were as follows:

(million euro)	Dec. 31, 2006	Dec. 31, 2007
Excise and customs duties	683	804
Other taxes and duties	507	579
	1,190	1,383

20 Other current liabilities

Other current liabilities were as follows:

(million euro)	<u>Dec. 31, 2006</u>	<u>Dec. 31, 2007</u>
Fair value of non-hedging derivatives	395	412
Fair value of cash flow hedge derivatives	40	911
Other liabilities	199	233
	634	1,556

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Fair value of derivative contracts which do not meet the formal criteria to be recognized as hedges in accordance with IFRS was as follows:

(million euro)	Dec. 31, 2006			Dec. 31, 2007		
	Fair value	Purchase commitments	Sale commitments	Fair value	Purchase commitments	Sale commitments
Non-hedging derivatives on exchange rate						
Currency swap	11	928	363	63	2,096	296
Interest currency swap	19	133	124	5	140	
Other	2	69	1	7	76	1
	32	1,130	488	75	2,312	297
Non-hedging derivatives on interest rate						
Interest rate swap	30	1,077	1,045	24	722	401
	30	1,077	1,045	24	722	401
Non-hedging derivatives on commodities						
Over the counter	52	568	67	12	49	58
Other	281	855	75	301	1,187	28
	333	1,423	142	313	1,236	86
	395	3,630	1,675	412	4,270	784

The fair value of these derivative contracts was determined using an appropriate valuation method based on market data at closing date. The fair value of cash flow hedging derivatives amounted to euro 911 million (euro 40 million at December 31, 2006) related to contracts expiring in 2008 entered into by the Exploration & Production segment in order to hedge the exposure to variability in future cash flows expected in the 2008-2011 period deriving from marketing an amount of Eni's proved hydrocarbon reserves equal to 2% of proved reserves as of December 31, 2006 in connection with the acquisition in 2007 of production, development and exploration upstream properties onshore Congo from the French company Maurel & Prom and in the Gulf of Mexico from the US company Dominion Resources. Change in fair value (euro 871 million) of the hedging instrument directly recognized in equity was euro 878 million for the effective portion whilst the ineffective portion of euro 16 million was recognized in the profit and loss as finance expense (the time value component). Cumulative currency translation differences increased by euro 23 million. Further information on the fair value recognition in the consolidated balance sheet and profit and loss account of contracts with a maturity in 2009-2011 is given in Note 25 - Other liabilities under the section other non-current liabilities. The nominal value of these cash flow hedging derivatives referred to purchase and sale commitments for euro 1,399 million and euro 1,977 million, respectively (euro 4 million and euro 525 million at December 31, 2006). Information on the hedged risks and the hedging policies is given in Note 28 - Guarantees, commitments and risks - Risk management.

Non-current liabilities**21 Long-term debt and current maturities of long-term debt**

Long-term debt included the debt current portion maturing during the year following the balance sheet date (current maturity). The table below analyses debt by year of forecast repayment:

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(million euro)

Type of debt instrument	Maturity range	December 31			Long-term maturity					
		2006	2007	Current maturity 2008	2009	2010	2011	2012	After	Total
Bank loans	2008-2022	2,298	6,073	159	607	423	121	4,106	657	5,914
Other bank loans at favorable rates	2008-2013	13	9	2	1	2	2	1	1	7
		2,311	6,082	161	608	425	123	4,107	658	5,921
Ordinary bonds	2008-2037	5,097	5,386	263	324	919	167	30	3,683	5,123
Other financial institutions	2008-2020	891	599	313	118	12	28	12	116	286
		8,299	12,067	737	1,050	1,356	318	4,149	4,457	11,330

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Long-term debt, including the current portion of long-term debt, increased by euro 3,768 million to euro 12,067 million (euro 8,299 million at December 31, 2006). Such increase was due to the balance of payments and new proceeds of euro 3,885 million as well as the consolidation of Frigstad Discover Invest Ltd accounts for euro 170 million. This was offset by: (i) the negative impact of foreign currency translation differences; (ii) translation differences arising on debt taken on by euro-reporting subsidiaries denominated in foreign currency which are translated into euro at year-end exchange rates (euro 312 million).

Debt from other financial institutions of euro 599 million included euro 37 million of finance lease transactions. The following table shows residual debt by maturity date, which was obtained by summing future lease payments discounted at the effective interest rate, interests and the nominal value of future lease payments:

(million euro)	Maturity range			Total
	Within 12 months	Between one and five years	After five years	
Residual debt	7	25	5	37
Interests	4	7	4	15
Undiscounted value of future lease payments	11	32	9	52

Eni entered into long-term borrowing facilities with the European Investment Bank which were subordinated to the maintenance of certain performance indicators based on Eni's Consolidated Financial Statement or a rating not inferior to A- (S&P) and A3 (Moody's). At December 31, 2006 and 2007, the amount of short and long-term debt subject to restrictive covenants was euro 1,131 million and euro 1,429 million respectively. Furthermore, Saipem SpA and Saipem SA entered into certain borrowing facilities for euro 75 million and euro 34 million, respectively, with a number of financial institutions subordinated to the maintenance of certain performance indicators based on the Consolidated Financial Statements of Saipem and separate financial statements of Saipem SA. Eni and Saipem are in compliance with the covenants contained in their respective financing arrangements.

Bonds of euro 5,386 million consisted of bonds issued within the Euro Medium Term Notes Program for a total of euro 4,916 million and other bonds for a total of euro 470 million.

The following table analyses bonds per issuing entity, maturity date, interest rate and currency as at December 31, 2007:

(million euro)	Amount	Discount on bond issue and accrued expense	Total	Value	Maturity		% rate	
					from	to	from	to
Issuing entity								